

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE

GOVERNMENT OF PAKISTAN

FOR THE YEAR

1980-81

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FEDERAL COUNCIL SECRETARIAT

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF FEDERAL GOVERNMENT FOR THE YEAR 1980-81.

Introductory

This Report of the Public Accounts Committee on Federal Accounts covers the financial year 1980-81. To complete the examination of these Accounts, the Committee held three sessions stretching over 18 meetings between August 27, 1983, when it met first, and its last meeting on 10th May, 1984. In addition, the Committee examined the Accounts of the Ministry of Interior and the residue Accounts of the Ministry of Communications on the 26th and 27th August, 1984, respectively, proceedings relating to which have also been included in this Report. Alongwith the examination of Accounts of each Ministry, the Committee also reviewed the compliance by the latter of the directives given by it, while examining the Federal Accounts for 1978-79.

2. Mr. Ghulam Ishaq Khan, Minister for Finance, Commerce and Co-ordination and Chairman of the Committee could not attend any meeting due to his other pressing pre-occupations. Another Member, Nawabzada Azmat Ali Khan, also did not attend any meeting and, on his induction in the NWFP Cabinet, tendered his resignation from the membership of the Committee on 16th November, 1983, Mr. Akhunzada Behrawar Saeed, Member, Federal Council, was appointed as a Member of the PAC, in place of Mr. Azmat Ali Khan on 26th May, 1984. Mir Jam Ghulam Qadir Khan of Lasbela attended only the last session of the Committee, held from the 5th to 10th May, 1984.

THE PUBLIC ACCOUNTS 1980-81 EXAMINED BY THE PAC

I. Federal Government

3. The Federal Accounts for 1980-81 and the Reports thereon, prepared by the Auditor-General in 13 compilations and examined by the PAC, were presented in five groups as below—

(i) Appropriation and other Accounts (Civil) and Reports of the Auditor-General thereon (4)

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

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

(iv) Appropriation Accounts of Pakistan Post Offices and Pak. Telegraph and Telephone Departments and Report of Auditor-General (3)

(v) Report of the Auditor-General on the Accounts of WAPDA (1)

II. Public Sector Enterprises

Reports of the Auditor-General (Vols I to III) on the Performance Evaluation of selected public sector enterprises (1982).

III. Performance of Federal Projects

Report of the Auditor-General on the Performance of Federal Projects—1981-82.

Contents of the Report

4. This Report has been divided into three Parts, namely—

Part I — The Federal Accounts 1980-81.

Part II — The Performance Evaluation of Public Enterprises (1982).

— The Performance of Federal Projects—1981-82.

Part III — Miscellaneous.

Meetings and Proceedings of the Committee to form part of this Report

5. The examination of the Accounts for 1980-81 and the Compliance Reports for 1978-79 were completed in three sessions of six days' duration each, held from the 27th August, 1983 to the 1st September, 1983, the 31st December, 1983 to the 5th January, 1984 and the 5th to the 10th May, 1984 respectively and on the 26th and 27th August, 1984. The proceedings of the Committee which are appended as Annexure I, alongwith the specific recommendations and observations made therein, may be deemed to form part of this Report.

6. The Committee would like to record its profuse thanks to the Auditor-General, his officers and staff and the officers and staff of the Federal Council Secretariat for the valuable help rendered by them in enabling the Committee to get through this work.

APPROPRIATION ACCOUNTS (CIVIL) FOR 1980-81

7. The original schedule of Authorised Expenditure for 1980-81 comprised 191 grants (excluding those for the Defence Services, Railways and the Pakistan Post Office and Telephone and Telegraph Departments), which amounted to Rs. 40,895,912,000. In addition, Appropriation for expenditure, charged on the Federal Consolidated Fund and amounting to Rs. 141,420,455,000, were included in the Schedule.

8. During 1980-81, Supplementary grants, amounting to Rs. 1,738,992,000 to meet the authorised expenditure, and Supplementary Appropriations of Rs. 18,153,222,000, 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)

9. The following table summarises the Appropriation Accounts for the year 1980-81—

S. No.	Particulars	*Charged*	Other than Charged		Total
			Current	Development	
		Rs.	Rs.	Rs.	Rs.
1.	Original Schedule of Authorised Expenditure	*141,420,455,000*	17,866,083,000	23,029,829,000	182,316,367,000
2.	Supplementary Schedules of Authorised Expenditure ..	*18,153,222,000*	766,102,000	972,890,000	19,892,214,000
3.	Aggregate Grants and Appropriations	*159,573,677,000*	18,632,185,000	24,002,719,000	202,208,581,000
4.	Aggregate Disbursements	*157,898,049,358*	15,506,433,730	19,922,867,654	193,327,350,742
5.	Less (—) More (+) than authorised ..	*—1,675,627,642*	—3,125,751,270	—4,079,851,346	—8,881,230,258
6.	Percentage of 5 to 3.	*1.05*	16.77	17.00	4.39

10. The total budgetary provisions for Charged, and Other than Charged Expenditure, were increased by 10.91 per cent by the Supplementary Schedule of Authorised Expenditure. However, the actual expenditure fell short of the aggregate Budget by 4.39 per cent.

11. Appended as Annexure II to this Report are the following Statements pertaining to the Appropriation Accounts (Civil, Defence, PT&T and Railways) 1980-81 and representing the findings of Audit in respect thereof—

(1) Summary of Results of Appropriation Audit;

(2) Analysis of Savings and Excesses by main Departments;

(3) Analysis of Savings and Excesses under Revenue, Capital and Loans and Advances;

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

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

OBSERVATIONS ON APPROPRIATION ACCOUNTS

(OTHER THAN CIVIL)

(1) Appropriation Accounts (Defence)

12. The Schedule of Authorised Expenditure for the year 1980-81, relating to the Defence Services, amounted to Rs. 14,031,800,000. A Supplementary Grant of Rs. 1,204,333,000 was obtained during the course of the year. The final grant, therefore, stood at Rs. 15,236,133,000. The actual disbursement from the Federal Consolidated Fund amounted to Rs. 15,261,327,954.

13. *Review of Expenditure incurred by the Military Engineering Services.*—The Appropriation Accounts did not include a review of the expenditure by the Military Engineering Services (MES) during the year 1980-81 as, till the preparation of the Appropriation Accounts, full information about it had not been received by Audit. The Ministry must take special and prompt measures to bring the position up-to-date and to ensure the receipt of all such information timely in future.

(2) Appropriation Accounts (Pakistan Railways)

14. The original schedule of Authorised Expenditure for the year 1980-81 comprised the following :-

	Rs.
(i) Grants for expenditure	4,342,003,000
(ii) Appropriation for expenditure charged on the Federal Consolidated Fund	352,913,000

15. During the year 1980-81, Supplementary Grants of Rs. 182,843,000, to meet Authorised expenditure, and Supplementary

Appropriations of Rs. 18,830,000 to meet the expenditure charged on the Federal Consolidated Fund, were authorised by the President under the Budgetary Provision Order, 1978 (P. O. 8 of 1978).

16. *Financial Results of Pakistan Railways.* –The previous year *i.e.* 1979-80 had closed with a net loss of Rs. 535.5 million as against the budgeted loss of Rs. 155.4 million. In the year 1980-81, there was a net loss of Rs. 457.2 million as against the budgeted loss of Rs. 151.7 million. The loss during the year under report was met to the extent of Rs. 198.5 million (the amount allowed by the Federal Government by way of a grant) from the Railway Reserve Fund and the remaining loss of Rs. 258.7 million remained unrecovered.

17. *Revenue Receipts.*—The total revenue receipts during the year 1980-81 amounted to Rs. 2,931.7 million, recording an increase of Rs. 252.9 million over the actual receipts for the preceding year. These, however, fell short of the budget estimates for 1980-81 by an amount of Rs. 368.3 million.

18. *Revenue Expenditure.* –The total revenue expenditure for the year 1980-81 amounted to Rs. 3,388.9 million. It recorded an increase of Rs. 174.6 million over the previous year's figures and also exceeded the budget estimates for the year by an amount of Rs. 135.2 million.

EXPENDITURE IN EXCESS OF GRANTS/APPROPRIATION

19. The Appropriation Accounts of the Pakistan Railways carried an excess of Rs. 3,685,623 (Authorised) against the "Grant No. 137 – Other Capital Expenditure of Pakistan Railways". According to the Department, the excess against Grant No. 137 was mainly due to the expeditious completion of a substantial number of residential quarters.

(3) Appropriation Accounts (Pakistan Post Office Department)

20. The original schedule of Authorised Expenditure for the year 1980-81 relating to the Pakistan Post Office Department comprised two grants which amounted to Rs. 409,509,000. In addition,

one Appropriation for expenditure, charged to the Federal Consolidated Fund and amounting to Rs. 18,507,000, was included in the Schedule. During the year 1980-81, Supplementary Grants, amounting to Rs. 20,466,000, to meet other than charged expenditure and Rs. 977,000, to meet the charged expenditure, were authorised by the President.

21. The actual expenditure, both under the charged and other than charged, however, exceeded the total Grant.

(4) Losses|Defalcation of Public Money in Post Offices

22. There were five cases of defalcations or losses of public money, which came to notice during the year under report, involving an amount of Rs. 29,649. Compared with the previous year, there was a decrease both in the number of cases and the amount involved. Departmental employees were found responsible for 98 per cent of the total amount of defalcations, losses, etc., whereas persons, unconnected with the Department, were responsible for only 2 per cent of the total amount defalcated during this year, as compared to 16.95 per cent in the previous year.

(5) Savings Bank, Money Orders, Misc. Frauds

23. The position of frauds in the above cases was reported as under—

	No.	Amount
Savings Bank Frauds	2	24,125
Money Orders Frauds	1	301
Miscellaneous Frauds..	2	5,223

24. Departmental employees were again found to be mainly responsible, directly or indirectly, for cases of Savings Bank, Money Orders or Miscellaneous frauds etc.

(6) Appropriation Accounts (Telegraph and Telephone Department)

25. The Original Schedule of Authorised Expenditure for the year 1980-81 comprised two grants, relating to the Telegraph and Telephone Department, which amounted to Rs. 1,405,349,000. In addition, one Appropriation for the expenditure charged on the Federal Consolidated Fund and amounting to Rs. 101,200,000, was included in this Schedule. A Supplementary Grant of Rs. 4,483,000 to meet other than charged expenditure, was also authorised by the President.

26. *Financial Results of the working of the Department.*—The Financial results of the working of the Department for three years *viz.*, 1978-79, 1979-80 and 1980-81, are reproduced below—

	(Figures in thousands of Rupees) Profit (+) or Loss (—)
1978-79	(+) 838,597
1979-80	(+) 802,409
1980-81	(+) 1,083,596

27. The accumulated surplus at the end of the year 1979-80 amounted to Rs. 3,938,458 thousand. In the year 1980-81, the Department earned a profit of Rs. 1,083,596 thousand. Added to the accumulated surplus of the Department at the end of 1980-81, the surplus amounted to Rs. 5,022,054 thousand, on which the Department would earn interest in the form of rebate, while allowing for interest, payable to Government on the capital outlay during the next year.

REVIEW OF REVENUE AND EXPENDITURE

28. (a) *Revenue.*—The revenue for the year was Rs. 2,028,137 thousand against Rs. 1,915,000 thousand, originally estimated and Rs. 2,208,500 thousand taken in the Revised Estimates. This revenue was higher by Rs. 476,038 thousand as compared with the Revenue of the previous year *viz.* Rs. 1,552,099 thousand. The increase was due to the revision of the T&T tariff.

29. (b) *Expenditure.*—The gross expenditure, including interest and depreciation charges, amounted to Rs. 926,304 thousand against the original estimates of Rs. 926,122 thousand and revised estimate of Rs. 913,908 thousand.

I. POINTS PERTAINING TO ACCOUNTING AND AUDIT

(1) Non-Reconciliation of Accounts

30. The Committee noticed that, in compliance with its previous directives, Ministries/Divisions had attained a notable improvement in the reconciliation of Accounts. If the reconciliation continued to be carried out, as directed by the PAC, there should be a further improvement in the maintenance of Account. However, instances of delays in reconciliation did recur and could be seen in paragraphs 6, 101, 118, 155(i), 177, 249, 355, 561, 588, 595, 628, 788, 1149, 1813, 1899, 1934, 1976, 2157, 2240, 2319, 2399, 2727, 2939, 2967, 3014, 3026 of Annex I. The Committee *vide* paragraph 2403 of Annex I, again vehemently observed that, in future, there should be no arrears in reconciliation.

(2) Dispute about Audit Figures

31. Some of the Ministries/Divisions contested the figures, printed in the Appropriation Accounts, in a number of cases, *vide* paragraph 146, 154 of Annex I. Such variations could and should have been resolved by the Divisions in consultation with Audit, at the earliest possible opportunity, so that the Committee's limited time was not avoidably spent on discussing disputed figures.

(3) Excess due to belated adjustments

32. The Committee had been impressing upon all the Ministries/Divisions etc. the need for a prompt adjustment of expenditure by the offices concerned as well as Audit. Despite this, excesses, amounting to Rs. 377,780,437, during 1980-81 were attributed to belated adjustments of expenditure, pertaining to the previous years. Instances given in paragraphs 940, 1247, 2659 of Annex I.

(4) Suspense Account

33. Looking to the large amounts left in suspense, the Committee, *vide* paragraph 190 of Annex I, directed the Pakistan Railways that a report be furnished to it on the position of suspense accounts and the Ministry should invariably inform the PAC every year about the progress in the clearance thereof.

II. DEFECTS/IRREGULARITIES IN FINANCIAL MANAGEMENT

(1) Non-surrender of Savings

34. The Committee was loth to note that, even though large savings were apparent in some cases much earlier, they were not surrendered till the last day of the financial year, or in time so that the same could be considered for utilization elsewhere, where needed urgently. (Paragraphs 18, 142, 149, 180, 1221, 1768, 1771, 1820, 1907 of Annex I)

(2) Recurrent Savings

35. The Auditor-General cited 26 instances in paragraph 3 (iii) of Chapter-I of his Report (Civil), in which substantial savings had occurred during the last three years successively. Some of these related to the Cabinet Secretariat and the Ministries of Communications, Defence, Finance, Food and Agriculture, Industries, Railways and Water and Power. (Paragraphs 17, 152, 196, 1228, 1820 of Annex I). Obviously, such large savings could have been minimised with a better financial management.

(3) Excess in Expenditure beyond Sanctioned Allocations

36. As pointed out by the Auditor-General in paragraph 4 of Chapter I of his Report (Civil), expenditure in excess of Grants or Appropriation continued to be incurred by various Ministries and Divisions, despite all instructions to the contrary.

37. An expenditure, totalling Rs. 2,701,946,430, in excess of the Final Grants or Final Appropriations and requiring regularization

under the Budgetary Provision Order. 1978, was incurred during 1980-81. The excess during the previous year amounted to only Rs. 1,374,154,278. The detailed list of the said excess expenditure could be seen in the statement Nos. 4 and 5 at Annex II.

38. Some instances of excess over sanctioned allocations have been discussed in paragraphs 9, 17, 18, 190, 193, 194, 197, 406, 934, 941, 1621, 1939, 2837 (i) of Annex I.

39. The Committee would again like to affirm what it has been observing all along that this phenomenon denotes a lack of financial discipline and must be dealt with severely in each case, unless found condonable due to extenuating circumstances.

III. CASES OF SERIOUS IRREGULARITIES

(1) Non-maintenance/irregular maintenance of Accounts Records

40. Audit had reported that all the auditable records were either not produced or not being maintained at the headquarters of the Ministry of Foreign Affairs and some of its Missions abroad. This along with other, irregularities. noticed in the maintenance of accounts documents, were pointed out, for rectification. (Paragraphs 66—67 of Annex I)

(2) Avoidable Expenditure

41. The Committee noted that, either due to the negligence of the department and or wrong decision of officials, the Government had to suffer a loss of Rs. 26.3 million, Rs. 1,640,800 and Rs. 136,000 in different cases. The Committee directed that the responsibility should be fixed in each case and action taken against those responsible for the losses. (Paragraphs 225, 1262 and 2079 of Annex I)

(3) Over-Payment

42. Similarly Rs. 210,302 and 654,910 were found to have been overpaid due to the negligence of the Department. The Committee directed that inquiries be held in these cases and report furnished to the PAC. (Paragraphs 250 and 254 of Annex I)

(4) Unsanctioned Expenditure

43. According to Audit, unsanctioned expenditure upto 1980-81 amounted to Rs. 195.229 million, including 97 cases for 1980-81 amounting to Rs. 118.314 million in which an expenditure of Rs. 100,000 or more was involved. When questioned about the outstanding amount during 1982-83, the departmental representative replied that it amounted to Rs. 98 million.

44. The Committee took a serious view of these cases of unsanctioned expenditure and directed that, due action should be taken against the defaulters. (Paragraphs 2090—93 of Annex I)

IV. LOSSES TO GOVERNMENT

(1) Recoveries not effected

45. There were many cases in which Government claims, dues or advances could not be recovered as yet, entailing heavy losses to Government. The Committee directed that recoveries should be effected immediately and action taken against the defaulters without any loss of time. Some such instances may be seen in paragraphs 22, 25, 71, 82, 104, 161, 179, 205, 431, 953, 1254, 1585, 1743, 1971, 2035, 2057, 2252, 2254 (iv), 2786, 3121, 3230, 3238, 3251, 3284, 3318 and 3319 of Annex I.

(2) Losses not Written Off

46. Audit had reported that losses, amounting to Rs. 338,018, suffered by seven Missions abroad and the Ministry of Foreign Affairs on account of defalcation, theft, damage to official property, shortage in stores, irregular disposal of stores and devaluation of local currency remained to be recovered/written off. (Paragraphs 55—58 of Annex I)

(3) Extra Expenditure due to delay in finalizing procurement formalities (Rs. 5 million)

47. The Auditor-General pointed out that, in a number of cases of a department tenders were not finalized within their validity periods

and materials had to be procured at higher rates. The extra expenditure involved could have been avoided, if the department were prompt in finalizing the tenders within the validity periods of their offers, due to which Government sustained a heavy loss of Rs. 5 million. Steps should be taken to carry home to all the Ministries/ Divisions the financial implications of finalising purchase contracts after the validity dates and the necessity of suitable action against those responsible for it. (Paragraphs 220—224 of Annex I)

(4) **Loss of Rs. 105,000 due to defective and short supply of material**

48. Audit had reported that, on their checking two contracts, it transpired that the supply of wooden sleepers and blocks was defective. The Committee decided that the disciplinary aspect of the case should be duly looked into and expedited. (Paragraphs 229—237 of Annex I)

(5) **Payment of demurrage charges (Rs. 229,650)**

49. Audit had reported that the Population Planning Council received 78 consignments of jeeps and motorcycles in October, 1974 and three consignments of jeeps in November, 1974 at the Karachi Port. All the above-mentioned consignments were not cleared in time and demurrage charges, amounting to Rs. 229,650, had to be paid due to the negligence of the concerned officials. The Committee directed that the inquiry should be got expedited and a report furnished to Audit. (Paragraphs 105—109 of Annex I)

(6) **Extra Expenditure of Rs. 119,717 and also Rs. 5 million due to acceptance of higher rates in a contract**

50. The Committee noted that due to the rejection of the lowest rates in a contract and not putting out tenders in time, Government had to suffer heavy losses of Rs. 119,717 and Rs. 5 million in two cases respectively. The Committee directed that responsibility should be fixed for the defaults and action taken against those responsible. (Paragraphs 113 and 220 of Annex I)

(7) Infructuous Expenditure of Rs. 8,178,421 on two Bridges

51. Audit had reported that contracts for the construction of two bridges were awarded to two firms for Rs. 4,333,320 and Rs. 3,563,426, without ascertaining their competence and financial status. The bridges were to be completed within 18 months from April, 1975 and November, 1975 respectively. But the contractors left the work incomplete in August, 1978 and January, 1978, after infructuous expenditure of Rs. 8,178,421 holding the department responsible for delay and stoppage of work. A detailed investigation should be conducted in this case, as a large infructuous expenditure seemed involved. (Paragraphs 2248—52 of Annex I)

(8) Physical Verification of Stores not conducted

52. Audit reported that no physical verification of various stores in the Ministry of Foreign Affairs and 22 out of 86 Missions abroad, had been carried out. The Committee directed, *vide* paragraphs 68—70 of Annex I, that Audit should provide the list of such Missions to the Ministry for ensuring early physical verifications. Some other such instances may be seen in paragraphs 951, 1058 and 1633 of Annex I.

(9) Non-submission of Accounts of Advances of Rs. 381,684 and Unauthorised Opening of 'Bank Account'

53. Audit reported that, in the office of the SDM, Northern Areas, Gilgit, Rs. 381,684 were transferred from the Personal Ledger Account of the Deputy Commissioner, Gilgit and advanced to the subordinate authorities during February, 1973 to July, 1975 for the execution of different schemes in the Northern Areas. Neither the adjustment accounts of advances were obtained till the end of 1981 nor was it known whether the schemes were executed. The Ministry replied that the development schemes were completed and could be verified by Audit. As regards, the opening of the Bank Account without the permission of the Ministry of Finance, the department submitted that the Bank Account was opened with a private bank.

54. The Committee was not satisfied with the explanation of the department and directed that an explanation should be furnished as to why the account was opened with a Co-operative Bank and money transferred from the PLA. (Paragraphs 2179--81 of Annex I)

(10) **Purchase of stores without quotations**

55. Audit reported (paragraph 44 of Annex I) that different store-items worth Rs. 2,767,408 were purchased by a Ministry during 1972—79, without obtaining quotations which is a pre-requisite under the Rules. The Committee *vide* paragraph 48 of Annex I advised the Ministry to review their purchase procedures realistically, in consultation with Ministry of Finance, who should also look into the limits of purchases, delegated to Ministries, as costs had gone up considerably.

V. COMMERCIAL ACCOUNTS

(1) **National Logistic Cell**

56. (a) The National Logistic Board decided to switch over to the commercial accounting system in 1980-81.

(b) Government provided to the Board funds, amounting to Rs. 690.178 million as on 30th June, 1981, reportedly as grant-in-aid. But no orders were produced to Audit to establish whether the funds represented grant-in-aid or were interest bearing loans.

(c) The National Logistic Cell was paying. Project Allowance @ 50 per cent of Pay to all its officers and staff, which was un-warranted. When asked about the justification for the allowance, the department could not offer a satisfactory explanation therefor.

(2) **Shalimar Recording Company Limited**

57. *Audit had reported that the Company had declined to entertain Government Audit.*—In their reply, the Ministry explained that, in consultation with the Justice Division, it had been held that the Company could not be regarded as a body established by the Federation within the meaning of Article 11(i) (iv) of the Pakistan

(Audit and Accounts) Order, 1973. Since the Government was a majority shareholder in the company, the Committee decided that the position should be examined by the Ministry so that the accounts of Shalimar Recording Company Limited could be submitted to the Auditor-General for his examination. (Paragraphs 297—300 of Annex I)

(3) Associated Press of Pakistan

58. *Payment of Rs.* 414,813 *to the staff not covered by Wage Board Award.*—In their report, Audit had pointed out that the pay and allowances of employees of the APP were regulated by the 'Wage Board Award'. The General Manager of the Organization was empowered to implement the Award, but had not been delegated any powers to pay salaries and allowances higher than those given in the Award. However, he allowed certain allowances etc. to certain employees, which were not covered by the Award resulting in an overpayment of Rs. 414,813 to the members of the staff. The Committee directed that the regularisation of the irregular payments or their recoveries should be finalised soon. (Paragraphs 301—310 of Annex I)

(4) Ghee Corporation of Pakistan Limited

59. The Committee noted that the Ghee Corporation of Pakistan sustained losses to the tune of Rs. 525,905 and Rs. 27,800 due to fraudulent withdrawals of money from the bank and supply of sub-standard oil in two different cases. The Committee, *vide* paragraphs 429 and 443 of Annex I, requested Audit in the former case to follow up and report back to the Committee, if deemed necessary, and in the latter case directed that a copy of the report of inquiry be furnished to Audit.

(5) P.I.D.C.

60. *Loss of Rs.* 1.615 *million due to ignoring the lowest bids.*—The Auditor-General pointed out that the Corporation had floated a tender inquiry in July, 1976 for purchasing 500,000 Rft. Steel Pipes for the Indus Gas Company. But purchase order was not placed on

the lowest bidder within the validity period of the offer, *i.e.*, 15th October, 1976. Subsequently, it was placed on two bidders, including the previous lower bidder, who had, by then, increased his rates. The Corporation thus incurred an extra expenditure of Rs. 450,000.

61. Though the department explained that the original bidders, *viz.* M/s. Sampson and Company, had attached certain pre-conditions to their tender, the Committee was not satisfied with the departmental explanation and directed that action should be taken against those responsible for the delay. (Paragraphs 636-37 of Annex I)

62. According to Audit, the PIDC executed a contract with a firm in January, 1975 for the sale of about two lac maunds of molasses from the Bannu Sugar Mills. The lifting of the entire quantity was required to be completed by the 15th October, 1975, which was not done, and the contract was cancelled in January, 1976. The Corporation sustained a loss of Rs. 470,745, because the Agreement did not contain any penalty clause regarding risk and cost. Such blatant omissions must in the contracts be avoided, by all Government organisations and autonomous bodies, unless there were over weighing factors for doing so.

(6) **Bannu Sugar Mills**

63. The Mills earned a gross profit of Rs. 5.005 million during the year under review, as against a gross loss of Rs. 7.227 million in the previous year. It sustained a net loss of Rs. 4.700 million during the year 1980-81 as against Rs. 17.268 million in the preceding year. The main reasons for the losses were non-utilisation of the rated capacity and heavy burden of interest, which rose to Rs. 8.782 million in 1980-81. The necessity of getting the full capacity of the Mills utilised so as to achieve the maximum production and avert losses as well as that of restructuring the capital and re-valuation of the assets was stressed by the Committee upon the Ministry. (Paragraphs 652—57 of Annex I)

(7) Dir Forest Industries Complex, Chakdara

64. The cost of the project was originally estimated at Rs. 244.691 million, which was subsequently revised upwards to Rs. 302.844 million. This revision of the cost was necessitated by an increase in the capital, as well as, the recurring cost of the scheme and delay in its commissioning. Questioned about its total cost, the departmental representative informed the Committee that it had gone upto Rs. 300 million. The project was, however, in operation for the last two years.

65. After discussing the delay in the installation of machinery and its functioning and changes in the project site etc., the Committee directed that the final decision of the Government about the adjustment of losses should be obtained and conveyed to the PAC. A financial restructuring of the Project seemed also called for, so that it, at least, broke even. (Paragraphs 666—672 of Annex I)

(8) Harnai Woollen Mills Limited

66. The Mills sustained a net loss of Rs. 7.997 million in 1980-81, as compared to Rs. 4,834 million in 1979-80, raising the accumulated losses to Rs. 21.107 million on the 30th June, 1981. Increases in the sales and distribution expenses and financial charges were the major causes of heavy losses during the year under review.

67. The Committee observed that, if Government wanted to run the project for social reasons, they must agree to subsidise it to the extent of the losses, as the financial situation of the Mills seemed to be getting out of hand. Immediate steps were needed for a financial restructuring of the Mills and for effecting other remedial measures therein, to save it from a complete break down. (Paragraphs 674—678 of Annex I)

(9) General Refractories Limited

68. The Auditor-General pointed out that the Factory had been sustaining losses since its inception and the accumulated losses had gone upto Rs. 31.978 million as on 30th June, 1981. The entire capital of the Company had thus been eroded and the Factory faced serious liquidity problems. It had suffered a net loss of Rs. 7.202 million

during 1981-82 against a net loss of Rs. 7.968 million in the preceding year. The production performance of the Factory being far from satisfactory, steps must be taken to enable it to attain the rated capacity. (Paragraphs 691—693 of Annex I)

(10) **Larkana Sugar Mills**

69. Audit had pointed out that the Project earned a net profit of Rs. 9.606 million in 1980-81, as compared to a net loss of Rs. 11.956 million in 1979-80. The accumulated losses, on 30th June, 1981, amounted to Rs. 39.174 million. The net profit for the year 1980-81 seemed, however, to be over-stated to the extent of difference in the selling price and the cost of production. (Paragraph 700 of Annex I)

(11) **Pakistan Steel Fabricating Company Limited**

70. The Committee noted that the performance of the Company was far from satisfactory, as it had suffered heavy losses. The Committee directed that the Ministry should carefully review the functions of the Pakistan Steel Mills, HFF, and HMC etc. to ensure that there is no duplication of production functions as between them. Logically, the responsibility of the Pakistan Steel Fabricating Company etc. should be confined to produce only the requirements of the Pakistan Steel Mills. The equipments or materials, acquired in surplus to the above function, may be considered to be disposed of. (Paragraphs 803—6 of Annex I)

(12) **Rice Export and State Trading Corporations of Pakistan**

71. (i) *Embezzlement of Rs. 2.045 million through forged bill.*—According to Audit the then Acting G.M. (Finance), of the Rice Export Corporation embezzled Rs. 2.045 million in March, 1979, by the fraudulent transfer of this amount from the Corporation's Bank Account through an unauthorised Pay Order, issued in favour of a firm, which was in his father's name but was, in fact, owned by him. This must be fully investigated into for bringing the defaulters to book. (Paragraph 984 of Annex I)

72. (ii) *Loss of Rs. 2.030 million due to imprudent and in-effective agreement.*—According to Audit, the Trading Corporation of Pakistan

entered into an agreement with a foreign firm on the 10th October, 1974 for the supply of 10,000 M. tons of pig iron (U.S.) @ $ 229 per Metric Ton. As full supply of the pig iron was not made, the Management in 1976, went to the Court and the case was still pending, which should be pursued vigorously. (Paragraphs 990—1002 of Annex I)

PERFORMANCE AUDIT REPORT ON FEDERAL PROJECTS

73. The Auditor-General also submitted for the first time the compilation Performance Audit Report on Federal Projects 1981-82. It included the following Federal Projects—

(1) Ministry of Water and Power :

(a) Karachi Irrigation Project (2nd January, 1984)

(b) Khanpur Dam Project (2nd January, 1984)

(2) Ministry of Railways

(a) Pakistan Railway Carriage Factory, Islamabad (5th January, 1984)

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES

74. In pursuance of the Government decision dated September 2, 1977, the Auditor-General submitted to the PAC his Performance Evaluation Report, 1982 (Volumes I, II and III). The Committee examined the Public Sector Enterprises dealt within the Report and listed as under, on the dates mentioned against each and made in respect of some of them observation as noted in the subsequent paragraphs—

(1) Ministry of Productions :

Volume I —Swat Ceramics (1-9-1983).
—Sind Alkalies (1-9-1983).

Volume II —National Cement Industries Ltd. (1-9-1983).
—Zeal Pak Cement Industries Ltd. (1-9-1983).
—State Cement Corporation of Pakistan (1-9-1983).

Volume III —Lyallpur Chemical and Fertilizer Ltd. Faisalabad Unit (1-9-1983).

—Lyallpur Chemical and Fertilizer Ltd. Jaranwala Unit (1-9-1983).

(2) Ministry of Food & Agriculture :

Volume I —Roti Corporation of Pakistan (4-1-1984).

(3) Ministry of Communications :

Volume I —Carrier Telephone Industries Ltd. (27-8-1984).

NATIONAL CEMENT INDUSTRIES LIMITED, KARACHI

75. The Company, originally incorporated in 1937 as Dalmia Cement Limited, sold their factories in Karachi and Dandot, Jhelum in 1964 to M/s. Pakistan Progressive Cement Factory Limited, a private Limited Company, which was taken over by the Federal Government under the Economic Reforms Order, 1972, and renamed as the National Cement Industries Limited, Karachi. It is now a unit of the State Cement Corporation.

76. The Dandot Plant was running and its losses used to be absorbed by the Karachi Plant. The price of the Company's product had been lagging behind the cost of production, which increased progressively over the past few years. Hence the losses. The Mills being very old, early decision must be taken about further investments in its balancing and modernising. (Paragraphs 864—892 of Annex I)

ZEAL PAK CEMENT FACTORY LIMITED, HYDERABAD

77. The Zeal Pak Cement Factory Limited, located in Hyderabad was set up and incorporated in May, 1957 with the Head Office of the Company in Karachi. The control of the Company was taken over by the State Cement Corporation in 1974. The strength of the Company's personnel had increased over the years by 64 per cent. It should be, possibly reduced to appropriate levels, by transfers against vacancies in the other plants. In the Committee's view, the

Project should have used its accumulated funds, earlier, for its expansion. There also seemed to have been excessive purchases of firebricks and some other items. These need to be avoided in the future. (Paragraphs 893—908 of Annex I)

PART III

MISCELLANEOUS

(1) Embezzlement Cases

78. The Committee (*vide* paragraphs 2140—42 of Annex I) noted that full facts and relevant details about the cases of embezzlement and fraud etc. were not being placed before it by the Ministry. It also noted that the department mostly seemed to hold only the junior employees responsible for such crimes. The Committee, therefore, directed that, in all such cases, full facts and relevant details be made known to Audit, who should place the same before the Committee, along with their findings, an advance copy of which should also be furnished to the Department concerned.

(2) Direction for fixing responsibility

79. It was noted that, in some cases, the Ministries etc. concerned had generally avoided fixing responsibility for lapses, where such action was most apparently called for. The departments concerned must be made to realise the prime necessity of taking prompt action, for the locating of responsibility for serious lapses and proceeding against the defaulters, for any losses to the Government due to negligence or failure on their part in the observance of codal formalities etc. (Paragraphs 225, 253, 967, 1266, 1696 and 2143 of Annex I)

(3) Departmental explanations found to be vague and not wholly correct

80. The Committee observed that the submissions of some of the departments suffered from the following drawbacks—

(i) The explanations furnished, as in paragraphs 241 and 3005, of Annex I were either not found to be wholly correct or were contradictory or unsatisfactory.

(ii) Again *vide* paragraphs 110--112, 219, 1145, 1282, 1287, 1288, 1314, 1546, 1552, 1556, 1579, 1652, 1692, 1853, 1876, 1895, 1929, 2031, 2095, 2187, 2293, 2504, 2529, 2557, 2577, 2606, 2611, 2620, 2637, 3028, 3029, 3059, 3160, 3169, 3194, 3231, 3265, 3274, 3276, 3283, 3298, 3301 and 3305 of Annex I, the explanations furnished by the Departments were either too general, vague or evasive.

(iii) In other cases, *vide* paragraphs 67, 70, 72, 78, 85, 89, 90, 91, 93, 112, 114, 159, 160, 268, 273, 276, 279, 340, 343, 401, 402, 410, 418, 428, 435, 539, 714, 717, 951, 953, 955, 983, 1093, 1329, 1337, 1358, 1455, 1463, 1511, 1573, 1648, 1652, 1657, 1690, 1738, 1791, 1968, 1969, 1992, 2113, 2139, 2280, 2465, 2488, 2520, 2581, 2585, 2624, 2656, 2898, 2981, 3309 and 3320 of Annex I, the replies or explanations furnished being deficient, the Committee was handicapped in arriving at its final conclusions. It therefore, directed Audit to check and verify the replies in all these cases with the records, and report back to the Committee, wherever called for.

(4) Non-conducting of Internal Check

81. The Committee directed that copy of the internal check reports should invariably be sent by the Ministry etc. to Audit also to enable them to see whether the required corrective actions had been taken or not. Paragraphs 288, 634, 956, 1721, 1757, 1829, 2193, 2369, 2949 and 3327 of Annex I illustrate this omission.

(5) Delay in the processing of G.P. Fund Cases

82. Discussing the G.P. Fund accounts etc., the Committee observed that this work must be started at least 6 months before the date of the superannuation of individuals, because the G.P. Fund accumulations became payable to the subscribers or to their nominees on their retirement, resignation, death, or proceeding of LPR. The Departments concerned and the Audit Offices are jointly responsible for the speedy finalization of G.P. Fund Final Payment cases. This omission could be seen in paragraphs 128, 291, 569, 613, 614, 959, 1759, 1831, 2195 of Annex I.

(6) Delay in the processing of Pension Cases

83. According to Government instructions, the cases of retiring Government servants are required to be submitted to Audit six months before the date of their retirement. In disregard of instructions, Pension cases were being submitted to Audit by the Ministries/Divisions/Departments much later, causing undue delay in their finalization and hardship to the payees. (Paragraphs 130, 291, 569, 613, 614, 963, 2197 of Annex I)

(7) Railway Pension Fund

84. The Committee directed that the accumulated losses of Rs. 63 million may also be considered to be written off and the words "Payment to Pension Fund" be substituted by the words "Contribution to Pension Fund". (Paragraph 2104 of Annex I)

(8) Guidelines/Directives issued by the Committee

85. While examining the Accounts of the Federal Government for 1980-81, the Public Accounts Committee issued the following guidelines/directives, from time to time, for the information of and necessary action by the Ministries/Divisions—

(1) The Ministries/Divisions tend to reproduce with their replies, even when not required, long extracts from minutes of PAC meetings. This amounted to waste of time and energy. Only the specific points raised by the PAC in respect of which replies were called for and being furnished needed to be reproduced.

(2) Even where the Ministries/Divisions had "No Comments" as their reply, pages after pages of the Appropriation and Commercial Accounts and Audit paragraphs from the Reports of the Auditor-General were reproduced in the statement of replies, making the replies unnecessarily unwieldy, and involving considerable waste of paper, time and energy of all concerned. Only such portions need, in future, be reproduced as appeared to be essential.

(3) Ministries etc., occasionally, sought to amend their replies, furnished earlier, at the last minute. As all replies have to be circulated to the Chairman and Members of the Committee, as well as, the Auditor-General for their study, well before the PAC meetings, it was essential that due care was taken and attention paid to the preparation of the original replies, before they are submitted to the PAC, so that the replies, once furnished, did not need to be amended subsequently.

(4) If the opinion of the Law Division about any issue is referred to in any reply, furnished to the PAC, a copy of the reference made and the opinion given by the Law Division thereon should also be furnished to the Committee/Audit along with the reply.

(5) The Committee observed that, in some cases, its complete proceedings or minutes were being reproduced by the Ministries in their replies, even though they were not asked for any specific action or information regarding them. Since this involved waste of time and energy of all concerned, the Committee directed that Ministries should be advised to desist from this practice and to reproduce, judiciously, only those portions of the proceedings or minutes which called for any specific action or report from them.

(6) Where there may be a minority shareholding of Government in a Company, copies of the Accounts of the Company should be obtained by the departmental representative as a share-holder and a copy thereof furnished invariably to Audit, for their information only.

(7) The Committee noted that the Ministries/Divisions would, at times, use, in their replies to Audit paragraphs/observations, different terms in respect of the same grant. To avoid any confusion or misunderstanding on this score in future, it directed that, whatever terms for any grants to

a Ministry/Division may have been used in the Budget Book, must be exactly and literally used subsequently by all concerned, including Ministries/Divisions, if and when any occasion arises to refer to those grants.

(8) Ministries should be extremely careful about the wording of contracts and agreements. For avoiding subsequent complications and litigation, they must ensure, in each case, that the language of contracts is absolutely unambiguous.

(9) In future, if negotiations have to be restored to in the case of any Project, they should be held, with more than one bidder, including the lowest bidder.

(10) All the documents, which need to be seen before awarding a tender, must be called for scrupulously and duly examined, so that complications do not arise subsequently.

(9) Implementation of Committee's decisions/directions

86. The Committee viewed with seriousness the failure of the departments to fully implement or comply with its recommendations in the cases dealt with in paragraphs 110, 423, 425 and 2827 of Annex I. Government may consider issuing a firm directive to all the Ministries to take prompt action in implementing the approved recommendations of the Committee, in future, and report the earliest possible compliance therewith, in each case.

FINAL RECOMMENDATIONS

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

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

(ii) the excess in expenditure, contained in the statements referred to in paragraph 11 (4) and (5) above and appended to the Report as Annexure II, be regularised in accordance with the provisions of the Constitution.

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

GHULAM ISHAQ KHAN,
Chairman.

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

MIAN ZAKA-UR-REHMAN,
Member.

SYED SAIEED HASAN,
Member.

MIR JAM GHULAM QADIR KHAN OF LASBELA,
Member.

AKHUNZADA BEHRAWAR SAEED,
Member.

MASARRAT HUSSAIN ZUBERI,
Member.

ABDUL QADIR,
Member.

YUSUF BHAI MIAN,
Member.

PCPPI—840 N.A.—31-8-85—862.

ANNEXURE I

PROCEEDINGS
OF
PUBLIC ACCOUNTS COMMITTEE

(29—30)

FEDERAL COUNCIL SECRETARIAT

PROCEEDINGS OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE ON THE FEDERAL ACCOUNTS FOR THE YEAR 1980-81

Saturday, the 27th August, 1983

First Sitting (PAC)

The third session of the Public Accounts Committee commenced in the State Bank Building, Islamabad, at 10.00 a.m. on Saturday, the 27th August, 1983, to examine the Appropriation and other Accounts of the Federal Government for the year 1980-81 and the Report of the Auditor-General thereon. The following were present—

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Akhtar Sharif Kanwar, Director Public Relations

(4) Syed Muhammad Ahmed, Assistant Secretary

Audit

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

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

(3) Mr. M. A. Lodhi, Accountant General Pakistan Revenues

(4) Raja M. Saleem Khan, Director, Foreign Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

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

(3) Mr. Ainuddin, D.F.A. (Foreign Affairs)

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

(i) Examination of Appropriation, Finance, Commercial Accounts etc. and Reports of the Auditor-General thereon in respect of the Federal Accounts for 1980-81

(ii) Consideration of compliances on the PAC's Report for 1978-79

(iii) Consideration of Performance Evaluation Reports by the Auditor-General on Public Sector Enterprises 1982 relating to the Ministries of Production, Food and Agriculture and Communications

(iv) Consideration of the Performance of Federal Projects—1981-82—Report of the Auditor-General relating to the Ministries of Railways and Water and Power

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

3. *Accounts examined*—The Accounts pertaining to the Ministry of Foreign Affairs were examined by the Committee during the course of the day.

MINISTRY OF FOREIGN AFFAIRS

4. The Committee first took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Foreign Affairs. The following departmental representatives were present—

(1) Mr. M. Zia-ul-Haq, Director General (S&F)

(2) Mr. Farhat Hussain, CAO

(3) Mr. Mazhar Ali Khan, Director (B&C)

(4) Mr. B. A. Malik, AAO (F&A)

(5) Mr. M. A. Tariq, AAO

5. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Foreign Affairs	61
2.	Foreign Affairs	62
3.	Other expenditure of Ministry of Foreign Affairs	63
4.	Capital outlay on works of Minisrty of Foreign Affairs	135

6. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of accounts for 1982-83 had been completed upto June, 1983, except those of 11 Pakistani Missions abroad. *The Committee directed that the reconciliation of accounts pertaining to these Missions be completed as expeditiously as possible, and procedural difficulties, if any, in doing so resolved.*

APPROPRIATION ACCOUNTS

7. *Grant No.* 61 (*Page* 79—*AA*)—The Committee did not make any observation on this grant which was treated as settled.

8. *Grant No.* 62 (*Page* 80—*AA*)—Audit reported an excess of Rs. 23,653,663 under Code "—042—Diplomatic and Consular Services" of this grant. The department, in their written reply, explained that the main reason for this excess was that the ceiling of Budget allocations for the PAK-Missions abroad was fixed at 10 per cent below the Budget of 1979-80. Despite extraordinary measures adopted by the Ministry by stressing the need of economy in expenditure through a series of circulars, excess expenditure could not

be avoided due to the world-wide inflation, which was beyond the control of the Ministry as well as the Missions abroad. The excess was attributed to the following additional factors—

(i) Fluctuation in the rate of exchange between US dollars and local currencies, which adversely affected the Budget of the Missions.

(ii) Heavy expenditure incurred on postings|transfers.

(iii) Rise in the rates of rents of residential buildings, medicines and drugs|fees, air fare, air|sea freights and increase in the prices of goods|services and rates of daily allowances.

(iv) Cook allowance for Heads of Mission approved subsequently.

9. To off-set the excess expenditure of the Missions with an equivalent amount of supplementary grant, Secretary Finance was requested for an additional allocation of Rs. 1.49 crores towards the end of the financial year 1980-81. A perusal of the D.O. letter No. 8060-FS|81, dated 30th June, 1981 (Appendix A) from the Finance Secretary revealed that the efforts made by the Ministry during 1980-81 had been appreciated and an enhanced budgetary allocation had been provided to the Ministry in 1981-82, to enable it to meet their increased obligations.

10. It also became clear from the aforesaid D.O. letter that, against the requirement of Rs. 1.49 crore, a supplementary grant of only Rs. 3,750,000 was sanctioned, keeping in view the position of actual expenditure, furnished by the CAO to the Finance Division. The Ministry further stated that, if their request for supplementary grant had been accepted in full by the Finance Division, there would have been little excess in the grant. Audit commented that the excess was Rs. 23,653,663 and not Rs. 9.8 million, as the grant of Rs. 13,792,000 was not given by the Finance Division as a supplementary grant, but was shown in the "Excess Budget Statement", and this was withdrawn, being irregular. Audit further observed that, in view of the excess, there was no occasion for a re-appropriation of Rs. 917,900 from this Code and a surrender of Rs. 2,900,000. All this indicated a lack of budgetary control. Questioned as to when were the surrenders made, the departmental representative stated that they were made twice in January and February, 1981.

11. The Committee noticed that the Finance Division had issued an Excess Budget Statement before the Appropriation Accounts had been examined by the Committee whereas under the prescribed procedure it should be done afterwards when the Committee recommends acceptance of an excess and this is approved by the President. The circumstances should be looked into to check

validity of issue of such statement. The Auditor-General pointed out that the Excess Budget Statement, issued irregularly by the Finance Division, was objected in Audit and, therefore, it was withdrawn by the Finance Division.

Recoveries

12. The Vice-Chairman asked as to what was the nature of the recoveries, the departmental representative replied that it was better if the question were asked from the Chief Accounts Officer, Ministry of Foreign Affairs.

13. A member questioned the large difference between the estimated amount and the amount actually recovered. The departmental representative replied that there was an excess expenditure. The Auditor-General observed that the departmental representative should explain as to what would be the nature of this recovery and how was the figure of Rs. 13.4 million arrived at. The Vice-Chairman enquired as to what were the revised figures of expenditure and asked the departmental representative to go into this question, because it was a matter which concerned the control over expenditure, and was not merely one of accounting.

14. *The Committee further desired the Ministry to furnish the following—*

(i) *An explanation about the request for a supplementary grant, after making surrender of Rs.* 2,900,000 *along with the date when it was found that it could not be spent and the date of the surrender.*

(ii) *Information about the nature of recoveries, how the Estimated recovery of Rs.* 14.86 *million was arrived at and the reasons for less recovery of* Rs. 5.54 *million. The 'Recovery' portion appearing under this Grant at page* 80 *of Appropriation Account was neither shown in the Ministry's reply nor the departmental representative could explain reasons for less recovery to the satisfaction of the Committee.*

15. *Grant No.* 63 (*Page* 81—*AA*)—Audit had reported an excess of Rs. 5,779,348 in this grant. The department stated that, there was saving and it being within permissible limits, no explanation was required. Thereupon, Audit commented that the supplementary grant of Rs. 104 millions had been taken in the Appropriation Accounts to the extent of Rs. 97.412 million (as printed in the Supplementary Budget), resulting in an excess of Rs. 5,820,463 (other than charged) under Code 043—Other External Affairs Services. Besides the saving should have been surrendered by the Ministry under other Codes.

16. *The Committee observed that it was again a case of Excess Budget Statement. The Finance Division should exercise more care in future and follow the prescribed procedure in issuing such statements.*

17. *Grant No.* 135 (*Page* 164—*AA*)—According to Audit, the final grant stood at Rs. 17,759,000 and the actual expenditure at Rs. 17,280,416, resulting in a saving of Rs. 478,584, of which Rs. 421,995 was under "300—Community Services" and Rs. 56,589 under "500—Economic Services". The representative of Audit observed as to why could the Ministry not spend the money provided initially in the budget. The departmental representative replied that the architect, who undertook the job, did not register himself timely in the country.

18. *The Committee, thereupon, observed that the Ministry should furnish more detailed reasons for the surrender of Rs.* 22 *million, including information about the date when it was found out that the amount could not be expended, and the date of the surrender.*

AUDIT REPORT

19. *Recoveries not effected—Rs.* 3,152,252 (*Para* 64, *page* 59—*AR*)—It was pointed out that a sum of Rs. 3,152,252, as detailed below, remained to be recovered from 79 Missions and the Ministry themselves. These over-payments had been pointed out through local audit reports issued upto the 31st December, 1979 as under—

	More than 10 years old	From 5 to 10 years old	Less than 5 years old	Total
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
1. Pay	9,155	155,766	117,746	282,667
2. E.C. Allowance	6,090	162,378	157,908	326,376
3. Foreign Allowance and Entertainment Allowance	7,234	47,594	160,550	215,378
4. T.A. and D.A.	110,287	109,696	352,437	572,420
5. Accredition Allowance	—	11,589	—	11,589
6. Pay & Allowance overpaid by application of incorrect rate of exchange..	—	497,287	—	497,287
7. Income Tax	4,565	39,965	—	44,530
8. Miscellaneous	217,764	639,130	345,111	1,202,005
	355,095	1,663,405	1,133,752	3,152,252

20. Audit further pointed out that, in certain cases, the concerned Missions were also requested to calculate the recoverable amounts, but no action was taken by them.

21. The Ministry stated in their written reply that, out of total amount of Rs. 3,152,252, a sum of Rs. 3,119,645 related to the Pakistan Missions abroad about which there were 514 Audit observations and 18 Draft Paragraphs. The balance of Rs. 32,607 concerned the Headquarters. An amount of Rs. 151,240 had already been recovered by the Missions. The remaining outstanding Audit Paragraphs were under process and efforts were being made to get these settled at the earliest. As far as the Headquarters were concerned, vigorous efforts were being made to recover the over-payment of Rs. 32,607 from the concerned officials.

22. Replying to an observation made by the Committee, the departmental representative explained that 12 audit reports had been settled. As for the Missions some difficulty was being experienced about the recovery of Rs. 283,000. The Audit representative suggested that the Ministry could direct the Accounts Officers to recover the amount from the Missions and Ambassadors within a year. *The Committee, thereupon, observed that the Ambassadors|Missions had failed to implement the orders of the Ministry and some cases of recoveries were more than* 10 *years old. Procedural defects, if any, for effecting guider should be removed, without delay. The Committee also directed the departmental representative that the names of officers against whom dues were outstanding should be brought to the PAC in its next meeting.*

23. *Application of incorrect rates of exchange* (*Para* 65, *page* 60—*AR*)— Audit had pointed out that, under the orders issued on 13th December, 1972, in countries where local currencies were floating, all payments expressed in US dollars, such as foreign allowance, entertainment allowance and daily allowance, were to be made at the current rate between US dollar and the local currency concerned and those expressed in Pakistan rupees, such as pay, were to be paid at the cross rate determined on the basis of US dollar and the local currency's current rate of exchange. It was further stated that, in case of certain Missions, the local currency had been floating from the 25th November, 1974, but no notice of the change was taken and fixed rate of exchange continued to be applied upto the 22nd April, 1977. The remittances, received from Pakistan, were also taken into account at the fixed rate and the difference was shown under the head 'Loss in Exchange', debitable to the Ministry of Finance. The amount so booked under this head from December, 1974 to June, 1976 amounted to Rs. 90,793. Adoption of the fixed rate also resulted in the over-payment of salaries and allowances.

24. This irregularity was pointed out in July, 1976 and the Missions were requested to adopt the current rates of exchange for accounting the remittances and making payments and also to recover the over-payments made due to the

adoption of the fixed rate of exchange. One of the Missions in its reply, dated 8th September, 1977 admitted the default and stated that the matter pertained to the Ministry of Foreign Affairs. Since then, no action had been taken to calculate the over-payments and effect recoveries.

25. In their written reply, the Ministry explained that they had asked the Missions concerned to indicate the reason for continuing to follow the old fixed parity rate of exchange between the US dollar and local currency, instead of adopting the floating rate of exchange from 25th November, 1974. They had also been asked to work out the over-payments made to the officials and to effect recoveries from them. As soon as information was received from them, the same would be supplied to Audit for the settlement of this paragraph.

26. Questioned as to when were the final instructions issued, the departmental representative said that a clarification was issued by the Ministry in 1978. Thereupon, *the Committee observed that, as more than four years had elapsed since the issuance of the instructions, the Ministry should look into all these cases in detail and take action or regularize them, as warranted.*

27. *T.A. Advances not adjusted Rs.* 1,781,650 (*Para* 66, *page* 60—*AR*)—It was reported by Audit that TA Advances, amounting to Rs. 1,781,650 sanctioned by the Ministry|Missions to officials on their posting abroad and *vice-versa,* were lying un-adjusted as shown below—

In Rupees

More than 10 years old	From 5 to 10 years old	Less than 5 years old	Total
188,108	334,593	1,258,949	1,781,650

28. Audit further pointed out that TA Advances were required to be adjusted within one-year of the date of performance of journey by the officials concerned, failing which those were to be recovered in lump sum. This was, however, not done. This was first brought to the notice of the Missions|Ministry through local Audit reports. Later, the necessity to adjust|recover the long outstanding advances was stressed upon through reminders, but no compliance had been reported so far.

29. The Ministry replied that, out of the outstanding TA advances of Rs. 1,781,650, an amount of Rs. 502,299 had so far been adjusted|recovered. The adjusted advances related to the following periods—

In Rupees

More than 10 years old	More than 5 to 10 years old	Less than 5 years old	Total
24,676	126,057	351,566	502,299

30. The Ministry further stated that Cash payment of T.A. advance to officials, at the time of their posting to Pakistan Missions abroad and *vice versa,* had been stopped recently. These payments are made directly to the booking and forwarding agencies, thereby eliminating the delayed adjustment|recovery of such advances in future.

31. Audit confirmed that the adjustment of TA advances of Rs. 502,299 and that the balance of Rs. 1,279,351 remained to be adjusted. Questioned as to how many of the concerned employees were alive or in service, the departmental representative replied that some of them had died, some of them were still in-service and some were about to retire.

32. *The Committee observed that, as some of these cases were more than 10 years old, the Ministry should take, vigorous action for adjustment, in each individual case. It would be no use carrying forward the list of advances indefinitely. The Committee concluded that a number of these cases were of the nature of regularization rather than of recovery.*

33. *Non-adjustment of temporary advances of Rs.* 5,644,494 (*Para* 67, *page* 61—*AR*)—Audit had reported that temporary advances, amounting to Rs. 5,644,494, were drawn by the Ministry during 1973-74 to 1980-81 for meeting expenditure on delegations, entertainment and other contingent expenses. In accordance with the rules, before drawing a second advance, the amount previously drawn had to be got adjusted. This was not done, resulting in the heavy accumulation of un-adjusted temporary advances. The irregularity was brought to the notice of the Ministry in February, 1979, during the local audit of their accounts. Thereafter, it was pursued, but the final adjustment still remained to be reported.

34. The Ministry stated that in order to ascertain the latest position regarding the adjustment of advances, the CAO's Office was asked to furnish fresh lists of outstanding advances. It transpired that the outstanding advances upto June, 1981 amounted to Rs. 3,804,545, which showed that, out of the total amount of Rs. 5,644,494 projected by Audit for the same period, advances to the extent of Rs. 1,839,949 stood settled.

35. Thereupon, the Audit representative commented that, after reconciling the statements of outstanding advances, the position emerged that advances to be still adjusted amounted to Rs. 5,677,848.

36. *The Committee observed that the advances could not be adjusted mainly due to the non-production of vouchers. However, the figures of outstanding advances must be reconciled and a statement, showing the actual figures should be furnished to Audit.*

37. *Irregular expenditure of Rs.* 11,852,982 (*Para* 68, *page* 62—*AR*)—It was pointed out by Audit that an expenditure of Rs. 11,852,982, incurred on the purchase of various stores, rent of residences, etc. by 53 Missions abroad and the Ministry had been found irregular on different grounds. The break-up of the expenditure, so incurred and pending regularisation, was as under—

In Rupees

More than 10 years old	From 5 to 10 years old	Less than 5 years old	Total
401,981	2,702,406	8,748,595	11,852,982

38. The Ministry was required to have the expenditure of Rs. 11,852,982 regularised and to ensure that such irregularities are not repeated in future.

39. The Ministry explained that, out of the total amount of Rs. 11,852,982, a sum of Rs. 8,912,311 pertained to the Missions abroad and the remaining Rs. 2,940,671 related to the Ministry. As for the amount relating to the Missions abroad (Rs. 8,912,311), an expenditure of Rs. 670,330 had since been regularised by *ex-post facto* sanctions as under—

In Rupees

More than 10 years old	From 5 to 10 years old	Less than 5 years old	Total
49,729	118,420	402,181	670,330

40. The Ministry further contended that the expenditure in question could not be strictly termed as irregular. In most of the cases, the Missions had not obtained Ministry's formal approval before incurring the expenditure. Efforts were being made to regularise the outstanding amount by issuing *ex-post facto* sanctions, in consultation with the concerned Missions. Instructions had also been issued to avoid such lapses in future.

41. The Committee observed that, in most of the cases, the Missions concerned had not obtained the Ministry's approval before incurring the expenditure and this was irregular. The departmental representative conceded that, in many cases, they did not secure the prior sanction of the Ministry and promised to furnish a report by the end of December, 1983.

42. Replying to the observation of the Committee about the mis-use of sterling quota, the departmental representative promised to submit a report about the action taken in respect thereof by the end of December, 1983.

43. *The Committee decided that all these items should be reviewed. The items amounting to Rs.* 50,000 *and above should be listed out and a list of all the live issues should also be prepared and then re-conciliation should take place.*

44. *Purchase of stores without quotations—Rs.* 2,767,408 (*Para* 69, page 62—*AR*)—Audit had reported that different store-items costing Rs. 2,767,408 were purchased by the Ministry during 1972—79 without obtaining quotations. Usually, such purchases were made on " as and when needed " basis, by placing an order on a local supplier. Only in certain cases, were comparative prices obtained but, generally, the purchases were made without fulfilling the requirements under the Rules. Since the purchases were of a large size every year, they should have been systemised as per the rules, to ensure the maximum possible economy.

45. The following suggestions were made to attain this objective—

(a) A suitable committee should be constituted to supervise all purchases.

(b) The requirements of stores should be assessed on a half yearly or quarterly basis and then tenders called therefor, instead of resorting to *ad hoc* purchases each time.

(c) For items of non-routine and casual nature, a panel of suppliers may be registered, from whom quotations may be obtained for sizeable purchase orders.

(d) The expenditure of Rs. 2,767,408, incurred without obtaining quotations, should be got regularised and steps taken to ensure the strict observance of procedures in future.

46. The above irregularity was initially pointed out in July, 1977 and was being pursued since then. A purchase committee was formed in April, 1980, but compliance with the remaining requirements was not coming forth.

47. In their written reply, the Ministry explained that, out of the total amount of Rs. 2,767,408, a sum of Rs. 657,848 had been regularised and stood settled. The regularisation of the remaining amount of Rs. 2,109,560 was being processed, in consultation with those concerned.

48. After some discussion, *the Committee advised the Ministry to review their purchase procedures realistically, in consultation with the Ministry of Finance, who should also look into the limits of purchases, delegated to the Ministries, as costs had gone up considerably. The Committee also directed that regularization of the remaining amount should be completed by the end of December,* 1983.

49. *Non-accounting of remittances of US* $ 90,000 (*Rs.* 891,000) (*Para* 70, *page* 63—*AR*)—Audit had pointed out that, in a Mission abroad, a remittance of US dollar 90,000 (Rs. 891,000) had been received in April, 1978 through the normal banking channels without any details and supporting authority letter,

usually issued by the Accounts Office concerned. The particulars of the Ministry|Division which had remitted the amount, and the purpose for which it had been remitted being un-known, the Mission called for this information from the Ministry in May, 1978 which was not supplied. The Mission also did not account for this amount in their accounts. In August, 1978, the Mission sought for permission to utilize this amount against its rent obligations, but was directed not to use the funds until full particulars were made known. This non-accounting of the remittance was brought to the notice of the Ministry during local audit held in October, 1979 and, in November, 1979, the Ministry directed the Mission to merge the amount with the imprest account, pending, the solution of the case. Against the remittance of US dollar 90,000 the Mission accounted for only an amount of US dollar 21,640.95, leaving the balance of US dollar 68,359.05 still to be accounted for.

50. It was explained by the Ministry, in their written reply, that the Mission at Sofia had since been closed down. The amount of US dollar 90,000 was received by that Mission in April, 1978 without any details. The Mission requested the CAO in August, 1978 for details about the said amount, and sought for permission to meet its rent obligations as well as expenditure on the transfer of its officials out of this amount. The CAO was not in a position to enlighten the Embassy about the source of remittance of these funds and advised them not to utilize the funds unless full particulars were made known.

51. So that the amount did not lie un-utilized, the Mission appropriated dollar 68,359.05 for the payment of rents in respect of the Chancery, Embassy residence and apartments of officials. The balance of dollar 21,640.95 was taken into the imprest and the Mission informed the Ministry that no remittance on account of recoupment etc. would be obtained till dollar 21,640.95 was exhausted. The Ministry, further explained that, as the Mission had since been closed, it was no more possible to carry further investigations into the matter.

52. In view of the above position having been accepted by Audit, the Committee decided to drop the paragraph.

53. *Unnecessary retention of funds—Rs.* 656,612 (*Para* 71, *page* 64—*AR*)—Audit had reported that, in the case of two Missions abroad, Consular fees and a special remittance, amounting to Rs. 656,612, were retained over and above the requirements. The money was kept in bank accounts, which carried no interest. Since the retention of funds in such a manner involved loss of interest, the respective Missions were requested in July, 1974 and July, 1976 to remit back the amounts. In October, 1976, one of the Missions remitted a sum of Rs. 5 lakh. However, final disposal of the balance amount of Rs. 156,612 still remained to be intimated.

54. Audit recommended that responsibility should be fixed for the loss of interest, and remedial measures should be adopted for the future. In their written reply, the Ministry explained that, out of a total of Rs. 656,612 an amount of Rs. 35,327 had been settled. The remaining amount of Rs. 621,285 in respect of other Missions had also been settled. After some discussion, the Committee decided to drop the paragraph.

55. *Losses not written off—Rs.* 338,018 (*Para* 72, *page* 64—*AR*)—Audit had reported that losses, amounting to Rs. 338,018, suffered by seven Missions abroad and the Ministry on account of defalcations, theft, damage to official property, shortages in stores, irregular disposal of stores and devaluation of local currency, remained to be recovered/written off.

56. The Ministry contended that, out of a total of Rs. 338,018, a sum of Rs. 302,018 related to the Missions, leaving a balance of Rs. 36,000 which was attributable to the Ministry. The objections in respect of an amount of Rs. 136,185, pertaining to three Missions, stood settled. However, cases of the remaining 4 Missions, as mentioned below were under process of settlement in consultation with the Missions concerned—

S.No	Name of Mission Period of Audit	Para No	Amount Rs.	Brief subject
1.	Brasilia (1975—78)	9	32,990	Loss due to disposal of old car
2.	Ottawa (1975—79)	2	82,560	Loss of adhesive stamps due to burglary.
3.	Bradford (1971—79) ..	4	8,310	Non-maintenance of Cash Book for sale of adhesive stamps
4.	Lagos (1970—73)	1(2)	41,973	Loss of exchange due to devaluation of local currency

57. As regards the amount of Rs. 36,000 relating to the Headquarter of the Ministry, a sum of Rs. 15,000 had been regularised and the remaining amount of Rs. 21,000 was being regularised on a priority basis. Audit representative pointed out that the Ministry's sanction letter, regularising the loss of Rs. 15,000 had not been received and, as such, losses of Rs. 201,833 still remained to be regularised.

58. A member enquired what happened to the loss due to burglary at Ottawa and who was held responsible for shortage of adhesive stamps. After some discussion, *the Committee concluded that details of outstanding losses should be intimated by the Ministry to Audit and action taken about their regularisation.*

59. *Loss of special remittance of Rs.* 318,200 (*Para* 73, *page* 64—*AR*)—It was reported by Audit that a sum of Rs. 318,200 was remitted on the 3rd July, 1969, to the Pakistan Mission at Calcutta for the purchase of Chancery building. The amount was, however, lying un-utilized at the time of local audit in December, 1970. Audit accepted the explanation submitted by the Ministry as the amount had been noted in the Liability Register by the Accounts Office concerned. The paragraph was, therefore, dropped.

60. *Stores not taken on stock—Rs.* 26,431 (*Para* 74, *page* 65—*AR*)—Audit had reported that various items of stationery worth Rs. 21,491 and different articles of furniture worth Rs. 4,940 were not entered in the relevant stock registers of the Ministry's Headquarters Office. Audit confirmed that discrepancies had since been removed. The Committee, thereupon, decided to drop the paragraph.

61. *Improper disposal|write-off of Government stores* (*Para* 75, *page* 65—*AR*)—Audit had reported that, in two Missions abroad, different items of Stores such as two cars, air-conditioners, type-writers, carpets etc. were either disposed of by sale at nominal prices or were written off without observing the prescribed procedures, such as advertisement of stores for sale to the highest bidders and obtaining of prior approval from the competent authority. On the acceptance of the Ministry's explanation by Audit, the Committee decided to drop the paragraph.

62. *Vouched accounts not furnished Rs.* 14,524,356 (*Para* 76, *page* 65—*AR*)—Audit had reported that a sum of Rs. 10,803,670 was paid by the Ministry to the Cabinet Division during 1976—78 for disaster relief purposes, subject to condition of accounts. The vouched accounts in respect of the expenditure actually incurred against the aforesaid payment were, however, not produced to Audit. Similarly, the vouched accounts were also not produced for another amount of Rs. 3,720,686, drawn during the same period as contingent advances for making purchases and visits abroad.

63. In their written reply, the Ministry explained that, out of the total advances of Rs. 14,524,356 shown outstanding under this paragraph, a sum of Rs. 3,720,686 had already been incorporated in paragraph 67 of the Report under review. Therefore, the outstanding amount, requiring adjustment, amounted only to Rs. 10,803,670, out of which Rs. 2,170,417 had already been adjusted. An advance of Rs. 20 lacs, on account of assistance to the Zimbabwe Patriotic Front, related to the Defence Division, who had been requested to expedite its adjustment. For the remaining outstanding amount, instructions had been issued to the concerned staff|sections, to finalise the matter with the utmost expedition.

64. Questioned about the problem with the Cabinet about furnishing the accounts, the departmental representative replied that, after repeated requests, only Rs. 4.5 million had been accounted for by them.

65. After discussion, *the Committee observed that the accounts of Rs. 8.633 million relating to disaster relief were not furnished to Audit. The Cabinet and Defence Divisions should be requested to make the accounts of the funds, pertaining to them, available to the Ministry of Foreign Affairs and also come prepared about those amounts, when their own accounts were taken up for examination. Federal Council Secretariat would inform them of this directive.*

66. *Non-maintenance/irregular maintenance of accounts records (Para 77, page 66—AR)*—Audit had reported that, in the Headquarters office of the Ministry and its 33 Missions abroad, auditable records were either not produced or were not being maintained at all. In addition, various irregularities, noticed in the maintenance of accounts documents, were pointed out, for rectification. Due to irregular maintenance of accounts, leakages of public revenues etc. could not be ruled out. In certain cases, irregularities had been pointed out more than 15 years back and were being pursued, but had not been brought to a logical conclusion as yet. In their written reply, the Ministry stated that the records/accounts of the Ministry's Headquarters were being maintained according to Audit requirements and strict vigilance was being exercised to avoid any leakage of public funds. The Ministry further averred that observations in respect of 33 Missions related to old Audit reports and were of a procedural nature, such as non-reconciliation of Bank statements, and non-maintenance of movement registers of staff cars, etc. The Missions were now complying with the Audit requirements. Thereupon, the Audit representative commented that compliance with Audit requirements remained to be reported by 20 Missions in respect of 45 cases and by the Ministry itself in two cases. Audit further pointed out that no appreciable improvement in the maintenance of accounts by the Missions was noticed even in subsequent audits.

67. After some discussion, *the Committee decided to defer the paragraph and directed that Audit should give full details of non-compliance at Headquarters of the Ministry.*

68. *Physical verification of stores not conducted (Para 78, page 66—AR)*—Audit had reported that physical verification of various stores in the Ministry and 22 out of the total 86 Missions abroad had not been conducted. In the case of Missions, the stock inventories had also not been submitted to the Accounts Office concerned, as required under the orders in force. Consequently, shortages in stores remained un-noticed and no action to make good the possibe losses could

be taken. In certain cases, the irregularity was pointed out more than 15 years back and later pursued with the Missions|Ministry by issue of reminders, but the compliance still remained to be reported.

69. The Ministry explained in their written reply that, out of 21 Missions which were involved, cases of two Missions had been settled. Compliance Reports relating to certificates of stock inventories in respect of 5 Missions had been submitted to Audit. The cases of the remaining fourteen Missions were under processing, namely physical verification of stores and sanctioning write off for shortages etc.

70. Auditor however, reported that compliance in respect of sixteen Missions remained to be reported. *The Committee decided that the Audit might provide the list of* 16 *Missions concerned to the Ministry of Foreign Affairs, for ensuring compliance.*

71. *Non-recovery of Rs.* 4,142 (*Para* 34, *page* 44—*AR*)—Audit pointed out that the Ministry of Education in their reply, (which was examined by the Committee in their meeting held on 30th August, 1983) had stated that the Education Minister had gone to USA on the assignment of Ministry of Foreign Affairs for which sanction was also issued by that Ministry. Hence reply to this paragraph would be furnished by that Ministry. The reply of the Ministry of Foreign Affairs was awaited.

72. *The Committee directed the departmental representative to furnish reply to this paragraph.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC's REPORT ON THE ACCOUNTS FOR 1978-79

73. *Reconciliation of Accounts with Audit* (*Paras* 458—460, *pages* 159—160—*PAC Report* 1978-79)—The Committee had previously directed that, presently, 2 sets of accounts were being maintained, one by the Ministry and the other one by the Chief Accounts Officer. After the departmentalisation of accounts, only one set of accounts with the CAO should serve the purpose and action may be taken on these lines.

74. The Ministry, in their written reply, explained that consequent upon the departmentalisation of Accounts with effect from 1st July, 1979, only the administrative control of the Chief Accounts Officer had been changed. As such, under the existing arrangements, reconciliation with the office of the Chief Accounts Officer was being carried out monthly, to obviate discrepancies in the 2 sets of figures. After some discussion, the Committee decided to drop the paragraph. The Committee also observed that, once the paragraphs were dropped, there should be no need to inform the PAC about it.

75. *Grant No.* 63—*Ministry of Foreign Affairs* (*Page* 92—*AA*) (*paras* 461—465, *pages* 160—161—*PAC Report* 1978-79)—On having accepted the explanation given by the Ministry, the Committee decided to drop the paragraphs.

76. *Grant No.* 64—*Foreign Affairs* (*Page* 93—*AA*) (*Para* 466, *page* 161—*PAC Report* 1978-79)—The Committee accepted the explanation for not surrendering the savings and decided to drop the paragraph.

77. *Sub-head "A—3—Expenditure or Transfer"* (*Page* 93—*AA*) (*Paras* 467—469, *pages* 161-162—*PAC Report* 1978-79)—The paragraphs were dropped by the Committee—

Grant No. 65—*Other Expenditure of Foreign Affairs* (*Page* 94—*AA*) (*para* 470, *page* 162—*PAC Report* 1978-79)—

Grant No. 131—*Capital Outlay on Works of Ministry of Foreign Affairs* (*Page* 170—*AA*) (*Paras* 471-472, *pages* 162-163—*PAC Report* 1978-79)—

78. The Committee previously did not make any observation on these paragraphs. As such, these may be treated as settled subject to any regularising action.

79. *Excess Payment of Foreign Allowance, Exchange Compensation Allowance and Daily Allowance amounting to Yen* 11,238,553 (*Rs.* 374,628) (*Para* 25, *page* 36—*AR*) (*Paras* 473—476, *pages* 163-164—*PAC Report* 1978-79)—*Not being satisfied with the explanation of the Ministry, the Committee had previously directed that the matter should be got regularized quickly.*

80. The Ministry explained in their written reply that, since the Ministry of Finance had shown its inability to agree to write off the over-payment, the Mission at Tokyo was requested to start recoveries from the concerned Officers/ Officials, under intimation to the Ministry of Foreign Affairs *vide* their letter No. Estt. (1-B)-11|16|82, dated 9th May, 1982 and 6th November, 1982.

81. The Chairman observed that the department should try to recover the money by resorting to legal provisions. A member observed that the Ministry should rejustify their action to the Ministry of Finance. Another member remarked that the reasons for writing off the amount must be accounted for and the case be re-opened.

82. After some discussion, *the Committee directed that the officers concerned should be traced out, even if they may not be in Tokyo now, and recoveries got promptly effected from them.*

83. *Irregular expenditure of about Rs.* 150,000 *on repairs, etc., of a Chancery Building* (*Para* 26, *page* 37—*AR*) (*Paras* 477—479, *pages* 164-165—*PAC Report* 1978-79)—In view of the explanation furnished by the departmental representative, the Committee decided to drop the paragraphs.

84. *Loss of interest earning of Rs.* 53,830 (*Para* 27, *page* 38—*AR*) (*Paras* 480—482, *page* 165—*PAC Report* 1978-79)—The Committee did not make any observation on these paragraphs. Hence they may be treated as having been dropped.

85. *Irregular reimbursement of Telephone charges F.F.* 19,620 (*Rs.* 42,000) (*Para* 28, *page* 38—*AR*) (*Paras* 483—486, *pages* 165-166, *PAC Report* 1978-79)—In view of the written explanation submitted by the Ministry, the Committee decided to drop these paragraphs subject to regularisation of expenditure by the Ministry and verification by Audit.

86. *Loss of Rs.* 6,895 *due to accident to a Staff Car* (*Para* 29, *page* 38—*AR*) (*Paras* 487—489, *page* 166—*PAC Report* 1978-79)—These paragraphs were already treated as settled by the Committee.

87. *Non-recovery of damage charges for rented residence* (*Para* 30, *page* 39—*AR*) (*Paras* 490—492, *pages* 166-167—*PAC Report* 1978-79)—The Committee did not make any observation on these paragraphs, which were previously treated as settled.

88. *Non-adjustment of temporary advance—Rs.* 6,261,996 (*Paras* 934—939, *page* 155—*PAC Report* 1970-71) (*Paras* 493—497, *pages* 167-168—*PAC Report* 1978-79)—These paragraphs were treated as settled.

Short recovery of Utility Charges (*Paras* 346—351, *pages* 74-75—*PAC Report* 1972-73) (*Paras* 498—500, *pages* 168-169—*PAC Report* 1978-79)—

Over-payment of Exchange Compensation Allowance (*Para* 431, *page* 85—*PAC Report* 1973-74) (*Paras* 501-502, *page* 169—*PAC Report* 1978-79)—

Non-recovery of Utility and Service Charges Rs. 36,569 (*Paras* 432-433, *pages* 85-86—*PAC Report* 1973-74) (*Paras* 503-504, *page* 169—*PAC Report* 1978-79)—

89. In view of the explanation furnished by the department, the above-mentioned paragraphs were deemed to have been settled subject to verification of the remaining recoveries by Audit.

90. *Non-submission of Mortgage Deeds against House Building Advances* (*Para* 435, *page* 86—*PAC Report* 1973-74) (*Paras* 505—507, *pages* 169-170—*PAC Report* 1978-79)—The Committee treated these paragraphs, as dropped subject to verification of recoveries by Audit.

91. *Non-submission of Mortgage Deed and non-refund of Motor Car Advances* (*Para* 436, *page* 86—*PAC Report* 1973-74) (*Paras* 508-509, *page* 170—*PAC Report* 1978-79)—In view of the explanation submitted by the Ministry, the Committee decided to drop these paragraphs subject to verification by Audit.

92. *Grant No.* 44—*Excess of Rs.* 295,226 (*Para* 572—575, *pages* 114-115—*PAC Report* 1974-75) (*Para* 510, *page* 170-171—*PAC Report* 1978-79)—The paragraph was previously treated as settled by the Committee.

93. *Non-recovery of Services Charges over Rs.* 1 *lakh* (*Paras* 583—585, *page* 116—*PAC Report* 1974-75) (*Paras* 511—514, *page* 171—*PAC Report* 1978-79)—After some discussion, the Committee decided to drop these paragraphs subject to verification of recovery by Audit.

94. *Actionable points arising out of discussion in the meeting of PAC held on 26th January,* 1983—*Grants No.* 62 *and* 63 (*Pages* 77-78 *AA*—1979-80)—*The Committee was not satisfied with the explanations furnished by the Ministry and directed the Ministry to look into it again and furnish specific replies to their directives.*

95. *Points not discussed to be treated as settled*—The Committee did not make any observations on other paragraphs points in (i) the Appropriation Accounts 1980-81 and the Audit Report thereon ; and (ii) Compliance of PAC's Reports for 1978-79. These would be treated as settled, subject to such regularization actions, as may be necessary under the rules.

96. The Committee then adjourned to meet at 9.00 A.M. on Sunday the 28th August, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 8th March, 1984.

FEDERAL COUNCIL SECRETARIAT

Sunday, the 28th August, 1983

Second Sitting (PAC)

97. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

(1) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member, (Acting Chairman)*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

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

(5) Mr. Yousuf Bhai Mian, Chartered Accountant .. *Member*

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Akhtar Sharif Kanwar, Director Public Relations

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

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

(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(4) Mr. Munir Ahmed, Director General, Railway Audit

(5) Mrs. S. N. Sheikh, Director General, Commercial Audit

(6) Raja Muhammad Saleem Khan, Director, Foreign Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

98. *Accounts examined*—Accounts pertaining to the following Ministries/ Divisions were examined by the Committee during the course of the day—

(1) Population Welfare Division

(2) Statistics Division

(3) National Assembly Secretariat

(4) Senate Secretariat

(5) Planning and Development Division

(6) Ministry of Railways

POPULATION WELFARE DIVISION

99. The Committee first took up for its examination, the Appropriation Accounts etc., pertaining to the Population Welfare Division. The following departmental representatives were present—

(1) Mr. Muhammad Hassan Bhutto, Joint Secretary

(2) Dr. A. R. Rukkun-ud-Din, Director General (PDC)

(3) Mr. Bashir-ud-Din Ahmad, Director, Finance

100. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Population Division	107
2.	Development Expenditure of Population Division	161

101. *Reconciliation of Accounts with Audit*—The Committee observed that the reconciliation was complete upto 1981-82, but the Accounts for the year 1982-83 had yet to be reconciled. *It directed that the accounts should be reconciled by the middle of September, as Audit would close the final Accounts by the 30th September,* 1983.

APPROPRIATION ACCOUNTS

102. *Grant No.* 107—*Population Division* (*Page* 129*AA*)—The Committee did not record any observation on this grant.

103. *Grant No.* 161—*Development expenditure of Population Division* (*Page* 210—*AA*)—According to the written reply of the Division the saving of Rs. 2,393 under the functional Head "430—Population Planning—Grants to Pakistan Population Planning Council", was less than 5 per cent and thus within the permissible limit. In reply to a question as to why was the supplementary grant asked for and why was Rs. 45.65 million, surrendered, the departmental representative submitted that the original allocation was Rs. 159.5 million which was reduced by 9.5 million and the cut had to be adjusted. Audit pointed out that there was actually no need for a supplementary grant. The Committee thereupon, did not make any further observation on this grant.

104. The Committee observed that, against an estimated recovery of Rs. 65,127,000 under UNFPA, U.S. AID|W.H.O. and OTHER ASIA|FORD FOUNDATION, a sum of Rs. 42,579,101 had been recovered, leaving an amount of Rs. 22,547,899 less recovered. *The departmental representative was requested to explain the variation and the non-receipt of Foreign Aid in the Accounts.*

AUDIT REPORT

105. *Payment of demurrage charges, amounting to Rs. 229,650 by Population Division* (*Para* 156, *page* 130—*AR*)—As reported by Audit, the Population Planning Council received 78 consignments of jeeps and Motorcycles in October 1974 and three consignments of Jeeps in November, 1974 at the Karachi Port. 39 consignments were cleared in May, 1975 and 42 in June, 1975 through the District Controller of Stores, PWR, Karachi Cantt. Demurrage charges, amounting to Rs. 229,650 were paid for 179 to 259 days in these cases due to the negligence of the concerned officers. Audit further stated that the matter was brought to the notice of the Ministry in August and October, 1978 but Ministry informed in August, 1981 that the report of Inquiry conducted in August, 1977 was still under submission to the competent authority.

106. In reply, the departmental representative submitted that there were several factors which led to the payment of Rs. 229,650 as demurrage charges to the K.P.T. by the PPC in 1975-76. Neither any officer of the Council nor the Council itself could be held responsible for it. The formal inquiry, conducted into the matter, revealed the following facts—

(a) The UNICEF *vide* their letter No. PAK|SH|240 dated 26th September, 1974 informed the Population Planning Council that some consignments of goods, meant for the Council, had arrived at the Karachi Port and they (UNICEF) had furnished the documents to the District Controller of P.W.R. Stores, Karachi for clearance. In the aforesaid UNICEF letter, it was also stated that the Senior Supply Officer, Economic Affairs Division, had promised to provide funds for the clearance of the goods.

(b) Since the District Controller of P.W.R. Stores, had no funds in the Imprest Account of the Economic Affairs Division, clearance of goods could not be arranged in time.

(c) The Economic Affairs Division neither informed the Population Planning Council about the correct procedure for the clearance of consignments nor disclosed their own responsibilities|limitations in this regard.

107. According to UNICEF's letter dated 26th September, 1974 and the Economic Affairs Division's letter dated 29th March, 1975, the responsibility to clear the goods rested with the E.A.D. but, in the last analysis, all the concerned agencies, *i.e.* the UNICEF, the Economic Affairs Division, the District Controller of P.W.R. Stores and the Population Planning Council were collectively made responsible for the demurrage charges. In fact the then DD (S&M) Population Planning Council was able to get the consignments released through

Bank guarantee, as the requisite funds were not readily available. He also managed, through his personal efforts, to get a waiver from the K.P.T. for 50 per cent of the demurrage charges. However, necessary action was being taken to get the demurrage charges of Rs. 229,650 written off by the competent authority.

108. Audit pointed out that the Population Welfare Division had held UNICEF, EAD, PWR and the PP Council responsible for the demurrage charges, which was not correct. UNICEF, the Aid giving agency, was hardly concerned with the clearance of goods. It was for the Population Planning Council, the receiving agency, to arrange their clearance. Besides, PP Council had, earlier, informed that the disciplinary action, contemplated against the concerned officer was being taken but this appeared to have not been taken and Inquiry Report had also not been supplied to them.

109. In reply, the departmental representative submitted that an Inquiry was held and a summary was sent to the President, who did not agree with the administrative Ministry and ordered that the officer must be proceeded against under MLO 17. The Inquiry Officer had consequently been appointed and was conducting the inquiry. Thereupon, *the Committee directed that the Inquiry should be got expedited and a report furnished to Audit.*

COMPLIANCE OF POINTS|PARAS CONTAINED IN THE PAC REPORT FOR 1978-79

110. *Grant No.* 151—*Development expenditure of the Population Division* (*Page* 190—*AA*) (*Paras* 992—995, *pages* 285-286—*PAC Report* 1978-79)—The Committee had previously requested Audit to examine if the organizations, set up by Resolutions of Government such as the Population Council, could be considered bodies corporate under the Company Law or departments of the Government. This was required to be looked into in the context of the procedure laid down for the operation of the Personal Ledger Account of the Council with the Treasury. The Committee had further desired that, in consultation with the Finance Division. Audit should also look into the matter and see if there was anything irregular about the procedure for the transfer of an entire grant, to be spent by the Council, without the normal Audit of expenditure and without surrendering the un-spent funds to the Government at the end of the financial year. The Committee had also, previously directed that Audit should verify that the money advanced and credited in the Council's PL Accounts was actually spent according to the rules framed for the purpose and that the Accounts were being maintained correctly. The department offered no comments except that Audit was responsible for examining the issue in regard to Paragraph 994.

111. The departmental representative further apprised the Committee of the following features of the Government Resolution constituting the Council—

(a) The executive and financial functions of the Council were performed by the Executive Committee of the Council, consisting of the Secretary-in-charge Population Welfare Division, Financial Adviser, and Joint Secretary, Population Welfare Division.

(b) The expenditure was incurred and accounts were maintained in accordance with the Financial Rules|Regulations of the Government.

(c) The accounts of the Population Welfare Division were audited by the A.G.P.R. in the normal course.

(d) The un-spent balance in the PLA is surrendered at the close of financial year.

112. In reply to a question as to when was the last grant provided to the Council and what was the provision for it in the current financial year's budget, the departmental representative submitted that it was provided in the year 1980-81 but not in the subsequent years. Thereupon, the Auditor-General observed that grant to the Council was made in a different way as the Ministry had been obtaining funds for the Council's expenditure which would continue to be subject to audit. The departmental representative submitted that, as from 1980-81, it was direct disbursement by the Council and not through any agency. The Vice-Chairman enquired as to when were the Ministry giving their report on the Population Council whether audit of the Population Planning Council had been taken up. The Audit representative informed the Committee that they did conduct the audit, and any material worth consideration, would be certainly brought up before the PAC. After hearing the departmental representative and Audit, *the Committee directed that Audit should look into the matter and report back, if necessary.*

113. *Extra expenditure of Rs.* 119,717 *due to acceptance of higher rates in a contract* (*Para* 46, *page* 49—*AR*) (*Paras* 996—998, *pages* 286-287—*PAC Report* 1978-79)—The Committee had previously decided to drop the paragraph subject to verification by the Audit. The Ministry stated that the details of the case, along with original records, had been provided to Audit, for verification. Audit did not agree to the arguments of the Ministry and upheld their original objection. An Inquiry Committee was therefore, set up with the following terms of reference—

(a) How and why was the lowest rate of 50 Paisa per foot, quoted by National Movies, was rejected and contract was given at the higher

rate of 70 Paisa per foot, resulting in a loss of Rs. 119,717 to the Government.

(b) Fixing of responsibility for the above irregularity.

114. The Inquiry Committee had furnished its findings which were being examined in the Population Welfare Division for necessary action. After some discussion, *the Committee directed that the department should furnish a copy of the report to the Audit for verification.*

115. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs points (i) in the Appropriation Accounts 1980-81 and the Audit Report thereon ; and (ii) on the Compliance of the PAC's Report for 1978-79. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

STATISTICS DIVISION

116. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Statistics Division. The following departmental representatives were present—

(1) Mr. S. Habeeb Hussain, Secretary

(2) Mr. S. Sarfraz Ali, Joint Secretary

(3) Mr. Habibur Rehman, Section Officer

117. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Statistics Division	106
2.	Development Expenditure of Statistics Division	160

118. *Reconciliation of Accounts with Audit*—From the reconciliation statement presented to the Committee, it was observed that the reconciliation of accounts for the year 1982-83 had not been completed. *The departmental representative was directed to get the same completed by the middle of September*, 1983.

APPROPRIATION ACCOUNTS

119. *Grant No.* 106—*Statistics Division* (*Page* 128—*AA*)—Audit had shown a saving of Rs. 5,226,342 under the functional head "061 General". The Ministry explained that it was mainly due to less booking of Rs. 4,633,875 by Audit, this amount having been booked under the Development Expenditure of Statistics Division (Demand No. 160). It was later on reconciled with Audit. Audit confirmed the booking of Rs. 4,633,875 under Grant No. 160 which was due to incorrect classification recovered by the department on the bills.

120. In view of the above, the Committee did not make any further observation on this paragraph and it was treated as settled.

121. *Grant No.* 160—*Development Expenditure of Statistics Division* (*Page* 209—*AA*)—There was no material point worth consideration by the Committee in this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

Para 6—*Meetings and Proceedings of the Committee* (*Page* 2—*PAC Report* 1978-79)—

Grants No. 53 *and* 147 (*Pages* 80 *and* 186—*AA*) (*Para* 1006, *page* 288—*PAC Report* 1978-79)—

122. There was no material point for consideration by the Committee on the above Paragraphs.

123. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs points in (i) The Appropriation Accounts 1980-81 and (ii) Compliance on the P.A.C. Report for 1978-79. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

NATIONAL ASSEMBLY SECRETARIAT

124. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the National Assembly Secretariat. The following departmental representatives were present—

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Abdul Majid, Finance and Accounts Officer

125. This Secretariat, controlled Grant No. 100—National Assembly.

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

APPROPRIATION ACCOUNTS

127. *Grant No.* 100—*National Assembly* (*Page* 122—*AA*)—There was nothing material for consideration in this grant.

AUDIT REPORT

128. *Delay in finalization of G.P. Fund payment cases* (*Para* 188— *item Nos.* 123, 124, 125 *and* 126, *page* 156—*AR*)—Audit had pointed out some delay in the processing of G.P. Fund cases of the following officials of the National Assembly Secretariat—

(1) Muhammad Sadiq, Electrician	CAP-4026
(2) Rana Javed Iqbal, J.M.C.	CAP-4074
(3) Muhammad Saeed, Assistant	CAP-3172
(4) Riasat Ali, J.M.C.	CAP-4082

129. It was explained by the departmental representative that the delay occurred due to the late submission of applications by the individuals themselves for the final payment of G.P. Fund. The delay had, therefore, to be attributed to the claimants and not the Secretariat. Audit explained in their comments that documents for the final drawal of G.P. Fund should be normally completed before relieving a Government servant.

130. The Auditor-General informed the Committee that particulars of the missing credits from all the subscribers were called for and pursued and the annual statements were now to be distributed to all concerned by the 30th September, 1983. Wherever any complaints were received then, Audit would make every effort to redress them as expeditiously as possible. Discussing the preparation of pension papers and G.P. Fund accounts, etc. *the Committee observed that this work should be started 6 months before the date of superannuation of individuals. The departmental representative noted the directive for getting timely action taken with regard to the preparation of pension papers.*

131. *Compliance of points raised in the PAC Report on the accounts for* 1978-79 (*Paras* 25 *and* 26, *pages* 7, 8 *and Para* 35, *page* 10—*PAC Report* 1978-79)—The Committee did not make any observation on these paragraphs, which were deemed as settled.

132. ***Points not discussed to be treated as settled***—The points in Appropriation Accounts 1980-81 and the Audit Report thereon as well as the compliance on the PAC Report for 1978-79 which were not discussed, would be deemed as settled, subject to the regularization action that may be necessary under the rules.

SENATE SECRETARIAT

133. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Senate Secretariat. The following departmental representatives were present—

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

(2) Mr. Aziz Ahmed Qureshi, Joint Secretary

(3) Mr. Akhtar Hussain Khan, Deputy Secretary

134. This Secretariat, controlled Grant No. 101—The Senate.

135. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of accounts was complete in all respects.

APPROPRIATION ACCOUNTS

136. *Grant No.* 101—*The Senate* (*Page* 123—*AA*)—The Committee did not make any observation on this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORT ON THE ACCOUNTS FOR 1978-79

137. *Grant No.* 100—*The Senate* (*Page* 134—*AA*) (*Para* 647, *page* 204—*PAC Report* 1978-79)—The Committee had directed that the excess expenditure of Rs. 148,298 against the Group Head " A—members of the Senate ", caused by debits in 1978-79 on account of salaries of Senators amounting to Rs. 161,605 for the year 1976-77 required a supplementary demand and had to be regularized. The departmental representative explained that the matter was being taken up with the Finance Division for the regularization of an excess expenditure of Rs. 148,298. Thereupon, the representative of Finance Division informed the Committee that the necessary Excess Budget Statement would be issued after the President's approval. The Committee did not make any further observation on this grant.

138. *Points not discussed to be treated as settled*—No observation was made by the Committee on any other paragraphs|points (i) in the Appropriation Accounts 1980-81, (ii) Compliance on the PAC Report for 1978-79. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

PLANNING AND DEVELOPMENT DIVISION

139. After completing the examination of accounts of Senate Secretariat, the Committee took up for its examination, the Appropriation Accounts etc., pertaining to the Planning and Development Division. The following departmental representatives were present—

(1) Mr. M. I. K. Khalil, Additional Secretary|Member, Planning Commission

(2) Mr. Mahmud Athar Zaka, Joint Secretary

(3) Mr. Rashid Mahmud Ansari, Deputy Secretary

(4) Col. K. M. Roy, Deputy Director (Co-ord), NLC

140. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Planning and Development Division	105
2.	Development Expenditure of Planning and Development Division	159

141. *Reconciliation of Accounts with Audit*—From the statement produced before the Committee, it was noted that the reconciliation work of the Division was complete.

APPROPRIATION ACCOUNTS

142. *Grant No.* 105—*Planning and Development Division* (*Page* 127—*AA*)—Audit had shown a saving of Rs. 340,144,052 against the functional head "032—Planning". The department explained, in their written reply, the broad details of this saving, as under—

(i) Main Planning and Development .. .. Rs. 26

(ii) Federal Inspectorate General Development Projects in Baluchistan .. .. Rs. 3,662

(iii) The National Logistic Cell .. .. .. Rs. 340,140,364

143. The savings at (i) and (ii) above were less than the permissible limit of 5 per cent of the grant and as such no explanation was called for.

144. As for the saving of Rs. 340,140,364 under the National Logistic Cell, it was stated that an expenditure of Rs. 340,140,364 was incurred by the Cell during 1980-81. The entire expenditure was financed by the Cell out of the amount recovered by them from various Organisations. This expenditure had not been adjusted by Audit for the reason that the same was not incurred through them during 1980-81. That is why the reconciliation statement was not accepted by them.

145. In their comments, Audit stated that, in view of the surrender of Rs. 127,253,100, the Supplementary Demand of Rs. 2,504,000 was un-necessary. Audit further added that, out of a total saving of Rs. 340,144,052, an amount of Rs. 340,140,364 pertained to the National Logistic Cell. They actually spent this amount out of the Departmental Receipts and the Receipt and Expenditure were not routed through the Audit office|Government Accounts. The diversion of departmental receipts towards expenditure was not admissible.

146. Audit had shown nil actual recovery against the estimated recovery of Rs. 412,650,000 under code No. " 032—Planning—National Logistic Cell ". The Ministry explained that, against an estimated recovery of Rs. 412,650,000, an actual amount of Rs. 480,323,346 was recovered by the National Logistic Cell from various Organisations during 1980-81. Thereupon a Member pointed out that income was shown in Commercial Accounts (Page 872 Vol. II) of NLC as Rs. 412,613,324. Why this difference of about Rs. 68 million occurred.

147. A member remarked that the departmental representative did not fully explain some of the points in respect of the NLC. Thereupon, the Acting Chairman observed that the points on which information was needed might be noted by the departmental representative for the next meeting.

148. After some discussion, *the Committee directed that a self-contained note containing information about the working of the NLC, including that on the following points should be furnished to the Committee—*

(a) *Notification about the setting up of the NLC.*

(b) *Details of its organisation and its operations.*

(c) *The accounts of the NLC from its inception till June,* 1983.

(d) *How are these accounts reflected in the Government accounts?*

(e) *How was the grant of Rs.* 1225 *million to NLC appropriated and how were the recoveries from the NLC dealt with, etc.?*

(f) *If railways transport worked out to be much cheaper than NLC, the reasons for the continuance of NLC. And the comparative rate/ cost analysis, etc.*

149. *Grant No.* 159—*Development Expenditure of Planning and Development Division* (*Pages* 207-208—*AA*)—Audit had claimed that the surrender of Rs. 985,400 against a provision of Rs. 1,500,000 under the Functional Head " 032—Planning-Lump Provision for Economic Research Studies " had been explained in the surrender order as having been due to non-completion of some major studies and non-finalization of some contracts in 1980-81. Details thereof were required for the information of the Committee. The departmental representative promised to furnish the details to the Committee.

150. Audit had shown a saving of Rs. 2,392,212 against the Functional Head " Lump Provision for Establishment of Fertilizer Cell (U.N.|PAK Fertilizer Development Centre) ".

151. The Department explained that there was an actual saving of Rs. 2,393,000 relating to F.A.O's Contribution, which remained unadjusted in the accounts of 1980-81 due to the payment of salaries of foreign Consultants/ staff and equipment by the donor agency. However, the saving of Rs. 2,393,000 was reduced to Rs. 2,392,212 after the adjustment of excess expenditure of Rs. 788 during 1980-81.

152. Thereupon, the Audit commented that the saving of Rs. 2,393,000 was due to non-issue of advice by Economic Affairs Division who had stated that advice about aid was called for from the concerned Ministry (Planning Division) but it was not received from them or from the donor.

153. A Member observed that against the expenditure of Rs. 299,350,000 under functional head 032—Planning—National Logistic Cell in the Appropriation Account of this grant the following amounts appeared at page 873 of the Commercial Accounts 1980-81 (Vol-II)—

		Amount
(i)	Amount received during the year from Ministry of Planning	Rs. 21,850,000
(ii)	Amount received against foreign assistance for purchase of Hino trucks and bowzers	Rs. 32,927,360
(iii)	Amount received against French credit for purchase of spares	Rs. 5,325,694

154. He wanted to know the variation in two sets of figures. The departmental representative informed the Committee that they would look into it.

155 *The Committee finally concluded that—*

(i) *The Planning Division should reconcile the accounts of Rs.* 21 *million and Rs.* 299 *million, shown on page* 873 *of the Commercial Accounts* 1980-81 *and Appropriation Accounts respectively;*

(ii) *the reasons for keeping Rs.* 150 *million in Fixed Deposit appeared at page* 876 *of the Commercial Accounts* 1980-81, *should be furnished, and at the same time demanding more funds from the Government did not seem justifiable and needed an explanation; and*

(iii) *the Planning Division and Audit should look into it and find out where the figures appearing in the Commercial Accounts were to be reflected in the Government Accounts.*

AUDIT REPORT

156. *Irregular expenditure of Rs.* 211,914 (*Para* 153, *page* 129—*AR*)—As reported by Audit, an expenditure of Rs. 211,914, was irregularly incurred in three cases during 1963 to 1967 by the Planning Division's Sections, located in two Missions abroad. The irregularities were pointed out in July, 1968 and September, 1966 and the necessity for regularization also stressed upon, but the requisite action still remained to be taken.

157. It was explained by the department that the original Audit Reports on the accounts of the IPECC and RCD Secretariat, Tehran, had not been received from the Director, Foreign Audit, who was being requested to supply the same. Moreover, the official, for whom the expenditure was incurred, deflected to BANGLADESH and it was not possible to recover the amount from him now. Hence necessary action was being taken to regularize the expenditure by *ex-post-facto* sanction of the competent authority.

158. Thereupon, Audit observed that the statement about the non-receipt of Audit Reports was not factual, as both the Missions had informed them in May, 1967 and April, 1971 that the cases were being pursued by them with the Planning Division for regularization. The Planning Division also knew these cases as stated in their O.M. No. 3 (3) Adv. VI|74, dated 19th April, 1974. Audit further observed that an irregular expenditure of Rs. 181,764 incurred in two cases, had been noted by the concerned Account Office in the Liability Register. The balance amount of Rs. 30,150 remained to be regularized.

159. After hearing the departmental representative and Audit, the Committee decided to drop this paragraph subject to verification by Audit.

160. *T.A. advances not adjusted Rs.* 11,000 (*Para* 154, *page* 129—*AR*)—The Committee decided to drop the paragraph subject to verification by Audit.

161. *Recovery not effected Rs.* 6,754 (*Para* 155, *pages* 129-130—*AR*)—According to Audit, the Planning Division's Sections, working in two Missions abroad paid Rs. 6,754 on account of inadmissible D.A. and overpayment of cost of air tickets. This amount has, therefore, to be recovered. The irregularities were, initially, pointed out in July, 1968 and July, 1972 and, later, the necessity to recover the long outstanding amount was stressed upon, but no recovery could be effected so far.

162. In their comments, Audit explained the present position of the paragraph that Rs. 2,554, recoverable from the Bengali official, has been noted in the Liability Register.

163. The recovery of Rs. 4,200 in the case of Mr. Masood Nabi Noor, *Ex*-Deputy Secretary General, R.C.D., remained to be effected.

164. After some discussion, *the Committee directed the departmental representative to sort this out and inform the Committee of the action taken, in its next meeting. The Committee also decided that the outstanding amounts must be recovered quickly.*

COMMERCIAL ACCOUNTS

165. *National Logistic Cell* (*Paras* 363—368, *pages* 138-139—*ARCA*)—As reported by Audit, the NL Board decided to switch over to commercial accounting system in fiscal year, 1980-81. In order to run the Board, Government provided to the Board funds, amounting to Rs. 690.178 million as on 30th June, 1981, allegedly as grant-in-aid, but no orders were produced to establish whether the funds represented grant-in-aid or were interest-bearing.

166. The Ministry explained that the NLC was a fully Government owned organization, affiliated to the Ministry of Finance (Planning and Development Division). The only difference between the NLC and other Government departments|organizations was of that the former maintained its accounts on the commercial system of accounting, while other Government organizations|departments maintained the same on the governmental one. The NLC had received a sum of Rs. 690.178 million from the Federal Government in the shape of budgetary grants and financial assistance from foreign governments, provided through the Government of Pakistan.

167. According to the principles of commercial accounting, this amount was required to be shown on the liability side of the Balance Sheet. It was, accordingly, shown therein as grant-in-aid, though it might have been better to show it as "Capital provided by the Federal Government". The NLB letter No. 1502|B&P|NLB, dated 3rd June, 1980, commercializing the accounts of NLC, contained no provision for the payment of interest on the funds, provided by the Government. This appeared to be logical, as the NLC was essentially functioning as an inseparable organ of the Federal Government itself.

168. The representative of Audit, thereupon, observed that the Ministry of Finance should first confirm that the funds, provided to the NLC, were to be treated as grant-in-aid, without interest. Audit would then suggest that the amount be shown in the Balance Sheet of NLC as "Capital provided by the Federal Government".

169. Audit had also reported that NLC was paying Project Allowance at the rate of 50 per cent of pay to all its Officers and staff. This Allowance was generally given to employees, engaged on projects situated at far-flung areas,

whereas the majority of the NLC staff was posted at Karachi, Rawalpindi and Gujranwala. Since the NLC was operating more or less on a permanent footing, the continuance of Project Allowance to its employees at the rate of 50 per cent needed to be reviewed.

170. When asked by a Member about the justification for giving this Allowance, the departmental representative submitted that, during the days of emergency, the nature of their duties had become emergent as distinct from normal.

171. The Acting Chairman then wanted to know some details of the emergency. The departmental representative was directed that this point should also be elaborated in this report to be submitted in the next meeting of the Committee.

172. *The Committee finally decided to defer the consideration of Commercial Accounts of NLC and directed the Planning Division to give full information about the NLC including also the analysis of its rates.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORT ON THE ACCOUNTS FOR 1978-79

173. *Grant No. 52—Planning and Development Division* (*Page 79—AA*) (*Paras* 980-981, *pages* 283-284 *PAC Report* 1978-79)—The departmental representative informed the Committee that the matter had been taken up with the Finance Division and their advice would be submitted shortly. *The Committee observed that in two years time the Division could not find out what was the exact position of the Imprest Fund and directed the Finance Division's representative to give proper response to this matter soon.*

174. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points and thus all such points in the Appropriation Accounts|Commercial Accounts, including the Audit reports thereon, and the compliance on PAC's Report for 1978-79 would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF RAILWAYS

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

(1) Mr. Abul Kalam, Chairman, Railway Board|Secretary, Ministry of Railways

(2) Mrs. Suraiya Hafeez, FA and CAO, Pakistan Railways

(3) Mr. Khalid Rashid, Joint Director (F&B), Railway Board

(4) Mr. Dilshad Ali Khan, Assistant Director, Railway Board

176. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
Civil		
1.	Ministry of Railways	109
2.	Capital Outlay on Investment in Railways	136
3.	Capital Outlay on Pakistan Railways	184
Pakistan Railways		
1.	Expenditure Charged to Railway Revenue	110
2.	Other Capital Expenditure of Pakistan Railways	137
3.	Capital Outlay on Pakistan Railways	184

177. *Reconciliation of Accounts with Audit*—Audit noted that the reconciliation for the period from July, 1982 to June, 1983 had not been completed. *The Committee, therefore, directed that some responsible officials from the Ministry of Railways should personally have the outstanding accounts reconciled with the A.G.P.R. quickly, as Audit will close the accounts by 30th September,* 1983.

APPROPRIATION ACCOUNTS

178. *Grant No.* 109—*Ministry of Railways* (*Page* 131—*AA*)—The final grant shown by Audit amounted to Rs. 3,684,000 and there was a saving of Rs. 26,209 under this grant, which was neligible.

179. The Committee inquired about the recovery of Rs. 90,000 under "the sub-head 091—Administrative Training". The Audit representative informed the Committee that the Ministry did not furnish reply to the recovery portion under this grant reflected on page 131 of the Appropriation Accounts. The departmental representative promised to give the details of the case in the next

meeting of the PAC. Audit had further pointed out that the item of recovery of Rs. 90,000 should have been included in the brief and the reason for Nil actual recovery elaborated. *The departmental representative agreed to furnish information about all this also alongwith the above-said details.*

180. *Grant No.* 136—*Capital Outlay on Investment in Railways* (*Page* 165—*AA*)—According to Audit, a saving of Rs. 22,443,455 had occurred under this grant. In their written reply, the Ministry explained that it was anticipated that a sum of Rs. 46,627,000 would become payable from the General Revenues, for the repayment of Foreign Loans, raised for additions and development for Railways. As such, this amount would be added to the Government Investment, for payment of return by the Railways. Against this, the actual repayments made by the Economic Affairs Division, from time to time, and advised to all concerned, including the Ministry of Railways, amounted to Rs. 24,183,545, resulting in a saving of Rs. 22,443,455, which was mainly attributable to the conversion of UK credits into grants, rescheduling of US Aid Loans and fluctuation in the Exchange rates.

181. A member observed that the grant accrued to the Government and, as far as the Board was concerned, it continue to be an investment of Government. Therefore, the amount had not to be shown in the books as loan to the agency. The departmental representative explained that, once the accounts were furnished to Audit, the position could not be changed. A member of the Committee remarked that there was no question of the change of position, but the Balance Sheet had to be brought up-to-date. The departmental representative replied that this was due to a discrepancy in the AGPR figures and, unless some sort of proforma adjustment was made in the AGPR the discrepancy would continue to persist.

182. After some discussion, *the Committee directed that instructions be issued by the Ministry of Finance clarifying the following—*

(i) *whom should profits, if any, earned due to exchange rates, be credited, i.e. the Railways or the Government ;*

(ii) *how should a foreign loan, converted into a grant, be disposed of ;*

(iii) *whether the beneficiary for it should be the Central Funds or the Ministry concerned ; and*

(iv) *whether the amount may be shown or not as loan from the Government.*

183. *The Committee also recommended that the Ministry and the A.G.P.R. should sort out the whole case.*

184. *Grant No.* 184—*Capital Outlay on Pakistan Railways* (*Page* 244—*AA*)—As reported by Audit, there was an excess expenditure of Rs. 730,635,000 under this Grant. The departmental representative explained that the grant provided for the following—

	Rs.
(i) Expenditure met from Depreciation Reserve Fund ..	753,219,000
(ii) Capital Expenditure—Government Investment ..	361,781,000
	1,115,000,000

185. The Government Investment for the Railway ADP was provided for by the Finance Division from the General Revenues. At the time of preparation of Budget estimates, it was anticipated that the Finance Division would be required to make an investment of Rs. 361,781,000 in the Railways ADP. There was hence an excess of Rs. 730,635,000, which was due to Government's decision that all the releases for Capital Additions, Cash Development Loan for replacement expenditure and Operational shortfalls should be treated as Federal Government's Investment in the Pakistan Railways. This decision was taken after the finalisation of the Budget for 1980-81.

186. Audit explained in their comments that this grant dealt with other Capital Expenditure met both from the Reserve Funds and Government Investments. The Federal Appropriation Accounts dealt mainly with the Federal Government Investment in Railways.

187. Audit further stated that the excess of Rs. 730,635,000 had been attributed to releases of Capital Expenditure and Cash Development Loans as Investment. The Ministry|Board had been asked to furnish further details. As Government decision was taken on 12th January 1981, the Ministry could obtain an equivalent technical supplementary grant for this purpose.

188. The departmental representative, thereupon, informed the Committee that it was decided that all funds should be treated as grants and it would be treated as further investment. A member of the Committee observed that there should be some check by Audit on the figures. The Auditor-General explained that the department had, in fact, been over-spending and it was certain that there must be some instructions as to how should the accounts be prepared. The departmental representative promised to provide the said instructions. The Auditor-General further averred that the decision, taken on the 12th January, 1981, should have been communicated to the department the same month and there was all the time available to the department for demanding a supplementary grant from the Government.

189. During the course of discussions the departmental representative stated that Audit Comments were not received by the Ministry in time, whereas the PAC's directive was that these should be sent to the Ministry well before the commencement of the meeting, for being studied thoroughly. Thereupon, the Auditor-General informed the Committte that Audit Comments had been duly supplied to the Federal Council Secretariat for onward transmission and should have reached the Ministry. In fact, the PAC's directive given in their meeting held on 24th January, 1983 was that Audit Comments should also be made available to the Ministries|Divisions concerned at least on one day before their Accounts are examined. The Secretary, Federal Council Secretariat informed the Committee that Mr. Dilshad of the Ministry was requested to collect the Audit Comments.

APPROPRIATION ACCOUNTS (PAKISTAN RAILWAYS)

190. A member observed that, where there were major variations in the Main Head, the same should be explained by the Ministry and the attention of the departmental representative was drawn to pages 2 to 7 'Grand Summary' of Appropriation Accounts of Pakistan Railways. *The Committee directed the departmental representative to furnish details about the reasons for excess expenditure which should be got regularised. The member further requested that a report should be furnished on the position of suspense accounts and the Ministry should invariably inform the PAC every year about the progress in clearance thereof. In future reply on Appropriation Accounts from* 1981-82 *should also be furnished according to the variations as appearing in the 'Grand Summary'.*

191. *Thereupon, the Committee decided that a short note about the above-said variations should be furnished to Audit and the Committee.*

AUDIT REPORT (RAILWAYS)

CHAPTER I

192. *Comparison with previous years* (*Para* 1.3, *page* 2—*AR—Railways*)—The Committee did not make any observation on this paragraph.

193. *Para* 1.4, *page* 2—*AR—Railways* (*Grant No.* 137 *Other Capital Expenditure of Pakistan Railways*)—Audit had detected an excess of Rs. 3,685,623 (Authorised) under the grant. The Committee, however, did not make any observation on this paragraph.

Para 1.5, *page* 3—*AR—Railways—*(*Grant No.* 110—*Expenditure charged to Railway Revenue*)

A—Ordinary Working Expenses

(i) *General Administration*

(ii) *General Department*

194. As against the excess of Rs. 11.341 million (Para 1.7 (i)-AR—Railways) reported by audit under the Head " General Departments " ; the department merely explained the excess to the extent of Rs. 10.907 millions, attributing it to the excessive consumption of medicines. Audit stressed, that the excessive consumption of medicines was not a sudden development, as the process continued throughout the year ; but the department could not regularise the excess through re-appropriation of funds, in time. Audit also contended, that the original provision of funds under this Head was inadequate.

195. *The Committee observed that this could have been foreseen, and directed the departmental representative that proper explanation for the excess should be furnished in the next meeting of the Committee.*

REPAIRS AND MAINTENANCE

A—Permanent Way and Other Structural Works

Saving of Rs. 32.525 *million*

C—Electrical Services

Saving of Rs. 28.143 *million*

D—Equipment

Saving of Rs. 8.406 *million*

196. The Ministry explained that the above savings were due to less works having been carried out than anticipated, under special instructions to restrict the repairs and maintenance of non-operational assets and structures.

197. Audit commented that the decision about the above restriction was taken some-time in 1979-80, as would appear from the statement of replies for the year 1979-80. In view of this known factor it was not clear as to why the additional funds of Rs. 29.754 million Rs. 9.658 million and Rs. 11.343 million respectively were provided through re-appropriations, which mainly resulted in the above savings.

198. A member of the Committee observed that the position had improved to some extent, but sanitation does not show any improvement. The Committee did not make any further observation on the subject.

CHAPTER III

Financial Results of the Pakistan Railways

199. (*Para* 3.1 *to* 3.8, *pages* 7 *to* 11—*AR—Railways*)—Audit had noted in their comments that, though the Goods tariffs and Passenger fares were increased with effect from 9th January, 1980, actual increase in the earnings was not commensurate with these increases. There was, in fact, decline in both the

Goods and Passenger traffic which might have been caused by the diversion of traffic due to enhancement of rates. It was, accordingly, stressed that the reasons for the said decrease be analysed and effective steps taken to attract more traffic. The Department had treated the Audit comments as only informatory, and did not take any action on this advice.

200. Audit further stated that the net working loss of Rs. 457.2 million during 1980-81 was less by Rs. 78.3 million in comparison with the previous year's loss of Rs. 535.5 million. The decrease was, however, not because of reduction in expenditure or increase in earnings, but because the Railways paid interest charges of Rs. 64.7 million during 1980-81 as against Rs. 220.7 million during the preceding year. But for this factor, the working loss during 1980-81 would have been much higher.

201. *The Committee observed that some solution should be found by the Ministry of Finance as far as losses during* 1980-81 *are concerned. The Committee then desired the departmental representative that—*

(i) *Causative factors for the decrease during the last* 3 *years should be analysed and made known to the Committee.*

(ii) *A report about the performance of the Pakistan Railways during the last three years be also furnished to the PAC.*

CHAPTER IV

Audit Observations on Important Financial Irregularities

202. *Irregular payment of pay and Allowances Rs.* 339 *thousand* (*Para* 4.1, *page* 12—*AR—Railways*)—Audit had brought out few instances of irregular payments as under—

	Rs
4.1(i) *Irregular payment of Special Area Compensatory Allowance.*	207,734

The Railway employees working in the agencies of NWFP and Tribal Areas of Baluchistan were entitled to 15 per cent of their pay, subject to a maximum of Rs. 50 P.M., as Special Area Compensatory Allowance from the 30th August, 1975. The employees, working at 3 stations of the Malakand Agency in the NWFP and ten stations in Baluchistan, not falling in Specified Tribal Areas and Agencies, were irregularly paid this allowance from August, 1975 to November, 1979 in the Rawalpindi (Railway) Division, totalling Rs. 77,000 (approximately). In the Quetta Division, an amount of Rs. 130,734 was paid during October, 1978. While no reply was received from the Rawalpindi Division, it was stated in the case of Quetta Division that the payment was made under some misunderstanding and action had been initiated to write off the excess payment.

203. In their written reply, the Ministry explained that the Special Areas Compensatory Allowance was sanctioned to the staff, employed in the Tribal Areas of Baluchistan and the Agencies of NWFP at 15 per cent of pay, subject to maximum of Rs. 50 p.m. with effect from 30th August, 1975. Before this sanction there was a demand by the Unions to sanction 25 per cent of pay to all the employees working in the Quetta Division. The Divisional Superintendent, Quetta, recommended the payment of this allowance to all the employees and, pending a decision on his recommendation, did not allow the payment of 15 per cent as sanctioned. During 1978, labour situation became critical and workers threatened to go on strike, after some incidents of firing on trains and railway buildings occurred. The Divisional Superintendent was pressing for a decision on the labour's demand for the sanction of 25 per cent allowance to all staff. He was advised to make the payment of 15 per cent already sanctioned. Due to a misunderstanding, the payment of 15 per cent was made to all the employees during October, 1978. The matter was, however, immediately clarified and further payment stopped.

204. So far as the Rawalpindi Division was concerned, Durgai and Sakha Kot Railway Stations were originally a part of the Malakand Agency. This Agency had been declared as Division by the Central Government but it was not clarified that the Special Area Allowance would not be admissible and as such the payments continued in good faith from 1975 upto 1979, till the case was taken up by Audit. Further payment was stopped with effect from 1st November, 1979, but amount of over-payment worked out to Rs. 106,186.

205. The Ministry further stated that, as the payments were made in good faith and recoveries were likely to create unrest among the employees and may even give rise to litigations under the labour laws, it had been decided to write off this amount.

206. In their comments, Audit stated that the above irregular payments of Rs. 130,734 and Rs. 106,186 in the Quetta and Rawalpindi Divisions respectively had been written off by the department in April, 1983. But nothing had been mentioned in the departmental reply about the disciplinary aspect of the case. However, on a reference by Audit, it was stated that none could be held responsible at this stage, as clarification about the areas falling in the "Agency" was issued by the competent authority on 8th November, 1979. This departmental contention could be relevant only in the case of the Rawalpindi Division. In the case of the Quetta Division, it was admitted in the departmental reply itself that the irregular payment were due to a misunderstanding. The loss of such a magnitude did require a suitable disciplinary action.

207. A member of the Committee observed that doubtlessly there was an irregular payment and, as the department explained, it was not possible to recover it because of labour unrest in those days, but the original mistake was obviously made because of some over-sight. The man responsible for this irregular payment must be taken to task. The departmental representative replied that it was due to a misunderstanding/misinterpretation by the Divisional Superintendent who made an error of judgement. Thereupon, a member remarked that there should be some disciplinary action against those, who did not act correctly.

208. After some discussion, *the Committee decided that an inquiry be held into this matter and the Committee informed of the full facts of the case, along with the responsibility for the over-payments.*

	Rs
4.1 (ii) *Irregular Payment due to Incorrect Fixation of Pay* ..	95,000

209. As reported by Audit, the pay of their running staff was fixed by three out of six Divisional offices, after computing dearness allowance on their basic pay *plus* 55 per cent of pay as running allowance, resulting in an overpayment of Rs. 21,508 in the Rawalpindi Division and Rs. 29,862 and Rs. 43,946 in the Lahore and Multan Divisions respectively. The pay of the running staff so fixed was revised in February, 1978 and November, 1978 but the overpayments had yet to be regularized.

210. In their reply, the Ministry stated that the pay of the staff had been revised in accordance with the instructions contained in paragraph 3 (1) of Finance Division O.M., dated 13th May, 1977. As the amount paid to each employee was small and payments were made to them in good faith and to avoid unrest, it was decided to write off the amount.

211. A member of the Committee observed that someone ought to have been careful about the payments. The departmental representative conceding the mistake, *the Committee decided that the losses may be written off and it must be ensured that a mistake like this was not repeated in future.*

	Rs
4.1 (iii) *Irregular Payment of overtime to Chargemen* ..	29,158

212. According to Audit, certain chargemen in the carriage Factory were allowed overtime for ten minutes on Saturdays and 20 minutes on other working days, for the preparation of absentee statements from shop boards, which was not admissible. The amount of Rs. 29,158 thus paid was irregular and had not been recovered/regularized.

213. In their reply, the Ministry stated that, to ensure regular attendance, better discipline and productivity, the Assistant Chargemen and Chargemen were directed to arrive 10 minutes before time and leave ten minutes after the closing

time. As the aforesaid Chargemen were entitled to overtime, the same was paid to them. But Audit did not agree and, therefore, an alternative system had to be introduced for the purpose and payments of overtime to the Chargemen on this account were discontinued. Thus, the payment of overtime could not be considered as a loss, because the staff involved had actually worked during that period.

214. Audit contended that, there being no justification for charging an overtime allowance, it was stopped in Moghalpura in October, 1977. Despite its having been pointed out by Audit in February, 1977, the payment of overtime was continued upto March, 1979 by the Carriage Factory, which was irregular. Disciplinary action should, therefore, be taken against the staff responsible for it and the amount overpaid be regularized.

215. *The Committee accepted the above mentioned course proposed by Audit and directed the departmental representative to do so.*

		Rs
4.1 (iv) *Irregular Payment of Overtime and Offici ting pay*	..	7,762

216. Audit informed the Committee that an amount of Rs. 5,747 had been recovered and the balance had been written off. Disciplinary action was in progress against the staff held responsible in this case. The Committee did not make any further observation on it.

217. *Loss due to unnecessary purchase of wrong floating levers worth Rs.* 356,733 (*Para* 4.2, *page* 14—*AR—Railways*)—As reported by Audit, a purchase order was placed on a local firm for the supply of 20,000 floating levers at a cost of Rs. 39 each. The supply started in June, 1978 and 6179 leavers were received by September, 1978, when the Chief Mechanical Engineer informed the Chief Controller of Purchase that wrong floating levers had been received due to the quoting of incorrect drawing number of the floating lever. The order for the remaining quantity was also requested to be cancelled, to save unnecessary expenditure. But the firm refused to comply with the Railway's request, unless 3,000 floating levers, ready for delivery with them, were also accepted. The rate for the supply of floating levers with the correct drawing was also quotes by the firm at Rs. 87 each. But the Railways agreed to the firm's request and accepted the additional quantity of 2968 wrong floating levers. Thus the total number of floating levers, which the Railways accepted, was 9147 costing Rs. 356,733. Audit further observed that this unnecessary purchase could have been avoided, had proper vigilance been exercised at the time of placing the purchase order.

218. The department explained that, while preparing a list for emergency requirements, the stock code number of a lever was inadvertently given a wrong number. Effective steps were being taken to ensure that due care and double checks are exercised, while citing the stock code number, to avoid the recurrence of such mistakes in future.

219. *The Committee observed that the explanation was not very satisfactory. A fresh inquiry should be instituted to find out the motive behind the purchase and a report be submitted to the PAC.*

220. *Extra-expenditure due to delay in finalizing procurement formalities—Rs. Five Million* (*Para* 4.3, *page* 15—*AR—Railways*)—It was pointed out by Audit that, in a number of cases, tenders were not finalized within their validity periods and the material had to be procured at increased rates. The extra-expenditure could be avoided, if the Railway Administration were prompt in finalizing the tenders within the validity periods of their offers. Six instances of such cases were cited as under—

(i) A tender for the purchase of M. S. plates was opened on the 11th January, 1978 and the first lowest offer, with its validity period upto the 31st January, 1978, valuing Rs. 2,174,746, was considered technically suitable. The second lowest offer, costing Rs. 2,218,420 was also considered technically suitable and the validity period of it was upto the 20th January, 1978. These tenders were not finalized within the validity period and the firms refused to extend the dates. The contract was then placed on the third lowest bidder, who did not acknowledge the purchase order. Fresh tenders were then invited and opened on the 2nd July, 1978 and the first lowest offer, costing Rs. 5,108,412, was accepted. This resulted in an extra-expenditure of Rs. 2,933,666.

(ii) Tenders for the purchase of 555 Tons of S. M. flats were opened on the 27th September, 1975. The first lowest tender gave two alternative offers, with validity periods upto the 24th January, 1976, and 20th February, 1976. The processing was not completed even by the 20th February, 1976, and the firm raised the cost of the material from Rs. 1,564,652 to Rs. 1,829,387. The material was purchased through another firm from the same Principals at a still increased cost of Rs. 2,113,561, resulting in an extra-expenditure of Rs. 548,909 in the prime cost, and Rs. 377,918 as allied charges, *viz.*, customs duty, sales tax and insurance (total Rs. 926,827). The delay in taking a decision was attributed to vital discrepancies and lack of essentials in the offers.

(iii) Tenders for the purchase of 150 sets of train-lighting batteries were opened on the 21st August, 1975. Two out of the thirteen, offers with their validity periods upto 5th December, 1975 and the 25th March, 1976 at the C&F value of Rs. 3,214,361 and Rs. 3,358,422 respectively, were found conforming to the specifications. Processing of the tenders was not completed by the 14th February, 1976, when the validity period of the lowest bid had already expired. Instead of considering the second lowest bid, the validity period of which was upto the 25th March, 1976, the tender inquiry was filed. The material was retendered and purchased in June, 1976 at a cost of Rs. 3,737,752 with an extra-expenditure of about Rs. 900,000 (prime cost Rs. 523,390 *plus* allied charges of Rs. 360,354).

(iv) Tenders for the procurement of an Eye Rolling Machine were opened on the 30th October, 1976. The validity period of the first lowest and suitable offer for Rs. 229,585 was upto 31st December, 1976, which was extended to 31st January, 1977. The Railway Administration furnished their recommendations to the Ministry of Railways as late as on the 18th December, 1976 and the matter remained under correspondence till April, 1977 when, ultimately, the Ministry decided to accept the Railways recommendations. In the mean time the firm, having no response to their offer by the 31st January, 1977, increased the price by 10 per cent. The increase was not agreed to by the Railway Administration and another tender inquiry was floated. Again the tender of the same firm was accepted in June, 1978 for Rs. 329,118, involving an extra-expenditure of Rs. 99,533 *plus* customs duty and insurance premium of Rs. 40,659, *i.e.* (Rs. 140,192).

(v) Tenders for the purchase of 12,370 Carsack Element were opened on the 25th March, 1979. The validity period of the suitable lowest offer of Rs. 24.38 each was upto the 23rd May, 1979 and was extended upto the 22nd August, 1979. The formalities were not completed within the validity period and the material was purchased from the same firm at a higher rate of Rs. 39 each. This involved an extra-expenditure of Rs. 95,030 in the purchase of only 6,500 elements.

(vi) A world-wide Tender Inquiry for the procurement of a "Hardness Testing Machine" was opened on the 27th November, 1977. The validity of the lowest offer, of Rs. 70,933 was upto the 27th January, 1978, later extended upto the 28th February, 1978. The technical evaluation of the offer was submitted to the Tender Committee on

the 1st March, 1978, when the validity period had expired. A back reference was made to the firm on the 6th March, 1978, for amendments in the sale conditions. Instead of acceding to the request, the firm raised the price, with the result that the next lowest offer from West Germany, valuing Rs. 90,766 had to be accepted. Thus, an additional amount of Rs. 19,833 *plus* extra-expenditure on customs duty. L.C. and insurance charges, amounting to Rs. 8,176, was incurred, totalling Rs. 28,809.

221. In their reply, the Ministry explained that the above-mentioned tenders could not be finalized within the validity dates of the offers, as they had to be evaluated by the Technical Committees, recommendations made by these Committees and financial concurrence also obtained before awarding the contract. In view of the lengthy procedures prescribed to ensure correct purchases, all the tenders could not be finalised within the validity of the offers. This necessitated extensions in the validity periods of the offers, which the firms, at times, refused to agree. As such, few cases had to be retender *de nove* and the possibility of higher quotations could not be ruled out in the process.

222. Nearly 4500 tenders were finalized annually, involving Rs. 300 crore only in the CCP's office and, due to bulk of the procedural work, a few cases of this nature had come to notice. Every effort was being made to avoid such occurrences and fresh instructions had been issued to obviate the possibility of their recurrence.

223. Thereupon, the Audit representative stated that the Ministry had given collective and general replies against all the six cases, instead of investigating the causes for delay in each individual case. It was necessary that the responsibility was fixed in each case for suitable action. The six cases, included in this paragraph, were only the important instances found in percentage audit and they reflected the overall efficiency of the Department in the processing of tenders. The matter, therefore, called for a more serious attention being paid by the Purchase Department.

224. After some discussion, *the Committee directed that separate reports should be furnished for each item under this paragraph in the next meeting of the PAC.*

225. *Avoidable Expenditure of more than Rs.* 26.3 *million* (*Para* 4.4, *page* 18—*AR—Railways*)—The Committee was informed by Audit that, in some cases, the personal claims of railway employees were not given due and prompt attention by the Railway Administration to finalize them. As a result, the aggrieved employees had to go to Courts under Payment of Wages Act for

the redress of their grievances. The Authority under the Payment of Wages Act not only decided most of the cases in favour of the employees, but also awarded compensation even upto 10 times of the original claims. The additional amount thus paid by the Railways from January, 1976 to June, 1979 amounted to Rs. 26,322,682. Audit further pinpointed the need for fixing responsibility and taking disciplinary action against the defaulters.

226. The Ministry explained that Audit's Comments would leave one with the feeling that all decisions of the Labour Courts|Authority under the Payment of Wages Act, were in line with the policy of the Ministries of Railways and Finance. Cases of fixation of pay were, however, of a complicated nature, requiring examination by the Administration and Railways Finance and, if necessary, reference to the Ministry of Finance. Many cases of compensation pertained to the Railway employees, who migrated from India. Since the relevant records were not available in several such cases, payments were made to the staff on the decisions of Labour Courts or the Authorities under the Payments of Wages Act.

227. Some cases, contested by the Railway Administration, were lost due to the inadequacy of the litigation Branch under Department. Now, after a careful consideration, the Litigation Branch had been re-organised and placed under the supervision of Divisional Superintendents. Instructions were issued to the latter to personally monitor the litigation cases every month, so that the viewpoint of the Railway Administration could be effectively presented in the Courts and serious delays avoided.

228. After some discussion, *the Committee decided that information should be furnished to the PAC about the total number of cases, the total liability, outstanding liability and the amount involved in the decrees of Courts, which had to be paid.*

229. *Loss of Rs.* 105,000 *due to defective and short supply of material* (*Para* 4.5, *page* 20—*AR—Railways*)—Audit had reported that, on their checking of two contracts, it was revealed that supply of wooden sleepers and blocks was defective, as below—

(i) Material was not supplied within the stipulated period.

(ii) The Material, valuing Rs. 51,590, was supplied short.

(iii) Material, worth Rs. 104,733, was found defective.

230. Payment to one of the contractors, involving a loss of Rs. 93,666 due to defective material, was finalized in June, 1979, even though the defective supply was reported by the Sub-Engineer concerned in May, 1979. 90 per cent

payment towards the other contract was also arranged, including the cost of short and defective material (Rs. 62,657), although the requisite certificate for loading the material correctly had not been recorded, which was a pre-requisite for such payment.

231. The matter was taken up with the Railway Administration in January, 1980. The defective sleepers were stated to have been utilized under the orders of the DEN. However, adjustment of the cost of these sleepers had yet to be decided and the total loss sufferred was to be worked out and regularized.

232. In their reply, the Ministry explained that the following two contracts were awarded by the Divisional Superintendent, Pakistan Railways, Lahore for the supply of wooden sleepers and blocks—

Agreement No	Agency	Face Value
		Rs
1. Contract Agreement Nos. 12 of 1978-79.	M/s Muhammad Sharif and Company.	1,000,000
2. Contract Agreement Nos. 16 of 1978-79.	M/s Imran Shah and Brothers, Contractors	500,000

233. Out of a total 2013 wooden sleepers and 4000 wooden blocks to be supplied against Contract No. (1), 207 wooden sleepers and 247 wooden blocks, costing Rs. 93,666 were found to be sub-standard. The rebated cost of these sleepers|blocks was about 80 per cent of their total cost. As such, a loss of Rs. 19,000 was involved. The firm was being served with a notice to refund this amount to the Railways and in the alternative, action would be taken to black-list them.

234. As for Contract No. (2), according to the agreement, the contractor was required to supply 1300 wooden sleepers and 2600 wooden blocks, but he supplied only 781 sleepers and 1145 blocks, of which 21 sleepers and 94 blocks were found to be sub-standard. In view of the emergency and in the interest of safety, the sub-standard material costing Rs. 11,067 was utilized by the A.E.N in the track. An amount of Rs. 4,000 towards the security deposit of the contract agency, lying with the Railways should have been adjusted against the loss. Action against the A.E.N. had, however, been initiated for utilizing the defective material without authority.

235. As for the short supply of 118 sleepers and 529 wooden blocks costing Rs. 51,590, this amount had since been recovered from the contractor. Moreover, disciplinary action was under process against the Inspecting Officer, the A.E.N. and the Commercial Staff of the Rawalpindi Division.

236. The Audit representative contended the recovery of the losses in both contracts and stated that disciplinary action was still in initial stages, despite a lapse of 4 years.

237. After some discussion, *the Committee decided that the disciplinary aspect of the case should be duly looked into and expedited and Audit should watch the recoveries.*

238. *Wagons containing fuel worth Rs.* 11.6 *million are missing* (*Para* 4.6, *pages* 21-22—*AR—Railways*)—Audit had pointed out that 66 fuel wagons, despatched from Keamari to various up-country stations during January, 1974 to August, 1980, did not reach their destinations. The matter was taken-up with the Railway Administration in December, 1980, who intimated in March, 1981 and again in January, 1982 that, out of 66 missing wagons 24 had been located and claims for the remaining wagons had been lodged with the Commercial Department of the Railways. A further verification by Audit revealed that, out of 24 wagons since located, only 19, containing fuel worth Rs. 1.317 million, had been accounted for and 47 wagons, containing fuel and costing about Rs. 11.6 million, still remained to be traced. A prompt and adequate action had all along been lacking. Losses to the Railways could not be ruled out, besides a protracted detention of the stock, affecting revenues. Audit further pointed out that an immediate review of the existing procedures, to make them more adequate and effective, and to fix responsibility for the losses incurred by the Railways, was required.

239. In their reply, the Ministry explained that, out of 66 missing wagons, 47 had been traced out and accounted for, leaving only 19 wagons, which were being still traced out.

240. The department further stated that the 66 fuel tank wagons, originally found by the Audit Party as unconnected, constituted hardly 0.05 per cent of the total number of tank wagons loaded (115,147) during the period. In the absence of computerization, individual movement of wagons was recorded in the Card Indexing Section of the Operating Branch manually. In the circumstances, to guarantee that not a single tank wagon would remain unconnected and 100 per cent effeciency will be secured, was difficult. The Railways were already planning to computerise the wagon movement under its newly created department of Management Information System, whereafter the incidence of loaded wagons going astray and remaining unconnected was likely to be eliminated.

241. After discussion, *the Committee concluded that—*

(i) *the explanation of the department was not very satisfactory.* They *should look into the case again and furnish a report to Audit, who had some other objections also, and then it should come to the PAC for a decision ; and*

(ii) *as the Railways are in possession of a large number of wagons, it would be advisable that computerisation of wagons is introduced by the Department without delay, to effectively control and watch their movements.*

242. *Payment of avoidable Commission of Rs.* 152 *thousand due to incorrect policy in awarding contract of city booking agency* (*Para* 4.7, *page* 22—*AR—Railways*)—The discussion on this paragraph remained, incomplete and the Committee decided to take up this paragraph in the next session of the PAC.

243. The Committee decided to defer, to its next session, consideration of the remaining Accounts of the Ministry of Railways, including compliance in respect of the PAC's Report on the Accounts for 1978-79 and the Performance Audit Report on Federal Projects, *viz.* the Pakistan Railways Carriage Factory, Islamabad.

244. The Committee then adjourned to meet again at 9.00 a.m. on Monday, the 29th August, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 1*st February,* 1985.

FEDERAL COUNCIL SECRETARIAT

Monday, the 29th August, 1983

Third Sitting (PAC)

245. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

(1) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member, (Acting Chairman)*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Akhtar Sharif Kanwar, Director Public Relations

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

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

(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(4) Mrs. S. N. Shaikh, Director General, Commercial Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

(2) Mr. Shamsul Haq, F. A. (Information and Broadcasting)

(3) Mr. Saleem Bahadur Khan, F. A. (Industries)

246. *Accounts examined*—Accounts pertaining to the following Ministries| Divisions were examined by the Committee during the course of the day :—

(1) Ministry of Information aid Broadcasting

(2) Ministry of Industries

MINISTRY OF INFORMATION AND BROADCASTING

247. The Committee first took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Information and Broadcasting. The following departmental representatives were present—

(1) Mr. Anwar Zahid, Additional Secretary
(2) Mr. Abdul Khaliq Awan, Joint Secretary
(3) Mr. Abdul Latif, Deputy Secretary (F&A)
(4) Mr. Q. A. Saeed, Director General (P.B.C.)
(5) Mr. Zia Nisar Ahmad, M.D. (P.T.V.C.)
(6) Mr. M. Y. Sethi, Principal Information Officer
(7) Mr. Aziz Ahmad, Director Finance (P.B.C.)
(8) Mr. Ahmad Rafi, Finance Director (TCP)

248. This Ministry controlled the following grants—

S.No	Name of Grant	Grant No
1.	Ministry of Information and Broadcasting	80
2.	Directorate of Publications, Newsreels and Documentaries	81
3.	Press Information Department	82
4.	Information Services Abroad	83
5.	Pakistan National Centres	84
6.	Other Expenditure of Ministry of Information and Broadcasting	85
7.	Capital Outlay on Purchases of Newsprint	130

249. *Reconciliation of Accounts with Audit—The Committee observed that the reconciliation of Accounts for the year* 1982-83 *was not satisfactory and directed the departmental representative to have the reconciliation completed by the middle of September,* 1983, *as Audit were to close the accounts on* 30*th September,* 1983. *The accounts of the Pakistan National Centre and the Press Information Department deserved special attention for this purpose. The departmental representative assured the Committee that the outstanding reconciliation work would be got completed within a month.*

AUDIT REPORT

250. *Overpayment of Rs.* 210,302 *to Trading Corporation (Para* 111, *page* 90—*AR*)—Audit had reported that the department used to import newsprint through the Trading Corporation of Pakistan (TCP) occasionally, on credit. While finalising the accounts in 1974, it was found that an amount of

Rs. 7,841,522 was overpaid to the Corporation. The Corporation, later on, cleared the dues partly and withheld a sum of Rs. 210,302 against some claim, already rejected by the Ministry, Steps were not taken to effect the recovery either in cash or from the subsequent claims of the Corporation. The case was reported to the Ministry in February, 1978 but the same was not processed in right earnest.

251. The Ministry, in their reply, explained that the un-recovered amount of Rs 210,302 pertained to a consignment of newsprint, imported from Sweden on Vessel 'SIMOA'. Since it was a barter deal, the contract with the supplier was concluded by the TCP on FAS basis, according to which the liability of the supplier was restricted to the delivery of goods on berth, and the shipping arrangement had to be made by the buyer. As there was no regular shipping service between Sweden and Pakistan, and the volume of trade between the two countries was nominal, the TCP requested the supplier to arrange a Vessel for loading the consignment of the newsprint. The supplier loaded the newsprint on "SIMOA" which was carrying wheat to Pakistan and had some space available. The supplier entered into a freight contract on behalf of the TCP with the carrier on FIOST (free in-out Stowed) basis, according to which the Cargo was to be loaded in the shiphold by the buyer. As the TCP did not have independent arrangements in Sweden for loading the cargo on board of the vessel, the supplier arranged the loading on behalf of the TCP, for which he charged a sum of Rs. 210,302 as loading expenses. As such, the department considered the amount of Rs. 210,302 withheld by the TCP, to be their genuine claim and did not press for recovery.

252. A member of the Committee observed that the main point before the Committee was the recovery of the money and its regularization. The Audit representative intervened to say that, after inquiry, it came to light that there was a difference of opinion in the Ministry on this issue. The Acting Chairman enquired as to whether the recovery should be made after ten years. Thereupon, a member observed that it was not the question of recovery but one of fixing responsibility and of taking disciplinary action against the defaulter.

253. *The Committee then directed that the TCP should hold an inquiry to fix the responsibility for this expenditure and come up with their report, when the accounts of the Ministry of Commerce were taken up by the PAC.*

254. *Overpayment of freight for newsprint consignment* Rs. 654,910 (*Para* 112, *pages* 90-91—*AR*)—Audit had pointed out that a freight contract was concluded by the TCP, on behalf of the Ministry, with a shipping Company in March, 1974 for the shipment of 1934 metric tons of newsprint from Sweden

at U.S. $ 90 per 50 cubic feet. The conclusion of the contract, on measurement basis, was a new arrangement, which was neither provided in the tender inquiry nor was it economical. The consignment arrived on 9th August, 1974 and the firm claimed freight charges for 193,250 cft. which was treated as 3,865 tons. This was approximately double the quantity of the cargo, actually bought in metric tons. The claim of $ 347,850 was finally paid, subject to subsequent adjustment.

255. The Ministry explained that, like all other cases the TCP had invited tenders on basis of weight (metric tons). Five tender inquiries (inviting quotations on per ton basis) were floated one after the other, in a short spell of three months of which the first four did not evoke any response. The fifth inquiry was responded to by only two carriers, both quoting rates on measurement basis. In these circumstances, TCP had no option but to accept the lowest quotation, as they were required by the Ministry to arrange import on an emergency basis, to meet the shortage of newsprint in the country during that period.

256. The department further stated that according to the International Shipping Practice, freight was charged on the basis of measurement or weight, whichever was higher. As the consignments of newsprint had occupied more space and weight was less, the freight was charged on measurement basis. In this case, the Shipper, M|s. Gokal, asked the TCP to open a freight Letter of Credit for 193,000 c.ft. Accordingly, the TCP opened the Letter of Credit, subject to the condition that the freight tonnage would be measured on arrival at the Karachi port, and the excess payment, if any, would be refundable by the shippers in foreign exchange. The shippers agreed to these terms. On the arrival of the Vessel at the Karachi Port, after a joint survey, the space utilized by the cargo was assessed to be 150,384 c.ft. only. The Shippers, accordingly, refunded a sum of U.S. $ 77,158. They had also agreed to the measurement of the storage on the port of arrival.

257. The TCP, however, re-measured the cargo in its godowns reel by reel, to eliminate the voids and reduce the freight bill. This check reduced the stowage to 114,000 c.ft. But the second survey was not accepted by M|s. Gokal shipping.

258. Audit contended in their comments that a reel by reel survey, carried out in godown (2nd survey), was based on facts. The survey was carried out at berth No. 13 of the Karachi port, after a decision taken in a meeting between the representatives of the TCP and the shippers *viz.* M|s. Gokal shipping. Measurements (in CFT) were recorded as under—

(a) Charged by Shippers	193,000
(b) 1st Survey on Ship	150,384
(c) 2nd Survey on berth	114,000

Difference in (a) and (b) above was ample proof that space was not taken correctly. Shipping company had agreed to a second survey. Later they backed out. The TCP had failed to incorporate the actual measurement of cargo at the time of drawing the Bill of lading and the freight invoice at the port of embarkation. This failure encouraged the shippers to charge for the excess c.ft. As such, an excess payment of $ 65,491 (Rs. 654,910) had been made, which should either be recovered or regularized. To a question asked by the Auditor-General as to how long the difference of $ 77,158 remained with the Shippers, the departmental representative replied that it was for a year. It thus proved how public money was utilised by the Department.

259. After discussion, *the Committee took the following decisions*—

(i) *TCP should hold an inquiry and communicate the result thereof to the PAC. The Committee will examine the report of TCP when the accounts of Ministry of Commerce are taken up.*

(ii) *The number of transactions which took place with M|s. Gokal in* 1974, *should also be furnished.*

260. *Claims for short-landing damages etc. not settled—Rs.* 0.587 *million* (*Para* 113, *pages* 91-92—*AR*)—Audit had reported that, against a consignment of newsprint from Canada through a trading agency in July, 1975, a part of stores was damaged. According to a joint survey made on 10th September, 1975 the loss worked out to 61.3017 metric tons. Another quantity of 65.2700 tons was short delivered. The claim for the above quantities was preferred by the Ministry in September, 1975, upon the suppliers, the shippers and the insurance, simultaneously, but the former rejected the claim and the case was not pursued with the shippers. A revised claim, based on the insured value at Rs. 1.641 per ton, was finally lodged with the Insurance Company, who agreed to settle the claim subject to the condition that 30 slightly damaged rolls, would be returned to them. The above claim for Rs. 284,508 remained unsettled and the responsibility for the short delivery claims, amounting to Rs. 302,918, rested with the shippers. The abnormal delay in the settlement of the claims for damaged stores, involving heavy losses, was pointed out to the Ministry in February, 1978, but no reply was received.

261. In their reply, the Ministry explained that the claim for the damaged quantity of 61.3017 metric tons of newsprint, originally assessed at Rs. 284,508, was subsequently re-assessed by the TCP at Rs. 254.677. The National Insurance Corporation had delivered a cheque for that amount, in full and final settlement of the claim.

262. As regard the shortage of 65.2700 metric tons, the supplier rejected the claim, stating that they had no liability, as they had already secured a clean bill of lading from the shippers, who did not at all respond to the claim.

263. Questioned as to who were the shippers in this case, the departmental representative replied that M|s. Gokal Trading Agency were the shippers. After some discussion, *the Committee decided that this case should be taken up when the accounts of Ministry of Commerce (TCP) are examined. A representative of the Ministry of Information and Broadcasting should also be present at that time.*

264. *Irregularities in the Accounts* (*Para* 114, *page* 92—*AR*)—The Audit reported the following irregularities—

(i) Rs. 20,000 from the personal ledger account of the Minister were disbursed without obtaining receipts. It was intimated that receipts were awaited from the recipients. The authenticity of payment was yet to be established.

(ii) A staff car (No. RIE 11) was purchased in February, 1977 from the Collector of Custom. The vehicle must have been inspected and a report submitted to the Ministry, but it was sent to M|s. Shah-Nawaz Limited, who carried out heavy repairs at a cost of Rs. 25,800. No justification for such heavy repairs was available. Moreover, eight tyres, four costing Rs. 6,250 and four costing Rs. 2,920, were purchased for the car twice in a shrort period of 2 months. The prices prevailing in the market at that time were Rs. 700 per tyre.

265. The above irregularities were reported to the authorities in August 1977 with no satisfactory response. The matter needed investigation for fixing responsibility.

266. The department explained that the amount of Rs. 20,000 was disbursed by the then Minister for Information out of his discretionary grant during 1976-77. The then Private Secretary to the Minister was requested in July, 1977 to furnish the actual payees' receipts. The receipts, recently obtained by him from the former Minister, had been made available to the Ministry and would be shown to Audit at their next visit.

267. The Ministry further stated that the vehicle was purchased from the Customs' Warehouse in Karachi, out of the confiscated lot, for the official use of the then Minister for Information and Broadcasting, who had seen and approved it. The car was duly inspected by the representative of the Ministry and its condition demanded replacement of parts and other repairs in order to make it

road-worthy. Accordingly, the Car was entrusted to M|s. Shah-Nawaz Limited, who were the only authorized dealers for Mercedez Benz. Their estimates for the repairs and replacement of parts was duly obtained and sanction for the payment of repair charges was issued with the concurrence of the Finance Division. Further five tyres were purchased for the car at a cost of Rs. 6,250 on taking over the car from the Customs Warehouse in order to bring it on road. These tyres were tubeless and were of German make. After the car had done 19,000 Kilometer, four of its tyres had worn out and needed replacement. This time ordinary tyres (with tubes) were purchased after obtaining quotations, the lowest being of Rs. 730 per set.

268. On hearing the above explanation, the Committee decided to drop the paragraph, subject to verification of departmental explanation by Audit.

269. *Non-refund of Rs.* 13,900 (*Para* 115, *page* 92—*AR*)—The department had drawn an advance of Rs. 13,900, for expenditure during the intended tour of the President to Algiers in July, 1975. Though the tour was cancelled, the advance was not refunded despite repeated reminders since October, 1979.

270. It was explained that, out of the advance, a sum of Rs. 4,066 was spent in connection with the intended visit of the then President to Algiers and this was verified by Audit in their subsequent report. The balance of Rs. 9,834, instead of being refunded, was utilized by the then Drawing and Disbursing Officer, to meet certain pressing payments in other similar cases. The then DDO neither rendered the account of the amounts of Rs. 4,066 and Rs. 9,834 to Audit Office, Karachi, nor did he mention this item at the time of handing over charge to his successor in 1978. The matter came to the notice of the Department in October, 1979, when pointed out by Audit at the time of local inspection. After a thorough investigation in the matter, it was noted that, in certain cases, the Foreign Office and Embassies had to procure vouchers for the recoupment of the Government money in question. After a good deal of effort, the relevant vouchers had been collected and the accounts were being rendered to the A.G.P.R. Karachi.

271. As for the irregular utilization of the amount of Rs. 9,834 for other objects, the responsibility rested with the then D.D.O. (Mr. S. A. Azim) who, unfortunately, expired in 1979. Steps had, however, been taken to ensure that proper accounts of such advances were maintained in future, to avoid the recurrence of such irregularities.

272. The Acting Chairman observed that the advance should be regularized, since the person concerned was dead. It could have been recovered when he was still alive.

273. The Committee decided to drop the paragraph, subject to the regularization action and verification by Audit.

274. *Recoveries not effected—Rs.* 27,463 (*Para* 116, *pages* 92-93—*AR*)—As pointed out by Audit, overpayments of pay, allowances, etc. along with other Government dues, were not recovered promptly by the Information Wings of 11 Missions abroad in 16 cases. Consequently, the outstanding recoveries accumulated to Rs. 27,463. The department explained that some of the cases had since been settled, while action on others was in progress.

275. Questioned as to how much time would be required to finalise these cases and what was the latest position, the departmental representative replied that only Rs. 3,787 were left to be recovered.

276. After discussion, the Committee decided to drop the paragraph subject to follow up action by the Ministry and verification of recovery by Audit.

277. *Irregular expenditure of Rs.* 218,558 (*Para* 117, *page* 93—*AR*)—Audit had pointed out that an expenditure of Rs. 218,558 was incurred by the Information Wings of six Missions in nine cases, on the purchase and hire of stores, hiring of residential accommodation and of taxis, repairs of residences and publicity etc. against the rules, without proper justification, approval from the competent authority or floating tenders. The irregularities were brought to the notice of the Missions/Ministry through local Audit reports and later, the necessity for getting the expenditure regularized was stressed upon but the taking of the needful action still remained to be reported.

278. It was explained by the department that some of the cases had since been settled, while action on the rest was in progress.

279. After discussion, the Committee directed the departmental representative to expedite the regularization action and dropped the paragraph subject to verification by Audit.

280. *Non-utilization of Vans worth Rs.* 500,000 (*Para* 118, *page* 93—*AR*)—As reported by Audit, two Vans fitted with projectors, televisions, electric generators, laudspeakers and other valuable machinery were purchased by the Pakistan National Centre, Karachi for Rs. 500,000. Despite a lapse of several years, the Vans were not used for the purpose of publicity in rural areas. As a result, the Vans had sunk in mud and were rusting and their condition was deteriorating with the passage of time. Audit had pointed out this infructuous expenditure to the National Centre and the controlling Ministry in December 1979. But, it was stated in June, 1981 that the Vans would be utilized for rural publicity. It was not confirmed whether the Vans and the equipments were in serviceable condition or needed major repairs. As such, the matter needed to be investigated into.

281. In their reply, the Ministry explained that the two Vans were purchased by the Director General, Pakistan National Centre in 1976 for mobile publicity and remained in use upto 1978. In the same year, the Directorate of Mobile Information Units was created and it was decided to pool together all such Vans in that Directorate. However, the said Vans remained in disuse, because they needed some repairs and replacements, and also due to very high running cost.

282. The department further stated that the contention of Audit that the Vans had sunk in mud and were rusting was incorrect. Only minor repairs were needed to bring them on road but, in view of the decision for their replacement, repairs were not got carried out. The Audit representative again pointed out that the Vans and fittings had not been disposed of even in 7 years.

283. A member enquired as to why such an inordinate delay had occurred in this case and how much time would it take to dispose them of. The departmental representative replied that action for its disposal had been initiated and the delay occurred because the organisation had undergone many changes.

284. After discussion, *the Committee directed that action for the disposal of the Vans must be expedited, under intimation to Audit, and compliance be furnished within two months to the PAC.*

285. *Infructuous expenditure of Rs.* 54,970 *on establishment of an Information Centre* (*Para* 119, *pages* 93-94—*AR*)—Audit had reported that an Information Centre was established at Bara for arranging exhibitions and seminars and projecting developmental activities to the masses. The Centre was not functioning for the past three years and the publication of the monthly Pushto journal 'Karwan' was also stopped in April, 1979, but an amount of Rs. 54,970 was still spent on the establishment during 1979-80. Audit had brought this matter to the notice of the authorities in January 1981, but there was no response till March 1982. The Centre should either be closed or reactivated.

286. The Ministry explained that the Information Centre had been regularly functioning during all this period and had been contributing articles and Press Releases on all development activities in the Tribal Areas including the projection of Government interest in ameliorating the lot of the tribesmen. The staff of the Centre continued to arrange the publicity of tribal Jirgas and conducted the visits of VIPs to the Khyber Pass. The Ministry further stated that some of the activities of the Centre, for example publication of the Monthly Karwan and holding of functions, had been temporarily suspended due to the economy drive. The Centre had since resumed almost all its activities.

287. The question of revival of publication of ' Karwan ' was also under active consideration. After hearing the departmental explanation, the Committee decided to drop the paragraph.

288. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)—It was confirmed by the departmental representative that the system of internal check on the lines of para 13 (as revised) of General Financial Rules Volume-1 had been introduced in the Ministry, its attached departments and subordinate offices. The internal check of the accounts of the Ministry for the year 1980-81 and 1981-82 had since been conducted by the Officer nominated for the purpose. A copy of the report had also been furnished to the A.G.P.R., Islamabad.

289. Audit pointed out that the Internal check reports of main Ministry and National Centre, Mirpur Khas had been received, while reports on any other unit had not been received. Further, the Ministry had not intimated position of 1982-83.

290. The Acting Chairman, observed that copy of the remaining internal check reports should also be sent to Audit to enable them to see whether corrective action had been taken or not. The Committee, thereupon, decided to drop the paragraph.

291. *Delay in processing of G.P. Fund cases* (*Para* 188, *page* 151—*AR*) *and Delay in processing of Pension cases* (*Para* 189, *page* 157—*AR*)—Audit had pointed out that the G.P. Fund and pension cases were generally submitted to Audit belatedly by the Ministry|Division, resulting in delay in payment and hardship to the subscribers and pensioners. It was noticed that the delay in the submission of case ranged from six month to eight years. As such, the average delay worked out to more than 2 years. Remedial measures must, therefore, be taken to obviate such lapses in future.

292. *The Committee directed that, as a matter of policy, these cases should be followed up relentlessly. The preparation of pension papers should be started at least six months before the retirement of the employees and the G.P. Fund accounts should be settled quickly.*

APPROPRIATION ACCOUNTS

293. *Grant No.* 80—*Ministry of Information and Broadcasting* (*Page* 101—*AA*)—There was no material point for the Committee's consideration in this grant except that no supplementary grant should have been asked for in view of a saving of Rs. 715,899.

294. *Grant No.* 81—*Directorate of Publications, Newsreels and Documentaries* (*Page* 102—*AA*)—The Committee did not make any observation on this grant except that the schedule for supplementary demand should not have been sent, if a saving was expected|foreseen.

295. *Grant No.* 82—*Press Information Department* (*Page* 103—*AA*)—There was no material point for consideration under this grant.

296. *Grant Nos.* 83, 84, 85 *and* 130—After hearing the departmental explanation, the Committee did not make any further observation in regard to the under-mentioned grants—

(i) *Grant No.* 83—*Information Services Abroad* (*Page* 104—*AA*)

(ii) *Grant No.* 84—*Pakistan National Centre* (*Page* 105—*AA*)

(iii) *Grant No.* 85—*Other expenditure of Ministry of Information and Broadcasting* (*Page* 106—*AA*)

(iv) *Grant No.* 130—*Capital Outlay on purchases of Newsprint* (*Page* 158—*AA*)

COMMERCIAL ACCOUNTS

297. *Accounts of the Shalimar Recording Company Limited* [*Para* 3 (*xvi*), *pages* 6-7—*ARCA*]—Audit had reported that the company had declined to entertain Government Audit.

298. In their reply, the Ministry explained that, in consultation with the Law Division, it had been held that the Shalimar Recording Company could not be regarded as a body established by the Federations within the meaning of Article 11 (i) (iv) of the Pakistan (Audit and Accounts) Order, 1973. The Ministry further added that the Shalimar Recording Company Limited, had been organized by 7 subscribers, out of whom only one, namely Mr. M. Yusuf Buch, could be said to have been the representative of the Federal Government.

299. Thereupon, Audit pointed out that, since the Government was a majority share-holder in this company, the PAC may like to direct the Ministry to get their accounts audited by the Auditor-General of Pakistan.

300. After discussion, *the Committee decided that the position should be examined by the Ministry, so that the accounts of the Shalimar Recording Company Limited are submitted to the Auditor-General for his examination. If there be still a difference of opinion between the Ministry and the Auditor-General, the matter may be brought before the P.A.C.*

Associated Press of Pakistan

301. *Payment of Rs.* 414,813 *to Staff members not covered by the Wage Board Award* (*Para* 46, *page* 37—*ARCA*)—In their report, Audit had pointed out that the pay and allowances of employees of the A.P.P. were regulated by

the 'Wage Board Award'. The General Manager of the Organisation was empowered to implement the Award, but had not been delegated any powers to pay higher pay and allowances than those given in the Award. However, he allowed certain allowances etc., mentioned below, to certain employees which were not covered by the Award—

(i) 13 types of allowances involving an expenditure of Rs. 202,320 per annum, allowed to different types of employees. The payment of 8 allowances was discontinued on being pointed out by Audit in December, 1978.

(ii) Local travelling allowance allowed to the Office employees at the higher rate of Rs. 350 per month, as admissible to staff reporters, etc., whose duties involved intensive touring in metropolitan cities, resulting in an irregular payment of Rs. 148,560.

(iii) Charge allowance paid to certain categories of employees at a rate higher than that admissible under the "Award", resulting in an additional expenditure of Rs. 13,800 upto the 31st December, 1976.

(iv) Re-imbursement of expenses incurred by Bureau Chiefs on the entertainment of staff reporters|journalists, who were employees of APP, which was not admissible under the rules. One Bureau Chief was reimbursed Rs. 12,036 in 1976—78.

(v) Allowing free use of transport, from time to time to certain employees, covering 25,398 miles (Rs. 38,097 @ Rs. 1.50 per mile) in addition to drawal of conveyance and night transportation allowance.

302. When the above cases were pointed out by Audit, from time to time, the management could not give any satisfactory explanation for the said irregular payments. Audit suggested an investigation into these payments for regularising them by recovery|write off. The payments of pay|allowances must be regulated strictly in accordance with the Wage Board Award in future.

303. In their reply, the Ministry explained that, out of 13 allowances, payment of 8|allowances was discontinued. The responsibility for the irregular payments was fixed by the Ministry upon the *Ex*-General Manager, who was dismissed from service. Action for the regularization of the overpayments was being initiated. As for the remaining 5 allowances, namely Car Maintenance Allowance, Islamabad Allowance, Petty Cash Allowance, Creeding Allowance and Telephone Allowance (Paid to the journalists @ Rs. 100 p.m.), steps were being taken to get them regularized by obtaining the sanction of the competent authority.

304. According to the Wage Board Award, Local Travelling Allowance at higher rates was admissible not only to staff reporters etc., but also to other employees of the same or higher grades, whose duties involved local travelling in the Metropolitan Centre. On being pointed out by Audit, the question of the admissibility of this allowance was examined and it was decided that it should be allowed only to such non-journalists whose duties involved extensive local travelling. Payment of this Allowance had thus been discontinued in the case of those office employees whose duties did not involve extensive travelling. Steps were being taken to get irregular payments regularized by obtaining the sanction of the competent authority.

305. In regard to the payment of Charge Allowance at higher rates, the Ministry stated that it was covered by clause 8 of the Wage Board Award.

306. As for the reimbursement of entertainment expenses to Bureau Chiefs, it was explained by the Ministry that it had been decided to discontinue it. However, since these officers, being the Heads of the Bureau, had to incur some expenditure on the entertainment of journalists|official guests visiting their offices, the Ministry had allowed them the fixed entertainment allowance of Rs. 100 p.m.

307. So far as the use of transport was concerned, the APP was taking steps to streamline the procedure, to ensure a proper use of official vehicles in future.

308. Replying to a query, the departmental representative informed the Committee that the status of the APP was that of a Corporation. A member of the Committee observed that whether if it be a Corporation or a Government Department, the Petty Cash Allowance, being paid to the employees for handling cash, appeared to be doubtful and should be regularized. The departmental representative promised to do so.

309. Audit stressed upon an expeditious regularization, under sanction of the competent authority, of overpayments outstanding for 5 years.

310. *The Committee, thereupon, directed that the regularization of irregular payments|recoveries in the APP should be finalized by the 31st October, 1983.*

311. *Avoidable expenditure of Rs. 40,273 on TA|DA etc., (Para 47, pages 37-38—ARCA)*—Audit had pointed out that the Headquarters of the APP was shifted from Karachi to Islamabad in January, 1975. However, the post of Accountant was not transferred along with the staff of the Accounts Branch. On the contrary, the Accountant was allowed to visit Islamabad on tour for months together in connection with the accounts matters of the organisation and was paid TA|DA and room rent, amounting to Rs. 31,673 during the period August, 1975

to August, 1977. Moreover, conveyance allowance at the rate of Rs. 300 per month, admissible to journalists|staff reporters (whose duties involved extensive travelling), was allowed to him with retrospective effect, *i.e.* 1st July, 1974, as against his normal entitlement of Rs. 100 per month with effect from 1st July, 1974 and Rs. 150 per month *w.e.f.* 1st January, 1975. Thus an amount of Rs. 6,300 was overpaid to him on this account. In addition, he also drew the Islamabad Allowance at the rate of Rs. 100 per month *w.e.f.* 1st February, 1976 subsequently enhanced to Rs. 150 per month *w.e.f.* 1st July, 1977, which was admissible to the staff who had been coming to duty in Islamabad from their residence in Rawalpindi. The payment of Islamabad Allowance to the Accountant was thus irregular, as he had been visting Islamabad on tour from his headquarters at Karachi and claimed daily allowance. Consequently, he was overpaid a sum of Rs. 2,300 for the period from the 1st February, 1976 to the 30th October, 1976. The total irregular payments to him amounted to Rs. 40,273.

312. *Audit therefore suggested that—*

(i) the reasons why the Accountant's post was not transferred to the headquarter and the Accountant was allowed to remain on tour at Islamabad for long periods should be investigated into;

(ii) justification should be furnished for the grant of conveyance and Islamabad Allowance to the Accountant; and

(iii) the irregular expenditure so incurred should be regularised by recovery|write off.

313. In their reply, the Ministry explained that the case had been examined by the Martial Law Inquiry Commission, which held the *Ex*-General Manager and the *Ex*-Accountant responsible for such irregularities. Both these persons had since been dismissed from service. The post of Accountant was transferred to Islamabad in August, 1978 and APP was taking steps to write off the irregular expenditure of Rs. 40,273, by obtaining the sanction of the competent authority.

314. In view of the above explanation, *the Committee decided that the regularization of payments should be finalized by the 31st October,* 1983.

315. *Non-refund of Rs.* 26,662 *on account of T.A. & Miscellaneous advances drawn by an employee* (*Para* 48, *pages* 38-39—*ARCA*)—According to Audit, a sum of Rs. 26,662 on account of T.A. and other advances was outstanding against the *Ex*-General Manager of the Associated Press of Pakistan as on the 30th June, 1978. The amount included certain advances drawn about 4 to 5 years back. Neither the adjustment account of advances were rendered nor the unutilized amount of advances refunded by the officer.

316. Audit suggested that recovery of the advances from the officer concerned be expedited and a system be evolved which would ensure the adjustment of advances regularly, in accordance with the provision of the rules.

317. The Ministry explained, in their reply, that the *Ex*-General Manager, against whom the advances were outstanding, was dismissed from service. He was asked to deposit a sum of Rs. 38,820, which included the advance of Rs. 26,662, apart from other over-payments etc. The *Ex*-General Manager filed a petition with the CMLA and President of Pakistan, against the orders of his dismissal and recoveries, which was rejected. He filed a second petition which was also rejected. The case for recovery had therefore, been taken up by the APP with the *Ex*-General Manager.

318. After discussion, *the Committee directed the departmental representative that the case regarding recovery/regularization should be decided by the 31st October,* 1983 *and a full report submitted to the PAC.*

319. *Avoidable expenditure of Rs.* 20,148 *on travelling expenses of an employee* (*Para* 49, *page* 39—*ARCA*)—Observing that this paragraph was also of the same nature as discussed above, the Committee, decided that its directive, pertaining to paragraph 48, would be applicable to this case also.

320. *Double payment of Rs.* 16,608 *on account of Commission on the import of mobile radio equipment* (*Para* 50, *page* 39—*ARCA*)—The Committee decided to drop the paragraph subject to verification by Audit that the agency had refunded the overpayment of the Commission.

Pakistan Broadcasting Corporation

321. *Misuse of official transport and non-recovery of hire charges/conveyance—Rs.* 384,119 (*Para* 51, *pages* 39-40—*ARCA*)—Audit had pointed out that serious irregularities had been noticed in the management of official transport of the Pakistan Broadcasting Corporation, Islamabad as in the three instances below, which caused a loss of Rs. 384,119 :—

(a) An Officer used official transport for travelling from Rawalpindi to Lawrencepur during 1976-77 to 1979-80 and was, simultaneously, re-imbursed car maintenance expenses of Rs. 24,300 @ Rs. 400 p.m. with effect from November, 1976 to January, 1977 and @ Rs. 550 p.m. with effect from February, 1977 to July, 1980. He used official transport to the extent of 120,500 Kms or 75,313 miles for which hire charges @ Rs. 1 per mile *viz.* Rs. 75,313 were required to be recovered.

322. The irregularity was brought to the notice of the PBC in August, 1980, whose reply was not tenable, as two other vehicles of the Corporation used to pick-up|drop other officers|staff members from fixed points and fixed routes. This officer could have travelled in any of those vehicles along with other officers. The use of an independent vehicle to bring one officer from Rawalpindi to Lawrencepur was not justified.

323. In their reply, the Ministry explained that the officer did not use official transport from residence to Lawrencepur or *vice versa*. Actually he used official transport only from or to fixed pick-up points in Rawalpindi, and the rest of the journey (between pick-up points and residence) were performed in his own car. As regards the suggestion of Audit that the officer could have travelled along with other officers, in one of the other two vehicles used for pick-up and drop purposes (from and to fixed points), these two vehicles always carried full seating load, leaving no room for other officials. However, the officer never used an independent vehicle for himself and was always accompanied by Engineering Managers or other staff members, as indicated by the log books of the vehicles. The officer had, no doubt, to use an independent vehicle in exceptional cases, where inevitable due to emergencies.

324. The department further stated that the official vehicle was used by the said officer all along, for *bona fide* official duties. However, in the absence of suitable provisions in the P.B.C. Service Regulations for catering to such cases, the P.B.C. was taking steps to get the expenditure regularized by obtaining the *ex-post-facto* sanction of the competent authority.

325. *The Committee observed that obtaining of sanction had remained outstanding for the last three years, and directed the departmental representative that the expenditure should be regularized soon.*

(ii) Audit had also reported that, in contravention of the instructions contained in the Staff Car Rules, the staff in Rawalpindi unit was provided free use of transport for pick-up and drop, during the normal office hours. Journeys, covering 290,514 miles, were performed from 1974-75 to 1979-80 by the employees during office house, for which use of official transport was not permissible. Hire charges @ Rs. 1 per mile will have to be recovered from the officials concerned.

326. The Ministry in their reply, conceded that the unauthorized use of transport actually involved only 10,272 miles and not 290,514 miles, as indicated by Audit. The revised figures had been also got verified by the staff of the Director of Commercial Audit, Wah Cantt. On the receipt of a formal confirmation from

him recovery would be started. Audit confirmed in their comments that recovery had been started. The paragraph was dropped subject to verification by Audit—

(iii) As pointed out by Audit, the Staff Training School had allowed a conveyance allowance, amounting to Rs. 15,592 between June, 1978 to January, 1980 to male trainees, residing within the training school premises, and another Rs. 2,700 to female apprentices, who were provided transport facilities from the 16th June to 31st October, 1979. The payment of Rs. 18,292, not being covered by the rules of the Corporation, was irregular.

327. The department stated that recovery, both from the male and female trainees, was being made and steps were being taken to prevent the mis-use of official transport in future.

328. The Committee, thereupon, decided to drop the paragraph subject to verification of recovery by Audit.

329. *Hiring of private transport* (*Para* 52, *page* 40—*ARCA*)—According to Audit, the external service of PBC hired taxi @ Rs. 170 for 17 hours per day and @ Rs. 80 per day on Fridays, including Gazetted holidays with effect from the 5th March, 1978 to the 31st October, 1980 and paid Rs. 150,304, which not only exceeded the cost of a new Toyota Corola (about Rs. 70,000 at that time) but was also more than sufficient to meet the maintenance cost of a new vehicle, including the salary of the driver, during the period, obviously, the economic feasibility of the proposition was not examined by the authorities concerned.

330. In their reply, the Ministry explained that the purchase of a vehicle had to be deferred by the PBC owing to shortage of funds, with the improvement in the financial position of the Corporation, two vehicles for the Unit had since been purchased, and the hiring of taxis stopped.

331. In view of the above explanation, the Committee decided to drop the paragraph.

332. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 70, *page* 50—*ARCA*)—Audit had reported that financial irregularities in procedures, discovered during the audit of Corporations under the Ministry of Information and Broadcasting, had been communicated to the Heads of Corporations and the Ministry through, the Audit Report. A number of Audit observations were still outstanding. Delay on the part of the managements to attend to them was likely to retard the regularization of financial irregularities, conveyed to them in the relevant Audit Report.

333. In regard to Corporations under the Ministry of Information and Broadcasting, disposal of the following Audit Reports was said to be still pending.

(Rupees in million)

No. of outstanding inspection reports	No. of Audit Reports to which even first reply not received	Amount Involved in Outstanding Audit Reports					Total
		Embezzlement	Overpayment	Shortages	Wasteful Expend. Infructuous Expend.	Irregular Expenditure & Other Losses	
27	7	0.007	2.145	0.269	1.004	13.618	17.043

334. In their reply, the Ministry explained that the details of the 27 Audit Reports shown against the Ministry had been obtained from the Director General, Commercial Audit, Karachi, and pertained to the following organizations—

Name of Organization	No of Audit report
(i) Pakistan Broadcasting Corporation	22
(ii) Pakistan Television Corporation	4
(iii) Associated Press of Pakistan	1
	27

335. The Ministry further stated that out of 20 Audit Reports, only one paragraph each was outstanding. Some of these paragraphs had already been settled whereas action in the remaining cases, wherever required, was in progress. It had been noted that the cases involved were of ordinary nature and there was no serious loss or embezzlement involved. The organisations concerned had been advised to apprise Audit of the latest position of each case and to secure the settlement of the outstanding paragraphs on priority.

336. *The Committee directed the departmental representative that an up-to-date position of the cases of embezzlement, overpayments, shortages, wasteful, infructuous of irregular expenditure and other losses should be furnished to the PAC by the 30th October,* 1983.

337. *Asian Television Service Limited (Para* 299, *page* 122—*ARCA)*— There was no material point for the Committee's consideration in this paragraph except that, in reply to an inquiry as to what happend to the assets of the Asian Television Service on its liquidation, the departmental representative informed that these were taken over by the Pakistan Television Corporation.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

338. *Reconciliation of Accounts with Audit* (*Para* 1147, *page* 323, *PAC Report* 1978-79)—As the accounts had been reconciled, the Committee did not make any observation on this paragraph.

339. *Unauthorised expenditure on insurance of newsprint Rs.* 2,222,421 (*Para* 38, *page* 46—*AR*) (*Paras* 1148—1150, *pages* 323-324, *PAC Report* 1978-79)—The Committee had previously directed to get the unauthorised expenditure regularised by obtaining the *ex-post-facto* approval of the Finance Division. The departmental representative informed the Committee that the Finance Division had been moved for the *ex-post-facto* sanction. The Committee did not make any further observation.

340. *Grant No.* 81—*Ministry of Information and Broadcasting* (*Page* 114—*AA*) (*Paras* 1156-1157, *page* 325-326—*PAC Report* 1978-79)—*The Committee directed the departmental representative that a copy of the inquiry report should be furnished to Audit, who would report back to the PAC, if called for.*

341. *Grant No.* 84—*Information Services Abroad* (*Page* 117—*AA*) (*Paras* 1161—1163, *page* 327—*PAC Report* 1978-79)—After having gone through the reply of the Ministry in respect of paragraph 1163, *the Committee noted that the explanation was not satisfactory and observed that the excess should be regularised as expeditiously as possible.*

342. *Grant No.* 86—*Other Expenditure of Ministry of Information and Broadcasting* (*Page* 119—*AR*) (*Para* 1165, *pages* 327-328, *PAC Report* 1978-79)—After discussion, *the Committee directed that, when their own accounts are examined, the Ministry of Finance should report about the regularisation of the excess budget statement concerning Grant No.* 86.

343. *Grant No.* 126—*Capital Outlay on Purchase of Newsprint* (*Page* 163—*AA*) (*Paras* 1166—1168, *page* 328—*PAC Report* 1978-79)—*The Committee directed Audit to look into it and report back to the PAC, if necessary.*

344. *Subsidy on newsprint transferred to the Revenue Accounts* (*Page* 163—*AA*) (*Para* 1169, *pages* 328-329—*PAC Report* 1978-79)—The Committee was informed that compliance in this case was to be reported by the Audit. This may be done by them soon.

Pakistan Broadcasting Corporation

345. *Compilation of Accounts* [*Para* 3 (*XXIX*), (*Page* 6—*CA*) (*Para* 1171, *page* 329 *PAC Report* 1978-79]—The Committee did not make any observation on this paragraph.

Pakistan Television Corporation

346. *Overpayment of Rs.* 107,104 *to re-employed Persons due to wrong fixation of pay* (*Para* 21, *page* 26—*CA*) (*Paras* 1173-1174, *page* 329 *PAC Report* 1978-79)—*The Committee directed the departmental representative that the case should be settled quickly. The result of the request for waiver of over-payment should be reported to Audit.*

Associated Press of Pakistan

347. *Blocking of Capital worth Rs.* 145,940 *and loss of Rs.* 40,261 *as a result of unplanned introduction of Urdu Teleprinter Service* (*Paras* 541—43, *page* 99—*PAC Report* 1971-72) (*Paras* 1175-1176, *page* 330—*PAC Report* 1978-79)—The Committee made no further observation on these paragraphs, which were treated as settled.

348. *Audit comments on the Accounts of APP for the year* 1971-72 (*Paras* 544—48, *pages* 99-100—*PAC Report* 1971-72) (*Para* 1177, *page* 330—*PAC Report* 1978-79)—The Committee had previously directed the departmental representative to supply a copy of the Martial Law Inquiry Commission's Report to Audit for verification. The Ministry replied that the relevant paragraphs of the Martial Law Inquiry Commission report were supplied to the Director General, Commercial Audit, Karachi. He was also requested to indicate whether any further information was required on this point. No response was received despite reminders.

349. After discussion, *the Committee decided that additional information, as required, should be furnished to Audit.*

350. *Grant No.* 72 (*Paras* 609-10, *page* 111—*PAC Report* 1973-74) (*Para* 1178-1179, *pages* 330-331—*PAC Report* 1978-79)—The Committee made no further observation on this paragraph, which was treated as settled.

Actionable points of PAC meeting held on 27th January, 1983—Associated Press of Pakistan—

351. *The Committee in their meeting held on 27th January,* 1983, *had directed that a comprehensive note about accounts position of the organization upto* 1981-82 *should be furnished to them. The 'Note' furnished by the*

organization was examined by the Committee who directed the departmental representative to sort out all the outstanding matters of A.P.P. The departmenal representaive promised to do so.

352. *Points not discussd to be treated as settled*—The Committee did not make any observation on other paragraphs|points concerning (i) the Appropriation|Commercial Accounts and the Audit report thereon pertaining to the Ministry for the year 1980-81 (ii) compliances on PAC Report for the year 1978-79. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

MINISTRY OF INDUSTRIES

353. Lastly, the Committee took up for its examination the Appropriation Accounts etc., pertaining to the Ministry of Industries. The following departmental representatives were present—

(1) Mr. Iqbal Saeed, Secretary

(2) Dr. Ghulam M. Samdani, Joint Secretary

(3) Mr. M. Ibrahim Rashid, Deputy Secretary

(4) Mr. S. H. Tirmizi, Deputy Secretary

(5) Mr. Ghulam Asghar Malik, Section Officer

(6) Mr. O. M. Qarni, Director General, Supplies, Karachi

(7) Mr. S. A. Baqar, Director, Ghee Corporation

(8) Mr. Abdullah Yusuf, Director Finance (U.S.C.)

354. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Industries	76
2.	Industries	77
3.	Department of Investment Promotion and Supplies	78
4.	Other expenditure of Ministry of Industries	79
5.	Capital Outlay on Miscellaneous Stores	129
6.	Development expenditure of Ministry of Industries	154

355. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation work of the Accounts of the Peshawar, Quetta, Karachi and Lahore circles upto the 30th June, 1983 had not been completed as yet. *The departmental representative was directed to ensure that the reconciliation of the unreconciled accounts was completed by the middle of September,* 1983.

APPROPRIATION ACCOUNTS

356. *Grant No. 76-Ministry of Industries* (*Page* 96—*AA*)—Audit confirmed that the excess of Rs. 2,548,561, shown by them against the functional head "571—Administration", included an adjustment of Rs. 2,550,000 relating to the year 1976-77. The Committee, therefore, did not make any observation on this grant.

357. *Grant No. 77-Industries (Page 97—AA)*—The Committee did not make any observation on this grant.

358. *Grant No. 78-Department of Investment Promotion and Supplies (Page 98—AA)*—The Committee did not make any observation on this grant.

359. *Grant No. 79-Other Expenditure of Ministry of Industries (Pages 99-100—AA)*—Audit had shown an excess of Rs. 10,497 against the functional head "571—Administration". The Department explained that the excess was due to payment of arrears of pay to the officers and staff of the Department of Controller General Prices and Supplies.

360. After hearing the above explanation, the Committee did not make any further observation.

361. *Functional Head "612-Edible Oil" (Page 100—AA)*—A saving of Rs. 5,209,139 had been reflected by Audit against the above Functional Head. In their reply, the Ministry explained that the saving of Rs. 5,209,139 was due to the late issue of the following payment authority letters by the A.G.P.R., Rawalpindi, resulting in the non-encashment of the same by the Ghee Corporation of Pakistan from the Treasury Office, Lahore—

(i) *TA-IV|MIND|AUTH*—80-81|72—77 *dated 30th June,* 1981 *for Rs.* 5,164, 692

(ii) *TA-IV|MIND-AUTH*|80-81|78—83 *dated 30th June,* 1981 *for Rs.* 44, 450

362. Audit had contended that the sanctions were issued by the Department on 28th June, 1981 and 30th June, 1981 and payment authorities were issued by Audit on 30th June, 1981. Hence, no delay could be attributable to Audit. It was for the department to have completed the formalities and issued sanction in time to avoid the lapse of funds.

363. After discussion *the Committee directed that the Ministry should be more careful in such cases in future.*

364. After having gone through the reply of the Ministry, justifying the surrender of Rs. 530,392,685, a member of the Committee enquired about (i) less release of subsidy on account of higher prices of by-products (meal, hull etc.) in the local market and sale of sunflower Oil at cost price *i.e.* Rs. 2,906,900 and (ii) less release of subsidy to the Ghee Units due to increase in the supply prices of imported edible oil from Rs. 200 to Rs. 250 *w.e.f.* 15th December, 1980

(Rs. 526,675,985). The departmental representative replied that though the price of the above commodities was increased, the Government had to absorb the losses themselves. On hearing the above explanation of the departmental representative, the Committee did not make any further observation on it.

365. *Grant No. 129-Capital Outlay on Miscellaneous Stores (Page 157—AA)*—Audit had reflected an excess recovery of Rs. 3,067,300 on account of 'Purchase and Sale of Diplomatic Car's' under this grant. The Ministry explained that the excess recoveries were partly due to sale of more cars and getting prices higher than the reserve prices and also due to the realisation and adjustment of the sale prices of cars pertaining to the previous year.

366. A member of the Committee drew the attention of the department to Annexure 'C' of the Appropriation Accounts (Page 287), containing a financial review in respect of the purchase and sale of diplomatic cars during 1980-81.

367. After some discussion *the Committee directed the department that a statement be furnished to the PAC about the total number of cars involved, and the number of air-conditioners therein.*

368. Audit had pointed out an excess recovery of Rs. 25,300,408 under "Production and supply of Coal". The department explained that the excess accrued due to the adjustment of the credit balance of Rs. 3,300,408 pertaining to the Makerwal Collieries and of the credit balance of Rs. 22,000,000 lying under "Coal Deposit Account".

369. *The Committee directed he departmental representative that the balance should be cleared in consultation with Audit as early as possible. The departmental representative promised to do so.*

370. *Grant No. 154-Development Expenditure of Ministry of Industries (Pages 198-199—AA)*—Audit pointed out that the supplementary grant of Rs. 575,000, asked for and provided was completely unnecessary in view of the surrenders and savings under this grant. Audit had shown an excess of Rs. 134,196 under the functional head "572—Industrial Designs, Research and Testing". The department explained that the excess was due to adjustment of Foreign Aid.

371. A saving of Rs. 2,534,233 had been shown under "Export Processing Zones". The department stated that the saving represented an un-spent amount from the Assignment accounts, which was surrendered and adjusted by the A.G.P.R. by passing a journal entry in the accounts for 6|1981 (Final). Audit said that a formal order, of surrendering Rs. 2,534,233 was not issued and the reasons for these savings had also not been given.

372. After some discussion, the Committee did not make any observation on this grant.

AUDIT REPORT

373. *Loss of Rs.* 202,020 *due to unplanned and delayed purchases* (*Para* 99, *pages* 83-84—*AR*)—Audit contended that the loss was caused due to unplanned and delayed processing of 2 indents, received by the Department of Supplies. The Committee accepted the explanation given by the department and dropped the paragraph.

374. *Extra expenditure ignoring lowest offer Rs.* 99,450 (*Para* 100, *page* 84—*AR*)—Audit reported that, in response to a tender inquiry for the supply of 650 exhaust fans of certain brands, six quotations were received and only the 4th lowest offer of Rs. 607 per fan was considered acceptable, even though the Controlling Officer of the consignee had recommended lowest offer of Rs. 438 per fan, because of price preference and the stores meeting the specifications and suiting the requirements. The purchase department, on the advice of the consignee and against the technical advice and recommendation of the Controlling Officer, accepted the third lowest offer of Rs. 591 per fan and placed the contract on the firm on the 13th June, 1978, involving an extra expenditure of Rs. 99,450 which could have been avoided.

375. The case was pointed out to the Department in March, 1979 but the replies furnished in April and July, 1979 were not found convincing. The relevant file was reported to be missing. The case needed to be investigated into for fixing responsibility.

376. The Ministry explained, in their written reply, that the first lowest quotation of Rs. 438 was not acceptable, as the brand offered was not included in the tender inquiry. It was also technically unacceptable. The second lowest was not for a brand, specified by the Indenting Officer in his indent. The third lowest had offered a brand which had been specified in the indent. This offer was also acceptable to the Inspection Wing, because the firm had confirmed that the stores conformed to BSS-848, which met the requirements of the tender inquiry.

377. The loss of the file had been got investigated through an inquiry, as desired by Audit. The officer found responsible for the loss of the file was being proceeded against.

378. The Acting Chairman observed that if there was a case of this kind in future a comparative statement should be prepared and submitted to the PAC. After discussion the explanation furnished by the department was accepted by the Committee and it was decided to drop the paragraph.

379. *Losses due to defective and delayed Processing of purchase case—Rs.* 98,587 (*Para* 101, *pages* 84-85—*AR*)—The Committee was informed that, as desired by Audit, an inquiry had been conducted to find out whether there was any delay and, if so, had it caused any excess expenditure to the Government. The findings of the Inquiry Officer, a copy of which had also been forwarded to the Audit office, clearly indicated that the responsibility for delay in the issue of tender inquiry and processing the case had been fixed on the Inspection Wing. Action against the officers concerned in the Inspection Wing, found responsible for delay and for drawing out defective specifications, was in progress.

380. After discussion, the explanation furnished by the department was accepted by the Committee. However, *the Committee directed the departmental representative to inform the PAC of the action taken against the officers concerned.*

381. *Incurring avoidable expenditure of Rs.* 98,566 (*Para* 102, *pages* 85-86—*AR*)—Audit had reported the following two cases under this paragraph—

(a) Against an indent for the supply of five types of batteries 'EXIDE' (a proprietary item) by the 31st December, 1977 at an estimated cost of Rs. 255,650, a limited tender inquiry was issued on 4th October, 1977 to which four firms responded. The manufacturers of Exide batteries quoted the lowest rates, valid for 45 days. The acceptance of the lowest rates was delayed and the firm did not extend its validity due to increase in the prices, meantime. The second lowest offer was also not accepted for minor reasons.

382. Against a fresh tender inquiry, a contract with reduced quantity, because of increased prices, was placed on a firm on 27th June, 1978, for a total value of Rs. 255,884 with the delivery date of 30th June, 1978. The firm made only a part supply and the department cancelled the balance quantity without any financial repercussion on either side, on the plea that the indentor could not provide the necessary funds to cover the increased cost. As correctly pointed out by the indentor, the funds fell short mainly because of the delayed and un-economical purchases made. Had the stores been purchased from the manufacturers against the original offer of October, 1977, the Government would have incurred less expenditure to the tune of Rs. 88,566. According to the Purchase Department, the responsibility rested with the indenting department, for not timely responsing to the tender received.

(b) Against an indent of 4th October, 1978 for the supply of 150 motor car batteries, limited tender inquiries were issued in December, 1978

and the lowest offer of Rs. 736 per battery of Lucas Services (Manufacturers) was ignored on the ground that it was received late by one day. The second and third offers of Rs. 788 for AGS brand and Rs. 810 for Exide brand, received from their Manufactures, were ignored on minor ground, without any substantial justification. The same brand *i.e.* Exide was purchased from a local general supplier @ Rs. 860 each, involving an extra expenditure of Rs. 10,800, as compared to the 2nd lowest offer.

383. After going through the explanation of the department, *the Committee took the following decisions—*

(i) *Persons, who delayed the processing of the case, should be proceeded against and suitable action seemed also called for against the Deputy Assistant Director. The action so taken should be reported to the PAC.*

(ii) *A note should be furnished to the PAC about the structure and organisation of the Supply Department and its working.*

384. *Loss due to irregularities in purchase of stores*—$ 61,621 ($ 36,541+ 25,080) (*Para* 103, *pages* 86-87—*AR*)—It had been reported that a tender inquiry was advertised in December, 1979 for the supply of VOR|DME equipment by May, 1980. The technical branch advised that certain clarifications be obtained from two lowest bidders, which was not done. The second lowest bidder had offered spare parts for only two years, instead of three, and had not furnished any earnest money. The Indentors recommended the second lowest offer, because they considered it more economical, while the performance of the equipment offered by the lowest bidder was reported to be unsatisfactory in a certain country. The technical branch did not share the views of the indentors, both in regard to the cost and performance, maintaining that the equipment quoted by both the tenders, being of U.S. origin, had not been tried in Pakistan previously and any apprehension regarding their performance should be dispelled, because of the provision of factory inspection, installation and commissioning support, warranty etc.

385. In the negotiations with the second lowest bidder, it was provided that they will furnish bank guarantee, confirming the supply of spare for three years free of cost, if required. But the guarantee was not obtained and, while issuing the contract, its value was enhanced by $ 23,158 for reasons not clarified. The contract was placed with the firm on 16th June, 1980 on the basis of telephonic approval of the competent authority, for delivery by 31st December, 1980, which was extended to 30th April, 1981 without reservation of rights and without obtaining the approval of the competent authority. The extension amounted to a waiver

of liquidated damages of $ 25,080 which was again not adequately justified. By ignoring 1st lowest offer, the Department incurred an avoidable extra expenditure of $ 36,541 ($ 13,383+23,158), which was not justified.

386. The Department, *inter alia* explained that the lowest offer was received from M|s. Ahmad International Equipment Company Limited, who had not provided any documentary proof that their equipment had been approved by the Federal Aviation Authority and that it met the International Civil Aviation Association requirements, with special reference to both VOR|DME. It had also been confirmed by the Indenting Officer that the E-System, offered by M|s. Ahmad International Equipment Company Limited, was not functioning satisfactorily in the State of Oman, where this system had been installed. The offer of the aforesaid Company was, therefore, rejected after careful consideration and examination of the offer in various meetings, presided over by the Head of the Department, in which the Inspection Directorate and representatives of the Indentors had also participated.

387. The offer of the second lowest firm, *viz.* M|s. Modern Trading Company had been recommended by the Indentor and this offer was also declared acceptable by the Inspection Wing. Due consideration was required to be given to the requirements of the Indenting Department, as they ultimately were the users of the equipment, involving life safety.

388. The departmental representative further stated that, according to the practice in vogue since long refixation of the delivery period was given in such cases by the Director General, Supplies. The extension of delivery period in this case was given with the approval of Finance. The question of any liquidated damages did not arise, because the delivery period had been fixed.

389. The equipment was then ordered only after this careful exercise and due examination of the case. The equipment involved several millions of rupees in foreign exchange and it was not found possible to ignore the considered technical opinion of the Indenting Department, particularly when it related to air-craft safety and involved life hazards.

390. During course of discussion the departmental representative admitted that it was a bad case and pressure came on them. After further discussion, the Committee accepted the above explanation of the department and the paragraph was deemed as settled, subject to verification by Audit. *However, the departmental representative was directed that the observation of the Minister for Finance should be shown to Audit. If this may not be possible, a copy of letter, sent to the Minister for Finance should be shown to Audit.*

391. *Loss on purchase of store at higher rates—Rs.* 15,508 (*Para* 104, *pages* 87-88—*AR*)—The Committee did not make any observation on this paragraph, which was deemed as settled.

392. *Contract files involving payments of Rs.* 2.79 *billions approximately remained unaudited* (*Para* 105, *page* 88—*AR*)—Audit had reported that contract files, relating to the purchase of stores, were required to be audited concurrently, to ensure that contracts were processed and issued by the purchase authorities in accordance with rules and procedures. The Department, dealing with purchase of stores, did not comply with the requirements and, consequently, as many as 2637 files relating to the years 1968-69 to 1978-79 and involving a total expenditure of about Rs. 2,790,287,508 remained unaudited. The delay in the supply of files defeated the very purpose of audit and, despite repeated reminders, submission of the files was not expedited.

393. The department informed the Committee that, to streamline the existing arrangements for submitting purchase documents promptly to Finance and Audit, meetings were held with the Audit Officer, Industries, Supply and Food, and it was decided that, in addition to current files, 200 old and unaudited files should also be sent every month to Concurrent Audit for clearing the back-log.

394. After hearing the explanation of the Ministry, the Committee decided that old files should be sent to Audit regularly and the paragraph be deemed as settled.

395. *Incurrence of avoidable expenditure of Rs.* 19,782 (*Para* 106, *pages* 88-89—*AR*)—The explanation furnished by the department was accepted by the Committee and Audit did not press for it. As such, the paragraph was deemed as settled.

396. *Inadequate internal check|audit* (*Para* 107, *page* 89—*AR*)—The explanation submitted by the Ministry was accepted by the Committee and the paragraph was dropped.

397. *Overpayment not recovered Rs.* 8,057 (*Para* 108, *page* 89—*AR*)—Write off sanction having been admitted in Audit, the paragraph was dropped| settled.

398. *Non-recovery of fee of Rs.* 333,969 (*Para* 109, *page* 89—*AR*)—*Audit* had pointed out that the fee for services, rendered by the Laboratory to various parties, was not being realised promptly. Heavy arrears amounting to Rs. 333,969 had accumulated by June, 1980. When the matter was brought to the notice of the Ministry, it was intimated that the cases were being pursued with the parties.

399. The Committee was informed by the Ministry that out of the total outstanding amount of Rs. 333,969, a sum of Rs. 209,990, stood recovered. Efforts were being made for the realisation of the outstanding fee. The accumulation of testing fee would be avoided in future, as far as practicable.

400. Audit had advised in their comments that the system of recovering fees needed to be reviewed and a system of advance payment could be introduced. The departmental representative informed the Committee that there was some difficulty in changing the system.

401. Thereupon, the Committee decided to drop the paragraph subject to verification by Audit and suitable action on the above advice of Audit.

402. *Overpayment of deputation pay of Rs.* 12,483 (*Para* 110, *page* 90—*AR*)—The department in their written reply explained that the case was under reference to Finance Division (Regulation Wing). The decision taken by the Ministry of Finance would be implemented. The departmental explanation was deemed to be satisfactory and the paragraph was treated as settled subject to verification by Audit.

403. *Non-conducting of internal check* (*Para* 187, *pages* 150-151—*AR*)—The Committee observed that a similar (Para 107, page 89) had already been discussed and was treated as settled.

404. *Delay in processing of G.P. Fund cases* (*Para* 188, *pages* 151—156—*AR*)—Audit informed the Committee that cases of the officials in question relating to G.P. Fund Accounts had been finalized. Thereupon, the above mentioned paragraph was deemed as settled.

COMPLIANCE REPORTS ON THE POINTS RAISED IN THE PAC'S REPORT ON FEDERAL ACCOUNTS FOR 1978-79

405. *Reconciliation of accounts with Audit* (*Para* 360, *page* 131—*PAC Report* 1978-79)—The department informed the Committee that reconciliation work in respect of the Demands controlled by the Ministry, pertaining to the financial years 1978-79, 1979-80 and 1980-81, had been completed. No further observation was made by the Committee thereon and the paragraph was treated as dropped.

406. *Grant No. 77-Ministry of Industries* (*Page* 109—*AA*) (*Paras* 361—64, *pages* 131-132—*PAC Report* 1978-79)—Not being satisfied with the explanation previously furnished by the Ministry, the Committee had directed them to submit a fresh explanation for the excess of Rs. 1,461,400 against the Group Head 'A-Secretariat'. In compliance, the department reported that the amount

provided for telephones under this Group Head was Rs. 507,556. So far as the excess of Rs. 1,461,400 was concerned the representative of the Ministry had checked up the records both in the Ministry and the A.G.P.R., and it had been found that an amount of Rs. 1,968,956, related to telephone charges.

407. The department further stated that an exercise was also conducted to verify all the telephone bills received for the year 1978-79 and the expenditure on telephones in the Ministry was Rs. 1,257,958, as booked by the A.G.P.R., for the same year.

408. The excess on telephones, as explained earlier, was on account of debits to the Ministry by the A.G.P.R., amounting to Rs. 138,242 which did not pertain to the Ministry and debits relating to two previous years, *viz.* 1976-77 and 1977-78. The debit for 1978-79 was also not intimated to the Ministry before the close of the year. Hence the excess could not be regularized.

409. A member remarked that the explanation was not convincing. It was obvious that the Ministry had been asking for lesser amounts for telephones and nobody seemed to have enquired about the actual telephone *ex*-bills. The departmental representative ensured the Committee that he would look into it personally. *After having gone through the statement of telephone numbers and month-wise expenditure of telephones during the year* 1978-79 *furnished by the department, the Committee concluded that the telephone bill of Rs.* 42,773 *pertaining to one of the Deputy Secretaries, should be looked into.*

410. *Grant No.* 80-*Other Expenditure of Ministry of Industries* (*Page* 112—*AA*) (*Paras* 372-373, *page* 133—*PAC Report* 1978-79)—Audit was requested by the Committee to verify the details of the amount of Rs. 607,880,769, to be reimbursed|released to the State Bank of Pakistan, Karachi|Pakistan Edible Oil Corporation, Karachi. The Committee observed that the paragraph should be settled|dropped subject to verification by Audit, who, if necessary could come back to the PAC.

411. *Waiver of actual amount of risk Purchase-Rs.* 82,513 (*Para* 35, *page* 41—*AR*) (*Paras* 386—393, *pages* 136—138—*PAC Report* 1978-79)—The Committee had previously directed that, after checking up the facts the department should furnish a statement to Audit, explaining fresh as to how the circumstances, causing the delay in the cancellation of the contract, were beyond the control of the department.

412. The Committee observed that the position had been explained to Audit, who had found it to be convincing. The paragraphs were, accordingly deemed as settled.

413. *Loss incurred due to irregular purchase of stores—Rs.* 13,179 (*Para* 36, *page* 42—*AR*) (*Paras* 394—398, *pages* 138-139—*PAC Report* 1978-79)—The Committee had previously observed that the benefit, given to the manufacturers, should be regularized. Further action should be taken to have suitable revised instructions issued, as the instructions issued in 1963 seemed to be outdated. The department informed the Committee that the requirement of regularising the benefit, given to the manufacturers, had been noted for compliance and the instructions issued in 1963 were being revised. Audit pointed out that the department had promised to revise the instructions, but failed to take the follow-up action. The departmental representative explained that action was being taken and it had to go to the Cabinet for approval.

414. Thereupon, the Committee did not make any further observation.

415. *Non-recovery of amount of risk purchase cost for want of effective action* (*Para* 37 (1) *to* (6), *pages* 42—46—*AR*) (*Paras* 399—406, *pages* 139—142—*PAC Report* 1978-79)—The Committee had previously observed that the department should review the rate of security deposit and, after considering the problems of tendering, issue appropriate instructions.

416. In compliance, the Committee was informed that the departments proposal regarding the revision of security deposit had been incorporated in revised Manual sent to the Finance Division and Audit for their comments. Thereupon, no further observation was made by the Committee.

417. *Non-recovery of amount of risk purchase cost for want of effective action* (*Para* 37(7), *page* 44—*AR*) (*Paras* 407—410, *page* 142—*PAC Report* 1978-79)—The Committee had, previously, observed that the department should verify as to who was responsible and report back to the Committee. The departmental representative informed the Committee that responsibility had been fixed on the officials concerned, who had absolved the firms completely of the payment of a minimum of 2% security, as required under the rules.

418. Replying to a query, the departmental representative submitted that a copy of Report of inquiry had been sent to Audit. *The Committee directed Audit to verify the enquiry report submitted by the department and report back to the Committee, if considered necessary.*

419. *Non-recovery of cost of rejected stores—Rs.* 40,275 (*Paras* 232—37, *page* 59—*PAC Report* 1970-71) (*Paras* 412-13, *page* 143—*PAC Report* 1978-79)—The Committee had previously directed the department to expedite action on the outstanding items of the Inquiry Report and inform the Committee. The department stated the case stood referred to the F.I.A. It would be processed further on the receipt of a report from them.

420. *The Committee directed the departmental representative that the file should be recalled from the F.I.A. and action taken as per the PAC's directive and reported to the Committee, in the next meeting.*

421. In view of the above the paragraphs were deferred.

422. *Non-recovery of risk purchase amount of Rs.* 648,000 (*Paras* 238—40, *page* 59-60—*PAC Report* 1970-71) (*Paras* 414-15, *page* 143—*PAC Report* 1978-79)—The department was directed, previously, by the Committee to report the latest position about the progress achieved in enforcing the recovery of risk purchase amount. The departmental representative informed the Committee that they were taking action to write off the amount. Thereupon, *the Committee again directed the departmental representative to submit a report to the PAC in the next meeting. The paragraph was therefore, deferred.*

423. *Non-recovery of amount overpaid—Rs.* 106,930 (*Paras* 241—43, *page* 60—*PAC Report* 1970-71) (*Para* 416, *page* 143—*PAC Report* 1978-79)—The Committee had previously requested Audit to follow all the other cases pending with the F.I.A. and report back, if necessary. Audit had been reminding the Ministry to intimate progress of the cases referred to FIA but no information was received. *The Committee directed that a report be submitted to the PAC, regarding all these cases.*

424. *Loss due to irregularities in the purchase of a machine—Rs.* 164,505 (*Paras* 244—47, *page* 60—*PAC Report* 1970-71) (*Paras* 417-418, pages 143-144—*PAC Report* 1978-79)—*The Committee observed that the inquiry report furnished by the department would be examined by Audit who should report back to the PAC, if necessary.*

425. *Non-recovery of risk purchase amount of approximately Rs.* 520,000 *from a defaulting Contractor* (*Paras* 241—43, *page* 57—*PAC Report* 1973-74) (*Para* 426, *page* 145—*PAC Report* 1978-79)—*The departmental representative had been directed previously by the Committee that the matter should be pursued vigorously with the Law Division to obtain their advice in this case. It was observed that the department did not comply with the above directive.*

426. *After discussion, the Committee decided that Audit should watch the case.*

427. *Loss due to delay in finalising the Contract and non-recovery of the amount of risk and cost from the defaulting firm—Rs.* 38,090 (*Paras* 326-27, *page* 71—*PAC Report* 1974-75) (*Paras* 427-28, *page* 145 *PAC Report* 1978-79)—The Committee had previously directed the department to furnish a fresh explanation, indicating the reasons for not having taken action against the firms.

The department reported that a fresh explanation had been given to the A.O.I. S&F., Karachi. Audit, however, contended that no fresh explanation had been sent to them.

428. *The Committee directed the departmental representative that a copy of the explanation|action taken should be furnished to Audit, who may report back to the PAC, if necessary.*

COMMERCIAL ACCOUNTS

Ghee Corporation of Pakistan Limited (Vegetable Ghee Mills, Bara)

429. *Loss of Rs.* 525,905 *due to fraudulent drawal of Money from the Bank and supply of sub-standard Oil* (*Para* 44, *page* 35—*ARCA*)—Audit had reported that the vegetable Ghee Mills, Bara, entered into an Agreement with a firm on 8th December, 1978 to lift cotton seed oil on the payment of its price from the concerned Oil Mills and transport the same through tank lorries. A revolving letter of credit, amounting to Rs. 3 lacs, was established on 3rd December, 1978 with a Bank, which was authorised to release the value of Oil to the firm on the presentation of truck receipt and weighment note. The firm drew a sum of Rs. 360,000 fraudulently from the Bank by presenting fake and forged documents. An amount of Rs. 84,663 was also debited to the account of the Mills for the edible oil, supplied previously, but not conforming to the specifications in terms of clause 3 of the Agreement. A further sum of Rs. 81,242 on account of interest @ 14 per cent for the period from 30th January, 1979 to 30th April, 1981 also became recoverable from the firm.

430. The fraud was facilitated due to defective Agreement, which was also in contravention of the procedure of the Ghee Corporation. The Management was supposed to enter into an agreement for the transportation of oil only and the arrangement for the payment of price of oil to the concerned Mills should have been made by the Management independently. The firm had also not furnished the Bank guarantee of Rs. One lac in favour of the Management, as required by the Agreement. Had the Bank guarantee been obtained, loss could have been reduced to that extent. Due to a fraudulent drawal of money and sub-standard supply of Edible Oil, the Mills sustained a loss of Rs. 525,905.

431. The matter was reported to the Ministry in November, 1981 but no reply was received. Audit had suggested for effective steps being taken to recover the amount at an early date and for adopting remedial measures to prevent the recurrence of such accurrances in future.

432. In their reply, the Ministry explained that action had been taken against the officer responsible for the deal and he was demoted from the General Manager's grade to grade of a Manager. The case for recovery was pending in the Court of Political Agent, Khyber Agency and the accused was in Judicial lock up. Final action would be taken according to the decision of the Court.

433. However, the chances of such withdrawals had been eliminated for future as a result of the following remedial measures—

(i) Payment through Transport Agencies had been stopped.

(ii) Payments are now to be made only through sister Units, located in the Oil producing areas.

(iii) A representative of the Units is invariably deputed to supervise loading|quality and despatch to his Unit. Payment is released only on his clearance certificate.

434. Audit pointed out in their comments that the accused had been released on bail and the case was still under trial in the Court of Political Agent, Khyber Agency. The departmental representative informed the Committee that the case was sub-judice and, as soon as it was decided, a report would be submitted to PAC. A member of the Committee advised the departmental representative that Audit should be kept informed of further developments.

435. *The Committee requested Audit to follow up the case and report back to the Committee, if deemed necessary.*

436. *Fraudulent drawal of Rs.* 27,800 *from the bank* (*Para* 45, *page* 35—*ARCA*)—Audit had reported that, in February, 1978, some elements defrauded the Vegetable Ghee Mills, Bara of a sum of Rs. 27,800 by stealing a cheque and encashing it from the bank in the name of a fake company over forged signatures. The Accountant Incharge and the Managing Director of the Mills were suspended, but the charge could not be proved against them because of the absence of the cheque-book, which was in the custody of the Police.

437. The Ministry, who were apprised of the happening in December, 1981, admitted the fraud in their reply of January, 1982, but did not say anything as to how the cheque could be detached from the cheque book which had all the time to be under the personal supervision|custody of an Officer, responsible for the drawing of cheques. Apparently, the cheque book was not properly secured, which enabled some one to steal away a cheque from it.

438. *Audit suggested that—*

(i) the case be investigated into departmentally to find out as to how the cheque was lost from the custody of the person responsible for its safe custody, and to adopt remedial measures ;

(ii) with a view to recover the same from the bank, the matter should be investigated into and responsibility of the bank fixed for making payment on a forged cheque.

439. In their reply, the Ministry stated that the case was lying with the Prosecution Branch of the S.S.P., Peshawar and was likely to be tried soon. A departmental inquiry had been instituted to investigate as to how the cheque was lost from the custody of the officer concerned. The money was drawn from the United Bank Limited under a forged signature. Therefore, final notice had also been issued on 13th November, 1982 to the Manager of the United Bank Ltd., to refund the amount, with interest. A copy of the notice had also been endorsed to the Banking Council. Remedial measures had been taken and no such occurrence had taken place thereafter.

440. In their comments for the Committee, Audit said that the S.S.P., Peshawar had sought for the permission of the Provincial Government to prosecute the accused.

441. Replying to a query, the departmental representative informed the Committee that a departmental inquiry had been instituted and its result would be conveyed to Audit. A member of the Committee suggested that some official of the Ministry should go to Peshawar and negotiate with the Bank.

442. *The Committee directed that a copy of the report of inquiry should be sent to Audit when it is completed.*

443. *Ghee Corporation of Pakistan, Head Office, Lahore* (*Para* 181, *page* 92—*ARCA*)—Audit had reported that the Corporation had a balance of Rs. 33.803 million as "Working Capital Loan", obtained from the NDFC on the 30th June, 1981 at an interest of 14 per cent. At the same time, it held Rs. 17.820 million, consisting of Rs. 3.120 million in current account and Rs. 14.700 million Short Notice Terms Deposit Account @ 5½. The burden of interest would have been reduced considerably, had the amount kept in S.T.D. been utilised towards the repayment of the loan. A prudent cash management policy needed to have been adopted by the Corporation.

444. In their reply, the Ministry explained that the cash and Bank Balance, as on June 30, 1981, was partly represented by cheques, amounting to Rs. 4,128,931, received on the 30th June, 1981 and deposited on the same

day with banks for clearance, which obviously could not be done on that day. In addition, a sum of Rs. 77,000 was lying in SND account with the MCB. Its encashment before maturity would have resulted in the loss of interest to the G.C.P. A sum of Rs. 5,000,000 was however, adjusted in the loan Account with the NDFC on 30th June, 1981. Subsequently on 8th July, 1981 and 18th July, 1981, the loan account was adjusted and brought down to Rs. 50 lacs only. The Director of Commercial Audit had agreed with the department's comments and had promised to review the audit observation in the next audit *vide* paragraph 5, of their letter No. 3920|AT|GCP|HO 80-81 dated 7th June, 1982.

445. With a view to improving the accounts of the Ghee Corporation, *the Committee directed that the Ministry should consider engaging suitable consultants to advise the Ghee Corporation on restructuring their accounts on proper lines. Four of the Ghee units were still not incorporated companies.*

446. (*Para* 182, *page* 92—*ARCA*)—Audit had pointed out that the accounts of Crescent Factories, Chichawatni for the year ending the 30th June, 1981 depicted a cumulative loss of Rs. 7.252 million, which had been shown standing against the GCP. However, the GCP (H.O.) did not give effect to this amount in their accounts as on 30th June, 1981. The effect of the operational results of the projects needed to be reflected in the Accounts of the Ghee Corporation, so that the true state of affairs of the Corporation and the projects established by it might be known.

447. The Ministry stated that the Commercial Audit had dropped this observation *vide* their letter No, 2193|CA|I|1—67|80-81|GCP dated 19th September, 1982.

448. *The Committee decided that the question of making the Chichawatni factory a Division of the GCP or an independent Company should be studied and a report furnished to the Committee.*

449. (*Para* 182, *page* 92—*ARCA*)—As reported by Audit, 23 M. Tons tin plate, valuing Rs. 182,705 and stored with M|s International Forwarders Limited, Karachi from June, 1979, were rasty, water marked and defective. Steps needed to be taken to dispose of these plates, so that the money locked in them was released and made available for other uses.

450. The department explained that the GCP had already received Rs. 188,387 as insurance claim in respect of the rusty|damaged tin plates *vide* cash receipt No. 3023 dated 6th May, 1982 from the NIC, thus the GCP did not sustain any loss on this account. After discussion, the paragraph was dropped.

451. (*Para* 184, *page* 92—*ARCA*)—As pointed out by Audit, advances, deposits and prepayments included an amount of Rs. 727,848 paid on 24th May, 1981 to a landlord as the advance rent for 11 months for a building, which was required to house the Head Office of the Corporation, but the possession of the said building had not yet been taken over by the Corporation despite the lapse of more than 10 months. The amount had thus been unnecessarily blocked. Steps should be taken either to secure the refund of the advance with interest or to take the possession of the office building.

452. The department stated that the possession of the building could not be taken, because the premises needed some additions|alterations, to suit the GCP requirements. Meanwhile, the Lahore Development Authority had also raised an objection to the height of the building. These matters were being finalised and it was hoped to get either the possession of the building with an N.O.C. from the Lahore Development Authority or the refund of amount by 31st December, 1982.

453. *The Committee observed that Audit should keep track of the progress of this case.*

454. (*Paras* 185-186, *page* 92—*ARCA*)—As reported by Audit, a sum of Rs. 3.519 million, had been provided for "doubtful recoverables" due mainly from the Punjab Industrial Development Board (Rs. 5.904 million). The justification for this provision, in respect of the amount receiveable from a Government body, could not be appreciated. The amount shown as due to or from subsidiaries, etc, did not tally with the credits|debits appearing in the accounts of the counter subsidiaries concerned. The necessitated the required reconciliation.

455. In their reply, the Ministry stated that interest had been debited by the GCP on the recoverable amount, without any memorandum of understanding between the PIDB and the GCP. The PIDB had evinced reluctance to accept this liability. Accordingly, the provision for doubtful debts was made. However, efforts were under way to recover the entire amount.

456. The Accounts as on 30th June, 1981 had since been reconciled with the subsidiary units. However, as the statutory audits of all the units were not finalised on any one day, adjustments of reconciling entries had to be made in some cases during the subsequent year.

457. After discussion, *the Committee decided that the Ghee Corporation should arrange for a monthly reconciliation of balances due from or to it,* vis-a-vis *other Companies, associated companies, etc.*

458. During course of discussion a member wanted to know the details of transfer of the shares of Wazir Ali Industries and Burma Oil to SEMA and the sale proceeds therefore, with information as to what happened to the proceeds. The departmental representative informed the Committee that it would be looked into. *The Committee directed that a report should be furnished to the PAC.*

459. (*Paras* 187-188, *page* 92—*ARCA*)—These paragraphs were deemed settled|dropped.

460. *A & B Oil Industries Limited, Karachi* (*Paras* 189-190, *page* 93—*ARCA*)—Audit had reported that the Company produced 12,209 M. Tons of Ghee as against 11,657 M. Tons in the previous year and rated capacity of 11,070 M. Tons. It earned a net profit of Rs. 4.464 million in the year 1980-81 as compared to Rs. 2.767 million in the preceding year. The increase in profit was mainly due to a reduction in excise duty by Rs. 991 per M. Ton.

461. As against a total input of 12,701 M. Tons Oil, the factory produced 12,209 M. Tons of Ghee, instead of 12,262 M. Tons that ought to have been produced, resulting in the short production of 53 M. Tons, valuing Rs. 448,857 @ Rs. 8,469 per M. Ton. Sixty per cent of the said process loss, *i.e.*, 42.40 M. Tons was converted into soap and 20 per cent was treated as invisible loss. Thus 42.40 M. Tons of oil, valuing Rs. 283,974 @ Rs. 250 per maund, was utilized in the production of soap and, after allowing credit for this, a net loss of Rs. 164,883 was sustained by the Mills.

462. The department informed the Committee that reduction in the excise duty had merely set off the issue price of Cottonseed Oil and imported Oil, which was increased from Rs. 200 per maund to Rs. 250 per maund (*i.e.* Rs. 1339.61 per ton). The balance relief *i.e.* about Rs. 303 per ton helped to set off the continuous increase in the cost of inputs since 1975. Therefore, the relief in excise duty left no effect on the earning of profit. The process loss mainly depended on the following factors—

(i) Oil Blend.

(ii) Storage Capacity, which directly affects the oil blend.

(iii) Age of the plant and equipment.

(iv) Quality of oil used and, in case the oil had been despatched to the unit from the residual oil in the terminal containing more FFA and Other inert material, the time for which oil had been stored in the terminal.

(v) The process used in the factory-batch or whether it is continuous.

(vi) Occasional breakdowns due to power failure.

463. The Ministry had however, gone into the matter and noted that the unit had registered a reduction in its Process loss, as could be seen from the following table—

	Process Loss %	
	Budgeted	Actual
1978-79	7.82	6.42
1979-80	8.42	7.78
1980-81	7.59	3.88

The improving trend continued in 1981-82 also.

464. *The Committee directed the departmental representative that from next year's accounts i.e.* 1981-82 *they would like to see analysis of profitability, losses etc. in case of all Ghee Mills during* 1979-80 *to* 1982-83. *A Statement should be prepared and furnished to the PAC|Audit by the end of September,* 1983.

465. (*Para* 192, *page* 93—*ARCA*)—According to Audit, the accumulated loss upto 30th June, 1980 amounted to Rs. 5.644 million and had been appearing since the pre-nationalisation period. As shown in the balance sheet, an amount of Rs. 8.878 million was outstanding against the *Ex*-Directors and their associated companies, which they had not accepted as their liability. The necessity of pursuing, at higher level, the recovery of the outstanding amount from the *Ex*-Directors and their associated Companies was emphasised.

466. In their reply, the department stated that the issue of recovery of the amount of Rs. 8.878 million, due from the *Ex*-Directors and their associated companies, was being actively pursued at the level of the Additional Secretary, Ministry of Industries and a settlement was likely to be reached very soon.

467. In reply to a question as to what arrangement had been made during de-nationalisation period, the departmental representative said that some money had been withdrawn from the banks, before nationalisation.

468. *The Committee directed the departmental representative to report about the final outcome|settlement, to the PAC.*

469. (*Para* 194, *page* 94—*ARCA*)—Audit had reported that there was a short delivery of 44.6446 M. Tons of tin plates in size 954 × 712, whereas an excess delivery of 48.0702 M. Tons in size 508 × 762. The discrepancies had not yet been reconciled with the GCP. Out of the total quantity of

2419.6211 M. Tons of Tin Plates, allocated during the period from January, 1978 to June, 1981, 210.5923 M. Tons (87 per cent of the quantity received) was found to be rusty and completely damaged. The percentage of damaged| rusty tinplates was on the high side. Immediate action needed to be taken for the disposal of tinplates, to avoid any further loss on account of the same becoming completely unfit for use.

470. The department informed the Committee that the reconciliation of tinplate accounts with the GCP had since been completed and the damaged| rusty tinplates had since been sold away, Rs. 56,322 had also been claimed from the Insurance Corporation. As such, the Company was not likely to suffer any loss.

471. The paragraph was settled subject to verification by Audit.

472. (*Para* 198, *page* 95—*ARCA*)—It had been pointed out that the Unit sustained a process loss of 1,112 metric tons against the permissible limit of 1,047.5 metric tons during the year 1979-80. During the past five years, the process losses recorded by the Company had been much higher than the permissible limits. Effective steps were, therefore, needed to be taken to keep the process losses within the permissible limits.

473. It was explained by the department that this Unit was installed in 1969. The process losses for the last four years, as compared to permissible limits, was as follows—

	Process loss %	
	Budgeted	Actual
1978-79	7.91	6.28
1979-80	8.15	6.72
1980-81	7.78	3.051
1981-82	3.44	2.94

474. Thus it was incorrect to state that the process losses had been higher than the permissible limits in the past. In fact, the process losses sustained were much lower than the target fixed, *e.g. in* 1979-80 as against 1,348 M. Tons of ghee produced from an oil consumption of 16,537 M. Tons, the actual process losses, sustained were only 1,112 M. Tons, which were less than the budgeted target by 236 M. Tons.

475. Audit commented that the reply should have given actual process loss versus standard loss and not budgeted loss. The departmental representative agreed.

476. *The Committee observed that the Ministry should have furnished reasons for the variations in their statement.*

477. (*Para* 199, *page* 95—*ARCA*)—As pointed out by Audit, the title of land, occupied by the Company for its office and factory premises, was held by one Sheikh Mohammad Ismail and Company and the owner claimed damages at the rate of Rs. 10,000 per month. Although the claim had not been accepted by the Company on the plea that payment of compensation to the *ex*-owners had already been decided by the Government, it was all the more imperative that the title of land be got transferred in the name of the Company at the earliest possible, to avoid any further complications.

478. The department stated that the management of the Company was following up this matter. The case was lying in the office of the Deputy Commissioner, Multan, for decision. Its progress, as and when achieved, would be intimated to the Committee. The land belonged to the brother/father-in-Law of the *ex*-owner who had actually gifted the land to him. The gift deed could however, not be executed in his favour.

479. A member of the Committee observed that the reply given by the Ministry was not very correct. Thereupon, *the Committee directed that a revised reply, giving the up-to-date position, should be furnished to the PAC.*

480. *Burma Oil Mills, Karachi* (*Para* 211, *page* 99—*ARCA*)—According to Audit, an amount of Rs. 0.500 million was invested in Government loan at 11-3/4 per cent interest with the loan maturing in 2001. Since the company was running on overdrafts at 14 per cent interest, placing of funds in Government loans, involving a recurring burden of interest, amounting to Rs. 11,250 annually, was not justified. It was stated that the investment was made as per the orders of the Government. The department confirmed that the investment of Rs. 0.500 million in Government loan had been made under the instructions of the Finance Division.

481. After discussion, *the Committee decided that it may be examined whether investment in Government loans at a lower interest and borrowing at a higher interest was justifiable and whether the situation could be redeemed by disinvestment on the best possible terms.*

482. (*Para* 212, *page* 99—*ARCA*)—Audit had pointed out that the investment of nominal value of Rs. 387,430 in the shares of Companies, which were financially weak and not quoted on the stock exchange, had been made

during the pre-nationalisation period by the *ex*-owners of the Company. The shares were considered un-realisable and were provided in the accounts for the period ending on the 31st August, 1973. As a period of 9 years had elapsed since the taking over of the company on the 2nd September, 1973 and there appeared no hope of realisation of the value of shares, the desirability of writing off the same under the orders of the competent authority needed consideration.

483. The Ministry stated that the amount had been provided in books and the matter would be placed before the Board of Directors for a decision about writing off this investment.

484. *The Committee observed that it would be better to take the market value of the total investment. However, the Ministry should look into it.*

485. *Crescent Factories (Ghee Mills) Chichawatni (Para* 220, *page* 101—*ARCA)*—Audit had made out a shortage of edible oil worth Rs. 639,700 (99.73 tons), subsequently treated as invisible process loss. It was also pointed out that the discrepancies were the result of loose control over the issue of Oil from the storage tanks and wrong reporting of recoveries. The Ministry should take corrective measures and also take action against the persons at fault.

486. It was explained by the Ministry that the net loss per ton had decreased in 1980-81 to Rs. 81 only as against Rs. 158 in 1979-80. An inquiry was carried out by a Committee appointed by the GCP. According to the finding of the Committee, there was no shortage of Oil.

487. *The Committee finally directed that corrective measures, if needed, should be taken in respect of the losses and action should also be taken against the defaulters.*

488. *Chiltan Ghee Mills, Quetta (Para* 223, *page* 103—*ARCA)*—According to Audit, a loan of Rs. 500 million was obtained from the NDFC in March, 1980 through the GCP. The relevant Agreement did not contain any clause about handling charges, but the mills paid a sum of Rs. 23,542 as handling charges @ 5 per cent during the year 1980-81. In addition, a sum of Rs. 10,945 was paid by the Mills as penal interest @ 2-1|2 per cent due to late payment of interest.

489. The Ministry explained that the amount of handling charges and penal interest, charged by the NDFC, was disputed and the NDFC had been requested to refund the amount. The matter was under correspondence with them. Further progress would be intimated to Audit on their next visit.

490. *The Committee decided that the penal interest by NDFC should be looked into, for suitable action.*

491. (*Para* 224, *page* 103—*ARCA*)—It was reported that a sum of Rs. 4,521,000 was drawn from the cash credit account and placed in the National Bank of Pakistan against 'Sundries Accounts' in June, 1981, carrying no interest. Out of this, an amount of Rs. 2,700,000 was withdrawn in 7|81 and re-deposited in cash credit account and the remaining amount of Rs. 1,821,000 was also withdrawn in 8|81 and re-deposited in cash credit account. Similarly, the amounts of Rs. 1,827,062 and Rs. 103,364, drawn from the cash credit account in 6|81, were allowed to remain in the current account Nos 102 and 108 respectively of the NBP till 30th June, 1981. No justification was forthcoming for placing borrowed funds in the current account.

492. The department stated in their reply that the two credit limits of Rs. 1.821 million and Rs. 2.70 million were to be availed of by the Unit through the NBP before 30th June, 1981. The Security demanded by the NBP, among others, was a guarantee by the GCP, which was conveyed to the Secretary, GCP on 15th January, 1981. The sanction for the guarantee was obtained from the GCP Board of Directors on 7th February, 1981. However, the NBP conveyed its non-acceptance of this guarantee on 22nd June, 1981 and informed to unit that, in case the loan was not availed of by 30th June, 1981, it would lapse. In view of this, the funds were drawn and placed in the "Sundries Account" of the NBP on 29th June, 1981, awaiting completion of formalities. The NBP, later, accepted a guarantee, signed by the GCP, coupled with a hypothecation of the current assets of the Unit. The loans were utilized on 11th July, 1981. It would be seen that this delay was beyond control of the unit. The reason as to why Rs. 1,821,000 was withdrawn in August, 1981 was being investigated into and would be intimated to Audit in due course.

493. *After having gone through the views of Audit and the reply of the department, the Committee decided that Audit should again have look at this case and report back to the Committee, if necessary.*

494. (*Para* 225, *page* 103—*ARCA*)—According to Audit, the operating expenses included an amount of Rs. 15,060, paid to M|s Shuja Agencies and Haji Gohar Khan, Ghee dealers on account of Compensation of Ghee, lost in transit. Since the Ghee was transported by the dealers themselves under their own arrangements, the payment of compensation was not justified.

495. It was stated by the department that the compensation related to leakage of Ghee. The matter was surveyed and checked by the Sales Representative of the GCP and compensation was paid in accordance with the Agreement with the dealers.

496. *The Committee decided that the Agreement between the dealer and the Ghee Corporation should be examined carefully, by Audit and report to the Committee, if necessary.*

497. (*Para* 227, *page* 103—*ARCA*)—Audit had reported that no limit on "Cash Imprest" had been fixed, with the result that the cashier drew huge amounts, ranging from Rs. 20,000 to Rs. 90,000 from the bank account and kept them as cash for a good number of days. As the practice may lead to temporary mis-appropriation of cash, it needed to be stopped by fixing a reasonable limit for cash imprest.

498. After having gone through the reply of the Ministry, the Committee decided to drop the paragraph if the "Cash Imprest" was covered by fidelity insurance and subject to verification by Audit.

499. (*Para* 232, *page* 104—*ARCA*)—It had been reported that the format of accounts, followed in this Unit, was different from that of other units of the Ghee Corporation. To facilitate inter-unit comparison, the disability of devising a standard format for the accounts of all the Ghee Units, under the control of Ghee Corporation, needed to be duly considered.

500. The Ministry informed the Committee that a new Accounting Manual had been prepared, which was to be implemented from 1st July, 1983. The new Manual would remove the disparities in the format of Accounts preparation.

501. The Committee appreciated the introduction of a new Accounting Manual.

502. *E. M. Oil Mill and Industries Limited* (*Para* 238, *page* 105—*ARCA*)—As pointed out by Audit, the value of the closing inventory of raw materials (Rs. 16.059 million), accounted for in the Profit and Loss Account varied from the one that shown in the balance sheet (Rs. 17.026 million) and included in the amount of Rs. 25.223 million. The difference needed to be reconciled.

503. It was explained by the Ministry that the amount of Rs. 17.206 million, shown in the balance sheet, included the value of tinplates|Chemicals, amounting to Rs. 0.967 million allocated by the GCP and in transit on 30th June, 1981.

504. *The Committee requested Audit to follow this up for further examination and report back to the PAC, if necessary.*

505. *Hydari Industries Limited, Hyderabad* (*Para* 240—244, *page* 106—*ARCA*)—The Committee after going through these paragraphs did not make any observation.

506. *The Committee decided that accounts of the remaining organizations etc. would be taken up with the next year's accounts for* 1981-82.

507. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs|points concerning (i) the Appropriation|Commercial Accounts and the Audit Report thereon pertaining to the Ministry for the year 1980-81 and (ii) the Compliance on PAC Report for the year 1978-79. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

508. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 30th August, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 1*st February,* 1985.

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 30th August, 1983

Fourth Sitting (PAC)

509. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

(1) Mian Zaka-ur-Rehman, Member, Federal Council — *Member (Acting Chairman)*

(2) Syed Saieed Hasan, Member, Federal Council — *Member*

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

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

Federal Council Secretariat

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

(2) Ch. Addul Qadir, Joint Secretary

(3) Mr. Akhtar Sharif Kanwar, Director Public Relations

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

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

(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(4) Mrs. S. N. Sheikh, Director General, Commercial Audit

(5) Raja Muhammad Saleem Khan, Director, Foreign Audit

Ministry of Finance

(1) Raja Raza Arshad, Deputy Secretary

(2) Mr. H. Akhtar Niazi, F. A. (Cabinet, Law and Parliamentary Affairs)

(3) Mr. Vakil Ahmed, D.F.A. (Education)

510. *Accounts examined*—Accounts pertaining to the following Ministries/ Divisions were examined by the Committee during the course of the day—

(1) O & M Division

(2) Women's Division

(3) Pakistan Atomic Energy Commission

(4) President's/CMLA's Secretariat

(5) Law Division

(6) Parliamentary Affairs Division

(7) Supreme Court of Pakistan

(8) Election Commission of Pakistan.

(9) Ministry of Education

ORGANISATION AND METHODS DIVISION

511. The Committee first took-up the examination of the Appropriation Accounts pertaining to the Organisation and Methods Division for the year 1980-81 and the Report of the Auditor-General thereon. Mr. Tariq Siddiqi, Additional Secretary-in-charge, represented the Division.

512. This Division, controlled Grant No. 13—Organisation and Methods Division.

513. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of accounts in respect of the Regional Office, Karachi, under Demand No. 13 for the period from 7|82 to 6|83 was not complete. The departmental representative submitted that reconciliation of these accounts had since been carried out. Thereupon, the AGPR was directed to note it for verification.

APPROPRIATION ACCOUNTS

514. *Grant No.* 13—*Organisation and Methods Division* (*Page* 31—*AA*)—There was no material point for consideration by the Committee on this grant.

AUDIT REPORT

515. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)—The Committee did not make any observation on this paragraph.

516. *Points|paras not discussed to be treated as settled*—The Committee did not make any observation on other points|paragraphs in the Appropriation Accounts, Audit Report 1980-81, and Compliance on the PAC's Report for 1978-79. These would be deemed as settled subject to the required regularisation action, if any, under the rules.

WOMEN'S DIVISION

517. After the O & M Division, the Committee examined the Appropriation Accounts for the year 1980-81 and the Report of the Auditor-General thereon in respect of the Women's Division. The Division was represented by the following—

(1) Mr. M. Ilyas Lodhi, Joint Secretary

(2) Dr. Sabiha Syed, Director General (Prog)

(3) Dr. Sabiha Hafeez, Director (Research)

(4) Mr. Hashmat Ali, Deputy Secretary

(5) Mr. Khalid H. Bokhari, Deputy Secretary (W.R.)

(6) Mr. M. A. Hafeez Khan, F&AO

518. This Division, controlled the following grants—

S.No	Name of Grant	Grant No
1.	Women's Division	14
2.	Development Expenditure of Women's Division	140

519. *'Reconciliation of Accounts with Audit*—The Committee noted with satisfaction that the reconciliation of Accounts of this Division upto June, 1983 was up-to-date.

APPROPRIATION ACCOUNTS

520. *Grant No. 14—Women's Division (Page 32—AA)*—Against the final grant of Rs. 6,340,000, the actual expenditure stood at Rs. 5,196,552, leading to a saving of Rs. 1,143,448. The saving was explained by the department as being due to the following—

(a) An amount of Rs. 83,621 was surrendered as some posts remained vacant and some filled up late during the financial year.

(b) An amount of Rs. 2,488 was surrendered from the function Head "400—Repair and Maintenance of Durable Goods", as repairs to private official buildings were not required.

(c) An amount of Rs. 981,535 was surrendered, because only one Conference was held during the financial year and, proposals for research studies having been received late, thus could not be processed and finalised in time.

(d) An amount of Rs. 222,752 was surrendered, as the proposal for Grant-in-Aid was not accepted by the Ministry of Finance.

(e) An amount of Rs. 69,050 was surrendered, as visits of only two delegations abroad could be sponsored by this Division.

521. Questioned as to what was meant by repairs and maintenance of private official buildings, the departmental representative submitted that budget provision existed for the purpose and it was because of this that the surrender had to be made. The Committee made no further observation thereafter.

522. *Grant No. 140—Development Expenditure of Women's Division (Page 169—AA)*—A saving of Rs. 4,770,848 was pointed out by Audit against the final grant of Rs. 40,000,000. It was explained by the department that an amount of Rs. 4,583,731 was surrendered due to the following reasons—

(a) Late submission of Development Schemes by the Provincial Governments.

(b) Lack of response from the Federal Capital Area, Federally Administered Tribal Areas and Northern Areas in respect of submission of Development Schemes ; and

(c) Implementation of Government orders regarding economy measures.

523. Audit pointed out that a saving of Rs. 187,117 had been attributed by the department to lapsed payment authorities. Had a progressive record of the financial transactions been kept by the department, it would have been possible for them to save at least two of such authorities from lapsing.

524. *The Committee finally directed that a note be furnished to the PAC about the working of the Audit Women's Literacy Programme and its progress and achievements during the last three years.*

525. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points|paragraphs in the Appropriation Accounts, Audit Report 1980-81 and Compliance on PAC's Report for 1978-79. These would be deemed as settled subject to such regularization action, if any, as may be necessary under the rules.

PAKISTAN ATOMIC ENERGY COMMISSION

526. The Appropriation Accounts pertaining to the Pakistan Atomic Energy Commission for the year 1980-81 and the Report of the Auditor-General thereon, were the next to be taken up for consideration. The following departmental representatives were present—

(1) Mr. T. Z. Farooqi, Member (Finance)

(2) Mr. I. A. Warsi, Director (Audit and Accounts)

(3) Mr. K. A. Abbassi, Project Director (PINSTECH)

(4) Mr. Khalid Mahmud, Senior Accounts Officer

527. The Commission controlled the following grants—

S.No	Name of Grant	Grant No
1.	Atomic Energy	12
2.	Capital Outlay on Development of Atomic Energy	167

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

APPROPRIATION ACCOUNTS

529. *Grants No.* 12 *and* 167 (*Pages* 30 *and* 218—*AA*)—There was no material point for consideration by the Committee under these grants.

AUDIT REPORT

530. *Irregularities in PINSTECH* (*Project*) *from* 1973-74 *to* 1977-78 [*Paras* 3(*I*) *and* (*III*), *page* 22—*AR*]—Audit had pointed out that a work order amounting to Rs. 452,640 for the installation of Projection system in a Conference Hall, was placed by the Department with M|s. Philips Electric Company in 1971, before the completion of the Hall. Rules, however, required a floatation of tender inquiry. The equipment received in 1972 remained uninstalled upto 1976, thereby blocking Government funds un-necessarily for four years.

531. In another case, Rs. 271,584 was advanced to M|s. Philips out of a total contracted amount of Rs. 452,650 in December, 1971, which was to be safe guarded by a bank guarantee, but the latter was not available. This contract was, later on, amended to Rs. 159,045 and equipments for this amount were supplied to the Department. The balance amount of Rs. 112,539 remained unrecovered till June, 1977.

532. It was explained that *vide* paragraph 12 of the PAEC Ordinance, 1965, the Chairman PAEC was vested with powers to purchase machinery, Scientific equipment, etc., from the local market or abroad, subject to the budget provision and concurrence of the Finance Division.

533. The Audit representative contended that PINSTECH had to follow Government rules in matters having financial implications, as required in paragraph 7 (6) of PAEC's Ordinance, 1965, and paragraph 12 of the said Ordinance was not directly relevant to the case.

534. Replying to a query, the departmental representative submitted that the final payment for Rs. 1.59 lac had been made, the Auditorium was completed in 1976 and the recovery effected in June, 1977.

535. *The Committee, not being satisfied with the reply furnished by the department, directed that a note in respect of paragraphs* 3 (*I*) *and* (*III*), *setting out the history of the Auditorium* i.e., *when started, how much spent on it and when completed etc., should be furnished along with details. It may also be stated therein in consultation with Audit as to what rules for awarding contracts were being followed by the Chairman, PAEC and what was his competency.*

536. *Irregular purchase of fans* [*Para* 3 (*II*), *page* 22—*AR*]—It was pointed out by Audit that 510 ceiling fans, worth Rs. 225,320, were purchased in 1977 for the residential colony. The construction of a colony could not be completed due to paucity of funds. The department intimated in July, 1981 that some of the fans had been utilised in other buildings, which implied that purchase was un-necessary and was utilised for other than the specified purposes.

537. The department stated that fans were purchased in view of total requirement for the residential colony. Allocations were reduced due to financial stringency and as the planned construction of residential houses did not materialise.

538. In reply to a query the departmental representative conceded that it was a bad case.

539. *The Committee, thereupon, directed that an inquiry be held about the un-necessary purchase of* 510 *fans and suitable action be taken aganist those at fault. Audit should be informed of the result. Strict instructions should also be issued to prevent the recurrence of such purchases in the future. Audit was directed to watch progress of the case and come back, if necessary.*

540. *Missing|stolen items of lighting fixtures* [*Para* 3 (*IV*), *page* 22—*AR*]—The Committee did not make any observation on this paragraph. It was deemed as settled subject to verification of departmental explanation by Audit.

541. *Damage caused to Air-conditioning machine* [*Para* 3(*V*), *page* 23—*AR*]—It was reported by Audit that, after a survey inspection on the 4th May, 1972, some parts of the air-conditioning machine were found damaged, for the replacement of which an expenditure of Rs. 51,517 was incurred. The machine was insured, but the Insurance Company refused to make good the loss, as claim was lodged by the department after two years.

542. In their reply, the department submitted that the damage caused to the machine was mainly due to loading|unloading of heavy packages at the installation site and the recovery of this amount would be effected from the final bills of Messers Ali Autos, pending for a proper adjustment of the recoverable amount.

543. *The Committee, thereupon, directed that the payment and recoveries should be finalised, possibly within a month.*

544. *Security fence around residential colony* [*Para* 3 (*VI*), *page* 23—*AR*]—After going through the reply of the department, the Committee accepted their explanation.

Irregularities in Pakistan Atomic Energy Commission

545. [*Paras* 4 (*i*) *and* (*ii*), *page* 23—*AR*]—The Committee accepted the explanation given by the department.

546. [*Para* 4 (*iii*), *page* 24—*AR*]—Audit was requested to verify the position in the light of the departmental reply.

547. [*Paras* 4 (*iv*) *and* (*v*), *page* 24—*AR*]—The departmental explanation was accepted by the Committee and the paragraphs treated as settled.

COMPLIANCE REPORT ON THE ACCOUNTS FOR 1978-79

548. The Compliance report on the accounts for 1978-79 was seen by the Committee and it made no observation thereon.

549. *Points|paras not discussed to be treated as settled*—The Committee did not make any observation on other points|paragraphs in the Appropriation Accounts, Audit Report 1980-81, or the Compliances on the PAC's Report for 1978-79. These would be deemed as settled subject to such regularisation action as might be necessary under the rules.

PRESIDENT's|CMLA's SECRETARIAT

550. The Appropriation and other Accounts for the year 1980-81, pertaining to the President's|CMLA's Secretariat, and the Report of the Auditor-General thereon were examined next. The following departmental representatives were present—

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

(2) Mr. M. A. Shah, Assistant Secretary, President's Secretariat (Personal)

(3) Mr. Najaf Khan, Assistant Secretary, CMLA's Secretariat (Internal)

(4) Mr. Amanat Ali, Section Officer, CMLA's Secretariat (Public)

PRESIDENT's SECRETARIAT (PERSONAL AND PUBLIC)

551. This Secretariat controlled the Appropriation "Staff Household and Allowances of the President" (Pages 249-250—AA). There was no material point for consideration under this Appropriation.

552. *Reconciliation of Accounts with Audit—The Committee directed that the reconciliation of Accounts for* 5|83 *to* 6|83 *should be completed, as expeditiously as possible.*

CMLA's SECRETARIAT (INTERNAL AND PUBLIC)

553. This Secretariat controlled Grant No. 10—CMLA's Secretariat.

554. *Reconciliation of Accounts with Audit*—The Committee directed that the *Accounts, pertaining to the Dispensary, under function Head*—012 *in the CMLA's Secretariat (Internal) should be finalised by the middle of September,* 1983 *as Audit will finalise the account by the end of September,* 1983.

APPROPRIATION ACCOUNTS

555. *Grant No.* 10—*CMLA's Secretariat* (*Page* 28—*AA*)—The Committee did not make any observation on the accounts under its grant.

General

556. *Use of the word grant—The Committee directed that, to obviate confusion and discrepancies, the same terms for a grant, which are used in the Budget, must be used subsequently by all concerned, without any change.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC's REPORT FOR 1978-79

557. There was no point for consideration by the Committee in the Compliance Report.

558. *Points/paras not discussed to be treated as settled*—The Committee did not make any observation on other points paragraphs in the Appropriation Accounts, the Audit Report 1980-81 or the Compliance on the PAC's Report 1978-79. These would be deemed as settled subject to such regularization action as might be necessary under the rules.

LAW DIVISION

559. The Committee then took up, for its examination, the Appropriation Accounts, pertaining to the Law Division, for the year 1980-81, and the Report of the Auditor-General thereon. The following departmental representatives were present—

(1) Mr. Justice C. A. Rehman, Secretary

(2) Mr. Ghulam Mustafa, Section Officer.

560. This Division, controlled the following grants—

S.No	Name of Grant	Grant No
1.	Ministry of Law and Parliamentary Affairs (Law Division only)	96
2.	Other expenditure of Ministry of Law and Parliamentary Affairs	97

561. *Reconciliation of Accounts with Audit*—The Committee noted that reconciliation in respect of grants No. 94 and 95 (1982-83) had not been effected in the Islamabad, Karachi, Peshawar, Quetta and Lahore Circles. *It directed the departmental representative to get the reconciliation work completed before the 30th September, 1983, as Audit would finalise the accounts by 30th September, 1983.*

APPROPRIATION ACCOUNTS

562. *Grant No 96—Ministry of Law and Parliamentary Affairs (Page 118—AA)*—The reported excess of Rs. 30,154 against the function Head 011-Law Division (Main) was claimed to be due to the fraudulent drawal of Rs. 30,819 as T.A. Advance, through a fictitious bill.

563. The Audit representative pointed out that the detailed disposition of the final grant revealed that a supplementary grant was partly un-necessary. In view of the excess, even if due to a fraudulent payment, the surrender was excessive.

564. Replying to a query, the departmental representative explained that it was only as a result of reconciliation after June that the fraud, committed by the Cashier, was defected. He had been arrested and was being tried for the offence. The case had gone to the court and was sub-judice.

565. *Grants No 97—Other expenditure of Ministry of Law and Parliamentary Affairs (Page 119—AA)*—An excess of Rs. 340,325 was pointed out by Audit under function head 011-Law Division in this grant. The departmental representative contended that the actual expenditure was Rs. 19,410,529, instead of Rs. 19,632,092 as shown in the accounts. Thus the excess amounted to Rs. 118,762 and not Rs. 340,325, as claimed by Audit. This mainly related to the offices of the Deputy Attorney-General and the Standing

Council at Karachi and the excess included an amount of Rs. 80,800 pertaining to the Law Division's, Camp Office, Karachi. *The Committee, thereupon, directed that the expenditure figures under this function head should be reconciled with the AGPR and the necessary explanations for the excess should then be furnished to the Committee.*

AUDIT REPORT

566. *Irregularities in the accounts* (*Para* 150, *page* 128—*AR*)—The Committee directed the departmental representative to supply copies of the report to Audit for verification.

567. *Over-payment not recovered—Rs.* 16,440 (*Para* 151, *page* 128—*AR*)—It was pointed out by Audit that an amount of Rs. 16,440, overdrawn by an officer as Exchange Compensation Allowance, was required to be recovered. The irregularity was initially pointed out in February, 1974 and the need to recover the overpayment was also stressed upon the department. The recovery, however, still remained to be got effected.

568. Replying to a query, the departmental representative informed the Committee that the recovery was being effected from the concerned officer. Thereupon, Audit was requested to verify the position in the light of the departmental reply.

569. *Delay in processing of G. P. Fund cases* (*Paras* 188-189, *page* 151—*AR*)—After going through the departmental explanation, the Committee observed that the department should help the retiring employees in preparing their G.P. Fund and pension cases, so that they did not suffer any hardship, after retiring from Government Service.

COMPLIANCE REPORT FOR 1978-79

(i) *Grant No* 97—*Ministry of Law and Parliamentary Affairs.* (*Page* 130-*AA*) (*Para* 113, *page* 73—*PAC Report* 1978-79)

(ii) *Grant No* 98—*Other expenditure of Ministry of Law and Parliamentary Affairs* (*Page* 131—*AA*) (*Paras* 115—119, *page* 74—*PAC Report* 1978-79)

570. After going through the departmental explanation the Committee observed that Audit was previously requested to check the position and this needs to be done to ensure compliance in these paragraphs.

571. *Points|paras, not discussed to be treated as settled*—The Committee did not make any observation on other points|paragraphs in the (i) Appropriation Accounts 1980-81 or the Audit Report thereon and (ii) Compliance to PAC Report 1978-79. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

PARLIAMENTARY AFFAIRS DIVISION

572. Thereafter, the Committee examined the Appropriation Accounts for the year 1980-81 and the Report of the Auditor-General thereon in respect of the Parliamentary Affairs Division. The following departmental representatives were present—

(1) Mr. Justice C. A. Rehman, Secretary

(2) Mr. Ghulam Mustafa, Section Officer.

573. This Division controlled Grant No 96—Ministry of Law and Parliamentary Affairs (Parliamentary Affairs Division only).

574. *Reconciliation of Accounts with Audit*—The Committee observed that the reconciliation of Accounts of the Division was up-to-date.

APPROPRIATION ACCOUNTS

575. *Grant No* 96—*Ministry of Law and Parliamentary Affairs (Parliamentary Affairs Division) (Page* 118—*AA)*—There was nothing material for consideration by the Committee in this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC'S REPORT FOR 1978-79

576. There was no point for consideration by the Committee in the Compliance Report.

577. *Points not discussed to be treated as settled*—The Committee did not make any observation on (i) the other points in the Appropriation Accounts 1980-81, and the Audit Reports thereon, and (ii) Compliance on the PAC's Reports for 1978-79. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

SUPREME COURT OF PAKISTAN

578. The Accounts for 1980-81, pertaining to the Supreme Court of Pakistan, and the Report of the Auditor-General thereon were then examined by the Committee. The following departmental representatives were present—

(1) Mr. M. A. Latif, Registrar

(2) Mr. Abdur Rahim, Deputy Registrar.

579. The Supreme Court controlled the Appropriation "Supreme Court".

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

APPROPRIATION ACCOUNTS

581. *Appropriation "Supreme Court" (Page 256—AA)*—Against the final appropriation of Rs. 5,363,000, the actual expenditure under the appropriation stood at Rs. 5,379,034, making for an excess expenditure of Rs. 16,034. In their written reply the department explained that excess which was less than 1 per cent, was due to unforeseen expenditure on account of T.A. in connection with various sessions of the Court at Karachi|Lahore|Peshawar|Quetta.

582. A member of the Committee remarked that the excess expenditure, should have been explained with facts and figures, as the Court was not in session during June. The departmental representative stated that sessions were held throughout the year. Thereupon, *the Committee request Audit to check the replies furnished by the department and report back with their comments, if necessary.*

AUDIT REPORT

583. *Short-comings in the records (Para 152, page 129—AR)*—Audit had pointed out following short-comings in the records of the Court during 1974-75 to 1979-80—

(i) *Non-deposit of Judicial Receipts upto October, 1978 (Rs. 51,859)*—The department stated in their reply that the entire amount had since been deposited in the National Bank of Pakistan, Rawalpindi. The Committee wanted to examine the point whether these receipts were to be deposited into Government account or these could also be deposited in a private account with a Bank. Audit was requested to look into it and report back to the Committee, if necessary.

(ii) *Non-recovery of House Rent dues from the occupants from July, 1974 to 1980 (Rs. 53,319)*—The department stated in their written reply that Rs. 15,243 had already been recovered and a sum of Rs. 3,329 had been written off. The Audit commented that recovery of Rs. 15,243 would be verified in next audit. Sanction to the write off of Rs. 3,329 had not been admitted in Audit.

Since the amounts reported by Audit in the Audit Report and that explained by the department did not agree, Audit was requested to verify departmental explanation and report back, if necessary.

(iii) *Non-receipt of Printing Charges (Rs. 9,449)*—According to the department a sum of Rs. 5,398 had since been recovered from the Government of Punjab|NWFP. Efforts were being made to recover the balance amount. Audit commented that recovery of Rs. 5,398 would be verified by next audit. Final reply about recovery of balance amount of Rs. 4,051 was awaited till May, 1983. It would be advisable if a system of advance|prompt and regular recovery of printing charges was evolved for the future.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORT FOR 1978-79

584. *Appropriation 'Supreme Court' (Page 238—AA)—(Paras 134—138, pages 77-78—PAC Report 1978-79)*—There being no comment by Audit in regard to compliance, the paragraphs were deemed as settled, subject to verification by Audit.

585. *Points not discussed to be treated as settled*—The Committee did not make any observation on (i) the other points in the Appropriation Accounts 1980-81 and the Audit Report thereon, or (ii) the Compliances on PAC Report for 1978-79. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

ELECTION COMMISSION OF PAKISTAN

586. The Accounts for 1980-81, pertaining to the Election Commission of Pakistan and the report of the Auditor-General thereon were then examined by the PAC. The following departmental representatives were present—

(1) Mr. H. M. Chauhan, Secretary

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

(3) Mr. Saeed-ul-Hassan, Accounts Officer.

587. The Commission controlled the Appropriation " Elections ".

588. *Reconciliation of Accounts with Audit—The Committee directed the departmental representative that reconciliation of accounts should be completed by 15th September, 1983, as Audit would finalise the accounts by 30th September,* 1983.

APPROPRIATION ACCOUNTS

589. *Appropriation " Elections " (Page 257—AA)*—The Commission in their written reply explained that excess of Rs. 2,985,232 under this Appropriation was due to adjustment of debits relating to the year 1979-80. Audit pointed out in their comments that this position had already been confirmed in the Appropriation Accounts. Audit representative further pointed out that out of total surrender of Rs. 14,154,451, Rs. 13,100,000 was surrendered, as no election were held. The reasons for the remaining surrender were not given in the surrender order. The departmental representative explained that saving of the remaining amount was mainly due to the fact that some posts of officers and staff remained vacant owing to economy measures.

590. The Committee observed that a review of the detailed position (object heads) revealed that a proper Central control was lacking. A closer co-ordination between the Head office and the provincial offices was required, for making timely reappropriation of or surrender of funds, to cover the excess or savings under various object codes.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORT FOR 1978-79

591. There was nothing material for consideration by the Committee in the Compliance Report.

592. ***Points not discussed to be treated as settled***—The Committee did not make any observation on (i) the Appropriation Accounts 1980-81 or Audit Report thereon ; and (ii) the Compliance on PAC's Report for 1978-79. These would be deemed as settled subject to such regularization action as may be necessary under the rules.

MINISTRY OF EDUCATION

593. Examination of the Appropriation Accounts for 1980-81 and the Report of the Auditor-General thereon, pertaining to the Ministry of Education, was the last to be taken up by the Committee on the 30th August, 1983. The following departmental representatives were present—

(1) Mr. Seed Ahmed Qureshi, Secretary

(2) Mr. Ahadullah Akmal, Joint Secretary (Admn)

(3) Col. Muhammad Aslam Saleemi, Director, (F.G.E.I.) Islamabad

(4) Major Sikandar Iqbal Awan, Director, (F.G.E.I.) G.H.Q

(5) Dr. Mian Abdul Qaseem, J.E.A. (Institution Wing)

(6) Mr. Irshad Ahmed, Managing Director, National Book Foundation.

594. This Ministry, controlled the following grants—

S.No	Name of Grant	Grant No
1.	Ministry of Education	34
2.	Education	35
3.	Federal Government Educational Institutions in the Capital and Federal Areas	36
4.	Federal Government Educational Institutions in Cantonments and Garrisons	37
5.	Development Expenditure of Ministry of Education	146

595. *Reconciliation of Accounts with Audit*—The Committee noted that, so far as 1980-81 and 1981-82 were concerned, the department had completed reconciliation with Audit. *It directed that the reconciliation of accounts for* 1982-83 *should be completed by the* 3rd *week of September,* 1983, *as Audit would be finalising the accounts by* 30*th September,* 1983.

APPROPRIATION ACCOUNTS

596. *Grant No.* 34 *Ministry of Education* (*Page* 49—*AA*)—An excess of Rs. 27,112 was reported by Audit against the function head "417—Archieves, Libraries and Museums Department of Libraries". The departmental representative contended that, according to the reconciliation statement, the actual expenditure amounted to Rs. 2,043,702 and not Rs. 2,067,112, resulting in a minor excess of Rs. 3,702. Audit in their comments confirmed the excess booking. A member of the Committee noted that the difference in the Audit and department figures should have been pointed out to Audit at the time of reconciliation. The explanation of the departmental representative was accepted by the Committee, which made no further observation about this grant.

597. *Grant No.* 35—*Education* (*Page* 50—*AA*)—There was no point for consideration by the Committee on this grant, but for minor clarifications, which were provided by the departmental representative.

598. *Grant No.* 36—*Federal Government Educational Institutions in the Capital and Federal Areas* (*Page* 51—*AA*)—There was nothing material for consideration by the Committee under this grant.

599. *Grant No.* 37—*Federal Government Educational Institutions in Cantonments and Garrisons* (*Page* 52—*AA*)—There was no material point for consideration by the Committee under this Grant.

600. *Grant No.* 146—*Development Expenditure of Ministry of Education* (*Page* 179—*AA*)—After discussing various points, raised by Audit concerning this grant, *the Committee directed that full details, including the foreign exchange position, should be furnished regarding the purpose of this grant, and the reason for its surrender, particularly the surrender of Rs.* 71 *million, allocated for the operative schemes.*

AUDIT REPORT

601. *Irregularities in the accounts of National Commission on Historical and Cultural Research* (*Defunct*) [*Paras* 30 (*I*) *to* (*X*), *pages* 38—42*AR*]—After discussing the above matter, *the Committee directed that a comprehensive note, in consultation with Audit and Finance should be furnished to the PAC, covering all the relevant issues concerning the Historical Commission. These may include the regularisation of the Historical Commission, with retrospective effect from* 1973, *and questions like what rules should be applicable to the Commission in the Islamic University.*

602. *Irregularities in the Islamic Research Institute* [*Paras* 31 (*i*) *&* (*ii*), *pages* 42-43—*AR*]—*The Committee directed Audit to verify the explanation furnished by the department.*

603. *Authority for free distribution of books* [*Para* 31 (*iii*), *page* 43—*AR*]—It was pointed out by Audit that books worth Rs. 101,768 were issued to various officials and non-officials, free of cost, during 1979-80 without the orders of the competent authority. In their reply, the department maintained that it was the normal practice to present a set of the Institute's publications as gift to scholars of international repute, on their visit to the Institute. The cost of such presentations was reflected in the price of the publications and was ultimately recovered from the sale of books.

604. The Audit representative intervened to say that the reply of the Ministry was not tenable in as-much-as an amount should have been allocated, separately, for the free issuance of such publications. Besides, it had been already stated by the department that the enhanced cost price would adversely affect the sale of publications.

605. *The Committee directed that a formal order should be issued, determining the competent authority or authorities who could order free distribution of books.*

606. [*Paras* 31 (*iv*), (*v*) & (*vi*), *page* 43—*AR*]—Audit was requested to verify the replies furnished by the department.

607. *Dealing with magazine etc.* [*Para* 31 (*vii*), *page* 43—*AR*]—After going through the written reply and Audit comments thereon, *the Committee directed that appropriate rules* and procedures *should be laid down for dealing with the magazine etc.*

608. *Irregularities in the University Grants Commission, Islamabad* [*Para* 33-*A* (*i*), *pages* 43-44—*AR*]—After hearing the departmental explanation and discussing various points made in this paragraph, *the Committee directed that a comprehensive note be furnished to the PAC about the working of the University Grants Commission, including information about how much funds were allocated to the Commission during the last three years and when were the funds allocated by the Commission to various Universities actually released and the reason for delay in release of funds.*

609. [*Paras* 33-*A* (*ii*)—*B* (*a*), *page* 44—*AR*]—The Committee sought for minor clarifications and decided to drop these paragraphs.

610. [*Para* 33-*B* (*b*), *page* 44—*AR*]—The Committee accepted the departmental explanation and dropped the paragraph subject to verification of recovery by Audit.

611. *Non-recovery of Rs.* 4,142 (*Para* 34, *page* 44—*AR*)—The Ministry in their written reply had informed the Committee that the Education Minister had gone to USA on the assignment of Ministry of Foreign Affairs for which sanction was also issued by that Ministry. Audit was informed that reply would be furnished by that Ministry. *The Committee directed that reply to this paragraph should be furnished by the Ministry of Foreign Affairs.*

612. *Non-approval of regulations of various institutions* (*Para* 35, *page* 45—*AR*)—The departmental representative informed the Committee that regulations of the institutions had been approved. The Committee dropped the paragraph subject to verification by Audit.

613. *Delay in processing of G. P. Fund and Pension Cases (Paras 188-189, pages 151 & 157—AR) G. P. Fund cases*—It was pointed out by Audit that the G. P. Fund cases of the following subscribers or their nominees, with an average delay of more than four years, were still pending finalisation—

S. No	G.P.F. A/c No	Name of the subscriber and designation	Date of retirement	Date of receipt
1.	MIED—933	Muhammad Shafi, Lab Attendant ..	6-9-1978	22-1-1980
2.	MIED—380	Sahibzad Khan, Daftry	6-12-1977	14-2-1980
3.	MIED—745	Sarwat Sultan, TGT	16-5-1978	19-3-1980
4.	MIED—6030	Jalaluddin, TGT	13-1-1976	12-4-1980
5.	XLIV—	Muhammad Khan, Naib Qasid	19-4-1976	25-6-1980
6.	MIED—3400	Muhammad Sabir, MTT	10-6-1980	1-3-1981
7.	MIED—1113	Qaisar Jahan Warsi, TGT	31-10-1977	19-3-1981
8.	MIED—3258	Karim Bux, MTT	2-11-1980	23-8-1981
9.	MIED—5946	Marajuddin Bhatti, Lecturer	13-6-1980	27-4-1981
10.	MIED—3257	Abdur Rashid Butt, TGT	8-5-1979	3-6-1981
11.	MIED—5144	Abdul Qayum, Assistant	7-9-1980	5-7-1981

614. *Pension Cases*—Similarly, instances of an average delay of more than ten months were noted by Audit in respect of pension cases of the following retired officials.

Directorate of Federal Government Educational Institutions

S.No	Name & Designation of the Officials	Date of retirement	Date of receipt of the case in AGPR
1.	Mr. Muhammad Sadiq, M.T.T	11-1-1980	9-7-1980
2.	Mr. Mohammad Iqbal, Chowkidar	30-9-1979	2-10-1980

615. *The Committee expressed its serious concern over these inordinate delays in the finalization of these cases and directed the departmental representative to have them finalised, expeditiously.*

COMMERCIAL ACCOUNTS

616. *Infructious expenditure of Rs.* 45,350 (*Para* 43, *page* 34—*ARCA*)—The Committee did not find anything material for observation on this paragraph and, therefore, it was dropped.

617. *Delay in the disposal of Audit|Inspection Reports* (*Para* 70, *page* 50—*ARCA*)—Audit informed the Committee that position had since improved. The Committee made no observation on this paragraph.

COMPLIANCES ON THE PAC'S REPORT FOR 1978-79

618. There was nothing material for consideration by the Committee in respect of Compliances on its Report for 1978-79.

Actionable points arising out of the decisions in the meeting of PAC held on 18th October, 1981

619. *Reconciliation of accounts* (1980-81)—The Ministry in their written reply informed the Committee that as directed by them the reconciliation of Accounts for the year 1980-81 were completed in time. The Committee did not make any further observation.

620. *Irregularities in a Board's Office—Non-approval of regulations of the Board* [*Para* 12(*i*), *page* 24—*AR*—1979-80]—The Committee was informed by the departmental representative that the Recruitment Regulations of the Board had since been approved by the Establishment Division and notified. The Committee did not make any observation.

Irregular payment of Rs. 14,294, *to a Chairman* [*Para* 12 (*iii*), *page* 24—*AR*—1979-80]

Irregular payment of salary and fringe benefits to an ex-*Chairman* [*Para* 12(*iv*), *page* 25—*AR*—1979-80]

621. After going through the written reply submitted by the department, the Committee requested Audit to follow it up and keep a watch over the recovery| write-off action.

National Book Foundation

Notes on accounts [*Para* 244, *page* 607—*CA*—1979-80 (*i*) *Current Account in Bank,* (*ii*) *Rules of the Foundation and* (*iii*) *Pricing policy of the Foundation*]—

622. The Committee after going through the written replies furnished by the Ministry requested Audit to examine them and report back to the Committee, if necessary.

623. *Points|paras not discussed to be treated as settled*—The Committee did not make any observation on other points|paragraphs (i) in the Appropriation Accounts 1980-81 or Audit Report thereon and Compliances on the PAC's Report for 1978-79. These would be treated as settled subject to such regularisation action as might be necessary under the rules.

624. The Commitee, then adjourned to meet again at 9.00 A.M. on Wednesday, the 31st August, 1983.

M. A. HAQ,
Secretary.

Islamabad, the 1*st February*, 1985.

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 31st August, 1983

Fifth Sitting (PAC)

625. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

(1) Mr. A. G. N. Kazi, Governor, State Bank of Pakistan	*Vice-Chairman*
(2) Mian Zaka-ur-Rehman, Member, Federal Council	*Member*
(3) Syed Saieed Hasan, Member, Federal Council	*Member*
(4) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan	*Member*
(5) Mr. Yusuf Bhai Mian, Chartered Accountant	*Member*

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Akhtar Sharif Kanwar, Director Public Relations

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

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

(3) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(4) Mr. A. S. Ansari, Director General, Commercial Audit

(5) Mrs. S. N. Shaikh, Director General, Commercial Audit

Ministry of Finance

(1) Raja Raza Arshad, Deputy Secretary

(2) Mr. Salim Bahadur Khan, F. A. (Production)

MINISTRY OF PRODUCTION

626. The Committee took up for its examination the Appropriation Accounts etc., pertaining to the Production Division. The following departmental representatives were present—

(1) Mr. Hasan Zaheer, Secretary

(2) Mr. Abdul Ghafoor Mirza, Joint Secretary

(3) Maj. Gen. M. Saeed Khan, Chairman, (SEC)

(4) Mr. Riyaz H. Bokhari, Chairman, National Fertilizer Corporation

(5) Mr. Abdur Rahim Mahsud, Chairman (P.I.D.C.)

(6) Dr. Mushfiq Hussain Chaudhry, Chairman, (F.C. & C.C.L)

(7) Mr. Aslam Iqbal, Chairman, (SCCP)

(8) Mr. Zaheer Khan, M. D. (H.M.C.)

(9) Dr. M. A. Sheikh, M. D. (H.F.F.)

(10) Mr. Naseem Ahmad Bhatti, M. D. (P.S.M)

(11) Dr. A. K. Qureshi, M. D., Ittehad Chemicals

(12) Mr. H. U. Qureshi, M. D., Zeal Pak Cement

(13) Mr. R. R. Ansari, M. D., National Cement

(14) Mr. Abid Hussain, G. M. (P.A.C.O.)

627. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Production	108
2.	Capital Outlay on Industrial Development	183

628. *Reconciliation of Accounts with Audit—The Committee noted that the work of reconciliation of Accounts with Audit was still outstanding. The departmental representative was directed that this should be expedited and be got completed with the assistance of the A.G.P.R. by the 3rd week of September,* 1983.

APPROPRIATION ACCOUNTS

629. *Grant No.* 108 *Ministry of Production* (*Page* 130—*AA*)—There was no material point for consideration by the Committee in respect of this grant.

630. *Grant No.* 183-*Capital Outlay on Industrial Development* (*Page* 243—*AA*)—According to Audit, the final grant and actuals were both disputed under function head 722 Non-Financial Institutions-Pakistan Steel Mills Corporation. The final grant was Rs. 1,814,920,000 as compared to Rs. 1,734,536,000 shown by the department. The difference of Rs. 80,384,000 was on account of economy cut, which the department did not surrender formally.

631. Audit further pointed out that the department had claimed an expenditure of Rs. 1,734,536,000 whereas audit booking was Rs. 1,397,202,584 including a belated adjustment of Rs. 8,075,454 for 1974-75, taking the actuals to Rs. 1,389,127,130. The department was asked to furnish the details and settle the difference of Rs. 345,408,870. But despite repeated requests, the department did not reconcile the expenditure.

632. The Vice-Chairman observed that the accounts of the Pakistan Steel Mills were not booked correctly and required a proper reconciliation with Audit.

633. *The Committee decided that different versions were given about the releases made by the A.G.P.R., and the advice given by the Ministry to the A.G.P.R. This should be reconciled between the Ministry and A.G.P.R., immediately. Audit then would report back to the Committee, if necessary.*

AUDIT REPORT

634. *Non-conducting of internal Check* [*Para* 187 (14), *page* 150—AR]—The Ministry in their written reply stated that Internal audit for 1980-81 was in progress. Report would be submitted to the Accountant General, Pakistan Revenues on completion. *The Committee directed the Ministry to complete the Internal Check and furnish a report to Accountant General, Pakistan Revenues early.*

COMMERCIAL ACCOUNTS

Karachi Gas Company Limited

635. *Scope of Compilation* [*Para* 3 (*XXIV*), *page* 7—*ARCA*]—Ministry in their written reply informed the Committee that the Control of Company had been transferred to Ministry of Petroleum and Natural Resources. Audit was requested to take up the issue direct with the Company. The Committee did not make any observation on this paragraph.

PIDC Head Office

636. *Loss of Rs.* 1.615 *million due to ignoring the lowest bids* [*Para* 59 (*i*), *page* 44—*ARCA*]—It was pointed out by Audit that the Corporation had floated a tender inquiry in July, 1976 for the purchase of 500,000 Rft Steel Pipes

for the Indus Gas Company, but purchase order on the lowest bidder was not placed within the validity period of the offer, *i.e.,* 15th October, 1976. Subsequently, the purchase order was placed on two bidders, including the previous lower bidder, who had by then increased his rates. Thus the Corporation incurred extra expenditure of Rs. 450,000.

637. The departmental representative submitted that the original bidders, M|s Sampson and Company had attached certain pre-conditions to their tender. *The Committee was not satisfied with the departmental explanation and directed the department representative that action should be taken against those responsibie for the delay, which resulted in the loss.*

638. *Para* 59 (*ii*)—In another case, the Corporation floated a tender inquiry in September, 1977 for the procurement of wool Tops for the Harnai Woollen Mills. The purchase order was placed on the second lowest bidder at a price of $ 65,216 (Rs. 1,173,890) by ignoring the lowest offer of $ 61,469 (Rs. 1,106,449) on the pretext that the second lowest bidder had agreed to supply the designs samples, whereas documentary evidence failed to prove this fact.

639. The Vice-Chairman remarked that the position was similar to the case discussed earlier. The Corporation resorted to the acceptance of a higher tender and the samples|designs were not asked for from the supplier. The transaction thus appeared to be doubtful. The Vice-Chairman wondered whether this matter had been looked into at the appropriate level.

640. *The Committee decided that an inquiry should be held at an appropriate level against the irregularity that was allegedly committed and its report furnished to the PAC with copy to Audit.*

641. *Avoidable payment of demurrage charges amounting to Rs.* 557,481 (*Para* 60, *page* 45—*ARCA*)—According to Audit, the P.I.D.C. incurred demurrage charges, amounting to Rs. 371,606 and Rs. 185,875, due to late clearance of certain imported consignments, as they were not able to make payments in time for want of funds under this Head.

642. Not being satisfied with the reply of the Ministry about the import of banned items, which needed to be regularised, *the Committee finally directed that—*

(i) *a warning be given to the concerned Officer for having imported banned items ; and*

(ii) *the Ministry should go into this matter and take other suitable action that may be called for.*

643. *Loss of Rs.* 448,568 *on the sale of Molasses* (*Para* 61, *page* 45—*ARCA*)—As pointed out by Audit the P.I.D.C. executed a contract with a firm in January, 1975 for the sale of about two lac maunds of Molasses from the Bannu Sugar Mills at Rs. 6.25 per maund. The lifting of entire quantity was required to be completed by the 15th October, 1975. The firm lifted only 87,476 maunds upto the 8th July, 1975 and discontinued further lifting of the remaining quantity of 104,610 maunds. Consequently, their contract was cancelled in January, 1976 and the balance quantity was sold to another firm at Rs. 1.75 per maund. The Corporation thereby sustained a loss of Rs. 470,745. The loss could not be recovered from the defaulting firm except Rs. 22,177 which was their security deposit. The Agreement did not contain any penalty clause regarding risk and cost. Although as per the agreement no, quantity could be lifted without pre-payment, the management allowed the contractor to lift the Molasses without any advance payment and only against the security deposit. This resulted in a loss of Rs. 77,823, for which responsibility needed to be fixed.

644. After having gone through the reply of the Ministry and the Audit comment that the contractor was allowed to lift Molasses without advance payment as contracted, *the Committee decided that the responsibility for the loss should be fixed and action taken against those found at fault.*

645. *Extra expenditure of Rs.* 132,375 *due to procurement of material at enhanced rates* (*Para* 62, *page* 46—*ARCA*)—Audit had reported that the P.I.D.C. received an indent in December, 1975 from the Harnai Woollen Mills for the procurement of various types of wool. The Corporation entered into an agreement with a firm in May, 1976 for the import of the said wool. In terms of the Agreement, shipment was to be completed by the suppliers in eight weeks, However, due to delay in the establishment of letter of credit, the firm was asked to arrange the shipment upto September, 1976.

646. The letter of credit was actually established on the 13th September, 1976 and part shipment arrived in mid-December, 1976 but the material immediately required was not included in this consignment due to failure on the part of the Corporation to register its priority with the Firm. In order to meet its immediate demands, the Corporation placed orders for 11,511 Lbs wool tops locally in December, 1976 @ Rs. 39.50 per Lb, as against the contracted rate of Rs. 28.03 per lb, resulting in an extra expenditure of Rs. 132,375.

647. In their written reply, the Ministry explained that orders were placed on M|s Wal Shaw, whose tender was the lowest, after floating an inquiry on an international basis, and their acceptance was received on 20th April, 1976. Efforts were made for the establishment of letter of credit but, due to shortage of foreign exchange and paucity of Funds, LC could not be established in time.

648. Audit maintained that the management had not explained the delay of 3 months in floating the inquiry after the receipt of the project's urgent indent in December, 1975.

649. *The Committee decided that it should be duly verified that stocks had really run out and fresh supplies were needed immediately particularly when the supplies from abroad were expected in the next month. Audit may then come back to the PAC, if necesary.*

650. *Loss of Rs. 71,593 due to belated supplies of furnace oil (Para 63, page 46—ARCA)*—The Committee accepted the departmental explanation and decided to drop the paragraph.

651. *Expected loss of Rs. 45,672 due to shortage/pilferage in an imported consignment (para 64, page 47—ARCA)*—The Committee did not make any observation on this paragraph and it was deemed as settled.

PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION

Bannu Sugar Mills

652. *Working results (Para 444, page 158—ARCA)*—Audit had pointed out that the Mills crushed 66,274 metric tons of sugarcane and produced 5,914 metric tons of sugar during the year under review, as against 14,375 metric tons of crushing and production of 1,206 metric tons of sugar in the preceding year. The production of sugar during the year was 68 per cent below the rated capacity of 18,290 metric tons which was stated to be due to non-availability of sugar-cane in adequate quantity, caused by a tendency on the part of the growers to make gur at the beginning of the season. The Mills earned a gross profit of Rs. 5.005 million during the year under review, as against a gross loss of Rs. 7.227 million in the previous year. It sustained a net loss of Rs. 4.700 million during the year 1980-81, as against Rs. 17.268 million in the preceding year.

653. The main reasons for the loss were non-utilisation of rated capacity and heavy burden of interest which rose to Rs. 8.782 million in 1980-81. Though some improvement in the working results of the Mills was visible during the year, its cumulative losses stood at Rs. 108.075 million on the 30th June, 1981 as against a capital of Rs. 10.188 million. The necessity of utilising full capacity of the Mills, so as to achieve the maximum possible production and avert the losses, was stressed upon the management, along with the restructuring of capital and revaluation of the assets.

654. The Ministry advanced the following grounds for the short supply of sugar-cane to the Mills—

(i) Due to acute shortage of irrigation water in Bannu, cane acreage had registered a decrease during the last 5 years. The efforts of the management to set the things in order had yielded appreciable results. There was a considerable increase in the cane acreage during 1980-81. It was expected that, with improvement in the irrigation facility, by sinking Tubewells under the SCARP Scheme, the production of sugar-cane was likely to improve in the coming season.

(ii) The rise in the prices of gur during 1979-80 adversely affected sugar-cane supplies to the Mills. The effect of increase in the gur prices spilled over to the following year as well, resulting in more gur production and less sugar-cane supplies to the Mills. However, the belated increase in the sugar-cane prices did not work well in this case, where the sugar-cane availability was poor and the major portion of the crop had already been crushed by the growers hence the poor sugar-cane supplies to the Mills.

655. Audit maintained that the management had not furnished any comments with regard to the proposal about restructuring of the capital and revaluation of assets, which seemed inevitable.

656. Replying to a question, the departmental representative stated that they were trying to disinvest from this sugar mills and the matter was under consideration. The Vice-Chairman asked whether Audit had gone into the procedure that was being followed. The departmental representative informed the Committee that a copy of the latest report of 1982-83, where the inventory had been analysed, had been obtained. The department had fully analysed each unit and the whole thing would depend on the good judgment of the management.

657. In view of the above, *the committee directed that the disposal of the case should be expedited.*

658. *Interest charged* (*Para* 445, *page* 158—*ARCA*)—Audit had pointed out that, under the head Misc. Income, the Mills showed Rs. 2.797 million as interest, charged at 12 per cent per annum on Rs. 19.381 million, due from a company to the Mills. Since the judgement in the case was pending in Court for more than ten years, it was not justified to treat the accrued interest as income, unless the case was decided. The net loss of the Mills had thus been understated to that extent.

659. The department explained that the realisation of transferred funds from Bibojee Services Limited and charging of interest thereon could not be considered as doubtful debt, as a suit had been filed in the Court against M|s Bibojee Services Limited, and its outcome was awaited. Besides, a compensation committee, constituted by the Federal Government had also been considering the matter since long. The provision for the amount of interest was considered necessary so that the legitimate claim against Bibojee Services Limited, might not be get weakened in the Court case.

660. Thereupon, Audit advised that the latest position of the case, filed against M|s Bibojee Services Limited, for the recovery of the outstanding amount and the progress made by the compensation Committee, should be intimated.

661. In view of the position stated above, *the Committee directed that the case should be finalized as expeditiously as possible.*

662. *Stores and spares* (*Para* 446, *page* 158—*ARCA*)—Audit reported that, though sufficient stock was available to meet the requirements of the Mills for 5 years, stores and spares worth Rs. 1.334 million were purchased during the year under review, raising the value of these stores to Rs. 12.893 million, the consumption of which during the year was Rs. 1.909 million only. The accumulation of a huge stock, amounting to Rs. 10.984 million as on the 30th June, 1981, was not justified, especially when the working capital requirements of the Mills were being met out of borrowed funds, on which heavy amount of interest was being paid every year. The procurement policy of the Mills needed to be reviewed and the stores and spares reduced to the minimum, by avoiding fresh purchases in the coming year.

663. The department contended that in order, to keep the plant in a running condition and to meet any eventuality for the expected sugar-cane crushing, essential spare parts had to be purchased in anticipation of a breakdown, as these stores were not readily available in the local market and could not be procured easily at a short notice. Most of these items were of a proprietary nature and were not manufactured in the country. Keeping a reserve stock of such items could not be treated as surplus.

664. Thereupon, Audit maintained that, in order to reduce the inventory of stores and spares, the surplus items needed to be disposed of.

665. *The Committee decided that the Ministry may see whether proper procedures had been set up for the purchase of spares and building up the inventories of the Mills. If not, they should be formulated and enforced strictly.*

Dir Forest Industries Complex, Chakdara

666. *Working of the Project* (*Para* 449—451, *page* 159—*ARCA*)—Audit pointed out that, against the total estimated cost of Rs. 302,844 million, the capital expenditure of Rs. 193.118 million, including unallocated expenses of Rs. 72.865 million, had been incurred on the project upto the 30th June, 1981. The cost of the project was originally estimated at Rs. 244.691 million, which was subsequently revised to Rs. 302.844 million. The revision of the cost was necessitated by increase in the capital as well as the recurring cost of the scheme and the delay in its commissioning.

667. According to the revised PC-I, the Project was scheduled to go into production by July, 1981 but, due to delay in the installation of the Plant, the new target date for its completion was refixed as the 30th June, 1982.

668. The Ministry explained that the main reason for the revision of the Project cost was delay in the installation of the Plant, because the site of the Project was changed many times from Shringal to Chakdara and *vice versa.*

669. The Ministry further stated that a revised Scheme, costing Rs. 244.691 million with a foreign exchange component of Rs. 66.284 million, was submitted to the Government. In August, 1975 and was approved by the ECNEC on 29th March, 1976. Thereafter, the Government of N.W.F.P. raised the issue of rates of royalty for the timber, to be supplied to Dir Forest Industries Complex, Chakdara. In a meeting held in the Planning Division on 16th February, 1978 it was decided that the extraction of timber from the Dir Forests would be entrusted to the Forest Department, Government of N.W.F.P. while the processing of timber into the finished product would be undertaken by the PIDC in its factory, that was being set up at Ramora. Timber would be supplied to the Dir Forest Industries Complex by the Government of N.W.F.P. on the agreed rates.

670. The department also informed the Committee that the erection of machinery in the Plywood Section was completed and trial production commenced in February, 1982. The installation of machinery in the Chipboard Section completed and trial production started in August, 1982. All the three plants of the Complex had been commissioned and would attain their planned capacity in due course of time.

671. Questioned as to what was the shortfall last year, the departmental representative replied that it was about Rupees two crores, which would now increase to four crores. Replying to another question about the total cost of the project, the Committee was informed that it had gone up to 30 crores of rupees, and it was in operation for the last two years.

672. After discussing the delay in the installation of machinery and its functioning, and changes of site, etc., the *the Committee directed the departmental representative that the final decision of the Government about the adjustment of losses should be conveyed to the PAC. A financial restucturing of the Project was called for, so that, at least, it break-even.*

Harnai Woollen Mills Limited

673. *Non-recovery of Rs.* 13,880 *due to short receipt of wool* (*Para* 66, *page* 48—*ARCA*)—The Committee did not make any observation on this paragraph.

674. *Working results* (*Para* 452, *page* 160—*ARCA*)—Audit had pointed out that, during the year under review, the Mills produced 283,881 meters of Woollen and 203,083 meters of worsted fabric and, an average, operated at 71 per cent of the installed capacity. The sales during the year decreased by 26 per cent *i.e.*, Rs. 16.512 million, as against Rs. 22.348 million in the previous year. The cost of sales decreased by 21 per cent during the year, as compared to the previous year. Consequently, the Mills sustained a net loss of Rs. 7.997 million in 1980-81, as compared to Rs. 4.834 million in 1979-80, raising the accumulated losses to Rs. 21.107 million on the 30th June, 1981. Increase in the Sale and Distribution Expenses and Financial Charges had been one of the major causes of heavy losses during the year under review.

675. The department explained that they had tried to synchronise their production with the expected sales. The Industry being fashion based, it was very difficult to determine the exact market requirement of its products. The Mills also produced goods against confirmed Government orders. In the year under review, the Mills had received reduced orders from the Government. Hence the sales to Government agencies were less in 1980-81, as compared to the previous years.

676. The cost of sales also decreased because of low sales during the year. In view of the unfavourable market conditions, caused by the import of second hand fabrics, import of woollens, worsted and blankets, increased cost of manufacture due to inflation, heavy interest and Bank charges, selling and distribution expenses ; and increase in salaries|wages as per the peace Agreement, the company sustained a net loss of Rs. 7.997 million as against of Rs. 4.834 million in the previous year.

677. Audit remarked that the working results of the Mills had further deteriorated, as it sustained a net loss of Rs. 13.415 million during 1981-82 as compared to the loss of Rs. 7.997 million in 1980-81.

678. *The Committee observed that marketing of their products seemed to be the major problem of this project at present and all attention must be diverted to this end.*

679. *Finished goods stock* (*Para* 453, *page* 160—*ARCA*)—Audit had pointed out that there was an opening balance of finished goods stock, valuing Rs. 11.449 million on 1st July, 1980. Goods worth Rs. 25.469 million were manufactured during the year, making a total of Rs. 36.918 million of goods, available for sale. However, goods worth only Rs. 16.512 million could be sold during the year. The closing inventory of the finished goods was treated to be roughly equal to nine month's production. Since the closing stock inventory included old stocks, which may have become obsolete, an aggressive sales policy was a must to clear the heavily accumulated stocks.

680. The department explained that every effort had been made to reduce the old stocks. Sales Centres had been opened at Karachi, Lahore, Rawalpindi Peshawar and Quetta, hoping that the old stocks would be sold out from these Centres. Besides, the department had sales worth Rs. 5 lacs were made at different Projects of the PIDC.

681. Audit commented that the stocks of finished goods increased to Rs. 27.144 million during the year 1981-82 from Rs. 20.453 million in 1980-81. Audit also urged upon the department to furnish to them the year-wise break-up of the finished goods, so as to adjudge their marketability.

682. *The Committee finally arrived at the following conclusions—*

(i) *Inventories amounted to Rs.* 2.8 *crore, sales to Rs.* 2 *crore in* 1982-83 *and losses during* 1980-81 *totalled Rs.* 2.11 *crore. Up-to-date losses totalled* Rs. 4.9 *crore.*

(ii) *If the Government wanted to run this project for social reasons, they should at least subsidise it to the extent of the losses.*

(iii) *The financial situation of the Mills seemed to be getting out of hand. The Ministry must look into it immediately and take steps for its financial restructuring as well as for the other needed remedies.*

Hazara Forestry Pre-Investment Project

683. *Audit comments* (*Paras* 458—460, *page* 161—*ARCA*)—Audit had pointed out that the Scheme for the Hazara Forestry Pre-Investment Project estimated to cost Rs. 8.275 million including a foreign exchange component of Rs. 6.875 million was prepared and submitted by the PIDC to the Government in March, 1978 for approval. The project was to be mainly financed by the World Bank, as the entire foreign exchange component as well as part of its local

698. The department explained that, due to non-availability of sugar-cane during 1979-80 locally, the Mills operated only during the peak period, when the sugar-cane recovery was at its highest. The Mills operated hardly 40 to 54 per cent its rated capacity. During the year 1980-81 the Mills crushed double the quantity and operated even during the months when the sugar-cane recovery was low.

699. *The Committee observed that the Mills should exert themselves particularly when the sugar had now been decontrolled. They should also show results comparable to other Sugar Mills in Sind.*

700. *Working results* (*Para* 466, *page* 164,—*ARCA*)—Audit had pointed out that the Project earned a net profit of Rs. 9.606 million in 1980-81, as compared to a net loss of Rs. 11.956 millions in 1979-80. The accumulated losses on 30th June, 1981 amounted to Rs. 39.174 million, which was about 49 per cent of the Funds (including aid) invested in the Project. The net profit for the year 1980-81 was, however, overstated to the extent of difference in the selling price and cost of production of the closing stock, as the closing stock had been valued at the selling price. As the project was being run entirely on borrowed funds, the desirability of converting the project into a limited company, to minimise the borrowing and incidence of interest thereon, needed a serious consideration.

701. The Ministry stated that the closing stocks of sugar were valued at the selling price, because the entire sugar had been sold to the Food Department at a fixed selling price. The Food Department had paid 70 per cent of the price at which sugar had been acquired by them. The Ministry, however, endorsed the idea of Audit to convert, the Project into a limited company.

702. *The Committee finally made the following observations—*

(i) *The Ministry should submit a detailed note, including therein relevant details about the Larkana Sugar Mills to PAC.*

(ii) *The Mills should take initiative in contacting the growers of sugar-cane.*

Quaidabad Woollen Mills Limited

703. *Excess payment of interest amounting to Rs.* 23,679 (*Para* 65, *page* 47—*ARCA*)—*The Committee observed that the Corporation should make a real effort to take back the money from the Bank. If they could not recover, it should be written off.*

704. *Working results* (*Paras* 469—472, *page* 165—*ARCA*)—The Committee was informed by the Ministry in their written reply that the Company produced 124,781 Sq. Meters of carpets during the year under review as against

113,979 Sq. Meters in the previous year 1979-80. Similarly, sales increased from Rs. 26.106 million in 1979-80 to Rs. 27.822 million during 1980-81. The company's performance with regard to production and sales remained excellent during the year 1980-81. As far the sale price, the same remained constant and could not be changed, in view of market trends and prices of other competitors in the Carpet industry. Any increase would have affected adversely on their sales volume.

705. The department also stated that production increased by 9.4 per cent over the previous year. As the corresponding increase of 9.4 per cent could not be achieved on sales side, which remained 6.58 per cent higher over the previous year, it resulted in the increase of stocks. During the year 1981-82, 137,181 Sq. Meters of carpet were sold against the production of 134,503 Sq. Meters. As such the excessive stocks of 1980-81 were disposed of during the next year.

706. The Committee did not make any observation on these paragraphs.

Shahdadkot Textile Mills Limited

707. *Audit comments* (*Paras* 473—478, *page* 166—*ARCA*)—In the view of Vice-Chairman the major point was that the Mills had kept the money outside the fixed deposit. *The Committee directed that the project seemed to be carrying a lot of cash but without earning adequate interest thereon. This should be looked into.*

COMPLIANCE REPORTS ON POINTS RAISED IN THE PAC'S REPORT ON THE FEDERAL ACCOUNTS FOR 1978-79

PIDC Head Office

708. *Loss of Rs.* 22,511 *on account of Penalty and Warfage Charges on importing banned Goods* (*Para* 7, *page* 14—*CA*) (*Para* 155, *page* 82—*PAC Report* 1978-79)—There was no material point for consideration on this paragraph. The Committee was, however, informed by the Department that the normal rules for imports were being observed.

Harnai Woollen Mills

709. *Un-authorised donations, contributions, samples and Presentations worth Rs.* 17,230 (*Para* 9, *page* 16—*CA*) (*Para* 156, *page* 82—*PAC Report* 1978-79)—No comments were made by the Committee on this paragraph which had already been dropped.

Talpur Textile Mills

710. *Amount recoverable from the* Ex-*Managing Agent* (*Para* 201, *page* 54, *PAC* 1970-71) (*Para* 164, *page* 84—*PAC Report* 1978-79)—The Committee had previously directed that the Ministry or the Unit concerned should consider the advisability of effecting a compromise in this as well as other similar cases, which were pending in the Courts for a long time.

711. It was explained that as attempt was made to sort out the issue with M|s. Fateh Textile Mills Limited, which could not materialize. The only practical solution was to prevail upon the Income Tax authorities to dispose of the Mills at the reserved price of Rs. 3 crore, on which a decision had yet to be arrived at by the Ministry.

712. A member of the Committee remarked that nothing could be done about the amount recoverable from the managing agent. Thereupon, the Committee observed that the comments of the Committee were in respect of a very small amount, and the proposal was to settle the case out of Court. The Ministry had also agreed to this position. The paragraph was treated as dropped.

PIDC Head Office

713. *Sundry Debtors* (*Para* 126, *page* 36—*PAC* Report 1971-72) (*Para* 174, *page* 87—*PAC Report* 1978-79)—The Committee had, previously directed that, where recovery was not possible despite the best possible efforts, the question of writing off the money, with the approval of the competent authority, should be considered. The departmental representative informed the Committee that Rs. 379,000 was still recoverable from the sundry debtors.

714. After some discussion, *the Committee directed the departmental representative to look into the matter and furnish a fuller report to Audit, who would bring it up before the PAC, if necessary.*

715. *Talpur Textile Mills* (*Paras* 130—132, *pages* 36-37—*PAC Report* 1971-72) (*Paras* 175-176, *page* 87—*PAC Report* 1978-79)—*The Committee directed the departmental representative to look into this matter personally and report back to the PAC through the Audit.*

716. *PIDC Dhariala Potash Fertilizer Project* (*Paras* 134—136, *page* 37—*PAC Report* 1971-72) (*Para* 177, *page* 87, *PAC Report* 1978-79)—The Committee having been informed that the amount had since been written off it made no observation on the paragraphs which were treated as settled subject to verification by Audit.

717. *PIDC Forest Operation Project, Hyderabad* (*Paras* 137-138, *page* 37—*PAC Report* 1971-72) (*Para* 178, *page* 88—*PAC Report* 1978-79)—The departmental representative intimated the Committee that the amount had since been written of. *The Committee desired, that this should be reported to Audit who may bring it up before the Committee, if necessary.*

COMMERCIAL ACCOUNTS

Federal Chemical and Ceramic Corporation Limited (Paras 369—377, pages 140-141—ARCA)—

718. According to Audit, the Federal Chemical and Ceramics Corporation Limited, was incorporated as a Private Limited Company in 1973, for managing and developing Chemicals Ceramics and basic pharmaceuticals industry in Pakistan. The Corporation sustained a net loss of Rs. 19.312 million during the year 1979-80, as against a net loss of Rs. 12.490 million in the previous year. The major portion of the loss was sustained by Ittehad Pesticides and Synthetic Chemicals Company Limited. Audit further reported that the Corporation earned a net profit of Rs. 0.565 million during 1980-81, as against a net loss of Rs. 19.312 million, sustained during the previous year.

719. On being informed by the departmental representative that the Corporation consisted of subsidiaries of Ittehad Chemicals and Ittehad Pesticides, the Committee observed that the accounts of only four of the Projects|Divisions, being operated by the Corporation, were included in these of the Corporations whereas the accounts of eleven subsidiaries were published separately. *It finally directed that the accounting procedures of the Corporation should be streamlined so that the balance sheet of the Corporation gives a full picture of the losses and appreciation in the value of shares. Where the Corporation may be having only a minority share-holding, the proportionate value of losses and profit should be reflected in their balance sheet.*

General

720. *Avoidable reproduction of observation of PAC or Audit*—While examining the Federal Accounts for 1980-81, the Public Accounts Committee noted that, sometimes the Ministries|Divisions tend to reproduce in their replies lengthy extracts from the observations of the Committee or Audit, even though such reproductions were not at all called for or necessary either to explain the replies or indicate the action taken in respect of such observations. This involved a considerable waste of time and energy.

721. *The Committee, therefore, desired that this avoidable work be brought to the notice of Ministries|Divisions, with the request that reproductions from the observations of Public Accounts Committee or Audit should be made discreetly. Generally, only such observations need to be reproduced, which call for*

specific replies or actions, to enable the Committee to examine the replies in the context of those observations. Where the Ministry or Division may have to make no reply in respect of any observation or have only to say that it had been noted for compliance, a mere reference to such observation should be deemed to meet the requirement.

Antibiotics (Private) Limited, Iskandarabad (Paras 378—382, page 142—ARCA)—

722. There was no material point for consideration on these paragraphs. The Committee was, however informed by departmental representative that the Company had made a progress, since the PAC last received its working. Its performance had improved and the losses had decreased during the year under review, as compared to the preceding one.

Nowshera D.D.T. Factory (Paras 383—387, pages 143-144—ARCA)—

723. As reported by Audit, the Factory produced 1.680 tons of 75 per cent DDT during the year under review, as against the Plant Capacity of 800 tons per annum. Audit further stated that the Factory had started the production of Aluminium Sulphate since October, 1981 and had produced 1,785 M. Tons thereof, upto 30th June, 1982. Consequently, the net loss was reduced to Rs. 1.636 million during the year 1981-82 as against the net loss of Rs. 2.121 million in 1980-81.

724. The department said that they fully appreciated the concern of Audit and, to a considerable extent, motivation for diversifying the product was provided to the department by Audit. Accordingly, the Factory had been able to manufacture and market Aluminium Sulphate, with the result that the losses were reduced to the extent of Rs. 900,000 during 1981-82.

725. Thereupon, the Committee did not make any further observation on this project.

Ittehad Chemicals, Kala Shah Kaku (Paras 388—393, page 145—ARCA)—

726. There was no point for discussion by the Committee in respect of these paragraphs. However, the Committee was informed by the departmental representative that the overall position of the project was favourable and its production had evinced an improvement during the year under review, as compared to the preceding year. It was one of the few good units of FC and CCL.

Ittehad pesticides (Paras 394—397, page 146—ARCA)—

727. The explanation of the department was accepted by the Committee and no observation was made on these paragraphs.

National Fibres Limited (Paras 398—404, pages 147-148—ARCA)—

728. According to Audit, the National Fibres Limited, a Project of the F.C. and C.C. Limited, was established in 1976 as a Private Limited Company. It was converted into a Public Limited Company in 1980, with an authorized Capital of Rs. 250 million and an issued Capital of Rs. 72 million as on the 30th June, 1981. The prime object of the Project was to manufacture polyester staple fibre and filament yarn of uniform quality and standard, for the local textile industry. The Project, with the annual capacity of 12,000 tons staple fibres and 3,000 tons filament yarn, was expected to be operated at 90 per cent Capacity utilization from 1983-84 onwards.

729. The Committee did not make any observation on this project.

Pak Dyes and Chemicals Limited (Paras 405—407, page 149—ARCA)—

730. No observation was made by the Committee on these paragraphs.

Pakistan PVC Limited (Paras 408—415, pages 150-151—ARCA)—

731. Audit had reported that the Company earned a gross profit, amounting to Rs. 30.234 million, during the year, 1981-82 as against Rs. 13.122 million in the preceding year.

732. The Company, however, sustained a substantial loss on the production of compounds and plastic sheets. It was further pointed out that other receiveables, aggregating Rs. 11.909 million, included Rs. 7.531 million and Rs. 1.220 million, representing sales tax claims and advances to suppliers, respectively. The sale tax assessments had not been completed for the past several years and, in the absence of adequate details, the correctness of the amount could not be ascertained by Audit, whereas certain suppliers, who were advanced funds, had disputed the balances shown in the accounts as being due from them and no provisions had been made in the accounts for such disputed amounts. Vigorous efforts, therefore, needed to be made (i) to recover the outstanding dues ; (ii) to have the sales tax assessment finalised ; and (iii) to make provision in the accounts for the disputed amounts with the suppliers.

733. In reply to a query by a member of the Committee regarding the settlement of sales tax claim, amounting to Rs. 7.531 million, the departmental representative promised to explain the position to the PAC in its next meeting.

Ravi Engineering Limited (Paras 416-417, page 152—ARCA)—

734. As reported by Audit, the Company produced drums as its main product and had a capability of fabricating steel structures and tanks. The production was kept in harmony with the demand, which resulted in an under-utilization of the drum production plant, and it operated at 25 per cent of its capacity during 1980-81 as against 52 per cent and 50 per cent during 1979-80 and 1978-79 respectively.

755. The departmental representative stated that the Ravi Engineering Limited produced drums according to the requirements of M|s. Ittehad Chemicals, who sold Caustic Soda in a solid form in these drums. It was further explained that, the year under review being a sellers market for Caustic Soda, M|s. Ittehad Chemicals were able to sell their product in a liquid form, resulting in a lesser demand for drums.

736. The Audit representative also observed that the Company did not utilize its full capacity as it produced only 34,935 drums during the year 1981-82, as against the capacity of 108,000 drums. Efforts should, therefore, be made to utilize the full capacity of the plant, by obtaining more order for drums|fabrication of steel structure and tanks from sister Units|open market.

737. The departmental representative informed the Committee that the Company was doing well with 60 per cent utilization of the plant and other agencies were also being contacted for more orders. The Committee did not make any observation in the matter.

Ravi Rayon Limited, Kala Shah Kaku (Paras 418—421, page 153—ARCA)—

738. No comments were made by the Committee on this project.

Swat China Clay Project (Paras 422—431, pages 154-155—ARCA)—

739. The Committee accepted the departmental explanation and no observation was made by it on these paragraphs.

NATIONAL FERTILIZER CORPORATION OF PAKISTAN LIMITED

Hazara Urea Fertilizer Plant Limited (Paras 432—435, page 156—ARCA)—

740. It was reported, by Audit, that according to the original PC-1 (unapproved), the work of Hazara Fertilizer Complex was to be started from the 1st May, 1975 and completed within 36 months or by May, 1978. Its Capital cost was estimated to be Rs. 1,050.596 million and the Complex was to be established in two phases. The PC-1 of the project was revised in May, 1976, at a revised cost of Rs. 983.98 million. Work on Phase 1 could however, be taken up only from the 17th December, 1978. The PC-1 was again revised in May, 1979 and approved by the ECNEC in February, 1980, with a capital cost of Rs. 642.57 million for phase 1, whose revised cost was estimated at Rs. 757.206 million, and completion date as March, 1982. As a result of abnormal delay, the cost of the project had gone up substantially. An early completion of the project and commencement of production was stressed upon.

741. The Ministry explained that the plant was completed by the end of 1981 and had gone into commercial production on the 27th March, 1982. The plant had achieved normal capacity utilization and was expected to attain the objectives of the scheme, namely, foreign exchange saving and boosting agricultural production.

742. Questioned as to what was its final cost, the departmental representative replied that it was Rs. 642 million and the share capital of the Company was Rs. 150 million. The departmental representative further informed the Committee that the annual production of the plant was 96,000 Tons. The Committee did not make further observation on this Project.

Pak-American Fertilizers Limited (Paras 436—443, page 157—ARCA)—

743. Audit had reported that the Company produced 96,642 M. Tons of Ammonium Sulphate during the year under review and earned a net profit of Rs. 32.960 million before tax, as compared to 98.868 M. Tons production and Rs 116.042 million net profit before tax in the previous year. The figures of profit were, however, misleading, as they included the subsidy received from Government, which was accounted for on the receipt side rather than on an accrual basis. It was made out by Audit that there should have been due accounting of subsidy on an accrual basis, so as to present the correct picture of operating profits for the year.

744. Audit further stated that the amount of Rs. 10.447 million, appearing under Current Assets and as due from the subsidiaries of NFC and State-owned enterprises, included a sum of Rs. 8.244 million, which was being disputed by the concerned parties for the last 5 years. An early settlement of the dispute was needed to realise these old outstanding dues.

745. The department explained that considerable time was taken by the Government in agreeing upon a pricing formula for the settlement of subsidy accounts. Pending the finalisation of this formula, the subsidies were released on an *ad hoc* basis and there was no other way to account for it except on the receipt basis. The maximum of subsidy arrears had been paid to the Company and price notifications had also been issued. The accounting principle of accruing income in the accounts was being introduced from the fiscal year 1982-83.

746. The department further stated that, out of a total of Rs. 10.447 million, Rs. 2.646 million had been recovered, leaving a balance of Rs. 7.801 million, which included Rs. 7.662 million as recoverable from M|s. Anti-biotics (P) Limited and Pak-dyes and Chemicals Limited on account of Housing Colony deficit and electricity bills, etc. Recovery efforts were being made at all the levels.

747. The departmental representative informed the Committee that the condition of the Company was not good and the department was planning to improve the same in four phases.

748. No further observation was made by the Committee on the project.

STATE CEMENT CORPORATION OF PAKISTAN LIMITED

Dandot Cement Company Limited (Paras 492—495, page 172—ARCA)—

749. Audit had pointed out that, out of the total cash balance of Rs. 2.107 million, a sum of Rs. 2.100 million was lying in 30 days notice account with a Bank whereas an over-draft of Rs. 1.167 million had been obtained from the same bank. Since there was a considerable difference between the interest earned on STD account and that paid on an over-draft, the desirability of clearing the over-draft account had to be considered on an urgency.

750. It was explained by the department that the over-draft, appearing in the trial balance sheet, represented the Company's Book Balance and not the actual balance of the company's account in the Bank. It was so planned to prevent an unnecessary accumulation of funds in the current account and earn interest on 30 days notice account for a maximum possible time. The departmental representative confirmed that no interest had, so far, been paid on the over-draft since the beginning of the project.

751. *The Committee directed the departmental representative that the surplus funds, kept in 30 days notice account, should be considered for utilization in clearing the over-draft.*

Gharibwal Cement Limited (Paras 497—501, page 174—ARCA)—

752. According to Audit, the Factory produced 553,000 M. Tons of cement (rated capacity 540,000 M. Tons) and earned a net pre-tax profit of Rs. 16.488 million, as against 528,560 M. Tons production and net profit of Rs. 15.046 million in the previous year. Sales amounted to Rs. 187.94 million, as against Rs. 174.025 million in the previous year. The increase in profit was due to increase in production, saving in the cost of fuel consumed and increase in the selling price of cement.

753. Audit further reported that the stock of cement on 30th June, 1981 was valued at the selling price of Rs. 6.456 million, exclusive of excise duty, development surcharge and packing cost, which was higher than the cost of production amounting to Rs. 5.693 million. This valuation policy was not in consonance with the international accounting standards, which required that valuation should be made at cost or sale price, whichever was the lower. As a result, the profit of the organisation was overstated to the extent of Rs. 0.763 million.

754. The departmental representative informed the Committee that the Factory had started functioning and cement was expected to be available shortly from it.

755. The Committee did not make any further observation on these paragraphs.

Kohat Cement Company Limited (Paras 502—505, page 175—ARCA)—

756. According to Audit, the Scheme for the establishment, of Kohat Cement Project at Babri Banda, Kohat with an annual production capacity of 0.3 million tons was approved by ECNEC in May, 1975 at a cost of Rs. 324 million and a token allocation was made for it in the A.D.P. for 1974-75. The PC-1 was revised in December, 1979 raising the capital cost to Rs. 549.874 million, it was again revised in April, 1981 at a capital cost of Rs. 627.850 million. An amount of Rs. 397.684 million had been spent upto 30th June, 1981. Efforts were needed to complete the project within scheduled period and capital cost.

757. After some discussion, the Committee accepted the reply of the department and the paragraph was treated as settled.

Maple Leaf Cement Factory Ltd. (Paras 506—509, page 176—ARCA)—

758. After having gone through the Audit report and the explanation of the department, the Committee did not make any observation on these paragraphs.

Thatta Cement Company Limited (Para 513, page 178—ARCA)—

759. Audit had pointed out that the total cost of completion of the project should be intimated to Audit also stating as to whether any liquidated damages were recovered from the civil contractor due to delay in the completion of civil works.

760. The Committee did not make any observation except that the company had since started production.

White Cement Industry Limited (Paras 514—516, page 179—ARCA)—

761. According to Audit, the Factory produced 16,403 metric tons of cement during the year under review as against 17,434 metric tons in the previous year. Total sales amounted to Rs. 13.504 million as against Rs. 14.460 million in the previous year. The Factory earned an operating profit of Rs. 1.774 million in 1980-81, as against Rs. 3.501 million in the year 1979-80. The decrease in profit was due to 12 per cent increase in the cost of production and a decrease of 5.91 per cent in production. Efforts should be made to increase production and accelerate sales.

762. Audit further pointed out that the funds of the Factory *i.e.* Rs. 4.500 million, surplus to their immediate requirements, were found to have been deposited in short-term deposits for 3 months|6 months at lower rates of interest. These deposits, which were renewed again and again for 3 to 6 months period, could have been invested for longer periods at higher rates of interest.

763. In reply, it was explained by the department that every effort was being made to increase production. During the year 1981-82, production stood at 16,852 tons against the previous years production of 16,423 tons. Similarly, sales for 1981-82 increased to 16,582.10 tons against 16,408.55 tons in 1980-81.

764. The department further explained that the surplus funds of the Company were invested for 3|6 months in view of the financial requirements of the Company, including an emergent utilization of local currency on the expansion Project.

765. Audit maintained that the surplus funds could have been invested for longer periods at higher rates of interest.

766. The Committee agreed with the above observation of Audit but did not make any further observation on the project.

Zeal Pak Cement Factory Limited (Paras 517—519, page 180—ARCA)—

767. The discussion on this project was postponed to the next day.

STATE ENGINEERING CORPORATION LIMITED

Heavy Foundry and Forge Limited (Paras 520—522, page 181—ARCA)—

768. Audit reported that the Factory sustained a net loss of Rs. 6.459 million during 1979-80 as compared to Rs. 6.741 million during the previous year. This was ascribed to low capacity utilization, because the actual production during 1979-80 and 1978-79 stood at only 9,533 tons and 8,038 tons respectively, against the production capacity of 46,080 tons, the main reason for such low capacity utilization was lack of large repetitive orders. The Factory earned a gross profit of Rs. 4.452 million, as against Rs. 4.316 million in the preceding year, but there was an operating loss of Rs. 6.830 million during the year, as against Rs. 7.054 million in the previous year. These results were arrived at after charging depreciation on the basis of capacity utilized (26 per cent) during the year and its incidence was Rs. 10.78 million as against the annual depreciation of Rs. 41.47 million. Efforts needed to be made to popularise the factory's products in the market, with a view to utilize the maximum capacity. The desirability of imposing restrictions and extending incentive to prospective buyers needed consideration. Export market should also be explored to improve the working results.

769. It was explained by the department that the Company's sales turnover had increased to Rs. 78.665 million in 1979-80 as compared with those of Rs. 60.014 million in 1978-79, involving an increase of 31.1 per cent. Besides, a separate commercial department had been set up to explore the market and promote the sale of H.F.F. products in the country as its main functions.

770. The Audit representative further informed the Committee that the Factory sustained an operational loss of Rs. 9.901 million during the year 1981-82, as against Rs. 7.802 million in the previous year.

771. After hearing the departmental explanation and seeing the Audit comments, *the Committee decided that the Ministry should consider taking steps to get the imports restricted, incentives extended to the prospective buyers and export markets explored with a view to improve the working results. The action taken on this directive should be reported to the Committee.*

Heavy Mechanical Complex Limited, Taxila (Paras 523—527, page 182—ARCA)—

772. Audit reported that, against a production capacity of 16,750 tons, the Complex produced only 4817 tons of goods during the year 1980-81, thereby utilizing only 29 per cent of the capacity. This low capacity utilization was mainly attributable to low demand as well as the inability of the complex to honour even the available confirmed orders. The complex earned a net profit of Rs. 2.656 million during the year under review, as against Rs. 1.512 million in the previous year. Despite 15 per cent decrease in sales and 34 per cent increase in the operating expenses, the working results showed an improvement over the previous year, which was partly due to decrease in the cost of sales and partly to an increase in other income.

773. Audit also maintained that, during the year 1981-82, the Complex produced 5,608 tons of goods. Which was 56 per cent of the rated capacity. The capacity utilization needed to be further improved.

774. It was conceded by the department that, during 1980-81, production of the Factory suffered an extremely low capacity utilization, namely production of 4,817 tons, excluding the facilities for Bed-ford Truck Chases. This happened because of paucity of orders and against the HMC's capacity of 14,500 tons (as against 16,750 tons quoted in the Audit Report), registering a capacity utilization of only 33.2 per cent.

775. Audit further stated that the balance of Rs. 44.347 million which was outstanding from 1974 against Sundry Debtors needed to be recovered at the earliest. The amount against the Sundry Debtors stood at Rs. 202.472 million on the 30th June, 1982.

776. Questioned as to why doubtful debts were being kept outstanding since 1974, the departmental representative replied that it so happened, as the PIDC was short of funds.

777. The Committee did not make any further observation on the project.

Karachi Pipe Mills Limited (Paras 528—531, page 183—ARCA)—

778. According to Audit, the Karachi Pipe Mills Limited is a public quoted Company and its principal activity is to manufacture steel pipes, black galvanised scaffolding and Poles. The working results of the Company for the year 1980-81, as compared with those of 1979-80, are given below—

	Unit	1980-81	1979-80
(i) Rated Capacity	M/Ton	12,000	12,000
(ii) Actual Production	"	8,526	8,942
(iii) Quantity sold	"	8,363	9,112
(iv) Sales	(Rs. in million)	114.686	107.744
(v) Cost of sales	"	83.209	81.825
(vi) Gross Profit	"	31.477	25.919
(vii) Operating Profit	"	16.507	9.535
(viii) Percentage of Gross Profit to Sales ..	%	27.44	24.05

779. Audit further pointed out that the rated capacity of the Mills was 19,250 M|tons and the attainable operational capacity was 12,000 M|tons, while actual production remained at 8,526 M|tons during the year 1980-81 as against 8,942 M|tons during the year 1979-80. The desirability of utilizing maximum capacity to achieve better working results was emphasised.

780. The departmental representative informed the Committee that the plant was very old and the department had proposed to chalk out a programme for its replacement.

781. After having gone through the explanation of the department, the Committee did not make any further observation on the Project.

Pakistan Engineering Company (PECO) Limited (Paras 532—538, pages 1984—185—ARCA)—

782. No observation was made by the Committee on these paragraphs.

Pioneer Steel Mills Limited (Paras 539—545, pages 186-187—ARCA)—

783. The Committee did not make any observation on these paragraphs.

784. Deferring the examination of the remaining portion of Commercial Accounts and the Performance Evaluation Reports to the following day, the Committee then adjourned to meet on Thursday, the 1st September, 1983, at 9.00 A.M.

M. A. HAQ,
Secretary.

Islamabad, the 9th May, 1984.

FEDERAL COUNCIL SECRETARIAT

Thursday, the 1st September, 1983

Sixth Sitting (PAC)

785. The Public Accounts Committee resumed the examination of Federal Accounts for 1980-81 in the State Bank Building, Islamabad, on the 1st September, 1983 at 9:00 a.m. The following were present—

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Akhtar Sharif Kanwar, Director Public Relations

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

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

(3) Mr. M. A. Lodhi, Accountant-General, Pakistan Revenues

(4) Mr. Zaheeruddin Jeddy, Director-General, (PEC)

(5) Mrs. S. N. Shaikh, Director-General, Commercial Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

(2) Mr. Salim Bahadur Khan, F. A. (Production)

786. The Committee continued with the examination of the remaining portion of the Commercial Accounts for 1980-81, pertaining to the Ministry of Production and, thereafter, took up the Performance Evaluation Reports, 1982 Vols. I, II and III, prepared by the Auditor-General, relating to that Ministry. The following departmental representatives were present—

(1) Mr. Hasan Zaheer, Secretary

(2) Mr. Abdul Ghafoor, Joint Secretary

(3) Mr. M. Aslam Fazili, G. M. LC&F Limited, Jaranwala

(4) Mr. Muhammad Aslam, M. D. Lyallpur Fertilizer

(5) Mr. H. U. Qureshi, M. D. Zeal Pak Cement, Limited

(6) Mr. R. R. Ansari, M. D. National Cement, Limited

(7) Mr. Abdus Salam Khan, M. D. Swat Ceramics, Limited

(8) Mr. Aslam Iqbal, Chairman, SCCP

(9) Mr. Saeed Akhtar Syed, G. M. Sind Alkalis, Limited

MINISTRY OF PRODUCTION

Pakistan Steel and Pakistan Steel Fabricating Company, Limited

787. [*Para* 3 (*XLV*) *and* (*XLVI*), *page* 8—*ARCA*]—Audit had reported that the Accounts for 1980-81 were not made available to Audit for examination. The Department explained that the audit of Accounts of the Corporation for the year 1980-81 had not been finalised by the time of compilation of the Report. However, these Accounts were audited by the External Auditors and approved by the Board in August, 1982. Audit informed the Committee that 1980-81 Accounts had been printed in 1981-82 compilation of Commercial Accounts. Accounts for 1981-82 had not yet been compiled by the Corporation.

788. *The Committee directed the departmental representative to get the Accounts for* 1981-82 *of the Corporation compiled at the earliest possible.*

789. *Pakistan Steels* (*Para* 479, *page* 167—*ARCA*)—Audit had reported that the Pakistan Steel Mills Corporation had concluded an agreement with V|O Tiajproxme-Port of the USSR for the preparation of a feasibility report about the establishment of a Steel Plant with a capacity of about one million ton iron|steel products at Karachi. The Government of Pakistan and USSR also concluded an agreement on the 22nd January, 1971 in which the latter agreed to provide a credit of 180 million Roubles (Rs. 2.388 million), which was later raised to 376 million Roubles, in July, 1978.

790. The Committee did not make any observation on this paragraph which was submitted to it for information only.

791. (*Para* 480, *page* 168—*ARCA*)—Audit had reported that the Pakistan Steel Mills acquired a Marine-*cum*-Storage-*cum*-Erection-Third Party All Risk Policy in June, 1976 from the National Insurance Corporation, Karachi, for the assured sum of Rs. 17,265.810 million, *plus* a third party liability for Rs. five millions, on any one event. The total premium, payable under the policy, was Rs. 79.393 million which was required to be paid in ten equal half yearly instalments, beginning from November, 1974 @ Rs. 7.939 million per half year. The risk under the policy was covered for the period from November, 1974 to February, 1982 which included 3 months of hot test.

792. It was contended by Audit that the insurance cover should have been arranged for the assets actually held by the Corporation on a year to year basis and not on the basis of a package policy for eight years. Audit further made out that the percentage of the sum insured was higher than the total value of the assets

of the Corporation falling under the heads "Fixed Assets", "Work-in-progress", "Machinery Equipment and Material in Stores" and "Goods in transit", at the close of each year during the period from 1974-75 to 1979-80.

793. The Ministry explained that, unlike other Insurance Policies, an Erection All Risk Policy is obtained to cover the total amount of the risk involved upto the date of the erection period. Accordingly, an Erection All Risk Policy was obtained at rock bottom rates, after protracted negotiations with the NIC for the total sum insured, based on the estimated cost and valid upto the expected time of the completion. The department further stated that comparison of the year-wise build-up of the fixed assets with that of the sum insured was not relevant in respect of the Erection All Risk policy, which was required to be taken for the total sum insured, irrespective of the expected size of the build-up of assets in a particular year. As regards the observation of Audit that the Policy was obtained for an amount in excess of the value of the fixed assets, likely to be built-up upto February, 1982, the department explained that the total cost of the assets, subject to the insurance in February, 1982, stood at Rs. 16,565.367 million as against the sum actually insured for Rs. 11,316.810 million. As such, there was no excess insurance, as contended by Audit.

794. Questioned as to when was the company incorporated, the departmental representative informed the Committee that it was incorporated in October, 1983, with a Capital of 50 crores.

795. The Committee appreciated the Audits point of view that, if the Corporation had assured smaller figures, the premium would not have been so large. The Audit representative enquired if there was any duplication of figures. The departmental representative confirmed that there was none.

796. After some discussion, the Committee decided to drop the paragraph subject to verification of departmental explanation by Audit.

797. (*Para* 481, *page* 169—*ARCA*)—Audit had reported that, although all the assets of the Corporation were insured, a sum of Rs. 15.419 million as noticed from the few cases in the test audit, was reimbursed by the management to the contractors as they had incurred this expenditure on arranging (a) the insurance of works executed by them, including the third party insurance; (b) the insurance against accident to workmen; (c) the performance bond. Under the terms of the Agreements, executed with these contractors, the responsibility for the payment of such insurance charges rested with them. As such, their re-imbursement was not regular. Since all the assets of the Corporation had been insured, it was not necessary to provide any clause in the contracts for civil works, awarded to various, contractors about arranging for the insurance.

798. It was explained by the Ministry that the All Risk Policy, obtained by the Corporation, did not cover the risk of contractors in respect of the following items—

(a) Machinery, Materials and other assets of the contractors and their sub-contractors.

(b) Risk of workmen, compensation of contractors and their sub-contractors labour.

(c) Third Party Risk of the contractors and their sub-contractors.

(d) Foundation works on which the structures were to be erected.

799. The department further stated that, as per the general terms of contract, every contractor was required to obtain the Contractor's All Risk Policy in the joint name of the Corporation. A clause to this effect was inserted in the general terms of the contract, stating that " the contract price shall be deemed to include the cost of and incidental to the premium of such insurance ". As such, the reimbursement of insurance claims, submitted by the contractors under the head " Administrative Expenses ", were fully covered by the general terms and conditions of the contract documents. It was hence not correct to assume that the reimbursement was in violation of the terms of the Agreements, signed with the contractors.

800. Thereupon, Audit mentioned that the General terms of the contract, which bound the contractors to obtain All Risk Policies in the Joint name of the Corporation, needed to be revised, as the Corporation was paying a premium for providing insurance cover to the assets of the contractors also.

801. After some discussion, the Committee decided to drop the paragraph.

802. (*Para* 482—485, *page* 169—*ARCA*)—The paragraph were deemed as settled|dropped subject to verification by Audit.

803. *Pakistan Steel Fabricating Company Limited* (*Paras* 486—491, *pages* 170-171—*ARCA*)—Audit had reported that, in April, 1975, the Pakistan Steel Mills entrusted the fabrication of approximately 25,000 tons steel structures to the Federal Light Engineering Corporation, Karachi. A loan of Rs. 12 million and Mobilization Advance of Rs. 4 million was paid for the purpose. The Federal Light Engineering Corporation set-up another Company, with the name of " Pakistan Steel Fabricating Company ", and got it registered under the Company's Act on 28th June, 1975. The main object of the Company was to execute the steel fabrication work for the Pakistan Steel. While the work was in its initial stages, Pakistan Steel took-over the Management of the Company from the F.L.E.C. *w.e.f.* 8th May, 1976, as they were not satisfied with the progress of

the work. Audit further stated that, although the Company was required to fabricate 25,000 tons of Steel structures for the Pakistan Steel Mills upto June 1978, the actual production upto 30th June, 1980 worked out to 4,247.186 tons only. Thus the target of steel fabrication could not be achieved even upto 30th June, 1980 and the Company failed to meet its defined objectives.

804. In their reply, the Ministry explained that the level of production was low, as machinery, required under the original plan to achieve the target of 25,000 tons, was not installed by the F.L.E.C. Subsequently also, facilities could not be developed by the company due to the non-release of Rs. 6.264 million by the F.L.E.C. to P.S.F.C; although funds had already been released to the F.L.E.C. by the Pakistan Steel during 1975.

805. The Ministry further stated that the low level of production of the company, outlined above, accounted for the loss sustained by the company.

806. *After discussion, the Committee concluded as below—*

Streamlining of Production.

(i) *The Ministry should go into the functions of Pakistan Steel Mills, HPF & HMC etc. carefully and ensure that there is no duplication of production functions as between them. Logically FLEC etc. should be confined produce only the requirements of the Pakistan Steel Mills. The equipment or material, surplus to the above function, may be considered for being disposed of. This may possibly be done in about 3 months.*

(ii) *A self-contained note should be furnished to the PAC about the action taken on the above.*

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES

VOLUME-I, II & III

Swat Ceramics Company Limited, Shaidu (Pages 1—62|Perf. Eval. Report Vol-I)

807. China clay was discovered Swat by the West Pakistan Industrial Development Corporation (WPIDC) in 1963. Elaborate tests and detailed analysis of the clay, carried out by the Japan Consulting Institute, reportedly proved that the deposits held good promise. A scheme, entitled "Development and Utilization of Swat China Clay", was submitted by the WPIDC to the Government in April, 1967. The project was actually completed at a cost of Rs. 102.05 million, as against an estimated cost of Rs. 88.75 million, including a foreign exchange component of Rs. 47.66 million. Originally it was planned that the plant would start production in June, 1976, but it actually started production in April, 1977.

808. *Financing of the project*—Funds to establish the project were partly advanced by the government and partly secured through loans, as detailed below—

	Rs. in million
From Government resources	
Investment	9.576
Loan (ADP)	17.284
Total ..	26.860
Long-term loans :	
KFW Loans including capitalised interest	49.533
Coutinho Garo	4.104
Bank borrowings	21.553
Total ..	75.190
GRAND TOTAL ..	102.050

809. *Formation of a company*—The Project was converted into a private limited company in May, 1975, with an authorised share-capital of Rs. 20 million (comprising 2 million shares of Rs. 10 each). The total issued and paid up capital of the company, as on 30th June, 1980, amounted to Rs. 13.68 million. The ownership of the company vested in M|s. FCCCL and M|s. Coutinho-Garo and Co. of West Germany, with following equity participation—

FCCCL	70%	Rs. 9.576 million.
M/s Coutinho Garo & Co of West Germany	30%	Rs. 4.104 million.
		Rs. 13.680 million.

810. *Production capacity*—The production capacity of the plant was as under—

Sanitary ware	2000	tons per annum.
Galazed Wall tiles	2400	tons per annum.

This was the only ceramics unit, operating in the public sector. The sanitary-ware produced by it were of non-porous type. A unit, producing similar products (International Ceramic, Lahore), had recently come up in the private sector. Two other major units already operating in the private sector, produced in finished form earthen Sanitaryware items which were originally manufactured by other numerous small units. The company's share in the country's present capacity to produce sanitaryware of both the types was estimated at 18 per cent.

811. Glazed wall tiles were being produced by only one other unit, operating in the private sector. The company's share in the country's capacity in respect of such tiles was estimated at 19 per cent.

812. *Employees*—The unit had 436 employees on its roll as on the 30th June, 1980. The number of employees rose to 508 on the 1st March, 1981.

813. *Overall assessment*—The Project had become operational in April, 1977 and accumulated a loss of Rs. 12.51 million by the 30th June, 1980. The year 1980-81 closed with a marginal profit of Rs. 115,000 (un-audited figures), but the sales tax liability of over Rs. 4 million for July 1980 to April, 1981 had not been recognised in the accounts. Its recognition would imply a complete erosion of the company's as equity, as on the 30th June, 1981.

814. The company had a debt-burden of about Rs. 74 million on the 30th June, 1980. This involved annual interest charges of over Rs. 8 million.

815. The feasibility of the project had been based on the assumption that the sister unit, namely M/s. Swat Elutriation Plant, would supply the main raw material *i.e.* China clay, and that only a few chemicals and glazed materials would have to be imported. This assumption did not, however, turn out to be valid. Local China clay was later reportedly found lacking in the desired casting requirements and hence could not be used in the manufacture of Sanitaryware. Consequently, the company turned to the use of English China and ball clays, which were not only costlier, but also involved expenditure in foreign exchange. The assumption in the second part of the PC-1 regarding the extent of use of imported glazed materials also proved to be erroneous. The PC-1 had assumed that the recurring cost of raw materials would include only 24 per cent expenditure in foreign exchange. Working details leading to this assumption, were however, not forthcoming. The estimates, based on actual expenditure during the 1979-80, indicated that the cost of imported material would have been over 70 per cent even if local China clay had been used, instead of English China and ball clays. The project in fact, had been more adversely affected on account of use of imported glazed materials rather than non-use of local China clay. The ultimate position was that over 80 per cent of the raw materials required for the company's products was imported.

816. The project had yet to overcome its teething problems. Below-capacity operations, resulting from frequent technical break-downs, lack of adequately balanced production facilities, shortage of skilled labour, low-quality production, high fixed costs and financial charges, remained serious constraints.

817. *Financial position*—The Financial position of the company was far from satisfactory in as-much-as it had accumulated losses of over Rs. 12.5 million as on the 30th June, 1980. A good 90 per cent of its equity of Rs. 13.68 million had been eroded by the accumulated loss as on 30th June, 1980.

818. *Profitability*—The company incurred a cumulative loss of Rs. 13.64 million during the first 3 years of its operations ending on the 30th June, 1979. A nominal profit of only Rs. 1.2 million was earned for the first time in 1979-80. The unaudited accounts for 1980-81 also showed a nominal net profit of Rs. 114,000 which included a miscellaneous income of Rs. 105,000.

819. *Marketing*—The Sales revenues of the Company increased from Rs. 15.40 million in 1977-78 to Rs. 39.19 million in 1980-81 *i.e.* by 154 per cent. This was due to quantitative increase in production and sales of both the sanitaryware and wall tiles, 4 per cent to 15 per cent increase in the sales price of sanitaryware and over 30 per cent increase in that of wall tiles during 1977—81.

820. The Company faced a tough competition in marketing its products, not only from imported goods but also from the indigenous products.

821. *Future prospects*—The profitability of the Company was likely to improve in view of increased production, expected from the following measures taken by the Management—

(a) Installation of additional ball mills on the sanitaryware side.

(b) Installation of two additional presses for the manufacture of wall tiles.

Areas of agreement and disagreement with the findings and recommendations of the Auditor General

822. The Management conceded that the project, which was due to be on-stream in June, 1976, was actually completed in March, 1977, because the implementation of the scheme depended mainly on the availability of foreign exchange, which was linked with the German Capital Aid for 1970-71. The loan agreement for DM 9.6 million, to meet the foreign exchange requirements, was signed between the Government of Pakistan and K.F.W. of West Germany on the 7th November, 1973. Consequently, the letter of credit for the supply of machinery could be established only on the 12th February, 1974 as against the 31st March, 1971, the date indicated in the Memorandum of Understanding.

823. It was also agreed by the Management that manpower was in excess of the provision made in the PC-1. However, it was reduced to 442 employees and was expected to be reduced further as soon as more skilled persons become available.

824. The Management agreed to the Auditor-General's findings that the assumption about the utilization of Swat China Clay for the manufacture of the Company's products did not hold good even though it was based on physical and chemical tests, carried out by the Japan Consulting Institute team, the PCSIR, WPIDC, Geological Survey of Pakistan and the suppliers of the plant, was M|s. Coutinho Garo & Company West Germany.

825. As regards the financial position, the Management stated that its accumulated losses had decreased from Rs. 12.5 million on the 30th June, 1980 to Rs. 9.5 million on the 31st March, 1983. In order to make the project viable, the factors which disproportionately burdened the project with heavy financial charges needed to be rationalised. It was, therefore, imperative that the Cash Development Loan of Rs. 17.284 million, given in 1974-75, be converted into equity with retrospective effect, resulting in a saving of Rs. 1.77 million per year on account of interest charges alone. Such financial restructuring would also improve the debt equity ratio to the reasonable level of 70.30, as against the present 87 : 13.

826. *Profitability*—As far profitability, it was eplained that the Management agreed with the Auditor-Genedal's findings with the exception that, in the opinion of the Management, manpower in the PC-1 had been understated and the strength of 442 employees was justified due to the fact that under utilisation was mainly attributable to marketing constraints. This situation was expected to improve over the next few years, with the construction activities in the country attaining sufficient momentum. As against 290,000 houses required in the urban and rural areas of Pakistan only 80,000 to 90,000 houses were being constructed annually during 5th Plan period. With the firm indication of positive support for house building schemes in the 6th Plan, the capacity utilisation of Swat Ceramics was bound to improve.

827. The financial restructuring of the Company would help to curtail the high financial charges explained above. The validities of the licence agreements with M|s. Wessel Werke and M|s. Keramag West Germany had expired and the Management would not be liable to pay any royalty to them in future. This should improve the Company's profitability.

828. *Administrative expenses*—The increase in administrative expenses was due to increase in the salaries, wages and benefits of employees. Such increases were due to Government announced benefits and effect of promotions and annual increments.

829. *Liability of sale tax*—The case for securing exemption for uncollected sale tax for the period July, 1980 to June 25, 1981 had been forwarded to the FC&CCL (Holding Corporation). The matter had also been discussed in the

Ministry of Production as well as in the Company's Board meeting. It was being taken up with the Central Board of Revenue.

830. Since sanitaryware was not specifically subjected to sale tax before June 25, 1981, the Management disagreed with the recommendation of the Auditor-General that necessary provisions needed to be made in the accounts to recognize the liability of uncollected sales tax. The sanitaryware produced by the Swat Ceramics lay within the scope of " Pottery ", which was exempted for sales tax *vide* SRO-659 (I)|81. The tax authorities were also not clear on this issue and, therefore, no demand was raised by them before July 29, 1980. Had this SRO been more specific, this issue would not have arisen at all. Assuming that sanitaryware made from clay, was a class of pottery, no sales tax was collected on its sales from the customers. The Company, with its unsatisfactory financial position and price structure, could not afford to pay *ex-post-facto* any sale tax imposed on the sales already made.

831. The Audit representative observed that the case for the exemption of sales tax remained still un-resolved. In fact the concerned sales tax officer had re-opened the issue of collection of sales tax even for the period prior to July, 1980. The liability had been recognised as a " contingent " liability in the company's audited Balance-Sheet for 1981-82.

832. *Production*—The management agreed with the findings of the Auditor-General in para 2.9.1 and 2.9.2. of the Report except that low capacity utilisation was mainly attributable to marketing constraints. In pursuance of the Auditor-General's recommendations, the following steps were being taken up by the Management, to improve the capacity utilisation of the factory and the quality of the products—

Sanitarywares—

(a) A new shuttle kiln was under installation.

(b) Arrangements had been made for the repair of tunnel kiln. M|s. HEIMSOTH of West Germany would carry out the job and it was expected to be completed by the end of June, 1983.

(c) Two additional Ball Mills had been installed.

(d) A Vaccum Mixer for the Plaster of Paris had also been installed.

(e) Hot air chamber for raw sanitaryware pieces had been constructed.

(f) Extension had been made in the Casting Shop.

(g) Hot Air ducts for the casting shop, based on Waste hot-gases from within the plant, had been installed.

(h) New designs of sanitaryware items had been developed.

(i) More strict watch on the workers was being maintained to minimise handling losses.

833. *Marketing*—The Management agreed with the findings and recommendations of the Auditor-General. The Company had serious problems in the sale of its products, because of tough competition with the other local units and imported goods and the fact that demand was only 50 per cent of the available capacity in the country. The inventory of finished goods had accordingly increased to Rs. 12 million on March 31, 1983. The position had got aggravated by the levy of sales tax. To enable this infant industry to stand on its feet and to make the locally produced sanitaryware goods to consumers at reasonable prices, the Government would do well to withdraw the sales tax levied on Ceramics Sanitaryware. However, some steps had been taken to keep the production cost at the lowest possible, such as purchases of materials from the cheapest possible sources. Wall tiles production had also been increased, to allow a greater absorption of fixed cost.

Administration

834. *Employee strength*—The Management agreed with the findings of Auditor-General except in regard to the provision of strength of employees made in the PC-1 as already explained in the preceding para 2.1 (c) and para 2.5.

835. *Future prospects*—The emphasis of the Management, for the present, was on stabilising the operational control of the unit, both for Wall tiles and Sanitaryware Practical steps had been taken to add the certain facilities, for balancing the plant and diversifying the product mix.

Areas not covered or beyond the conclusions and recommendations of the Auditor-General

836. Swat Ceramics was the first venture of its type in the country and it played an important role in introducing modern ceramics technology in the country, thereby providing import substitutes, which resulted in the saving of hard-earned foreign exchange. It also played an important role in training, for this work, labour which did not exist at the time of its setting up. Some of the trained labour, which migrated to the mid-east countries, had become a good source of earning foreign exchange. Being located in an under-developed area and due to non-availability of skilled labour there, the project sustained heavy losses during the initial two years of its operation. It was yet to overcome its teething problems when, suddenly, the ceramics industry was subjected to sales tax, resulting in an abnormal increase in the company's sale prices. The sale of

Sanitaryware products badly suffered thereby and inventory increased to Rs.12 million, despite restricted production. To enable the company stand on its feet and appreciating its role in industrial development, the Auditor-General should have recommended the exemption of this industry from the levy of sales tax.

837. Besides, a number of units, such as the Trust Ceramics, Swat Ceramics, International Ceramics, Karam Ceramics, Dadabboy Padobe, G. M. Impex, International Standard Ceramics and many small manufacturers located in Karachi, Lahore, Faisalabad, Gujranwala, Gujrat and Sialkot etc. were already in production and some other units were in an advanced stage of implementation. Tht entire local demand from the construction and Hotel Industries and local consumers, etc. was less than the installed compacts. Despite this, Sanitaryware was being imported under barter. The local Ceramics Industry, which is still in its infancy, is facing an acute sale problem due to tough competition with the imported goods and slump in the construction activities. The Auditor-General should have, therefore, also recommended a ban on the import of all sorts of Ceramics goods, to enable the local industry stand on its feet as well as save foreign exchange.

838. The Central Board of Revenue had admitted that the local products were now qualitatively as good as the imported products. This admission in itself went to establish that there is no need for the import of Sanitaryware in the country, especially when sufficient capacity existed in the country, to meet the local requirements.

839. The Management further stated that, to curtail the burden of heavy financial charges, help bring the debt equity ratio to the reasonable level of 70 : 30 as against the prevailing 83 : 17 and in appreciation of the role being played by Swat Ceramics in nation building, the Auditor-General should have recommended to the government the conversion of the Cash Development Loan of Rs. 1.72 million into equity with retrospective effect. This could wipe out the accumulated losses and reduce the financial burden by Rs. 1.77 million per annum.

840. After further discussion, *the Committee's conclusions were as follows—*

(i) *While preparing the PC-1 proforma of any project in future, losses, if any, on account of its socio-economic factors, should be quantified.*

(ii) *The social cost of projects should be clearly worked out from the very stage of their planning and form an integral part of the cost of the scheme.*

(iii) *Every possible effort should be made to keep the breakages to the minimum.*

(iv) *The recommendations of consultants about the utilisation of Swat Clay could not be implemented, because of some quality problem. possibly, the samples furnished to the consultants were not fully representative. To improve the quality of production and reduce wastage, obtaining of technical help from China may be considered.*

(v) *Marketing of product needed to be improved.*

(vi) *The comments of the FCCCL on the Performance Evaluation Report were generally acceptable. No time should be lost in initiating action where there was agreement with the recommendations in the report.*

Sind Alkalis Limited, Karachi.—(Pages 63—105|Perf. Eval. Report Vol. I)

841. Sind Alkalis Limited (SAL) was originally incorporated by the name of Indus Chemical and Alkalis Limited, as a public limited company in 1960. The company was nationalized in January, 1972 and its control was vested in the Federal Chemical and Ceramics Corporation Limited (FC&CCL), Karachi. The plant is located at Landhi. The Management is controlled by a Board of Directors, comprising seven official nominees and one from the private sector.

842. *Equity and liabilities*—The equity and liabilities of the company as on the 30th June, 1980 stood as follows—

	Rs. in million
Paid-up Capital	35.4
Reserves	17.0
Equity ..	52.4
Liabilities	69.6
Equity and Liabilities	122.0

Products

The important products of the factory are

Product	Annual capacity tons
Soda ash	36,000
Soda bicarb	5,000
Caustic soda	4,000

843. The production level of soda ash, the main product, had remained depressed since 1976-77. One of the reasons for this situation during 1976—79 was shortage in salt supplies. The main problem be setting the company has been an excessive consumption of inputs per unit of production. Salt, lime-stone, ammonia, power and gas were all subject to excessive consumption. This conclusion emerged from a year-by-year comparison of the input ratio.

844. *Use of indigenous production process*—The plant was designed on Hennigmen's process, indigenous in some respects, as compared to the standard continuous process, known as Solvay's process, employed by M|s. ICI at their Khewra Factory. In the former process, carbonation takes place in batches, but in the latter, the carbonation process is continuous. This reportedly constituted an inherited limitation, which operated against the production efficiency.

845. *Overall assessment*—The company's financial position was satisfactory. They had retained reserves of Rs. 17 million along with the company's equity of Rs. 35.4 million. Profitability was, however, erratic. There were losses from production and sales during three consecutive years upto 1978-79. Profitability was restored in 1979-80 due to price increases together with improvements, including internal economics in terms of reduction in the quantum of inputs per unit of production and better planning for the advance purchase of a major raw material, salt.

846. A PC-1 was approved in 1975, for expanding the plant to increase its soda ash production capacity by 36,000 tons per annum. The stipulated cost of expansion was Rs. 110.7 million. As different from that expansion proposal, the company commenced implementing a modernisation and balancing plan for the existing plant, at a cost of Rs. 91.4 million, with the objective of increasing its soda ash production capacity by 15,000 tons per annum by 1982. A revised PC-1 was, therefore, submitted in December, 1980 which still awaited approval. The expansion project was to be completed by September, 1982.

847. Proceeding with the execution of a plan, entirely different from the proposal approved by the Government, needed to be taken notice of.

848. The annual consumption of soda ash in the country increased progressively for 53,000 tons in 1973-74 to about 81,000 tons in 1979-80. This trend was expected to continue as local production was not likely to meet the full local demand beyond 1982-83, notwithstanding an increase in the production of Sind Alkalis by 15,000 tons and a planned increase of 7,000 tons by the ICI.

849. It was explained in the report of the Company that the plant was installed in collaboration with Khan and Company, for the production of soda ash, based on Hennigmen's process, which was the modified version of the well-known "Solvay process" for producing soda ash. The process, however, did not prove to be successful and was discarded.

850. The Company also stated that the report of the Performance Evaluation Cell had depicted a good picture of the Company's Performance. However, though there was disagreement on certain points, most of the comments and recommendations in the report had been accepted by the Company.

851. The Management agreed with the Auditor-General's Performance Evaluation Report that the stores and spares inventory needed to be controlled. Consequently, the tendency of increasing stores and spares inventory had been arrested by exercising strict control on purchases, and getting as many spares locally fabricated as possible.

852. The Audit representative observed that the value of stores and spares had consistently increased from Rs. 13.09 million in 1977-78 to Rs. 23.34 million in 1981-82 and this increase was not all due to escalation in the cost of spares but purchases in excess of consumption had also been a contributory factor. It appered that dead-stock had also not been disposed of. Capacity utilisation had increased from 66 percent in 1977-78 to 84 percent in 1979-80. The present position of capacity utilisation should also be intimated by the Project authorities to Audit and the Committee.

853. *Increase in cost of inputs*—The Management explained that it had very little control over this factor. Despite this situation, the Company had been able to achieve reduction in salt prices and was using less costly packing material *i.e.* prolyprophlene bags instead of gunny bags. The saving thus achieved had been more than off-set by the rise in the energy cost.

854. *Deterioration in process control*—Since 1975, when the balancing, modernisation project was accepted, full attention to maintenance was not being given in the hope that, with the modification and addition of some more equipments, things would improve and expenses on maintenance could be safely reduced. Unfortunately, the balancing and modernisation work dragged on and, at the same time, maintenance was neglected, which affected the capacity utilisation and the consumption ratios. Another important factor for this was that the instrumentation of the plant, from the beginning, was poorly designed. During the period of poor maintenance, the performance of instruments further deteriorated

obliging the factory to be have the plant operated with almost manual control. Most of the instruments had become obsolete and spares for them were also not available. However the entire instrumentation had been changed under the expansion programme.

855. The Management also stated that salt procurement had become a problem for some time during 1977-78, which affected production. Sea salt was purchased direct from the salt works around Karachi and the main reason for the shortage of sea salt was that the salt works people wanted to dominate the purchasing policy of the Company. These efforts were foiled in 1979-80 and the same people were made to supply salt at lesser prices. The Audit representative contended, at this point, that the prices of salt had again increased from Rs. 81.22 per ton in 1980-81 to Rs. 85.30 per ton in 1981-82 and Rs. 87.50 in 1982-83.

856. *Marketing*—It was explained by the Management that the recommendations in the Auditor-General's Evaluation Report about planning a new soda ash plant had been accepted with certain reservations. Setting up a new soda ash plant with a production capacity of 300 tons per day from the grass roots would cost around 140—160 crores. This was the smallest unit available. The Management had, therefore, started bringing about further improvements in the capacity utilization by making smaller investments.

857. *Poor quality of sea salt*—The Audit report had made out that the Salt manufacturers, from whom sea salt was being purchased, were producing it in the most primitive manner, without much control on quality. Management contended that quality generally remained tolerable and, whenever it was found to be poor, supply from that source was stopped. To overcome this problem, the Company had accumulated 4 months' sea salt requirement and this stock was maintained by further purchases.

858. The Audit representative pointed out that it would be worthwhile examining it from the cost point of view whether it was advisable to keep a stock of 4 months' sea salt requirement, involving an investment of Rs. 2.4 million, especially when the Company had not been able to dissuade the sea salt manufacturers from increasing their prices. The quality of sea salt had also not improved any significantly.

859. *Purchases*—The Management did not agree with the Auditor-General's recommendation that the price of salt supplies should be tied up with the specifications of quality, as this was almost impracticable.

860. The Management also did not agree with the comment of the Auditor-General that lime-stone wastages required control. They had, in fact, changed their source of supply of lime-stone from the local producers in the Jangshahi

area to the Steel Mills lime-stone quarry. This was advantageous because Pakistan Steel Mills had got graded size stones. As for the wastage, of lime-stone during the unloading of material from the truck and its loading from the bunkers to the lime-kiln, pointed out by Audit some wastage of lime-stone during the handling was inevitable and beyond control.

861. Audit had stated in their further comments that the Company had rightly diverted to a second source of supply *i.e.* the Pakistan Steel Mills, but ungraded lime-stone in quantities was still being purchased through the contractors. The point needing further consideration was as to why the entire supply was not being obtained from the Steel Mills, when there was also no difference in price.

862. In addition to wastage of lime-stone during unloading, an excessive consumption of lime-stone had also been pointed out in the Evaluation Report. The Company had suffered a loss of about Rs. 820,000 on this account in 1982-83 alone.

863. *After going through the Performance Evaluation Report and the comments made thereon by the Ministry, the Committee observed as follows* :—

(i) *The important thing was a proper maintenance of the plant.*

(ii) *The Management should provide the needed figures to Audit, without any reservation, to help them study and analyse the performance realistically.*

(iii) *A considerable area of agreement could be seen in the comments of the Ministry with the recommendation made in the Performance Evaluation Report. Action should be urgently initiated to implement the recommendations of Audit with which there was no disagreement.*

National Cement Industries Limited, Karachi (Pages 1—51|Perf. Eval. Report Vol. II)

864. According to the Performance Evaluation Report of the Auditor-General, the Company was originally incorporated in 1937 as Dalmia Cement Limited, who sold their factories to M|s. Pakistan Progressive Cement Factory Limited, a private limited Company, in 1964. The Company was taken over by the Federal Government under the Economic Reforms Order, 1972, and was renamed as the National Cement Industries Limited, Karachi. It is now a unit of the State Cement Corporation of Pakistan (SCCP). One of its plants is located in Karachi and the other one at Dandot, District Jhelum.

865. *Production capacity*—The designed daily capacities of the Karachi and Dandot Plants are 750 tons and 250 tons respectively. The capacities were again rated in 1968 as follows and are still operative—

Karachi Plant	160,000	tons annually.
Dandot Plant	50,000	tons annually.

866. The plants operated in 3 shifts round the year. The Capacity utilisations in 1978-79 were as under—

Karachi	110%
Dandot	98%

867. The facility for the annual production of 3,000 tons of fire-bricks was also available in the Dandot Plant.

868. *Capital and employment*—99.9 per cent shares, valuing Rs. 99,900, are held by the SCCP. One share of Rs. 100 is with Javedan Cement, a subsidiary of SCCP. The Company has an accumulated loss of Rs. 4.66 million. The composition of its liabilities as on 30th June, 1979 is shown below—

Equity	*Rs. in million*
Capital (issued and paid up)	0.10
Capital reserve	2.73
Accumulated Losses	4.66
Long term liabilities :	
Due to Dalmia Cement Ltd/NBP	31.18
Current liabilities	52.30
Total ..	81.65

869. *Overall performance*—The capacity utilisation of both the plants had been satisfactory since their nationalisation and the maximum production of 265,735 tons was achieved in 1973-74. This successively decreased to 215,871 tons in 1979-80 due to excessive wear and tear, etc.

870. The profitability of the Dandot Plant was adverse and its losses were absorbed by the Karachi Plant. An accumulated loss of Rs. 4.66 million upto 1978-79 had led to deterioration in the financial position of the Company.

871. *Present Financial Position*—The Karachi Plant is profitable, but its profitability has been off-set by the losses of Dandot Plant, leading to an overall accumulated loss and in excess of the share-holders equity. As a consequence, the claims of creditors had exceeded the Company's book-value assets.

872. The Current and Long-term financial position of the Company had become adverse over the last few years. The load on the Company's financial resources had been specially enhanced by the following charges—

(i) Payment of arrears of income tax, relating to the pre-nationalisation period, were outstanding since 1963-64.

(ii) The Company was unable to meet the claims of short-term creditors. There was also a working capital deficit of Rs. 4.04 million as on the 30th June, 1979, which had adversely affected the day-to-day operations. The long-term financial position of the Company was also weak though the financial position of the Karachi plant was better than the Dandot one.

873. *Profitability.*—The Company had been incurring losses continuously since 1975-76. The trend of increase in the cost of Fuel, Power, Stores and spares etc. and the personnel, coupled with decrease in production, showed that recovery was unlikely in the existing circumstances. The overall profitability had worsened, because the Dandot Plant could not attain the break-even production. The break-even point of the Dadot Plant had been calculated at about 5 times its rated capacity. This plant was, therefore, not viable economically.

874. *Production*—The designed capacities of the Company's both the Plants were 300,000 tons annually. This capacity was re-assessed to be 210,000 tons annually in 1968 on the basis of the last 4 years production. The Plants were now operating above capacitities, as calculated in terms of the 1968 assessment. The production of both the plants, however, continued to fall due to increased stoppages over the last years and this trend still persisted. The price of the Company's product had been lagging behind the cost of production, which had increased progressively over the past few years. Hence the losses.

875. *Financing.*—The liquidation of liabilities of the pre-nationalisation period had led to severe cash constraints. The bank over drafts increased from Rs. 3.6 million to Rs. 11.6 million between 1975 to 1979. Cash budgeting and forecasting was also lacking. Purchases of stores and spares etc. were made in excess of the yearly consumption by obtaining even over-drafts. This resulted in increased financial charges and cash problems for the company.

876. *Organisation and pesonnel*—The Management of both the plants appeared imbalanced. A large contingent of senior staff (60 Officers) was employed to manage 12 supervisors and 1224 production and non-production workers. There was a further addition of 16 Officers over the last four years,

without any increase in the number of workers and supervisors. One contributory factor leading to this excess personnel strength in the company could be that optimum Standards for the strength of the personnel had not been established. The lines of authority and responsibilities had also not been properly defined. A discussion with the Management indicate that a good number of workers were surplus. Labour laws and workers' Unions did not allow the discharge of surplus labour. There was, however, a possibility of the excess being liquidated by adjustment in the nearby SCCP projects and normal wastage, provided that fresh recruitments were not made till the excess was eliminated.

877. *Purchases*—The implementation of the purchase budgets had become impracticable due to the cash flow problems. This effective tool was, therefore, left unused. Besides the NCIL plants were 42 years old and required improvement. The cost of parts had increased manifold due to inflation and relaxation from the CBR was needed in the existing restriction on the import of a single part valuing Rs. one lakh or more. Such a relaxation would facilitate improvements in the plants of the company.

878. *Future prospects*—NCIL could become a financially viable company, provided that its managerial restructuring was undertaken by the SCCP. This implied the transfer of the Dandot Plant to the new Dandot Cement Project which was to be completed in December, 1981. The joint utilisation of facilities would then enable the Dandot Plant to achieve a breakeven production and the Karachi plant would be relieved of the financial burden of the Dadot Plant.

879. *Role of the SCCP*—The SCCP and the Production Division have a decisive role to play in any vital management decision-making about the affairs of the Company and the management of the Company does not have a free hand to curtail costs, incur expenses and formulate its policy. A more practical arrangement needed, therefore, to be established *vis-a-vis* relationship between the Company, the SCCP and the Production Division.

880. The Management conceded that the Auditors had rightly pointed out the adverse financial condition of the Company. Faced with poor liquidity position, the Company was unable to plan production and carry out even the essential repairs and maintenance. The capital budgets, prepared every year, remained mostly un-utilized, because of paucity of funds. Due to the deferment of the major repairs and maintenance, the run factor of the plants had gone down considerably and there were frequent break-downs, which were unavoidable in such old plants. Because of lesser production, the cost of production had gone up and the margin on sale was negative. Banks were, hence, reluctant to accommodate the requests of the Company additional credit ceiling. The liquidity position had got further aggravated by the pre-nationalization income tax liability.

881. Thereupon, Audit stated in their comments that failure to carry out the essential maintenance was a serious laps and the reason given for it *i.e.* paucity of funds, was hardly convincing.

882. The SCCP agreed that the company could earn profits in the existing circumstances and this position would continue to deteriorate, unless immediate measures were taken to revive the plant. The Balancing and Modernization Schemes and the PC-I Forms for the National Cement (Karachi) had already been completed and submitted to the Government for approval and provision of finances therefor. It was incorrect to say that increase in the consumption of raw materials, fuel, power and stores and spares had contributed to bring about adverse financial results for the Company. In fact, low production, due to the old age of the plant, had greatly contributed to the on-set of the present financial crises. The Audit representative contended that it was not correct to assume that old age was the only problem of these plants. The major problems, in order of their importance, were increasing costs on fuel, raw materials and personnel etc.

883. The SCCP maintained that the poor financial position of the company was largely due to meeting the liabilities of the pre-nationalization period. Cash budgeting and forecasting exercises could not be carried out, as all the possible avenues for raising finances had been tapped. The credit ceiling of the commercial banks had also been utilized to the maximum. Although the Corporation was extending financial help in times of need, it was hardly sufficient to meet the total requirements.

884. The Audit representative maintained that Cash budgeting and forecasting exercise were not meant only to tap financial sources. Their purpose was also to help the decision makers in reducing unnecessary expenditure. Other areas, where this exercise could be useful, included the optimization of inventory purchases, cost control collection of receivables, employee loans recoveries, curtailment or extension of benefits, etc.

885. The departmental representative submitted that a Committee had already determined the optimum strength of each factory and the recommendations of the Committee would be implemented in future. It was, further stated that reduction in employment had been affected by transferring some workers to the Dandot Cement Project, while the vacancies caused by those, who retired/resigned, were not being filled up.

886. The Management agreed to the suggestion of the Auditors regarding the transfer of the Dandot Plant to Dandot Expansion Project. This would undoubtedly result in a better production at a lower cost. The fixed expenses,

which at present were apportioned to the old plant would, in that case, get distributed over the entire production, *i.e.* the new as well as the old plant. This was the only available alternative for reviving this plant, if the Corporation did not intend to invest any more money on it.

887. The representative of the Company informed the Committee that uniform accounting and standard costing system had since been introduced by the Company with effect from 1st July, 1982.

888. The SCCP did not agree with the observations made by the Auditors regarding excessive purchases of stores and spares, because of the following—

(1) The plant was very old and there were frequent stoppages and break-downs. Hence there was a relatively higher consumption of stores and spares, to keep the plant running.

(2) Proprietary items were to be purchased in quantities slightly above the annual requirements, because the suppliers did not maintain their stock, being obsolete items according to them.

(3) Due to a world-wide inflationary trend, the prices of imported as well as local spares had gone up considerably. Therefore, atleast 10 per cent to 15 per cent increase in the value of inventory over the last years was attributable to inflation.

889. As for the Organisation and Personnel, the representative of the SCCP stated that the strength of the officer's cadre was not in excess, as pointed out by the Auditors. However, the workers strength was slightly on the high side which had been balanced by transferring a few of them to the New Cement Project. It was incorrect to say that the over-all profitability of the Company was not taken into account, while entering into an agreement with the CBA. In fact, the financial impacts and other factors were thoroughly examined and analysed. The total financial increase on account of a fresh agreement with the CBA was worked-out to Rs. 1.8 million annually during 1978-79 and not Rs. 16.12 million, as pointed out by the Auditors.

890. The SCCP differed from of the Audit Report in respect of its role and submitted that the National Cement Company, under its present organizational structure, was functioning under the administrative control of the Ministry of Production, while the SCCP, was the controlling authority. On the other hand, the necessary authority to make important operating decisions remained vested in the company. For policy decisions, the company had to refer cases to the SCCP. It was incorrect to say that the Management did not have a free hand to curtail costs and expenses and to formulate policies. The factory management,

so far as the operative control was concerned, had been given authority to exercise all the possible control over costs and expenses, as and when required, and could seek technical and administrative help from the SCCP, when needed. From 1977-78 onwards, the unit had been allowed to retain the price differential.

891. *The following conclusions were arrived at by the Committee—*

(i) *The Mills being very old, a final decision should be taken about further investments in it for balancing and modernising it (costing about Rs. 2.5 crore and increasing the life of the plant by about 15 years) or for only anti-pollution measures (costing about Rs. 50 lakhs) as against further expansion of Javedan Cement, Limited. The Committee noted that the present cost of production, excluding duty, in the National Cement, Karachi was Rs. 576 per ton as against Rs. 750 per ton in the newer plant. As the revised PC-I in regard to the National Cement, Karachi had been withdrawn, the Ministry should examine, from the economic point of view, whether it will be worthwhile to put in more capital investment in machinery and transport for this project. Further action should be taken accordingly.*

(ii) *Delegation of powers—Appropriate delegation of powers for purchases to the Unit Managers needed to be considered.*

(iii) *Import of paper bags—The issue should be examined in the light of import policy. However, it should be examined whether any specific protection was required for the local bag, particularly if it was competitive.*

National Cement Industries, Dandot

892. The liability of the Dandot Cement should be rightly that of the State Cement Corporation and not of the National Cement Industries. Similarly, the interest on loan, being paid by the National Cement Industries, should be payable by the State Cement Corporation and the loan itself should also be the liability of that Corporation. This position should be reflected in the accounts of the State Cement Corporation and the National Cement Industries as from 1982-83. By this measure the National Cement Industries, Karachi could easily finance its own balancing and modernisation.

Zeal Pak Cement Factory Limited, Hyderabad (Pages 52—87/Per. Eval. Report Vol. II).

893. The Zeal Pak Cement Factory Limited was set up and incorporated in May 1957. The plant was located in Hyderabad, with the head office of the Company in Karachi. The control of the company was taken over by the State Cement Corporation of Pakistan (SCCP) in 1974.

894. *Products and production capacity*—The rated production capacity of the company is 1.08 million tons of clinkers per annum, representing 30 per cent of the country's total annual production. There are six kilns, of which four have a capacity of 400 tons per day each and two that of 1,000 tons per day each. The cement manufacture taken place through the "Wet" process. The company operates its own quarry for excavating limestone and shale clay—

Authorized capital .. .. Rs. 150 million.

895. *Equity and liabilities*—The equity and liabilities of the company as on the 30th June, 1980 stood as follows—

		Rs. in million
Paid up capital	39.60	
Reserves	59.89	
Equity		99.49
Long-term liabilities	71.63	
Current liabilities	195.08	
Liabilities ..		266.71
Equity and Liabilities		366.20

896. *Profitability*—The operating profits, as per cent of net sales, declined to 3.6 per cent during 1978-79 as compared to 5.1 per cent in the previous year. It rose to 6.5 per cent 1979-80, due to better capacity utilisation as well as a 14 per cent increase in retention prices over the preceding years "Other income", received as interest on bank deposits and returns on investment, constituting 53 per cent of total net income earned during the period from 1977—80. The payment of dividend to the shareholders had been consistent and could be considered as adequate, being 20 per cent to 25 per cent in alternate years since 1976-77. This had a favourable impact on the company's shares value.

897. *Production*—The capacity utilisation of the plants over 1977—80 fluctuated widely and remained quite below the rated capacity. The maximum utilisation of capacity over these years was 88 per cent during 1979-80, because of decreased plant stoppages during that year. As Stoppages of kilns lead to reduction in clinker production, resulting in losses of production on the basis of rated capacities, the occurrence of plant stoppages during the period 1976—80 led to output losses of 862,800 tons of clinker with a potential cement sales value of about Rs. 462 million. The individual performance of the four smaller kilns remained generally at optimum level, while the yield from the two larger kilns continued to be lower. The larger kilns began production in 1969, but their designed production capacity had not been achieved since inception.

Auditor-General's recommendations

898. A higher production yield of clinker would appear to be feasible if the moisture content of slurry could be lowered. This might be possible, if limestone of better quality was used, which would imply purchases from other quarries. Such action might, however, increase the limestone cost by Rs. 30 per ton. This extra-cost may possibly be offset through : (i) economy in gas consumption ; and (ii) higher clinker output. It should be useful to setup studies about the comparative impact of these alternatives and also the alternative of increasing self-generation of power as gas genering facilities, as presently installed, could not be put into continuous operation due to technical reasons.

899. *Purchase*—The build-up in the level of stores, spares etc., tend to be excessive for some items in the context of consumption. There was an increase in the inventory level by Rs. 27 million or 63 per cent in 1979-80, as compared to 1976-77. Purchases of fire-bricks during 1976—80 were more than the consumption of each year except in 1978-79. As a result, the inventories had accumulated excessively, and, as on 30th June, 1980 appeared equal to about 2 years, requirements.

900. *Recommendations*—The optimum level of inventory, especially for major items, like fire-bricks, needed to be realistically established and purchases limited accordingly.

901. *Personnel*—There was an increase of 212 in the strength of personnel during 1979-80, as compared to 1976-77. This appeared incongruous in the context of the plant's production capacity having been static over the period. The strength of officers was also increased by 63 (64 per cent) over that of the previous four years. This was reportedly due to promotions of Union members. The cost on personnel (officers and workers) thus increased at an average rate of 25 per cent during 1978-79 and 1979-80 as compared to 1977-78. Over-time payments accounted for 27 per cent of the wage bill in 1979-80, which seemed to be much on the high side.

902. *Recommendations*—As the promotions and strength of the personnel and their employment on over-time needed to be related strictly to the operational requirements, the management should address itself seriously to this problem. The reduction of strength to appropriate levels, by transfer against vacancies caused in the other plants, was one of the alternatives to be considered.

903. The Management agreed to the observations of the performance Evaluation Cell in respect of "Production" and explained that remedial measures had already been taken, bringing about definite improvements in production efficiency particularly of the 1,000 ton kilns. This could be seen from

the fact that, during the last few years, the plant had been producing at about 95 per cent of its rated capacity. As regards control on moisture content and acquisition of better quality lime-stone, it may be clarified that a fresh topographical survey had been carried out by virtue of which pockets of good quality lime-stone had been located, whose use was expected to result in considerable moisture control. The acquisition of lime-stone from outside would mean the establishment of a new project, as its daily requirement for the plant was well above 5,500 tons *i.e.*, equal to 230 wagon loads or 550 truck loads. In such an event the additional cost per ton of lime-sone would work out to be much higher than the estimated Rs. 30 per ton, given by the Evaluation Experts. The availability of 230 wagons per day or plying of 550 trucks per day on the busy road around the factory would be nearly impossible. Also the unloading of 230 wagons 550 trucks on the crusher inside the factory in 24 hours was not possible. Therefore, the proposal could not be said to be either economically or physically feasible.

904. Audit stated in their comments on the above explanation of the Management that the Performance Evaluation Cell had not recommended the purchase of the entire lime-stone requirement from outside. It had only recommended a feasibility study for making up the shortfall in good quality lime-stone from outside and not a 100 per cent subsitution of the existing lime-tone production, indicated by the company in their replies.

905. As for self-power generation, the Management had further stated that the rehabilitation of the three old steam turbines had been taken in hand, which would increase the Power Generation from 3.6 megawatts to above 7 to 8 megawatts, which would be sufficient to meet the essential needs of the factory.

906. Explaining the "purchases" of the Company, the Management had stated that the plant was over 25 years old and required major repairs and maintenance to keep up its efficiency. The increased repair|maintenance activities required additional stores and spares. Therefore, the inventory was bound to show an upward trend. Further, the rate of inflation being high, the inventory value had to also register an increase in the same ratio. Besides, in view of the modernization and balancing activities being constently carried out at the plant, some of the stores and spares had become redundant due to improvement in technology and, for the replaced|additional equipment, sufficient stocks of spares had to be maintained. In fact, the prime factor responsible for increase in production during the last few years had been availability of the required stores and spares, which had been utilized without causing any loss in production. As fire-bricks are normally replaced in sets, their acquisition had also to be made in sets. In the case of imported fire-bricks, time is of the essence. Sufficient stocks

thereof had, therefore, to be maintained to prevent the stoppage of production, for want of necessary bricks. The optimum levels of inventory items had, therefore, been fixed, as advised.

907. The Audit observed that excessive purchases had an impact on financial charges. The closing stock of fire-bricks, as on 30th June, 1980, was equivalent to 2½ years' requirements based on the 1980 consumption when capacity utilization was 88 per cent. The consumption of fire-bricks during 1981-82 was 382,000 against stocks of 1,068,000 *i.e.* 35 per cent or about 2¾ years stock in hand. The position worsened to 7 years stock-in-hand according to the provisional figures of 1982-83. (Value : Rs. 20.64 million).

908. After a further deliberation, *the Committee took the following decisions—*

Use of accumulated funds—

(i) *The project should have used its accumulated funds earlier, for its expansion.*

(ii) *There seemed to have been excessive purchases of fire-bricks and also of some other items. These need to be avoided in the future.*

State Cement Corporation of Pakistan Limited, Lahore (Pages 88—136|Per. Eval. Report Vol. II).

909. *Some salient features of the project*—As reported in the Performance Evaluation of Public Enterprises, the Cement Corporation of Pakistan Limited (SCCP) was incorporated as a private limited company on the 11th August, 1973, as a holding company for cement units under the Company's Act, 1913 in the public sector. Eight cement units, including one white cement plant, are now managed by the Corporation. The total installed capacity of all the plants is 4.15 million tons per annum (Mustehkem and Javedan expansions included). The SCCP presently employed 169 persons and the strength of its subsidiaries, projects and associated companies stood at 9359 persons, as on 30th June, 1980.

910. The SCCP was established by the Federal Government with the following objectives—

(i) to produce, manufacture, purchase, refine, import, export, sell and deal in Portland cement ;

(ii) to achieve, in respect of the cement industry, an overall rationalization of manufacturing facilities and product lines, balanced and integrated growth, formalised legal control, a higher rate of technical progress, optimum capacity utilisation and elimination of conflicts of interests ;

(iii) to render all technical and other advice and assistance to users of cement and to make cement popular in rural areas;

(iv) to establish and provide all kinds of aid and assistance in the research and development of cement industry; and

(v) to act and appoint managing agents to the cement companies under the Corporations control.

911. *Capital structure*—The Corporation has an authorised capital of Rs. 1,000 million (100 crores), comprising 30,000,000 ordinary share of Rs. 10 each and 70,000,000 preference shares of Rs. 10 each. The issued and paid-up capital of the Corporation amounts to Rs. 107.89 million.

912. *Overall assessment*—The State Cement Corporation of Pakistan has enjoyed a favourable financial position since its formation in 1973. An important factor in the earlier stages was the profitable operation of cement export. Profitability was further re-inforced by higher interest income and profit on the sale of imported cement. Rs. 30 million, received from the Federal Government on account of freight subsidy, also gave a boost to the profit of the Corporation in 1979-80. The Corporation has, however, been far from being successful in controlling the rising cost of production in its units. Operational rationalisation had also not been achieved in the SCCP controlled units, as required by its Charter. The personnel management of the Corporation was inadequate, and training for the middle ranking executives in certain disciplines, other than Engineering fields, was also not receiving sufficient attention.

913. *Financial Position*—The present financial position of the Corporation was sound. Its share money stood at Rs. 141 million and the un-appropriated profits stood at Rs. 151 million. The cash and Bank balances stood at Rs. 342.5 million. The profitability of the Corporation had now gone down from 39 per cent to 26 per cent and return on equity as further earning from exports, was not possible due to the market situation. The corporation paid 8.5 per cent dividend on its preference shares held by the Federal Government. The Cement Development Fund, collected from the cement Units, to finance the new cement project in the country, amounted to Rs. 860.88 million upto the 30th June, 1980. Rules governing the operation of this Fund had, however not been framed by the Corporation, as yet, and separate accounting of this Fund had also not been undertaken, as required under the Managed Cement Establishments (payment to Corporation) Ordinance, 1979. The interest income on the Cement Development Fund had been subjected to tax by the Income Tax Department and subsidy on the import of cement, amounting to Rs. 30 million and when it was actually not required, was recovered from the Government during 1979-80.

914. In view of the above position, it was recommended in the Performance Evaluation Report that—

(i) dividends on ordinary shares, held by the Federal Government, may be paid regularly.

(ii) the operation and management of the Cement Development Fund needed to be conducted strictly according to the Managed Cement Establishments (Payment to Corporation) Ordinance, 1979 ;

(iii) the accounts of the Cement Development Fund should be separated from the accounts of the SCCP and were to be shown separately in the balance sheet ;

(iv) there were outstanding disputes with the PIDC regarding the transfer of assets to the SCCP. These needed to be settled early.

915. *Marketing*—According to the Performance Evaluation Report there are two marketing zones for the purpose of cement distribution, namely, North Zone (North of Multan), and South Zone (South of Multan). About 1900 stockists had been appointed for cement distribution throughout Pakistan. They are mainly concentrated in big cities and small towns. Large rural areas seem to have been neglected. Stockists have also not been appointed on any marketing considerations or on the basis of uniform policy. In the absence of specific procedures or policy for the appointment of stockists, some of the agencies might have been passed on to unscrupulous elements. Thus, surveillance over the distribution system was not sufficiently effective. Audit further recommended in their Report that—

(a) the network of dealers to rural areas should be extended to the extent possible, when new cement plants are commissioned in the country ;

(b) as heavy trucking charges are incurred during the peak seasons, advance booking of railway wagons from the Railway authorities for up-country transport needed to be effected, to reduce costs and expedite transportation.

916. The Management agreement with observation of Audit about the present financial position of the Corporation and explained that dividends on ordinary shares, held by the Federal Government prior to 1980-81, were not being paid due to heavy expenditure on the expansion of the existing cement units and the setting up of new cement plants. On its incorporation, the SCCP immediately undertook the development projects and, to meet the local currency costs, it had to mobilise resources in a big way. The matter of non-payment of

dividends on the ordinary shares, held by Federal Government, was reported in his review by the Chairman of the Corporation and also in the annual reports of the Corporation for all these years, in which it had been pointed out that dividends on the ordinary shares were not being paid due to heavy financial commitments for the expansion of new cement projects. However, dividends on the ordinary shares were being paid from the year 1980-81.

917. The recovery of Cement Development Fund was started in March, 1976 and its object was to meet the local currency cost of development projects. Work on the projects commenced in 1975 requiring large funds to meet the rupee expenditure. The Collection of Cement Development Fund and expenditure therefrom were started with the approval of Government, pending the promulgation of a formal Ordinance, which was issued on 15th January, 1979, regulating the recovery, operation and management of the fund retrospectively. According to the Ordinance, rules were to be framed for the management of the Fund. Draft rules were accordingly prepared and submitted to the Government. Although the formal approval of the Government had not as yet been communicated to the SCCP, the Development Surcharge had been strictly utilised on the approved development schemes/projects. It was, however, pointed out that the Corporation was maintaining the accounts of the Cement Development Fund separately in its books of accounts. The Collection of Development Surchase was withdrawn from the 1st April, 1981, under an administrative order of the Government.

918. To resolve the long-outstanding dispute between the SCCP and PIDC a final meeting between them was held in March, 1982 under the Chairmanship of the Additional Secretary, Ministry of Production. The decisions taken in the meeting had not been circulated as yet.

919. Audit stated in their comments that, despite clear provisions of the Ordinance (II of 1979), governing the Cement Development Fund, the rules of business of the CDF were not got approved from the Government and separate books of accounts of the CDF were not maintained. The interest, earned on the Corporation's bank deposits, was always apportioned between the CDF and the Corporation, after the year-end. Share certificates on account of the CDF were not issued to the government, although the new cement companies in which this fund was invested, had issued their shares to the Corporation.

920. The Management also agreed with the Audit recommendation that the Research and Development Cell may be organised in a more systematic manner. Accordingly, a separate Research and Development Section had again been established under the directive from the Ministry of Production. Comprehensive plans had been made to create a sizeable and effective department and to undertake various research and development Programmes, relevant to the cement industry in Pakistan.

921. Two separate studies had been recently conducted by the Research and Development Department, in collaboration with ENAR|PERAC and Lummus, American Consultants, regarding: (a) Energy Management; (b) Conversion of the units from Gas-firing to Oil-coal-firing. Some material improvement was envisaged as a result of the recommendations of these professional Consultants. A number of research projects were also in various stages of planning and study.

922. The Corporation further stated that, as on 11th November, 1982, the number of stockists, already appointed throughout Pakistan, totalled 3102, which were about 1900 on 30th June, 1981 as stated in the Performance Evaluation Report. Out of 3102 the number of Stockists in the small towns and rural areas was 1817. Rural areas had also then been given due share in cement distribution in the post evaluation appointment of stockists.

923. Disagreeing with the Audit's findings and recommendations, contained in Para 2.2: "Operations and Technical Management" of the Report, the Management stated that the cost of production had gone up during the preceding years, due to unexpected and erratic escalations in the prices of oil, Gas electricity, spare parts and packing material. The input rates of these items were beyond the control of the SCCP. Moreover, wages of employees had been increasing rapidly for the last 10 years. These factors had affected the cost of production adversely, and the efforts made by the SCCP and the units to control such cost could not be of much avail in the face of the above-mentioned factors. Replaying to a question about variations and technical management, the departmental representative informed the Committee that they were going to appoint International Consultants and had set up a Research Institute through their own resources.

924. Questioned whether the funds belonged to the State Cement Corporation or the government, the departmental representative informed the Committee that the funds realised by the Corporation, had been paid back to new Units. The Committee observed that these matters needed to be looked by the Ministry.

925. *The following conclusions of a general nature were arrived at by the Committee—*

(i) *The outstanding dispute with the PIDC regarding the transfer of assets to the State Cement Corporation should be got settled by the Ministry, at the earliest possible.*

(ii) *Dividends on the shares, held by the Federal Government, must be paid regularly.*

(iii) *Technical audit should be carried out on a centralised basis, continuously, indicating therein the inputs and cost of materials and comparison with different units. It should be considered whether there was need for continuing with any surveillance organisation in the field, as such organisations breed corruption.*

(iv) *A report should be furnished to the PAC about the disposition and use of the Cement Development Fund (amounting to Rs. 46 crore) by the Corporation.*

Lyallpur Chemicals and Fertilizers Limited, Faisalabad Unit and Jaranwala Unit (Pages 1—82/Perf. Eval. Report Vol. III).

926. After having gone through the comments of Audit on the above mentioned Units and the explanation furnished by the department, *the Committee made the following observation—*

(i) *Separate accounts of the above-said two Units should be maintained upto the stage of cost of production. As for the accounts from* 1982-83, *no more separate accounts after that stage are being maintained.*

(ii) *Twelve copies each of the reports of Commercial Auditors on Taken-over Industries should be furnished by the Ministry to the PAC, whenever such reports become available.*

927. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs|points concerning the (i) Appropriation|Commercial Accounts pertaining to the Ministry for 1980-81 and the Audit Report thereon; (ii) the Performance Evaluation Reports 1982; and (iii) Audit comments regarding the compliance of PAC's recommendations in their Report 1978-79. These would be deemed settled subject to regularization actions, as may be necessary under the rules.

928. The Committee then adjourned *sine-die.*

M. A. HAQ,
Secretary.

Islamabad, the 30*th May*, 1984.

FEDERAL COUNCIL SECRETARIAT

Saturday, the 31st December, 1983

Seventh Sitting (PAC)

929. The Public Accounts Committee assembled at 10.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The Following were present—

P.A.C.

(1) Mian Zaka-ur-Rehman, Member, Federal Council *Member, (Acting Chairman)*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (Corporate Audit)

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

(4) Mrs. S. N. Sheikh, Director-General, Commercial Audit

(5) Mr. M. A. Lodhi, Accountant-General, Pakistan Revenues

(6) Raja Muhammad Saleem Khan, Director, Foreign Audit

Ministry of Finance

(1) Mr. K. N. Cheema, Joint Secretary

(2) Mr. Mushtaq Ahmad Qureshi, F.A. (Science and Technology, Labour, Manpower, Local Government and Rural Development)

930. *Accounts examined*—The Accounts pertaining to the following Ministries|Divisions were examined by the Committee during the course of the day—

(1) Ministry of Commerce

(2) Ministry of Science and Technology

(3) Manpower Division

(4) Labour Division

(5) Ministry of Local Government and Rural Development

MINISTRY OF COMMERCE

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

(1) Mr. Izharul Haq, Secretary

(2) Mr. S. S. A. Bukhari, Joint Secretary

(3) Mr. M. Iqbal Khan, Deputy Secretary

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

(5) Mr. S. M. Ashraf, Chairman, Pakistan Insurance Corporation

(6) Mr. G. N. Akhtar, Chairman, National Insurance Corporation

(7) Mr. M. Hasan Jafar, Chairman, Rice Export Corporation

(8) Mr. Minhaj Husain, D. G. Export Promotion Bureau

(9) Mr. Muhammad Aurangzeb Khan, Chairman, Pakistan Tobacco Board

932. The Ministry, controlled the following grants—

S. No	Name of Grant	Grant No.
1.	Ministry of Commerce	16
2.	Export Promotion	17
3.	Other Expenditure of Ministry of Commerce	18
4.	Development of Expenditure of Ministry of Commerce	141

933. *Reconciliation of Accounts with Audit*—The Committee noted that reconciliation of Accounts had been completed upto 1981-82. As for the reconciliation for 1982-83, the Committee observed that the same had been completed except for " Rebate on Cotton Textile Export " under demand No. 18. *The departmental representative was directed that this should be expedited, as the Accounts for* 1982-83 *were to be finalised and sent soon by Audit for printing.*

APPROPRIATION ACCOUNTS

934. *Grant No.* 16—*Ministry of Commerce* (*Page* 34-*AA*)—The Ministry stated in their reply that the excess of Rs. 13,462 shown against the final grant of Rs. 44,771,000, came to only 0.03 per cent, which was negligible. As such, an explanation was not necessary. The Committee did not make any observation on this grant except that the rules require explanation for even the smallest amount of excess over grant.

935. *Grant No.* 17—*Export Promotion* (*Page* 35—*AA*)—According to Audit a saving of Rs. 405,040 occurred under this grant. The Ministry explained that this was mainly due to some posts having remained vacant and to the enforcing of strict economy on various items of expenditure, other than establishment charges, during the year 1980-81. The said saving could not be surrendered due to the non-receipt of anticipated actuals for June, 1981 in time.

936. Audit pointed out, in their comments, that the supplementary grant of Rs. 947,000 was partly unnecessary in view of the saving of Rs. 405,040, attributed by the department to vacant posts and economy measures. The number and duration of the vacant posts and the economy measures actually taken should have been set out in detail.

937. After having gone through the explanation and the comments of Audit, the Committee did not make any observation on this grant.

938. *Grant No.* 18—*Other Expenditure of Ministry of Commerce* (*Page* 36—*AA*)—It was stated by the departmental representative that the excess expenditure of Rs. 3,036, shown against the functional head "034—Regulation of Insurance", had occurred because the re-appropriation of Rs. 3,000, sanctioned *vide* the department's letter No. 15 (1)|81-Budget dated 30th June, 1981, was not admitted in audit for certain technical reasons. The rest of the excess of Rs. 36 was nominal.

939. Audit observed that the supplementary grant of Rs. 68,063,000 was partly unnecessary in view of a saving of Rs. 18,461,062 under the grant, which indicated a lack of appropriate financial planning at the time of framing the budgetary proposal.

940. Audit had also depicted an excess of Rs. 1,917,482 again the function head "641-Rebate on Manufacture". It was explained by the department that the final grant under this head actually stood at Rs. 705,072,300, and the supplementary grant of Rs. 63,000 accounted for by Audit under this head, actually pertained to the function head "038-Trade Marks". There was thus an excess of Rs. 1,917,482, which was due to the belated adjustment of debits of 1979-80 relating to the Compensatory Rebate for the Quetta Station.

941. Audit observed that the supplementary grant of Rs. 68,063,000 was partly excessive, as Rs. 12,927,700 out of this sum had been surrendered. The supplementary grant was mainly for Rebate on Manufactures and surrender was due to less expenditure on this account. The explanation given by the department for the excess of Rs. 1,917,482 over the budget grant was not convincing. The factor of non-adjustment was neither pointed out in reconciliation nor was there any saving in the accounts for 1979-80, which might have justified the explanation for belated adjustment.

942. After some discussion, *the Committee decided that it should be checked by Audit whether the advice for debit was received after June,* 1981. *In case it might have been received before June, demand for supplementary grant would have been essential.*

943. *Grant No.* 141—*Development Expenditure of Ministry of Commerce* (*Page* 170—*AA*)—There was no material point for consideration by the Committee in this grant.

AUDIT REPORT

944. *Irregularities in the Ministry of Commerce* (*Para* 5, *page* 24—*AR*)—Audit had pointed out the following irregularities noticed during 1979-80—

(i) The Staff Car of the Commerce Minister met with an accident in October, 1978. Despite Major repairs and heavy expenditure of Rs. 40,989, the vehicle could not be made road-worthy and was lying in a workshop. As the expenditure exceeded Rs. 2,000 approval of the Finance Division should have been obtained, according to rules. Competitive rates were also not obtained in disregard of Government orders. Moreover, the Driver was deputed from October, 1978 to April, 1979 to visit the Workshop twice a day, which also was not justified.

(ii) A photostat machine was sold for Rs. 13,000 to a firm and its cost adjusted against a plain paper copier, purchased for Rs. 59,000 in April, 1980. Similarly an amount of Rs. 1,165 was realised by the auction of some bicycles and other articles. The sale proceeds should have been deposited in Government account, instead of being utilized for departmental expenditure.

945. The above irregularities were brought to the notice of the Ministry in July, 1981. No satisfactory response was forthcoming from them. These cases required investigation and fixing of responsibility.

946. In their reply, the Ministry informed the Committee that the Ministry of Finance (Regulation Wing) had condoned the irregularity of expenditure on the damaged car *vide* their endorsement No. 1550-12|82 dated 28th November, 1982 and the Ministry of Finance (Internal Finance Wing) *vide* their endorsement No. D-3-11-III|83, dated the 2nd January, 1983, had regularised an expenditure of Rs. 14,165, utilized towards departmental expenditure instead of its being deposited in the Government Treasury.

947. In view of the above, *the Committee desired that copies of the references made to the Ministry of Finance for regularisation and the basis on which the Ministry of Finance condone or regularised the expenditure may be furnished to Audit.*

948. *Irregular expenditure of Rs.* 273,141 (*Para* 6, *page* 25—*AR*)—Audit pointed out that an expenditure, aggregating to Rs. 273,141, was incurred in 21 cases by the Commercial Sections of 9 Missions abroad on purchase of stores without sanction|quotations payment of rent of vacant residences and on payment of rent of inadmissible telephone connections.

949. The above irregularities were pointed out to the Missions|Ministry through local audit observations and the necessity for regularising the expenditure have been stressed upon them but their final action was still awaited.

950. The Ministry informed the Committee that a detailed reply had been furnished to the Director of Foreign Audit, Islamabad *vide* this Ministry's letter No. 1 (4)|82-Audit, dated 18th December, 1982.

951. *The Committee directed that Audit should look into it and report back to the PAC, if necessary.*

952. *Physical Verifications of stores not conducted* (*Para* 7, *page* 25—*AR*)—Audit reported that all the office stores|stocks were required to be checked physically by a responsible officer at least once a year and a certificate to this effect recorded in the relevant stock registers. Such verifications were not found to have been carried out in the case of Commercial Sections of three Missions abroad since 1966 and 1970. Thus shortages|losses, if any, due to negligence and non-disposal of unserviceable articles remained un-noticed. Compliance with this Audit requirement remained unreported. An immediate physical verification was called for, to determine the factual position of stores and stocks.

953. The Ministry informed the Committee that a detailed reply had been furnished to the Director of Foreign Audit, Islamabad *vide* the Ministry's letter No. 1 (4)|82-Audit, dated 26th December, 1982. Audit confirmed that the physical verification had now been carried out by the three Missions. Only one of them had supplied a list of missing stock items, and these numbered 26, but the cost thereof remained to be determined after investigation. *The Committee, directed Audit to look further into the matter and thereafter report back to the PAC, if necessary.*

954. *Recoveries not affected Rs.* 162,279 (*Para* 8, *page* 25—*AR*)—Overpayments of pay and allowances etc. alongwith other Government dues, as pointed out by Audit in 79 cases were not recovered promptly by Commercial Wings of 18 Missions abroad. Consequently, the outstanding amounts recoverable had accumulated to Rs. 162,279. It was stated by the Ministry that a detailed reply had been furnished to the Director, Foreign Audit, Islamabad.

955. *The Committee observed that Audit should satisfy themselves and come back to the PAC, if necessary.*

956. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)—Audit pointed out that comprehensive reports, consisting of results of internal checks, should be regularly furnished to Audit, as internal check was essential and should have been conducted by the Ministry.

957. The Ministry explained that the irregularity of non-conducting of internal check for 1979-80 had since been condoned *vide* Finance Division (Regulation Wing) endorsement No. 1436-R-12|82, dated 30th October, 1982. However, the Ministry had conducted internal checks of its accounts thereafter.

958. In view of the position stated above, *the Committee directed that Ministry should report the up-to-date position of Internal Audit and Audit should satisfy themselves and come back to the PAC, if necessary.*

959. *Delay in processing of G. P. Fund cases* (*Para* 188, *pages* 151—156—*AR*)—Audit had pointed out that the G. P. Fund accumulations became payable to the subscribers or to their nominees on the retirement, resignation, death or on the proceeding on L.P.R. of the subscribers. The department and the Audit offices were jointly responsible for the speedy finalization of G. P. Fund Final payment cases.

960. The delay in the submission of cases ranged from six months to eight years. The average delay worked out to more than 2 years.

961. Remedial measures were required to be taken to avoid such lapses in future.

962. *The Committee observed that the Ministry should satisfy Audit, who may look into it and report to the Committee, if necessary.*

963. *Delay in the processing of pension cases* (*Para* 189, *page* 157—*AR*)—According to Government instructions, the cases of retiring Government Servants are required to be submitted to Audit six months before the date of their retirement. In disregard of the instructions the Pension cases were submitted to Audit late by the Ministries|Divisions|Departments, causing delay in their finalization and hardship to the payees.

964. The delay in the submission of cases ranged from five months to two and a half years. The average delay worked out to more than ten months.

965. Remedial measures were required to be adopted to avoid such lapses in future.

966. The explanation given by the department in respect of the pension cases relating to the Ministry of Commerce was accepted by Audit. Accordingly, the paragraph was considered as settled.

967. *Overpayment of Rs.* 210,302 *to Trading Corporation* (*Para* 111, *page* 90—*AR*)—The Committee while examining the accounts of the Ministry of Information and Broadcasting for 1980-81 on 29th August, 1983 directed that the TCP should hold an inquiry to fix the responsibility for this expenditure and come up with their report, when the accounts of the Ministry of Commerce were taken up by the PAC.

968. *The report furnished by TCP was examined by the Committee and Audit was directed to check it up and report back to the PAC.*

COMMERCIAL ACCOUNTS

Rice Export Corporation of Pakistan Limited [Para 3 (i), page 6—ARCA]

969. Audit informed the Committee that the accounts of the Rice Export Corporation of Pakistan for the years 1980-81 and 1981-82 had been audited. No observation was made by the Committee regarding these Accounts.

State Life Insurance Corporation of Pakistan [Para 3 (ii), page 6—ARCA]

970. Audit had reported that the Corporation had declined to entertain Government Audit. In their reply, the Ministry said that the matter was taken up with the Finance Division in October, 1982 and their final decision is still awaited. The Committee was informed by Audit that the Ministry had issued instructions to the Chairman, State Life Insurance Corporation on 5th May, 1983, to allow the Government Audit to check their accounts. Accordingly, the Audit of the Accounts of the Corporation was in progress.

971. In view of the above, the Committee did not make any further observation and the paragraph was treated as settled.

972. *Non-recovery of Government dues amounting to Rs.* 3.990 *million from importers* (*Para* 8, *page* 15—*ARCA*)—Audit had reported that during 1967—72, import licences worth Rs. 2.060 million had been issued by the CCI & E to eight parties for the import of raw materials against the export of goods of prescribed amounts within specified periods. They were required to surrender Bonus Vouchers of the face value equivalent to the amount of the shortfall on export. As the parties had failed to honour their commitments, they were required to pay compensation amounting to Rs. 3.990 million, in lieu of Bonus Vouchers not surrendered prior to the abolition of the Bonus Vouchers scheme. Despite efforts by the Ministry to recovery the amount, the parties did not pay the compensation. Thereafter, cases were lodged by the State Bank of Pakistan with the local police during November, 1976 to February, 1977 against them.

973. When contacted, the State Bank of Pakistan on the 30th August, 1978 informed audit that these cases were returned by the local police as the offence was non-cognizable. The subsequent recommendation of State Bank of Pakistan to entrust the inquiry to the FIA was also not agreed to by the Government. However, on the direction of the Ministry of Finance in 1980 the cases were referred to the Martial Law Authorities, who also declined to take action. They were, therefore, again referred to the local police, but no progress had been reported by them so far. It was not understood as to why the CCI&E could not cancel the import registration of the defaulting parties? Audit suggested that either suits be filed in the court against the defaulters or the losses be regularized.

974. The Ministry explained that the parties failed to fulfil their export commitment and were thus required to surrender Bonus Vouchers of the face value equivalent to the shortfall. The Department further stated that in May, 1972, Pakistan currency was devalued and the export bonus scheme was also abolished. To give legal cover to this, the Finance (Supplementary) Ordinance, 1972 was issued section 7 of which provided that " All persons who are under an obligation to surrender bonus vouchers shall, in lieu thereof, make payment to the State Bank of Pakistan for the account of the Central Government at the prescribed rate within the time stipulated in the authorisation of the import licence, as the case may be or within such further period as the State Bank may permit ".

975. Accordingly, the State Bank of Pakistan requested the Department to direct the licensing offices to send the particulars of the defaulters to them *vide* their teleprinter message dated 25th May, 1972. The Department further elucidated that, so far as cancellation of Import Registration of the defaulters was concerned, as these parties did not renew their registrations, the same lapsed automatically and the need for the cancellation thereof through a formal order did not arise. As regards the filing of a suit, the Department stated that this might be done by the State Bank of Pakistan, who were authorised under the law to recover the dues.

976. A Member of the Committee pointed out that Audit has observed that the cases were referred to the local police. What were the reasons that no progress had been reported in the matter. The Audit representative replied that the State Bank did not move in time and that it should submit a note to the PAC on this case.

977. In the light of the above discussion, *the Committee decided that the State Bank of Pakistan should be requested to intimate the reasons for delayed action and non-cancellation of the Import Licences of the defaulters.*

978. *Loss of Rs. 1.73 million due to Booking at forward exchange rates instead of ready rates (Para 9, page 15—ARCA)*—As reported by Audit, during 1976-77 and 1977-78, the Cotton Export Corporation exported 85,798 bales of raw cotton for $ 25.39 million and 585,402 bales of raw cotton for $ 85.54 million. The sale proceeds of cotton were booked at the forward exchange rates, instead of ready rates, due to which the Corporation sustained a loss of Rs. 1.73 million. As the rupee was convertible into the dollar at a fixed rate and there had been no change in the rate for some time, it did not appear appropriate on the part of the Corporation to have sold forward. Audit further reported, that, in reply to their observation communicated in April, 1979, the Management had stated in July, 1979 and in a subsequent reply in August, 1981, that the Corporation booked at the forward exchange rates, to guard against the risk of currency fluctuations and that this was analogous to insurance of other assets. The justification furnished by the Corporation was not plausible, as its other sister Corporations had opted for ready rates instead of forward exchange rates. The wisdom of this policy was, later, accepted by the Cotton Export Corporation itself, when it decided to follow the ready exchange rates from 1980-81.

979. The Ministry explained in their reply that the forward exchange was booked as an insurance against fluctuation in dollar-rupee parity. If foreign exchange were not booked and rupee was revealed or dollar devalued without a corresponding devaluation of the rupee, the exporter would have suffered loss to the extent of difference in the old and revised parity. It was to safeguard against this risk of change in the parity that the exporter had to book forward exchange.

980. The Ministry further stated that, in view of the difficulties experienced by the Corporation forward exchange was booked as an insurance against fluctuation in Dollar-Rupee parity and the loss arising therefrom. The Cotton Export Corporation approached the Federal Government during 1974-75 to allow them not to book forward exchange for its export commitments and requested the Federal Government to protect the Corporation against any loss arising out of an adverse adjustment in the value of Pakistani rupee in relation to dollar or or any other foreign currency due to devaluation|revaluation. The Cotton Export Corporation was advised by the Ministry, in consultation with the Ministry of Finance, that it was not possible for the Government to accede to its request.

981. The Ministry also explained that the actual difference of spot rate and forward exchange booking rate was very nominal *i.e.* 0.158 per cent only, whereas

adjustment in the value of rupee to dollar could have been much higher as compared to the difference of ready rates and booking rates. However, on further consideration, the Board of Directors of the Cotton Export Corporation decided on the 5th September, 1979 to discontinue the booking of forward exchange. It further decided that the position may be kept under review and to resume booking of forward exchange if warranted by circumstances.

982. When questioned as to whether it was the requirement of the Government that the Corporation had to book forward exchange, the departmental representative replied that the Ministry's desire was to secure a guarantee from the Government who, after consultation with the Ministry of Finance informed that no guarantee could be given. So, the whole question about the booking of forward exchange had to be reconsidered by the Corporation, which decided to discontinue the booking of forward exchange from September, 1979.

983. After some discussion, *the Committee decided that Audit should look into it, and if necessary, report back to the PAC.*

984. *Embezzlement of Rs. 2.045 million through forged bill (Para 10, page 15—ARCA)*—Audit had reported that, in March, 1979, the Acting G. M. (Finance) of Rice Export Corporation embezzled Rs. 2,045,000 million by fraudulent transfer of this amount from the Corporation's Bank Account through Pay Order, issued in favour of a firm, which was in his father's name but was in fact, owned by him. The embezzlement came to notice when reconciliation of the Bank Account was conducted in September, 1980. It was facilitated by—

(i) non-defacement of documents supporting the paid bills ;

(ii) misuse of official position by the accused officer ; and

(iii) failure of the Bank to detect the forged signature of the second signatory on the payment authorisation letter.

985. Audit further reported that, in their reply of January, 1981 and February, 1982, the Corporation accepted the fact of embezzlement, but stated that no one except the accused *Ex*-General Manager (Finance) was responsible for the fraud. A suit had since been filed against him, impleading the Bank also as a party because it failed to detect the fraud. The accused officer was, however, absconding. The case was also being inquired into by the F.I.A. It was further stated that the defects in procedure had been removed and, now all the sheets, supporting a bill, were being defaced along with the bill. Audit then suggested that the Management should actively pursue the case and impress upon the F.I.A. the desirability of early completion of the investigation.

986. The Ministry explained in reply that the case was being pursued by the Corporation, as suggested by Audit.

987. A member of the Committee asked why the reconciliation of bank accounts had been delayed for eighteen months and observed that had the bank balance been reconciled promptly the defalcation would have been discovered in time for possible recovery. He suggested that the system should be modified to provide for more prompt and effective checks.

988. Questioned as to why there was delay in the reconciliation of bank accounts in this case, indicating lack of proper control, the departmental representative explained that it would be looked into for safeguarding against the recurrence of such defalcation in the future.

989. After further consideration, *the Committee took the following decisions—*

(i) *The steps taken by the Corporation to review the procedure for removing loop-holes should be furnished to Audit, who will submit the same to the PAC with their comments.*

(ii) *There should be a monthly Trial Balance and accounting should be more prompt. For example, reconciliation should be effected within seven days of the end of each month and the accounts for the preceding month should be ready by the 15th of each month.*

(iii) *The progress of inquiry in the case should also be reported to Audit.*

990. *Loss of Rs.* 2,030 *million due to imprudent and in-effective agreement* (*Para* 11, *pages* 16-17—*ARCA*)—According to Audit, the Trading Corporation of Pakistan entered into an agreement with a foreign firm on the 10th October, 1974 for the supply of 10,000 M. Tons of Pig Iron @ US $ 229 per metric ton. The consignment was to be shipped by the 30th November, 1974, later extended to the 31st December, 1974. The firm shipped only 2,500 metric tons of Pig Iron up to the extended date. The Corporation, thereupon, advised its Bank to encash the Bank guarantee of Rs. 1.140 million. On the request of the firm, the contract was again amended on 31st January, 1975, extended the date up to the 15th March, 1975 and reducing the rate to $ 224.50 per metric ton in respect of the quantity shipped after the 31st December, 1974. The instructions issued to the Bank for the encashment of Bank Guarantee were withdrawn.

991. Audit further reported that the firm shipped 2,575 metric tons of Pig Iron on the 12th March, 1975. By that time the rates in international market had gone down further. At the request of the Corporation, the suppliers agreed to

bring down the price from $ 224.50 to $ 187 per metric ton and confirmed the same in their letter dated 9th April, 1975, but no formal amendment was made in the agreement, with the result that, after receiving $ 481,525 (Rs. 4,704,364) towards the cost of 2,575 metric tons @ $ 187 per metric ton, the supplier lodged an additional claim, amounting to $ 96,562 (Rs. 954,462) @ $ 37.50, on account of the difference between $ 224.50 and $ 187 per metric ton and went to the court of arbitration for the realisation of the said claim. The arbitrator's award went against the Corporation, on the grounds that the reduction in price was invalid, illegal and of no consequence. The Arbitrator directed the Corporation to pay the supplier Rs. 2.030 million.

992. The Management explained that the Trading Corporation of Pakistan had entered into a contract with M|s. Gimi Frankfurt on 10th October, 1974 for the import of 10,000 metric tons of Pig Iron of Iranian origin, at a price of U.S. $ 229 per metric ton C & F Karachi. This purchase was made, to meet the registered demand of Pig Iron for 1973-74, and price-wise it was very competitive as, in those days of world-wide commodity shortage and soaring international prices Pig Iron was purchased by the TCP at prices as high as U.S. $ 258 per metric ton C & F, Karachi. This contract provided for the shipment of goods in one lot by 30th November, 1974, the submission of a performance Bond by the suppliers within 7 days and thereafter the opening of L|C by the TCP in the supplier's favour. The Performance Bond was received from the suppliers on 12th October, 1974, and necessary L|C was opened on 21st October, 1974, specifying various terms and conditions under which the material was to be supplied. The party could not ship the goods by 30th November, 1974 and asked for an extension in the shipment date upto the 31st December, 1974, on the plea that the L|C initially opened by the TCP on 21st October, 1974 was not workable and they had to seek many amendments to it, until it was finally amended on 20th November, 1974. This request was considered by the Management to be reasonable and the L|C was amended to extend the shipment date to 31st December, 1974.

993. The party, not foreseeing the possibility of completion of shipment even by the extended date (*i.e.* 31st December, 1974) requested on 30th November, 1974 for a further extension up to 15th February, 1975, on the plea that it would be very difficult for them to transport pig Iron from the Iranian Steel Mills concerned to the loading port in Iran due to the extremely severe winter conditions in that country. The plea was not accepted by the Management and the suppliers were told in unequivocal terms that the entire shipment must be completed by 31st December, 1974 otherwise, in view of the declining trend in world commodity prices (which had become discernible by that time), the TCP would have to renegotiate the price if they were still interested in the Performance of the contract.

994. In subsequent negotiations, the suppliers agreed to accept an over-all reduction of 5,000 tons in the contracted quantity and to a price of US $ 224,50 per metric ton for the balance unshipped quantity of 2,500 metric ton which was to be completed by 15th March, 1975.

995. The party could not, however, arrange the shipment of the balance quantity of 2,500 metric tons from Iran on 28th February, 1975 and asked for permission to ship the goods from JAPAN. Since, by that time, there were indications of a further decline in world commodity prices, the Management refused to accept their request. The party then offered to ship this quantity at the reduced price of US $ 216 per metric ton which, too, was refused. The party, however, continued to press their demand and, in the meanwhile, on their own, shipped a quantity of 2,727 metric tons of pig iron from Japan per s.s. ANTARES, which sailed from the Nagoya port on 12th March, 1975. They requested the TCP to accept this shipment and to arrange for its insurance. This situation was again considered in a meeting of the Board of Directors of the TCP on 13th March, 1975, where it was decided that the TCP was under no obligation to accept this consignment, as it was being shipped without its (TCP) consent, but in view of the fact that the Japanese pig iron was of a superior quality to the Iranian material it could be accepted, provided that the suppliers agreed to a price of U.S. $ 177 per metric ton. The party refused to accept the proposed price reduction and continued to press their demand for the acceptance of this consignment at the contracted (revised) price of U.S. $ 224.50 per metric ton. The Management, however, did not agree to the party's request nor did they agree to insure the consignment.

996. A meeting was then held at Islamabad on 8th April, 1975 in which the then Secretary Commerce, and Chairman, TCF were also present. It was decided at the meeting that, since the TCP had to import pig iron to meet the pending demand of the purchasers in the country, the said consignment should be accepted at a price of US dollar 187 per metric ton, C & F, Karachi.

997. The Management further stated that after realising the sale proceeds and having completed the delivery of goods, the party felt aggrieved on the non-settlement of their demurrage claims and resorted to Arbitration proceedings challenging the validity of even the reduction of price as accepted by them *vide* their letter, dated 9th April, 1975 without any reservation. Unfortunately, the Arbitrators in their award held the price reduction to be invalid. They also awarded certain other costs, demurrage charge etc., the party. However, while giving their award, the Arbitrators avoided discussing the merits and demerits of the case on the evidence on record and gave a non-speaking award, in utter disregard of inconvertible evidence on record. They had thus acted capriciously and maliciously and their conduct was highly questionable. The fact that they

had given their award even on such matters (*e.g.* price reduction) on which there was no dispute, was enough to show that the award was *mala fide,* illegal, improper, and suffered from apparent errors of law.

998. The TCP challenged the award in the High Court of Sind and Baluchistan and prayed for its quashment on the plea that the award was illegal and that the Arbitrators had acted illegally, improperly and capriciously and had misconducted themselves. The Honourable High Court admitted the case for hearing, which is likely to come up before them in due course.

999. In the counter-affidavit, field before the High Court, the suppliers had mainly taken the plea, that the reduction in price to US dollar 187 per metric ton was obtained from them by the authorities under coercion, threat and undue influence and as such they had no option but to agree to it.

1000. In view of the above position, the Management argued that the contention of the Audit authorities that a loss of Rs. 3,170,185 had been incurred due to alleged imprudent and ineffective agreement, was untenable. In fact, no loss had been incurred. On the other hand, in dealing with this case, the sole concern of the Management had been to safeguard the TCP's financial interest, commensurate with its obligations. It was due to the extra-ordinary vigilance exercised by all concerned that a reduction in price was secured twice, which resulted in a considerable saving of public money. The Management further pointed out that, if the party had not delayed the shipment and completed it by 30th November, 1974 or by the original extended date of 31st December, 1974, the TCP would have had to pay a price of US dollar 229 per ton for the whole quantity under its contractual obligations. But the TCP took full advantage of the suppliers slackness and every effort was made to secure price reduction at every opportunity, in line with falling international prices, and to protect the TCP's financial interests. Audit, however, continued to maintain that prompt action to properly amend the agreement to record the reduction in prices and also the encashment of the Bank guarantee for Rs. 1.140 million, would have helped to prevent the loss.

1001. Questioned as to who were the Arbitrators in this case, the departmental representative replied that Admiral A. R. Khan was the Arbitrator from the suppliers side and Mr. M. Yousaf from the Trading Corporation of Pakistan side. A member of the Commitee enquired as to when was the Award given and when did the TCP go to Court. The departmental representative informed the Committee that the Management went to the Court in 1976 and the case was still pending. No hearing thereof had taken place as yet.

1002. After some discussion, *the Committee observed as follows—*

(i) *Full facts, along with the finding as to who was responsible for non-encashment of bank guarantee and non-execution of amendment of contract and what action was taken against him, should be furnished.*

(ii) *The Ministry should pursue the case in the Court, vigorously and should take action to get an early hearing and judgement.*

1003. *Loss of Rs.* 4.980 *million due to defective agreement* (*Para* 12, *page* 17—*ARCA*)—In 1975, the Trading Corporation of Pakistan entered into Agreements with various local firms for the export of 10,000 bales of cotton yarn to a foreign party. The firms failed to make full supplies. To meet the shortfall of 2,900 bales the Corporation made purchases from other firms at much higher rates, involving an additional expenditure of Rs. 4.980 million. The additional expenditure could not be recovered from the defaulting firms, due to the failure of the Corporation to obtain any performance guarantee bonds or to include penal clauses in the Agreements.

1004. When the fact was pointed out by Audit in January, 1978, the Management stated that the loss, suffered by the Corporation, was not due to any flaw in the Agreements, but was a result of deliberate default by the parties, and due to the dishonest attitude of the defaulters. Legal action had been initiated against them in August, 1977 but without any result.

1005. Audit stated that the contention of the Management that the loss suffered was not due to any flaw in the Agreements was not correct. Had adequate performance guarantees been taken, the occasion for litigation would not have arisen. Audit further stated that the ministry, in their reply of April, 1981, had endorsed the views of the Management, which were not tendable.

1006. In their reply, the Management explained that the Model Agreement, used in the TCP prior to 1976, and approved by the then Legal Advisor to the Corporation, did not require the obtaining of a performance guarantee. However, as a result of experience gained a risk purchase clause as well as the provision for the furnishing of a performance guarantee by the exporter has been incorporated in the amended model agreement.

1007. The Management further clarified that performance guarantee in the international trade is obtained for a fraction of the value of the contract ranging from 2 to 10 per cent. Even if the maximum performance guarantee of 10 per cent had been encashed, this by itself would not have been sufficient to recover the entire loss.

1008. A member of the Committee enquired as to whether the agreement between the buyer and TCP was on principle to principle basis or was the agreement between the buyers and the local suppliers, with the TCP acting as agent. The departmental representative informed the Committee that the agreement was between the TCP and the buyers abroad on a principal to principal basis.

1009. After consideration, *the Committee directed that the case for taking legal action against the defaulting firms, pending in the Court, should be pursued by the Ministry vigorously and the result reported to the PAC.*

1010. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 70, *pages* 50-51—*ARCA*)—According to Audit, financial irregularities and defects in procedure, which were discovered during the audit of various Corporations etc., were communicated to the Heads of Corporations and Administrative Ministries through Audit Reports. As the Managements had not taken prompt action, a number of audit observations were still outstanding and awaited settlement. In certain cases, even the first reply to the Audit Reports had not been given by the Managements.

1011. The details of Audit Reports relating to the Ministry of Commerce issued during the period January, 1980 to June, 1981 and remaining outstanding on 31st March, 1982 and the amounts involved in irregularities poiuted out therein are given below—

(i) Number of outstanding inspection reports	14
(ii) Number of Audit Reports to which the first reply was not received	5
Amounts involved in irregularities	*Rs. in million*
(iii) Embezzlement	2.045
(iv) Overpayments	0.307
(v) Shortages	0.814
(vi) Wasteful expenditure/infructuous expenditure	3.012
(vii) Irregular expenditure and other losses	37.139
Total ..	43.317

1012. The Ministry explained that Rs. 2.045 million, shown under the heading 'Embezzlement' cited above, pertained to the Rice Export Corporation and were embezzled by Mr. Aslam Siddiqui, former Acting General Manager, (Finance). The observation in respect of this case had been given by the Corporation against para 10 of the Auditor-General's Report on Commercial Accounts 1980-81 and, as recommended by Audit, they were pursuing the case.

1013. As regards irregular expenditure and other losses amounting to Rs. 5.647 million, they related to the National Insurance Corporation, Karachi and the position had been explained to Audit *vide* the Corporation letter No. NIC-1A-503 (6)/81-82, dated 14th October, 1982.

1014. The following items related to Cotton Export Corporation, which had furnished replies to Audit *vide* their letter No. 1 (30)|CEC|FD|81, dated 18th October, 1982—

	Rs. in million
(i) Wasteful expenditure	3.012
(ii) Irregular expenditure	3.261
(iii) Over-payment	0.289

1015. As for the TCP they had also given reply to the 10 paragraphs pertaining to 1975-76, 1977-78 and 1978-79 *vide* their letter No. TCP (F-I) PAC|1981-82, dated 15th September, 1982 and No. TCP (F-II)|Audit|81-82, dated 18th October, 1982 which involved Rs. 8.340 million by way of irregular expenditure and shortages. Out of the aforesaid amount irregular payment against 5 paragraphs worked out to Rs. 7.526 million and shortages to Rs. 0.814 million.

1016. In view of the above, *the Committee directed that it be informed about the instructions, issued to the Corporation etc., by the Ministry about promptly attending to Audit observations, and as to how far such instructions being complied with.*

Cotton Export Corporation of Pakistan (Paras 72—74, page 57—ARCA)

1017. Audit had pointed out that the gross profit of the Corporation increased from Rs. 306.389 million in the last year to Rs. 943.827 million during 1980-81, while the net profit rose from Rs. 151.124 million to Rs. 723.429 million. This increase in the net profit was due to—

(a) larger number of cotton bales sold *viz*, 2.272 million bales against last year's 1.598 million;

(b) increase in the average sale price from Rs. 259 to Rs. 388 per bale; and

(c) reduction in the cost of sales.

1018. An amount of Rs. 18.124 million had been shown as Capital Work-in-Progress on 30th June, 1981, representing the cost of construction of storage godowns at Karachi. This scheme was approved by the ECNEC in August, 1977 and was to be completed by January, 1981 at a total cost of

Rs. 64.816 million. Construction work could not be started in time, resulting in the revision of the PC-1 form in September, 1980 and raising the cost of the Project to Rs. 106.281 million and extending the completion target to June, 1982. However, up to the 30th June, 1981, an amount of Rs. 18.124 million only had been spent on the project, which worked out to a mere 17 per cent of the revised cost estimate. The Project was not expected to be completed within the revised time schedule and cost estimate.

1019. Audit further stated that an amount of Rs. 27.732 million had been released for the Project, by the Federal Government as loan up to 30th June, 1981. Interest @ 12.5 per cent per annum was payable on the loans disbursed during the three years 1977-78 to 1979-80 and @ 13 per cent on that disbursed in 1980-81. Out of the above sum of Rs. 27.732 million an amount of Rs. 18.124 million was spent on the Project up to 30th June, 1981 *i.e.*, even less than the amount received up to 30th June, 1980. The loan was thus far from fully utilised for the Project and the release of funds, amounting to Rs. 6.75 million during the year 1980-81, could not be appreciated.

1020. It was explained by the Department that the actual construction work of the Cotton Godowns started in September, 1980, the delay being due to the following reasons—

(i) There were heavy floods in the Malir River during 1977 and 1978, causing extensive damage to the industries situated around the selected site of the Godowns. In July, 1978, the then Commerce Minister directed the Cotton Export Corporation not to proceed with construction work till the suitability of the site was finally determined.

(ii) The search for an alternate site continued, but no other suitable plot was available. In the meantime, the KDA got a project approved for raising the banks of the Malir River to check the floods. As a result, the eastern portion of the original site became suitable and safe for the purpose. Detailed soil investigations were also carried out for checking the suitability of the site and designing proper, foundations. The matter was finally resolved by the Commerce Minister on 8th March, 1979.

(iii) A formal agreement with the Consultants for the design and supervision of work was signed in April, 1979. They completed the work of preparation of designs of the buildings and their approval, prequalification of construction contractors and preparation of tender documents in time for the tenders for the main works to be invited

on the 5th November, 1979 and received towards the end of December, 1979. The award to the construction contractors was made in July, 1980.

(iv) With the passage of time *i.e.* during the period of 3 years, sharp rise in the prices of material and labour rates did not permit the execution of the project at the cost originally approved by the ECNEC. The project cost estimate was, therefore, revised in 1980 to conform to the rates obtained on the basis of actual tenders. The revised PC-1 form was cleared by the ECNEC on 23rd February, 1982.

1021. The Department further stated that, up to the 30th June, 1982 an amount of Rs. 56.105 million had been spent on the construction of Cotton Storage Godowns whereas the loan granted by the Federal Government for the construction of Godowns amounted to Rs. 27.782 million only. No release was made during the year 1981-82.

1022. It was also explained by the Department that, out of 20 Godowns, 9 Godowns were ready for the storage of the 1982-83 crop. The remaining 11 Godowns were in finishing stages and would also be ready for storage of the 1982-83 crop.

1023. Of the Rs. 27.732 million released for the project by the Federal Government as loan up to the 30th June, 1981 of Rs. 5.226 could not be utilised within the year 1980-81.

1024. Coming to the question of profit or loss on trading, audit pointed out in their comments that the Corporation sustained a net loss of Rs. 237.307 million during 1981-82 as against a net profit of Rs. 723.429 million earned during the year 1980-81.

1025. Audit responded that whereas the revised PC-1 form provided for completion of the construction of godowns by June, 1982, they were still incomplete at 30th June, 1983, and that against the total cost of Rs. 106.281 million, only a sum of Rs. 76.83 million had been spent up to that date, which indicating that the construction was far behind the schedule.

1026. Replying to a query, the departmental representative submitted that the site for the construction of the Godowns was selected by the Ministry, in consultation with the Chairman of the Karachi Development Authority and the Commissioner.

1027. The Audit representative enquired as to when the project was expected to be completed. The departmental representative replied that the project was included in the Master Plan of the Karachi Development Authority and had to be fitted therein.

1028. On the question of excessive shortage in weight on shipments to China, the departmental representative informed the Committee that as the Corporation desired to honour its shipment commitments, it made the shipments to China on time, without prior weighment, for want of time, even though it was aware that there may be excessive weight differences compared to other shipment. Had the Cotton Export Corporation of Pakistan weighed the Cotton bales exported to China to avoid weight shortage, the shipment schedule would have been disturbed and the export target, fixed by the Federal Government, would not have been achieved.

1029. When questioned as to whether this non-weighment of bales, exported to China, was still continuing, the departmental representative replied that the department had now made the necessary arrangement for weighments in its godowns and warehouses.

1030. *The Committee finally observed that information be furnished as to who gave instructions to the Cotton Corporation for advancing Rs.* 500 *million to the Federal Government (Page* 5 *of Commercial Accounts* 1980-81 *Vol. I) and whether the approval of the Board was obtained therefor. Also, whether Rs.* 596 *million, given by the Government (Page* 6 *of Commercial Accounts* 1980-81 *Vol. I) was subsidy or grant.*

Export Credit Guarantee Scheme

1031. *Working results (Paras* 75-76, *page* 58—*ARCA)*—According to Audit, the Export Credit Guarantee Scheme provides cover against risks of non-realisation of sale proceeds of goods, exported on credit terms. The Scheme also enables the exporters to obtain pre-shipment|export finance from banks, who are protected against the risk of non-payment of the loan by the exporter/borrower.

1032. Audit further pointed out, that during the year 1980-81, the Scheme had earned a net profit of Rs. 2.001 million exclusively from investment income. In fact, the Scheme was continuously sustaining under-writing losses, which were attributed to the operation of the Scheme at a low level for the reasons that exporters and bankers were reluctant to cover their total credit exports|finances by the Scheme. According to the Management, a report on Exports (recommending *inter alia,* that all credit exports, financed under the State Bank concessionary export finance scheme, should be covered under this Scheme) was under consideration of the Export Promotion Bureau. The need for an expeditious decision and the implementation of the Report was stressed, so that the object of this Scheme could be achieved.

1033. The Ministry informed the Committee that the proposal to make the ECGS cover mandatory for all exports receiving concessionary Export Finance had been deferred by the Ministry for the time being, keeping in view the decision taken by the Economic Coordination Committee of the Cabinet on this Scheme. Further improvement in ECGS would be considered by the Government in due course.

1034. The Committee accepted the above explanation of the Ministry and made no further observation on this paragraph which was treated as settled.

National Insurance Corporation

1035. *Working results (Paras 77—80, pages 59-60—ARCA)*—The accounts showed that the Corporation earned a net profit of Rs. 183.11 million in 1982 and Rs. 160.95 million in 1981 as compared to Rs. 135.93 million in 1980.

1036. The Committee noted the progress.

1037. *Sundry Debtors*—According to Audit, the Sundry Debtors of Rs. 10.59 million, as on 31st December, 1980, included a sum of Rs. 9.16 million due from the National Co-Insurance Scheme since 1974. The final settlement of the account with the defunct scheme was required to be expedited. The Ministry accepted the Audit observation but stated that the amount was payable by NIF, which was administered by the Pakistan Insurance Corporation, who had been acting as Secretariats to the National Company Insurance Scheme. The PIC was looking after the finalization of NCIS Accounts under the directive of the Government. The Committee had expressed the view previously and reiterates it now that it appeared unlikely that the accounts of NCIS would ever be brought into order, it might be advisable to find another satisfactory way of winding it up expeditiously.

1038. *Hull Business*—Audit further pointed out that the Hull Business had been causing heavy losses to the Corporation. The revenue losses on Marine Hull amounted to Rs. 2,744,740 during 1978 to 1980, and those on Aviation Hull amounted to Rs. 5,359,705 during the same period. Steps should improve the profitability of these department. Agreeing with the Audit observation, the Department stated that, in the Marine Hull and Aviation Hull business even a single total loss affected the business results adversely, over which the Corporation had no control. Keeping this unavoidable factor in mind the net retention under the Marine Hull and Aviation Hull was very small and the basis of re-insurance was quite different from that for Fire, Marine and Accident.

1039. Audit also pointed out that, under section 10 of the National Insurance Corporation Act, 1976 all the insurance business, relating to any public property or to any risk or liability appertaining to any public property, was required to be placed with the National Insurance Corporation and with no other insurer. The PIDC, however, did not arrange their insurance with the NIC who took up the matter with PIDC, but the latter did not cancel the insurance policies obtained from private companies. The action of the PIDC was in contravention of the provisions of the Act and resulted in a loss to the National Exchequer. The National Insurance Corporation should bring the violation of the Act to the notice of higher authorities, for issuing directive to all the Public Corporations, for strict compliance with the requirements of the Law.

1040. In their reply, the department conceded that the PIDC had not cancelled the insurance policies obtained from a private insurance company, inspite of the NIC's best efforts. However, under instructions from the Ministry of Commerce, they placed their insurance business with the NIC from the 1st July, 1982, *i.e.* after paying full 12 month's premium to a private Company. It was felt that the PAC may also issue a directive to all the public sector organisations to place their business with the National Insurance Corporation, as no provision for punishing the violation of its provisions existed in the NIC Act, which additionally tempted some organisations to violate it.

1041. Audit advised, in their comments, that an amendment to the National Insurance Corporation Act, to include a suitable provision of penalty for the defaulters, should be considered.

1042. After having gone through the explanation of the Ministry and the Audit comments, the Committee observed that it was not the function of the PAC to issue directives to public sector organisations to place their business with the National Insurance Corporation. This was a matter, which should be taken up by the Administrative Ministry. The Committee did not make any further observation on the paragraph, which was treated as settled.

Pakistan Insurance Corporation

1043. *Working results* (*Paras* 81—84, *pages* 61-62—*ARCA*)—Audit reported that the Corporation earned a net profit of Rs. 7.40 million in 1980, as compared to Rs. 34.58 million in 1979. The profit earned during the year under review was mainly attributable to investment income, as the net under writing profit of the Corporation had decreased by Rs. 33 million from the previous year, mainly because of higher provision of Rs. 55.39 for premium reserve. The department had not furnished any explanation on the Audit comments but the figures indicated therein were confirmed by the Ministry.

1044. On a request being made, the departmental representative explained the reasons for the higher reserve. The Committee accepted the explanation offered and made no further observation on this paragraph.

Rice Export Corporation of Pakistan Limited (Paras 85—94, pages 63-64—ARCA)

1045. Audit reported that the Corporation exported, on behalf of Government, 1.087 million tonnes of Rice including 0.314 million tonnes of Basmati rice during the year 1979-80 against 1.010 million tonnes and (0.181 million tonnes of Basmati) in 1978-79. The increased turnover gave net sale proceeds of Rs. 4,101.359 million and a gross profit of Rs. 1,685.944 million against the previous year's net proceeds of Rs. 3,346.074 million with a gross profit of Rs. 1,393.881 million.

1046. Audit further pointed out that, from the Rice exported on behalf of the Government, there was an operating profit of Rs. 1,166.622 million during the year under review as against Rs. 1,027.655 million during the preceding year, 14 per cent higher than that of the previous year. The low increase in the operating profit, as compared to increase in the gross profit (21 per cent), was mainly due to increase in the expenses pertaining to the damaged and sub-standard rice, packing material and financial expenses.

1047. Audit further pointed out that the Corporation earned a gross commission of Rs. 58.256 million and profit before taxation amounting to Rs. 19.143 million after allowing for expenses chargeable to commission.

1048. It had also been reported that, out of 1.53 million tonnes of rice, procured during the year 1979-80, 30.673 tonnes or 2.66 per cent were damaged or were of sub-standard. This seemed to be excessive. The damaged and sub-standard rice, valuing Rs. 86.215 million, was sold for Rs. 40.865 million, resulting in a loss of Rs. 45.350 million. The reasons for such a high percentage of damaged stocks needed to be investigated and remedial steps taken to minimise the losses.

1049. A member of the Committee observed that, if the explanation given by the Ministry were in a tabular form, the whole picture could have been clearer.

1050. *The Committee finally directed that the Ministry should furnish the following information in tabular form for three years to show their performance—*

(i) *Quantity of rice exported*

(ii) *Net profit or net loss*

(iii) *Storage losses*

(iv) *Percentage of broken rice*

(v) *Operational expenses*

(vi) *Production of rice*

(vii) *Any other useful information*

1051. *Receivables* (*Para* 88, *page* 63—*ARCA*)—According to Audit, the receivables at the close of the years 1980-81 and 1981-82, as compared to 1979-80, were as under—

(*Rupees in million*)

	1981-82	1980-81	1979-80
(i) Sundry Debtors	401.953	510.398	89.866
(ii) Export duty recoverable	40.728	40 728	40.728

1052. From the above, it was observed that Sundry Debtors had increased considerably during the years 1980-81 and 1981-82. Audit stressed the need to recover the old arrears expeditiously. The year-wise analysis of outstandings was not prepared and produced to Audit.

1053. The Ministry explained that, except for export duty recoverable from Customs, other debtors were routine and there were no over-dues or bad debts. So far as the export duty was concerned, the matter had been pursued with Customs. The recoverable amount of export duty had, in any case, been credited to the Federal Exchequer by the Customs Authorities as revenues from Customs, instead of its being credited as " receipts from export of rice ".

1054. Audit pointed out in their comments that, since export duty was paid in excess of the amount actually leviable, it should either be recovered from the Customs or adjusted against future payments.

1055. Questioned about the exoprt duty recovery, the departmental representative submitted that the duty had been paid, but it could not be adjusted in the accounts.

1056. In reply to another question as to what was the quantum of stock at that time, the departmental representative informed the Committee that it was 3 lakh tonnes. Normally it was between 5 to 7 lakh tonnes, because procurement was always a little more than the export.

1057. The Committee did not make any observation on this paragraph which was treated as settled.

1058. *Physical verification of stocks* (*Para* 89, *page* 63—*ARCA*)—Audit had pointed out that there was no provision for physical verification of stocks in the Rice Export Corporation of Pakistan. Since physical verification at the close of the year was stated to be impracticable, a system for conducting physical verification on a perpetual inventory basis may be introduced, so that shortages, if any, could be determined yearly.

1059. It was explained by the Ministry that the Rice Export Corporation of Pakistan had to carry over heavy stocks of rice at the close of the year, because the procurement season fell in the latter part of the financial year (November to May), while exports were made all the year round. Because of the nature of the commodity and the bulk involved, it had not been possible to carry out physical verification at the close of the year. However, for the first time a physical count of stocks had been carried out by Auditors of the Corporation on 7th October, 1981, when the stocks were comparatively low. Thereupon, Audit maintained that the need for carrying out a physical verification of the stocks and stores at least on a perpetual inventory basis may be considered.

1060. Questioned as to what was the extent of the check carried out by the Auditors of the Corporation, the departmental representative said that it was not a hundred per cent physical stock taking.

1061. *The Committee, directed that a copy of the physical verification report of stocks carried out by Auditor's of Corporation and the losses detected should be conveyed to Audit who should check it and report to the Committee, if necessary.*

1062. *Cash and Bank Balance* (*Para* 90, *page* 64—*ARCA*)—The position of Cash and Bank Balances at the close of 1981-82, was as under—

(*Rs. in million*)

	1981-82	1980-81	1979-80
Current Account	22.623	45.468	61.862
Short-term Deposits	17.221	3.118	25.017
Cash Credit	2473.510	1456.118	1607.627
Overdraft	—	—	4.368

1063. The Management explained that the Rice Export Corporation did not retain heavy cash balances in its current accounts. Export proceeds were realised through these accounts and were transferred to the Cash Credit Account on a day to day basis.

1064. The paragraph was treated as dropped, subject to verification by Audit.

1065. *Rice demaged as a result of storage in the open* (*Para* 91, *page* 64—*ARCA*)—Audit reported that the Corporation had agreed to pay and provided in its accounts a sum of Rs. 10.118 million, being the value, stated by a warehouse agent of 6.784 tonnes of rice, damaged|destroyed as a result of storage in the open. The circumstances leading to the damage, needed to be investigated into before its write off.

1066. The Ministry explained that, about 6,856 tonnes of rice was damaged and destroyed as a result of long storage in the open during 1974 and 1975, when the Rice Export Corporation of Pakistan did not have adequate storage space for large quntities of rice procured by it during in those years. The matter had been inquired into thoroughly by a Committee, with a view particularly to ascertain whether loss had been caused by theft, negligence or fraud. Its report was being examined by the Board of Directors. The department further mentioned that there was no claim of the warehousing agent and no payment was proposed to be made to any agent on this account. The amount provided in the books of account for this purpose represented the value of destroyed stock, to be written off. Audit desired that the Ministry may be asked to finalise the report of the Committee expeditiously, so as to get losses regularised.

1067. After some discussion, *the departmental representative was directed to furnish a copy of the report to Audit, who may come back to the Committee, if necessary.*

1068. *Accounts of Directorate General* (*Food*) *and Transfer of Assets and Liabilities of Rice Export Corporation* (*Para* 92, *page* 64—*ARCA*—*Audit* pointed out that the stock, taken over by the Corporation from the Directorate General (Food) at the time of its inception, was written down by 19,522 tonnes, valuing Rs. 20.361 million. The reasons for the write down and the loss resulting therefrom needed to be investigated.

1069. The Ministry explained that the quantity of stocks claimed by the Directorate General (Food) as existing at the time of transfer was not correct. This was pointed out to the director of Accounts, Food, immediately on the receipt of his report at the time of transfer of the stocks to the Corporation. Later, it was decided to carry out a joint Scrutiny of accounts, as a result of which it was found that the quantities reported by the Directorate General of Food, at the time of transfer, were exaggerated. A quantity of 19.522 tonnes reported in excess, was identified as being due to recording errors and had, therefore, to be written off. The accounts were further being scrutinised to find out any

other similar excess reporting of stocks, which would be written off as and when identified. The department further explained that, since these quantities were not actually handed over by the Directorate General (Food) to the Corporation, the question of providing any reasons therefor on the part of the Corporation did not arise.

1070. Audit felt that the Ministry should be asked to finalise the scrutiny of the accounts jointly with the Directorate General (Food) expeditiously, so as to arrive at the final position in regard to the Assets and Liabilities, transferred by that Directorate General.

1071. After some deliberation, *the Committee observed that the PAC wanted this to be taken up when they examined the Accounts of the Ministry of Food and Agriculture for* 1980-81. *As the matter was not discussed, when the Accounts of the Ministry of Food and Agriculture were examined on 3rd January,* 1984. *Audit should bring it before the Committee when that Ministry's* 1981-82 *accounts are considered.*

1072. *Closing Stocks and Stores* (*Para* 93, *page* 64—*ARCA*)—Audit pointed out that the closing stocks and stores included imported copper and aluminium cables costing Rs. 1.214 million, on which there was no movement during1978-79 and 1979-80. These appeared to be surplus to the requirements of the Corporation.

1073. The department replied that the Copper and Aluminium Cables valued at Rs. 1.214 million had since been disposed of as there were surplus to requirement. Audit enquired whether the resultant loss of Rs. 90,000 on disposal had been regularised.

1074. The Committee made no further observation and the paragraph was treated as dropped.

1075. *Capital Work-in-progress* (*Para* 94, *page* 64—*ARCA*)—Audit had pointed out that Rs. 11.283 million were included in capital work-in-progress, which represented an unidentified excess between the cost as recorded in the books of the Corporation and the twelve imported rice cleaning plants, since capitalised. Identification and adjustment of the proper assets accounts were needed, so that the Capital work-in-progress account was relieved of this amount.

1076. In reply, the Ministry stated that the work-in-progress had since been identified and transferred to fixed assets. Audit confirmed the Ministry's explanation.

Trading Corporation of Pakistan Limited

1077. *Operational results* (*Para* 95, *page* 65—*ARCA*)—According to Audit, the Corporation earned an operating profit of Rs. 272.74 million during 1980-81 as against an operating loss of Rs. 32.36 million in 1979-80. The operating loss in 1979-80 was mainly due to accounting of the subsidy on edible oils on receipt basis, instead of accrual basis. The total subsidy for the year 1979-80 amounted to Rs. 869.12 million whereas Rs. 691.47 million received was accounted for in 1979-80 and the balance amount of Rs. 177.65 million was received and accounted for during the year 1980-81. The recording of subsidy on accrual basis was stressed.

1078. The Ministry explained, in their written reply that according to the Corporation, the Accounting treatment about the booking of susidy for the year 1980-81 was also on receipt basis. If subsidy were booked on an accrual basis, profits would get inflated and the TCP would be required to pay Income Tax @ 55 per cent thereon, which would adversely affect their liquidity position. It would be observed that, in 1979-80 a subsidy to the tune of Rs. 177.65 million was outstanding, had they recorded the subsidy on an accrual basis, they would have paid Income Tax on this amount. Therefore, it would not be in the interest of the Corporation to record the subsidy on a receipt basis. Moreover, under the Income Tax Law, once, a basis is adopted for recording income and expenditure on accrual basis or cash basis it should not be changed in the future. Any such change would only lead to complications.

1079. Thereupon, Audit observed that the General accounting principle is that revenue of one period should be matched with the cost of same period and Commercial accounts are normally maintained on accrual basis. It was therefore, advisable to record the subsidy on accrual basis, which would still be insisted upon by Audit.

1080. The departmental representative informed the Committee that it was only question of the past now. There is no subsidy now. This item had been transferred to Ghee Corporation. *The Committee decided to take up the matter with Ghee Corporation of Pakistan.*

1081. *Differences between book balances and certificates issued by Custodians of Stocks* (*Paras* 96—99, *pages* 65-66—*ARCA*)—The Committee did not make any material observation on the above paragraphs and these were treated as settled.

1082. *Overdraft of Rs.* 198.54 *million* (*Para* 100, *page* 66—*ARCA*)—Audit had reported that the overdraft of Rs. 198.54 million, appearing in the accounts for 1980-81, was authorised by the Government on 10th June, 1981

as counter-finance for edible oil. It was to bear interest at the rate of 10½ per cent per annum. The Corporation explained that this overdraft was not required by it nor did it ask for it ; but it was sanctioned by the Government on its own accord and the Corporation was asked to borrow it from its bankers. The Corporation was further instructed by the Government to invest the entire amount of overdraft along with an additional sum of Rs. 39.34 million from its own resources totalling Rs. 237.88 million, in Treasury Bills bearing interest at 8—1|2 per cent. The investment was made on 14th June, 1981 and 22nd June, 1981. The loss of the difference in the rate of interest was to be borne by the Government.

1083. Audit further commented that the Ministry of Finance may be asked the rationale behind that sanctioning of overdraft to the Corporation without its asking for it and then directing it to invest the same in Treasury Bills at lower rates of interest.

1084. After some discussion, *the Committee directed that a report should be furnished to the Committee as to who authorised the borrowing and whether or not the Board of Directors of the Corporation had agreed to the reinvestment ?*

COMPLIANCE ON THE POINTS RAISED IN THE PAC REPORT ON THE ACCOUNTS FOR 1978-79

Pakistan Tobacco Board

1085. *Compilation of Accounts* [*Para* 3 (*XXXIX*), *page* 7—*CA*] (*Paras* 1066-1067, *page* 304, *PAC Report* 1978-79)—The Committee was informed by Audit that the accounts of the Pakistan Tobacco Board up to 1981-82 had been audited and included in the Federal Compilation for 1981-82. Subject to the satisfaction of Audit, the paragraphs were dropped.

Rice Export Corporation of Pakistan

1086. *Loss of Rs.* 738,000 *due to pilferage of Rice* (*Paras* 13-14, *pages* 19-20 *CA* (*Paras* 1071—1075, *pages* 305-306, *PAC Report* 1978-79)—The Committee had previously directed that the quantities purchased and received paid for should be set out and the difference should be worked out on the basis of the quantity paid for. In compliance, the department explained that the difference between purchases (paid for) and arrivals during 1974-75 had since been worked out. It came to light that the overall shortage was only 0.15 per cent, which was quite insignificant.

1087. The Committee did not agree that the difference was insignificant. It desired that the position for subsequent years be ascertained and reported upon by audit. The particular paragraph was, however, treated as settled.

1088. Not being satisfied with the explanation, the Committee had previously directed the Ministry to examine the feasibility of evolving a procedure, whereby the quantity loaded in and received from wagons could be compared, wagon by wagon, and prompt claims lodged with the Railways in cases of discrepancy.

1089. The department in compliance, explained that a procedure had since been evolved and enforced from 1980-81, under which the quantity loaded and received was being checked on a wagon-to-wagon basis.

1090. Replying to a query, the departmental representative submitted that rice was procured at about 200 Centres in the Punjab and Sind and it was despatched by wagons. Some loss in transit was bound to occur for various reasons.

1091. Thereupon, *a member of the Committee observed that the Department should consider devising some methodology of dealing with this problem more effectively though they had already started checking it on wagon-to-wagon basis. The Committee also desired Audit to go over the present procedure of checking the wagons and suggest improvements therein, as may be called for.*

1092. *Loss of Rs.* 1,17,840 *due to repeated out-breaks of fire* (*Paras* 15-16, *pages* 20-21—*CA*) (*Paras* 1076—1079, *pages* 306-307—*PAC Report* 1978-79)—The Committee had directed that the Department should have held inquiries into the fire incidents and should have laid down adequate precautionary safeguards against the recurrence of such incidents in the future. It had also directed that the Ministry should look into the matter and obtain a detailed report from the Corporation, for suitable action. In compliance, it had been explained by the Ministry that—

(a) an inquiry had been instituted and the report of the Inquiry Committee would be submitted shortly;

(b) all precautionary safeguards had been taken; and

(c) a detailed report had been called for by the Ministry from the Chairman, Rice Export Corporation in June, 1982 *vide* letter No. 1 (32)/82-E. IV dated 14th June, 1982. The report was still awaited.

1093. Audit, in their comments, pointed out that a copy of the Inquiry Report into the incidents had not yet been produced to Audit. Thereupon, *the Committee directed that a copy of Inquiry Report should be given to Audit, who may come back to the PAC, if necessary.*

Pakistan Insurance Corporation

1094. *Balance Sheet as on 31st December, 1978 (Para 75, pages 148-149 (Paras 1080—1082, pages 307-308—PAC Report 1978-79*—The Committee was informed by Audit that, in accordance with decision of the Ministry of Finance, the Pakistan Insurance Corporation was required to segregate its assets and liabilities in respect of Bangladesh from its other assets and liabilities and show them separately in its accounts, till such time an overall settlement was reached.

1095. *The Committee had advised earlier that all the pending Accounts, pertaining to the former East Pakistan, may be transferred to the Ministry of Finance and taken out of the books of individual organisations. However, in view of the decision dated 27th September, 1982, communicated to the Ministry of Commerce, this matter would need to be taken up by the Committee with the Ministry of Finance.*

National Insurance Corporation

1096. *Exceptional Loss Reserve (Para 87, page 166—CA) (Para 1083, pages 308-309—PAC Report 1978-79)*—Audit did not make any observation on this paragraph which was treated as dropped.

1097. *Sundry debtors (Para 88, page 169—CA) (Para 1084, page 309—PAC Report 1978-79)*—The Committee was informed that the recoveries of outstanding premia and settlement of claims were being attended to by the NIC on behalf of the Pakistan Insurance Corporation. As far as the winding up of the National Co-Insurance Scheme was concerned, it was submitted that both the NIC and PIC were doing their level best to finalise the accounts of the Scheme as early as possible.

1098. Audit, thereupon, pointed out in their comments that the accounts of National Co-Insurance Scheme had not yet been finalised.

1099. *The Committee directed the departmental representative that write-offs may be considered, according to the prescribed procedure. The Secretary of the Ministry might consider these cases and take decisions thereon and come back to the PAC, if necessary.*

Export and Exhibition Cell

1100. *Financial Review (Para 102, page 192—CA) (Paras 1085-1086, page 309—PAC Report 1978-79)*—In compliance, the Department had written off the losses, amounting to Rs. 1,552,093 on 2nd November, 1980, and the Accounts then stood as finally closed *vide* Export Promotion Bureau, Karachi letter No. EPB|EEC|Accts|3|78-79 dated the 2nd November, 1980. The Department further informed the Committee that Rs. 20,669, representing "Cash in Bank" was refunded to the Government on 1st December, 1980 *vide* State Bank of Pakistan, Karachi Challan No. 93 dated 1st December, 1980.

1101. The Committee did not make any observation on the paragraph which was treated as settled|dropped.

Trading Corporation of Pakistan

1102. *Physical verification of stock* (*Para* 113, *page* 207—*CA*) (*Para* 1087, *page* 309—*PAC Report* 1978-79)—The paragraph was dropped subject to verification by Audit.

1103. *Liabilities for goods supplied* [*Para* 117 (4), *page*—212—*CA*] (*Para* 1088, *page* 309—*PAC Report* 1978-79)—In compliance, the Department had submitted that payment had been made to Rice Export Corporation on the 4th February, 1981 in full and final settlement. No further observation was made by the Committee and the paragraph was treated as dropped.

1104. *Cash and bank balances* [*Para* 117 (9), *page* 213—*CA*] (*Para* 1089, *page* 310—*PAC Report* 1978-79)—The Committee had previously directed that normally, only the amounts needed for essential requirements should be kept in the current account. The department explained that necessary instructions had been issued to their bankers that they should transfer the funds lying in other accounts to overdraft accounts, immediately before the close of the financial year.

1105. After persuing the explanation of the Ministry, *the Committee directed that there should be normally no separate overdraft accounts and only one combined account should be maintained.*

1106. *Internal Control* [*Para* 117 (15.2), *page* 214—*CA*] (*Paras* 1090-1091, *page* 310—*PAC Report* 1978-79)—A member of the Committee enquired as to how many accounts were outstanding in the Corporation and how many accounts remained to be reconciled? The departmental representative submitted that the Corporation had stocks worth Rs. 85 million in 1980-81 against Rs. 376 million in 1978-79. In 1980-81, practically all the accounts had been finalised. The Committee finally decided that Audit should check as to how many accounts remained to be reconciled and report back to the PAC.

1107. The Committee had been informed that the Department had started reconciling the stocks. Audit who had been requested to follow it up stated in their comments that it had been verified that reconciliation statements of stock-in-trade at the close of each year were being drawn up. The paragraph was, therefore, dropped.

Cotton Export Corporation of Pakistan

1108. *Balance Sheet as on 30th June,* 1979, (*Para* 129, *page* 220—*CA*) (*Para* 1092, *page* 310—*PAC Report* 1978-79)—The Committee had directed that Government should permit the Corporation to generate its own capital, instead of raising huge loans from the Banks and paying amount of interest thereon.

1109. The department explained, that the Corporation earned a net profit of Rs. 151.124 million and Rs. 723.429 million in the years 1979-80 and 1980-81, respectively. After paying Income Tax and dividend to the Federal Government, the following reserves were created to generate the working capital of the Cotton Export Corporation—

(*Rs. in million*)

	General Reserve	Godown Construction reserve
1979-80	25.00	—
1980-81	175.00	50.00
	200.00	50.00

1110. The Cotton Export Corporation had a Capital of Rs. 50 million and Reserves, amounting to Rs. 250 million as on the 30th June, 1981. The Corporation would try, in future also, to retain as much of the net profit as possible for use as working capital, after meeting the obligations of taxes and dividend.

1111. Audit pointed out in their comments that the directive of the PAC, that Government should ptrmit the Corporation to generate its own capital, had not been complied with, otherwise dividend would not have been paid at such high rates.

1112. When questioned whether any reply had been received from the Government the departmental representative informed the Committee in the negative. *The Committee decided that the matter should be deferred and Audit should find out as to what was the final position.*

Rice Export Corporation of Pakistan

1113. *Funds, liabilities and assets of the Government of Pakistan administered by the Corporation* [*Para* 135 (2), *page* 243—*CA*] (*Paras* 1093-1094, *page* 311—*PAC Report* 1978-79)—The Committee had previously directed that it should be examined whether Government could give a loan, on interest, to itself when the assets and liabilities, managed by the Corporation, were in any

case those of the Government. The Finance Division and the Corporation were directed to examine as to how the accounts of the assets and liabilities, under the Corporation's management, be best presented.

1114. The Ministry explained that the case had been referred to the Finance Division *vide* Ministry of Commerce, O.M. No. F. 1(32)|82-E-IV, dated 9th June, 1982, for advice on the written request of Rice Export Corporation *vide* their letter No. RECP|F|PAC|78-79, dated 24th May, 1982, final reply was still awaited.

1115. Representative of the Finance Division informed the Committee that the case has been referred back to the Administrative Ministry for their comments.

1116. Audit commented that further progress may be reported to the PAC.

1117. *The Committee directed that Audit should follow up the case.*

1118. *Operating results of rice exported on behalf of the Government of Pakistan* [*Para* 135 (2.6), *page* 247—*CA*] (*Para* 1095, *page* 311—*PAC Report* 1978-79)—The committee was informed that, since the Corporation was 100 per cent owned by the Government, the Corporation, as a matter of policy, did not charge any interest to Government on its debt balances.

1119. *The Committee decided that—*

(i) *the Ministry should find out, was a decision taken consciously by Board and then come back to the PAC, if necessary; and*

(ii) *a formal approval of the Board of Directors should be obtained whether interest should be charged from Government or not?*

(iii) *Audit should then verify the correct position.*

1120. *Shortage of rice* (*Para* 1098, *page* 312—*PAC Report* 1978-79)—Audit reported in their Comments that inspite of reminders, no progress of special audit started by RECP in September, 1981 had been intimated by the Corporation. *The Committee directed the Corporation to furnish report to Audit and deferred the consideration of the paragraph.*

1121. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points and paragraphs in (i) the Appropriation Accounts|Commercial Accounts for 1980-81 and the Auditor General's Reports thereon; and (ii) on the compliance report on the PAC Report for 1978-79. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF SCIENCE AND TECHNOLOGY

1122. The Committee then took up, for its examination, the Appropriation Accounts, etc., pertaining to the Ministry of Science and Technology. The following departmental representatives were present—

(1) Mr. M. Masihuddin, Additional Secretary-in-Charge

(2) Mr. S. N. Rehman, Deputy Secretary

(3) Mr. S. A. Hafeez, OSD (F&A)

1123. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Science & Technology	114
2.	Other Expenditure of Ministry of Science & Technology	115
3.	Development Expenditure of Planning and Development Division (Function-032 Partly)	159
4.	Development Expenditure of Ministry of Science & Technology	162
5.	Capital Outlay of Ministry of Science & Technology	185

1124. *Reconciliation of Accounts with Audit*—The Committee noted that the Ministry had completed the reconciliation of Accounts up to the 30th September, 1983, except the Accounts of CWHR and PARC. *The departmental representative was directed that the balance of un-reconciled Accounts should be expeditiously reconciled.*

APPROPRIATION ACCOUNTS

1125. *Grant No.* 114—*Ministry of Science and Technology* (*Page* 135—*AA*)—According to Audit, overall saving of Rs. 55,010 had occurred under this grant. It was also noted that there was an excess of Rs. 3,635 under the function Code " 381—Administration ". The department had thus surrendered Rs. 58,645 without regularising the excess. The Ministry explained as follows—

(i) The excess of Rs. 3,635 was due to a direct adjustment, carried out by Audit on account of advertisement bills of the newspapers paid through the P.I.D. This liability came to the notice of the Ministry, after surrendering the overall savings of Rs. 58,645.

(ii) The net saving of Rs. 55,010 was due to the economy measures adopted by the Ministry to curtail the expenditure and also due to a number of posts having remained vacant during the year. The amount was surrendered before the close of the year.

1126. Audit having accepted the above explanation, the Committee did not make any further observation on this grant.

1127. *Grant No.* 115—*Other Expenditure of Ministry of Science and Technology* (*pages* 136-137—*AA*)—Audit reported an overall saving of Rs 4,220,902 under this grant. The Ministry explained that the saving was largely due to the non-receipt of aid from aid-giving agency, 20 per cent cut on the 4th quarter releases by the A.G.P.R., non-implementation of the scheme in full and the non-release of funds as per actual requirements. The amount was in any case surrendered before the close of the financial year.

1128. The explanation of the Ministry being acceptable to Audit and the Committee treated the paragraph as settled.

1129. *Grant No.* 162—*Development Expenditure of Ministry of Science and Technology* (*Pages* 211-212—*AA*) *Function Code* " 389—*Others—Village level Food Processing Project* "—The Ministry, in their reply, stated that the saving of Rs. 1,050,000 under the above head, shown in the Appropriation Accounts was due to the non-adjustment of the U.S. Aid given to Village Level Food processing Project. The non-adjustment by Audit was a result of non-receipt of advice from the EAD. The amount was being adjusted in the accounts for 1981-82. Audit pointed out, that only Rs. 1,001,687 had been booked on the receipt of advice from the EAD during 1982-83. The Ministry of Finance representative intervened to say that, as far as the intimation of receipt of Aid is concerned, it was being received direct by the administrative Ministry who should conveyed the information to audit and that Instructions to this effect had also been issued to the various Ministries. Questioned as to when the instructions had been issued, the Finance representative replied that these had been issued recently. *The Committee directed that a copy of the circular issued by the Ministry of Finance in December,* 1983 *should be sent for the information of P.A.C.*

National Centre for the Transfer of Technology

1130. Audit pointed out, that the total grant of Rs. 1,000,000 for this item had been surrendered and the necessity of re-appropriation had not been explained. In fact, only a token supplementary grant should have been obtained instead of re-appropriation of the whole amount.

Development Centre for Silicon Technology

1131. Audit reported a saving of Rs. 36,529 under this function head. It was explained by the Ministry that the saving was due to non-presentation of cheques by the parties to whom they were issued. The Ministry informed Audit

in February, 1983 that the payment of the amount was made to the parties concerned in subsequent years. *A member of the Committee desired that the number of the cheques and the amount should be furnished to Audit, who may verify and check it.*

1132. *Grant No.* 185—*Capital Outlay of Ministry of Science and Technology* (*page* 245—*AA*)—The overall saving of Rs. 4,214,368, under this grant was explained by the Ministry as being due to non-receipt of aid from aid-giving agency ; 20 per cent cut imposed by the A.G.P.R. on the 4th quarter release ; and release of funds as per this actual requirements of the concerned organisations.

1133. Audit had reflected short recovery of Rs. 2,947,000 under " 389—Others-Recoveries on Accounts of Foreign Aid-Amounts met from PL-480—Pakistan Council of Scientific and Industrial Research ". The Ministry explained, that the saving of Rs. 2,947,000 was due to non-receipt of aid from Aid-giving agency, and consequently the amount was surrendered. The Committee did not make any observation on this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

1134. *Grant No.* 110—*Ministry of Science and Technology* (*page* 144—*AA*) (*Paras* 1013-1014, *page* 290—*PAC Report*—1978-79)—After having gone through the comments of Audit, the Committee made no observation and the paragraphs were treated as settled.

1135. *Grant No.* 112—*Other Expenditure of Ministry of Science and Technology* (*Pages* 146-147—*AA*) (*Paras* 1015-1016, *page* 291—*PAC Report* 1978-79)—The Committee had earlier arrived at the following conclusions—

(i) Irregularities, if any, in an organisation like the PCSIR, had never been brought before the PAC by Audit. The Accounts of such bodies should be duly scrutinised, for locating irregularities, if any, therein.

(ii) Apart from what Audit might be doing themselves, the Finance Division may also consider assigning to them the audit of certain organisations and corporations, selected by Finance every year. A list of the organisations and corporations so selected should be furnished to the PAC.

1136. Audit informed the committee that the bodies under the Ministry of Science and Technology, to be audited by them, was as under—

S. No	Name of Autonomous Body	Audited upto	Audit due
1.	National Science Council of Pakistan, Islamabad	1981-82	1982-83
2.	Pakistan Science Foundation, Islamabad	1981-82	1982-83
3.	Pakistan Scientific & Technological Research Centre, Islamabad.	1981-82	1982-83
4.	Pakistan Medical Research Council, Islamabad	—	Inception to 1982-83
5.	Museum of National History, Islamabad	—	1981-82 to 1982-83
6.	Irrigation, Drainage & Flood Control, Research Council, Islamabad	1980-81	1982-83
7.	Pakistan Council of Scientific and Industrial Research, Islamabad.	—	1981-82 to 1982-83

1137. *The Committee directed that a comprehensive list of organisations under them and the position of their audit should be furnished to the Committee by the Ministry.*

1138. *Grant No.* 146—*Sub Head "D-2-Lump Provision for the project of Generation of Data for Planning and Research"* (*Page* 185—*AA*) (*Para* 1017, *page* 291—*PAC Report* 1978-79)—The Committee had previously directed the departmental representative to get the figures reconciled. The Ministry informed the committee that the reconciliation of Audit and departmental figures of expenditure had been carried out, but that short booking of Rs. 26,319 could not be located due to the non-availability of records in the Audit office. Audit commented that a minor difference of Rs. 26,319 emerged in the revenue expenditure, for which no further corrective action was warranted.

1139. While the Committee did not approve of the lapse, the paragraph was dropped, as audit expressed its inability to locate the difference.

1140. *Grant No.* 161—*Development Expenditure of Ministry of Science and Technology* (*Page* 196—*AA*) (*Para* 1530—*page* 406—*PAC Report* 1979-80 *National Centre for Transfer of Technology*—The Committee was informed that a Regional Centre for Technology Transfer was established by ESCAP in India and it was obligatory for the regional countries to establish National Centres in their respective countries, so that a net work of Technology Transfer Centres could start functioning in the region. Accordingly, a proposal for the establishment

of a National Centre in Pakistan was prepared by the Ministry at a total cost of Rs. 19.9 million and approved by the competent authority. Rs. 0.1 million were allocated for it by the Ministry of finance in the year 1979-80. To speed up the start up of the Centre for Transfer of Technology on a priority basis, the Deputy Scientific Adviser (Dr. Naseer A. Malik) was given the charge of the office of Director-General, of the Pakistan National Centre and activities of this Centre were started. Since a lot of informatory material was being received from the Regional Centre, an efficient IBM Memory Typewriter was needed for retrieving the Information (by using the staff of the Ministry).

1141. The Secretary, Ministry of Science and Technology authorised the purchase of the typewriter, so that the interim cell of the National Centre which was an approved and on-going scheme, could function efficiently. Later, the proposal for filling the post of Director-General was submitted to the Establishment Division, but it could not be finalised. However, ADP allocations were continuously made for the project every year. The funds could not be utilized in subsequent years also because of the non-appointment of the Director-General.

1142. The Ministry further explained that the typewriter, purchased at a total cost of Rs. 83,600, was being still used for retrieving available information when required. When the scheme is finally implemented, this typewriter would be a useful asset for this organisation. The Ministry was actively considering the implementation of this project of national importance and an allocation of Rs. 1.4 million including a foreign exchange component of Rs. 0.7 million, had again been made for the project for the financial year 1983-84. After completing the necessary formalities, the other equipment provided in the approved PC-I, would also be purchased, so that the National Centre could play its role, as envisaged in the approved project.

1143. Audit stated in their comments that the Development Expenditure of Rs. 410,000 in 1979-80, was provided for the establishment of the National Centre which had not been established as yet. On the 23rd June, 1980, the Deputy Scientific Adviser proposed that an IBM-Memory Typewriter (15.5-in. Carriage) be purchased at a price of Rs. 83,600, for which a quotation has been received over the telephone. Sanction of the purchase was obtained from the Secretary, to avoid lapse of funds.

1144. A Director-General was subsequently appointed on the 5th August, 1980 for three months on current charge basis. The unnecessary and premature procurement of the ultra-modern typewriter was against the canons of financial propriety, as laid down in General Financial Rules 10. The retention and storage of the delicate and sensitive Machine for over three years in the Ministry's

premises, where there was no arrangement for keeping temperature below 70° F. was harmful for the precious equipment. The expenditure on the procurement of this Machine for its eventual use by the Centre was infructuous and there was a likelihood of irreparable loss to the Machine. This needed an independent investigation.

1145. After going through the Ministry's explanation and the Audit comments, the Committee wanted to know as to who had sanctioned the purchase at that early stage and for what purpose and also the reason for the increase of the expenditure ? The paragraph was deferred to be taken up in the next session.

1146. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other paragraph|points in the (i) Appropriation Accounts 1980-81 and the Audit Report thereon ; and (ii) on the Compliance of PAC's Report for 1978-79. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

MANPOWER DIVISION

1147. The next item to be taken up for examination by the Committee were that of the Appropriation Accounts etc., pertaining to the Manpower Division. The following departmental representatives were present—

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

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

(3) Mr. S. Iqbal Imam, M. D. (Overseas Pakistanis Foundation).

(4) Mr. Iftikhar Ahmad Gill, M. D. (Overseas Employment Corporation)

(5) Ch. Muhammad Munir, O.S.D. (F&A)

1148. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Manpower and Overseas Pakistanis Division	95
2.	Development Expenditure of Manpower and Overseas Pakistanis Division ..	156

1149. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of accounts for the year 1982-83 had been completed but that for the year 1983-84 was still outstanding. *It directed that the latters accounts should be reconciled expeditiously.*

APPROPRIATION ACCOUNTS

1150. *Grant No. 95—Manpower and Overseas Pakistanis Division (Page 117—AA)*—Audit had pointed out an excess expenditure of Rs. 93,332 under the function head "445—Vocational and Manpower Training". The Ministry explained that their excess was mainly due to the urgently required purchases of training material under the Crash Programme, which could not be postponed to the following year, as well as increase in the rates of regular allowance. Audit responded that the excess caused by each of these factors should have been given separately. Moreover, the details contained in the Appropriation Accounts showed that the re-appropriation from this head was excessive and a supplementary grant was unnecessary.

1151. After discussion, *the Committee observed that the Ministry should note that the excess arising for each cause separately and re-appropriation is not to be excessive.*

1152. *Grant No. 156—Development expenditure of Manpower and Overseas Pakistanis Division (Pages 202-203—AA)*—The Audit Report shows an overall excess of Rs. 7,045,642 against the final grant of Rs. 12,108,000. It was also

noted that there was an excess of Rs. 9,275,937 under the function head "Federal Programme for skill Development". The Department explained that this was due to the supply of more machinery and equipment by the United Nations Development Programme as aid from the Foreign Aid Deposit Account, than originally estimated. The matching Supplementary grant of Rs. 9,300,000 was approved by the Finance Division in the Demands for Supplementary Grant for the year 1980-81. The excess expenditure was, however, again regularised by the Finance Division by the issue of Excess Budget Statement 1980-81.

1153. Audit pointed out in their comments that the grant was closed with an excess of Rs. 7,045,642, mainly due to the fact that an amount of Rs. 9,300,000, allowed by the Finance Division from the Excess Budget Statement, was withdrawn by them at a later stage. As a matter of principle, an Excess Budget Statement is to be prepared only after the Accounts had been examined by the Public Accounts Committee and the excess cleared.

1154. The Committee did not make any observation on this grant.

AUDIT REPORT

1155. *Irregularities in the Accounts of Polytrade Model School, Islamabad during* 1977-78 *and* 1978-79 (*Para* 32, *page* 43—*AR*)—Audit reported as under—

(i) Though the School was established in July, 1977, approval of its Service Rules and Regulations had not been obtained from the competent authority.

(ii) The unspent balance of Rs. 102,214 had not been surrendered at the close of the financial year 1978-79, in disregard of Government Rules.

(iii) Rs. 147,961 provided for development expenditure during 1977-78 and 1978-79 had been utilized for non-development expenditure.

1156. The aforesaid irregularities were brought to the notice of the Ministry in April, 1980, but no action had been taken to fix responsibility or for the regularisation of the irregular expenditure.

1157. In their reply, the Ministry explained as under—

(i) The Polytrade Model School was functioning under the administrative control of the Ministry of Education upto January, 1980. The irregularities pointed out in the Audit Report related to that period. However, as far as the Service Rules were concerned, these had been prepared and approved by the Board of Governors and forwarded to

the Ministry of Education. The Finance Division had also sent a proforma to be filled in, which was completed by the School and furnished to the Ministry of Education. In the meantime, the School was transferred to the administrative control of the Overseas Pakistanis Foundation.

(ii) Some bills of suppliers on account of purchase of stores and equipment were outstanding and payment therefor was to be made after approval by the Purchase Committee. For this reasons the amount was carried forward to the next financial year by the School. No loss had caused to the Government thereby.

(iii) The Polytrade Model School remained short of funds on non-development side due to the fact that the pay scales of the employees were revised by the Government, but additional funds were not provided. The School had no alternative but to borrow from the development side, to meet this unavoidable expenditure.

1158. Audit maintained that the diversion Development Funds, allocated from 1977 to 1979 to non-Development expenditure was irregular and required condonation with the sanction of the Ministry of Finance. As the Ministry held that the School had insufficient funds for non-development expenditure why did it not curtail its current expenditure on T.A., contingencies, durable goods, etc., other than pay and allowances. It was also to be clarified whether the " Loan " drawn from the development grant was eventually refunded and if so, when ?

1159. Replying to a query, the departmental representative informed the Committee that the action with regard to the preparation of Service Rules was under process and it was expected to be finalised within three to four months.

1160. When questioned about the utilization of the " Loan " from the development grant the departmental representative replied that the department was proceeding against the officer concernd in this respect.

1161. After discussion, *the Committee observed that the long pending Service Rules should be framed within four months and Audit informed of it. As for paragraph* 32 *(iii), Audit should be informed about the action taken by the Ministry against the officials, who committed the irregularities, and inform the P.A.C. about it.*

1162. *Recoveries not effected—Rs.* 17,438 *(Para* 147, *page* 125—*AR)*—Audit had reported that over-payment of pay allowances etc., were not recovered promptly by the Labour Attaches in two Missions abroad. Consequently, the outstanding recoveries accumulated to Rs. 17,438.

1163. The need to recover the outstanding dues was stressed upon the said Attaches by issue of reminders to the Ministry|Missions concerned, but without avail. Expeditious action should be taken to recover the amount, and after recovery evidence should be produced to Audit for its recovery. Steps should also be taken to avoid such overpayments in future.

1164. It was explained by the department that the recovery of overpayment of pay and un-utilized T.A. advance from Mr. Abdul Karim Hamirani, former Labour Attache, Tripoli had since been taken up with the Government of Sind, who have issued instructions to Commissioner, Sind Employees Social Security Institution to direct Mr. Hamirani to deposit the outstanding dues immediately. The amount of £ 518|63 due from Mr. S. B. Sofi had already been paid by his solicitors to the Embassy of Pakistan, London and had been credited to Government account.

1165. Replying to a query, the departmental representative informed the Committee that Rs. 2,700 had been recovered and the balance was being recovered in monthly instalments of Rs. 300. Audit was requested to follow up the recovery.

1166. *T.A. Advance not adjusted—Rs.* 8,689 (*Para* 148, *page* 125—*AR*)—According to Audit, a T.A. Advance of Rs. 8,689, granted to an officer in May, 1956 on his transfer from one Mission abroad to another, remained to be adjusted. In accordance with the orders, the T.A. advance if not adjusted within the prescribed period of one year, had to be recovered in a lump sum. The officer concerned had failed to adjust the advance by May, 1957, but no action to recover it had been taken.

1167. The Ministry stated that the T.A. advance of Rs. 8,689, drawn, by Mr. S. B. Sofi, *Ex*-Labour Attache, was adjusted by the Chief Accounts Officer, Ministry of Foreign Affairs as intimated *vide* letter No. GA|VI|850 dated 8th December, 1971. Thereupon, the Committee did not make any observation and the paragraph was treated as settled|dropped.

1168. *Irregularities in N.D.V.P. (Defunct), Lahore* (*Para* 149, *pages* 126—128—*AR*)—The following irregularities were noticed in the accounts for the year 1974-75 to 1977-78—

(i) Goods worth Rs. 263,660 were purchased by the Regional Centre, Lahore during May, 1974 to October, 1975 for different Sub-Centres of the N.D.V.P. Audit had pointed out that the requirements of para 148 of GFR Vol-I were not fulfilled. In the absence of stock inventories, the entire purchases remained unverified and chances of mis-appropriation thereof could not be ruled out.

(ii) Furniture and equipments worth Rs. 37,376 were purchased during June to September, 1974 without sanction and without inviting quotations or tenders.

(iii) On the verbal orders of the then Director-General N.D.V.P., the Regional Centre spent Rs. 81,547 on the provision of hostel facilities.

(iv) According to the N.D.V.P. Act, 1973 and the Rules made thereunder, volunteers were entitled to stipends at the prescribed rates. Under rule 6(5), no other facilities or allowances, admissible to Government servants, were to be allowed to the volunteers. Notwithstanding this, volunteers were allowed TA|DA amounting to Rs. 34,127.

(v) Advances of Rs. 5,500 and Rs. 32,000 were paid to two firms in October and November, 1974, respectively without the sanction of the competent authority.

(vi) A refrigerator was purchased for Rs. 8,500 by the Centre on 19th September, 1974 for the Director-General's House. Documents in support of the purchase were not available. An unsigned Cheque No. 161700, dated 1st October, 1974 in payment of the price of the refrigerator was lying with its counterfoil. It was stated to have been cancelled and a reverse entry made in the cash book on the 8th October, 1974. An Investigation into the loss of the refrigerator by the F.I.A. showed that there was a possible mis-appropriation of Rs. 8,500.

(vii) A loan of Rs. 18,000 was obtained from a bank by pledging gold, extracted by the volunteers from the Northern Area Indus Basin. Interest of Rs. 4,611 was paid on the loan on the 24th March, 1977. The sanction for and the date of obtaining the loan, and the circumstances necessitating it, instead of obtaining funds from the Government, were not on record.

(viii) Training fees of Rs. 53,328 were paid to different agencies for N.D.V.P. volunteers. There was no provision for such payment in the N.D.V.P. Act, 1973 and the Rules of 1976. The Director-General was empowered to pay stipend only in terms of the 1973 Act. Special sanction for the additional expenditure, not provided in the scheme, should have been obtained from the Government.

(ix) A Van No. LEK-2857 was stolen between the night of 21st-22nd January, 1978. Neither any F.I.R. was lodged with the Police nor was a departmental inquiry instituted. The Vehicle was recovered by the Police and it was brought on road. After recovery, the Van

covered 249 miles unauthorisedly. On the closure of the Centre in June, 1978, the Van should have been surrendered to the Controlling Ministry|Cabinet Division, which was not done. The whereabouts of the Van and who was using it since June, 1978 were not made known.

(x) One typewriter and three calculators were stolen from the premises of the Centre during 1974-75. An L.D.C. was dismissed, who was stated to be involved in the theft of the typewriter. In case he was found guilty, the machine or its cost should have been recovered.

(xi) Three crossed cheques were stolen by an Assistant Director (Admn). They were stated to have been recovered. Full details were not given to Audit.

1169. The above irregularities were brought to the notice of the authorities in June, 1979 and the Ministry in April, 1980. No reply had been received till March, 1982. The matters needed to be investigated into for fixing responsibility.

1170. In their written reply, the Ministry explained that the N.D.V.P. was established as an autonomous organisation and was placed under the administrative control of the Ministry of Industries. It was declared as an Attached Department of the Ministry of Industries in August, 1977 and transferred to the administrative control of the Manpower Division in May, 1979. It was finally closed with effect from 30th June, 1980. The department remained under the administrative control of Manpower Division only for one year and one month. The irregularities pointed out by Audit in their report related to the earlier periods. Since the department had been closed and the employees were either declared surplus or had left service and the relevant record were also not available, the issue of regularising the irregularities had been taken up with the Finance Division and a decision thereon was still awaited.

1171. Audit maintained that the position of assets and accounts of this organization needed to be ascertanied, and action taken for their disposal, otherwise these would be destroyed with the passage of time.

1172. Replying to a query, the departmental representative submitted that the case had been again referred to the Ministry of Finance, because they had once turned down the Department's recommendation. That Ministry wanted a report, which was furnished to them. Thereupon, a Member said that Audit should follow it up and report back, if necessary, and also check whether the assets were accounted for.

1173. Replying to a query on item (v), the departmental representative stated that they had written to the Ministry of Finance and had asked the Director-General, Bureau of Emigration to hold an inquiry and give a detailed reply. A member of the Committee observed that someone should pursue the matter vigorously otherwise this would go on for years.

1174. The departmental representative promised to comply with the above suggestion and requested the Committee to give the department six months for it, because it was a very lengthy case. *The Committee agreed that the case be finally settled by 30th June, 1984, and gave the following directives—*

(i) *The final winding up of N.D.V.P. should be expedited and information about its assets etc., should be furnished to Audit.*

(ii) *Someone should look into item (vii) and take positive action. A report should be furnished to Audit, who may come back to the PAC, if necessary.*

(iii) *Item (x) should be finalized by June, 1984.*

(iv) *Audit should check, item (xi) to ascertain whether the cheques were encashed or not.*

(v) *An official should be specially deputed by Audit to the Ministry, to settle all these irregularities.*

COMMERCIAL ACCOUNTS

1175. *Overseas Workers (Pakistanis) Foundation (Para 215, pages 705-706—CA)*—According to Managing Director's Report the Overseas Worker's Foundation was registered under section 26 of the Companies Act, 1913. As a Company Limited by guarantee. The Welfare Fund, established under the rule 26 of the Emigration Rules, 1979, had been vested in the Foundation. The Foundation started its operations from the 9th July, 1979. A basic organisation was set up at the Head Office and four Regional Offices were also established. The organisation thus set up was meant to ensure a balanced growth of the Foundation in the coming year. Rules, procedures and instructions were prescribed to ensure smooth working of the organisation and create a sence of active participation, and responsibility.

1176. *Balance Sheet (Para 216, page 707-708—CA)*—A member of the Committee asked as to why had the department borrowed Rs. 8.5 million from bank when it had bank balances of Rs. 62 million. A reference to page 711 of the Commercial Accounts Vol. I showed that of the Rs. 62 million. Rs. 58.7 million was on deposit accounts and Rs. 2.89 million was on current accounts.

If funds were required it ought to have been seen whether encashment of a part of the deposit be cheaper then borrowing. Audit intervened to say that, if the department needed money, it would have been better to encash the deposit rather than borrow from the bank.

1177. After discussion, *the Committee directed the departmental representative to furnish a report to the Committee as to whether the Corporation had incurred a loss by borrowing Rs.* 8.5 *million, when they had Rs.* 58.7 *million, available in the Deposit Accounts and Rs.* 2.89 *million in the current Accounts.*

1178. *Audit Comments on the accounts for* 1979-80 (*Paras* 312—320, *pages* 126-127 *ARCA*)—*The Committee after going through the foundation's written reply directed the departmental representative that a note with details of Internal Audit of the Foundation should be furnished to them.*

1179. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs|points in the (i) Appropriation Accounts|Commercial Accounts 1980-81 and the Audit Reports thereon; and (ii) Compliance on PAC's Report for 1978-79. These would be deemed as settled, subject to such regularisation actions as may be necessary under the rules.

LABOUR DIVISION

1180. The Committee then took up, for examination, the Appropriation Accounts etc. pertaining to the Labour Division. The following departmental representatives were present—

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

(2) Mr. Ashraf Ali, Joint Secretary

(3) Mr. S. S. Hoda, Joint Secretary

(4) Mr. Tanweer A. Khan, Social Security Adviser

(5) Mr. Shaukat Hussain, Deputy Secretary

(6) Mr. S. A. Aziz, Section Officer (F&A)

1181. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Labour Division	93
2.	Other Expenditure of Labour Division	94

1182. *Reconciliation of Accounts with Audit*—The Committee noted with satisfaction that the reconciliation of accounts for 1982-83 had been completed that for the year 1983-84 accounts, had been reconciled upto September 1983.

APPROPRIATION ACCOUNTS

1183. *Grant No. 93—Labour Division (Page 115—AA)*—As reported by Audit, an overall saving of Rs. 216,215 had been shown under this grant, but there was an excess of Rs. 11,258 against " 441—Administration ". The Ministry explained that, the Finance Division had agreed to a supplementary grant of Rs. 11,000 and that the excess was of Rs. 258 only. The excess occurred as at the time of issuing the final appropriation order at the end of the financial year, the likely expenditure in the last two weeks of the month of June was also taken into account but certain minor variations did occur in incurring actual expenditure during the said period.

1184. Audit pointed out in their comments that, a sum of Rs. 11,000 was shown in the Excess Budget Statement of the Finance Division, but was later withdrawn. Accordingly, the excess had been shown at Rs. 11,258 in the Appropriation Account.

1185. The Committee accepted the explanation of the Ministry and did not make any further observation on this grant.

1186. *Grant No. 94—Other Expenditure of Labour Division (Page 116—AA)*—An excess of Rs. 25,000 had been reflected against the function head "442—Regulation of Man-Management Relations". It was stated by the Ministry that there were two departments in this classification, namely the National Industrial Relations Commission and the Implementation Tribunal for Newspaper Employees. The actual expenditure, as per the reconciled statements of both the departments came to Rs. 1,461,508. The excess of Rs. 25,000, shown in the Appropriation Accounts, related to expenditure on account of the cost of police guard, posted in the premises of NIRC and paid to the Police Department, Government of Punjab. This expenditure had been booked twice; once at the time reconciliation of expenditure by the NIRC and AGPR, Rawalpindi, and again on the receipt of advice from the sub-office of AGPR, Lahore. The matter was, however, under correspondence between the AGPR and NIRC for rectification.

1187. Audit had further reported an excess of Rs. 12,972,563 under the function head "473—Labour Welfare Activities".

1188. After considering the explanation of the Ministry, which was also confirmed by Audit, the Committee made no further observation.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

1189. *Grant No. 95—Other Expenditure of Labour Division (Page 128—AA) (Paras 315—319, pages 118-119—PAC Report 1978-79)*—The Committee had previously directed that the question of auditing the "Funds" should be examined, in consultation with the Law Division. In compliance, the department explained that a reference was made to the Law Division, which pointed out that the Federal Finances were the concern of the Finance Division. As such, reference should be made to them in first instance, who may obtain the opinion of Law Division, if deemed necessary. A reference had, as such, been made to the Finance Division, whose reply was still awaited.

1190. The department further stated that the accounts of the Fund had been audited by the Auditor-General upto the end of June, 1981, and the Audit report had been sent to the Provincial Workers' Welfare Board, for furnishing replies to the objections raised. Thereupon, Audit pointed out that the debits of Rs. 3,125,400 had been adjusted in the Accounts for 6|83 (Final). The audit of the Fund had been completed up to 1980-81 and that for 1981-82 was underway. Audit would be awaiting the outcome of the correspondance between Labour, Law and Finance Divisions on this issue.

1191. After considering the explanation of the Ministry and comments of Audit, the Committee observed that, if the opinion of the Law Division on any issue is referred to in any reply, a copy of the reference made to that Division and the opinion given by the Law Division should be furnished to the Committee| Audit before-hand. The consideration of these paragraphs were deferred.

1192. *Recovery against the head "Amount met from Worker's Welfare Fund (Page 128—AA) (Paras 320-321, pages 119—124, PAC Report 1978-79)*—Not being satisfied with the explanation, *the Committee directed the departmental representative to furnish detailed replies in respect of the Worker's Welfare Fund in the next session.*

1193. *Correction in the Accounts for* 1976-77 (*Paras* 331-332, *page* 124—*PAC Report* 1978-79)—In compliance, the department explained that the reconciliation of receipts and other allied matter were technical matter while the Social Security Unit, which acted as the Secretariat of the Fund, had no staff conversant with accounting procedures. The job of reconciliation as such could not, therefore be performed satisfactorily. The Labour Division had mooted a proposal to create an Accounting Cell, headed by a qualified Accountant ; but it was turned down by the Finance Division. The Governing Body of the Workers' Welfare Fund had also decided that the work should be carried out without incurring extra expenditure. The efforts of the Department for creating an Accounting Cell thus had not been successful.

1194. The Department felt that the C.B.R. which acts as the agency for the collection of 2 per cent tax on the assessable income of companies for this Fund should be requested to pass on the figures of receipts to the Labour Division, duly reconciled with the concerned treasuries and the Accounts Offices. With the help of these reconciled receipt figures, the department would be able to present a clear cut and precise picture of receipts of the Fund, as regards amounts deposited in khas deposit and the Bank, the Ministry informed the Committee that the Deputy Social Security Adviser had been deputed, with the approval of Secretary, to regularly verify the correctness of the amounts entered in the Pass Books.

1195. After some discussion, *the Committee finally arrived at the following conclusions*—

(i) *Monthly verification should be carried out by an Officer, whenever any deposit takes place, and monthly report about it should be submitted to the Principal Accounting Officer* i.e. *the Secretary.*

(ii) *The Ministry should have a complete list of companies, who are to contribute to the Fund, and obtain from C.B.R. particulars of the payments made by them. If necessary regular and frequent reminders, be sent to the C.B.R.*

(iii) *It should be recognised that any interest|profit gained on or from the investment of this Fund is a part of the Welfare Fund.*

(iv) *The reasons why the amounts from this Fund were placed in Current Account and not on Deposit Account should be communicated to the Auditor-General.*

1196. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs|points in the (i) Appropriation Accounts 1980-81 and the Audit Report thereon and (ii) Compliance of PAC Report 1978-79. These would be deemed as settled, subject to such regularization actions as may be necessary under the rules.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

1197. Thereafter, the Committee took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Local Government and Rural Development. The following departmental representatives were present—

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

(2) Mr. A. Rehman, Joint Secretary

(3) Mr. A. S. Bokhari, Director-General

(4) Mr. A. H. Sajid, Deputy Secretary

(5) Mr. Ahmad Umar Qureshi, Section Officer (F&A)

1198. The Ministry controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Local Government & Rural Development	98
2.	Other Expenditure of the Ministry of Local Government & Rural Development.	99
3.	Development Expenditure of Ministry of Local Government & Rural Development	157

1199. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation for the year 1982-83 had been completed. As for reconciliation of Accounts for the year 1983-84, *the Committee directed that the accounts for demand No. 96 and of the Regional Office of the Director of Local Government, Peshawar, as well as any other outstanding Accounts should be reconciled soon.*

APPROPRIATION ACCOUNTS

1200. *Grant No. 98—Ministry of Local Government and Rural Development (Page 120—AA)*—Audit had shown the following saving in the Appropriation Accounts under function 018—Local Authority Administration and Regulation of Local Bodies— .. ..

1202. Subsequently, a supplementary grant of Rs. 235,000 was sanctioned which raised the Final Grant to Rs. 4,540,000. Against this Final grant, an expenditure of Rs. 4,306,269 was incurred by the Ministry at Islamabad and the Regional Offices at Karachi, Lahore and Peshawar (except Rs. 208,900 relating to the 11 Union Councils) which stood duly reconciled with the A.G.P.R.

1203. As regards the 11 Union Councils, the departmental representative informed the Committee that the grant for the Councils had been transferred to the Ministry of Interior, who may be asked about the same.

1204. The Committee did not make any observation.

1205. *Grant No. 99—Other Expenditure of the Ministry of Local Government and Rural Development (Page 121—AA)*—There was no material point for consideration by the Committee under this Grant.

1206. *Grant No. 157—Development Expenditure of Ministry of Local Government and Rural Development (Page 204—AA)*—This Grant also partly related to the Ministry of Interior. In view of the position set out above, the Committee directed that Audit should note that the Ministry of Interior had to reply to their portion of the Grant and this may be pointed out at the appropriate time.

1207. After considering the explanation of the Ministry, a Member of the PAC observed that a sum of Rs. 1,557,000 was originally provided but it was reduced to Rs. 1,200,000 in the Revised Estimates for 1980-81, under function 563—Monitoring and Evaluating Integrated Rural Development Programme under this Grant. The unspent balance of Rs. 900,000 was surrendered, after deducting the actual expenditure of Rs. 300,000. The details of items on which this amount had been spent should have been indicated in the reply. *The Committee directed that the Ministry should furnish details of an expenditure of Rs. 3 lakhs to Audit.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

1208. *Grant No. 137—Development Expenditure of Local Government and Rural Development Division (Page 176—AA) (Para 965, page 279—PAC Report 1978-79)*—The Committee did not make any observation on this paragraph except that the department should have simply said that a copy of the Treasury Challan had been sent to Audit for verification.

1209. *Loss in people's Works programme*—(*Paras* 970—974, *Pages* 280—282—*PAC Report* 1978-79)—Observing that the replies given by the Ministry were not self-contained, *the Committee deferred consideration of the compliance report on these paragraphs to the next meeting requesting the Secretary to send replies thereto with fuller details.*

1210. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraph|points in the (i) Appropriation Accounts 1980-81 and the Audit Report thereon and (ii) Compliance of PAC's Report 1978-79. These would be deemed as settled, subject to such regularization actions as may be necessary under the rules.

1211. The Committee then adjourned to meet again at 9.00 a.m. on Sunday, the 1st January, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 1st February, 1985.

FEDERAL COUNCIL SECRETARIAT

Sunday, the 1st January, 1984

Eighth Sitting (PAC)

1212. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1980-81. The following were present—

PAC

(1) Mian Zaka-ur-Rehman, Member, Federal Council	*Member, (Acting Chairman)*
(2) Syed Saieed Hasan, Member Federal Council	*Member*
(3) Mr. Abdul Qadir, former Chairman, Railway Board	*Member*
(4) Mr. Yusuf Bhai Mian, Chartered Accountant	*Member*

Federal Council Secretariat

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

Audit

(1) Mr. Abdul Raouf, Auditor-General of Pakistan
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)
(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R)
(4) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues
(5) Mr. Ziaul Haq Khan, Director General, WAPDA, Audit
(6) Mr. Abdul Khaliq, Deputy Director-I, WAPDA, Audit

Ministry of Finance

(1) Mr. K. N. Cheema, Joint Secretary
(2) Mr. S. M. Badrul Hassan, D.F.A. (Water and Power)

1213. *Accounts examined*—The accounts of the Ministry of Water and Power were examined by the Committee during the course of the day.

MINISTRY OF WATER AND POWER

1214. The Committee examined the Appropriation Accounts and Audit Report etc., pertaining to the Ministry of Water and Power. The following departmental representatives were present—

(1) Mr. Abdul Wahab F. Sheikh, Secretary

(2) Maj. Gen. Ghulam Safdar Butt, Chairman WAPDA

(3) Ch. Ziaul Qayyum, Deputy Secretary

(4) Dr. S. M. H. Bokhari, Member (Water), WAPDA

(5) Mr. Ayub Sadozai, Member (Power), WAPDA

(6) Mr. A. F. Sirajul Haque, Member (Finance), WAPDA

(7) Mr. S. M. Rizwan Abidi, Executive Director, MCP

(8) Mr. M. Gulzar, Comptroller IBP, WAPDA

(9) Syed Amjad Hussain, CE, M&E, WAPDA

(10) Mr. Asif H. Kazi, G. M. Tarbela

(11) Mr. M. Y. Khan, Chief Auditor, WAPDA

1215. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Water and Power	125
2.	Other Expenditure of Ministry of Water and Power	126
3.	Development Expenditure of Ministry of Water and Power	166
4.	Capital Outlay on Irrigation and Electricity	187
5.	Capital Outlay on Petroleum and Natural Resources (partly)	181

1216. *Reconciliation of Accounts with Audit*—The Committee noted that the position of reconciliation of accounts pertaining to the Ministry was satisfactory and up-to-date.

1217. *Grant No.* 125—*Ministry of Water and Power* (*Page* 152—*A*)—It was explained that the saving of Rs. 88,851, shown against the function head "541—Administration", being only 1.7 per cent of the allocation, was within the permissible limit of 5 per cent and required no explanation. Audit pointed out in their comments that, in view of the surrender of Rs. 403,318 and saving of Rs. 88,851 under this code, the supplementary grant of Rs. 150,000 and the re-appropriation of Rs. 85,000 were unnecessary. This was poor budgeting on the part of the Ministry.

1218. Questioned as to why the supplementary grant was asked for when there was a surrender of Rs. 403,318, the departmental representative explained that the supplementary grant was obtained for the purchase of a car in August, the amount to be surrendered at the end of the year was not known at that time. Audit observed that the Ministry should have seen to that aspect when the supplementary grant was obtained or it should have been mentioned in the schedule of supplementary demand.

1219. The departmental representative replied that it was done when the final accounts were reconciled.

1220. The Committee observed that a token supplementary grant of Re. 1 or Rs. 100 should have been asked for at the appropriate time. This may be noted for the future.

1221. *Grant No.* 126—*Other Expenditure of Ministry of Water and Power* (*Page* 153—*AA*)—An excess of Rs. 296,083 had been depicted by Audit under this grant. The department explained that this was due to the inclusion of an expenditure of Rs. 296.083 relating to the year 1979-80. A corresponding saving of Rs. 296,083 had appeared under this head in the accounts for 1979-80. Audit confirmed this belated adjustment.

1222. In view of the above, the Committee did not make any further observation on this grant.

1223. *Grant No.* 166—*Development expenditure of Ministry of Water and Power* (*Page* 216—*AA*)—The appropriation Accounts showed a saving of Rs. 1,851,200 occurred under function 549—Others (Grant-in-Aid to WAPDA for interest payment) in this grant. The department explained that an amount of Rs. 1,851,200 was withheld by the AGPR, Sub-office, Lahore, on account of economy cut, from the fourth quarterly release of Rs. 9,256,000, issued by the Ministry of Water and Power *vide* No. CDN-10 (1)|80, dated 2nd May, 1981. Audit pointed out that a saving of Rs. 1,851,200 (on account of cut on a further release) was in the notice of the Ministry and should have been surrendered. The departmental representative submitted that, actually it was not a surrender but a cut, as the amount was withheld by the AGPR. The Committee did not make any observation on this grant.

1224. Audit had shown a nil recovery against the estimated recovery of Rs. 8,500,000 under the Code No. "549—Other-Alluvial Channel Observation Project-Deduct-Amount met from PL-480 and Mona reclamation Project-Deduct-Amount met from PL-480". The department explained that short recovery under these heads was due to non-release of funds by the US AID. Expenditure

had in fact exceeded these amounts by 2.00 million, which was met by the re-appropriation of savings from other heads. Audit felt that no funds were released by the USAID, during the year and expenditure was increased in any case, the department should have informed the PAC of the year in which the aid was ultimately given. Audit further stated that the aid for 'Alluvial Channel Observation Project did not mature in 1980-81. However, the expenditure during 1981-82 onwards was being regularly reimbursed. As for the Mona reclamation Project; the USAID eventually matured in 1982-83. However, detailed information about it had been called for.

1225. *The Committee directed that necessary details should be supplied to Audit.*

1226. *Grant No.* 187—*Capital Outlay on Irrigation and Electricity* (*Page* 247—*AA*)—The appropriation accounts showed an excess of Rs. 3,687,304 under the function head "522—Irrigation Dams". The department explained the excess as being mainly due to—

(i) late booking of expenditure of Rs. 3,014,830 on account of the cost of equipment and machinery, imported from abroad at the Tarbela Dam Project, in previous years; and

(ii) expenditure of Rs. 672,475, incurred on the payment of land compensation to the effectees of Tarbela Dam under the orders of the Court, which had not been anticipated.

1227. It was also noted that an excess of Rs. 6,210,000 under "Contribution to the Indus Basin and Tarbela Dam Development Fund", was due to the booking in 1980-81 of expenditure incurred in 1979-80.

1228. Audit commented that there was actually, a saving of Rs. 31,216,476 under—"Expenditure against Foreign Loans Supplementary Agreement". If the booking in 1980-81 of the expenditure of Rs. 161,833,524 incurred in 1976-77 was encashed from the excess of Rs. 161,833,524, shown in the Appropriation Accounts.

1229. *The Committee observed that the Ministry should have given the reasons for the saving of Rs.* 31.216 *million.*

Recoveries

1230. *Interest earned on Short-Term Deposits* (*Rs.* 2,828,987)—Audit pointed out that the interest earned being a receipt should not have been budgeted as "Deduct Expenditure". The department had classified it under the head "1130—Interest—1136—Interest—Individuals and Others". The correct

nomenclature was " Interest received from Commercial Departments ", but the Treasury Office, Lahore credited it to the PL Account of the Comptroller, Indus Basin Project (WAPDA), as initimated in Memo No. Account|Try|LHR|2700, dated 22nd December, 1983. The matter was being pursued for rectification. A member of the Committee enquired as to what were these deposits and did they pertain to the funds originally released by the Government of Pakistan ? The departmental representative replied that these funds consisted of amounts received from the World Bank and the ADP releases.

1231. Thereupon, the member suggested that these funds should have been shown as receipts and should have gone into Government accounts. The departmental representative noted this for future action.

1232. *The Committee finally concluded that interest on the Deposits should have gone into Government receipts and not shown as 'Deduct Expenditure'.*

1233. *Sale of WAPDA Colonies* (*Rs.* 5,606,577)—Audit stated that this amount was correctly deposited by WAPDA in the Government Treasury (creditable as deduct expenditure under the head " 500—Economic Services-520-Irrigation-522-Irrigation Dams ") on 14th March, 1981 (Rs. 156,244) and on 23rd June, 1981 (Rs. 5,450,333). The first instalment of Rs. 156,244 was misclassified by the Treasury Office, Lahore in the Provincial Section of account and booked under head 'XVII-Irrigation'. Necessary adjustment would be carried out in the accounts of the current year, after obtaining credit from the Accountant General, Punjab. The second instalment of Rs. 5,450,333 was wrongly credited by the Treasury Office, Lahore to the P.L. Account of the Comptroller, Indus Basin Project (WAPDA) instead of 522-Irrigation Dams.

1234. *The Committee decided that WAPDA should rectify the Accounts.*

1235. *Grant No.* 181—*Capital Outlay on Petroleum and Natural Resources* (*Page* 237—*AA*)—Audit pointed out an excess of Rs. 13,000,000 under the function head " 722—Non-Financial Institutions—National Tubewell Construction Corporation, Lahore ". The Ministry explained that the acceptance of the excess expenditure of Rs. 13,000,000, raising the total amount of Federal Government's Investment in the National Tubewell Construction Corporation Limited, to Rs. 29,000,000 had been received in the Ministry *vide* Manager Finance, NTCC Limited, No NTCC|MF|115|383, dated 17th March, 1983.

1236. Audit confirmed the belated adjustment for 1974-75 in the year 1980-81. No observation was made by the Committee.

AUDIT REPORT

1237. *Irregularities in the accounts of Chief Engineering Adviser* (*Para* 186, *page* 149—*AR*)—According to Audit, an Official remained on foreign service with various organisations as an Assistant on the usual terms and conditions from the 16th July, 1952 and, on his promotion as Superintendent, his pay was fixed at Rs. 750 p.m. with reference to the pay drawn in foreign service, instead of the pay admissible in his parent department. He was thus overpaid Rs. 10,309 upto February, 1980, but no action was taken to stop the over-payment and to effect recovery.

1238. Audit had further pointed out that, on the shifting of office from Rawalpindi to Islamabad, a staff car was used by three officers from their residence to office and back between September, 1978 and December, 1979. They were also drawing Car Maintenance Allowance at the rate of Rs. 150 p.m. which was not admissible under the rules. The Controlling Ministry objected to this irregular practice and ordered on 29th January, 1980 the stoppage of use of the car. But recovery of the irregular payment of Rs. 7,200 had not been effected.

1239. The Ministry contended that the official was a permanent U.D.C. of the Central Engineering Authority and was promoted as Assistant on 22nd July, 1952. He continued as such in the Central Secretariat upto 13th October, 1959 and remained as Assistant in foreign service from 14th October, 1959 to 11th October, 1975 drawing pay which would have been admissible to him under the Central Government. He returned to his parent office as Assistant on 11th October, 1975. On his promotion as Superintendent, he opted to defer the fixation of his pay in Grade 14 upto 1st December, 1975, so that he may get the benefit of annual increment in the pre-promotion pay scale. His pay was accordingly fixed at the rate of Rs. 750 p.m. as Superintendent in Grade 14 on 1st December, 1975, after allowing him an annual increment in the pre-promotion pay scale. Hence there was no question of any over-payment in this case.

1240. As far as the other irregularity was concerned, the department elucidated that the staff car was used by the officers of this office for attending office and going back to their residence during the period from 24th September, 1978 to 30th January, 1980 in accordance with the orders contained in the Cabinet Division D. O. letter No. 1 (78)R-75-1, dated 2nd February, 1976, under which a Grade 20 officer was entitled to use the Staff Car on payment of Rs. 150 p.m. However, these orders were revised *vide* Cabinet Division O.M. No. 1|78|75-Cord-I, dated 5th May, 1977, after which the officers, using staff cars, were no longer entitled to receive Motor Car maintenance allowance but were required instead, to pay a sum of Rs. 150 p.m. for using Government transport. Due to

non-receipt of the orders, dated 5th May, 1977, one officer of Grade 20 continued to draw the Car Maintenance Allowance, which was not admissible. In addition, two officers of Grade 19 also shared transport with him on casual basis. They did not pay anything on this account, as they were not entitled to the facility and continued to draw the Car Maintenance Allowance during the period. This practice was discontinued in January, 1980 and the case for waiving off the recovery of the amount pointed out by Audit had been referred to the Cabinet Division for regularisation.

1241. Replying to a query, the departmental representative informed the Committee that the Ministry were making the required recoveries. Thereupon, the Committee decided to drop the paragraph subject to verification by Audit.

1242. *Delay in processing of G.P. Fund cases* (*Para* 188, *page* 151—*AR*)—After going through the departmental reply and seeking some clarification on the subject, the Committee decided to drop the paragraph.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC'S REPORT FOR 1978-79

1243. *Grant No.* 121, *Ministry of Water and Power* (*Page* 158—*AA*)—(Paras 808-809, pages 240-241—PAC Report 1978-79)—The Committee did not make any observation on these paragraphs, which were treated as dropped/settled.

1244. *Grant No.* 122—*Other Expenditure of Ministry of Water and Power* (*Page* 159—*AA*) (*Para* 810, *page* 241—*PAC Report* 1978-79)—No substantial observation was made by the Committee on this grant. The paragraph was treated as settled.

1245. *Grant No.* 163—*Development Expenditure of Ministry of Water and Power* (*Page* 202—*AA*) (*Paras* 811-812, *page* 241—*PAC Report* 1978-79)—It was explained that economy cut was being effected by the Ministry, by issuing the necessary surrender orders in compliance with the PAC directive. Audit maintained that, on verification, they had discovered that an amount of Rs. 500,000 had been adjusted under Grant No. 159, instead of Grant No. 163, during 1978-79. The same head *i.e.* "C—Irrigation, Navigation, Embankment and Drainage Works", was involved in both the aforesaid Grants and there was also a saving under Grant No. 163.

1246. The Committee did not make any observation on these paragraphs and the they were treated as dropped.

1247. *Group head "Z—Grants-in-Aid to Government of NWFP (Page 202—AA) (Para 814 page 242—PAC Report 1978-79)*—The Committee had previously desired to know as to how flood grants to Sind and Baluchistan came under this Sub-head. In compliance, the Ministry explained that the difference of Rs. 2.500 million between the departmental and Audit figures was due to an old debt of Rs. 2,500,000 for 1977-78, adjusted by Audit in the accounts for 1978-79. Thereupon, Audit observed that the Ministry did not furnish a reply to the query of the PAC with regard to reflection of flood grants to Sind and Baluchistan under Group head "Z—Grants-in-Aid to Provincial Government". However, this point was discussed by Audit with the Ministry, who informed the former that in the schedule, the head was originally mentioned as "Grants-in-Aid to Provincial Governments" but, in the Budget Book it was shown as Grant-in-Aid to Government of NWFP". For this purpose, the book of supplementary grants (1978-79) might be seen, where the correct head had been given. However, the explanation given by the Ministry with regard to the belated adjustment of Rs. 2,500,000 was valid and the adjustment was confirmed.

1248. In view of the above position, the paragraph was treated as settled.

1249. *Deduct-Amount met from PL-480—National Science Foundation for Alluvial Channel Observation Project (Page 202—AA) (Paras 815-816 page 242, PAC Report 1978-79)*—The Committee accepted the departmental explanation and dropped the paragraphs.

1250. *Grant No. 189—Capital Outlay on Irrigation and Electricity (Page 231—AA) (Paras 817—820, pages 242-243, PAC Report 1978-79)*—In compliance, the Ministry explained that the procedure for the maintenance of loan Accounts by WAPDA had been streamlined, in consultation with the Economic Affairs and Finance Divisions and Audit. There was no need for a reference to the World Bank for the actual figures, because only the figures reconciled with the EAD were adjusted in the Appropriation Accounts, which in turn were based on the figures reported by the World Bank.

1251. The Committee accepted the above explanation on the assumption that such was the factual position and the paragraphs were treated as settled.

1252. *Evasion of audit of expenditure against release of Rs. 112,730,560 (Para 63, page 60—AR) (Paras 821—825, pages 244-245—PAC Report 1978-79)*—Audit informed the Committee that the department had promoised to produce numerical accounts in February, 1983, which were reportedly being prepared but these were still awaited. Audit further informed the Committee that the equipment account was reviewed, but could not be thoroughly checked because of non-production of proper Accounts. The departmental representative assured the Committee that he will look into it and produce the requisite accounts.

1253. *The Committee also observed that the Accounts of Small Hydel Stations Projects should be furnished to Audit soon. The paragraph were deferred.*

AUDIT REPORT (WAPDA)

1254. *Non-recovery of* $ 188,925 (*Rs.* 1,879,048) *from the defaulting supplier* (*Para* 1, *page* 1—*AR—WAPDA*)—It had been pointed out by Audit that a local firm was required to supply 1750 miles of Indian conductor on behalf of their counterpart in India @ US dollar 621.10 per mile C&F Wagah. According to the purchase order, the supplier was liable for the loss that the purchaser might suffer in the event of cancellation of the contract. The firm could supply only 605 miles of conductor and the contract was cancelled. A fresh supply order was placed with another firm for the supply of 1,800 miles of conductor @ US dollar 785 per mile C&F, Karachi and dollar 1.10 per mile were incurred on its transportation to Lahore. As such, the Authority had to incur an extra expenditure @ dollar 165 per mile for 1,145 miles of conductor which worked out to dollar 188,925 equivalent to Rs. 1,879,048, which was not recovered from the supplier.

1255. The matter was taken up with the concerned quarters in May, 1979, and with the Authority in December, 1979. It was stated in March, 1980 that the relevant case was under investigation by the Federal Inspection Team, who had taken over the relevant records and a reply would be sent on the receipt of records from the Inspection Team. A final reply was still awaited.

1256. The department explained that the relevant clause in the contract agreement, concerning the cancellation of the contract at the risk and cost of the supplier was not invoked and acted upon by WAPDA because the reasons given by the firm for not having been able to supply the contracted quantity within the delivery period were found to be convincing, in view of the hopelessly inadequate state of communications then existing between the two countries. The main reasons advanced by the supplier were as under—

(i) Late receipt of the letter of credit.

(ii) Delay by WAPDA in the acceptance of the performance bond.

(iii) Difficulty in obtaining railway wagons from the Indian Railways.

(iv) Restrictions on booking to Pakistan due to congestion at Atari. In those days, despatch of railway wagons between India and Pakistan was on the basis of exchange of equal number of wagons. In other words each side had to provide the same number of wagons at the border before the other side would allow its wagons to cross the border.

(v) Stoppages of advance money from the Indian Bankers for want of clear letter of credit.

(vi) Incorrect and late communication by banks of extensions in letters of credit.

1257. In view of this position, further supplies of conductor were not ordered at the risk and cost of the supplier.

1258. Audit stated in their comments that the reasons given by the department in their explanation at Serial Nos. 1, 2, 5 and 6 (Late opening of L|C etc.) showed failure on the part of WAPDA, for which responsibility should be fixed. The remaining points (non-availability of wagons etc.) were already known to the supplier, therefore, the cancellation of contract without risk and cost was not justified. Audit further commented that documentary evidence in support of these reasons was not produced to Audit for verification, despite two requests, the last being a D.O. letter to the General Manager (D), Power in July, 1983.

1259. Questioned as to when the purchase order was placed, the departmental representative replied that it was placed in January, 1977. The Member further enquired as to who took the decision in this case to terminate the contract and at what level? The departmental representative replied that it was taken at the level of the Authority.

1260. After some deliberations, *the Committee directed WAPDA to submit a report—*

(i) *Giving the reason for not involving or encashing the performance Bond and narating all the facts relating thereto;*

(ii) *stating whether or not the L|C allowing* 90 *per cent or* 100 *per cent of payment was opened.*

A copy of the report of the F.I.A. should also be furnished to the PAC through Audit.

1261. *The paragraph was deferred.*

1262. *Avoidable expenditure on expensive transport of Cement—Rs.* 1,640,800 (*Para* 2, *pages* 1-2—*AR—WAPDA*)—Audit had reported that, in the Tarbela Hydro Electric Extension Project, the contract provided that WAPDA would arrange for the Contractor the required quantity of cement at Wah. The required quantity could not be arranged at Wah but was provided at Karachi. The Contractor transported 14,650 tons of this cement from Karachi to Wah @ Rs. 542 per ton between December, 1978 and December, 1979. From

January, 1980 onwards, the transportation work was awarded to another contractor @ Rs. 430 per ton *i.e.* Rs. 112 per ton less than the first transporters rate. Had the work been awarded on competitive rate from the beginning, the Authority would have saved Rs. 1,640,800.

1263. The matter was taken up with the Project authorities in September, 1980. They replied that the transportation from Karachi to the site was fully covered under the contract and the rate charged by the civil contractor was quite reasonable and competitive. The reply was not tenable because, under the contract, the supply was to be made at Wah and not at Karachi.

1264. The Ministry explained that, the contract required the Authority to supply cement *ex*-Wah and the civil contractor had to arrange for its transportation to Tarbela. Inspite of their best efforts, cement could not be arranged at Wah. According to the procedure of the State Cement Corporation, release orders for the delivery of cement were issued on the receipt of payment and, if immediate action was not initiated for taking delivery and for transportation, the allocation lapsed. Consultants informed the Project authorities on 16th November, 1978 that the contractor was pressing for the supply of cement and intended to lodge claim because of its non-availability. Meanwhile, the market rates for transportation were explored and it was found that the rates charged by the contractor were normal at the time and they had charged some mark up to cover their overheads according to the terms of the agreement. The Ministry further said that, in case the department had deviated from this course of action initially and floated tenders, it would have taken at least three months to award the contract for transportation to the successful bidders, which would have resulted in the lodging of a huge claim by the contractor and also entailed delay in the execution of the project.

1265. Audit responded that, under the contract, the transportation of cement from Karachi to Wah was not the responsibility of the civil contractor. It was, therefore, not obligatory to arrange transportation through him. Arrangements for the transportation of cement through local contractors could have been made during the period of six month *i.e.* from May to November, 1978 as this period was sufficient for observing tender formalities. Because of not having taken timely action to arrange the transportation of cement, avoidable expenditure was incurred, for which responsibility needed to be fixed.

1266. Questioned as to why a tender was not floated at the same time when the department instructed the contractor to supply the cement, the departmental representative submitted that just because the contractor was asking for a high price for transportation, there was no compulsion on them to float a

tender. He however, conceded that the point raised by the Member was weighty. *The Committee finally decided that an inquiry should be held to ascertain the reasons for inviting tenders, fix responsibility for the lapse and take necessary action against the defaulters.*

1267. *Extra-payment of Custom duty and sales tax (Rs. 24.288 million) and marine insurance (Rs. 0.409 million) (Para 3, pages 2-3—AR—WAPDA)*— According to Audit, an agreement was executed with a foreign firm for the supply of material and equipment for a complete Power Plant of 210 MW capacity at Guddu at a total cost of Russian Roubles 22,528,527. The firm received the full cost of the material up to invoice No. 37 but shipments, carrying the material, continued to arrive in Pakistan even thereafter, this showed that payment was received by the firm in advance by way of over-invoicing. Invoice No. 38 and subsequent invoices were priced for the purpose of custom duty, sales tax and marine insurance premium at Roubles 3,748,377. As a result additional custom duty, sales tax and marine insurance premium, were paid on Roubles 3,748,377. An extra-expenditure of Rs. 24,287,989 on customs duty, sales tax and Rs. 408,500 on marine insurance had thus to be incurred by the Authority on this account.

1268. The irregularity was pointed out to the Project authorities in October, 1979. It was stated in October, 1980 that the payment was not made in advance but made strictly in accordance with the agreement, through invoices prepared by multiplying the actual net weight of the material with the assumed average price for that type of material mentioned in the agreement and that the material received after the payment of full contracted cost had not been paid additionally. The reply was not tenable as the total payment for the material was made in July, 1977 under invoice No. 37, whereas the final shipment of the material was received in November, 1981 through invoice No. 84. This clearly showed that payment was made much before the completion of supply.

1269. The department had explained that the total assumed net tonnage of 22,390 was received by the project upto invoice 37 and thereafter the equipments and material had been received without further payment. Invoices numbered 38 onwards were priced for the purpose of payment of Customs duty and Sales Tax, Marine Insurance etc., only. The contention that payment was received by the supplier in advance by way of over-invoicing was not correct, as this could be possible only if the exact total weight had been given in the agreement whereas exact weight for such a big capacity Power House could never be fixed in advance.

1270. After some discussion, the Committee took the following decisions—

(i) *The department should look into this matter to see as to why extra-customs duty etc. were paid. This point should be raised with the CBR and a claim made for its refund.*

(ii) *It should be examined as to why a claim may not be made for the excess interest paid to the suppliers.*

(iii) *A continuous review should be carried out about this matter and similar things by the concerned organisation.*

1271. *Avoidable expenditure of Rs.* 1,573,022 *on cancellation of contracted design and equipment* (*Para* 4, *page* 3—*AR—WAPDA*)—The Committee was informed that the charges for the cancellation of the design and equipment were duly paid. The Committee did not make any observation on their paragraph which was treated as dropped.

1272. *Less recovery of cost of cement—Rs.* 1,541,358 (*Para* 5, *pages* 3-4—*AR—WAPDA*)—According to Audit the contract provided that WAPDA would supply cement to the contractor according to his requirements in the Tarbela Power Station Project. Measurement was to be made for the cement used on permanent works. As such the cost of cement used on temporary works was to be recovered from the contractor. During the post audit of the pay estimates it was observed that 14,650 tons of cement were supplied by WAPDA, out of which 1,900 tons were used on temporary works, for which a recovery of Rs. 1,140,000 was effected from the contrarctor @ Rs. 600 per ton. In fact, rate of recovery should have fixed after including the transportation and storage charges in the basic price, which worked out to Rs. 1,638 per ton. As such, Rs. 1,972,200 was short recovered.

1273. The matter was taken up with the Project authorities in March, 1980, who replied in November, 1980 that a total of 1,641 metric tons of cement was used on temporary works up to June, 1980. Recovery for 1,101 metric tons of cement was made @ Rs. 600 per ton and that for 540 metric tons @ Rs. 900 per ton. The short recovery in view of the reply, worked out to Rs. 1,541,358. The action taken to ascertain the exact cost of cement used on the temporary works and to recover it from the contractor was still awaited.

1274. In their reply, the Ministry explained that, according to clause 5 (1) of the conditions of the contract-part-I, cement was to be supplied both for permanent and temporary works. The department further stated that 1,641 metric tons of cement were used on temporary works, for which the recoverable amount worked out to Rs. 1,548,999. Against this, Rs. 2,036,022 were recovered from the contractor, who had claimed an amount of Rs. 889,422 on the carriage of 1,641 tons cement from Karachi to Tarbela, but this was not certified by the Engineer and hence not paid to the contractor. However Rs. 487.023 (Rs. 2,036,022 *minus* Rs. 1,548,999) would be payable to the contractor against

his claim, if finally certified by the Engineer. As such, according to the contract, no amount was due from the contractor on account of cement used on temporary works, in the country Rs. 487,023 had been recovered in excess.

1275. Audit pointed out in their comments that the Authority was informed in June, 1983, after verification, that an amount of Rs. 1,146,600 was actually recovered|adjusted from the pay Estimate No. 21 for June, 1980 of the contractor, but the carriage cost for 1,641 metric tons, amounting to Rs. 889,422, was not actually recovered. A sum of Rs. 394,758 (Rs. 1,541,358 minus Rs. 1,146,600) was still due from the contractor, instead of any amount being due to him.

1276. After considering the explanation of the Ministry and the Audit Comments, a Member observed that there were so many figures and he was not sure what were the facts in this case. *The Committee decided that an agreed note between WAPDA and Audit stating what was the contract and what were the recoveries, be furnished to the PAC regarding the facts of the matter.*

1277. *Non-recovery of liquidated damages from a contractor Rs.* 1,479,380 (*Para* 6, *pages* 4-5—*AR—WAPDA*)—It was reported that the work of excavation and construction of the structures of a drainage system in the SCARP Construction Circle, Faisalabad was awarded to a contractor at Rs. 14,793,800. According to the agreement, the job was to be completed on the 2nd January, 1977. In November, 1976, the contractor solicited extension up to the 30th June, 1977 because of heavy rains during June to August, 1975 and in 1976 and shortage of cement.

1278. The Project authorities granted extension up to the 30th June, 1977. The extension was unjustified, because inclement weather was not included in the Agreement as a condition for such extension [under clause 2.4 (3) of the contract]. Besides, as per the contract, extension for time should have been requested in writing from the Engineer as soon as possible but not later than 10 days following the occurrence of the cause of delay. The contractor applied for extension after 17 months and 5 months of the rains in question. Further, shortage of cement could not form a basis for extension, because the contract precluded the shortage of any specified material as a cause for granting extension. It was, therefore, evident that the Engineer had not kept in view the contractual provisions and helped the contractor against the imposition of liquidated damages of Rs. 1,479,380.

1279. The matter was taken up with the Project authorities in March, 1979 who said that the ground for grant of extension of time were heavy rains resulting into floods an shortage of cement.

1280. The department explained that, in accordance with clause 2.5 (2) of the contract, *force majeure* could be a valid reason for grant of extension of time, as decided by the Engineer. *Force majeure,* as defined in the contract included strikes, lockouts, riots, disorder, fire, flood, epidemic etc., which made the performance of the contract impossible. Further, the term flood had been defined as the overflowing and inundating of large areas of terrain by rivers and not from local flows, resulting from rains.

1281. It was further explained that the rain during the monsoon of 1976 were unprecedented through-out the country and they continued intermittently till the end of the September, 1976. The rains were followed by floods, which disrupted transport on roads and railways. As the rains and floods were country-wide, it was not possible for the contractor and the Engineer to determine precisely 10 days of the occurrence of the cause of delay. Since the contractor requested for an extension on 29th November, 1976 *i.e.* 34 days earlier than the expiry of the original stipulated period, it was not possible for the Engineer to refuse the extension of time when the actual date of occurrence of the cause could not be specified in definite terms.

1282. Audit observed that, according to the contractual provision a request for the grant of extension may be made by the contractor to the Engineer as soon as possible but not later than 10 days following the occurrence of the cause of delay. This limit was not observed by the Engineer while granting the extension. The request was made 17 and 5 months after the rains and grant of extension helped the contractor to escape the imposition of liquidated damages.

1283. Questioned as to what was the total delay in the final completion of the Project, the departmental representative submitted that no delay occurred in the works on the project, and 99.9 per cent of the job had been completed. A member of the Committee remarked that there seemed to be lapse on the part of the WAPDA, as it should have made out to the Engineer that the request for etxension had not come within time and within the specified period. Although it may appear to be justifiable, the extension was contractually not correct. The departmental representative conceded this point. The Committee osberved that this case should have been regularised by the Authority. Thereafter, the paragraph was deemed as settled.

1284. *Extra expenditure of Rs.* 1,409,570 (*Para* 7, *page* 5—*AR*—*WAPDA*)—According to Audit, tenders were invited in the Baluchistan Power Development Project for the manufacture and supply of 49 fuel oil tanks and 7 manually operated overhead travelling cranes. The order was placed in May, 1975 on the lowest bidder, who quoted Rs. 1,641,430 for both the items. The project consultants asked the suppliers to attend their office immediately for signing the agreement, providing Bank guarantees and performance Bond and finalising fabrication drawings etc. These formalities were not completed on one

plea or the other and the Project Director cancelled the work order in January, 1976. The suppliers protested against the cancellation in February, 1976. But, without giving any consideration to suppliers request and without contracting the second lowest bidder, who had quoted Rs. 1,759,100, fresh tenders were invited.

1285. The work was then awarded to the lowest bidder of the second tender who quoted Rs. 3,051,000 for both the above-mentioned items. The Authority had thus to bear an extra expenditure of Rs. 1,409,570 (Rs. 3,051,000—Rs. 1,641,430) which could be avoided if the project authorities and pursued the case properly with the first lowest bidder. The matter was brought to the notice of the Project authorities in January, 1977 and discussed in various monthly meetings at the Project level. Audit was informed in July, 1977 that an Inquiry Committee had been constituted to investigate the case. The convenor of the Inquiry Committee intimated in November, 1977 that the Committee could not start its proceedings, as the records were with the F.I.A., who were also investigating the case. The matter was reported to the Authority in December, 1981. But the results of investigation by the Inquiry Committee|F.I.A. have not been conveyed so far.

1286. In reply, the Ministry explained that the F.I.A., Quetta had informed that, after conducting the Inquiry, a case was registered against the accused under FIR. No.1|81 dated 7th January, 1981, and after the completion of investigations, a challan would be put up in the court. Photostat copies of the relevant documents were being obtained from the FIA for conducting departmental inquiry.

1287. Questioned as to when the construction was completed, the departmental representative stated that the details were not known at present. The department desired to hold their own inquiry but all the original papers had been taken away by the FIA. A member of the Committee enquired whether the case was given to the FIA by the department. The departmental representative replied in the negative, and said that one of the bidders lodged a complaint with the local FIA office. They raided the office and took away all the papers on the 26th March, 1976. Thereupon, another Member of the Commitee expressed surprise that the department had been waiting for 7 years, instead of going straight to the Ministry of Interior and complaining of the delay. The departmental representative submitted that they had approached the Ministry of Interior, but not for this particular case. The Chairman, WAPDA intervened to inform the Committee that they had constituted a team to report to him about the corrupt and inefficient officials. The team had visited Hyderabad, Quetta, Lahore and Rawalpindi, and on their report, 350 officials had been removed. The Committee appreciated the efforts of the Authority.

1288. Questioned as to whether the procedural requirements *vis-a-vis* the said action against the employees were being followed, the departmental representative informed the Committee that a report was being obtained every month about the progress of each case. An Administrative Officer in each area was empowered to conduct the proceedings and a legal Adviser was to scrutinize the correctness of the reports. As such, the system was working satisfactory. In reply to a question the departmental representative informed the Committee that he had talked to the Secretary Interior, who said that it would be better to furnish him a list of glaring cases, whose records were with the FIA. Instructions had also been issued to the department that photostats of the relevant documents in respect of each inquiry must always be retained with the record. Thereafter, the paragraph was deferred.

1289. *Shortage of stores—Rs.* 3,235,332 (*Para* 8, *pages* 5—7—*AR—WAPDA*)—Audit had pointed out nine cases of shortage of stores, detected on physical verifications or on handing over of charge. The cases were regularly taken up with the concerned quarters and reported to the Authority. However, corrective action had not, so far, been taken, although some cases had originated as far back as 1962. Most probably, in the meantime, the persons responsible would have left service, died or retired resulting in loss to the Authority. It, therefore, seemed desirable that investigation and final action should be completed within a short span of time; the responsibility for delaying the finalisation of action be fixed and some procedural checks should be introduced, so that shortages, when detected, are inquired into within a reasonable time.

1290. On replying to a query about the system of checking the stores, the departmental representative explained that dumps were found lying all over the country. Insulators, transformers and a lot of items were not even entered in the ledgers. The concerned quarters had, therefore, been asked about the location of these stores. The departmental representative further informed the Committee that, as the system of checking of stores was found to be defective, another department, *viz* Inventory Control had been opended for the last one and a half year, where the entire data of all the assets were available, whether workable, redundant or unusable. The department was also in the process of computering the entire system of inventories and redundant stores were being auctioned. With a view to achieving economy, last year, Rs. 7.5 crores were realised from the sale of unusable and redundant items.

1291. A member of the Committee observed that all the stores could not be checked because they were the accumulation of a number of year. Audit should verify, by first reconciling their figures with the figures given by WAPDA

in a statement delivered in the meeting. If there were any lacuna in the procedures, the same should be brought to the notice of the PAC, so that proper action could be recommended. This matter should not be kept pending for a long time and Audit should try to sort it out so-on. The Audit representative agreed to do so.

1292. *The Committee finally directed that—*

(i) *Audit should reconcile the figures with the department and confirm the recoveries. For this, they should hold meetings with WAPDA by March,* 1984 ;

(ii) *action should be taken immediately about the writing off of amounts, where necessary, and*

(iii) *all the irregularities should be checked and action should be completed by* 31*st March,* 1984.

1293. *The Paragraph was deferred.*

Misappropriation of store|cash Rs. 2,195,254 (*Para* 9, *pages* 7-8 *AR—WAPDA*)—

Loss of Rs. 2,010,757 *due to theft of material, transformers, cash etc.* (*Para* 10, *pages* 9-10—*AR—WAPDA*)—

Non-accountal of material worth Rs. 12,982,293 (*Para* 11, *pages* 10-11 *AR—WAPDA*)—

Non short recovery from consumers|contractors—Rs. 5,083,835 (*Para* 12, *pages* 11—14 *AR—WAPDA*)—

Non-disposal of un-serviceable|surplus material valuing Rs. 2,537,117 (*Para* 13, *pages* 14-15 *AR—WAPDA*)—

Unnecessary blocking up of capital Rs. 1,123,600 [*Para* 14 (*b*) *page* 15—*AR—WAPDA*]—

Damage to transformers resulting in loss of Rs. 855,588 (*Para* 15, *page* 16 *AR—WAPDA*)—

Non-recovery of Rs. 746,111 *from WAPDA employees* (*Para* 16, *pages* 16-17 *AR—WAPDA*)—

1294. After having gone through the Audit Report and the explanation of the department on the above-mentioned paragraphs, *the Committee decided that Audit should reconcile the figures and confirm the recoveries shown in the statements delivered by WAPDA in the meeting. For this purpose, they should hold meetings with WAPDA by March,* 1984. *After being examined by Audit, WAPDA's report should be submitted to the P.A.C. The paragraphs were deferred.*

1295. *Undue advantage of Rs.* 475,815 *to the contractors* (*Para* 17, *page* 18 *AR—WAPDA*)—According to Audit two firms were required to install tubewells at fixed rates in Tubewell Reclamation Circle, Lahore and WAPDA agreed to advance 15 per cent of the cost of construction items. Assistance was also provided by opening letters of credit for 100 per cent cost of pumps and motors, out of which 30 per cent was to be paid to the manufacturers on concluding the agreement and the rest on the delivery of equipment. The firms were required to negotiate the procurement of equipment in the name and on behalf of Employer, but at their own cost and expense.

1296. The firms entered into agreements on 10th March, 1976 and 29th September, 1976, with a manufacturer of pumps in their own names and not in the name of the Authority. The manufacturer gave a discount of Rs. 303,753 @ 8 per cent of the cost of the pumps *i.e. Rs.* 7,796,918 to the first firm and cash benefit, termed as Engineering Fee, of Rs. 172,062 @ 7.4 per cent of Rs. 2,325,165 to the second firm. These rebates were provided by the manufacturer on the money invested by WAPDA and should have been passed on to WAPDA, which had not been done.

1297. The matter was taken up with the project authorities in August, 1977, who replied in May, 1978 that, if the manufacturer had agreed to pay to the purchaser any amount of discount, this did not affect the Employer, as the latter was bound to pay to the firms the cost of the equipment, provided in the agreement, for installing tubewells, after deducting the amount advanced through the Letters of Credit.

1298. In their reply, the department explained that, in SCARPS contracts, the contractors were bound to the Employer for the construction, completion and maintenance of a specific number of tubewells at a fixed cost. In case the agreement for the supply of pumping equipment was signed between the manufacturers and the Engineer, the contractor would have been automatically absolved of the responsibility of timely procurement of the equipment, its quality, delivery, despatch and transportation to the site of work. As such, the Employer had no legal right to ask the contractor to accept the responsibility for the performance of the equipment, purchased by or in the name of the Employer, and maintain the same for a period of one year.

1299. After examining the explanation of the Ministry and Audit, the Committee did not make any observation and decided to drop the paragraph.

1300. *South Section* 500 *K. V. Tarbela-Faisalabad Transmission Line—Rs.* 354,025 (*Para* 18, *pages* 18—21—*AR—WAPDA*)—Audit had reported that the following irregularities were noticed in the construction of the South

Section of 500 K. V. Tarbela-Faisalabad transmission line, awarded to a local contractor in April, 1975 at Rs. 72,777,533.

(a) **Avoidable expenditure of Rs. 253,733 on hire of tractor**

1301. The agreement required WAPDA to provide tractor, free of hire charges, to the contractor for carrying out the stringing of conductors. The contractor reportedly took up the stringing of conductors on 13th October, 1976. WAPDA provided a tractor to them as late as the 5th April, 1977. Meantime, the contractor deployed his own tractor and was paid in January, 1978 rental charges of Rs. 253,733 (@ Rs. 44,000 per month for five months and 23 days from the 13th October, 1976 to the 4th April, 1977). WAPDA had ample time after the award of the contract in April, 1975 to arrange a tractor for the contractor, which he needed from October, 1976 onward. Had the tractor been procured by WAPDA in time, rental charges, of Rs. 253,733 could have been avoided.

1302. The department explained that, according to the contract, WAPDA had to supply one No. D-6 and one No. D-7 tractor to each contractor in both the South and North Sections. Hiring of D-6 tractor was considered economical because, at that time, it could be purchased at an approximate cost of Rs. 13 lacs. Purchase of D-6 tractors, besides blocking the Authority's funds, would have been un-economical due to the following further reasons—

(i) Hire charges for a limited period formed only a faction of the cost of the tractors.

(ii) Purchase of the two D-7 tractors was needed for the next phase of the project. But two more tractors were needed for a short period only and it was not advisable to purchase these expensive units for a short while when these could be hired at a small cost.

1303. Therefore, it was decided to hire D-6 tractors. Competitive rates were obtained through tendering and the rates were further reduced from Rs. 62,000 to Rs. Rs. 44,000 per month through negotiations.

1304. Audit observed in their comments that the price of the tractor quoted was the one obtaining in 1978. Since the contract for the work was awarded in April, 1975, comparison of rates should have been made with reference to the prices prevailing in early 1975. The date on which it was decided to hire a D-6 Tractor had also not been indicated. However, the responsibility for the hiring of a tractor as late as in January, 1977 needed to be fixed.

1305. After considering the explanation and the Audit comments, the Committee did not make any observation and decided to drop the parargraph.

(b) Loss of Rs. 166,635 on account of idle charges including over-payment of Rs. 26,715—

1306. Audit pointed out that the Chief Auditor of WAPDA had stated in August, 1983 that both the consultants and CIDA did not agree to the recoveries. In the opinion of the Legal Adviser, WAPDA, the stand taken by WAPDA, was not legally enforceable. The Authority, therefore, decided not to effect the recoveries. Audit however, felt that *prima facie,* the idle charges were recoverable from the consultants, as the equipment, procured from abroad after their inspection, was found inoperative which impeded work. The Authority were requested in August, 1983 to supply the basis of the legal opinion but it had not yet been supplied. The recovery of Rs. 26,715 had, however, been verified. Thereupon, the Committee held that there was nothing *mala fide* in it. The sub-paragraph was dropped.

(c) Loss of Rs. 53,670 on Removal of inherent defects in brand new equipment—

1307. According to Audit, the agreement required WAPDA to provide tensioning equipment, free of hire charges, to the contractor. It was procured from abroad after inspection by the foreign consultants of the project. But it lacked various parts and had inherent defects. The foreign supplier provided the damaged or missing parts. He also deputed his representative to Pakistan, who advised necessary modifications which were effected at a cost of Rs. 53,670 and the equipment became fit for operation. The foreign supplier lodged a claim of Rs. 90,618 for the replacement cost and his representative's air fares and other expenses in Pakistan. WAPDA rejected the claim on the plea that it was the responsibility of the supplier to provide the equipment in operating condition. WAPDA was required to make a counter-claim for the loss of Rs. 53,670 on account of expenditure incurred on the repair of the equipment and in case of refusal, to have the loss made good from the consultants, because the equipment was imported after their inspection.

1308. In their reply, the department explained that a reference for the reimbursement of amount was made to the supplier through EHV Consultants, Canada, who intimated that the firm was not responding. The Consultants were asked as to why should they not be held responsible but, they did not accept the responsibility. The case was discussed with the CIDA delegation in November, 1981 during their visit to WAPDA, where it was clarified that the amount involved would be deducted from the pending bills of EHV Consultants, because they failed to inspect the equipment properly prior to shipment. Mr. Briner, the Chief of the delegation promised to discuss the issue with EHV Consultant and write back to the department.

1309. Audit stated in their comments that they were informed in June 1983 that the amount of Rs. 53,670 comprised the following—

(i) Rs. 25,590 spent by WAPDA on providing fourteen sleeves and making modification in the Driving Dogs of tension stringing equipment.

(ii) Rs. 28,080 paid to the contractors on the recommendation of the consultants, for shifting the equipment from WAPDA stores to the site.

1310. Because the supplier and the consultants did not accept responsibility, WAPDA agreed to forego the recovery of Rs. 25,590 from the consultants but the remaining amount of Rs. 28,080 was realised from the outstanding dollar bills of the supplier. Since the equipment was imported after inspection by the consultant, the amount of Rs. 25,590 ought to have been recovered from them. Recovery of Rs. 28,080 was yet to be verified by Audit.

1311. After discussion, the Committee observed that Rs. 28,080 recovered should be verified by Audit and, since the Inspector did not test the equipment in question, the other sub-paragraph be dropped.

(d) **Unnecessary interest charges—Rs. 12,299—**

1312. The Committee was informed that WAPDA agreed with Audit and recovered the amount from the Contractor. But neither the plea of paucity of funds was proved nor the responsibility for delay fixed. The Committee made no observation and the sub-paragraph was treated as dropped.

(e) **Avoidable expenditure on changing of phase plates—Rs. 7,608—**

1313. The Committee did not make any observation on this sub-paragraph. As such, it was treated as dropped.

1314. *Excess payment of Rs.* 319,000 *to a contractor by changing original rates* (*Para* 19, *pages* 21-22 *AR—WAPDA*)—It was reported that three contractors tendered for the work of external water supply system to the main colony in Chashma Right Bank Canal Project. The tenders were for Rs. 1,482,770, Rs. 1,817,170 and Rs. 1,949,740. The lowest bidder was the main contractor of the project and his tender was lower by Rs. 334,400 than the second lowest. But the actual contract awarded to him was for Rs. 1,801,770. It appeared that the managed to change his rates in the Bill of Quantities, attached to his tender, either by adding a "zero" on the extreme right or by adding the figure of "one" or 'eleven' on the extreme left in the rates of some of the items of works (*e.g.* the rate or Rs. 200 was changed to Rs. 2,000 and

that of Rs. 500 was changed as Rs. 11,500). The doubtful nature of the case was also evident from some of the items wherein subsequent possible changes in the rates were to be accommodated so as to make the total cost far in excess of the figures worked out on the basis of the quoted rates. These figures were subsequently corrected by encircling them and writing the correct amounts above them. The doubt was further strengthened by the fact that the items given by the contractor in the tender actually totalled Rs. 2,268,170, but the figure shown therein was Rs. 1,482,770. It appeared that this was done deliberately to proved opportunity for accommodating subsequent changes in the rates. A comparison of the rates quoted by him with those of other two tenders also showed that his rates for some items of work, in respect of which additions were exorbitant. Thus, by manipulation of the rates, the contractor was paid an extra amount of Rs. 319,000 (Rs. 1,801,770—Rs. 1,482,770).

1315. The irregularities were reported to the Authority in may, 1980, who informed in August, 1980 that an Inquiry Committee had been constituted for investigation. In its findings the Committee held that the apprehension of tampering with the unit rates in the tender, could not be declared to be totally unfounded. The decision taken by the Authority on the report of Inquiry Committee was not known as yet. The matter was again reported to the Authority in April, 1981, who replied that the case was under reference with the quarters concerned and the position would be intimated shortly. A final reply was still awaited.

1316. The department explained that an Inquiry Committee was constituted for the investigation of the alleged irregularities, as desired by Audit. The matter had been examined in the light of the Inquiry Report and the comments of the department on the observation of Audit were as under—

(i) Tenders for the work of "External Water Supply Scheme for Staff Colony at D. I. Khan" were received and opened by a Tender Opening Committee in the presence of the tenders and their representatives on 15th May, 1979. After checking of the tender of the lowest bidder *i.e.* Hudda Joint Venture, it was observed by the Tender Committee that (a) the grand total under the total column of the tender was shown as Rs. 1,482,770, by the tenders ; (b) on adding the cost of various B.O.Q. Items shown under the total column, the grand total came to Rs. 2,268,170 ; and (c) the cost of certain B.O.Q. items shown in the total column of the tender, was far in excess of the amount arrived at by multiplying the quantities with the corresponding rates and, after the correction of these multiplication errors, the grand total worked out to Rs. 1,801,770.

1317. The department further stated that, according to clause 6(3) of "Instructions to Tenders", "where a discrepancy exists, between the unit rate and the extended total amount, the unit rate shall be taken as correct and the total amount corrected accordingly." The cost of B.O.Q. items in question was corrected accordingly and, after accommodating these corrections, the total amount of the tender cost worked out to Rs. 1,801,770. The contract was awarded to Hudda Joint Venture for an amount of Rs. 1,801,770 on the basis of the corrected figures.

1318. The department also agreed that the difference between the actual total amount of tender *viz.* Rs. 1,801,770 and the total, shown by the contractor *viz.* Rs. 1,482,770 worked out to Rs. 319,000.

1319. Audit pointed out in their comments that the rates of certain items were changed by adding 'zero' to the extreme right. The finding of the Inquiry Committee that the signatures of the Tender Opening Committee, as recorded on the comparative statement were undated was a pointer to the doubtful nature of the award. Audit was still of the view that the rates were manipulated and, as a result, extra payment was made to the contractor. Audit would, therefore, suggest that a second inquiry, at a higher level, be instituted wherein a nominee of Audit be also associated.

1320. After discussion, *the Committee observed that it was a bad case and directed that the Authority should discuss this with Audit, find out the facts and report back to the PAC. The paragraph was deferred.*

1321. *Irregular withdrawal of Rs.* 286,095 *from an industrial consumer* (*Para* 20, *page* 22—*AR—WAPDA*)—According to Audit, an industrial consumer was being charged correctly under the industrial tariff since the date of connection. In June, 1970 the tariff was changed without any reason and billing was made at a flat rate. The mistake was detected in December 1973, when an under-assessment of Rs. 1,692,409 had accumulated for the period June, 1970 to November, 1973 (*i.e.* 42 months). The consumer represented against the billing under revised tariff and the Authority decided to charge the consumer under the appropriate industrial tariff. It was, however, decided by the General Manager (D) that under-assessment for 36 months might be recovered. Thus a sum of Rs. 286,095, relating to the first six months, was withdrawn in March, 1978, which was irregular.

1322. The Authority explained that the disputed amount of Rs. 288,904 relating to the first six months was withdrawn pending full payment of the instalments of the amount of billing agreed to by the consumer for the period December, 1970 to November, 1973. After all the instalments agreed to by the consumer had been received, the disputed amount of Rs. 288,904 was then billed to the consumer.

1323. Audit stated that the Authority had informed them in October, 1983 that the consumer was allowed to pay Rs. 288,094 in six monthly instalments along with current consumption charges. The recoveries so made were yet to be verified by Audit.

1324. The Committee decided to drop the paragraph subject to verification of recovery by Audit.

1325. *Irregular expenditure of Rs.* 284,003 *on the appointment of personal Khalasis* (*Para* 21, *page* 23—*AR—WAPDA*)—Audit had reported that, during the years 1978 to 1981, personal khalasis were appointed and attached with Officers|Officials in the Chashma Right Bank Canal Project in contravention of the Authority's orders. The irregularity was brought to the notice of Project authorities in November, 1979, who replied in February, 1980 that khalasis were provided to the Officers|Officials, in view of category 3, detailed in the Secretary WAPDA's Office Order dated 20th January, 1972, because these officials were working on construction Projects and had to perform site duties outside the municipal limits of their headquarters and peons were not provided to them. The reply was not tenable as, according to the aforesaid order, Officers|Officials working on construction Projects who had to perform site duties away from their headquarters and who had not been provided with peons, may be allowed khalasis, if necessary, in the interest of work. The order was not applicable to the staff working at the Chashma Right Bank Canal project for the following reasons—

(a) Some staff engaged on the construction of the colony did not leave the headquarters. They used to go to the site of work and come back daily to their headquarters and utilized WAPDA vehicles for the purpose.

(b) Some staff was engaged on the construction of the main canal which was more than ten miles from the headquarters. They also used to go to the site of work and came back to headquarter daily on WAPDA vehicles. As such, they did not fall in category 3, of the Authority's orders.

(c) Some staff was engaged on survey work and had to stay outside the headquarter only for a few days. But, since they had no camps installed where in to utilise the services of khalasis, they were also not entitled to khalasis.

(d) Peons were available for discharge their duties at the headquarter.

1326. In view of the aforesaid reasons, the expenditure of Rs. 284,003, incurred up to November, 1981, was irregular for which responsibility should be fixed. The matter was reported to the Authority in December, 1981, but the action taken if any, in the matter was still awaited.

1327. It was explained by the department that the Engineers workings on the Construction project had to perform duties at the site outside the municipal limits of their headquarters, where they had not been provided with peons. The Chashma Right Bank Canal was 172 miles long and the Engineer, while performing duties at site, head to carry equipment from one place to another, for which khalasis were needed. Hence this was covered under category 3 of the office order No. S. O. (E-II)|48-B|Admn|622, dated 21st January, 1972.

1328. Audit replied that the appointment of khalasis for officers|officials, who went by WAPDA transport to the site of work and came back daily to their headquarters, where peons were provided, was not covered by the Authority's Office order, dated 21st January, 1972.

1329. In reply to a query the departmental representative informed the Committee that peon were not provided at Headquarters. The Committee directed that Audit should go into the matter further and in case peons were not provided at Headquarters the paragraph may be deemed as dropped.

1330. *Irregular refund of Rs.* 269,739 (*Para* 22, *pages* 23-24—*AR—WAPDA*)—It had been reported by Audit that a detection team of WAPDA visited the premises of an Ice Factory and noted that the anti-theft box, installed at the meter, had been tempered with. The meter was running slow and the monthly consumption was abnormally low. The equipment was tested in the WAPDA testing laboratory, and found to be slow by 60 per cent. The consumer account was recalculated and a debt was raised against the consumer under the orders of the Chief Engineer, Lahore. On representation by the consumer, the Chief Engineer ordered the Executive Engineer concerned to withdraw the amount already debited. A refund of Rs. 269,739 was allowed to the consumer, though the Chief Engineer was not competent to allow such refund. The Authority was thus put to a heavy loss due to the irregular refund. The matter was reported to the Authority in September, 1979 for investigation. The Revenue Officer, Shalamar Division, informed Audit in March, 1980, that a Committee was investigating the case. The matter was again brought to the notice of the Authority in July, 1981, but the results of the investigation and the action taken to recover the amount had not been intimated so far.

1331. The department explained that it was not a case of irregular refund to a Seasonal Consumer, but the adjustment of wrong debits to the consumer. The capacity of the transformer, installed at the consumer's premises during the

period 1977-78, was 200 KVA, which could not possibly sustain a load of 270 KW. Thus, the maximum demand of the consumer was taken as 168 KW, which was the highest in the 1978 season, and the everage monthly consumption of the consumer as 33,930 units, which was the highest consumption obtained in the 1977 season when the meter was found to be within the British Standard specifications. Accordingly, the account of the consumer was revised and a credit of Rs. 141,429 given to him in accordance with Section XI (F. I) of the Delegation of Financial Powers of WAPDA.

1332. Audit stated that the superdetection staff of WAPDA had raised the premises of Aslam Ice Factory on 22nd June, 1977 and found that the consumer was stealing electricity. This was confirmed by the Sub Divisional Officer, M&T, and thereupon the Chief Engineer (E), Lahore directed the Executive Engineer Shalamar on 21st January, 1978 to charge the consumer for the slowness of the metering equipment from the date of reconnection to the Ice Factory till 27th September, 1977. Audit further pointed out that the sole argument advance for rivising the Chief Engineer's order was that the transformer installed in the consumer's premises was of 200 KVA and it could not take a load of 270 KW. This point had been nulified by the fact that the maximum demand of 270 KW was established by the S.D.O. M&T *vide* his Memo, dated 27th September, 1977. In case no energy was being stolen, then the Detection Squad and the S.D.O. should have been proceeded against for incorrect reporting.

1333. A Member of the Committee remarked that contradictory statements had been made and as agreed by Audit, the Authority should have taken due action.

1334. Questioned as to what action was taken against the S.D.O., the departmental representative submitted that Mr. Ahmed Hussain, who was found guilty of incorrect reporting, retired on 2nd February, 1979 and as such, no action was taken against him. Another Member of the Committee observed that, where the load was expected to be more than 270 KW, WAPDA had installed certain instruments in the factory and the Authority had an agreement with the consumer that he could not consumer more. This was checked by the Executive Engineer of the area through the instruments, which indicated the maximum consumption during the month. The instrument could not be tampered with. The departmental representative informed the Committee that, in this particular case, the declared load of the consumer was less than 168 KW.

1335. The Committee decided to drop the paragraph subject to the satisfaction of Audit.

1336. *Non-return of vehicles by the consultants—Rs.* 261,490 (*Para* 23, *page* 24—*AR—WAPDA*)—It had been reported by Audit that vehicles worth Rs. 261,490 were provided to the consultants, engaged on the Baluchistan Power Development Project, Quetta in 1974 for their use on the projects. According to agreements, the vehicles were required to be returned to the Authority on the expiry of the agreement. The services of the consultants were terminated on 30th June, 1977, but the vehicles had not so far been returned by them despite a lapse of more than four years. As a result of non-return of the vehicle, the Authority had been put to a loss of Rs. 261,490. Early action needed to be taken for the recovery of the loss from the consultants or from these who failed to take the vehicle back from them.

1337. In their reply, the department explained that four Land Rovers were provided to the consultants and, according to the agreement with them they were required to return the vehicles at the time of termination of contract but this was not done. The consultants returned on vehicles and expressed their willingness to purchase three vehicles at their depreciated value of Rs. 77,656. The cost of these three vehicles would be adjusted, while settling their claims of Rs. 339,933, pending with WAPDA. Audit verified the return of one vehicle by the consultants on 1st April, 1979. A Member of the Committee enquired about the depreciated value of the three vehicles. The departmental representative informed the Committee that the adjustment of correct depreciated value of three vehicles would be made on the 1977 value of the vehicles. After discussion, *the Committee decided that this case should be disposed of by the* 31*st March,* 1984 *and reported to Audit, who may report back to the PAC, if necessary.*

1338. *Non-return of furniture and equipment valuing Rs.* 185,482 (*Para* 24, *page* 24—*AR—WAPDA*)—Audit had verified the return of some equipment, but the balance of Rs. 27,415 had yet to be written off. The Committee did not make any observation on this paragraph and it was deemed as settled.

1339. *Non-recovery of insurance claims worth Rs.* 173,958 *and* $ 5,680 (*Canadian Dollars*) [*Para* 25 (*a*), *pages* 24-25—*AR—WAPDA*]. It had been reported that, during the scrutiny of Insurance Claims and Losses Register, maintained by the G.S.C. project, Hyderabad, it was observed that insurance claims of Rs. 173,958 *plus* Canadian dollar 5,680 were recoverable from Insurance Companies. These claims had been lodged about 10 years ago, but had not been realised for lack of adequate follow-up. The matter was taken-up with the project officials in November, 1976 and Authority in May, 1981. The department stated in December, 1981 that the case had since been taken up with the General Manager (T&G) and the position would be intimated soon. Recoveries from the Insurance Companies were still awaited.

1340. The department explained that the Director General, WAPDA Audit had been informed that, out of 28 insurance claims, 23 had been settled, 2 claims had been withdrawn, and the remaining 3 were under finalisation.

1341. In their comments, Audit stated that, out of 28 Insurance claims, 8 claims for Rs. 12,163 were accepted by the Insurer for Rs. 8,454, the recovery of which was verified, one claim for Rs. 49,970 was accepted by the Insurer for Rs. 33,734 against which payment of Rs. 7,650 was made by him. The recovery of the balance amount of Rs. 26,084 was awaited, 15 claims for Rs. 67,511 were accepted by the Insurer for Rs. 71,761, but payment of this amount had yet to be made by the Insurer, 2 claims involving Rs. 13,766 were withdrawn, which was found to be in order, and 2 claims for Rs. 30,547 were not accepted by the Insurer, as the proforma invoices in respect of them could not be produced by WAPDA by the target date. The amount was required to be written off after fixing responsibility.

1342. The Committee did not make any observation but desired that the recovery should be verified by Audit. The paragraph was treated as settled.

1343. *Loss of Rs.* 27,000 *due to delay in preferring insurance claim* [*Para 25 (b), page 25 AR—WAPDA*]—During the audit of the 1st Operation Division (E), Hyderabad in January, 1979, it was observed that the line staff was insured against risk under the Work-men's Compensation Act, and a premium of Rs. 14,099 was paid during 1967-68. Later, compensation of Rs. 27,000 was paid by the formation to the employees who were injured and to the heirs of those who died in accidents. Claims were, however, not lodged with the Insurance Company in time with the result that these were not accepted by the Company. This resulted in a loss of Rs. 27,000 to the Authority.

1344. After going through the explanation of the department, the Committee decided to drop the paragraph.

1345. *Non-recovery of interest of Rs.* 75,240 *and undue financial aid (Rs.* 2,187,600) *to contractors* (*Para* 26, *pages* 25-26—*AR—WAPDA*)—Audit reported that, in the Transmission and Generation Project, mobilization advances of Rs. 855,727 and Rs. 888,057 were given to two firms in December, 1972 at 9 per cent Interest.

1346. According to the contracts, advances were to be recovered by deducting 50 per cent of the amount due to the firms each month. The firms failed to complete the work in time *i.e.* by the 17th June, 1973, and the completion period was extended to the 31st July, 1974 without imposing any penalty. By amending the contract and extending the completion date, the firms were

absolved of the penalty of Rs. 697,514 leviable on them under the original contracts. The rate of recovery of the balance of advances was reduced from 50 per cent to 25 per cent on the ground that the cost of material and labour had gone up. The recovery of interest @ 9 per cent was also waived after the initial period of seven months. If delay in the completion of work were to be ascribed to reasons beyond the control of the firms, the waiver of interest for the extended period of one year (Rs. 75,240) was clear case of undue financial benefit to the firms and a loss to the Authority.

1347. In addition, 5 advances aggregating Rs. 2,187,600, were also made to the firms, which were not permissible either under the original contract or the subsequent amendments thereof.

1348. The Department explained that the two firms namely Bore Master Limited and Elegwa Trading Corporation were awarded contracts for the construction of foundations for the Indus River Crossing No. I and II at Guddu on the 29th November, 1972 and 31st December, 1972 respectively. Under clause 62 of the contracts, mobilization charges of Rs. 855,727 and Rs. 888,057 were paid to the two respectively. As per Clause 62 (3), these charges were to be recovered at the rate of 50 per cent of the amount of work done by the contractors and interest @ 9 per cent was to be charged for 7 months *i.e.* the initial stipulated period of completion. The work was physically commenced in February, 1973. By that time, abnormal increases in the prices of labour and material had started which could not be foreseen at the time of bidding. Labour and material, being essential and major components of Construction Industry, the increases in their prices adversely affected the Construction Works.

1349. The Authority further stated that both the contractors expressed their inability to carry out the work on the ground that prices of materials and labour had gone up so high that it was beyond their capacity, to continue with the work and later came up with heavy claims and demands.

1350. This work was of vital national importance, because at least one crossing was required to be ready before the commissioning of the one machine of Guddu Thermal Power Station to transmit its power, worth Rupees two lacs per day. The Authority therefore, held a number of meeting with the contractors on the issue and decided that the amount of mobilisation charges be recovered @ 25 per cent interest on mobilisation charges be restricted to seven months and the period of completion extended without imposition of penalty. Had this not been done the Authority would not have been able to transmit power worth Rupees two lacs per day, to be generated by one machine at Guddu.

1351. As regards the alleged additional advance of Rs. 2,187,600 it was stated that Rs. 6 lacs and Rs. 3 lacs were paid to Elegwa Trading Corporation and Bore Master Limited against the work done, but not measured in terms of paragraph 229 of CPWA code. Advances of Rs. 6 lacs were paid to each of them, for the procurement of steel, because they had to procure steel from the Government Regulated Industries and the Authority felt that the contractor would not be able to purchase the desired quantity of material for use on works. The balance amount of Rs. 87,600 (included in advances of Rs. 2,187,600) was not an advance but was paid against the 3rd running bill, which was pre-audited by the Branch Audit Officer GSC, Lahore. All the advances and interest had since been recovered from the contractors. Hence it was requested that the paragraph be dropped.

1352. Audit stated that as the contractors could not complete the work in time, interest on advances should have been recovered during the extended period. Waiver of interest was an undue financial aid to them. Besides, the payment of Rs. 12 lacs (Rs. 6 lac to each contractor) for the purchase of steel was not covered by the contracts, and indicated undue financial aid. This also showed that the financial position of the contractors was not sound.

1353. Replying to a query, the departmental representative submitted that money was recovered in two instalments. The payment, other than that for purchase of steel, was made for work done, but not measured, and the Project Director allowed this payment.

1354. Questioned as to why the work done was not measured and not included in the running bills, the departmental representative informed the Committee that these running bills were not submitted regularly every month. It was also enquired whether the advance of Rs. 12 lac carried the approval of the Authority.

1355. After discussion, *the Committee decided that WAPDA may look into the matter again to identify the reasons for the irregularities and to take necessary action. A report on the results of the enquiry and the action taken may be furnished to Audit, who may revert back to PAC with their comments, if necessary.*

1356. *Irregular expenditure of Rs.* 365,728 (*Para* 27, *page* 26—*AR—WAPDA*)—It had been reported that seventeen cases of irregular expenditure or un-authorised or excessive payments, un-necessary retention of work charged staff, expenditure incurred in excess of estimate, excess expenditure due to higher rates, material used in excess of the quantity shown in the estimate etc., were noticed during the local audit of the Samanabad Electricity and M&T Division,

Lahore. Individual cases were reported to the officers concerned for investigation and regularisation and the matter was also reported to the Authority in August, 1981, but no information had been received by Audit so far or the action taken in this behalf.

1357. The department informed the Committee that records for the entire amount under observation, showing adjustments or recovery or regularisation were available. Audit stated that the recovery of only Rs. 85 had been verified and records for the remaining amount of Rs. 365,643 were not produced despite their writing to the G.M. (D) WAPDA on 19th February, 1983, 16th April, 1983 and 18th May, 1983.

1358. After discussion, *the Committee directed the departmental representative to produce record to Audit for verification which should be carried out by the 31st January*, 1984.

1359. *Non-recovery of liquidated damages/interest and other departmental charges—Rs.* 168,770 [*Para* 28 (*a*), *page* 26—*AR—WAPDA*]—During the audit of various formations under the 3rd Circle, Lahore it was noticed by Audit that the recovery of Rs. 168,770 from contractors on account of liquidated damages, interest from banks due to the late transfer of collection and other departmental charges from various consumers was not effected. Each case was reported to the formation concerned. The matter was also brought to the notice of the Authority in December, 1981, but no action had been taken so far to effect the recovery, although some cases pertained to the year 1961-62.

1360. It was explained by the Authority that orders were placed with Unipak Industry for the supply of 201,880 steel Pins for 11 KV Insulators by 13th October, 1975. But the firm supplied only 140,306 pins till 8th June, 1976, leaving a balance of 61,574. On the request of the firm, the total liquidated damages were restricted to 10 per cent subject to the production of an additional Performance Bond of Rs. 500,000 from any WAPDA approved Insurance Company. The firm produced a Performance Bond of Rs. 500,000 from Muslim Insurance Company but failed to execute the contract and, as such Muslim Insurance Company was asked to honour the Performance Bond. On having failed to deposit the amount the Insurance Company was delisted and all the offices and formations were directed not to accept any Performance Bond or Guarantee from the said Insurance Company. Besides, a Civil Suit was also lodged for the default.

1361. Audit informed the Committee that the latest position of the case had been verified on 22nd August, 1983. A sum of Rs. 311,600 had been deposited by Muslim Insurance Company with WAPDA in June, 1983 for the restoration of their enlistment. The criminal cases were, therefore, withdrawn by the Authority.

1362. The Committee decided to drop the paragraph subject to verification of recovery by Audit.

1363. *Irregular|inadmissible|un-necessary expenditure Rs.* 150,169 [*Para* 28 (*b*), *pages* 26-27—*AR—WAPDA*]—During the audit of various formations under the 3rd Electricity Circle, Lahore. Audit had came across cases of irregular, un-authorised or un-necessary expenditure amounting to Rs. 105,169 as a result of acceptance of tender other than lowest, excess issue or consumption of articles. Excess over the budget grant, payment of higher rate for earthwork, payment over and above the schedule of rates etc., requiring regularisation by the competent authorities. Each case was reported to the quarters concerned for regularisation, but no action was taken. The matter was also reported to the Authority in January, 1982, but information about action taken in the matter was still awaited.

1364. The department, in their reply, explained that the observation made by Audit was based on a number of paragraph in different Inspection Reports, the total of which worked out to Rs. 96,630. The position of the various components of that amount was as below—

(1) *Para* 5 (1) *for* 1961-62 *Shalamar Division—Rs.* 3,178

No over-payment was involved, as the rate for the item, according to schedule of rates, worked out to Rs. 23 and not Rs. 19.25.

(2) *Para* 3 (*a-b*) *for* 1962-63 *Shalamar Division Rs.* 33,690

The record was verified and the points settled by Audit.

(3) *Para* 5(*c*) *for* 1963-64 *Shalamar Division for Rs.* 12,324

Tenders were invited in July, 1963 by the Chief Engineer (E) Lahore Region, Lahore and rejected as the lowest rates, quoted by the contractor, were conditional. In December of that year, fresh tenders were called for and the lowest rate was accepted. Therefore, there was no irregularity.

(4) *Para* 6 *for* 1965-66 *Shalamar Division Rs.* 7,586

The work order was given to the contractor in December, 1964 and remained in progress during 1965-66. The instructions issued in February, 1965 by the Regional Manager (E) could not apply in this case. Therefore, no over-payment was involved.

(5) *Para* 10 *for* 1972-73 *Shalamar Division Rs.* 8,539

(6) *Para* 4 (*a-b*) *for* 1969—72 *for Rs.* 15,762 *for excess over-estimates*

(7) *Para* 2 *for* 1967-68 *of S.E. 3rd, Lahore Circle for Rs.* 3,670

(8) *Para* 3 (*b*) 1972-73 *for Rs.* 7,200

(9) *Para* 2 *for* 1971—74 *for Rs.* 1,926 *R. A. Bazar Sub-Division*

(10) *Para* 2 *for* 1971—75 *for Rs.* 2,784 *S.D.O. Raiwind Sub-Division.*

1365. Audit had verified the position stated by the department at item Nos. (1) to (3) and (6) mentioned above. As for No. 4, Audit did not agree with the department.

1366. *The Committee observed that it would be better if the department and Audit made an effort to arrive at an agreed conclusion about item* 4 *above. As regards items* (5) *and* (7) *to* (10) *mentioned above, Audit was requested to watch the progress and report back, if necessary.*

1367. *Doubtful consumption of material—Rs.* 86,916 (*Para* 29, *page* 27—*AR—WAPDA*)—According to Audit paragraph, in Kharian Division Rajar, electrical material worth Rs. 333,955, were drawn during 1976-77 by various Line Superintendents for use on works, but the Electrical Measurement Books, Site Accounts, etc., which should have shown the consumption of materials were not produced during inspection on April, 1978. The irregularity was pointed out to the concerned officials in December, 1978 and to the Authority in November, 1980. It was stated by the Authority in April, 1981 that the total value of the materials came to Rs. 333,755 and not Rs. 333,955 and the accountal thereof had been confirmed by the Executive Engineer (E), Rajar. Varification thereof was arranged in June, 1981, but the relevant record showing the consumption of materials valuing Rs. 86,916, were not produced.

1368. The departmental representative informed the Committee that the records, showing the consumption of materials, had been verified subsequently by Audit, who confirmed it.

1369. After discussion, subject to the foregoing comment, the paragraph was dropped.

1370. *Non-recovery of dues from Government Departments—Rs.* 52,270 (*Para* 30, *page* 27—*AR—WAPDA*)—The Committee directed the departmental representative that WAPDA should look into the case and take an early decision. However, a Member of the Committee remarked that the Committee had suggested long time ago that the department should look into all similar cases unreconciled consumption quantities have the quantities reconciled and, if there was anything to be written off, action should be taken to write it off. The authority should take initiative in the matter and get all such items cleared. There seemed to be no point in carrying such cases forward year after year. They may also consider writing off of the irrecoverable amounts. No further observation was made by the Committee and the paragraph was dropped.

1371. *Unjustified payment of electricity charges—Rs.* 51,244 (*Para* 31, *pages* 27-28—*AR—WAPDA*)—Audit informed the Committee that the recovery had since been verified. The paragraph was dropped.

1372. *Excess consumption of conductor—Rs.* 41,508 (*Para* 32, *page* 28—*AR—WAPDA*)—As the position stated in the written reply of the Authority had been verified by Audit, the Committee did not make any observation and the paragraph was treated as settled.

1373. *Retention of collections by banks loss of interest—Rs.* 36,500 *in one Revenue office* (*Para* 33, *page*—28—*AR—WAPDA*)—The Committee did not make any observation on this paragraph which was treated as settled.

1374. *Procurement of P.O.L. in excess of requirements—Rs.* 32,660 (*Para* 34, *pages* 28-29—*AR—WAPDA*)—No observation was made by the Committee hence the paragraph was treated as settled.

1375. *Non-recovery of bond money of Rs.* 25,000 (*Para* 35, *page* 29—*AR—WAPDA*)—The departmental representative informed the Committee that this item had been verified and written off. Accepting this, the committee decided to drop the paragraph.

1376. *Less recovery of security deposits—Rs.* 10,475 (*Para* 36, *pages* 29-30—*AR—WAPDA*)—Audit had reported that scrutiny of accounts of the Ravi Road Sub-Division for the year 1974—77 revealed that some consumers had increased their load without proper authority. They were required to enhance the amount of their security deposits for such increase but had not done so and thus had deprived the Authority of Rs. 10,435. The matter was brought to the notice of the concerned officials in February, 1980 and also to that of the Authority in December, 1981. Action for recovery of additional security deposits from the consumers and for fixing responsibility for non-recovery was awaited.

1377. The department explained that cases of extension of load by the industrial consumers had been regularised and the records thereof were available for verification. Audit pointed out that eight consumers were involved in these cases. A recovery of Rs. 1,800, made from one consumer, namely Crescent Flour Mills, had been verified. No records, showing action taken by the department in respect of the remaining consumers, was produced. Action for the balance amount of Rs. 8,675 was awaited.

1378. After hearing the explanation of the Ministry and Audit the Committee decided to drop the paragraph subject to verification by Audit of the position.

1379. *Un-authorised expenditure—Rs.* 10,000 (*Para* 37, *page* 30—*AR—WAPDA*)—During the scrutiny of the cash book for the year 1975-76 relating to the office of the Chief Engineer and Project Director, WAPDA, Islamabad it came to light that a sum of Rs. 10,000 was paid to a private contractor as loading and unloading charges. The particulars of work done were not made available to Audit, for establishing the genuineness of the claim.

1380. The irregularity was pointed out to the project officials in March, 1978 and to the Authority in January, 1982, but a satisfactory reply had not been received from either of them.

1381. It was stated by the Authority in their explanation that the payment of transportation charges of steel structures by trucks had been verified by the Branch Audit Officer, GSC, Rawalpindi and, according to his report, the payment was in order.

1382. On hearing the explanation of the department, the Committee decided to drop the paragraph.

1383. *Holding of stores without sanction to reserve stock limit—Rs.* 20,873,494 (*Para* 38, *page* 30—*AR—WAPDA*)—It was confirmed by the Authority that sanction for the Reserve stock limits had been accorded by the competent Authority and Audit informed accordingly.

1384. The Committee decided to drop the paragraph subject to the satisfaction of Audit.

1385. *Irregular purchases—Rs.* 488,407 (*Para* 39, *pages* 30-31—*AR—WAPDA*)—During the audit of the accounts of the three organisations under WAPDA it was noticed that local purchases of items of stores, tools and plant, furniture and office equipment valuing Rs. 488,407, were made by officers in excess of the powers delegated to them. These cases of irregular purchases were brought to the notice of the officials concerned and the Authority. Neither the sanctions of the competent authority to regularise the purchases were obtained nor any action taken against the officers responsible for the irregularities.

1386. The Authority stated in their reply that the purchases had been regularised by the Chief Engineer as far as the Electricity Division, Peshawar was concerned and, in the case of Electricity Division Samanabad, Lahore, disciplinary action was in progress against Mr. Abdullah Jan, the then Executive Engineer and Mr. Muhammad Jamil Bhatti, the then Divisional Accountant. Thereupon, the Auditor-General enquired about the latest position of the Samnaabad case. The departmental representative replied that it had been duly regularised. In the case of the Shalamar Division Lahore the department explained that purchases were made by the Executive Engineer, (E) Shalamar

against the work of providing Facilities to the Lineman Training Centre, Shalamar, Lahore under clause A (V) Part (II) on page 12 of the Book of Financial Powers WAPDA applicable from 1st May, 1974. On the Auditor-General inquiring about the position of the case, the departmental representative replied that departmental action had been taken against the person at fault and his increments stopped.

1387. After hearing both the department and Audit, the Committee decided that Audit should look and verify the position, as stated by the Authority, so that no item remained uncovered. Subject to the satisfaction of the Audit, the paragraph was dropped.

1388. *Theft of Energy* (*Para* 40, *pages* 31-32—*AR—WAPDA*)—(a) Audit had reported that, during the local audit of consumer accounts of Bhati Gate Sub-Division, Lahore, conducted in April, 1972, it was noticed that the meter of a consumer remained dead for two years, but he had been using energy all the time. It was stated that a detection bill, amounting to Rs. 9,802, was prepared and sent to the Chief Engineer for approval. Action to fix responsibility and effect recovery from the consumer had not been intimated so far. The department explained that the detection bill was debited to the consumer's account, but he filed a civil suit in the Civil Court and the case was *sub-judice*. After hearing the explanation of the department, *the Committee directed that Audit should watch the progress of the case.*

1389. (b) Audit further pointed out that a comparison of the revenue accounts of Rang Mahal Division showed that the number of consumer in June, 1978 was larger that the number of consumers in June, 1977. The number of units billed during June, 1978 was, however, considerably lower than that billed in June, 1977, indicating a fall in the month's revenue by Rs. 30,000. Most probably, this was due to the theft of energy by the consumers. The officials concerned were requested in August, 1979 to investigate the matter by conducting a detailed check in respect of remaining eleven months of the year, but report on action taken in the matter was still awaited. The department explained that consumption did not increase because of the agitation in the country from March to June, 1977 when markets and shops remained closed for a number of days. After the promulgation of Martial Law, however, the consumption of energy recorded an increase. The Committee decided to drop the paragraph.

1390. (c) During the audit of three formation in the 2nd Circle, Lahore, it was noticed that many consumers were using electricity either by tampering with meters or getting it from the departmental mains. The consumers, in

addition to legal action, were required to be charged on an 80 per cent load basis for atleast six months. No action had been taken in respect of such cases.

1391. The department explained that, out of eleven illegal tubewell connections, cases of six consumers were regularized and payment received in respect thereof. The consumers were not traceable, two meters were disconnected due to non-payment and one case was taken into account twice by Audit. Disciplinary action had been initiated against the persons at fault.

1392. After going through the explanation of the department, the Committee directed that Audit should watch the progress of the cases. Subject to such directions, the paragraph was dropped.

1393. *Delay in finalising pension and fund cases (Para* 41, *page* 32—*AR—WAPDA)—The Committee directed the Authority to speed up the finalization of these cases.*

1394. *Less realization of Rs.* 2,963,235 *for work done (Para* 42, *pages* 32-33—*AR—WAPDA)*—According to Audit, a unit of the defunct Machinery Pool Organization, working at Sialkot, contracted road work with the Highway Department. Total billing of Rs. 5,005,922 was made for work done up to December, 1973 against which an amount of Rs. 2,042,687 only was realised from the Highway Department. The matter was brought to the notice of the Project authorities in July, 1974 and the Finance Manager promised in November, 1975, that all the dues would be cleared, after finalising the measurements with the Highway Department. The matter was reported to the MCPL in February, 1981, but no advice about further recoveries were received despite repeated reminders.

1395. Mechanised Construction of Pakistan explained in their written reply that the net amount outstanding against Highway Division, Sialkot was Rs. 2,328,644. They were not accepting the final bills as these were very old and the officers dealing these works were not available. MCP was making efforts to recover the outstanding amount from the Highway Department. Thereupon, Audit drew attention to the fact that the MCP Authorities had been requested in March, 1983 to reconcile the difference of Rs. 580,591 (Rs. 2,963,235 —Rs. 2,382,644) between the audit figures and their figures and expedite the recovery of the agreed balance.

1396. *The Committee directed that Audit and MCP should check the factual position regarding actual billing, amount received and balance due and then report to the Committee, if necessary.*

1397. *Non-recovery of Rs.* 24,000 *from a firm* (*Para* 43, *page* 33—*AR—WAPDA*)—It was reported by Audit that, during the local audit of the accounts of the Gujranwala Hydel Division for the year 1963-64, it was observed in September, 1964 that two concrete mixers, valuing Rs. 24,000 and rented out to a firm, were not returned after the completion of the work. Their non-return resulted in a loss of Rs. 24,000 to the Authority. The latter, however, confirmed the return of the mixers by the firm to the M.P.O. Workshop, Lyallpur. The Committee, therefore, decided to drop the paragraph.

1398. *Outstanding audit inspection reports* (*Para* 44, *pages* 33-34—*AR—WAPDA*)—According to Audit, the accounts of Water and Power formations excepting big projects costing Rs. 2 crore or more were test audited annually and important observations on financial irregularities, shortcomings, etc., communicated to the concerned formation and the next higher authorities. They were required to send their replies within six weeks. It was observed that the time limit was not usually followed, with the result that in-ordinate delays in replying to the audit observations defeated the very object of audit as recovery would become extremely difficult and the defaulting officials would escape punishment due to retirement, resignation etc.

1399. The department replied that in the light of the working arrangements agreed with the Director General, WAPDA Audit in a meeting on the 5th January, 1980 considerable progress had been made in the clearance of outstanding Inspection Reports whose number had decreased from 1717 on 31st December, 1981 to 1386 on 30th June, 1982. Similarly, the number of Inspection Reports, to which even the first replies had not been furnished to Audit, had decreased from 517 on 31st December, 1981 to 335 on 31st October, 1982.

1400. Audit informed the Committee that the latest position of outstanding Inspection Reports was as below—

(i)	Inspection Reports outstanding as on 30-6-1983 ..	852
(ii)	Inspection Reports for which first replies were awaited ..	210

1401. The Committee noted that the Authority had made efforts to reduce the backlog and directed the Ministry to have the outstanding reports settled expeditiously. Audit was also directed to discuss the matter with the Member Finance (WAPDA) and get the outstanding reports cleared. The paragraph was dropped.

1402. *Loss of revenue of rupees* 453.5 *million due to non-accounting of energy* (*Para* 45, *pages* 34-35—*AR—WAPDA*)—Audit reported that the Revenue Account of the Electricity Operations Branch for 1980-81 revealed that

13,192 million units were generated out of which 9,054 million units were sold. The difference of 4,138 million units, constituting 31.38 per cent of the energy generated, was lost. The Authority had provided the following scale of technical losses—

(i) Transmission losses	9.5%
(ii) Distribution losses	11.0%
(iii) Utilization on auxiliary and losses within Power House ..	5.0%
Total ..	25.5%

1403. No standard formula or authority was quoted in support of the foregoing percentages. But even if these were considered reasonable, the unaccounted for loss of 5.9 per cent 840 million units, was worth Rs. 453,516,000 at the average sale rate of 53.99 paisa per unit.

1404. The department replied that the losses in the Power System depended on the amount of power transmitted through the network and these increased with larger loads on the transmission lines. No standards for the quantity of loss could, therefore, be fixed for all conditions. The calculation of losses in times of money was, therefore, hypothetical and not strictly relevant. If the load increased at a rate higher than the augmentation and increase in the capacity of the system, loss percentage would increase. During the four years, since 1977 power demand increase at a such higher rate than before and the losses should have gone up accordingly. WAPDA, however, not only arrested the upward trend of the line losses, but brought down these from 37.6 per cent in 1976-77 to 31.38 per cent in 1980-81. They were working very hard on attacking this problem, both on the technical and administrative sides, and were continuously reducing these losses. The achievement of WAPDA in this field had been recognised by the Asian Development Bank and other aid-giving agencies.

1405. After examining the explanation of the department, the Committee observed that WAPDA should continue its efforts towards further reduction in the losses. Subject to that comment, the paragraph was dropped.

Comments on Balance Sheet of Water Wing as on 30th June, 1981

1406. *Amount recoverable from Government and other agencies on account of deposit Works-Rs.* 20,344,651 [*Para* 46 (*I*), *pages* 35-36—*AR—WAPDA*]—Audit had pointed out that the schedule D, attached to the Balance Sheet,

showed that the expenditure incurred on the under mentioned deposit works was in excess of the amount deposited by the respective agencies.

S. No	Name of deposit work	Expenditure incurred	Funds received	Excess expenditure
		Rs.	Rs.	Rs.
(i)	Chablat Khas (Revenue)	229,114	69,000	160,114
(ii)	Chablat Khas (Capital)	471,955	433,000	38,955
(iii)	Rawal Dam (Revenue)	2,543,479	364,400	2,179,079
(iv)	Alluvial Channel Observation	17,273,524	17,134,397	139,127
(v)	Tubewell Operation Scheme Mona	22,294,095	13,087,476	9,206,619
(vi)	Tubewell Operation Division Shahpur	10,281,453	4,442,650	5,838,803
(vii)	Water Course Monitoring and Evaluation Project.	5,489,554	2,707,600	2,781,954
	Total ..	58,583,174	38,238,523	20,344,651

1407. The excess expenditure on the works named at S. Nos. (i) to (iii) and (v) was pointed out in the Audit Report for the previous year. It was stated in reply that the case for recovery in respect of the works at S. Nos. (i) to (iii) was under discussion with the Punjab Government and a sum of Rs. 5,901,260 had been recovered in respect of the Mona Project. The position exhibited now indicated that the Authority's funds remained blocked and could not be utilised on their own works. Though the amounts in respect of the works at S. Nos. (iv) and (vii) had been recovered during the year, the recoveries had not been verified by Audit. Concerted efforts were needed for recovering the outstanding amount expeditiously.

1408. The department explained that the case for recovery in respect of items (i), (ii) and (iii), had since been referred to the Government Adjuster and had not yet been finalised. It was, however, pointed out that the excess expenditure, recoverable against item 1, actually worked out to Rs. 151,114 and not Rs. 160,114. The difference was due to Audit having taken the figure of expenditure as Rs. 229,114, instead of the correct figure of Rs. 220,114. As regards item (iv), it was stated by the department that necessary funds had since been received during January, 1982. As for items (v) and (vi), expenditure had been incurred out of the amount of interest on loans for the Khanpur Dam, payable by WAPDA to the Government of the Punjab. Expenditure on the Mona and Shahpur Tubewells upto 30th June, 1981 was Rs. 32.576 million and funds available for utilization, out of interest on the Khanpur Dam payable to the Government of the Punjab, were Rs. 34.121 million. As such, there was no excess of expenditure over the funds. Necessary sanction for carrying out the

adjustment of Rs. 17.801 million was issued under approval of the Punjab Finance Department. The departmental representative also informed the Committee that these cases were with the Punjab Government and the Authority were pursuing them diligently. As for item (vii), it was stated that the necessary funds had since been received.

1409. Audit stated that the position explained by the department in regard to items (iv) to (vii) had been verified. In so far as items (i), to (iii) were concerned, the intimation about recoveries would be awaited.

1410. After examining the explanation of the department and Audit comments thereon, the Committee did not make any observation and these items were treated as settled.

1411. *Un-allocated expenditure* [*Para* 46 (2), *page* 36—*AR—WAPDA*]—Audit had reported that, in the Balance Sheet, a sum of Rs. 11,011, 669 was shown against the head " Unallocated Expenditure ". In the statement of Assets and Liabilities of Water Projects, " Unallocated Expenditure ", amounting to 57,213,392, was shown to have been booked on these Projects. Thus the total of unallocated expenditure worked out to Rs. 68,225,061. In view of this, the figures of expenditure shown in respect of Water Projects were not final. Strenuous efforts were needed for clearing this suspense.

1412. It was stated by the department that, out of the total unallocated expenditure, amounting to Rs. 68,225,061 a sum of Rs. 14,458,526 pertained to Common Services and the balance of Rs. 53,766,535 related to the Water Wing, a reduction from the balance of Rs. 96.157 million as on 30th June, 1978. Thus unallocated expenditure was only 0.68 per cent of the total expenditure on Water Projects as on 30th June, 1981. The " Unallocated expenditure " of Rs. 14,458,526 against Common Services had also been reduced to Rs. 4,150,252. Efforts were being made to clear the balances.

1413. Audit commented that the figures of unallocated expenditure in the Balance Sheet as on 30th June, 1982 were as under—

	Rs.
Water Projects	46,348,381
Common Services	4,150,252

These figures were still quite high and required early clearance.

1414. The departmental representative informed the Committee that the total un-allocated expenditure in 1978 was 1.9 per cent and it had now been brought down to 0.5 per cent. The Committee approciated the improvement in the position of unallocated expenditure and decided to drop the paragraph.

1415. *Non-utilization of loan amounting to Rs.* 8,603,000 [*Para* 46 (3), *page* 36—*AR—WAPDA*]—According to Audit, it was indicated in the schedule 'J' attached to the Balance Sheet that Federal and Provincial Government loans, amounting to Rs. 8,603,000 as detailed below, were received during 1980-81 for the execution of the named works. But the names of these works, were not shown in the Schedule 'C' which showed the expenditure on works-in-progress, meaning that these works were not executed during the year and the loans received were not utilized. The circumstances under which the following loans could not be utilized required to be looked into, as WAPDA had to pay interest on the money's borrowed—

S. No	Loan	Name of work	Amount of loan
			Rs.
(i)	Federal Government Loan ..	.. Pharang Drain	7,803,000
(ii)	Provincial Government Loan ..	.. SCRAP-IV Upper Rachna ..	800,000
		Total ..	8,603,000

1416. The Authority, in their reply, stated that against the loan of Rs. 7,803,000 pertaining to Pharang Drain an expenditure of Rs. 7,802,985 had been incurred as already shown in the Schedule 'B', attached to the Balance Sheet.

1417. The Authority further stated that the loan of Rs. 800,000 actually pertained to General Investigation but was wrongly shown against SCARP-IV Upper Rachna. The necessary rectification had since been effected in the printed Balance Sheet.

1418. As the position stated in the explanation of the department had been verified by Audit, the Committee did not make any observation on it and the paragraph was dropped.

1419. *Loans and grants amounting to Rs.* 49,704,662 *obtained but not utilised* [*Para* 46 (4), *page* 36—*AR—WAPDA*]—Audit had pointed out that the Schedules 'J' and 'K' to the Balance Sheet, depicted that Federal and Provincial Government and Foreign loans, amounting to Rs. 1,053,801,769 as detailed below, were received during the year 1980-81. The schedule 'C' showing the expenditure on works-in-progress, however, indicated that expenditure amounting to Rs. 1,004,097,107, was incurred during the year. Thus the undermentioned loans amounting to Rs. 49,704,669, could not be utilised

on the execution of works. The short expenditure should be looked into, as WAPDA had to pay interest on the loans obtained—

	Rs.
Provincial Government Loans	59,743,000
Federal Government Loans	930,535,188
Federal Government Grant	38,172,800
Foreign Loans	25,350,781
Total ..	1,053,801,769

1420. In their reply the Authority stated that, against the loan of Rs. 1,053,801,769 actual expenditure amounted to Rs. 1,061,765,559 and not Rs. 1,004,097,107. The excess of Rs. 7,963,790 (Rs. 1,061,765,559 minus Rs. 1,053,801,769) had been booked as per inter-office advices as S.S. Cheques of the Power Wing.

1421. Audit having verified the above position the Committee decided to drop the paragraph.

1422. *Loss of Rs.* 2,79,930 [*Para* 46 (5), *page* 37—*AR—WAPDA*]—According to Audit, the Revenues Accounts of WAPDA Flats and Colony and the E&M Division for the year 1980-81, attached to the schedule 'P' and showing details of the earned surplus, exhibited the following losses suffered during the year—

	Rs.
WAPDA Flats and Colony	2,349,984
E & M Division	379,946
Total ..	2,729,930

1423. The circumstances which led to these losses should be investigated to prevent their recurrence in the future.

1424. The department explained that the Revenue Accounts of the WAPDA Colony and Flats exhibited losses as the maintenance cost of houses had increased considerably due to escalation in the prices of meterials and rise in the salaries of the maintenance staff, but rent was being recovered at the rates fixed in 1974. These rates were being revised. The loss of Rs. 379,946 on the other hand, was due to non-receipt of rent from the commercial tenants, as their cases were sub-judice.

1425. Audit pointed out in their comments that timely action should have been taken for revising the rent rates to avoid the loss of over Rs. 2. million. Audit further stressed that recoveries of rent from the commercial tenants should be speeded up.

1426. After going through the explanation of the department, *the Committee directed that WAPDA should work out the standard rent of houses and, after deducting the amount received as rent at 5 per cent the balance should be charged to the Projects or offices concerned.*

1427. *Huge increase in Administrative expenses* [*Para* 46 (6), *page* 37—*AR—WAPDA*]—Audit had pointed out the that, in the statement of Assets and Liabilities of Water Projects to total under the column "Administrative expenses" was shown as Rs. 839,812,516 and that under the column "Works Building and Land" as Rs. 4,391,825,410. Thus the Administrative expenses were 19.80 per cent of the works expenditure, whereas it was normally 5 per cent. This large increase in the Administrative expenses needed to be looked into, for curtailing the same.

1428. It was further stated that, in certain water schemes the provision for Administrative expenses, including contingencies ranged from 12 per cent to 30 per cent. The reply of the department only with reference to these projects could not be applicable to all the schemes. Besides, contingencies were not to be mixed up with Administrative expenses. Action was hence required to be taken for bringing about reduction in these expenses.

1429. In their reply, the Authority explained that it was incorrect to work out on an average basis the percentage of Administrative expenses in relation to the expenditure on works, as in Investigation Scheme the percentage was very high. Moreover, the figures of administrative expenses included in addition to Administrative cost, Engineering and Supervision costs, namely salaries and allowances of Engineers and Supervisors and their subordinate staff.

1430. Audit maintained that the Engineering and Supervision Costs were to be shown separately under the head "Consultants" and these amounted to Rs. 225,229,703. In view of this position, the Administrative expenses of over Rs. 839 million were quite high and effective steps were required to be taken for curtailing them in future.

1431. A member of the Committee observed that, in some cases, the consultants might take larger responsibilities than in others and thereafter, the administrative cost would be curtailed. He suggested that the department should not generalise in this matter and should take year-by-year figures, which would be a better guide.

1432. After discusssion, *the Committee decided that the Authority should prepare a fresh statement, showing the total cost of the projects and the Administrative expenses thereon and send the same to Audit, for submission to the Committee along with audit comments.*

1433. *Non-transfer of the cost of completed projects* [*Para* 46 (7), *pages* 37-38—*AR—WAPDA*]—Audit pointed out that the schedule 'B', attached to the Balance Sheet in respect of completed projects, contained the names of 24 projects. It was not clear as to how many of these had since been handed over to the Provincial Governments, as their capital cost still continued to appear in the books of the Authority. This point had been raised in the Audit Report for the previous year where it was stated in reply that the issue of the transfer of cost of some of these projects had since been taken up with the Provincial Governments and it was being pursued. It was also stated that no procedure had been formulated for the transfer of cost of completed projects. This showed that no progress had been made in the matter. In case there were any bottlenecks, the same ought to have been removed with the help of the Federal Government. Efforts made should also have been indicated by the department.

1434. The Authority explained that the concerned Accountants General had been required to incorporate in their books the amount of expenditure as well as loans in respect of all the completed projects. On this, Audit observed that the cost of 24 completed Water Projects had not been transferred so far. The results of references, stated to have been made to the Accountants General, would be awaited.

1435. A Member of the Committee observed that the Authority should also prepare the completion reports giving the total cost therein in order to strengthen the case. The departmental representative submitted that all the completion reports, including that of the Mangla Project, were ready. Some projects were partly on-going and partly completed. So far as the 24 completed projects were concerned, all these were ready and there was no question of dispute in handing or taking them over.

1436. *The Committee directed that WAPDA should take the cases of all completed projects to the Ministry of Finance through the Ministry of Water and Power, at the earliest, so that the financial and other issues in respect of them could be resolved, once for all.*

1437. *Trial Balance not made available* [*Para* 46 (8), *page* 38—*AR—WAPDA*]—Audit reported that the Trial Balance in respect of 18 projects, with the following codes, were not made available at the time of scrutiny of the Balance Sheet—

NMS, GLP, AWP, TSR, PTO, DBT, PHL, PBT, TDC, PVR, PPS, TAF, PHD, WSR, KTI, ESP, SNR, NZS.

Hence the correctness of the expenditure, booked in respect of these projects, could not be checked.

1438. Audit desired that the missing Trial Balances should be produced to them, so that the correctness of the expenditure, may be verified.

1439. The department stated that all the Trial Balance, except the following, which were not required for the reasons noted against each, had since been received and were available—

TAF-Revolving fund advance to this Project had since been recovered and project Account Current Balance reduced to nil.

TSR		
PTD		
DBT		
PHL	Expenditure during the year 1980-81 was nil.	
PBT		
TDC		
PUR		
PPS		
KTI		

1440. In their further comments, Audit pointed out that the Trial Balances in respect of 8 Projects were made available to Audit in December, 1982. These should have been produced at the time of Audit of the Balance Sheet of Water Projects as on 30th June, 1981. However, the position as stated in the reply of the department in respect of 10 Projects was verified.

1441. The Committee, thereupon, observed that this should be recorded in the Balance Sheet. The paragraph was decided to be dropped.

1442. *Non-recording of required certificates on the Balance Sheet [Para* 46 (9), *page* 38—*AR—WAPDA*]—The Committee was informed by the department that their accounting units were headed by Project Directors of the level of Superintending Engineer, who were primarily responsible for all the activities of the Projects. Thus the requisite certificates recorded by them on the Trial Balances should be treated as sufficient. Audit still maintained that the requisite certificates should be recorded on the consolidated Balance Sheet. *The Committee desired the requisite certificates should be recorded on the Balance Sheet.*

Comments on the Balance Sheet of Power Wing as on 30th June, 1981

1443. *Debtors and Advances—Rs.* 186,390,176 [*Para* 47 (1) (*a*), *page* 39—*AR—WAPDA*]—Audit informed the Committee that the balance on this Account, shown in the Balance Sheet as on 30th June, 1982, stood at Rs. 102,481,894. Year-wise analysis of the balances had not been made nor had their clearance been indicated. These short comings may be made good in the future.

1444. The department produced their figures, and explained the position. After going through the explanation of the department and the Audit comments thereon, the Committee observed that there was a substantial reduction in the miscellaneous advances and there seemed to have been good progrss with matter which should be continued. Hence the paragraph was dropped.

1445. *Short and long-term investments* [*Para* 47 (2), *page* 39-40—*AR—WAPDA*]—Audit pointed out that the details given in the departmental explanation would be verified on the production of records of the respective Area Electricity Boards. On the explanation of the department that Government instructions were complied with in the year 1981-82, Audit commented that Investment in Government Trearsuries, was not shown separately on the Balance Sheet as at 30th June, 1982. The departmental representative informed the Committee that there were eight Area Electricity Boards, and security deposits were collected by the Area Electricity Boards, which was not done previously.

1446. The Committee did not make any observation on this paragraph which was treated as dropped.

1447. *Pre-payments for Rs.* 10,654,875 [*Para* 47 (3), *page* 40—*AR—WAPDA*]—Audit had reported that a sum of Rs. 10,654,875 had been shown against the head "Pre-payments" for amount advanced to the Director of Insurance. Previously, such expenses were shown in the schedule of Sundry Debtors and Debt Balances. The reasons for advancing such a large amount to the Director, Insurance were not forthcoming. These advances were required to be cleared quickly.

1448. The department explained that, although the nature of this expense was very much like that of debtors, the same had been exhibited in a more realistic manner to identify the nature of each debit balance more distinctly. The department further stated that all the members of WAPDA staff were covered under the Group Insurance Scheme, the premiums for whom was paid to the Insurance Company in advance on the 1st of July every year. Advance payment to the Director Insurance was, therefore, made by the end of each financial year and this was recovered from the members of the staff throughout the next financial year by monthly instalments. By this process, the amount paid at the end of each financial year remained outstanding in the books.

1449. After examining the explanation of the department, the Committee did not make any observation on this paragraph which was deemed as settled dropped.

1450. *Minus expenditure in respect of completed Projects* [*Para* 47 (4), *page* 40—*AR—WAPDA*]—Audit had pointed out that, in the schedule which showed the cost of completed projects, the expenditure incurred during the year was shown as *minus* in respect of the following projects—

Name of projects		Expenditure during year
		Rs.
Hyderabad Thermal Power Station	(—)	20,983,212
Sukkur Thermal Power Station	(—)	88,831,022
Chichoki Electric Power Station	(—)	489
Quetta Thermal Power Station	(—)	14,129
Tarbela Hydel Power Station	(—)	8,110,447

1451. The circumstances, which led to the *minus* expenditure were required to be stated.

1452. The position, stated in the explanation given by the Authority, had been excepted and verified by Audit.

1453. The Committee, however, observed that a reclassification of expenditure was called for here, instead of showing *minus* expenditure. The departmental representative informed the committee that the department had reclassified the same. The paragraph was then dropped subject to verification by Audit.

1454. *Miscellaneous and Sundry items* [*Para* 47 (5), *page* 41—*AR—WAPDA*]—Audit reported that a sum of Rs. 38,735,224, was shown in the Balance Sheet against the head "Miscellaneous and Sundry items". The Committee decided to drop the paragraph subject to satisfaction of Audit.

1455. *Accounts Payable* [*Para* 47 (6), *page* 41—*AR—WAPDA*]—A sum of Rs. 480,456,127 is shown in the Balance Sheet against the head "Accounts Payable". After going through the explanation of the department and the Audit comments thereon, the Committee decided to drop the paragraph, subject to the satisfaction of Audit.

1456. *Confirmation for Foreign Loans—Rs.* 838,795,618 [*Para* 47 (7), *page* 42—*AR—WAPDA*]—The schedule for foreign Loans, appended with the Balance Sheet, showed that the following loans were received by WAPDA during the year 1980-81—

		Rs.
(i) Loans received through Government		817,958,983
(ii) Loans received directly by WAPDA		20,836,635
	Total	838,795,618

1457. Audit stated that Confirmation of these figures from the Government|loans-giving agencies was not forthcoming for ensuring that the amount of the loans received were correctly accounted for. It was stated that confirmation for an amount Rs. 12,220,019 in respect of the loans shown against item No. (i) above was available, but it could not be established that this amount was not a part of the loans mentioned against item No. (ii) above. The requisite Confirmations were, therefore, required to be produced.

1458. In their reply, the department explained that, for the loans directly negotiated by WAPDA, no Confirmation from Government or the Accountant General was required, as the accounts of these loans were not maintained by either of the two. All the Foreign loans, including those directly negotiated had been confirmed by the loan-giving Agencies. The loans of Rs. 12,220,019 related to item (ii) and had been shown against Sl. No. 55 of the schedule.

1459. Audit observed that the confirmation of foreign loans, received through the Government, had been verified except three loans amounting to Rs. 5,898,285. The Committee decided to drop|settle the paragraph, subject to verification by Audit.

1460. *Irregular payment of advance amounting to Rs.* 68,683,131 [*Para* 47 (8), *page* 42—*AR—WAPDA*]—It was observed form the Trial Balance of the Tarbela Hydro Power Extension Project (Unit, 5 to 8) for 6|81 (final) that advances amounting to Rs. 68,683,131 were given to contractors and department. The purposes for which these advance were given, and whether these stood covered by the orders of the competent authority or by contractual provisions, were required to be stated. The action taken for their quick recovery or adjustment was also to be advised.

1461. The department stated that the payments had been made in accordance with the terms of the relevant contracts approved by the Authority or in accordance with the codal rules.

1462. Audit observed that the position given in the departmental explanation would be verified on the production of records by the Project Authorities at Tarbela.

1463. After discussion, *the Committee directed that Audit should verify the position and then come back to it, if necessary.*

1464. *Certificates not recorded on the Balance Sheet* [*Para* 47 (9), *pages* 42-43—*AR—WAPDA*]—The department informed the Committee that the requisite certificates relating to each Wing of the Power formation had since been supplied to Audit *vide* their letter No. 977-78|GMF (P) B—46 dated

8th November, 1982. Audit maintained that the requisite certificates should have been mentioned on the Balance Sheet. The G. M., Finance (Power) WAPDA was requested in February, 1983 to get the needful done.

1465. *The Committee decided that department may get the requisite certificates recorded on the Balance Sheet as per their earlier directive in paragraph* 1442 *above.*

Comments on Balance Sheet of Electricity Operation Branch as on 30th June, 1981

1466. *Huge increase in the stock balances* [*Para* 48 (1) (*a*), *page* 43—*AR—WAPDA*]—According to Audit, a sum of Rs. 1,238,638,725 was shown against the head " Stock " in the Balance Sheet as on 30th June, 1981, which was nearly double the amount of Rs. 671,971,100, shown on this account in the 1980 Balance Sheet. The reasons for such a large increase in the stock balance, as compared to the previous year were not forthcoming. It could not be ascertained as to the value of stores and on the execution of works during the year 1980-81. Since the stores involved the blocking of the Authority's funds, incurring storage charges, wear and tear, pilferage, absolescence, etc., these should be held only upto the extent required for use within a reasonable period.

1467. The department replied that the stores and Stock balance as on 30th June, 1980 was valued at Rs. 954 million, which increased to Rs. 1.239 million on 30th June, 1981. Thus, the increase in the Stores and Stock balance was of of Rs. 285 million, which was due to escalation in prices as well as increase in WAPDA activities as a result of installation of more connections and electrification of additional villages as would be apparent from the budget for the utilization of stores during the following year—

1980-81 ..	..	..	..	..	Rs.	576	million.
1981-82 ..	..	..	..	..	Rs.	844	million.
1982-83 ..	..	..	..	..	Rs.	928	million.

1468. Audit pointed out in their comments that the increases in the stock balance due to escalation in prices and increase in WAPDA activities, had not been identified. The figures given for the stores utilization Budget were also not helpful in clarifying the position of the outstanding balance of stores, valued at Rs. 1.239 million by the end of 1980-81.

1469. After examining the explanation and the Audit comments, the Committee decided to drop the paragraph, subject to verification by Audit.

(b) Audit had also pointed out that the balance of stock, mentioned in the foregoing sub-paragraph (a), was inclusive of an amount of Rs. 126,535,264, shown against the sub-head "Other" but, in fact, as per the Trial Balance of the Distribution Wing 6|81 (final), it indicated the balance of un-reconciled stores. The progress made in carrying out the necessary reconciliation was required to be intimated.

1470. The department replied that this represented the difference between the stores control account balance, as shown in the General ledger, with the store ledger balances. The issue was discussed between WAPDA and the Director General WAPDA Audit and it was decided that it might be apportioned on the fixed assets, after having the necessary certificates from the formations concerned. The certificates were being collected and adjustment would be made during the year 1982-83.

1471. After going through the explanation of the department, *the Committee directed that Audit should check the balances carefully and report back, if necessary.*

1472. *Difference in figures of current accounts* [*Para* 48 (2), *page* 43—*AR—WAPDA*]—The Committee dicided to drop this paragraph, subject to the satisfaction of Audit.

1473. *Amount shown against "Prepayments"* [*Para* 48 (3), *page* 44—*AR—WAPDA*]—The Committee settled|dropped the paragraph subject to verification by Audit.

1474. *Bad Debts provision for Rs.* 100,079,199 [*Para* 48 (5) (*a*), *pages* 44-45—*AR—WAPDA*]—It had been pointed out by Audit that a progressive balance of Rs. 100,079,199 was shown against the provision for bad debts in the Balance Sheet of E.O.B. as on 30th June, 1981, indicating that irrecoverable amount in respect of Debtors for energy had not been sorted out and written off against the provision for bad debts. The aging of bad debts had not been carried out and provisions in respect of the old and recent debts had been made at the same rate. The amounts recoverable had not been differentiated from the ones which had become irrecoverable with the passage of time. The need for adjusting the bad debts against the provision therefore, had been emphasised in the previous Audit Reports, but no action in this regard had been taken so far. The Balance Sheet, thus, did no show the true financial picture.

1475. In their reply, the department explained that the provision for bad and doubtful detbs was being made under the orders of the Authority. The Chief Engineers had been asked to determine the amounts for write off. Arrears

were also being analysed by age. Arrears against consumers as on 30th June, 1981 amounted to Rs. 1.028 million. Therefore, the provision of bad debts reserve, amounting to Rs. 100 million, was not considered to be excessive. The aging for the arrears and write off action was required to be expedited.

1476. When questioned as to why the department did not write off any of the bad detbs so far, the departmental representative promised to have this done as early as possible.

1477. After discussion, *the Committee directed the departmental representative to expedite action for writing off and Audit to watch progress of the write off.*

1478. *Non-Recovery of Rs.* 928,018,807 *from the consumers* [*Para* 48 (*5b*), *page* 45—*AR—WAPDA*]—It was indicated by Audit that in the Balance Sheet the arrears of energy charges, amounting to Rs. 1,028.098 million, were still outstanding against consumers. After deducting the amount provided on account of bad debts, the net amount worked out to Rs. 928.018 million.

1479. The Authority explained that 23 per cent of the current years billing was allowed by the Central Government as energy debt, whereas the Authority was maintaining it at 20 per cent due to effective collecting efforts. The energy debts, amounting to Rs. 1.028 million, included sizeable amounts recoverable from Government agencies and local bodies. The subject of recoveries from the Government agencies, local bodies, etc was under active action by the Authority The departmental representative also informed the Committee that, out of the amount of Rs. 928,028,807, Rs. 170.25 million was on Government account. The Committee directed that the remaining amount should be written off, if found to be unrecoverable. The paragraph was dropped subject to the satisfaction of Audit.

1480. The examination of the balance of accounts in respect of the Ministry of Water and Power, the only item on the Agenda for the day, was postponed to the following day.

1481. The Committee then adjourned to meet again at 9.00 a.m. on Monday, the 2nd January, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 1*st February,* 1985.

FEDERAL COUNCIL SECRETARIAT

Monday, the 2nd January, 1984

Ninth Sitting (PAC)

1482. The Public Accounts Committee resumed the examination of the Federal Accounts for 1980-81, in the State Bank Building, Islamabad on the 2nd January, 1984, at 9.00 a.m. The following were present—

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

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

(4) Mr. M. A. Lodhi, Accountant-General Pakistan Revenues

(5) Mr. Ziaul Haq Khan, Director-General (WAPDA) Audit

(6) Mr. Abdul Khaliq, Deputy Director-I, WAPDA Audit

Ministry of Finance

Mr. Javed Talat, Joint Secretary (Budget)

MINISTRY OF WATER AND POWER

1483. The Committee continued the examination of the remaining portion of the WAPDA Accounts and Reports, pertaining to the Ministry of Water and Power. The following departmental representatives were present—

(1) Mr. Abdul Wahab F. Sheikh, Secretary

(2) Maj. Gen. Ghulam Safdar Butt, Chairman, WAPDA

(3) Ch. Ziaul Qayyum, Deputy Secretary

(4) Dr. S. M. H. Bokhari, Member (Water), WAPDA

(5) Mr. Ayub Sadozai, Member (Power), WAPDA

(6) Mr. A. F. Serajul Haque, Member (Finance), WAPDA

(7) Mr. S. M. Rizwan Abidi, Executive Director, MCP

(8) Mr. M. Gulzar, Comptroller, IBP, WAPDA

(9) Syed Amjad Hussain, CE, M&E, WAPDA

(10) Mr. Asif H. Kazi, G. M. Tarbela

(11) Mr. M. Y. Khan, Chief Auditor, WAPDA

Indus Basin Projects

1484. *Avoidable interest of Rs.* 1,461,232 *on late payments* (*Para* 49, *page* 48—*AR—WAPDA*)—Audit reported that in Tarbela Dam Project, a contract awarded to a foreign contractor provided that the amounts due to the contractor were to be paid by WAPDA within 30 days, after certification by the Engineer, otherwise interest at 10 per cent per annum would be payable to the contractor on the delayed payments. The expenditure on the contract was mainly reimburseable from the Tarbela Development Fund, for which sufficient provision was made in the approved Cash Forecasts. The contractor's monthly Estimate No. 8 to 25 for the period from May, 1980 to October, 1981 included a certified amount of Rs. 1,461,232 (Including foreign currency equivalent of Rs. 770,203) on account of Interest for late payment, in respect of his pay estimates No. 1 to 22 for the period October, 1979 to July, 1981. This extra financial burden of Rs. 1,461,232, paid out of the non-reimburseable budget, could have been avoided by adhering to the schedule of payments provided in the contract.

1485. The matter was taken up with the Project authorities in November, 1980 for investigating the reasons of delay in payments and fixing the responsibility therefor. In reply, the Authority gave the following—

	Amount of interest in (Rupees)	Total payments made against P.E. 1 to 23 (in rupees)
(a) **Interest on TDF Payments**		
(i) Foreign Currency payments	479,669	718,557,782
(ii) For Local Currency payments	690,573	922,464,619
(b) **Interest on non-TDF payments**		
(i) For Foreign Currency Payments	290,534	5,374,962
(ii) For Local Currency Payments	456	3,807,819
Total ..	1,461,232	1,650,205,182

Interest as a percentage of total payments=0.09 per cent.

1486. The department further stated that the World Bank released Foreign Currency amount through correspondent Banks only two or three days perior to the due dates. Shortage of funds in TDF pool due to late reimbursement by Saudi and Kuwait Funds of payments made by TDF under bridge financing arrangements was another cause for delay in Foreign Currency payments by TDF. In fact, the pace of reimbursement from these Funds had been slow and the World Bank very frequently faced cash short-falls.

1487. The department further stated that the TDF payments in Local Currency were made out of the TDF account with the State Bank of Pakistan, Karachi, which was fed from the rupee contributions made by the Government of Pakistan on a monthly basis. The monthly contribution was due to be credited to the TDF account on the 1st of the month, but scrutiny had revealed that, during the period involved, the Government of Pakistan had made delayed payments. To substantiate this fact, the department produced two tables, indicating delay in payments by the World Bank and delay in contributions by the Government of Pakistan. Audit held that they were informed in June, 1983, that, against the interest of Rs. 1,170,242 on TDF payments, the World Bank had accepted the liability on interest to the extent of Rs. 1,034,483. Advance about its final realisation from the World Bank and the action for the balance amount of Rs. 135,759 was still awaited. Audit further pointed out that, in regard to the interest of Rs. 290,534 on non-TDF payments, it was stated that the same became payable, as certain items of work, which were considered by WAPDA and the consultants as reimburseable from the TDF, were declared non-reimburseable by the World Bank in January, 1980.

1488. During the course of discussion, the Audit representative raised the point that delay on the part of WAPDA had not been indicated in the reply and desired that a more eleborate statements may be prepared and furnished to Audit for their examination.

1489. *The Committee directed the departmental representative that the total amount of interest that had to be paid on account of delays in payments may be furnished to Audit, who would look into it. Further consideration of the paragraph was deferred.*

1490. *Irregular payment of Rs.* 512,639 *for remedial Works* (*Para* 50, *pages* 48-49—*AR—WAPDA*)—It had been pointed out that, cracks developed in the Stilling Basin Right Wall of the Tarbela Dam Project and at the Outlet Gate Hoist Girders Remedial works were arranged through variation orders, for which the contractor was paid Rs. 512,639 *i.e.* Rs. 128,004 and Rs. 384,635 for the wall and the outlet gate Girders respectively. The cracks had apparently developed due to faulty design or sub-standard workmanship. Therefore, the cost should have been recovered from the consultants or the contractor. The matter was taken up with the Project official in October, 1973. Since the point could not be satisfactorily explained by them, the matter was reported to the Authority in December, 1977 who replied in April, 1979 that the cracks in the Stilling Basin Right Wall took place due to shrinkage and were to a limited extent, downward from the top. The cracks were measured twice but no extension was noticed in them. On the other hand, the breadth of the cracks decreased during the winter season. As the cracks would have expanded during the operation of the Stilling Basin and its repairs would then have become more costly, it was decided to repair the cracks before the operation of Stilling Basin. There was no fault of the Engineer, as the wall was designed the same was as many other structures of the Project *i.e.* it was to be an un-reinforced gravity wall. No other part of the wall structures showed any signs of defects. The cracks in the outlet Gate Hoist Girders could be attributed to tensile stresses due to post-tensioning force, gravity load shear, temperature and shrinkage effects, quality of concrete and its strength at post-tensioning time, weather conditions and tensioning sequence. This showed that the cracks had not developed due to the defective workmanship of the contractor nor was it the result of any incorrect method used for construction. The cracks could not also be attributed to faulty design. Such cracks were not uncommon in post-tensioning work and were usually disregarded, Neither the consultants nor the contractors were responsible for these cracks.

1491. Audit pointed out that the causes of cracks given by the Authority were based on the investigations conducted by the consultants. Since the consultants could also be held responsible for these cracks, if they occurred due to

faulty designs, it was imperative that an independent inquiry was held by WAPDA to ascertain the actual causes of cracks and fix responsibility therefor. Audit also emphasized that the contractors must have included in the tender, the cost of such remedial works.

1492. The department replied that, in accordance with the relevant Contract Drawing, the Wall Monolith R-12, at the end of the wall forming the corner where the wall turns right into the right abutment, was designed as a gravity wall. Concrete was put into it between the 7th June and 16th October, 1971. Later on the 2nd February, 1973, cracks were reported, which were discovered when the erection of handrails at the top of the wall was commenced. The Project Consultants investigated the reason and nature of these cracks and furnished a report on June, 20, 1973, according to which it was established that these cracks were neither due to foundation settlement nor due to tensile stresses in the wall because of back-fill pressure.

1493. The department further elaborated that cracks were discovered on 30th November, 1972 at the ends of the Outlet Gate Hoist Girders and were kept under constant observation. The matter was also referred to TAMS, New York for advice and for establishing the reasons for the cracks. The Project Consultant furnished their report on 20th June, 1973. All the possible causes of development of cracks in the Gate Hoist Girders were investigated, namely, whether such cracks could be attributed to tensile stresses due to post-tensioning force, gravity load shear, temperature and shrinkage effects or any other contributing factors, like the quality of concrete and its strength at post-tensioning time, weather conditions and tensioning sequence. A combination of some or all the aforementioned factors could have led to the cracks. It was, however, relevant to establish that the cracks were not due to the defective workmanship of the Contractor or incorrect methods used for which the Contractor should have borne the costs of remedial works.

1494. In the light of the above explanation, the Authority were of the opinion that the cracks in both the structures were not due to a fault on the part of the Contractor or of the Engineer. The department also contended that, if an independent inquiry, suggested by Audit to investigate into the causes of the cracks, had been carried out for fixing the responsibility either of the Engineer or of the Contractor, it would have necessitated the engagement of highly specialised personnel, with expertise in the knowledge of long-term behaviour of concrete placed in heavy concrete structure. The Authority would have paid additional sums for the engagement of such specialists. But, even such specialized personnel might have concluded that the cracks were neither due to the fault of the contractor nor to faulty design. In that case, the Authority would have not only paid the cost of remedial works but also incurred additional expenses on the engagement of highly specialized personnel.

1495. The department further stated that the remedial work, actually executed, consisted of strengthening the Wall and Hoist Girder by increasing their section with additional work which, under the terms of the contract, was payable to the contractor as a variation order.

1496. When questioned as to whether the Insurance Company paid any compensation in this case, the departmental representative replied that the major damage had taken place in 1974 after which insurance claim was lodged.

1497. A member of the Committee remarked that the Authority had stated that such cracks were not uncommon and were usually disregarded. If the cracks were to be there in any case, why were they not considered inevitable and reflected in the design? The departmental representative submitted that they may be excused for incorrect use of language. Nobody could say for definitely that cracks would develop. The member further observed that the department could say that cracks had appeared, which were beyond the control of anyone and could make a note on the records that this was a possibility. So this must be a *post-facto* appreciation of the situation. Another member enquired as to what were the causes of the cracks? The departmental representative replied that the cause was shrinkage in the concrete. Cracks did take place and could occur in several places. Concrete shrinks when it sets and, sometime, it shrink due to temperature, cooling at night and heat at day time. Such a happening is normal. Sometimes, cracks do not cause any hazard but when there is a danger of a hazard, preventive measures become a necessity.

1498. Audit stated that there was a possibility of cracks developing, after sometime. This must have been taken care of by the contractor. The Vice-Chairman observed that the work of repairs on remedial measures had to be carried out at the cost of WAPDA, if there was no contractual obligation for any one else to undertake the same.

1499. *Non-recovery of cost of material from* Ex-*MPO—Rs.* 487,530 (*Para* 51, *page* 49—*AR—WAPDA*)—It had been pointed out that, in Tarbela Dam Project, one Truss of 800 feet span with 130 feet girder, costing Rs. 1,037,530, was removed from the Indus River Bridge and sold to the *Ex*-MPO for use in the Rajdhani Bridge in Azad Kashmir in 1972. Against this amount only a sum of Rs. 550,000 was recovered by WAPDA in 1972 and the balance of Rs. 487,530 was still outstanding. This irregularity was brought to the notice of the Authority in December, 1981 but no reply had been received so far.

1500. It was stated by the Authority that, as a result of a series of meetings between the WAPDA and MPO, the two departments had agreed upon the amounts payable to each other. WAPDA's claim against the MCPL included the amount

of Rs. 487,530, being the cost of one truss of 800 feet span with 130 feet girder, sold to the MPO in 1972. Efforts were being made to settle this claim through meetings with the MCPL.

1501. Audit stated in their comments that no action appeared to have been taken to fix responsibility for the non-recovery of the amount.

1502. The Committee observed that the amount may be debited to the account of MCPL. No further observation was made by the Committee on this paragraph which was dropped.

1503. *Unjustified payment of Rs.* 238,236 (*Para* 52, *pages* 49-50—*AR, WAPDA*)—According to Audit, in Tarbela Dam Project, a lump sum of Rs. 2,392,009 was provided in a contract for the construction, operation and maintenance of all temporary access roads, dykes, etc. A further amount of Rs. 552,072 was provided for the clearance and preparation of foundation to receive rollcrete and concrete in the service spillway and auxiliary spillway. In addition to the above amounts, the contractor was paid under day work orders two other amounts' (i) Rs. 179,035 for the construction of an access road to the auxiliary spillway; and (ii) Rupees 59,201 for the preparation of foundation to receive concrete in the auxiliary spillway. The amount thus totalled Rs. 238,236.

1504. The payment of this additional amount was not justified, as the lump sums constituted full compensation for the work, inclusive of such jobs. The matter was taken up with the Project officials in March, 1979, who replied in May, 1979 that the lump sums were tendered by the contractor for the work known to him on the base date, which did not cover the cost of the additional works, as instructed by the Engineer after that date. The reply was not tenable, as the lump sum, provided in the contract, constituted full compensation for the jobs mentioned there against. The explanation given by the Authority in their written reply was subsequently verified by Audit. The Committee did not make any further observation and the paragraph was deemed as settled.

1505. *Loss of Rs.* 77,105 *by granting higher rate on change of specifications* (*Para* 53, *pages* 50-51—*AR—WAPDA*)—Audit reported that, in Tarbela Dam Project, a contract for extension in a school building was awarded to a local contractor in March, 1978. The work included an estimated quantity of 12,819 cft. of " Precast solid Block Masonry " in the superstructure, payable at the tender rate of Rs. 780 per 100 cft. In June, 1978, the " Block Masonry " was substituted with Brick Masonry through a variation order, in view of the difficulties faced by the contractor due to shortage of cement in the market. The rates of Brick

Masonry were allowed at Rs. 1,191 per 100 cft. calculated in accordance with the WAPDA Drafting Standard, based on market rates of material and labour. The contractor was also issued 450 cwt. cement for the work of the Department. Audit further reported that as Brick Masonry was easier and cheaper work than Block Masonry, the rate of Rs. 1,191 per 100 cft. for the former as compared with the Contractor's tendered rate for Block Masonry was unjustified. The tendered rate of Rs. 780 per 100 cft. for Block Masonry was about 44 per cent of its market rate of Rs. 1,784 per 100 cft., assessed on the WAPDA Drafting standard. Accordingly, the rate of Brick Masonry should not have been more than Rs. 524 per 100 cft. *i.e.* 44 per cent of Rs. 1,191. Thus the contractor was allowed a rate excessive to the extent of Rs. 667 per 100 cft. for Brick Masonry, resulting in a loss of Rs. 77,105 (11560 cft × 667) to the Authority.

1506. The matter was taken up with the Project officials in September, 1978, who replies that the specifications were changed to reduce the consumption of cement in the interest of the work, because non-availability of cement would have delay its completion. The rates allowed for the new specification were thought to be justified as the contractor was not willing to accept any rates lesser than the those of the market. This reply was not convincing as the contractor was responsible for making arrangement himself for the required cement, to fulfil his contractual commitments. In case of failure, the Department had the right to rescind his contract and get the work completed at his risk and cost. Obviously, the change of specification was effected in favour of the contractor, so as to relieve him of the financial burden in view of the low tendered rates of the original specifications. The responsibility for the loss of Rs. 77,105, therefore, needed to be fixed and recovery effected from the persons at fault. The irregularity was brought to the notice of the Authority in December, 1981, but no reply had been received so far.

1507. The Authority reported that an inquiry had been carried out to investigate the circumstances which resulted in the change of specification through a variation order, to substitute brick masonry for block masonry. The inquiry report submitted in October, 1982, confirmed that a 25 per cent cut was imposed in 1978 on the allocation of cement to Government departments and import of cement had, therefore, to be resorted to in late 1978. Evidently, there was acute shortage of cement in the private sector during that year because cement was released by the SCCP in favour of the public sector agencies only. The Authority further stated that the Project High School, as originally constructed, had ten class rooms. The establishment of new set ups at Tarbela imposed an extra burden on the available school facilities.

1508. The department further stated that, in 1977, the NWFP Board of Education included technical education for Boys in the syllabus. It was incumbent on all the affiliated secondary schools to make arrangements for imparting technical education. Under the circumstances, the extension of school building, involving the construction of six class rooms and workshop hall under Phase-I, was considered essential. Because of the impelling need to extend the school building and overcome the situation arising from shortage of cement, block masonry was substituted by brick masonry, in order to ensure the completion thereof.

1509. The department further contended that Audit had incorrectly computed a rate of Rs. 1,784 per 100 cft. for block masonry, using the WAPDA Drafting Standard for Rubble Stone Masonry instead of block masonry and also taking a rate of Rs. 300 per 100 cft. for bajri, which was locally available at Rs. 50 per 100 cft. at Tarbela. Out of eight tenderer, five had quoted rates for block masonry ranging from Rs. 700 to Rs. 800 per 100 cft. As such, the rates computed by Audit were not applicable to Tarbela and the Contractor's quoted rate of Rs. 780 per 100 cft. for block masonry was not a low rate, as pointed out by Audit.

1510. Audit stated that the Inquiry Officer did not appear to have taken into consideration the availability of Cement at the Project. The Store Accounts of the Project indicated that cement was available and the contractor was provided with 350 cwt. cement on 25th June, 1978, when he made a request for it, although it was not the responsibility of the Authority to provide cement to him. It was also anticipated by the Project authorities that cement position was likely to improve in two months. As such, it was not in the interest of the Authority to accede to the request of the contractor for a change in specifications. Audit further commented that, since the work of Brick Masonry was easier and cheeper as compared to Block Masonry the rate of Rs. 1,191 per 100 cft. allowed for it in place of Rs. 780 per 100 cft. for Block Masonry, was excessive. As change in the specifications was made at the request of contractor, the additional expenditure which, according to the Inquiry Officer amounted to Rs. 47,511, should have been recovered from the contractor.

1511. After discussion, *the Committee observed that this was bad case and action should be taken against those at fault. The Ministry should look into it and report to Audit, who may revert to the PAC, if necessary.*

1512. *Non-recovery/adjustment of Rs.* 56,588 (*Para* 54, *page* 51—*AR—WAPDA*)—It was reported by Audit that, in the Indus Basin Research Institute, a balance of Rs. 56,588 was lying against Sundry Debtors, which was neither recovered nor adjusted over a long period. The matter was taken up with the concerned officials in April, 1979, who replied that efforts were being made to

recover or adjust the amount. The balance was old and needed to be cleared expeditiously, lest it should result in a loss to the Authority. The matter was also brought to the notice of the Authority in January, 1981, but final reply had not been received so far.

1513. *After going through the explanation of the department, the Committee the Committee asked Audit to follow up the case.*

1514. *Missing steel bars valuing Rs.* 32,400 (*Para* 55, *pages* 51-52—AR—*WAPDA*)—Audit accepted the position given in the written explanation of the department. Therefore, the committee decided to drop the paragraph.

1515. *Non-recovery of house-rent charges—Rs.* 13,600 (*Para* 56, *page* 52—*AR—WAPDA*)—According to Audit, in the Tarbela Dam Project, accommodation was provided from the 20th June, 1975 to 19th November, 1976 to a National Guard Officer under the direction of a Central Minister. The Officer was required to pay the standard rent of Rs. 800 per month. He requested the Project officials to charge rent at 5 per cent of his pay instead of the standard rent. His department also made a similar request. The matter was referred in March, 1976 to the Authority for a decision. The Authority decided in July, 1980 that the standard rent of Rs. 800 per month should be charged from the officer, by deducting rent at 5 per cent from his pay and realising the difference from his department. When a demand was placed on the concerned department for the payment of the difference, they refused in May, 1981 to deposit the amount because the accommodation was not arranged officially through them. The officer concerned also did not respond to the demand. Thus, due to lack of prior agreement or of the terms of allotment and delay in the decision, WAPDA dues of Rs. 13,600 could not be recovered.

1516. After going through the explanation of the department Audit pointed out in their comments that the officer vacated the accommodation in November, 1976, whereas the decision to recover the standard rent from him was taken by the Authority after about 4 years in July, 1980. It was because of this delay that the requisite amount of rent could not be recovered, for which responsibility should be fixed. On the Vice-Chairman enquiring as to who paid the salary of this officer during the period, the departmental representative replied that the Ministry of Defence did so. Thereupon, the Committee observed that it was a departmental problem and the amount may either be recovered or written off. The paragraph was dropped.

1517. *Non-accountal of Tyres and Tubes valuing Rs.* 6,197 (*Para* 57, *pages* 52-53—*AR—WAPDA*)—In October, 1968 the Tarbela Dam Project authorities paid an advance of Rs. 6,197 to the defunct Machinery Pool Organization for the

procurement of tyres and tubes. An account of the advance was not rendered. In April, 1974 the matter was taken up with the Project officials who replied in October, 1976 that an inquiry had revealed that the items required were actually received from the defunct Machinery Pool Organization, but were not accounted for in the Tarbela Dam Project. The Inquiry Officer held the then Executive Engineer and Sub-Engineer responsible for the irregularity.

1518. The department explained that the Executive Engineer and Sub-Engineer, who were held responsible for the loss, were charge-sheeted later. The Executive Engineer was compulsorily retired from WAPDA and an amount of Rs. 4,939, lying in G. P. Fund account of the officer had been adjusted towards the outstanding amount against him on account of shortage of material. The Sub-Engineer, held responsible by the Inquiry Committee, had since retired from service, but some of his dues were still payable, out of which recovery would be made when he lodges claim for final payment. Audit undertook that the recoveries would be watched. The Committee decided to drop the paragraph.

Comments on Balance Sheet as on 30th June, 1981

1519. *Receipt of funds from I.B.D.F. in excess of re-imburseable expenditure* [*Para* 58 (1), *page* 53—*AR—WAPDA*]—According to Audit, it was shown in the Balance Sheet that the funds received from the I.B.D.F. amounted to Rs. 5,904,669,941 whereas the total reimburseable expenditure incurred on the Indus Basin Projects as per schedule ' A ' attached to the Balance Sheet, worked out to Rs. 5,770,045,810 after deducting the expenditure in respect of the Tarbela Dam Project. Thus, funds to the tune of Rs. 134,624,131 as shown below, were received from the I.B.D.F. in excess of the expenditure incurred on I.B.P. which were required to be justified. It was also to be clarified as to why the surplus amount was not transferred to the Government.

	Rs.
Funds received from I.B.D.F	5,904,669,941
Reimburseable expenditure on I.B Project except Tarbela	5,770,045,810
Funds received in excess of expenditure..	134,624,131

1520. It was stated by the Authority that the accounts were under reconciliation. The reply, being of a routine nature, was not satisfactory and the factual position was called for.

1521. In their written reply, the department explained that the reconciliation work, started right from the very beginning, had been completed up to December, 1980 in respect of I.B.D.F. and TDF. As a result, it had been established that the amounts claimed from these funds had been received correctly. From the examination of the Balance Sheet and the Project Trial Balances, it had been ascertained that funds, received from various sources including the I.B.D.F. and TDF, were represented by reimburseable expenditure, non-reimburseable expenditure, Cash and Stock and Excess of Debtors|debit balance over Creditors|Credit balances as detailed below—

	(*Rs. in million*)
Expenditure (Reimburseable)	15,459:891
Expenditure (Non-reimburseable)	2,435.326
Cash	50.762
Stocks	21.676
Debit balances in excess of Credit Balances	69.245
Total ..	18,036.900

(*Receipt*)

Receipts from IBDF and TDF	15,300.126
Receipts from KFD	87.750
Accruals	115.642
Working Capital	25.000
Receipts from GOP for N.R. Expenditure	2,508.382
Total ..	18,036.900

1522. The department further stated that the Balance Sheet in itself was a proof that all the receipts were properly represented by expenditure, stocks or debit balances, but it was very difficult, rather impossible, to work out the extent of various loans which contributed in creating the stocks, cash and other suspense balances. Another problem, which made the desired comparison equally difficult, was possible mistakes in the classification of expenditure between reimburseable and non-reimburseable which was done at Project level.

1523. In view of the position stated above, the department further submitted that the application of funds received from various sources may be verified in totals, as per the data contained in the Balance Sheets.

1524. Audit pointed out in their comments that intimation about the completion of reconciliation with the World Bank records was still awaited.

1525. Questioned as to whether the department through the Government had started repaying any of the loans the departmental representative replied in the affirmative. Replying to a query, the departmental representative submitted that the loans would be shown in the next Balance Sheet and the necessary arrangements to get this job done through qualified accountants would be made in the next financial year. In reply to a question, the departmental representative submitted that the cash balance was Rs. 18 million. When questioned as to what happened to the working capital of Rs. 25 million, the departmental representative replied that it still stook at the same figure, the work had almost been completed and the Authority had approached the Ministry for reducing it to Rs. 12.5 million.

1526. *The Committee finally decided that the Accounting format for the Accounts of the Fund should be re-cast in the light of the outlines, indicated by the PAC.*

1527. *Incurring of reimburseable expenditure on TDP in excess of funds received from TDF* [*Para* 58 (2), *page* 53—*AR—WAPDA*]—The Committee decided to drop the paragraph subject to the satisfaction of Audit.

1528. *Drawal of funds in excess of actual requirement of I.B.P.* [*Para* 58 (3), *page* 54—*AR—WAPDA*]—The Committee did not make any substantial observation on the paragraph and it was deemed as settled.

1529. *Suspens Balances* [*Para* 58 (4) (*a*) *to* (*c*), (*e*) *and* (*f*) *page* 55—*AR—WAPDA*]—The Committee decided to drop the paragraph subject to verification by Audit.

1530. *Sundry Debtors* [*Para* 58 (4) (*d*), *page* 56—*AR—WAPDA*]—A member of the Committee enquired about the position of the case of Ismail Cement Industries. The departmental representative replied that the matter was still in the High Court.

1531. After discussion, *the Committee decided that the outstanding amount against Ismail Cement should be sorted out by discussion with the concerned authority, Ismail Cement was now a nationalized unit.*

1532. *Un-allocated expenditure of Rs.* 7,013,527 [*Para* 58 (5), *pages* 58-59—*AR—WAPDA*]—According to Audit, un-allocated expenditure, amounting to Rs. 7,013,527 shown in schedule 'F' attached to the Balance Sheet of I.B.P. as on 30th June, 1981, comprised debit balance of various suspense heads of accounts.

1533. In their written reply, the Authority explained that the amount of unallocated expenditure had been reduced to Rs. 599,515 and the Tarbela Dam authorities had been directed to clear this balance relating to them at an early date. Audit stated that the position of outstanding balances in respect of Tarbela Dam Project has been verified and that pertaining to other projects would be verified on the production of records by the Project authorities. *The Committee directed that the position be verified by Audit.*

1534. *Difference in the figures of non-reimburseable expenditure in Indus Basin Project* [*Para* 38 (6), *page* 59—*AR—WAPDA*]—According to Audit, the Comptroller, I.B.P., WAPDA, submitted a statement in September, 1981, showing the figures of non-reimburseable expenditure incurred on the Indus Basin Projects during 1980-81, for granting an audit certificate. A comparison of these figures with those arrived at by deducting the previous progressive balances from the ones shown in the Schedule ' B ' attached to the Balance Sheet, indicated that there was a difference of Rs. 21,102,622 between the two sets of figures. This difference was required to be reconciled.

1535. The department submitted that some of the items of expenditure, appearing in the statement sent for Audit certification were not actually treated as expenditure charged to final heads in the Trial Balance|Balance Sheet. Such items included advances to Land Acquisition Commission, Court Deposits on account of land compensation and purchase of stores, import in Transit etc., which were treated as suspense in Trial Balance and Balance Sheet. Secondly, the accounting of R&R on Capital Account had been ignored by Audit and gross expenditure instead of net expenditure had been shown in the paragraph. On the other hand, in the Trial Balance and Balance Sheet, the net expenditure was accounted for. For these reasons the two sets of figures did not tally. Audit stated that the differences, as explained by the department, would be verified on the production of records by the Project authorities.

1536. A Member of the Committee enquired as to whether the department had reconciled the figures for 1982-83. The departmental representative replied that this had also been done and there was no variation in it, Certificate had also been given for these accounts. The Committee did not make any observation and the paragraph was treated as settled subject to verification by Audit.

1537. *Certificates not recorded on Balance Sheet* [*Para* 58 (7), *page* 60—*AR—WAPDA*]—Audit maintained that the requisite certificates should be recorded on the Balance sheet. *The Committee observed that it was a matter of procedure only and the department may get the requisite certificates recorded on the Balance Sheet.*

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORT ON THE ACCOUNTS FOR THE YEAR 1978-79 WITH AUDIT COMMENTS

1538. *Unjustified payment of bonus of Rs.* 2.25 *crore to a contractor* (*Para* 1, *page* 1—*AR—WAPDA*) (*Paras* 828—831, *pages* 245—247—*PAC Report* 1976—79)—The department explained that the main contractor of the Tarbela Dam Project had been paid Rs. 2.25 crore as bonus in terms of clause 47 (2) of the contract. The payment was duly certified by the Project Consultants. Consequent upon the payment being objected to by Audit, WAPDA submitted a Working Paper in June, 1981 to the Ministry of Water and Power, who referred the matter to the Law Division for advice. The Law Division advised as under—

(a) The payment of bonus was made in accordance with the provisions of the Contract.

(b) In the face of its plain and unambiguous wording, Clause 47(2) of the contract could not be interpreted to include " successful filling of the reservoir " because to do so would obviously " be tantamount to stretching things too far.

(c) The case hardly involved the application of any rule of equity or any fundamental law over and above the terms and conditions embodied in the relevant contract documents.

1539. After having received the above advice of the Law Division, WAPDA explained the position to the Director, WAPDA Audit on 31st August, 1981.

1540. Audit asked for a copy of the reference made to the Law Division by the Ministry of Water and Power and that of the advice of the Law Division, received in response thereto. These were furnished to Audit on 30th November, 1982.

1541. Audit pointed out that, in the directives of the PAC., WAPDA was required to decide independently whether or not the contractor was responsible for the damage. The Engineer's decision was also to be obtained, as bonus was paid subject to recovery. The afore-said action was not taken by WAPDA, before submitting the case to the Ministry of Water and Power.

1542. Questioned as to what had the Authority decided in the matter, the departmental representative informed the Committee that the department had complied with the advice of Law Division.

1543. *The Committee desired that WAPDA should furnish a copy of the decision of the Authority, the reference made to the Ministry of Water and Power and the advice of the Law Division etc. to Audit.*

1544. *Irregular reimbursement of Rs.* 11,933,132 *to a contractor* (*Para* 2, *page* 2, *AR—WAPDA*)—(*Paras* 832—835, *pages*, 247-248—*PAC Report* 1978-79)—The department informed the Committee that, in compliance with the PAC's directive, a meeting was held in the Auditor-General's Office on 8th March, 1981, wherein it was argued by WAPDA that the agent's charges were reimburseable like other prime cost charges. It was finally concluded that Audit may note that, if a contractor had created an establishment for clearing goods through customs, the charges therefor would be included in the overheads and he should let the Authority know about it. Audit had demanded the break-up of 18 per cent mark-up, allowed to the Contractor for profit and charges but was informed on 12th June, 1983 that this break-up was not warranted in view of the minutes of the meeting held on 8th March, 1981. The break-up of 18 per cent mark-up had not been given in the agreement and it was reasonable to presume that it included mainly the contractor's own overheads, financing charges and certain elements of profit.

1545. Audit pointed out that it had since examined that had the contractor created his own establishment for clearing the goods through customs etc., the charges therefor would have constituted a part of his overheads. As such, the payment of Commission to the agents should not have formed a part of the Prime cost and should have been borne by the contractor and the amount irregularly reimbursed to the latter was required to be recovered. Audit further pointed out that the case was still under correspondence and they had last reiterated their position in the letter dated 23rd August, 1983.

1546. *After discussion, the Committee observed that Audit and the department should try to come to some sort of agreement in this case and then revert back to the PAC with details. The paragraphs were deferred.*

1547. *Irregular payment of Rs.* 4,299,608 *and non-production of record in support of payment of Rs.* 1,910,185 *made to a contractor* (*Para* 3, *page* 3—*AR—WAPDA*) (*Paras* 836—839, *pages* 248—249—*PAC Report* 1978-79)—The Committee had previously directed that the department should supply to Audit a copy of the agreement, executed with the contractor in 1971, for examining the case and to report back, if necessary. In compliance, the department informed the Committee that copies of the letters exchanged constituting a formal agreement, had been supplied to Audit. To meet Audit's further requirements, WAPDA had supplied the following documents and information to Audit—

1. Rate Analysis of all the items
2. Copy of the Appropriation Request 1002A approved by the Authority

3. Justification for increase, allowed in excess of 40 per cent above the contract 651C

4. Approval of Government of NWFP to the rates and prices of items of the V.O. 1002A

5. Confirmation to the effect that the entire expenditure of this work had been recovered from the NWFP Government.

1548. The department informed the Committee that Audit had not agreed with the justification given by WAPDA for the increase allowed in excess of 40 per cent above the 651 rates, by stating that the contractor was already working on site and it was easier for him to mobilize, as compared to outsiders. But Audit had not made any other observation on the analysis of rates, prepared by the Engineer and allowed in the Appropriation Request.

1549. The department also stated that the rates, on which work was actually performed, were either based on the contract rates or on the analysis of rates prepared by the Engineer, and were duly approved by the Authority.

1550. Audit point out that the Authority was informed in July, 1982 that the compliance report was not correct in view of the decision taken in the meeting on 8th March, 1981. Further that the amount paid in excess of 40 per cent of the B.O.Q. rates worked out to Rs. 3,752,338, and this excess be recovered from the contractor.

1551. Audit also stated that the Government of NWFP's approval for the rates and prices had also yet to be supplied to Audit.

1552. *After going through the explanation of the department and the Audit comments, the Committee decided to defer the paragraphs.*

1553. *Irregular payment of Rs.* 1,777,787 *to the main contractor for final disposal of excavated material* (*Para* 4, *page* 4—*AR—WAPDA*) (*Para* 840, *page* 249—*PAC Report* 1978-79)—The Committee had previously agreed that this paragraph might be settled, in consultation with Audit, and the Committee be advised of the results. In compliance, the department explained that the paragraph was discussed with Audit in a meeting held on 8th March, 1981 in the Auditor-General's office. It was decided in the meeing that WAPDA would (i) check and advise Audit of the rate analysis to justify the deduction for omitted operation ; and (ii) inform Audit of the distance, as far as possible, between vicinity and spoil areas after ascertaining it. Accordingly, the analysis of rate of omitted operations *i.e.* Rs. 1—per cubic yard, was furnished to Audit on 24th June, 1981. Audit was also informed that the rock contact areas were scattered on the abutment sides of the main embankment Dam. The designated "spoil areas", where the excavated material from rock contact could be

spoiled, was on the average one mile. The department further stated that Audit had also asked for the break-up of the remaining rate of Rs. 1,059 (Rs. 2.059—Rs. 1.00) and that WAPDA should confirm that the designated 'spoil areas' could be considered as vicinity of excavation.

1554. The break-up for the remaining rate of Rs. 1.059 had been supplied to Audit on 30th June, 1982. They had also been told that the designated "spoil areas" could not be considered as vicinity of excavation for the reason that spoil areas were meant for the disposal of unsuitable material, whereas the vicinity of excavation was intended to be used for stock piling the excavated material in order to first determine the suitable and unsuitability of materials for subsequent use or disposal.

1555. Audit pointed out in its comments that the Comptroller, IBP, WAPDA had informed them that TAMS had expressed their inability to provide a break-up of the B.O.Q. item 210 from the contractor. The issue regarding the distance, to be regarded as vicinity, also could not be resolved at a meeting held on 25th January, 1983 at the Project level and on 13th December, 1983 at the Authority level. Audit further stated that as the issue of irregular payment could also not be settled, discussions with WAPDA would continue.

1556. *The Committee observed that as the matter was still under correspondence, the consideration of this paragraph would be deferred.*

1557. *Loss of Rs.* 123,619 *due to theft of instrumentation cables and other installations* (*Para* 5, *page* 5—*AR—WAPDA*) (*Paras* 841—844, *page* 250—*PAC Report*, 1978-79)—The department informed the Committee that the documents required by Audit had been furnished and the Write off action for the loss of Rs. 123,619 was under process. The departmental explanation was accepted by the Committee and the paragraph dropped.

Comments on the Balance Sheet of I.B.P. as on 30th June, 1979 (*Para* 7, *page* 6—*AR—WAPDA*)

1558. *Heavy Balance of amounts deposited with other agencies* [*Para* 7 (1), *page* 7—*AR—WAPDA*] (*Paras* 850—853, *pages* 251-252—*PAC Report* 1978-79)—No observation was made by the Committee and the paragraphs were treated as settled.

1559. *Alarming increase in temporary advances to staff* [*Para* 7 (2), *page* 7—*AR—WAPDA*] (*Paras* 854—856, *pages* 252-253—*PAC Report* 1978-79)—Since the explanation given by the department had been verified by Audit, the Committee did not make any further observation on it. The paragraphs were settled.

1560. *Drawal of funds from Central Government in excess of non-reimburseable expenditure* [*Para* 7 (7), *page* 9—*AR—WAPDA*] (*paras* 857-858, *pages* 253-254—*PAC Report* 1978-79)—The Committee did not make any observation on these paragraphs which were deemed as settled/dropped subject to verification by Audit.

1561. *Non-clearance of suspense balance appearing in the Accounts of I.B.P. Project* [*Para* 7 (8), *page* 9—*AR—WAPDA*] (*Paras* 859—861, *pages* 254-255—*PAC Report* 1978-79)—Subject to verification by Audit and the departmental explanation, the Committee decided to drop these paragraphs.

(i) *Loss of F.F.* 1,015,833 *equivalent to Rs.* 2,150,008, *due to damage to equipment and material during transportation* (*Para* 8, *page* 12—*AR—WAPDA*) (*Paras* 862—864, *pages* 255-256—*PAC Report* 1978-79)

(ii) *Non-recovery of Rs.* 129,317 *paid to contractor for work done on behalf of supplier* (*Para* 9, *page* 12—*AR—WAPDA*) (*Para* 865, *page* 256—*PAC Report* 1978-79)

(iii) *Over-payment of Rs.* 88,520 *on account of import permit fee* (*Para* 10, *page* 13—*AR—WAPDA*) (*Paras* 866—868, *page* 256—*PAC Report* 1978-79)

(iv) *Extra-payment of Rs.* 59,902 *as demurrage Wharfage Charges* (*Para* 11, *page* 13—*AR—WAPDA*) (*Paras* 869—871, *Pages* 256-257—*PAC Report* 1978-79)

(v) *Non-accounted of electrical material worth Rs.* 3,811,755 (*Para* 17, *pages* 17-18—*AR—WAPDA*) (*Paras* 875—880, *pages* 257—259 *PAC Report*, 1978-79)

(vi) *Non-billing of the electricity consumers resulting in non-recovery of minimum charges* (*Rs.* 349,821) *and energy charges* (*not assessed*) (*Para* 18, *page* 18—*AR—WAPDA*) (*Para* 881, *page* 259—*PAC Report*—1978-79)

(vii) *Shortage of stores* [*Para* 19 (2), *page* 20—*AR—WAPDA*] (*Paras* 882—884 *pages* 259—260—*PAC Report* 1978-79)

(viii) *Loss of Rs.* 112,196 *due to non-completion of work by a contractor* (*Para* 21, *page* 23—*AR—WAPDA*) (*Paras* 886—888, *pages* 260-261—*PAC Report* 1978-79)

(ix) *Irregular increase in contract price involving extra-expenditure of Rs.* 95,917 (*Para* 22, *Pages* 23—25—*AR—WAPDA*) (*Para* 889, *page* 261—*PAC Report* 1978-79)

(x) *Non-recovery of standard rent amounting to Rs.* 16,375 (*Para* 24, *page* 25—*AR—WAPDA*) (*Paras* 892-893, *pages* 261-262—*PAC Report* 1978-79)

(xi) *Outstanding Audit Inspection Reports* (*Para* 28, *Pages* 27-28—*AR—WAPDA*) (*Para* 894, *page* 262 *PAC—Report* 1978-79)

1562. The above mentioned paragraphs were dropped, subject to verification by Audit.

Comments on the Balance Sheet of Water Wing as on 30th June, 1979

1563. *Non-recovery of expenditure incurred on projects in excess of deposits received* [*Para* 30 (1), *page* 29—*AR—WAPDA*] (*Paras* 895—897, *page* 262—*PAC Report* 1978-79)—The department explained that the requisite information had to be provided by the Finance Division, after hearing the explanation of the departments, *the Committee directed that the Ministry of Finance should furnish a note to the PAC about the work done by the Adjuster so far.*

1564. *No-accounting of expenditure of Rs.* 54,808 *transferred to Power Wing* [*Para* 30 (5), *page* 31—*AR—WAPDA*] (*Paras* 898—901, *pages* 262-263—*PAC Report* 1978-79)—The Committee directed that this may be checked and necessary corrections carried out. The paragraphs were deemed as settled subject to verification, by Audit.

1565. *Expenditure incurred on the completed projects of Power Wing* (*Para* 30 (6), *page* 31—*AR—WAPDA*) (*Paras* 902—906, *pages* 262—264—*PAC Report* 1978-79)—It was explained by the department that the cost of the energized tubewells of a scheme was shown completed in the Power Wing Balance Sheet, as the same came into operation and the Power Wing started earning Revenues therefrom. The cost of the other tubewells of the same scheme, on which work was in progress, was shown as on-going in the Water Wing Balance Sheet. The scheme as a whole was, however, shown in the Balance Sheet of Water Wing as completed only when all the tubewells of the scheme and other components of the project were completed.

1566. Audit pointed out in their comments that the Department had only explained about the prevailing practice, but the Authority had not mentioned as to why the position had not been reviewed and orders on the subject issued, as advised by the PAC.

1567. After going through the explanation of the department and Audit comments thereon, *the Committee decided that elaborate instructions should be issued to clarify as to when a power/water Project be treated as "Complete" and what the cut off date begin? and a copy thereof be supplied to Audit. This date may be different from the date of "Transfer" of a project.*

1568. *Non-acounting of Rs.* 1,393,752 *received from I.B.P. as deposits* [*Para* 30 (7), *page* 31—*AR—WAPDA*] (*Paras* 907—911, *page* 264-265—*PAC Report* 1978-79)—No observation having been made by the Committee, the paragraphs were deemed as settled.

1969. *Un-confirmed balances on loans and grants* [*Para* 30 (9), *page* 32—*AR—WAPDA*) (*Para* 915, *page* 265—*PAC Report* 1978-79)—The explanation given by the department was accepted by the Committee and the paragraph dropped.

Comments on the Balance Sheet of Power Wing including E.O.B. as on 30th June, 1979—

1570. *WAPDA Pension Funds incorrectly classified under advance* [*Para* 31 (3), *page* 34—*AR—WAPDA*) (*Paras* 916—919, *page* 266—PAC—*Report* 1978-79)—The Committee had previously directed that the actuarial liability should be ascertained to determine the adequacy or otherwise of contributions to the Fund and that arrangements should be made for periodical revaluations so that annual contributions may be revised to provide for adequate funds to meet the periodical pensionary liability. Audit was requested to check up regarding the pension contributions by the Government towards this Fund.

1571. Audit explained that WAPDA had informed in June, 1983 that the actuarial liability of pension was being worked out by the consultants and that, as desired by the PAC, they had checked that funds for the pension liability would be arranged by WAPDA and not the Government.

1572. *The Committee noted that the department had received the report from the consultants and they were examining the same. The Committee desired to have the final outcome of the report.*

1573. *Heavy suspense balance about Rs. 57 crore included in the expenditure on construction works in progress* [*Para* 31 (5) (b), *page* 35—*AR—WAPDA*] (*Paras* 920-921, *pages* 266-267 *PAC Report* 1978-79)—As Audit had verified the records of the department, the paragraphs were dropped.

1574. *Heavy suspense balances of about Rs. 222 million in E.O.B.* [*Para* 31 (5) (*c*), *page* 35—*AR—WAPDA*] (*Paras* 922-923, *page* 267—*PAC Report* 1978-79)—As the adjustment had been verified by Audit, the paragraphs were treated as settled.

1575. *Minus expenditure of Rs.* 11,235,080 *against completed projects* [*para* 31 (d), *page* 35—*AR—WAPDA*]. *Paras* 924—926, *pages* 267-268—*PAC Report* 1978-79)—The Committee had previously directed that separate Capital

and Revenue accounts be prepared for the cost of the plant and the manufacturing cost (including depreciation) and income from the pole manufacturing operation and for miscellaneous receipts, if any. In compliance, the department explained that the necessary adjustments in respect of the P.C. Pole Plant had been carried out in the June, 1982 final account. The necessary rectification in booking in respect of the Chichoki plant had been made in the June, 1981 final account. The department further stated procedure that a detailed accounting procedure in respect of P.C. Pole Plant was being finalized in compliance with the directive of the PAC and the same would be implemented during 1982-83. Audit observed that the implementation of the accounting procedure would be awaited.

1576. *The Committee directed that compliance should be followed by Audit.*

1577. *Non-recovery of liquidated damages amounting to Rs.* 2,003,159 (*Paras*—927-928, *pages* 268-269—*PAC Report* 1978-79)—The department reported that Audit had been informed that the Ministry of Water and Power, in consultation with the Ministry of Finance, had agreed to waive the liquidated damages in foreign exchange to the extent of £ 169,084 at the post-devaluation rate *i.e. Rs.* 3,956,587. The departmental explanation was accepted by the Committee and the paragraphs were dropped.

1578. *Extra-payment in respect of material excavated from Contact Area and used in the construction of embankments* (*Para* 929, *page* 269—*PAC Report* 1978-79)—The Committee was informed that, as previously decided by PAC, this paragraph was discussed with Audit in a meeting held on 8th March, 1981. Revised comments of WAPDA in the light of the discussion were furnished to Audit on 24th June, 1981, but the latter did not agree with WAPDA's view on the plea that Credit through V.O. 94 was obtained for the omitted operations and not for the identical ones. In reply Audit had been informed on 20th February, 1982 that the loading as well as the re-loading operations automatically covered the excavation operations. Audit had not conveyed any further remarks, so far. Audit stated in their comments that the case was still under discussion between Audit and WAPDA.

1579. *In view of the above position, the consideration of paragraph was deferred.*

1580. *Liabilities—Grants received from Central Government for non-reimburseable/expenditure Rs.* 467,481,138 (*Para* 930, *page* 269—*PAC Report* 1978-79)—The department informed the Committee that the proposal made by Audit regarding the exhibition of pre-WAPDA expenditure on the Mangla Dam

had been agreed to, in consultation with the Ministry and it was to be incorporated in the I.B.P. Balance Sheet as at 30th June, 1982. Thereupon *the Committee observed that Audit should verify and report back to the PAC, if necessary.*

1581. *Shortage of stores worth Rs.* 32 *Lakhs* (*Para* 931, *page* 269—*PAC Report* 1978-79).—The Committee had previously directed the departmental representative to submit fresh replies after proper investigation. In compliance, the department explained that the balance of store control account in the Trial Balance as on the 30th June, 1970 was Rs. 4,295,282, which was reduced to Rs. 2,228,765 as a result of adjustments amounting to Rs. 2,066,517, relating to the period prior to 30th June, 1970.

1582. Audit pointed out in its comments that, against the amount of Rs. 2,066,517 adjustments of Rs. 214,790 (Rs. 100,000 for recovery from the *Ex*-MPO and Rs. 114,790 for the amounts debited to Government Capital Account were not accepted in Audit. Beside the balance of Rs. 692,270 (Rs. 454,653 and Rs. 237,617) was yet to be reconciled. The Committee remarked that the Committee was not satisfied with the compliance reports of the department last time also and they were still working on it.

1583. The paragraph was however dropped subject to verification by Audit.

(i) *Non-recovery of energy charges amounting to Rs.* 594,172 *from big Commercial consumers* (*Para* 932, *pages* 269-270—*PAC Report* 1978-79)

(ii) *Non-recovery of Rs.* 31,743 *from a consumer* (*Para* 933, *page* 270—*PAC Report* 1978-79)

1584. The above paragraphs were dropped subject to verification by Audit.

1585. *Irregular payment of Rs.* 79,594 *on account of removal of slip material from a road* (*Para* 935, *page* 270—*PAC Report* 1978-79).—The department explained that the opinion of the Legal Adviser, WAPDA had been obtained and communicated on 12th July, 1981 to Audit who had not furnished any remarks so far. Audit pointed out that WAPDA had informed in January, 1983 that it had referred the case to the Ministry of Water and Power in December, 1982 for obtaining the Law Division's advice, which was awaited. The departmental representative informed the Committee that they had received the advice of the Law Division and had to recover the payment from the contractor.

1586. *The Committee desired that Audit should watch the recovery from contractor.*

1587. *Embezzlement of cash amounting to Rs.* 98,917 (*Paras* 936—938, *page* 270—*PAC Report* 1978-79)—The Committee was informed that, according to the legal opinion, the defaulting official could be removed from service under section 17 (1A) of the WAPDA Act, 1958 (as amended), even if cases against him were pending with the Police or in the Court. The official was dismissed from service for the mis-appropriation of cash in the Wazirabad Sub-Division. He had filed an appeal in the Punjab Labour Court No. 7, Gujranwala. As regards the main case, it was still subjudice in the Court of Special Judge (Central) Rawalpindi.

1588. *The Committee noting that the department had taken action against the defaulting officials directed Audit to follow it up.*

1589. *Irregular refund of Rs.* 43,588 *of rental charges* (*Paras* 943-944, *pages* 271-272—*PAC Report* 1978-79)—Since Audit had verified the explanation given by the department, the Committee decided to drop the paragraphs.

1590. *Irregular payment of Rs.* 1.2 *million* (*Paras* 945—947, *page* 275—*PAC Report* 1978-79)—Audit had pointed out in their comments that as per information given by WAPDA in October, 1983, a Government-to-Government settlement had been made on Government's direction. In consequence the French Government was paid FF 79 million and an equal amount was paid by them to the CBR against income tax claims. The details of the settlement had been called for from WAPDA to see if, the payment to France included Rs. 17 million, claimed by the construction contractor. If so, WAPDA had sustained this loss.

1591. After going through the explanation of the department, *the Committee observed that this case pertained to a payment to the Chashma Contractor, which had since been settled. The Committee further directed that a self-contained note should be furnished to Audit about the settlement terms agreed with the contractor.*

1592. *Non-recovery of cost of material valuing Rs.* 3,309,266 (*Para* 951, *page* 273—*PAC Report* 1978-79)—The department explained that the necessary recovery/clearance had been made and verified by Audit except for an amount of Rs. 1,076,240, which could not be cleared because the details of the material issued during the pre-WAPDA period could not be traced out from the old records. The amount was being written off.

1593. After going through the explanation of the department, the Committee decided to drop the paragraph subject to verification by Audit.

1594. *Comments on the Balance Sheet of Water Wing as on 30th June, 1975 (Para 952, page 273—PAC Report 1978-79)*—In compliance the Authority informed the Committee that completion Reports in respect of the Power Wing and Water Wing Projects had been prepared and sent to the Ministry of Water and Power and Audit. The Committee, did not make any further observation and the paragraph was treated as settled.

PERFORMANCE AUDIT REPORT OF HUB DAM PROJECT

General Description

1595. As observed by Audit, the provision of adequate supply of water, to meet the growing domestic and industrial needs of Karachi and the adjoining areas of Baluchistan as also for the irrigation of the surrounding agricultural lands, had been receiving the attention of the authorities concerned for quite some years. Keeping in view the above fact Karachi Irrigation Project, presently under execution by WAPDA, was conceived in 1960 and approved by the ECNEC in September, 1963 at an estimated cost of Rs. 88.6 million, to be completed in three years.

1596. The Karachi Irrigation Project envisaged the construction of an earth dam across the Hub River, about 35 miles North East of Karachi city, to create a reservoir for storing the flood waters of the river. It also included the construction of a canal system and distributaries to supply water for ; (i) domestic/industrial needs of the Karachi city and the Baluchistan areas ; and (ii) the irrigation of surrounding lands of Lasbela and Karachi Districts.

Planning and Designing

1597. According to Audit, it was originally proposed to construct a spillway, a weir 6,500 feet long without a gate, at the right bank saddle. However, it was decided in 1969 to shift the location of the dam to the river Gorge-where a 320 feet long spillway with a gate was to be built. The originally planned height of the dam embankments was also raised from 146 feet to 151 feet, to accommodate the extra-flow of water during heavy floods. The estimated cost of the proposed change in the spillway location worked out to Rs. 28.73 million, while raising the height of the dam involved an additional expenditure of about Rs. 27.32 million.

1598. Audit further stated that the proposal to shift the location of the spillway was reversed in 1975 when, after incurring an infructuous expenditure of Rs. 2.74 million, it was decided to construct the spillway at the right bank saddle as originally conceived. The Increase in the canal system envisaged after 1972, entailed an extra-cost of Rs. 51.10 million.

1599. Audit also reported that the Authority had stated that the location of the spillway was shifted with the object of attaining optimum combination of technical soundness and economy. The factual position however, did not support the contention of WAPDA. The decision to shift the location of the spillway in 1969 and revert to the or original location, after 6 years and spending a sum of Rs. 2.74 million, proved that the decision taken in 1969 was not based on sound technical reasons.

1600. In their reply, WAPDA explained that, after the decision to shift the location of the spillway to the river gorge, the only work which was carried out comprised the excavation of the river bed to remove the upper weathered and joined rocks. This was necessary, in any case, because of the cut off trench below the embankment. The excavation of the spillway foundation at a cost of about Rs. 0.4 million was utilized for the cut off trench of the Main Dam in the river gorge. As regards the remaining Rs. 2.3 million, spent on the purchase and mobilization of equipment, the contract was rescinded and, as agreed, the equipment was taken over by the department and the contractor compensated for it. This equipment was reissued to the other contractors at cost. The amount thus stood recovered and there was practically no loss in the process of shifting of the spillway.

1601. The department further explained that, as observed by Audit, the decision taken in 1969 about the shifting of the location was not based on sound technical reasons, matters, like location and type of major hydraulic structures, required thorough examination and critical assessment from all angles. Often, the contributing factors and the criteria was changed during project planning. The decision to shift the location was essentially motivated by the considerations of having a control gate and better rocks downstream. However, the process of implementation, the costs involved and the difficulties in gate procurement etc., turned out to be too heavy (the unforeseen conditions and international inflation etc., of the post-1973 period being among the important factors) and led to reversion to the original proposal. This being a part of the process of appraisal of a major structure, it would be an over-simplification to attribute it to unsound technical reasons.

1602. Audit responded that the excavation of foundations, costing Rs. 0.4 million, had not been included in the original PAC-1 proforma. The contractor did not want to take away the machinery ; be claimed compensation for it The new contractor had no choice but to accept the equipment, as the tender notice provided that the successful bidder had to take over the equipment at a specified cost. This showed that the equipment was almost a junk and could not be sold at the purchase price, otherwise than through the tender, and the contractors had increased their bid prices accordingly. Audit further maintained that the utility

of the additional expenditure of Rs. 27.32 million on raising the height of the dam had not been brought out by WAPDA at all. If the original location had been adhered to, the expenditure on raising the height of the dam could have been saved, WAPDA took 6 years (1969 to 1975) to find out that the gates could not be procured and that other changeds in the design were not appropriate. Had this been visualised earlier, the cost and time over-run would have been eliminated. Of the three reasons given by the department, two (costs involved and difficulties in gate procurement) could have been foreseen, while the third reason (inflation) was a common factor in both the locations. As for the decision to change the location of the spillway from the right bank saddle to the river gorge, it did not appear to be technically essential, as borne out by the fact that the spillway was ultimately constructed at the original location.

1603. The Vice-Chairman remarked that there was a lack of sufficient confidence in making the designs. The departmental representative submitted that there was a controversy on this point and, later, some changes were made. Questioned as to whether there was any increase in the storage capacity, the departmental representative replied the shortage capacity was in fact increased. The Vice-Chairman further remarked that even the original estimates were, perhaps, not correct as the work could not have been completed within 88.6 million at that time. The departmental representative submitted that even this amount was not provided by the Government at that time and, later, many problems cropped up. Besides, initially project was considered as Provincial when WAPDA needed funds, it was said that so much would be provided by the Government of Sind and so much by the Government of Baluchistan. But, actually, none of them released any funds for the project.

1604. The Vice-Chairman then enquired about the basis for the shifting of the spillway and the reason for the reversion after six years, to the first position. The changes indicated that there had been no finality in the design. A member of the Committee also asked as to why the planners and designers, presumably competent and experienced people, changes the design, was it because they found the original scheme defective, but later changed their minds again, was any action taken against them for the unnecessary changes ? The departmental representative replied that the changes were made with very good intentions.

1605. When questioned as to whether all the three decisions taken by WAPDA were correct, the departmental representative submitted that they were correct but the inability of the organization to provide earth-moving machinery, was the main hurdle in the way of their implementation. Lots of floods came during the period and all were busy with the floods. Besides, prices of tractors

had increased and new tractors were not brought in. The M.P.O. failed to deliver the goods, but in the initial stages nobody could think that they would not be really efficient and the procurement of funds would become a problem.

1606. Replying to a query, the departmental representative submitted that donors were the Pakistan Steel Mills and the Provincial Governments of Sind and Baluchistan. They contributed towards the cost of the dam and interest on loan was being paid by both the Provincial Governments and the Steel Mills, according to the ratio fixed between them.

1607. After discussion on these point and other issues relevant to the project, *the Committee directed that a report on the system of accounts maintained for the Hub Dam Project, dealing with Capital Revenue and Commercial Accounts be prepared and submitted to the Committee. The report should also ascertain as to which entity would be bearing the losses. The legal position and the practical and factual position.*

Performance Audit Report on Khanpur Dam Project

1608. The Evaluation Report giving the background of the Khanpur Dam stated that the Dam is under construction by WAPDA in the Abbottabad District across the Haro River, about 9 miles from Taxila, on the outskirts of Khanpur Village it was originally designed to provide irrigation water to Abbottabad, Attock and Rawalpindi Districts. It also included the construction of a canal system. The scheme for the construction of the Dam, submitted to Government in November, 1962, estimated the cost at Rs. 62.00 million and the project was to be completed in three years, the scheme was approved by the ECNEC in 1963.

Planning and Designing

1609. After the scheme had been approved, it was referred to M|s. Harza, General Consultants of WAPDA, for a second opinion, who suggested a comprehensive sub-surface investigation for ensuring the water tightness of the reservoir. Extensive drilling through the sub-surface and abutments was, therefore, carried out and a sum of about Rs. 1 million was spent thereon, But no defect was located and the design was found to be correct. It thus resulted in the incurring of avoidable expenditure and delay of four years in the execution of the project, on which the work was ultimately started in 1967.

1610. In reply, the department stated that M|s. Harza, were the General Consultants of WAPDA and their opinion was necessary and the additional investigations were carried out on their advice. The fact that the original scheme did not require any change did not make the expenditure abortive. Audit

pointed out in their comments that the opinion of Harza if necessary, should have been obtained before approval of the Project and not after its approval by the ECNEC. The Project was to be completed in a period of three years, but the investigations suggested by Harza themselves took four years. The expenditure of about Rs. 1 million did not prove to be of much benefit.

1611. When questioned as to how the water was going to be used, the departmental representative submitted that they had set up a Committee to consider the distributions or to deliver the water to prospective irrigated areas. So far, as the supply of water to Islamabad was concerned, it was still being negotiated. The departmental representative further informed the Committee that only after all the pros and cons had been considered, it was decided that the Dam be constructed. The ECNEC then appointed a Committee and the Ministry of Housing and Works were co-ordinating between the Punjab Government, Islamabad and Peshawar. There were many beneficiaries like the Heavy Machinery Complex and the Wah Factories. Work on the project was going on and a Summary had also been submitted to the President. The beneficiaries were thus known and allocations had also been made. Out of the total storage, 70 per cent was meant for urban use.

1612. A member enquired about the Watershed Management Programme of WAPDA. The departmental representative said that the Authority had started it in Mangla but the Federal Government took the decision that it should be the responsibility of the Provincial Government. Therefore, the department was handing over this work to the Provincial Governments. It would be rather difficult at this stage for WAPDA to take care of this work.

1613. After discussion, *the Committee desired that the same action as in the case of Hub Dam Project should be taken about the system of maintenance of Accounts at the Khanpur Dam Project. All the financial aspects accounting and financial, both should be combined in one report. The Ministry of Water and Power should also furnish a report to the Committee about the decision taken regarding the disposal of Water from the Khanpur Dam.*

1614. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other points : (i) in the Appropriation Accounts for 1981-82 or the Audit Reports (Civil and WAPDA) ; (ii) the Compliance Report on the PAC Report of 1978-79 ; and (iii) the Performance Audit Report on Projects for 1981-82. These would be deemed as settled subject to such regularisation actions as may be necessary under the rules.

1615. The Committee than adjourned to meet at 9.00 a. m. on Tuesday, the 3rd January, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 17th November, 1984.

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 3rd January, 1984

Tenth Sitting (PAC)

1616. The Public Accounts Committee assembled at 9.00 AM in the State Bank Building Islamabad to continue the examination of Federal Accounts for 1980-81. The following were present—

PAC

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. *Member*

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhamad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) S. Iftikhar Shabbir, Deputy Auditor-General (Coord)

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

(4) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(5) Mrs. S. N. Shaikh, Director General, Commercial Audit

(6) Raja Muhammad Saleem Khan, Director, Foreign Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

(2) Mr. Shamsul Haq, FA, Ministry of Religious Affairs and Minorities Affairs and Food and Agriculture.

1617. *Accounts examined*—The Accounts pertaining to the following Ministries/Divisions were examined by the Committee during the course of the day—

(1) Ministry of Religious Affairs and Minorities Affairs

(2) Council of Islamic Ideology

(3) Ministry of Food and Agriculture

MINISTRY OF RELIGIOUS AFFAIRS AND MINORITIES AFFAIRS

1618. The Committee first took up, for its examination the Appropriation Accounts etc., pertaining to the Ministry of Religious Affairs and Minorities Affairs. The following departmental representatives were present—

(1) Mr. I. A. Imtiazi, Secretary

(2) Syed Shahid Hussain, Joint Secretary

(3) Mr. Jamil Hussain Wasti, Section Officer (F&A)

1619. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Religious Affairs and Minorities Affairs	111
2.	Other expenditure of Ministry of Religious Affairs and Minorities Affairs ..	113

1620. *Reconciliation of Accounts with Audit*—The Committee appreciated that the reconciliation work of the Ministry was up-to-date.

APPROPRIATION ACCOUNTS

1621. *Grant No.* 111—*Ministry of Religious Affairs and Minorities Affairs (Other than charged)* (*page* 132—*AA*)—The appropriation Accounts showed an overall saving of Rs. 309,505 against the final grant. An excess of Rs. 40,693 was also depicted under the head "491—Administration". The Ministry explained that the excess was mainly due to higher expenditure then anticipated on the repairs of transport machinery and equipment. Audit observed that the excess could have been covered by re-appropriation from other heads, where saving had occurred. Moreover, the explanation given by the Ministry was neither specific nor justified.

1622. The Committee while agreeing with Audit did not make any further observation on this grant.

1623. *Grant No.* 113—*Other Expenditure of Ministry of Religious Affairs and Minorities Affairs* (*Page* 134—*AA*)—According to Audit, an excess of Rs. 349,614 was shown under the head "425—Other Health Facilities and Preventive Measures". The Ministry stated that this was mainly due to the hiring charges of Imarat ul Firdous. The excess expenditure could not be regularised, as the information was received after the closure of accounts for the year.

1624. Audit pointed out that the excess could have been avoided by not surrendering any funds and re-appropriating funds from other sub-heads.

1625. Questioned as to when Imarat ul Firdous was hired, the departmental representative replied that it was hired in the middle of 1970. *The Committee directed that information should be furnished to the PAC as to who authorized the expenditure for the hiring of Imarat ul Firdous and when was such authority given.*

1626. A member of the Committee further asked the reason far the excess of Rs. 224,232 under the code " 472—Social Welfare Measure and Grants ". The departmental representative replied that it was due to the debit of the 1979 rent of the Pakistan Houses, in Mecca and Madina, which was revised with retrospective effect and was also paid during the year 1980-81. Audit maintained that the excess could have still been avoided by making reappropriations from the other heads.

1627. *The Committee observed that after obtaining the requisite information Audit should report back to the PAC, if necessary.*

AUDIT REPORT

Irregularities in the accounts

1628. [*Para* 157 (*i*), *page* 130—*AR*]—Audit reported that books, costing Rs. 1,146,534, were purchased without maintaining a proper account of their receipt and distribution. Most of the books were stated to have been sent abroad and the others distributed locally. In the absence of proper accounts, the expenditure on them could not be treated as regular.

1629. The department explained that the records available with the Ministry showed that during the year 1975-76 and 1976-77 copies of the Holy Quran and other books on Islam were to be supplied to the Pakistan Embassies in 28 countries of the World as also to important hotels in Pakistan, and other institutions *e.g.* the Pakistan Administrative Staff College. The receipt and distribution work was to be handled by the then Public Relations Officer under the supervision of the then Minister. Efforts made to locate the registers, containing information on the books received and acknowledged and then issued, had failed. The then Public Relations Officer to the then Minister was sent back to his previous office (Press Information Department) on the 4th April, 1977. From there, he proceeded on long leave and subsequently, left Government service on 30th April, 1981. In order to collect further information, the whereabouts of the then Private Secretary to the then Ministry were also ascertained and a reference was made to the Additional Secretary, Ministry of Information and Broadcasting to find out whether or not the then Private Secretary to the then Minister maintained any Stock Register of Books. In reply, the then Private Secretary intimated that, as Private Secretary he was not expected to maintain

any stock or distribution register but, so far as he remembered, the then P.R.O. did maintain such registers and had regularly put those up to the Minister. After the change of government, all the stock registers had been dumped in the R&R Wing of the Ministry. After getting this information, the available stocks of old books and registers were checked, but they did not give any information regarding the books in question.

1630. The department further stated that the distribution of books was found recorded on the body of some invoices. Moreover, postal receipts in support of despatch of some of the books under registered covers were also available. The Pak. Ambassador posted at Washington, Stockholm, Accra, Bonn, Jakarta, London etc. and the University of Winnipeg Library, Canada had acknowledged the receipt of books supplied to them. Besides, references were made to the Administrative Staff College, Lahore and Hotel Intercontinental, Karachi. They too had acknowledged the receipt of the Holy Quran with its English translation by Allama Abdullah Yousuf Ali.

1631. Audit stated, in their comments, that the above reply given by Ministry was not satisfactory, as the names of books mentioned in the reply, with the exception of two books titled 'Fundamental Truth' and 'To the Prophet', were different from these which were actually purchased. The books actually purchased were those, allegedly written by the *Ex*-Minister. This indicated that expenditure was incurred on the purchase of books, which had not been specifically approved for distribution. *A member of the Committee remarked that the comments of Audit were not comprehensive. Full information about the purchase etc. should be given. The Audit representative promised to do so.*

1632. After a detailed discussion, *the Committee took the following discussions—*

(i) *The Ministry should furnish full details including the titles of books involved, quantities copies of each were purchased, whether the books were priced in the normal manner; who decided the distribution, who received the books, what disbursements made, to whom and authorised by whom; who created the Haj Welfare Fund, what were the rules for the operation of the Fund and who authorises the disbursements therefrom. Any other information available should also be furnished.*

(ii) 100 *per cent audit of this Fund should be carried out within three months, alongwith the audit of Auqaf Funds for as long as it remained with the Ministry and a report submitted thereon to the PAC.*

1633. [*Para* 157(*ii*), *page* 130 *AR*]—Audit further reported that furniture, office equipment etc. purchase at a cost of Rs. 700,000, were not taken on stock. Their physical verification had also not been conducted on any single occasion. The Ministry had also received a considerable number of item of furniture from the Ministry of Information at the time of its creation but no stock records were available.

1634. In their reply, the Department explained that physical verification had been completed and the necessary certificates recorded. These were available for verification, whenever required. It was further stated by the Department that no separate inventory of the articles of furniture, received from the Ministry of Information, was available with them. The Ministry of Information and Broadcasting was requested to supply a list of the items of furniture said to have been delivered to this Ministry in 1974, but without success. That Ministry might, perhaps, be asked by Audit directly for the list.

1635. Audit stated that the certificate did not show that stocks worth Rs. 7 lac and other items, received from the Ministry of Information and Broadcasting on the creation of the Ministry of Religious Affairs existed physically. This needed to be certified. The matter of transfer of furniture from the Ministry of Information and Broadcasting should also be socted out directly.

1636. The Vice-Chairman remarked that the department had given a certificate, which did not indicate at all as to what were the stocks. The departmental representative submitted that the Ministry of Religious Affairs was created in 1972-73, and the then Minister for Information and Broadcasting also held the charge of Religious Affairs. Some desks, other stores, chairs and other articles must have been purchased for Rs. 7 lakhs. But no inventory to that effect and pertaining to that period was either maintained or was available.

1637. After further discussion, *the Committee directed that details should be furnished by the Ministry to Audit, along-with the list of equipments still available with them. P.A.C. should be informed by Audit of the result of the directive and of the check by them.*

1638. [*Para* 157 (*iii*), *pages* 130-131—*AR*]—It was reported by Audit that the Minister was entitled to have his residence furnished at government expense to the extent of Rs. 30,000. His house was accordingly furnished by the Pak PWD. In addition, the Ministry supplied articles costing Rs. 100,000, consisting of three air-conditioners, 2 T.V. Sets and one carpet. A complete list of the articles supplied at the residence was not produced. The department informed that some articles had been received back and articles, valuing Rs. 30,000, were still to be collected.

1639. The Ministry explained in their reply that it was confirmed by the Joint Secretary, Works Division *vide* his d.o. No. F. 2 (21)|83-A & B, dated February 28, 1983 that furniture, costing Rs. 30,000 provided to the then Minister, was taken back in July, 1977 by the Pak PWD except for items costing Rs. 12,196. The cost of those items of furniture was paid by the then Minister *vide* cheque No. 02557|200668, dated 8th July, 1978. Three air-conditioners, two T.V. Sets and one carpet, supplied by the Ministry at the then Minister's residence had also been received back. The air-conditioners and the carpet were in use in the Ministry and the T.V. Sets, had been disposed of through the Disposal Wing of the Industries Division.

1640. After discussion, *the Committee directed the departmental representative to inform it of the name and designation of the person who sanctioned the amount in excess of entitlement and the reason for the A.G.P.R. agreeing to pay such excess amount? Audit was also directed to look into the case and report back to the PAC.*

1641. [*Para* 157(*iv*), *page* 131—*AR*)—It was brought out in the Audit Report that the Minister headed Pakistan delegations abroad from time to time and had drawn advances from Islamabad and from Pakistan embassies in the countries visited. This double drawal resulted in an overpayment of Rs. 55,022. According to the details given by Audit, Rs. 29,022 pertained to (i) the over-drawing of D.A. and hotel charges, unpaid liabilities left in UK and West Germany for beverages, travelling and daily allowances paid on account of visit to Iraq; and (ii) the remaining amount of Rs. 26,000 was drawn from the Haj Welfare Fund by the D.S. (OP), for arranging foreign exchange cover for the visit to Libya, Kenya and UAE in June, 1976 and U.K., West Germany and Iraq in July, 1976. The over-drawn amount was recoverable from the *Ex*-Minister.

1642. The Ministry stated that the then Minister was requested to refund the over-payment made to him, as pointed out in the Audit Report. In reply he had raised counter-demands against the Ministry and suggested adjustments.

1643. Audit pointed out in their comments, that the lodging of claims and counter-claims had taken a period of over five years and a recovery of only Rs. 6,102 against the dues of Rs. 55,022 had been made. If the Ministry was unable to recover the arrears, action should be taken to regularise the over-payment.

1644. A member of the Committee remarked that Travellers Cheques worth Rs. 26,000 were in the name of the Minister himself. At the time of their encashment, the Minister must have affixed his signature on them. How could

be deny it ? The Auditor-General said that this point was very valid and should be taken up by the Ministry. The Committee finally decided that—

(i) *Audit should go throughly into the validity or otherwise of the claim and counter claim and come to the PAC, if necessary ;*

(ii) *the money drawn from the Haj Welfare Fund had to be refunded to it. The Ministry should intimate whether this was done or not ? Action may be initiated against the officer who drew the unauthorized advance from that Fund ; and*

(iii) *the whole case of Travellers Cheques should be gone into thoroughly by the Ministry and the Committee informed of the results.*

1645. [*Para* 157 (*v*), *page* 131—*AR*]—As reported by Audit, Rs. 3,146 were paid by the London Embassy and Rs. 847 by the Bonn Embassy as room rent and other charges on behalf of P.S. to the Minister during his foreign tour. The amount was recoverable from the Officer. The Ministry explained that, as payments were made by the Pakistan Embassies in the United Kingdom and West Germany without any request or authorization by the Ministry of Religious Affairs, the Ministry of Foreign Affairs had been requested on 30th April, 1983 to realise the dues directly from the then P.S. to the then Minister.

1646. The Committee did not make any further observation on this paragraph which was deemed as dropped.

1647. [*Para* 157 (*vi*), *page* 131—*AR*]—A sum of Rs.1,400,000 was drawn in 1978 as advance, to meet the expenditure on " First Asian Islamic Conference ". However only Rs. 1,016,075 were spent and Rs. 383,925, which should have been surrendered to Government, were deposited in a commercial Bank, in contravention of rules. Similarly, the unspent balance of Rs. 53,640, out of an advance of Rs. 100,000 drawn for " Seerat Conference " in February, 1979 and the unspent balance of Rs. 28,103, out of expenses of various delegations were also deposited in a commercial Bank. Expenditure was incurred from these deposit accounts for different purposes. These irregularities were brought to the notice of the concerned authorities in November, 1977 and April, 1980 and the Ministry in March, 1981. No satisfactory reply was received by Audit. The matter, therefore, required investigation for fixing responsibility.

1648. The departmental representative conceded that irregularities had been committed. The Auditor-General intervened to say that the department should intimate separately, the details of the account in which the remaining amount was deposited or whether the entire amount was spent. The departmental representative promised to furnish the exact figures. The Committee did not make any

further observation on this Paragraph which was deemed settled subject to the satisfaction of audit.

Irregularities in the accounts of Haj Welfare Fund

1649. [*Para* 158(*i*), *pages* 131-132—*AR*]—Audit had pointed out that the book "Rehnuma-e-Haj" was a Government publication, priced at Rs. 2.50. The book was revised by the then Minister and got printed in his own name. 50,000 copies of this book were purchased at the rate of Rs. 7 per copy less discount, for Rs. 349,251 in November, 1975. They were proposed to be distributed, free of cost, to the pilgrims. The Ministry of Finance did not concur in the proposal. Despite this, 40,000 additional books were purchased in November, 1976 for Rs. 540,000 at the rate of Rs. 15 per copy less discount and distributed free of cost. The payment was made direct to the publishers by encashing fixed deposit receipts, as funds were not available in the Haj Welfare Fund. The cost of the book was raised from Rs. 7 to Rs. 15 in one year. Records regarding the receipt and issue of books, bills of the Publisher, acknowledgement of amount etc. were not made available to Audit. They had been told that all the records were with the P.R.O. The matter needed to be investigated.

1650. The Ministry replied that the matter had been looked into and it transpired that copies of Rehnuma-e-Haj were purchased and distributed under the orders of the *Ex*-Minister for Religious Affairs. Perhaps because the book was distributed free of charge, no records about the persons to whom the books were distributed was maintained. The cost was met from the Haj Welfare Fund, which appeared to be regarded by the Ministry as non-Government money at that time. As regards raising the cost of the book to Rs. 15 per copy it appeared that this was done by the publishers, from whom the books in question were purchased.

1651. Audit responded that the book was purchased out of the Haj Welfare Fund, controlled by the Ministry. This was not "non-Government money". Non-maintenance of records of receipt and distribution of that book on the ground that it was to be distributed free of cost was not justified and was irregular. The action was also against the advice of the Ministry of Finance, and was irregular. Besides, the payment for the books by a premature encashment of Fixed Deposit Receipts, also resulted in loss of interest amounting to Rs. 91,800. The increase in price of the book was an undue favour to the publishers and the author. Action should therefore be taken against the officers and staff concerned.

1652. After discussion, *the Committee directed that a full report should be furnished to Audit about the publication of "Rehnuma-e-Haj" and other books, purchased by the Ministry by payment from the Haj Welfare Fund.*

Regarding the above-named book, it may be indicated as to how many copies were purchased at Rs. 2.50, Rs. 7 and Rs. 15 respectively. Thereafter, Audit should go into it and a comprehensive report be furnished to the PAC.

1653. [*Para* 158(*ii*), *page* 132—*AR*]—Audit had reported that 44 persons were sent free on Haj and given foreign exchange, involving Rs. 182,000, out of the Fund inspite of the fact that the Financial Adviser had advised that subsidising the expenditure on the Haj of certain pilgrims could not be treated as a welfare measure for the Hajis. Moreover, six persons did not report at the Haji Camp, Karachi but no steps were taken to recover the funds paid to them. Even the names and addresses of the persons were not given to Audit. The expenditure was thus irregular, and the matter required to be investigated.

1654. The Ministry explained that it was unfortunate that despite the Financial Adviser's advice, the Haj Welfare Fund was regarded erroneously as non-Government Fund and operated upon accordingly. No payment was made in respect of the persons, who did not report at the Haji Camp, Karachi. As such, the question of recovery did not seem to arise in those cases. Asked as to year to which it related, the departmental representative replied that it was in 1975-76.

1655. After hearing the explanation of the department, the Committee decided that the paragraph may be treated as settled.

1656. [*Para* 158 (*iii*), *page* 132—*AR*]—Audit had brought out in their Audit Report that two air-conditioners were purchased in August, 1976 for the Minister's Office at a cost of Rs. 26,050. Another amount of Rs. 34,500 was given out of the Fund for the purchase of three Air-conditioners. No account of the advance was rendered. The whereabouts of the Air-conditioners were also not known the matter warranted an investigation.

1657. The explanation given by the Ministry did not satisfy the Committee, *who directed that it may be informed as to how the amount for air-conditioners for office was sanctioned from the Haj Welfare Fund. Audit should furnish a full report to the Committee.*

1658. [*Para* 158 (*iv*), *page* 132—*AR*]Audit had reported that Rs. 22,645 was incurred on the purchase of unusual items, such as T.V. Sets, Radio, Cassettes, Tape Recorders and Refrigerators. No stock entries were made and the whereabouts of the items purchased were also not known.

1659. The Ministry stated that two TV Sets, one radio and one cassette player with radio were purchased for Rs. 22,645. Entries had been made in the relevant Stock Register. The TV Sets had been disposed of through the Disposal Wing of the Ministry of Industries. The other items were being sent to the Disposal Wing of the Ministry of Industries for disposal.

1660. Audit pointed out in their comments that stock entries would be verified by Audit. The disposal|intentions to dispose of those items indicated that the same were not received back in the serviceable condition. The position needed to be elucidated by the Ministry.

1661. *The Committee directed Audit to verify the departmental explanation and report back if necessary.*

1662. [*Para* 158(*v*), *page* 132—*AR*]—According to Audit, Rs. 1,615,383 were paid for the purchase of books, furniture, stationery and plastic cases. The articles were not taken on stock, as required under the rules. In the absence of essential record, the consumption of these articles was deemed to be doubtful. The lowest quotation of paisas 87 for plastic cases was ignored and the items were purchased at Rs. 2 each for Rs. 146,748. These irregularities were brought to the notice of the Ministry in November, 1977, but no satisfactory reply was received. Action was required to investigate the cases and effect recoveries, where due. Not being satisfied with the Ministry's reply, *the Committee directed that Audit should go into the case after obtaining report from the Ministry and furnish a detailed report to the PAC.*

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC'S REPORT ON THE ACCOUNTS FOR 1978-79

1663. *Grant No.* 107, *Ministry of Religious Affairs and Minorities Affairs* (*Paras* 85—88, *pages* 64-65—PAC *Report* 1978-79)—The Committee did not make any observation on the replies to paragraphs which were treated as settled.

1664. Group head "*F-Islamic Research Institute*" (*Paras* 89—93, *pages* 65-66—*PAC Report* 1978-79)—Audit had previously asked for detailed accounts of the Institute of Islamic Research Council to be furnished for checking. The Council did not furnish them. *The Committee observed* that, as the Institute, was now under the Ministry of Education, the latter should be requested to report compliance with these paragraphs.

1665. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other paragraphs and points in (i) the Appropriation Accounts 1980-81 and the Audit Report thereon, and (ii) PAC's Report for 1978-79. These would be deemed as settled, subject to such regularisation action, as may be called for under the rules.

COUNCIL OF ISLAMIC IDEOLOGY

1666. The Committee thereafter took up the examination of the Appropriation Accounts etc., pertaining to the Council of Islamic Ideology. The following departmental representatives were present—

(1) Mr. Muhammad Samiullah, Secretary

(2) Mr. Muhammad Arif Malik, D.D.O

1667. The Council, controlled grant No. 112—Advisory Council for Islamic Ideology.

1668. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of accounts of the Council was up-to-date.

1669. *Grant No.* 112—*Advisory Council for Islamic Ideology* (*Page* 133—*AA*)—An overall saving of Rs. 2,942,448 was exhibited by Audit against this grant. It was explained by the Council that the saving occurred under "Basic Salary of Officers|Other Staff" as certain vacant posts of gazetted|non-gazetted staff could not be filled up during the year, because suitable candidates were not available, and the Chairman had drawn his salary from the Sind High Court up to November, 1980.

1670. A member of the Committee enquired as to what was the current position of the vacant posts? The departmental representative submitted that most of the vacant posts had been filled. The Committee did not make any further observation on this grant.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S, REPORT ON THE ACCOUNTS FOR 1978-79 WITH AUDIT COMMENTS THEREON

1671. *Grant No.* 108, *Council of Islamic Ideology* (*Page* 141 *AA*) (*Paras* 102—104, *page* 68—*PAC Report* 1978-79)—The Committee had previously directed that the procedure might be different but accounting had to follow the normal Government system. The Council of Islamic Ideology replied that they were following the normal system of accounting and will strictly follow it in the future. Audit also confirmed that the council were observing the normal system of budget and accounting.

1672. The Committee did not make any further observation and the paragraphs were treated as settled.

1673. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points or paragraphs in the Appropriation Accounts or the Audit Report thereon or Compliance on the PAC's Report for 1978-79. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

MINISTRY OF FOOD AND AGRICULTURE

(Including Livestock Division)

1674. The Committee lastly took up, for its examination the Appropriation Accounts etc., pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present—

(1) Mr. R. A. Akhund, Secretary

(2) Mr. Manzoor Ahmad, Additional Secretary

(3) Mr. Anwarul Haq Raazi, Joint Secretary

(4) Mr. M. S. Bhatti, Deputy Secretary (F&A)

(5) Brig. Khawaja Nasim Iqbal, MD (FDFI)

(6) Sqdn. Ldr. Anwarul Haq, Director (FDFI)

(7) Mr. M. Ahmad, Secretary (PCCC)

(8) Col. Asghar Khan, DG (Food)

(9) Mr. Faridnddin, Adviser Plant Protection

(10) Mr. Mahmood Iqbal Sheikh, DG (Pak Forest Institute)

(11) Khawaja Iftikharuddin, Director Finance (Roti Corporation)

1675. This Ministry controlled the following grants—

S.No	Name of Grant	Grant No
1.	Food and Agriculture Division	51
2.	Forest	52
3.	Plant Protection Measures	53
4.	Other Agricultural Services	54
5.	Subsidy on Wheat	55
6.	Zoological Survey Department	56
7.	Livestock Division	57
8.	Islamabad Milk Plant	58
9.	Fisheries	59
10.	Other Expenditure of Food and Agriculture Division	60
11.	Capital Outlay on Purchase of Food	127
12.	Capital Outlay on Purchase of Fertilizer	128
13.	Development Expenditure of Food and Agriculture Division	149
14.	Development Expenditure of Livestock Division	150

1676. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation up to 1982-83 had been completed. Reconciliation for the year 1983-84 not having been completed *the Committee directed that it should be completed within a month.*

1677. *Shortages, damages etc., of fertilizer in transit* (*Rs.* 10.94 *million*) (*Para* 41, *page* 47—*AR*)—Audit reported that the Federal Government had been importing huge quantities of fertilizers since July 1972. Its import clearance at the port and its despatch to consignees (*viz.* the Provincial Governments and other agencies) were entrusted to a controlling department, who were required to maintain stock accounts of the stores and to obtain and supply to Audit consignees receipts in the prescribed form, indicating any shortages, damages etc. : The statements not having been furnished to Audit could not be looked into.

1678. In a recent case for the period from December, 1980 to October, 1981 one of the consignees had reported heavy shortages, damages etc., amounting to Rs. 10,946,028 *plus* the amount of subsidy which remained unsettled by the Department and for which the consignee claimed the refund of the cost already paid. The matter was taken up with the controlling Departments but without satisfactory results. The losses of all the consignees, if collated from July, 1972 onwards, might be very large.

1679. Audit felt that, in view of the serious financial implications, the matter needed investigation at appropriate levels, to determine the total losses from the beginning and to fix responsibility. Remedial actions were also needed to avoid delays in the settlement of such cases in future.

1680. The Ministry replied that from July, 1972 to June, 1973 the procurement as well as distribution of fertilizers was the responsibility of the Federal Government. From 1st July, 1973, the work of distribution was transferred to the Provincial Government with a clear stipulation that the Federal Government would arrange the import of fertilizers and deliver it to the Provinces on "F.O.R. Keamari" basis, as per the procedure contained in letter No. CDAS|4001|Accts|B&R|G|2040, dated the 1st December, 1973.

1681. The accounting procedure, which was approved by the Finance Division and the Auditor-General reiterated the stipulation. Hence, the responsibility for any losses, reported in transit, was not that on Federal Government account. The question of transit losses was to be settled between the Provincial Agencies and the carriers, *i.e.* Railways or Road Transportation Agencies. The A.G. (IS&F) should not entertain any claims direct from Provincial, Autonomous Corporations etc. or raise them against the FDFI.

1682. The Department further stated that the Accounts of Food grains were maintained in consignment (Shipment) basis, and were forwarded to Audit. Railway Receipt and Despatch advices were also made available to Audit, but since the despatches were on " F.O.R. Keamari " basis, the Acknowledgement from each agent of the Provincial Agency and from each destination could not be asked for from the FDFI.

1683. Audit replied that, in accordance with para 4 of the Accounting Procedure, the FDFI was required to obtain receipts from the representatives of the Provincial Governments at the time of delivery of the fertilizers at the Karachi Port (F.O.R. Keamari) and based on such receipts the Department was to raise debits against the Provincial Governments. In this case, the department did not obtain receipts at Keamari. The stores were despatched by rail and debits were raised on the basis of railway receipts under rule 52 of R.S.A. Rules, according to which the Department was responsible to account for transit shortages. In such cases, shortages were to be reported by the consignee to the Controlling Officer as well as to Audit. The department failed to investigate the shortages for a long time, and this should be done now and the responsibility for losses fixed.

1684. Audit also pointed out that shortages rose to the value of Rs. 16,778,070 out of which the Department had since admitted an excess billing of Rs. 806,843 and agreed to make the refund.

1685. A member of the Committee enquired as to what was the current position of these claimie and what was the total amount of the claimies raised by tht Provinces. The departmental representative replied that the amount of claimies received by them had been given in the reply of the Ministry. Thereafter, the department had not received any further claims. In fact, this claim only pertained to a particular period and claims had been raised by only one agency. The department had not received any claim from any other receiving agency, although the department had despatched fertilizers to all the Provinces. When questioned as to what was the system of despatch, the departmental representative explained that, as soon as a shipment arrived at the Karachi Port, the department handled it and unloaded the stores according to the laid down allocations for Provinces. The department further explained that the representatives of all the Provinces were deputed to receive the stores on behalf of the Provinces and the departmental despatches were on " F.O.R. Keamari ".

1686. A member of the Committee remarked that there were several instances had been reported where the stores were despatched without any receipt. The departmental representative submitted that this had only arisen because, the representative of a particular agency did not give any receipts. It

had the largest organisation there and supervised the loading of wagons and trucks, but would not give receipts and insisted that, instead of giving a receipt, they would confirm delivery on invoices. The department delivered the fertilizers to the Provinces on " F.O.R. Keamari " basis. It was brought to the notice of the Ministry as also the NLC that the department had adopted this system to clear the congestion. The RR or the NLC despatch advice would be attached to the bill as a certificate of the exact date of despatch, as the consignee wanted to accept only the weight recorded at destination. Now, the agency was accepting consignments at Karachi and giving clear receipts to the department.

1687. Replying to a query, the departmental representative said that, as officially announced, the current retail price of DAP was Rs. 133 per bag. On a member intervening to say that it was available at Rs. 105 per bag at Karachi, the departmental representative replied that they would investigate it. The member remarked that this entailed a wastage of Rs. 16 million and wanted to know as to how much in total was involved ? The departmental representative promised to furnish this information.

1688. Another member asked the price at which the department debited the supply. The departmental representative informed the Committee that it was done at the subsidized rate. Replying to another query, the departmental representative submitted that the fertilizer was purchased from Canada, Europe and America, and full details would be made available to the Committee.

1689. After a detailed discussion, the Committee directed that the Ministry should furnish a full report about the respective contractual obligations of the parties and as to whether the ownership passed to the Provincial Government " F.O.R. Keamari " ; and as to the reason for the Provincial Governments not Lodging claim for shortages on the Railways.

1690. The Vice-Chairman pointed out the decision taken by the Ministry in a meeting held on the 4th December, 1973 on problems in the import of fertilizer, contained in Appendix ' B ' to the written reply of the Ministry, wherein it was enunciated that the shipment of the balance quantity of 82,500 M|tons of fertilizer should be extended upto the end of April, 1974 and the question of allowing the operation of the provision of freight fluctuation clause in the contracts should be sorted out by the Special Assistant to the Prime Minister for Agriculture and the Secretary-General, Finance and Economic Co-ordination. The departmental representative informed the Committee that a Special Economic Co-ordination Committee of the Cabinet was constituted to deal with these problems. *The Committee desired that the department should convey the Cabinet decision to Audit.*

1691. *Waiver of liquidated damages and grant of escalation of prices* (*Rs.* 4,773,362 + *Rs.* 15,158,853) (*Para* 42, *page* 47—*AR*)—Audit had made the following observations in their Report—

(a) A contract (C&F) was placed on a firm in June, 1973 for the supply of 18,000 M|tons of fertilizer (Nitrophos) during August, 1973 but, after the despatch of 10,972 tons on 16th August, 1973 the supplier requested an extension for shipment up-to June, 1974, which was allowed, waiving the liquidated damages amounting to Rs. 694,000. Though the C&F cost in the contract was firm and final, the suppliers demanded a substantial increase in the price (50 per cent) and freight (80 per cent), which was also granted without adequate justification, involving extra expenditure of Rs. 5,816,706.

(b) Another contract (C&F) for the import of 10,000 M|tons of fertilizer (Nitrophos) was placed on a firm in June, 1973 for shipment up-to the 15th September, 1975. But at the requests of the supplier the date of shipment was extended thrice ; finally up-to August, 1974, involving a waiver of liquidated damages to the tune of Rs. 3,562,382. Because of these extensions, the suppliers demanded increases in prices and freight, which were also accepted, though the contracted price was firm and final. The escalation in the prices involved an extra expenditure of Rs. 7,842,147.

(c) A contract (C&F) was placed on a firm on the 25th June, 1973 for the supply of 10,000 M|tons of Urea at Rs. 1,142.45 per ton in two lots of 5,000 each, in September, and December, 1973. The firm delayed the signing of the contract by one month and demanded extension in the delivery period up-to the 31st December, 1973 and, subsequently, up-to the 31st January, 1974, which was allowed without any reservation, involving the waiver of liquidated damages amounting to Rs. 516,980. The suppliers also demanded price increase @ Rs. 150 per ton the ground of freight surcharges, imposed by the shipping companies, which was also accepted, entailing an additional expenditure of Rs. 1,500,000, not covered by the contract. As the above said waivers of liquidated damages and grant of increases in prices, with heavy financial implication involved were not justified, the cases needed to be investigated at the appropriate levels for fixing responsibility.

1692. After examining the explanation of the Ministry in respect of the three instances mentioned in paragraph 1684 and the Audit comments thereon, *the Committee directed the departmental representative that they should furnish a*

copy of the proceedings of the Committee and decision of the EEC to Audit who will report back to the Committee. The consideration of the paragraph was deferred.

1693. *Avoidable expenditure of Rs. 16.06 million (Para 43, pages 48-49—AR)*—Audit had reported that, against a tender inquiry for the supply of 100,000 tons of Urea, a firm offered 25,000 M|tons at the rate of Japanese Yen 33,800 per ton (C&F Karachi), including freight at Yen 5,852 per ton. The freight element not being firm, the rates were negotiated and the firm confirmed on the 3rd August, 1973 a firm rate of Yen 34,324, including a freight of Yen 6,367 per ton, which was accepted by the Tender Committee for the issue of the contract. But the acceptance communicated by the Department to the firm on the 3rd August, 1973 was of the original rate of Yen 33,800 per ton, including the provisional freight of Yen 5,852, instead of the accepted firm rate of Yen 34,324. Moreover, the formal contract was issued on the 10th November, 1973, which led to the demand for escalation in price, and a revised contract had to be issued on the 9th May, 1974 with the increased price of Yen 51,485 per ton.

1694. Thus, because of the incorrect and delayed proceeding of the case, an extra expenditure of Rs. 1,619,750 was incurred. Audit further reported that, against the same tender inquiry, the same local firm had given another offer of supply of 15,000 metric tons from Western Europe at $ 143.90 per ton. Another firm had offered a lower rate of $ 137.62 for the same quantity. The lower offer was ignored on the ground that the firm had not submitted a Bank guarantee in some previous case and the delivery date was January| February, 1974, whereas the foreign exchange was available up-to the 31st December, 1973.

1695. The rejection of the lower offer on either of the two grounds was not justified. The firm quoting the higher rate, was eventually called upon to sign the contract towards the end of December, 1973, when they demanded an escalation in price and the contract was finalised on the 1st February, 1974 with the increased price of DM 422.66 per ton, which in May, 1974 was further increased to DM 533.56 ($ 233.93) per ton. As a result of delayed finalisation of the contract, a further avoidable extra expenditure of Rs. 14,446,500 was incurred.

1696. The above case were reported to the Ministry in April, 1975, but no satisfactory replies were received. These cases need to be investigated for fixing responsibility, and to prevent such losses in future.

1697. After examining the Ministry's reply, Audit further commented that the department took 20 days (10th September, 1973 to 28th September, 1973) to point out the defects in their performance Bond submitted by the firm. Audit

further pointed out that a legaliy binding contract was concluded when the Letter of Intent was issued to the Contractor. In case of the firm's reluctance to sign the formal contract, the Ministry could have encashed the Performance Bond. Ignoring the lower offer was not justified because no punitive action was taken by the department against the firm in question for their default in the previous contract.

1698. After going through the explanation of the Ministry and the Audit comments thereon, *the Committee directed the departmental representative to supply the relevant records to Audit for inspection, who may then report to the Committee, if necessary: otherwise the paragraph will be treated as dropped.*

1699. *Loss due to supply of sub-standard and defective fertilizer Rs.* 5,042,110 (*Para* 44, *page* 49—*AR*)—According to Audit a contract for the supply of 20,000 Metric tons of fertilizer (Diamonium phosphate) from abroad was concluded with a firm in March, 1973. The materials were received in June, 1973. According to the survey report, 91,264 bags, weighing 4563.20 tons and valuing $ 504,211 (C&F), were damaged. But the damaged stores were neither tested chemically to determine the extent of loss, nor any claim was lodged with the suppliers for making good the loss. The loss was not investigated at the appropriate level. The case was reported to the Ministry in May, 1978, but no reply was received.

1700. It was explained by the Ministry that the contract was concluded for the import of 20,000 M. Tons DAP fertilizers and M.V. 'Andros Transport' arrived at Karachi on 22nd May, 1973 from the U.S.A. with a quantity of 21,092,284 M. Tons DAP. Contrary to the Audit observation, there was no loss to the state as the full quantity of 21,092,284 M. Tons of DAP was despatched to the Provinces, billed for accordingly and its cost recovered in full. No complaint had been received from any quarter regarding the quality and quantity of the said fertilizer. The department further stated that a small quantity of fertilizer was found lumpy and hard, which was a fairly common occurrence, but the fertilizer lost neither weight nor its nutrient content. Hence it was not considered necessary to get the cargo chemically examined.

1701. Audit commented that the Ministry had accepted that a small quantity (91,264 bags which was 20 per cent) was found lumpy. As the damaged fertilizer was not chemically tested, it could not be determined whether or not it had lost its nutrient value. The case, therefore, needed to be investigated to determine the extent of the loss for its regularisation.

1702. Questioned as to how the department know that it was a bulk consignment and did not absorb moisture, the departmental representative submitted that, whenever there was damage, the letter "D" and, in case of

sweeping, "S" was written on the bag. There would be Moisture only on the top layer and, at the bottom, the fertilizer it became stony. In such a case, the cargo turns into a lumpy hard cake and canot be despatched without the use of picks and shovels.

1703. Replying to another query, the departmental representative stated that there is a Central Testing Laboratory which takes a week's time for testing, though the testing itself does not take more than 2|3 hours. If the department could conduct the test themselves, it may not be acceptable as they would not be a neutral party. The Vice-Chairman, thereupon remarked that despite this, it would be better if the department established a small laboratory of their own for getting the nutrient contents tested. The departmental representative promised to act upon this advice.

1704. A member of the Committee remarked that, as all the consignments are not insured, could the department lodge a claim with the supplier and, if so, on what basis? Replying in the affirmative, the departmental representative stated that the basis of claim was the joint survey, which was undertaken on the arrival of the consignments at Karachi by the department's Surveyor, Ship-owner's representative and the supplier's representative. The departmental representative also informed the Committee that, on Government instructions, the consignments, were not insured.

1705. *The Committee finally directed that the Ministry themselves should set up a testing laboratory in Karachi, so that samples from all the consignments from abroad, could be tested and claims lodged with the suppliers, after getting test reports from the Central Testing Laboratory (CTL), Karachi, if necessary.*

1706. *Irregularities in awarding and execution of stevedoring contracts-loss of Rs. 2.21 million (Para 45, pages 49-50—AR)*—The paragraph related to alleged double payment to a contractor. In view of the departmental explanation, it was treated as dropped subject to verification by Audit.

1707. *Non-recovery of excess freight charges by contractor and cost of stores short landed (Rs. 667,079, Para 46, pages 50-51—AR)*—Audit had reported that a contract was issued for the supply of 10,000 Metric tons of fertilizer from any French Port at a total cost of U.S. $ 3,971,625 *plus* Rs. 120,750. The goods were to be shipped not later than the 31st December, 1974 and the above cost included the estimated ocean freight at $ 65.00 per ton, payable at actuals. On the shipment of the goods (manifested quantity 11,048.170 tons), the contractor obtained payment against a letter of credit, including the freight at $ 65.00 per ton, amounting to $ 653,131. Subsequently,

it was found that the freight charged by the contractors was very high as compared to the then ruling rate. The Department, however, determined the freight at $ 51.00 per ton and calculated the overpayment @ $ 14.00 per ton, amounting to $ 140.672 (Rs. 1,399,686), based on the advice of the Controller of Shipping.

1708. The excess freight paid remained un-recovered. Besides the goods were received short to the extent of 169,639 tons, costing $ 65,302.509 (Rs. 649,761). The amount recoverable from the firm on account of excess freight and short delivery worked out to $ 205.974 (Rs. 2,049,447) in foreign exchange. After adjusting the bank guarantee of $ 79,456 and two claims of the firm, amounting to Rs. 474,205 and Rs. 113,603, a sum of Rs. 667,079 still remained to be recovered from the defaulting firm in foreign exchange. The overpayment in freight occurred, mainly because the Department did not take timely action to determine the actual freight, based on competitive rates.

1709. The Ministry stated that the case was referred to the Law Division for advice, and the Secretary, Law Division observed that, in regard to the rival claims of the Government and the firm the admitted position was that the bank guarantee had already been encashed and the amount realised was in excess of the claim for short supply. As for freight Charter Party was *prima facie* good evidence that went in favour of the firm. There was, in the circumstances, no necessity to enter into any litigation. Because of this advice, the Ministry could not take further action in the matter.

1710. Thereupon, Audit pointed out that the award of the contract on the basis of "Estimated Rates" was irregular and freight should have been adjusted on the basis of "Freight Invoices" which was not done. No investigation was made for fixing responsibility for concluding the contract on loose terms and timely action was not taken to determine the actual freight rates.

1711. After discussion, *the Committee observed that the Ministry had failed in this case to find out the exact prevailing rate at that time. They should see to it that there was no recurrence of such a nature in the future.*

1712. *Non-imposition of liquidated damages and shortages Rs.* 6,538,400 (*Para* 47, *page* 51—*AR*)—The Committee did not make any material observation on this paragraph, which was treated dropped, subject to the satisfaction of Audit and verification of the amount of liquidated damages recovered.

1713. *Extra expenditure of Rs.* 816,750 *due to lack of timely action to charter a ship* (*Para* 48, *pages* 51-52—*AR*)—According to Audit, a contract was awarded on the 3rd February, 1973, to a firm for the supply of 10,000 M|tons of urea. The contract *inter alia*, required shipping of the goods to be arranged

by the buyers and that shipment was to be completed by July, 1973. Prompt action was not taken for chartering a ship and the department was intimated by its Karachi office that an offer was received for a ship, arriving at the port on the 20th August, 1973, at $ 8 per ton. This offer was not utilized, mainly because the case was not processed with due urgency. Another officer was also received for a ship at $ 9.50 per ton ; but the same also lapsed for want of timely action. The stores were shipped at $ 16.25 per ton, involving an extra expenditure of Rs. 816,750.

1714. It was explained by the Ministry that the commodity L|C was established and was extended, from time to time, but no vessel could be arranged because of the freight offers being valid only for 24 to 48 hours.

1715. After hearing the explanation, *the Committee observed that proper delegation of powers should be made to the agencies|offices who are to charter ships at short notice. The Government should also consider making arrangements for the exercise of past facto check.*

1716. *Loss of Rs.* 132,000 *due to delay in purchase* (*Para* 49, *page* 52—*AR*)—The Committee did not make any observation and the paragraph was treated as dropped subject to verification by Audit.

1717. *Loss of Rs.* 62,360 *on account of Stores short-landed* (*Para* 50, *pages* 52-53—*AR*)—*The* Audit representative informed the Committee that the loss had been written off. The paragraph was deemed as settled.

1718. *Loss due to delayed disposal of unserviceable gunny Rs.* 41,000 (*Para* 51, *page* 53—*AR*)—The departmental representative informed the Committee that an inquiry was under way and the inquiry officer was being asked to expedite his report, which will be furnished to Audit on completion. *The Committee agreed to this and directed that the enquiry should be completed within one month.*

1719. *Contract files involving huge payment not submitted to audit* (*Para* 52, *pages* 53-54—*AR*)—The Audit representative pointed out that the Ministry's contention that 28 (out of 76) files were supplied to Audit was not correct as the department had supplied only 33 files after the finalization of the draft paragraph. The remaining 43 files had not been supplied, despite reminders.

1720. *The Committee directed that all the files should be furnished to Audit, as soon as possible. The department representative promised to do so.*

1721. *Internal Audit/Check-inadequacy* (*Para* 53, *page* 54—*AR*)—As reported by Audit, the State Trading Scheme for Food involving an expenditure of Rs. 621,245,914 in 1980-81, was operated by the Directorate General of Food

which consisted of (i) the Directorate of Food and (ii) Directorate of Accounts. The former dealt with import, storage and disposal of food and the latter mainly arranged payments and maintained accounts. The Director of Accounts (Food) was also entrusted with the duties of internal audit, but it was observed that an adequate procedure for the purpose had not been laid down.

1722. The department explained that copies of the reports of the internal audit were not endorsed to Audit as, no provision therefor existed in the G.F.R. Vol. I (original first edition). Instructions for endorsing copies of internal check reports to Audit had since been incorporated in the Revised Edition of 1979. Audit had also demanded the copies of such reports for the first time. A copy of the internal check report for 1979-80 had therefor, been furnished to the A.O.I.S. & Food and would also continue to be furnished in the future.

1723. Audit maintained that the internal audit report for 1979-80 covered the examination of administrative expenditure only and the internal audit of "Operational Side" of the scheme had not carried out.

1724. After going through the explanation of the department and the Audit comments thereon, *the Committee directed that the internal Audit of the operational side should also be carried out early and a report thereon sent to Audit.*

1725. *Arrangement of Internal check/Audit* (*Para* 54, *page* 54—*AR*)—No observation was made by the Committee on this paragraph which was deemed settled subject to verification by Audit.

1726. *Loss in wheat salvage operations not worked out and regularized* (*Para* 55, *pages* 54-55—*AR*)—The departmental representative assured the Committee that the loss was being written off and a Summary had been sent to the Finance Division, but they desired that the Audit objection should be settled first. As soon as the case was finalized, a report would be furnished to Audit. The Committee did not make any further observation on the paragraph.

1727. *Non-recovery of Government dues—Rs.* 2,801,938 (*Para* 56, *pages* 55-56—*AR*)—Audit had reported that different Government dues, aggregating Rs. 2,801,938 were recoverable by two Missions in connection with the purchases and shipment of food-grains on account of despatch money, value of damaged|short landed cargo etc., and miscellaneous item as below—

(i) Recoverable from shipping companies Rs. 2,789,070

(ii) Recoverable from officials Rs. 12,868

1728. The age-wise break-up of the recoverable amount was as under—

5 to 10 years old	..	3,273
over 10 years old	..	2,798,665
	Rs. ..	2,801,938

1729. The need for recoveries was initially pointed out to the Mission/ Ministry, through local audit reports, and later the necessity to recover the long outstanding dues was further stress upon, but final action regarding recover|write-off or both remained to be taken.

1730. Questioned as to how much of it pertained to East Pakistan, the departmental representative submitted that the major portion of the amount related to East Pakistan.

1731. After going through the explanation of the department and the Audit comments thereon, *the Committee observed that recoveries and write-off action must be expedited.*

1732. *Loss of interest of US dollar* 166,500 (*Rs.* 1,648,350) (*Para* 57, *page* 56—*AR*)—According to Audit, a sum of US $ 9,430,870 was lying unspent with the Food Procurement Wing of a Pakistan Mission abroad on 31st October, 1974. Out of this, only US dollar 4,763,968 had been invested in short-term deposits, while the balance of US dollar 4,666,902 was lying in non-interest bearing accounts. The monthly balance of the Mission during 1974-75 on an average was US dollar 3.33 million. Had this amount been invested at the minimum rate of interest *i.e.* 5 per cent per annum, the Mission would have earned US dollar 166,500 (Rupees 1,648,350). This potential loss needed investigation for write-off.

1733. The Ministry explained that the contention of Audit that the entire amount of US dollar 9,430,870 should have been deposited was not based on any rule or order. As per rule 7 of G.F.R. Vol. I, money should not be invested without the specific orders of the Ministry of Finance. Nevertheless, the Embassy of Pakistan, Washington did invest US dollar 4,763,968 not immediately required for utilization, in short-terms deposits. The balance amount of US dollar 4,666,902 was kept in non-interest bearing account, as it could be required any time. The Ministry further stated that a similar point was discussed by the PAC *vide* paragraphs 887 to 891 at the Report on the accounts of 1972-73, whereafter, the Ministry of Finance had evolved procedure regarding the disposition of funds, lying with Pakistan Missions abroad, in interest bearing accounts *vide* and letter No. 6 (14)|EF (B. I)|82, dated 26th September, 1982 Appendix 'C'), which would be followed for such cases in future.

1734. The loss calculated by Audit was thus unrealistic and not required to be written off nor could any responsibility for the imagined loss be fixed.

1735. The explanation of the Ministry was accepted by the Committee and the paragraph was treated as dropped.

1736. *Losses not written off Rs.* 141,363 (*Para* 58, *pages* 56-57—*AR*)—Audit had reported that, in making the purchase of food grains by a Mission's Food Wing, losses aggregating Rs. 141,363 were suffered on account of damaged/short delivered cargo. There was also a loss of interest in premature remittance of US dollar 6,991,887 (Rs. 69,219,681), as the amount was not required for immediate disbursement on food purchases. The loss on this account had also not been worked out and written off.

1737. After seeing the reply of the Ministry, Audit commented as under—

(i) Rs. 34,562 ($ 1,744) Write off verified may be dropped.

(ii) Rs. 55,558 ($ 5,611) Progress remained to be reported.

(iii) Rs. 51,242 ($ 5,176) Detailed particulars of recovery had not been furnished to enable Audit to verify the credit.

(iv) Premature remittance US $ 6,991,887—position given by the department, accepted by Audit. May be dropped.

1738. On hearing the departmental explanation and the Audit comments thereon the Committee directed that the information required by Audit should be furnished to them. The paragraph was settled subject to the satisfaction by Audit.

1739. *Avoidable expenditure of Rs.* 4,201,771 (*Para* 59, *page* 57—*AR*)—It was observed in the Audit Report that an avoidable expenditure of Rs. 4,193,925 was incurred by three Pakistan Missions in ten cases during 1955 to 1967 and 1973 to 1979 on the payment of freight charges for food-grain at higher rates. The break-up of this expenditure was as under—

	Rs.
(i) On higher freight rates (5 cases)	3,997,186
(ii) On payments not provided in contracts (4 cases) ..	99,321
(iii) Demurrage charges (1 case)	97,418
Total ..	4,193,925

1740. Further, an expenditure of Rs. 7,846 was incurred by a Mission abroad in November, 1973 on the hiring of a car for a former Food Minister and debited to Government Account against the orders of the Finance Division.

1741. Age-wise analysis for the total irregular expenditure was as under—

	Rs.
Under 5 years	104,980
5 to 10 years	7,846
over 10 years	4,088,945
Total ..	4,201,771

1742. The irregularities were initially pointed out to the Mission through the local Audit reports and, later, the necessity for regularization was also stressed upon, but compliance still remained to be reported. Expeditious action for investigation into and regularization of the expenditure was called for.

1743. In their reply, the Ministry stated that the Audit observation comprised of 10 items relating to three Missions, namely, PAREPS Rangoon, Canada and Washington. The Ministry had furnished full details of the payments in aforesaid three Missions to satisfy Audit. But the latter required regularization or recovery and investigation in respect of those irregularities, regarding which the Ministry could not justify their position. For example, an expenditure of Rs. 7,845 ($ 792) was incurred in November, 1973 by the Consulate General, New York on providing limousine service for Mr. Raisani, Federal Minister for Food and Agriculture. The Ministry of Foreign Affairs, in consultation with the Ministry of Finance, had held the expenditure to be irregular. Further action for recovery or regularization rested with the Ministry of Food. Thereupon, *the Committee observed that* $ 792 *seemed recoverable from the then Minister. The Ministry should take suitable action about it.*

General

1744. During the course of discussion, a Member of the Committee raised a point that names of the members of the PAC who raise question or give comments are cited in the minutes of the Canadian and Australian Public Accounts Committees. Accordingly he felt that names of the members who raise view, ask questions or offer comments should also be mentioned in the Minutes of the Pakistan Committee. It was decided that the matter should be examined separately after taking into account various aspects of the case.

1745. *Loss of Rs.* 1,110,000 *in spraying Paddy fields* (*Para* 60, *pages* 57-58—*AR*)—As reported by Audit, a contract for spraying five lac acres of paddy Crop in the Lahore Division and one lac acres of Cotton Crop in the

Sahiwal Division was awarded to a firm. The firm sprayed 387,862 acres of paddy crop. The office at site reported that the spray on 250,000 acres was ineffective due to: (i) spraying from a height of 30 to 40 feet instead of 20 feet; (ii) leaving certain areas unsprayed; and (iii) covering larger areas with lesser quantity of insecticides. These facts were admitted by the firms representative in a meeting, headed by the then Agriculture Minister. Nevertheless, Rs. 1,722,129 for spraying the entire area of 387,862 acres were paid to the firm, resulting in a loss of Rs. 1,110,000 which was reported to the department and the Ministry in August, 1979. The Department intimated that the case had been referred to the Ministry. There was no further response till March, 1982. The responsibility for undue financial favour to the firm should be fixed and the excess payment recovered.

1746. The Ministry stated that the regularization of the loss, as advised by Audit, was being examined in consultation with the Ministry of Finance.

1747. Questioned as to whether the full amount had been paid, the departmental representative confirmed that the full amount was paid with the approval of the Minister.

1748. Replying to a query, the departmental representative informed the Committee that spraying was undertaken on payment either at the request of the farmers or that of the Provincial Government. Thereupon, another member asked that assuming that there was a large scale attack of pests on the crop, would the department wait for a request from the farmers or the Provincial Government? The departmental representative replied that the Provincial Government was aware of the situation on the spot and they have to decide that the crop must be saved by approaching the Ministry of Food and Agriculture, for arranging aerial spray.

1749. When questioned as to why the Federal Government could not take initiative in such cases, and whether they had powers to do so, the departmental representative replied that the laid down policy was that spraying should be normally carried out either on the farmer's request or on the advice of the Provincial Government.

1750. After discussion, *the Committee directed that a report should be furnished to it before the next meeting, about spraying of insecticides on cotton, with special reference to the failure of the last cotton crop and when, where and what action does the Federal Government take in regard to such spray of insecticides.*

1751. *Losses in the Department of Plant Protection, Karachi (Para 61, page 58—AR)*—The Committee observed that the pace of recovery should be expedited. The paragraph was dropped subject to verification by Audit.

1752. *Irregular expenditure of Rs.* 37,759 *on residential telephones* (*Para* 62, *page* 58—*AR*)—Audit pointed out that the outsanding amount pertained to the years 1973-74 and 1974-75, but despite the lapse of over 6 years, the expenditure had not been regularized. *The Committee directed Audit to watch the regularization action.*

1753. *Non-recovery of cess dues of Rs.* 1,094,895 (*Para* 63, *page* 58—*AR*)—Audit had reported that, in the Central Cotton Committee, cess dues of Rs. 1,514,182, relating to 1976—79, had remained outstanding till the 30th June, 1980 against the Textile Mills of four provinces. It was intimated in March, 1981 that Rs. 419,287 had been recovered and efforts were being made to recover the balance of Rs. 1,094,895. The need for adopting a more prompt and surer method of realisation of cess was stressed.

1754. Explaining the position of recovery, the Ministry stated that, as a result of their efforts, for the period up to 6/79, only Rs. 691,472 out of Rs. 1,094,895, remained outstanding. The details of Rs. 403,423 (Rs. 1,094,895—Rs. 6,91,472) were as under—

Amount recovered	66,395
Amount over-estimated	129,034
Amount not recoverable due to clouser of Textile Mills ..	207,994
Total Rs. :	403,423

The Ministry further assured that all efforts were being made by them through the Collectors of the Districts concerned to realise the cess dues as "Arrears of Land Revenue". They also pointed out that under the provisions of the Cotton Cess Act, the powers to recover the dues from the Textile Mills were not vested in the Central Cotton Committee but in the Deputy Commissioners of the respective Districts. As such, the Department had to depend upon them for the recovery of the dues.

1755. Audit made out in their comments that the Pakistan Central Cotton Committee had informed them *vide* letter No. PCCC-6374, dated 23rd September, 1982 that Rs. 93,395 had been recovered whereas the Ministry had stated that Rs. 66,395 had been recovered. This needed reconciliation.

1756. After discussion, *the Committee concluded that the Audit should follow up the matter.*

1757. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)—The Ministry promised that the report of internal check|inspection would be furnished to Audit as required under para 13 of Second Edition of GFR Vol. I, 1979. *The Committee directed such report must be supplied to Audit and in time.*

1758. *Delay in processing of G. P. Fund cases* (*Para* 188, *page* 151—*AR*)—A member of the Committee enquired whether the department could give the reasons for the delay in the disposal of G. P. Fund cases and ascribe responsible for it. *The Committee directed the departmental representative to look into such cases personally and report to Audit, who may revert back to the PAC, if necessary.*

1759. *Delay in the processing of Pension cases* (*Para* 189, *page* 157—AR)—The Ministry informed the Committee that instructions had been issued to all concerned to avoid delay. Audit representative intervened to say that service verification should be got done after every ten years. The Committee observed that there was a delay of 4½ year in one case. The *directive given on paragraph* 188 *of the Audit Report would be applicable to this paragraph also.*

COMMERCIAL ACCOUNTS

1760. *Pakistan Agriculture Storage and Services Corporation Limited* (*PASSCO*) (*Para* 3 (*v*), *page* 6—*ARCA*)—Audit had reported that PASSCO had declined to audit by the staff of the Government Audit. The Ministry explained that the Director of Commercial Audit had already taken up the audit of their accounts for the year 1980-81. Audit stated in their comments that a test audit for the calendar year 1981 was conducted during the period 8th September, 1982 to 20th February, 1983, but the accounts, stated to have been compiled, were not made available to Audit, as there were not approved by the Board.

1761. After discussion, *the Committee directed that the Ministry should have PASSCO Accounts submitted to Audit, who should also carry out a physical verification of the stocks. The latest Balance Sheet of the Corporation should also be circulated to the members of the Committee.*

1762. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 70, *page* 50—*ARCA*)—Audit had pointed out the following irregularities against the Ministry of Food, Agriculture and Cooperatives—

	(*Rs. in million*)
Embezzlement	0.035
Overpayment	0.005
Wasteful expenditure and Infructuous expenditure	0.069
Irregular expenditure and other losses	2.486
Total Rs. :	2.595

1763. Explaining the position of the above-mentioned irregularities, the representative of the Ministry stated that the action to write off these irregularities was under process and would be completed soon. *The Committee observed that Audit should follow up the matter.*

APPROPRIATION ACCOUNTS

1764. *Grant No. 51—Food and Agriculture Division (Page 68—AA)*—Audit had depicted an overall saving of Rs. 2,046,315 under this grant. The Committee did not make any observation.

1765. *Grant No. 52—Forest (Page 70—AA)*—According to Audit, as saving of Rs. 46,690 had occurred under this grant. The saving being within the permissible limit of 5 per cent, the Committee did not make any observation.

1766. *Grant No. 53—Plant Protection Measures (Page 71—AA)*—No. observation was made by the Committee on this grant.

1767. *Grant No. 54—Other Agricultural Services (Page 72—AA)*—The Committee did not make any observation on this grant.

1768. *Grant No. 55—Subsidy on Wheat (Page 73—AA)*—Audit had shown an overall saving of Rs. 661,600,576 under this grant. The Ministry did not furnish any explanation. A member of the Committee enquired as to when the department had surrender the amount. The departmental representative replied that the saving was surrendered at the end of June, 1981. *The Committee directed that the Ministry should furnish an explanation for the surrender of savings on* 30th *June*, 1981, *when the subsidy had been abolished much earlier.*

1769. *Grant No. 56—Zoological Survey Department (Page 74—AA)*—The Committee did not make any observation on this grant.

1770. *Grant No. 57—Livestock Division (Page 75—AA)*—Audit had shown a saving of Rs. 8,583 under head "516—Animal Husbandry". The representative of the department stated that the saving was within the permissible limit, for which no explanation was required. The Committee did not make any observation on this grant.

1771. *Grant No. 58—Islamabad Milk Plant (Page 76—AA)*—Audit had shown an overall saving of Rs. 1,558,681 under this grant and observed on the reply given by the Ministry that the surrender of Rs. 1,127,229 against a provision of Rs. 3,736,000 was not justified and the unspent balance of grants in the personal ledger Deposit Accounts had been taken as deduction in the expenditure.

(Rs. 420,885) on the receipt of advice from the Federal Treasury Office, Islamabad. The saving was due to the fact that a formal surrender was not made by the Department|Ministry in respect of the Final grant.

1772. *The Committee directed that fuller information should be furnished about the depreciated price etc. of the Milk Plant and the reasons for the surrender.*

1773. *Grant No. 59—Fisheries (Page 77—AA)*—According to Audit an overall saving of Rs. 621,300 had occurred under this grant. No explanation was given by the Ministry, as the saving was surrendered in time. The Committee did not make any observation on this grant.

1774. *Grant No. 60—Other Expenditure of Food and Agriculture Division (Page 78—AA)*—No observation was made by the Committee on this grant.

1775. *Grant No. 127—Capital Outlay on purchase of Food (Page 154—AA)*—A saving of Rs. 163,358 had occurred under the head "811—Food-Wheat". Being within the permissible limit no explanation was required for the saving. However a member observed that hardly 1/3rd of the original grant of Rs. 1,903,600,000 seemed to be required during the course of the year 1980-81, as the actual expenditure was only Rs. 622,357,556.

1776. When questioned as to whether anyone had undertaken physical stock checking, the departmental conducted by the Directorate of Accounts.

1777. *Scheme-wise break-up of expenditure and recoveries—Annexure 'B' to Grant No. 127 (Page 271—AA)*—A member of the Committee pointed out that a quantity of 2,830 M|tons of sugar, valuing Rs. 18,077,162, when shown lying in stock as on 30th June, 1980 and 20,169 gunny bags, valued at Rs. 88,915,172, were also lying in the stock on 30th June, 1980. Had these been properly accounted?

1778. *The Committee directed that the Ministry should check the position and do the accounting correctly.*

1779. *Grant No. 128—Capital Outlay on purchase of fertilizer (Page 156—AA)*—Explaining the excess of Rs. 129,667,668 against the head "812—Fertilizer," the Department stated in their reply that the excess expenditure pertained to the Shipment of 15,038 M|tons of Urea by M. V. Fair Wind, which arrived during March, 1981 but the documents were not negotiated in time due to discrepancies. The State Bank of Pakistan asked the L|C opening Bank on 11th June, 1981 to furnish the documents for examination. It was, therefore, felt that the payment would not be made by the 30th June. Besides, no advice of

debit to Account "IV-Fertilizer", was received from the State Bank of Pakistan or the AOIS&F till June, 1981 and the first intimation was from Audit on 20th July, 1981, that an adjustment had been made in the June (Final), 1981 accounts.

1780. In view of the above, this expenditure could not be provided when preparing the statement of excesses and surrender and was not catered for.

1781. In their comments, Audit pointed out that the Ministry should have provided funds through a supplementary grant for paying the cost of stores, received by them in March, 1981. In the case of non-raising of the debit, they could have surrendred the funds.

1782. Questioned as to why the department did not ask for a supplementary grant, the departmental representative replied that the Ministry did ask for a supplementary grant. In fact, the consignment had arrived, but the papers did not reach till the 11th June, 1981.

1783. The Committee did not make any further observation on this grant.

1784. *Grant No* 149—*Development Expenditure of Food and Agriculture Division* (*Page* 185—*AA*)—Explaining the position in respect of excess expenditure of Rs. 7,851,017 under "Agriculture Machinery Division", the Ministry stated that the excess was in foreign currency and related to the Vertebrate Pest Control Centre, which was transferred from Development to Non-Development budget from July, 1980, when there was no provision for this project in the Development budget.

1785. When questioned as to what did "After July" mean, the departmental representative submitted that it was transferred from the Development to Non-Development expenditure with effect from the year 1980-81.

1786. The Vice-Chairman observed that this should have been under Development expenditure. A member of the Committee enquired whether the old expenses were still chargeable to Development. The departmental representative replied that they were so charged.

1787. Audit had reflected an excess of Rs. 3,556,817 under the function head "513—Federal Seed Certification Agency". The Ministry explained as under—

(i) The total saving of Rs. 3,235,678 surrendered to their letter No. F. 7-6/81-Budget, dated 30th June, 1981 included a saving of Rs. 74,246 pertaining to the scheme "Pilot Potato Seed Project", resulting in an excess over the budget allocation by Rs. 74,246 under this group head.

(ii) The remaining excess was due to the adjustment of debits amounting to Rs. 3,482,480 on account of Salaries of Foreign Experts and expenditure incurred on Technical Training, disbursed by the World Bank in Foreign Currency under the IDA Credit No. 620-Pak. The adjustment for this expenditure was advised by the Economic Affairs Division to the AGPR in June, 1981 (Final Accounts). The expenditure pertained to the year 1977-78 to 1980-81 and savings (Rupee cover), amounting to Rs. 4,896,350, were surrendered during the years 1977-78 to 1980-81, because of non-receipt of debit advices in time.

1788. Replying to a query, the departmental representative submitted that, in this case, foreign consultants had to be paid and the debit was raised late. Thereupon, a member remarked that, in that event, the department should have made the provision in the following year. The departmental representative informed the Committee that the Ministry did make the provision in 1982-83.

1789. In view of the above the Committee did not make any further observation on this grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

1790. *Loss due to un-standard bagging of wheat Rs.* 716,680 (*Paras* 1191—1193, *Pages* 337-338—*PAC Report* 1978-79)—After having gone through the explanation given by the Ministry, the Committee decided that the paragraphs be treated as settled.

1791. *Grant No.* 54 *Food and Agriculture Division* (*Paras* 1195-1196, *page* 338—*PAC Report* 1978-79)—Audit commented that, in reply to the PAC's observation, specially the remarks of the Chairman, a note setting out the facts and figures was to be submitted by the Ministry. The Ministry had merely stated that they had noted this for compliance, which was not sufficient. The Ministry should have fixed responsibility for the irregularity. The Committee, finally, decided to drop these paragraphs subject to verification by Audit of the departmental explanation given at the meeting.

1792. *Grant No.* 62—*A—Other expenditure of Ministry of Food and Agriculture and Cooperatives* (*Para* 1202, *pages* 339-340—*PAC Report* 1978-79)—In compliance, the Ministry informed the Committee that as directed the matter had been further investigated and it had been ascertained that a supplementary Grant of Rs. 4,700,000, was obtained for the payment of subsidy to the Roti Corporation in order to meet the deficit during the year 1978-79. A

Summary for the approval of the Finance Minister regarding the Supplementary Grant was submitted on 12th June, 1979 but the proposal was approved by the Finance Division on 27th June, 1979. On the same day, the schedule of Supplementary Demand was issued, but it could not find place in the Book of Supplementary Grants, as that had already gone for printing.

1793. Audit maintained that the Ministry should have sent the schedule to the Budget Wing earlier. The Committee observed that subsidy on the import of wheat was correct. No further observation was made on this paragraph.

General

1794. The Committee observed that, in some cases, complete proceedings or minutes were being reproduced by Ministries in their replies, even though they were not asked for any specific action or information on them. As this involved waste of time, money and energy, Ministries should be advised to desist from this practice and reproduce, judiciously, only those portions of the proceedings or minutes which called for any specific action or report from them. A simple reference about any other proceedings or minutes should be considered as adequate. This will apply equally to the Audit observations.

1795. *Grant No.* 100 (*Para* 634, *page* 119—*PAC Report* 1972-73) (*Paras* 1225—1230, *pages* 345—347—*PAC Report* 1978-79)—The Committee had previously directed the departmental representative to draw, from the balance sheet or trial balance, a list of items which were taken over as well as of those which were not taken over by them, with reasons for not having accepted them. These lists should be made available to Audit, who should bring them before the Committee with their comments, for further direction. In compliance, the Ministry, in their reply, stated that the necessary lists had already been forwarded to AOIS & F, Karachi *vide* FDFI Lahore letter No. FDFI-3953-Accounts|COMP|71—78, dated 3rd June, 1982, for bringing them before the PAC with his comments. Copies of those lists were available at Appendix 'D' to Annexure I of the PAC Report.

1796. Audit stated that, the list of Assets|liabilities furnished by the Department, showed that assets worth Rs. 55,020,123 and liabilities worth Rs. 36,283,967 were left unaccounted for. According to the Department, these actually did not exist. The stand taken by the Department was not convincing, as the original organization entrusted with the import of fertilizers had not undergone any material change except its nomenclature (From WPADC to ASO then FDAS and then FDFI). The Department had not been able to get the unaccounted balance either written back or written off with the sanction of the competent authority.

1797. After discussion, *the Committee directed that study should be carried out by Audit to identify the assets and liabilities of the WPADC and to see as to what items were still exent; how much was realisable or payable; and how much of was to be written off or written back. The Ministries of Finance and Food and Agriculture should first establish the assets of the former WPADC and then take action to apportion them. The Ministry of Finance should be the convenor for this exercise, as the Apportionment Committee functioned under them. All the assets and liabilities of WAPDC must be kept under review little finality.*

1798. *Grants No.* 105 *and* 106 (*Para* 623, *page* 113 *PAC Report* 1973-74) (*Paras* 1235—1237, *pages* 348-349—*PAC Report* 1978-79)—The Committee had previously directed that up-to-date figures of stocks etc. relating to 1973-74 be made available to the Committee. In the statement, cost should be on one side and receipt on the other, only then would it be possible to see the difference.

1799. The department, in their reply, explained that the up-to-date consolidated figures of stocks for the year 1978-79 had been prepared submitted to Audit for scrutiny. Audit pointed out in their comments that the observation of the PAC actually pertained to the accounts for 1973-74. As such the department should have given the position of stocks from 1973-74 onwards. Instead, they had given the figures only for 1978-79. However, the examination of the statement of the accounts for 1978-79 had revealed that there were shortages, damages etc. in 62 shipments which were not excluded from the quantity of fertilizers on which subsidy was claimed. After having gone through the explanation of the Ministry and the Audit Comments thereon, *Committee decided to defer this paragraphs and directed the departmental representative to come forward, next with up-to-date position according to the previous direction of the PAC, through Audit, who would furnish a full report to the Committee.*

1800. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs points in : (i) the Appropriation and Commercial Accounts for 1980-81 and the Audit Report thereon ; and (ii) the Compliance on the PAC's Report for 1978-79. These would be deemed settled, subject to such regularization actions as may be necessary under the rules.

1801. The Committee deferred the examination of the Performance Evaluation Report on the Roti Corporation of Pakistan to the following day and adjourned to meet at 9.00 a.m. on Wednesday, the 4th January, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 5th January, 1985.

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 4th January, 1984

Eleventh Sitting (PAC)

1802. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council — *Member*

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmed, Assistant Secretary

Audit

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

(2) Mr. S. Iftikhar Shabbir, Deputy Auditor-General (Co-ord)

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

(4) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(5) Mr. Zaheeruddin Jeddy, Director General (PEC)

(6) Mrs. S. N. Sheikh, Director General, Commercial Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

(2) Mr. Shamsul Haq, FA (Food and Agriculture)

(3) Mr. Bashir Ahmad, DFA (Petroleum and Natural Resources)

(4) Mr. Fayyaz Akhtar, FA (Cabinet and Establishment)

(5) Mr. A. Rashid Baluch, FA (Culture, Sports, Youth Affairs and Tourism)

1803. *Accounts examined*—The Accounts pertaining to the following Ministries|Divisions were examined by the Committee during the course of the day—

(1) Ministry of Food and Agriculture (Only Roti Corporation)

(2) Ministry of Petroleum and Natural Resources

(3) Cabinet Division

(4) Establishment Division

(5) Culture, Sports and Youth Affairs Division

(6) Tourism Division

MINISTRY OF FOOD AND AGRICULTURE

1804. The 1982 Performance Evaluation Report, on the Roti Corporation of Pakistan, pertaining to Accounts of the Ministry of Food and Agriculture for 1981-82, which was the only item deferred on the 3rd January, 1984 was taken up for examination. The following departmental representatives were present—

(1) Mr. R. A. Akhund, Secretary

(2) Mr. Manzoor Ahmad, Additional Secretary

(3) Mr. Inamul Haq, Joint Secretary

(4) Mr. M. A. Hadi, Deputy Secretary

(5) Khawaja Iftikharuddin, Director Finance (Roti Corporation)

(6) Mr. Gul Nawaz Malik, O.S.D. (F&A)

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES

Roti Corporation of Pakistan (Pages 109—150—Performance Evaluation Report-1982 Vol. I).

1805. According to the Evaluation Report, the above Corporation, a Private Limited Company with an authorized capital of Rs. 50 million and token paid-up capital of Rs. 30 only, was set up on 1st July, 1977, under the administrative control of the Ministry of Food and Agriculture for the management of the project " Mass Production of Roti ". The project aimed at " providing wholesome and nutritious bread to the people at a reasonable price ". The feasibility report on this project was prepared by Messrs Nasiruddin Associates in 1974 and Messrs MICAS Associates were appointed to execute the pilot phase of project, which envisaged the installation of eight roti plants, four each in Karachi and Lahore on a turn-key basis. These started production in August, 1975. The installation of eight additional plants, one each in Peshawar, Islamabad, Multan, Bahawalpur, Hyderabad, Quetta and two in Faisalabad was approved by the Cabinet Committee in January, 1976. The specified objectives of the project could not be achieved because of low sales as a result of poor acceptability of roti. The Corporation resorted to some diversification of products like naan, bread etc. in 1978, to reduce its losses but despite this, the Corporation had accumulated losses of Rs. 107.28 million upto January, 1981.

1806. Audit had reported that the Accounts for 1978-79 and 1979-80 had not been Audited. They should be brought up-to-date and got audited expeditiously and provision of amortisation of leaseholds should be made in the accounts.

1807. The Ministry agreed that, owing to delay in the submission of the accounts for 1976-77 by Messrs MICAS Associates Limited, the Turn Key Consultants, there had been delay in the compilation of the Accounts of the Corporation. The Audit pointed out in their comments that M|s. Furguson and Company were still working on the accounts for 1978-79.

1808. Audit had further recommended in their Report that the sale of bread should be promoted. The department explained that the Corporation was doing its best. However, there was a limit to it, particularly in the face of stiff competition with the private bakers. Even then, the Roti Corporation of Pakistan (RCP) was the largest bread seller in the country.

1809. Replying to a query, the departmental representative submitted that, so far as the Corporation was concerned, certain economic measures had been taken and four plants leased out, and two plants, one at Bahawalpur and the other at Quetta, had been closed down and the department was looking for their buyers.

1810. After a detailed discussion, *the Committee concluded as under—*

(i) *If subsidy were provided to the Corporation by the Government, no losses should have been shown in the Balance Sheet.*

(ii) *If the Roti Plants have to be operated, the Government should decide about providing to them wheat at subsidised rates.*

(iii) *A study should be carried out about the causes of decline in the sale of Roti and how could its sale be boosted ?*

(iv) *All possible economy,* e.g. *on polybags, transportation and administration, should be effected for reducing costs on the running of the plants.*

(v) *The present products did not appear to be to the taste of the people. It must, therefore, be suitably modified and a more dynamic organisation should be evolved to promote the sale of the product.*

(vi) *A report should be furnished by the Ministry about the ultimate policy decision of the Government in regard to these plants and as to how losses were to be reduced. The preparation of the Balance Sheet of the Corporation for* 1982-83 *should also be expedited.*

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

1811. The Committee, thereafter, took up the examination of the Appropriation Accounts etc., pertaining to the Ministry of Petroleum and Natural Resources. The following departmental representatives were present—

(1) Mr. Mukhtar Masood, Secretary

(2) Mr. A. A. Malik, Chairman (PMDC)

(3) Mr. Reazur Rahman, Director Finance (PMDC)

(4) Mr. Asrarullah, D. G. (GSP)

(5) Mr. Hilal A. Raza, G. M. (HDIP)

(6) Syed Ahmed, Secretary and Comptroller (RDC)

(7) Mr. H. Rizvi, Chairman (OGDC)

(8) Mr. A. C. Broker, G.M. Finance (OGDC)

(9) Mr. Dabir-ul-Mulk, M.D. (IGC)

1812. This Ministry, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Petroleum and Natural Resources	102
2.	Geological Survey	103
3.	Other expenditure of Ministry of Petroleum and Natural Resources	104
4.	Development expenditure of Ministry of Petroleum and Natural Resources ..	158
5.	Capital outlay on Petroleum and Natural Resources	181
6.	Capital outlay on Mineral Development	182

1813. *Reconciliation of Accounts with Audit*—Noting that the reconciliation of Accounts was not complete, the Committee directed that the reconciliation of Accounts for 1982-83 should be got completed by the 15th January, 1984 as these accounts are to be finalized by Audit very soon. *The Committee further observed that the reconciliation of the accounts for the current year should also be expedited.*

APPROPRIATION ACCOUNTS

1814. *Grant No.* 102—*Ministry of Petroleum and Natural Resources* (*Page* 124—*AA*)—There was a net saving of Rs. 7,280 under this grant, which was within the permissible limit.

1815. *Grant No.* 103—*Geological Survey of Pakistan* (*page* 125—*AA*)—The Appropriation Account showed a net saving Rs. 293,677 under this grant. The saving being within the permissible limit, no explanation was required.

1816. The Committee did not make any further observation about this grant.

1817. *Grant No.* 104—*Other expenditure of Ministry of Petroleum and Natural Resources* (*Page* 126—*AA*)—Audit had pointed out that, though a supplementary grant of Rs. 159,000,000 was obtained, but an amount of Rs. 21,377,100 was surrendered. The Committee pointed out that the surrender of such a large amount showed poor planning by the Ministry. The departmental representative informed the Committee that this was due to oil prices having gone up. The Committee did not make any further observation in regard to this grant.

1818. *Grant No.* 158—*Development expenditure of Ministry of Petroleum and Natural Resources* (*Page* 206—*AA*)—Audit had shown a nominal saving of Rs. 24 under the function head "545—Petroleum and National Gas Hydro Carbon Development Institute of Pakistan", after the surrender of an amount of Rs. 1,327,100 by the Ministry against the original grant of Rs. 10,919,000. It was explained by the Ministry that the saving was within the permissible limit and needed no explanation. Audit made out in their comments that the amount of Rs. 1,327,100 was surrendered against the budgeted provision of Rs. 10,919,000 which revealed improper budgeting.

1819. The Committee made no observation on this grant.

1820. *Grant No.* 181—*Capital outlay on Petroleum and Natural Resources* (*Page* 235—*AA*)—According to Audit, an overall saving of Rs. 591,173,861 had been depicted under this grant. After examining the explanation of the Ministry, Audit comments that a supplementary grant of Rs. 10,000,000 was obtained, whereas the grant closed with saving of Rs. 591,173,861, proving the supplementary grant unnecessary. Against the codal heads "Rural Energy Project and "Rural Electrification", savings of Rs. 1,171,591 and Rs. 77,421 had been shown under the Appropriation Accounts respectively. The Ministry explained that the saving of Rs. 1,171,591 under Rural Energy Project occurred due to certain vacant posts of officials and staff and strict control over expenditure on various items under "Durable Goods" and "Commodities and Services". As regards the saving of Rs. 77,421 under Rural Electrification, the saving was mainly due to strict control over expenditure with regard to: (i) Transporation; (ii) Liveries; and (iii) vacant posts of Accountant.

1821. Replying to a query, the departmental representative informed the Committee that the Ministry did not ask for the supplementary grant of Rs. one crore from the Finance Division. The grant was the sequel to a Presidential Directive that this particular sector should be revitalised and a grant of Rs. one crore should be given. The Vice-Chairman observed that, even in 1980-81, the department had got an allocation of one crore, for Bio Gas. Was it used in 1981-82 or the department had asked for a supplementary grant? Audit intervened to say that the Committee might make an observation that, as the fund was given in June, it could not be used.

1822. After discussion, *the Committee made the following observations*—

(i) *A full report should be furnished about the surrenders in* 1980-81.

(ii) *The Accounts of Expenditure on the Quetta Gas Project (executed by Sui Gas Transmission Company SGTC) should be prepared properly. Since this was not a loan, there would be no interest charges. But the Committee may be informed as to who would be accountable for the expenditure of Rs.* 175 *million and what arrangements were made with or instructions given to the SGTC about the execution of the work and the furnishing of Accounts? A copy of the PC-I for the project should also be furnished.*

1823. *Grant No.* 182—*Capital outlay on Mineral Development* (*Page* 241—*AA*)—Audit had reported that an overall saving of Rs. 9,079,970 had occurred under this grant Audit further reflected an excess of Rs. 146,303 under the function head " Lump Provision in Aeromagnetic Survey ". It was explained by the Ministry that the excess had been counter-balanced by the actual recovery, made during the financial year 1980-81. Audit pointed out in their comments that an amount of Rs. 1,053,500 was surrendered against the provision of Rs. 2,000,000, betraying a poor planning and budgeting by the Ministry, who had not furnished proper reasons for the excess expenditure (the explanation counter-balanced by recoveries being no explanation). Moreover, the excess of Rs. 146,303 could have been avoided by making less surrenders.

1824. The Vice-Chairman observed that the surrenders should have been on a similar level and the department should indicate the total gross expenditure. The departmental representative explained that this related to the Canadian aid received through the Economic Affairs Division and where the foreign exchange component was spent by the aid giving agency direct and the department was not involved.

1825. The Committee noted that a huge sum of Rs. 2,813,750 was surrendered under the function head " 385—Geological Survey of Sulphide Mineralisation and Metalic Deposits in Baluchistan " and enquired the reasons therefor ? The departmental representative explained that it was due to the non-release of Rs. 2.4 million by the Finance Division. Audit also maintained that the surrender of Rs. 2,813,750 against the provision of Rs. 3,357,000 revealed poor budgeting. The details of saving of Rs. 77,414, exhibited in the Appropriation Accounts submitted separately, revealed that the non-passing of bills was due to the non-compliance of Audit observations during 1980-81. The bills were, however, submitted during the next year. Audit further pointed out that, as the savings were apparent in the face of only 7 per cent achievement of the target, these should have been included in the surrenders.

1826. The Committee did not make any further observation on it.

1827. Auditor further pointed in their comments that, under the function head " Establishment of Geo-data Centre, Islamabad ", a surrender of Rs. 718,200 against the provision of Rs. 1,000,000 was substantial.

1828. The departmental representative informed the Committee that non-release, similar to the one under the function head " Geological Survey of Sulphide " was applicable in this case also. The Committee accepted the explanation of the Ministry and did not make any further observation.

AUDIT REPORT

1829. *Non-conducting of internal check* (*Para* 187, *pages* 150-151—*AR*)—Audit had reported about the absence of internal check in the Natural Resources Division. The Ministry contended internal check for 1980-81 in respect of the main Ministry and its Attached Departments and Sub-ordinate Offices was carried out and copies of Internal Check Reports were also furnished to the concerned Audit Offices. The Audit maintained that, for the first time, internal check for 1980-81 was carried out only in respect of the Technical Wing and report furnished to Audit. Reports for the succeeding years 1981-82 or 1982-83 should have also been so furnished. There was, in fact, a need for the institution of a regular and effective system of Internal check, as no periodicity had been determined and regularity ensured.

1830. After hearing the explanation of the Ministry and Audit, *the Committee directed that copies of internal check reports should be sent to Audit.*

1831. *Delay in Processing of G. P. Fund cases* (*Para* 188, *page* 154—*AR*)—It was emphasized by Audit that compliance with the instructions of the Ministry of Finance for prompt payment of G. P. Fund may be ensured in future. The Committee did not make any further observation on the paragraph.

COMMERCIAL ACCOUNTS

Pakistan Mineral Development Corporation

1832. *Expected losses and blockade of Capital of Rs.* 239,083 *on the purchase of Machinery* (*Para* 53, *page* 41—*ARCA*)—According to Audit, the PMDC imported machinery, valuing US dollar 19,083 for the Makerwal Collieries in May, 1977. The machinery was not according to the specifications and certain items were also missing, but the suppliers declined to admit the incorrect and incomplete supply, pleading that the Corporation was informed of the changed specifications in February, 1977. But since no exception was taken to, it was presumed that the same were accepted. The machinery could not be put into operation, resulting in a blockade of Rs. 239,083. The Corporation also failed to lodge a claim with the suppliers for short supply. The irregularity was brought to the notice of the Ministry in December, 1980, but no reply come forth, despite reminders.

1833. The Ministry, in their written reply, contended that it was not correct that certain items of the Machineries, ordered as per contract No. PMDC/Pur/77-214-14, dated 16th January, 1977 were missing. As such, the paragraph was based on some misunderstanding.

1834. Audit thereupon commented that the management had accepted the non-utilization of the machinery due to the non-fabrication of certain parts locally and the responsibility for the blockade of funds still needed to be fixed. It was also to be intimated as to how long would it take to use the machinery, as 6 years had already passed.

1835. Questioned as to what was the machinery actually imported and when did the management start designing it, the departmental representative submitted that the machinery arrived in 1977-78 and it was commissioned in 1983-84. The Committee not having made any further observation, the paragraph was deemed as settled.

1836. *Loss of Rs.* 126,881 *on purchase of defective material* (*Para* 54, *page* 41—*ARCA*)—Audit had reported that the PMDC procured 16,000 Rft. Steel Wire Rope for Rs. 142,330 in July, 1975 for the Kalabagh Salt Mines. The Rope Wire was certified by the Project Authorities to be of the correct specifications and put into use in November, 1976. It started giving trouble within 3-4 months of its commission, and broke down in April, 1977, causing damage to the plant accessories. Thus, it could last only for five months as against its guaranteed life of 18 months.

1837. The Management explained that the actual loss worked out to only Rs. 74,014, because the wire rope had given satisfactory service for about 5 months. It got adversely effected due to the saltish atmosphere at Kalabagh and its normal life could not be more than 12 months against one of 18 months in a better atmosphere. Besides, the Project authorities had no facilities to inspect and test the strength of the wire rope at Kalabagh and issued the Receiving Report, accepting the materials strictly as per the terms of the Purchase Order and Specifications. The rope was commissioned after 17 months of storage in saltish atmosphere and complaint was made to the Head Office after about 18 months from the receipt of the consignment. The sample of the used rope was got tested from the Laboratory of the Pakistan Industrial and Technical Training Centre, Lahore, where its strength was certified to be less than the one specified in the order of the PMDC.

1838. The PMDC Board took a serious view of it and ordered to institute a court case against the supplier. On giving a notice, the suppliers namely M|s. Elson Trading Corporation denied, having had any such transactions with the PMDC on the plea that their previous partner, who had supplied the wire rope, was no longer with them and the ownership of the Firm had changed in between. They were not liable for any act of their previous partner|owner. A legal notice was then served on the previous partner, who also took the stand that he had already left the Firm, which had supplied the wire rope to the PMDC and had no legal liability.

1839. The matter was, therefore, referred to the Legal Adviser, who opined that the case had become complicated and with the passage of time, it had become impossible to institute an effective court case against the party concerned. As an interim measure, the PMDC had stopped all their dealings with the Firm as well as with the private importers of the wire-rope, whose local fabricated requirements were being obtained from the State Enterprises Organisation of Metropoliton Steel and the imported requirements had been ordered from internationally reputed manufacturers.

1840. After going through the above explanation, Audit commented that the loss needed to the written off. *The Committee requested Audit to follow it up.*

1841. *Loss of* 16,226 *due to short recovery of Interest* (*Para* 55, *page* 41—*ARCA*)—The Committee made no observation on this paragraph.

1842. *Non-observance of warranties of Fire Insurance Policies* (*Para* 56, *page* 41—*ARCA*)—Audit having confirmed that the write off action had been verified, the Committee did not make any further observation.

1843. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 70, *page* 50—*ARCA*)—The Committee decided to drop this paragraph.

PMDC Coal Briquetting Plant

1844. (*Paras* 321-323, *page* 128—*ARCA*)—These paragraphs were treated as settled.

1845. (*Para* 324, *page* 128—*ARCA*)—According to Audit a sum of Rs. 104,000 recoverable from the PIDC had remained unsettled since July, 1974, as the PIDC had been claiming Rs. 516,529 on account of the net worth of the plant on the date of its transfer. The latter amount included the amount of certain other transactions not accepted by the project. Audit urged the early settlement of the account with PIDC.

1846. The Management explained that the recoverable of Rs. 104,000 was a part of the overall settlement with PIDC which was being finalized through the Government Adjuster.

1847. Audit pointed out in their comments that no progress had been made so far towards the reconciliation of accounts with the PIDC.

1848. *The Committee directed that the claims of the PMDC and PIDC should be be reconciled first and then an overall settlement between the two should take place, at the earliest possible. The figures of respective claims should also be provided to Audit.*

PMDC Coal Mines, Degari

1849. (*Paras* 325—330, *page* 129—*ARCA*)—The Committee did not make any observation on these paragraph, which were treated as settled.

1850. (Para 331, *page* 130—*ARCA*)—Audit had reported that the value of the closing balance of stores and spares, amounting to Rs. 3.585 million, as on the 30th June, 1981, included plant and machinery worth Rs. 2.750 million imported many years ago, but not utilized so far. This blockade of funds was not justified, specially when the funds had been procured through loans, on which heavy interest was being paid every year. The reasons leading for the non-utilisation of the machinery should be investigated and the responsibility for this unnecessary procurement fixed. Efforts were also required to be made to dispose of the surplus items of stores and machinery, without any further delay.

1851. In their reply, the Ministry explained that lists of slow moving and surplus Stores|Spares items had been prepared for circulation among the different PMDC Projects, for disposal. No fresh Bank Loans were being arranged to

finance any purchases for Degari. The surplus machinery in question was imported in the early sixties on the advice of the then Foreign Experts. Every effort was being made to dispose of the same. Audit pointed out that no progress had been made to dispose of the machinery, worth Rs. 2.750 million imported in the early sixties. The closing balance of the stores and spares had also increased to Rs. 4.166 million on 30th June, 1982.

1852. Replying to a query, the departmental representative submitted that the orders for the machinery were placed on the instructions of Foreign Experts and Rs. 2.750 million were spent in 1960. Unfortunately the machinery could not be utilised in Degari, because Degari had reached its peak. The department, therefore, made every effort to pass on this machinery to the adjoining areas, if it could be used there, but to no avail.

1853. After discussion, *the Committee directed that full details about the machinery, e.g. how old were its various parts and how much of it was needed for current requirements etc., should be furnished to the Committee/Audit.*

1854. (*Paras* 332—334, *page* 130—*ARCA*)—The Committee did not make any observation on these paragraphs which were treated as settled.

PMDC Collieries, Makerwal Limited

1855. (*Paras* 335—339, *page* 131—*ARCA*)—No observation was made by the Committee on these paragraphs which were treated as settled.

PMDC Collieries, Sharigh

1856. (*Paras* 340—343, *pages* 132-133—*ARCA*)—The working results of the PMDC Collieries, Sharigh for the year 1980-81, as compared with the previous year, were as follows—

	Unit	1980-81	1979-80
Quantity produced	M. Ton	21,385	17,526
Quantity Sold	M. Ton	16,959	15,229
Cost of Coal per ton at Depot	Rs	321.36	250,53
Admn. Selling and Financial Expenses per ton ..	Rs	527.08	374.39
Cost of sales per ton	Rs	848.44	624.92
Sale price per ton	Rs	383.48	282.09
Net loss per ton	Rs	464.96	342.63
Net loss for the year	Million Rs	7.663	4.231
Accumulated loss on 30th June	Million Rs	52.740	45.161

1857. For the continuous heavy losses Audit held the heavy burden of financial expenses as the main reason. It amounted to Rs. 8.778 million in 1980-81 as compared to Rs. 5.516 million in the previous year. The incidence of financial expenses was Rs. 410.48 per ton of coal produced, as against the cost of production of Rs. 321.36 per ton. The formers exceeded the sale price of Rs. 383.48 per ton during the year under review. Audit further reported that, as long as this financial burden continued, there was no prospect of the project becoming viable. In the circumstances, a restructuring of the capital, by converting the loans into equity and writing off a part of loan, which represented cumulative interest thereon over the years was worth consideration.

1858. The Management explained that the statistical data reported by Audit under the heading of working results was acceptable and they had also correctly pointetd out the heavy as well as the increasing burden of interest on the Government Loan Funds as well as the PIDC|PMDC Loan Funds, in the absence of any equity base. The case of converting the Loan Capital into Equity Capital for the Sharigh Collieries was linked with the overall PMDC—restructuring case, which was under the consideration of a high powered Committee of which Chairman, Corporate Law Authority was a member. It was expected that, after a decision on this case, the working results of the project would improve considerably. Thereupon, Audit made out in their comments that the losses had increased to Rs. 13.400 million during 1981-82, as compared to Rs. 7.663 million in the previous year. Any further progress about the restructuring of the capital should be made known to Audit.

1859. Replying to a query, the departmental representative informed the Committee that Sharigh reserves had about 7 lakh tons and annual production was 70,000 tons. A member of the Committee observed that the Management might look into it again and come back with a proposal, after discussing it with the Board. After discussion, *the Committee concluded that, as it may take about* 10 *years to extract the entire coal at the present rate of working, losses were bound to accumulate. Therefore, fresh look at the operations was imperative. A copy of the proposal, that may be formulated in this behalf should be furnished to the Committee also.*

1860. (*Para* 344, *page* 133—*ARCA*)—According to Audit, the amount of the Insurance Claims receivable stood at Rs. 1.466 million on the 30th June, 1981, as compared to Rs. 1.493 million on the 30th June, 1980 and Rs. 1.462 million on the 30th June, 1979. It appeared that insurance claims cleared during these years equalled the uncleared new items.

1861. The Management stated that, out of Rs. 1.466 million, Rs. 1.385 million on account of Insurance claim for the PIDC period, was a part of the settlement with the PIDC, which was being finalised through the Government Adjuster. As desired by Audit, a comprehensive study in respect of Insurance cover for the Coal Stock had already been carried out at Board level and taking out of Insurance cover had since then been discontinued.

1862. Questioned as to why the claims were not paid by the Insurers, the departmental representative submitted that they had certain claims against the PIDC and the PIDC had certain claims against others. A member of the Committee enquired as to why the Management did not give notice to the Insurance Company. The departmental representative replied that the Board had taken the decision to give a legal notice to the Insurance Company.

1863. After discussion, *the Committee directed that the insurance claims should be settled quickly. Audit should follow-up the action about the Insurance cover and the notice to be given to the Controller of Insurance.*

PMDC Collieries Sor-Range

1864.(*Paras* 345—349, *page* 134—*ARCA*)—Audit had reported that the production during 1980-81 was only 32.721 metric tons against the target of 50 metric tons, *i.e.* 65.44 per cent of the target, mainly due to (i) shortage of coal cutting labour, (ii) break-down of old machinery; and (iii) inundation of pits with water, resulting in stoppage of work. Due to decrease in production/ sales and abnormal increase in the cost of production, the working results of the Project had deterioriated further and the year had closed with a gross profit of only Rs. 20,000 million, as compared to the previous years gross profit of Rs. 2.180 million. The Project sustained a net loss of Rs. 7.212 million against Rs. 4.737 million during the previous year and the accumulated net losses as on the 30th June, 1981 amounted to Rs. 52.688 million. Audit further reported that a heavy burden of interest, amounting to Rs. 223 per ton of coal produced against the sale price of Rs. 510 per ton, mainly contributed to these adverse results. The Project had no equity capital of its own and was dependent entirely on borrowed funds. Financial restructuring of the Project was imperative with a view to convert it into a viable project.

1865. The department stated that the case for the reduction of Capital Cost of the Project, as well as the restructing of its capital was being processed with the Government. It was expected that, after a decision in the matter, the financial results of the project would improve notably.

1866 The Department informed the Committee that the Audited Accounts for 1980-81 had been approved by the PMDC's Board of Directors. Also that the mine had been operating basically for socio-political and socio-economic reasons and had reached its economic level. The Committee did not make any observations on these paragraphs which were treated as settled.

PMDC Salt Mines, Kalabagh

1867. (*Paras* 350—355, *page* 135—*ARCA*)—As no material observation was made by the Committee, the paragraph were treated as settled.

PMDC Salt Mines, Khewra

1868. (*Paras* 356—359, *page* 136—*ARCA*)—The Committee decided to drop these paragraphs.

PMDC Salt Mines, Warcha

1869. (*Paras* 360—362, *page* 137—*ARCA*)—The Committee did not make any observation on these paragraphs and decided to treat them as settled.

Gem Stone Corporation of Pakistan Limited, Peshawar

1870. The Committee observed that the accounts of the Gem Stone Corporation should have been presented to the shareholders and that the department should follow the Company Law in this regard also. The Auditor-General asked the departmental representative for a copy of the Accounts, the departmental representative agreed readily to furnish one.

Oil and Gas Development Corporation

1871. *Avoidable expenditure of Rs.* 786, 703 *on appointment of a Co-ordinator* (*Para* 57, *page* 42—*ARCA*)—It was reported by Audit that a Service Agreement, dated the 25th January, 1977 for US dollar 205,000 was made by the Oil and Gas Development Corporation with a foreign Firm for the receipt, transportation, assembly and test operations of its American rigs. In addition, the contractor was to provide support for technical purchasing and to expedite activities, associated with the said project, free of cost. However, the Corporation hired the services of a Coordinator, through the same Firm, at an additional cost of Rs. 3,000 per day, to advise the Corporation's personnel on similar technical services. Although a senior official of the Corporation, duly trained from the USA in the purchase of American rigs was available, his services were not utilised for this purpose. Thus the Corporation incurred an expenditure of Rs. 786,703, for which there was no apparent justification. This irregularity was pointed out to the Management in October, 1979 and to the Ministry concerned in November, 1980.

1872. Audit further reported that the Management had stated, in their reply of August, 1981, that the services of the Coordinator were hired at the verbal request of the then Chairman|Managing Director of Corporation, for obtaining advice on material control, planning and procurement of spares. The official, then available with the Corporation, was quite young and inexperienced as compared to the 70 year old Adviser (Coordinator) engaged by them. This reply of the Management, according to Audit, was not tenable, as the services of the Coordinator were to be made available by the contractors free of cost. Audit had, therefore, advised the extra-expenditure to be got regularised by obtaining the sanction of the competent authority.

1873. In their reply, the Management explained that the services of Mr. Ken Mowdy (Expatriate Coordinator), were secured to advise the OGDC on material control, planning and procurement of spares, whereas Mr. Khalid Javed, a young officer was sent to Hoston, USA by the then Chairman for training. It was obvious that the proficiency of a 70 year old adviser could not be compared with that of a young officer in his twenties, who was only under training.

1874. The Management further stated that, in their resolution in their 70th meeting held on 11th August, 1976, the OGDC Board of Directors had approved the appointment of a rig consultant Consequently, the Corporation entered into a contract with M|s. Ray Townsley and Associates, which contract was also approved by the Government.

1875. Audit pointed out that the relevant clause of the contract indicated that the main job of the contractor was to deal with the installation of the rigging equipment, its erection, assembly and making the rigs ready for drilling. An amount of US dollar 205,000 was fixed by the Corporation for these services and the contractor was made responsible to provide the experts and Advisers for this job. In view of the availability of experts and Adviser and also an Officer of the OGDC, who was at Hoston USA at that time, the appointment of a Coordinator was not justified.

1876. After hearing the above, *the Committee decided that if the Chairman, OGDC did not have the authority to make the appointment, it should be regularised by the Government.*

1877. *Avoidable expenditure of Rs.* 46,500 *on hiring Bungalows* (*Para* 58, *pages* 42-43 *ARCA*)—It was reported by Audit that the OGDC had hired a Bunglow in Islamabad for the then Chairman from the 1st June, 1977 at the rate of Rs. 30,000 per month and paid Rs. 72,000 as advance rent. The Chairman, however, selected another bungalow, which was also hired from the same date similar terms. A refund of advance against the first bungalow was taken, after adjusting the payment of Rs. 9,000 for

the retention of the bungalow upto the 31st August, 1977. However, due to the suspension of the Chairman from service with effect from 7th June, 1978, the Corporation decided to dehire the bungalow with effect from the 25th July, 1978 and to take refund for the unexpired portion, amounting to Rs. 30,500 as well the advance of Rs. 7,000 paid for the renovation of the bungalow.

1878. But no action was taken to de-hire the bungalow and to secure the refund of the advances. The Corporation, debited the amount of Rs. 37,500 to the Ministry of Petroleum and Natural Resources, but no record was made available to show the acceptance of the debit by the Ministry. The Corporation thus incurred an avoidable expenditure of Rs. 46,500.

1879. In their reply, the Management explained that the Second House was hired on the instructions of the *ex*-Chairman, Dr. Shahzad Sadiq, who had since left the country. There being no chance to recover the amount of Rs. 9,000 from him, it had since been written off in the Books of Accounts. Besides, on his suspension on 7th June, 1978, the Corporation decided to de-hire the house, but could not do so as it was still occupied by Dr. Shahzad Sadiq as the Secretary of Ministry. A debit advance of Rs. 37,500, being the rent of the second house for ten months and five days *plus* the renovation advance of Rs. 7,000, was sent to the Ministry of Petroleum and National Resources, who did not accept the same pleading that the house was not requisitioned on their request. There being no chance to recover Rs. 37,500 from the *ex*-Chairman, this amount will also have to be written off in the books of account, to regularise the matter.

1880. After hearing this explanation the Committee decided to drop the paragraph subject to regularisation and verification by Audit.

1881. *Delay in the Dipsosal of Audit-Inspection Reports* (*Para* 70, *page* 50—*ARCA*)—No observation was made by the Committee on this paragraph and, as such, it was treated as settled.

Pakistan Oil Fields Limited

1882. [*Para* 3, (*xix*), *page* 7—*ARCA*]—Audit had reported that the Management had declined to entertain Government Audit. The Management explained that this issue was raised by the office of the Auditor-General *vide* D.O. letter No. 588. Pro|56-79, dated 10th May, 1982. The matter was examined, in consultation with the Law Division, who did not agree with the contention of the office of the Auditor-General *vide* Ministry of Petroleum and Natural Resources, Directorate General of Petroleum Concessions D. O. letter No. DGPC-5 (6)|79 (Accounts), dated 14th June, 1982.

1883. After hearing the explanation of the department *the Committee observed that as a rule, where the Government may be a minority share-holder in a company, copies of its Accounts should be obtained by the Governments representative on the Board of the said company and a copy thereof should be furnished to Audit, for information only. This should be conveyed to other Ministries also.*

Indus Gas Company Limited, Hyderabad

1884. *Loss of Rs.* 1.615 *million due to ignoring the lowest bid* [*Para* 59 (*i*), *page* 44—*ARCA*]—Audit reported that this sub-paragraph was considered by the Committee in their meeting held on 31st August, 1983 while examining the Accounts, etc., relating to Ministry of Production.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC'S REPORT FOR 1978-79

Oil and Gas Development Corporation

1885. *Compilation of accounts* [*Para* 3 (*xx*), *page* 6—*CA* Para 1602—1605, *pages* 439—440—*PAC Report* 1978-79]—These paragraphs were treated as settled.

Makerwal Collieries Limited

1886. *Reasons or low profit and cumulative loss* [(*Para* 50, *page* 89—*CA*) (*Para* 1606—1608, *pages* 440-441—*PAC Report* 1978-79)—The Committee had previously directed the Company to furnish to Audit a detailed history of the Makerwal Collieries, including its Memorandum and Articles of Association and information about the date of incorporation of the Company, to enable them to examine as to who was responsible for making payments to the Bevan-Pitman family. In compliance, the department explained that the reply of the departmental representative had not been recorded correctly. He had stated that the Makerwal Collieries was converted as a Public Limited Company on 20th January, 1960 and not in 1916. The Markerwal Collieries were not doubt established as partnership concerned in the name of M|s. Bevan-Pitman and R. B. Ishwardas in 1916. After the independence, the firm was allotted to the Western Punjab Collieries (a partnership concern of Mian Amir-uddin, K. B. Habibullah) on 15th October, 1947 as an evacuee property. On 31st July 1948, the Provincial Government resumed the lease on the ground that the lessee had defaulted in the payment of royalty.

1887. M|s. Bevan Pitman and R. B. Ishar Das filed an application in the Court of the Additional Custodian, Evacuee Property, Lahore to get a declaration that their interest in the property was not as evacuee and claimed 50 per cent of the proceeds from the colliery. The Court declared in November, 1959,

subsequently upheld by the Custodian and the High Court, that the petitioners *viz.*, M|s. Bevan Pitman, were entitled to—

(i) 6|16 of the profits accrued upto 15th October, 1947.

(ii) 50 per cent of the profits earned between 15th October, 1947 to 31st July, 1948 (the date of termination of the lease)

(iii) 50 per cent share in the moveable or immoveable property of the partnership

1888. The department further stated that it was later estimated by the Makerwal Collieries that, against this claim, they would have to pay not less than Rs. 30 lacs, of which Rs. 2 lacs had been already paid by the PIDC during 1961-62, through the Coal Commissioner, Karachi. An amount of Rs. 28 lacs still remained unpaid and was appearing as liability in the books of the PMDC's Makerwal Collieries.

1889. Audit pointed out in their comments that the basis on which the liability of Rs. 30 lacs had been estimated could not be verified in audit, as relevant records were not produced on the plea that, the same being very old, were not traceable in the Directorate of Industries. The Ministry also could not obtain a copy of the decision from the Lahore High Court.

1890. The Vice-Chairman observed that the Committee had previously asked for a detailed history of the Makerwal Collieries. Instead, the department only stated in their reply that it was estimated that Rs. 30 lacs had to be paid to M|s. Bevan Pitman against their claim. They should have referred to the High Court's judgment also in this behalf.

1891. After discussion, *the Committee directed that this should be sorted out expeditiously and the Committee apprised of the full facts, as envisaged in its directive.*

Salt Quarries, Bahadur Khel

1892. (*Paras* 1609—1611, *page* 441—*PARC Report* 1978-79)—The Committee was informed that the amount of Rs. 1,199,193 relating to excess of Assets over Liabilities as on the 30th June, 1962 had been adjusted in 1982-83. The Committee decided to drop these paragraphs, subject to verification by Audit.

Resources Development Corporation Limited (Saindak Integrated Mineral Project) (Para 1144, Page 250—PAC Report 1977-78).

1893. The Committee did not make any observation on this project except for recording that, as the expenditure of a capital nature only was being incurred

at present; there should be no profit and Loss Account for this project, until the start of its operations.

Coal Washing Plan Sharigh (Para 1369, page 373—PAC Report 1979-80

1894. The departmental representative informed the Committee that, on the basis of wash ability test results, the PMDC had submitted a scheme to the Government in September, 1974 for the establishment of a battery of coke ovens and a coal washing plant, for making 30,000 tons of 'Beehive' coke from the washed Sharigh Coal, for use in the Sugar cane crushing industry. The scheme was deferred by the CDWP because of doubts about the quality and marketing of the 'Beehive' coke. The department further submitted that litigation was going on at present, between the PMDC and Cyclone Engineering over certain disputes between them.

1895. The Committee observed that there was an inordinately lengthy note from the Management about the washing Plant. A Member of the Committee remarked that such a report was very useful. *The Committee concluded that, as there was a litigation over this plant, its consideration should be deferred for the per cent and it should be taken up next time.*

1896. *Points/Paragraphs not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs points in: (i) the Appropriation/Commercial Accounts 1980-81 and the Audit Reports thereon, and (ii) the Compliances on the PAC's Report for 1978-79. These would be deemed as settled subject to such regularization action, as may be necessary under the rules.

CABINET DIVISION

1897. After the examination of accounts of the Ministry of Petroleum and Natural Resources, the Committee took up for examination the Appropriation Accounts etc., pertaining to the Cabinet Division. The following departmental representatives were present—

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

(2) Mr. Khalique Ahmad Khan, Deputy Secretary

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

(4) Mr. Zaiud Din Malik, Director Finance, (PCP)

(5) Mr. Abdul Jalil Satti, Assistant Director (B&A) Intelligence Bureau

(6) Mr. Khurshid Ahmed, Registrar (FLC)

1898. This Division, controlled the following grants—

S.No	Name of Grant	Grant No
1.	Cabinet	1
2.	Cabinet Division	2
3.	Disaster Relief and Rehabilitation	3
4.	Land Reforms	4
5.	Other expenditure of Cabinet Division	5
6.	Stationery and Printing	15
7.	Capital Outlay on Land Reforms	132
8.	Development Expenditure of Cabinet Division	138
9.	Capital outlay on works of Cabinet Division	168
10.	Capital outlay on Civil Aviation and other works of Ministry of Defence (5 & 6—other works only)	175

1899. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation work of the Division had not yet been completed. ***The departmental representative was directed that all the Accounts pending rconciliation and particularly those of the Federal Land Commission should be reconciled immediately.***

APPROPRIATION ACCOUNTS

1900. *Grant No.* 1—*Cabinet* (*Page* 17—*AA*)—According to Audit, a saving of Rs. 16,348 had occurred under this grant. It was explained by the departmental representative, that the saving was less than 5 per cent of the total

grant, which needed no explanation. However, it was due to less expenditure on tours by the Federal Minister|Ministers of State than anticipated by the Ministries|Divisions in June, 1981.

1901. Audit maintained that the surrender of Rs. 2,409,068, against a provision of Rs. 4,000,000 was substantial. However, this seemed to be mainly due to certain Ministries having drawn their salaries and other allowances, including T.A., from their respective Ministries instead of from this grant under the Cabinet Division. This grant was meant wholly for payment to the Federal Ministries and Ministers of State|Advisers which expenditure was purely of an administrative nature.

1902. After discussion, the Committee observed that when the provision for the salaries, etc., of all the Ministers (except those paid out of Defence estimates) was made under the Cabinet Division, the Ministry of Finance should insist that the expenditure should also be incurred from the Grant of Cabinet Division otherwise there would be confusion. The Committee did not make any further observation.

1903. *Grant No.* 2—*Cabinet Division* (*Page* 18—*AA*)—Audit had depicted a saving of Rs. 456,193 under the function head "012—Cabinet Division". The department explained that an expenditure of Rs. 172,300 had been incurred during 1980-81 by the Military Secretary to the Governor of the Punjab for the renovation of Governor's House, Murree. The expenditure was not booked by the AGPR. Sub-Office, Lahore in 1980-81. On personal contact, that sub-office booked this expenditure during 1981-82. The remaining amount of Rs. 283,893 was covered under the allowed saving of 5 per cent of the total grant. However, this saving was due to savings in the provision for link posts, for which saving|Excess could not be ascertained at the close of the financial year owing to circumstances beyond the control of the Cabinet Division. The Committee, thereafter did not make any observation on this grant.

1904. *Function Head* "012—*Intelligence Bureau*" (*Page* 18—*AA*)—An excess of Rs. 1,551,694 was shown in the Appropriation Accounts against this function head. The department attributed the excess to the following—

	Rs.
(i) Adjustment relating to 1977-78 in respect of A.G.P.R. Sub-office Quetta	1,460,136
(ii) Net excess during 1980-81	91,558
Total :	1,551,694

1905. The excess of Rs. 91,558 for the year was caused by the purchase of two vehicles by the Intelligence Bureau through the Department of Investment Promotion and Supplies, the debit for which was raised by the said Department after the Accounts relating to the financial year 1980-81, were closed. After asking a number of questions on the purchase and obtaining the explanation of the department, the Committee decided not to record any observation on this grant.

1906. *Grant No.* 3—*Disaster Relief and Rehabilitation* (*Page* 20—*AR*)—The Department gave the following reasons for the excess of Rs. 63,701,499 shown in the Appropriation Account, and these were confirmed by Audit—

Short booking in debited in the accounts of 1980-81	..	70,400,000
Less An incorrect debit of Rs. 6,698,580, by the CCMA Rawalpindi in 1974-75, withdrawn in 1980-81	.. ..	6,698,500
	Rs	63,701,500

1907. Audit commented that, in view of the surrender of Rs. 3,661,770, the supplementary grant of Rs. 7,716,000 was substantially unnecessary.

1908. In view of the position stated above, no observation was made by the Committee on this grant.

Grant No. 4—*Land Reforms* (*Page* 21—*AA*)—

Grant No. 5—*Other Expenditure of Cabinet Division* (*Page* 22—*AA*)—

Grant No. 15—*Stationery and Printing* (*Page* 33—*AA*)—

Grant No. 132—*Capital Outlay on Land Reforms* (*Page* 150—*AA*)—

Grant No. 138—*Development Expenditure of Cabinet Division* (*Page* 166—*AA*)—

Grant No. 168—*Capital Outlay on Works of Cabinet Division* (*Page* 219—*AA*)—

1909. There was nothing for consideration by the Committee on the above-mentioned grants, which were deemed as settled.

1910. *Grant* 175—*Capital Outlay on Civil Aviation and other works of Ministry of Defence* (*Page* 224—*AA*)—Audit had pointed out that this grant was under the control of the Defence Division. Only the item "other works (SUPARCO)" was under the control of the Cabinet Division, the details with regard to whose achievement of *vis-a-vis* the fixed targets had been furnished.

1911. Replying to a query, the departmental representative submitted that, upto 1980-81, the accounts of SUPARCO were under the Ministry of Defence, which were then transferred to the Cabinet Division. Auditor-General intervened to say that the accounts of SUPARCO should have been audited. Agreeing, the Committee requested the Audit to look into the matter.

COMMERCIAL ACCOUNTS

Printing Corporation of Pakistan Limited

1912. *Fraudulent withdrawal and mis-appropriation of Rs.* 590,321 (*Para* 5, *page* 13—*ARCA*)—Audit had reported that Rs. 419,550 was mis-appropriated by certain officials in the Printing Corporation of Pakistan Press, Islamabad during March, 1976 to November, 1977. This amount was shown to have been paid, but was actually not disbursed to the concerned parties. The fraud was facilitated due to loose control and non-observance of procedures regarding the issue of cheques, drawn in the name of the Cashier, instead of the payees concerned. The other amounts, aggregating to Rs. 170,681 and representing the cash realised for the printing jobs and disposal of waste paper during May, 1976 to June, 1978, the balance of unpaid salaries and overtime relating to the period from 12|77 to 7|78 and the cost of revenue stamps, deducted from the pay of the recipients during period 1974-75 to 1978-79, but actually not affixed on the acquittance rolls, were also mis-appropriated by the same persons.

1913. All these cases of mis-appropriation, amounting to Rs. 590,231, were brought to the notice of the Management and the Ministry in 1980. The Management accepted the mis-appropriation and the Cashier|Accounts Officer etc., were made responsible for the frauds and forgeries. The cases were also stated to have been referred to the FIA for investigation and the final outcome was still awaited. Audit suggested investigation into the matter departmentally, with a view to fix responsibility for the non-observance of correct procedures and non-maintenance of the proper records.

1914. The department explained in their reply that a Committee for departmental inquiry had been constituted, but before it could start its work, the Federal Inspection Team took the possession of the files. The cases had, however, been examined by the Federal Inspection Commission and the Federal Investigation Agency (FIA) two of the cases were under trial in the Court of Special judge (Anti-corruption), Rawalpindi. The rest of them were being processed by the FIA. As the accused had left service, departmental inquiry as suggested by Audit at this belated stage, would not be helpful.

1915. Audit pointed out in their comments that a Departmental Inquiry Committee was constituted as early on 30th July, 1979, but it did not complete its report till 2nd September, 1980, when it was reconstituted. This Committee did not complete the inquiry on the plea that the records were in the custody of

FIC though the record were handed over to the FIC during July, 1980 to August, 1981. The Management had, however, obtained the photo copy of the entire records. Audit felt that departmental inquiry must be conducted, as required under the rules, so that pre-cautionery measures could be taken to avoid the recurrence of such incidents.

1916. During discussion, the departmental representative informed the Committee that it was a very old case in which two clerks and one Class I Officer were involved, who later, resigned. Departmental proceedings were conducted against the Officer.

1917. After some discussion, *the Committee directed that a copy of the Inquiry Report of the Enquiry Committee should be furnished to Audit/Committee.*

1918. *Doubtful consumption of paper worth Rs.* 396,858 (*Para* 6, *page* 13—*ARCA*)—No observation was made by the Committee and the paragraph was treated as settled.

1919. *Non-adjustment/recovery of advances amounting to Rs.* 114,862 (*Para* 7, *page* 14—*ARCA*)—The paragraph was treated as settled subject to verification of balance recovery of Rs. 66,743 by Audit.

1920. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 70, *page* 50—*ARCA*)—No observation was made by the Committee. Hence the paragraph was treated as settled.

AUDIT REPORT

1921. *Irregularities in Central Poll of Cars* (*Para* 2, *page* 21—*AR*)—The departmental representative informed the Committee that the Cars were confiscated by the Customs and sent to the Pool. The department had paid duty to Customs and the matter was settled. Audit observed that in that case, the department should consider to write it off, The Committee agreed with Audit.

1922. *Delay in processing of G. P. Fund cases—Pakistan Computer Bureau, Rawalpindi* (*Para* 188, *page* 151—*AR*)—The Committee accepted the reply of the department and the paragraph was dropped.

1923. *Delay in the processing of Pension cases* (*Para* 189, *page* 157—*AR*)—The explanation of the department was accepted by Audit. As such, the Committee decided to drop the paragraph.

COMPLIANCE ON THE POINTS RAISED IN THE PAC REPORT ON THE ACCOUNTS FOR THE YEAR 1978-79

1924. *Grant No.* 3—*Disaster Relief and Rehabilitation* (*Page* 20—*AA*) (*Paras* 53—56, *page* 58—*PAC Report* 1978-79)—Audit had been previously requested by the Committee to check the factual position about the excess of

Rs. 9,500,000, in the Accounts of 1978-79 and report back to the Committee, if necessary. In compliance the department explained that Rs. 4,500,000 and Rs. 5,000,000 were released by the State Bank, Karachi to the Agricultural Development Bank as interest subsidy in respect of the interest-free-Loans, granted for the flood affected persons, as authorized under Finance Division, Telex No. F. 8 (6)-V/77-424, dated 20th July, 1977 and No. F. 8 (6)-PF-V/77-652, dated 13th November, 1977. The department further stated that Rs. 9,500,000 were not booked in the accounts of the year *i.e.* 1977-78 but, subsequently, an adjustment was made in the accounts of 1978-79.

1925. *The Committee observed that the amount was not booked in the Accounts of* 1977-78 *and the department had not explained it adequately. Audit was requested to check the position.*

Central Publication Branch, Karachi

1926. *Compilation of Accounts* [*Para* 3 (*vi*), *page* 5—*CA*] (*Paras* 64-65, *page* 60—*PAC Report* 1978-79)]—The department was previously asked to complete their accounts upto 1978-79 by the 30th June, 1981. In compliance, they had since completed the proforma Stores Accounts in respect of the Federal Publications Branch, Karachi from the year 1975-76 to 1978-79. The departmental representative further informed the Committee that they had got the accounts for 1981-82 also audited, but verified statements had yet to be received. The accounts for 1982-83 were under preparation.

1927. The departmental representative also stated that an overdraft of Rs. 7 million was taken from the National Bank of Pakistan in 1975, interest on which went on accrued. When the department closed the account, the Bank was asked about the final figure, but the Bank's figure did not tally with that of the department. The department pointed out the position of paragraph 6.1, page 14 of the Printing Corporation of Pakistan Limited Accounts for the year ended 30th June, 1981, wherein it was mentioned that the payment of the overdraft was guaranteed by the Government of Pakistan. The guarantee was secured by a charge over the company's fixed assets and the overdraft was additionally secured against stores and spares. The overdraft carried an interest of 14 per cent per annum.

1928. Thereupon, a Member of the Committee enquired the Government guaranteed the loan and the interest, in principle. The departmental representative submitted that, every, year, the department had to renew the guarantee but, at the moment, it was not guranteed because the case had been taken up with the Ministry of Finance for the waiver of interest.

1929. A member of the Committee observed that it had been indicated at page 17 of the "Printing Corporation of Pakistan Limited Accounts for the year ended 30th June, 1981" that the National Book Foundation had given an advance of Rs. 4,000,000 about 8 years ago for the printing of Books. The job was completed at a cost of Rs. 4,418,959, but no invoice had been raised as yet, because of a dispute. The balance represented the net difference which, though it was a contingent loss, was being shown as an advance the final settlement of the account. The departmental representative promised to provide full information about it next time.

1930. *Irregular expenditure incurred by the defunct Provincial Coordination Wing* (*Para* 13—*Pages* 25-26—*AR*) (*Para* 1156, *page* 303—*PAC Report* 1979-80)—The Committee accepted the departmental explanation and dropped the paragraph.

1931. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points or paragraphs in (i) The Appropriation and Commercial Accounts and Audit Report thereon, and (ii) Compliance on the PAC's Report for 1978-79. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

ESTABLISHMENT DIVISION

1932. The examination of Appropriation Accounts etc., pertaining to the Establishment Division was the next item to be taken up by the Committee. The following departmental representatives were present—

(1) S. Ijlal Haider Zaidi, Secretary

(2) Mr. A. R. Siddiqui, Additional Secretary

(3) Mr. Sikandar Hayat, Joint Secretary

(4) Mr. Ali Asghar Abbasi, Section Officer

(5) Mr. Manzoor Ahmad Mullal, Section Officer

(6) Mr. Jabbar Hussain Kazmi, Director, (FPSC)

(7) Mr. Akhtar Ali Khan, Admn-*cum*-Accounts Officer, (Staff Welfare Organisation)

(8) Lt. Col. (Retd) Aijaz Ahmed, Secretary, (FIC)

1933. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Establishment Division	6
2.	Federal Public Service Commission	7
3.	Service Tribunal	8
4.	Other Expenditure of Establishment Division	9
5.	Federal Inspection Commission	11
6.	Development expenditure of Establishment Division	139

1934. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of demand No. 6 of the Lahore Circle for 1982-83 had not been completed as yet. As for 1983-84, the accounts of the first quarter had been completed except that the accounts of the Services Tribunal Demand No. 8, Staff Welfare Organisation, Ladies Industrial Home, Hyderabad Demand No. 9 and NIPA, Lahore Demand No. 6, had yet to be reconciled. *The departmental representative was directed to ensure that the outstanding reconciliation work was completed expeditiously, as Accounts were to be finalized by Audit for printing.*

AUDIT REPORT

Non-Conducting of Internal Check (*Para* 187, *page* 150—*AR*)—

Delay in processing of G. P. Fund (*Para* 188, *page* 151—*AR*)—

Delay in the processing of Pension Cases (*Para* 189, *page* 157—*AR*)—

1935. No observation was made by the Committee on the above mentioned paragraphs and hence these were treated as settled.

APPROPRIATION ACCOUNTS

1936. *Grant No.* 6 *Establishment Division* (*Para* 23—*AA*)—Audit had reported an overall saving of Rs. 1,058,004 under this grant. The department explained that, out of the total saving, Rs. 1,007,800 were surrendered within the financial year 1980-81, leaving a net saving of Rs. 50,204 which worked out to 0.2 per cent of the amount of the final grant, which needed no explanation.

1937. After going through the explanation of the department and the Audit comments thereon, the Committee did not made any further observation in this grant.

1938. *Grant No.* 7—*Federal Public Service Commission* (*Page* 24—*AA*)—Audit had reflected an overall saving of Rs. 19,193 under this grant. The Division stated that the overall net saving of Rs. 19,193 worked out to 0.3 per cent of the amount of the final grant, which needed no explanation.

1939. An excess of Rs. 11,007 had been shown under the function head "013—FPSC". The department explained that Rs. 12,941 had been paid by the Accountant General Sind to the University of Sind, Jamshoro on account of leave salary and pension contribution in respect of an *ex*-member of the FPSC. But confirmation of the payment and intimation of adjustment in 1980-81 had been received by the FPSC/AGPR after 30th June, 1981, when the available funds had already been surrendered to government.

1940. Audit contended this explanation of the department about the excess, as the department could have prevented the excess by making a less surrender if they had maintained a progressive record of payments. The total surrender of Rs. 30,200, made under this grant was for (i) Rs. 1,500 (Purchase of durable goods), and Rs. 28,700 (Commodities and Services). It did not contain the specific references to items, mentioned by the department in its explanation.

1941. The Committee also observed that the explanation given by the department about the excess was not satisfactory. However, it did not make any further observation on the grant.

1942. *Grant No.* 8—*Services Tribunal* (*Page* 25—*AA*)—There was no point for the Committee's consideration in this grant.

1943. *Grant No.* 9—*Other Expenditure of Establishment Division* (*Pages* 26-27—*AA*)—No observation was made by the Committee regarding this grant.

1944. *Grant No.* 139—*Development Expenditure of Establishment Division*

(*Pages* 167-168—*AA*)—It had been pointed out by Audit that, under expenditure, the difference|excess was mainly due to the belated adjustment relating to 1979-80. The Establishment Division was requested for the supply of details of the objectives|physical achievement of targets, but had not furnished the same so far.

1945. The departmental representative informed the Committee that the system was such that adjustment was not made in the year 1979-80. The Committee did not make any further observation on this grant.

1946. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points or paragraphs in (i) the Appropriation Accounts of the Audit Report thereon ; and (ii) Compliance on the PAC's Report 1978-79. These would be deemed as settled subject to such regularisation action, if any, under the rules.

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

1947. The Committee then took up the examination of the Appropriation Accounts etc., pertaining to the Culture, Sports and Youth Affairs Division. The following department representatives were present—

(1) Mr. M. A. Beg, Joint Secretary

(2) Brig. Ashraf Chaudhry, Joint Secretary, (Sports)

(3) Mr. S. Munawar Ahmed, Vice-Chairman (CBFC)

(4) Sh. Khurshid Hassan, Director, Archaeology

(5) Col (Retd) Dr. Hijazi, D.G., NISC)

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

(7) Mr. Shabbir Ali, Section Officer (F&A)

1948. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Culture, Sports and Youth Affairs Division	25
2.	Archaeology and Museums	26
3.	Other Expenditure of Culture, Sports and Youth Affairs Division	27
4.	Development Expenditure of Culture, Sports and Youth Affairs Division ..	143
5.	Capital Outlay on Culture, Sports, Youth Affairs Division	174

1949. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of Accounts for 1981-82 and 1982-83 were completed. As for 1983-84, the departmental representative informed the Committee that most of the work had been completed and the remaining was expected to be finished soon.

APPROPRIATION ACCOUNTS

Grant No. 25—Culture, Sports and Youth Affairs Division (Page 41—AA)
Grant No. 26—Archaeology and Museums (Page 42—AA)

1950. There was no point for the Committee's consideration on the above-mentioned grants.

1951. *Grant No. 27—Other Expenditure of Culture, Sports and Youth Affairs Division (Page 43—AA)*—A saving of Rs. 9,399,950 was shown by Audit against the function head "384—Anthropological, Archaeological and other Socialogical Survey".

1952. The department explained the details of the budget provision of Rs. 9,800,000 as under—

	Rs
384-690-Contribution to save Moenjodaro Fund as shown in the Budget Book 1980-81 at page 146	9,400,000
Authority for preservation of Moenjodaro..	4,00,000

It was further stated by the department, that in the Development Demand No. 143-Development Expenditure of Culture, Sports and Youth Affairs Division, the budget provision of 25,000,000 was shown at page 1114 of the Budget Book, the details of which are as under—

In Foreign Exchange	16,000,000
In Local Currency	9,000,000
Total:	25,000,000

1953. Since Rs. 9,000,000 was transferred to grant No. 27, as continuation to Save the Moenjodaro Fund, this should have been printed as Rs. 9,000,000 and not Rs. 9,400,000, thereby causing an excess of Rs. 400,000. According to Government Orders, 5 per cent was imposed in non-development grant. The net grant thus came to Rs. 9,395,000 and not Rs. 9,795,000 as shown in the Appropriation Accounts.

1954. The departmental representative also mentioned that out of the grant of Rs. 9,395,000, an amount of Rs. 7,645,000 was spent during the year and the balance amount of Rs. 1,750,000 was surrendered.

1955. Audit pointed out in their comments that the final grant and the actuals were disputed. As regards the final grant, Audit's calculation was correct. The original Grant of Rs. 9,400,000 was as per the Budget (Page 146 of details to Budget). The surrender of Rs. 1,750,000 was made under Grant No. 143 and it was accordingly taken into account there. It did not contain a reference to grant No. 27. Audit further commented that, as for the actuals, the difference was mainly due to the non-adjustment of expenditure (Save Moenjodaro Fund) under this grant as well as under recoveries (under Grant No. 143) due to the non-receipt of adjustment advice. The department had accorded acceptance for adjustment during 1982-83 and adjustment was underway by the AGPR Sub-office, Karachi.

1956. A member of the Committee enquired as to how expenditure was incurred on Moenjodaro which should have been adjusted under Grant No. 27. The department representative replied, that Rs. 7,250,000 were spent in local currency. Audit intervened to say that the department should discuss the matter with them and settle it.

1957. *The Committee directed that the Ministry should sort out and reconcile the expenditure of grant Nos.* 27 *and* 143, *with Audit.*

1958. *Grant No.* 145—*Development Expenditure of Culture, Sports and Youth Affairs Division* (*Page* 173—*AA*)—The directive of the Committee given in foregoing paragraph was also applicable to this grant.

1959. *Grant No.* 174—*Capital Outlay of Culture, Sports and Youth Affairs Division* (*Page* 223—*AA*)—There was no material point for the Committee's consideration under this grant.

AUDIT REPORT

1960. *Irregularities in the accounts of the RCD Culture Institute* (*Pakistan Branch*), *Islamabad* (*Para* 9, *pages* 26-27—*AR*)—Audit had quoted the following instances of irregularities—

(i) House No. 367-F-6/1, Islamabad, was requisitioned for the Director at a monthly rent of Rs. 1,000, for the period from 1st December, 1972 to 30th June, 1975 and Rs. 1,400 from 1st July, 1975 to 30th June, 1980 against a rental ceiling of Rs. 750 from 1st December, 1972 to 31st August, 1977 and Rs. 1,100 p.m. from 1st September, 1977 to 30th June, 1980, resulting in an excess payment of Rs. 34,850.

(ii) On appointment as officer-in-charge of the Culture Institute, in the scale of Rs. 750—75—1,500, the officer was allowed a consolidated pay of Rs. 1,200 p.m. from 1st December, 1972. The pay was revised to Rs. 1,250 p.m. with effect from 1st January, 1973. Again his pay was fixed at Rs. 1,450 p.m. on his appointment as Director with effect from 17th March, 1974 in N.P.S. 18 *i.e.* 1,000—75—1750 by the Ministry of Education. As the Ministry was not competent to allow such a consolidated pay, it should have been fixed at Rs. 750. The resultant over-payment worked out to Rs. 34,472.

(iii) The Institute paid House Rent Allowance to their employees at rates higher than those admissible under the Federal Government. The allowance was paid on the basic pay, instead of the minimum of pay scales, resulting in an over-payment of Rs. 29,125

(iv) The employees of the Institute were paid Conveyance Allowance at rates higher than those admissible under the rules applicable to Federal Government Servants at Islamabad/Rawalpindi. The resultant over-payment worked out to Rs. 11,026.

1961. These irregularities were reported to the concerned authories in May, 1980 and the Ministry in July, 1980, for recovery of over-payments. There was no response. Necessary steps were required to be taken to recover the over-payments.

1962. After examining the explanation of the department and the Audit comments thereon, *the Committee decided that the irregularities should be either got written off as warranted, or regularized by the Government/Ministry of Finance. Audit should also follow it up.*

COMPLIANCE ON THE POINTS RAISED IN THE PTC's REPORT ON THE ACCOUNTS FOR 1978-79 WITH AUDIT COMMENTS

1963. *Grant No.* 23—*Culture, Sports and Youth Affairs Division* (*Page* 42—*AA*) (*Paras* 248—251, *pages* 106-107—*PAC Report* 1978-79)—The Committee had previously desired that Audit might look into the figures to settle them in consultation with the Ministry. In compliance, the Ministry informed the Committee that Audit had not approached this Division. *The Committee directed that Audit should look into it and come back to the PAC, if necessary.*

1964. *Grant No.* 23 (*Group Head-B, Central Board of Film Censor* (*Page* 42—*AA*) (*Paras* 252—255, *page* 107—*PAC Report* 1978-79)—The department had, *inter alia,* explained that the actual expenditure stood at Rs. 438,771 and not Rs. 435,685, as shown in the PAC's Report for 1978-79. There was a difference of Rs. 40,000 between the Audit figure (Rs. 478,771) and the departmental figures (Rs. 438,771) due to double booking of Rs. 40,000, released to the University of Peshawar. The AGPR, Karachi confirmed the above position, but regretted their inability to rectify the error, as the accounts for 1978-79 were closed.

1965. *The Committee directed that Audit should look into it and report back to the PAC, if necessary.*

1966. *Grant No.* 25—*Other Expenditure of Culture, Sports and Youth Affairs Division* (*Page* 44—*AA*) (*Paras* 256—261, *pages* 108-109—*PAC Report* 1978-79)—In compliance with the directive, the department informed the Committee that the replies given by the Division on the points, brought in the Appropriation Accounts for 1978-79, still held good. The discrepancies were due to the total supplementary Grants (Rs. 2,348,000), sanctioned to the Division during 1978-79 in respect of the Sub-heads 'A' and 'B' not having been reflected in the Book of Supplementary Grant. The procedure, pointed out by the Auditor-General *vide* paragraph 259, was duly observed by the Division in respect of each Supplementary Grant.

1967. Audit stated in their comments that the reply of the Ministry was not in accordance with the requirement of PAC's directive, contained in paragraphs 260 and 261. The Ministry was also required to submit : (i) detailed reasons for the surrender of Rs. 1,562,925 under 'A' Grant No. 25 which resulted in excess ; and (ii) revised explanation for Grant No. 25 (Group head A&B).

1968. After considering the explanation of the Division and the Audit comments thereon, *the Committee directed that the Division should furnish a fresh reply in respect of these paragraphs.*

1969. *Grant No.* 171—*Capital Outlay of Culture, Sports and Youth Affairs Division* (*Page* 209—*AA*) (*Paras* 265—267, *pages* 109-110—*PAC Report* 1978-79)—The department had explained that, according to the PAC's directive, the required information had been checked up. The figure of Rs. 25,000,000 of Foreign Aid was provided in the Budget Book at page 521. Audit commented that Ministry did not provide recovery in the Budget. The same mistake was repeated in the subsequent years. The departmental representative explained to the Committee that Ministry was not in a position to provide the recovery in the Budget at that late stage.

1970. The Committee did not make any further observation.

1971. *Non-recovery of transport charges of Rs.* 48,286 (*Para* 26, *page* 31—*CA*)—(*Paras* 271—275, *pages* 110-111—*PAC Report* 1978-79)—Audit informed the Committee that regularization|write off action had not been completed by the Division. *The Committee directed that it should be done, as early as possible.*

1972. *Working results* (*Paras* 168-169, *page* 304—*CA*) (*Paras* 280—283, *page* 112—*PAC Report* 1978-79)—Audit commented that the interest of Rs. 889,616 upto September, 1982 on overdrafts, obtained from National Bank of Pakistan, had been paid to the Bank. Audit further observed that no action to reflect the advance payment of Rs. 242,000 under the head "Advances and prepayment", instead of "Fixed Assets", had been taken by the Ministry. *Audit was requested to keep a watch over it.*

1973. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other points in : (i) the Appropriation Accounts or Audit Report thereon ; and (ii) the Compliance on the PAC's Report for 1978-79. These would be deemed as settled subject to such regularization action as might be necessary under the rules.

TOURISM DIVISION

1974. The Appropriation Accounts etc., pertaining to the Tourism Division were the last item to be taken up by the Committee for examination. The following departmental representatives were present—

(1) Mr. Mohsin Kamal, Joint Secretary.

(2) Mr. Shah Alam Khan, Economic Analyst

(3) Mr. Zakir Hussain Syed OSD, (Admn)

(4) Mr. Ghaffar Khan, Assistant Accounts Officer

(5) Mr. Aftab Ahmed Khan MD, (PTDC)

(6) Mr. Abdul Azim Siddiqui, Deputy Manager, Audit (PTDC)

(7) Mr. Ziauddin Muhammad, Director (PITHM)

1975. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Tourism Division	28
2.	Development expenditure of Tourism Division	144

1976. *Reconciliation of Accounts with Audit*—From the reconciliation statement, submitted by the AGPR, the Committee noted that the reconciliation of Accounts for 1982-83 had not been completed by the department. *The departmental representative was directed that all the outstanding work of reconciliation should be completed quickly, as the Appropriation Accounts for the year would soon be finalized by Audit and sent for printing, immediately thereafter.*

APPROPRIATION ACCOUNTS

1977. *Grant No.* 28—*Tourism Division* (*Page* 44—*AA*)—After discussion, the Committee observed that Rs. 2.5 million, which was surrendered against the original grant of Rs. 12,258,000, was excessive. No further observation was made by the Committee.

1978. *Grant No.* 144—*Development Expenditure of Tourism Division* (*Page* 175—*AA*)—An overall saving of Rs. 6,613,622 was depicted by Audit against this grant. Replying to a query about the huge saving, the departmental representative submitted that funds had been placed at the disposal of PTDC in the previous years and those funds had not been utilized till the 30th June, 1980. As such, over Rs. 4 crores were available unspent with the PTDC, and this grant No. 144 amounted to about Rs. 6 million. It was, therefore, decided at the

highest level that no further amounts would be released to the PIDC. Questioned as to why the department did not surrender the surplus funds, in the previous years, the departmental representative replied that those funds had already gone over to the PTDC. A Member of the Committee remarked that the explanation of departmental representative should have been under the appropriate heads and not for whole of the Grant.

1979. The Committee did not make any further observation.

COMMERCIAL ACCOUNTS

1980. *Infructuous expenditure of Rs.* 133,862 *on the construction of a Hotel* (*Para* 30, *page* 26—*ARCA*)—Audit had reported that a scheme for the construction of a hotel was approved and a grant of Rs. 500,000 was placed at the disposal of the PTDC on the 31st January, 1977. The scheme was abandoned and the expenditure of Rs. 133,862 become infructuous. When pointed out by Audit, the management stated in their reply, dated the 17th August, 1978, that the Board decided that the Government should be approached to drop this project, as the site allotted for the Hotel was very small and the beach was dangerous under tow and not fit for swimming. The project was also not economically viable.

1981. Audit further reported that the project was taken up without any proper planning. The irregularity was pointed out to the Ministry in October, 1979 and a revised draft paragraph was issued in September, 1980, but no explanation came forth despite reminders.

1982. Audit further suggested it to be examined as to why was the economic viability of the project not gone through thoroughly before incurring expenditure thereon. They also advised that infructuous expenditure should be got regularised.

1983. In their reply, the department contended that the observation made by Audit that the Project was taken up by the PTDC without a proper planning was not correct. To exploit the vast potential of the Karachi Beaches, the PTDC had got a feasibility report prepared, in collaboration with the expert services of the Investment Advisory Centre of Pakistan, Karachi. The PTDC had paid Rs. 3,500, to the IACP for their services in this behalf.

1984. The PTDC then prepared a PC-I form, based on the data and recommendations of the Feasibility Study, and submitted the same to the Tourism Division in April, 1975, mentioning on the very title page thereof that it was prepared by the Investment Advisory Centre of Pakistan and the PTDC, Karachi.

1985. The PC-I form was considered by the CDWP in its meeting held on 3rd July, 1976, who recommended the Project to the ECNEC for approval. The Project was presented before the ECNEC during the meeting held on 10th May, 1977, and the following decision was taken—

> "The ECNEC directed that a detailed project should be prepared, possibilities of collaboration with the private sector should be explored and the matter re-submitted to ECNEC".

1986. A member of the Committee remarked that, before putting up the structure, the soil feasibility report was necessary. Thereupon, the Vice-Chairman observed that the feasibility report always came first. This situation would not have risen if the necessary care exercised in the beginning.

1987. However, after going through the explanation of the department and the Audit comments thereon, *the Committee decided that the expenditure of Rs.* 133,862 *might be written off with by the competent authority.*

1988. *Delay in the Disposal of Audit/Inspection Reports* (*Para* 70, *pages* 50-51—*ARCA*)—*The Committee deferred the paragraph and directed that Audit should watch, verify and then come back to the PAC, if necessary.*

PAKISTAN INSTITUTE OF TOURISM AND HOTEL MANAGEMENT

1989. (*Paras* 111—114, *pages* 70-71—*ARCA*)—According to Audit, the Pakistan Hotel Training Institute was established by the Department of Tourism in September, 1967. The capital investment, including funds to meet its recurring expenditure, was provided by the Government. It functioned under the control of the National Tourism Organisation till September, 1972, when it was registered under the Societies Act, in the name of "Tourism and Hotel Training Institute", Karachi. The name of the Institute was changed to "Pakistan Institute of Tourism and Hotel Management" in 1979 as it functioned as a semi-autonomous body under the administrative control of the Ministry of Culture and Tourism. The Institute also received some grant from the Government and aimed at imparting education and training in Tourism and Hotel Industry and other fields connected therewith. It trained 2,000 students during the years 1976-77 to 1980-81, out of 2,660 enrolled.

1990. Audit further reported that the Institute wrote off debts of Rs. 26,983, consisting of Rs. 23,483 due from the Director-General, National Training Bureau, Karachi against expenses incurred on courses sponsored in May/June, 1977 and Rs. 3,500, recoverable from an *ex*-Administrative Officer of the Institute. The write-off was not in order, as the former amount was due from a government agency and the latter amounted to mis-appropriation, which should have been investigated before writing it off.

1991. After further discussion, *the Committee decided that Audit should follow up the recovery position, if recovery were not possible, the amount might be written off.*

COMPLIANCES ON THE PAC's REPORT ON THE ACCOUNTS FOR 1978-79 WITH AUDIT COMMENTS THEREON

1992. *Grants Nos.* 26 *and* 27 (*Pages* 45-46—*AA*) (*paras* 293—302, *pages* 114—116—*PAC Report* 1978-79)—Audit did not raise any point on the explanation of the department. The Committee, therefore, decided to drop these paras subject to verification by Audit.

1993. *Compilation of Accounts* [*Para* 3 (*xxxiii*), *page* 7-*CA*] (*Paras* 303-304, *page* 116—*PAC Report* 1978-79)—In compliance, the department informed the Committee that the accounts of the Pakistan Tourism Development Corporation for 1978-79 and 1979-80 had since been finalized. The Accounts for 1980-81 had been approved, those for 1981-82 were pending with Board, and for 1982-83 were under preparation and would be completed by the 15th January, 1984.

1994. *The Committee decided that the approved Accounts of the Corporation be provided to Audit.*

1995. *Non-inclusion of Accounts of PTDC* (*Paras* 558—60, *pages* 107-108—*PAC Report* 1972-73) (*Paras* 305—307, *pages* 116-117—*PAC Report* 1978-79)—As pointed out by Audit in their comments, the audit of the accounts of four AHP Hotels upto 1979-80 (included in the accounts of the PTDC for the same period) were audited in February, 1982. The operating profit of the four hotels amounted to Rs. 2.528 million during 1979-80, as against an operating loss of Rs. 0.683 million in the preceding year. The accounts for the subsequent period had not been provided to Audit so far. It had, however, been disclosed by the Minister for Tourism in a Press Conference on 4th November, 1983 that the PTDC was disinvesting the four hotels due to the poor condition of their buildings.

1996. The departmental representative informed the Committee that this case related to enemy property. The department had approached the Ministry of Law, who had advised that, from the date that the government allowed the purchase of the shares of AHP Hotels, the PTDC became the original owner and therefore it no longer remained an enemy property. The department asked the above said Ministry whether development should be started by themselves alone or the Ministry saw no objection in the department associating with the private sector. The Law Ministry cleared that the department could go to the private sector. The department was however in the process of negotiating with certain parties.

1997. After examining the explanation of the department, the Committee decided to drop the paragraphs/objections subject to verification by Audit.

1998. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other points in (i) the Appropration Accounts, Commercial Accounts or the Audit Reports thereon ; and (ii) the Compliance on the PAC's Report for the year 1978-79. These would be treated as settled, subject to such regularization action as may be necessary under the rules.

1999. The Committee then adjourned to meet again at 9.00 a.m. on Thursday, the 5th January, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 10*th January,* 1985.

FEDERAL COUNCIL SECRETARIAT

Thursday, the 5th January, 1984

Twelfth Sitting (PAC)

2000. The Public Accounts Committee met at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mr. S. I. Shabbir, Deputy Auditor-General (Co-ord)

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

(4) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(5) Syed Jamil Ahmad Zaidi, Director General, Railway Audit

Ministry of Finance

(1) Mr. Javed Talat, Joint Secretary (Budget)

(2) Mr. Zulfiqar Ali, DFA (Railway)

2001. *Account examined*—The Accounts pertaining to the Ministry of Railways, were examined by the Committee during the course of the day.

MINISTRY OF RAILWAYS

2002. At its meeting held on the 28th August, 1983 the PAC had examined the Appropriation Accounts and part of the Audit Report for 1980-81 on the Ministry of Railways. The Committee, therefore, took up for examination the remaining Audit Report on the Ministry and the Compliance Report on the PAC's Report for 1978-79. The following departmental representatives were present—

(1) Mr. Z. I. Puri, Secretary and Chairman, Railway Board

(2) Mr. Mashkoor Ahmad Khan, Member Finance

(3) Mr. Munir Ahmad, FA & CAO

(4) Mr. Khalid Rashid, Director Finance

(5) Mr. Rauf Ahmad, Deputy Director (Accounts)

(6) Mr. Abdul Qayyum, CO|CF

(7) Mr. Marouf, CME|RM

2003. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of Accounts up to 30th June, 1983 was complete, but the Accounts of the Demand No. 134—Investment in Railways for the current year had not been reconciled. *The departmental representative was directed to have the reconciliation of accounts for Demand No.* 134 *expedited.*

2004. *Delay in the processing of Pension Cases* (*Para* 189, *pages* 157—159—*AR*)—The Ministry explained that the employees had themselves failed to submit their pension application in time. However, measures had been taken to ensure timely submission of pension papers in future. Audit confirmed that the department had issued instructions to avoid such delays in the future, and the explanation for delay in the two cases, furnished by the department, was correct. The Committee did not make any further observation on the paragraph which was treated as settled.

AUDIT REPORT (RAILWAYS)

2005. *Payment of avoidable commission of Rs.* 152,000, *due to incorrect policy in awarding contract of City Booking Agency* (*Para* 4.7, *page* 22—*AR—Railways*)—Audit had reported that the Haram Gate Booking Agency, Multan previously run by the Railways themselves, was converted into a City Booking Agency in 1973, to be run on contract because of decline in earnings. Tenders were invited for the agency and one of the two tenders which quoted 5 per cent commission charges on passenger earnings, was accepted, while the other demanding

3.5 per cent commission charges was rejected. The accepted tender was declared to be the lowest on the basis of the overall tender value (*i.e.* commission on anticipated monthly passenger earnings *plus* cartage on luggage, goods and parcels), instead of passenger earnings only, on which commission was payable by the Railways to the contractor. The inclusion of cartage charges in the commission on passenger earnings for the purpose of evaluating the tender was unjustified, as cartage charges for the road portion on the luggage and parcel consignments were payable by the public and not by the Railways. The adoption of this method had converted the first lowest tender, demanding 3.5 per cent commission, into the second lowest, resulting in an extra payment of Rs. 152,000 on account of commission charges from March, 1973 to March, 1981.

2006. Audit had taken up the matter with the Railway Administration in November, 1979. It was informed in December, 1979 that the overall tender value had been worked out in accordance with the policy laid down in 1958. The fact remained that, due to the incorrect policy decision about the award of contract of City Booking|Out-Agencies on the basis of overall value, the Railway Administration was being put to a considerable loss.

2007. In their written reply, the department explained that the contract for the City Booking Agency at Haram Gate, Multan was awarded in 1973 at 5 per cent commission on the basis of an overall tender value including the handling of luggage, parcel and goods traffic as well. The overall tender value was worked out in accordance with the policy then in-force, which had the approval of the executive as well, as the Accounts Branch. The above policy was subsequently changed because of the changed market conditions and tenders for the City Booking Agencies were then evaluated on the basis of commission on the sale of passenger tickets only.

2008. The department further stated that the policy objected to by Audit had been adopted with the concurrence and express approval of the two competent agencies. The overall tender value was taken into account because, in the period when the Road transport had not yet developed, the City Booking Agents used to handle considerable amount of parcel and goods traffic as well. At that time Cartage rates did have a bearing on the overall earnings of the Railways through the Agencies. Hence the overall value was taken into account. Road competition had since changed the position and it was not possible any more for the City Booking Agent to attract sizeable parcel and goods traffic from the areas served by all-road service, because the cartage charges, to be paid to the agent, constituted an extra expenditure for the client making the Railway service less competitive. The inclusion of this added factor for evaluating the tenders thus

becoming meaningless, the policy was changed and made more realistic *w.e.f.* 24th May, 1981. Such Administrative decisions have to be modified from time to time, keeping in view the changed market conditions in which the Railways operated.

2009. Audit stressed the fact that it had drawn attention in December, 1979, to the defect in the policy, but the Railways revised it in November, 1982 only and not on 24th May, 1981 as stated by the department. The Railway Administration should take prompt and timely decision in such cases and not wait for Audit to urge them to do so.

2010. In reply to a question as to why did the department cancel agencies in the first instance and then restored them, the departmental representative submitted that there was a directive from the Minister that the department should cancel all the booking agencies and these should be run by the Railways. Subsequently, after a review, they were restored in some cases.

2011. The Committee accepted the explanation of the department and decided that the paragraph be treated as settled.

2012. *Loss of about Rs.* 32,000 *due to short receipt of lubricants* (*Para* 4.8, *page* 23—*AR—Railways*)—The departmental representative informed the Committee that the firms had made good the shortages of lubricants in 31 drums, costing Rs. 32,000. The department had also revised the procedure. The delivery was being made at the terminal and the vouchers are verified then and there.

2013. In view of the above position, no further observation was made by the Committee and the paragraph was treated as settled.

2014. *Loss of Rs.* 9,000 *due to purchase of defective valve guides* (*Para* 4.9, *page* 23—*AR—Railways*)—Audit had verified the recovery. No observation was made by the Committee and the paragraph was treated as settled.

2015. *Avoidable expenditure of more than Rs.* 183,000 *and loss of stores worth Rs.* 11,000 (*Para* 4.10, *page* 24—*AR—Railway*)—It was pointed out by Audit that, according to the rules, the material left over on the completion of a work or a project should either be returned to the Stores Depot or transferred to other works, for its proper utilization. During the local audit of a Construction Division conducted in May, 1976, it was noticed that, though the work had been completed in December, 1972, the left over material worth lacs of rupees was lying stacked at different places, necessitating the employment of watching coolies, entailing an expenditure of Rs. 183,000. The post of watching coolies were surrendered in April, 1979, but Stores worth about Rs. 10,500 continued to be

kept in the open and were stolen. The case was reported to the police and also taken to Court, where the accused were not only acquitted but also allowed to retain the stores.

2016. In their reply, the Ministry explained that the surplus material was retained for utilization on other projects. However, efforts were made to dispose it of, were unsuccessful due to certain administrative problems during 1976 to 1978.

2017. The following steps were, however, taken by the department—

(i) Instructions had been issued to all concerned to dispose of any surplus materials within 3 months of the completion of the work|project *vide* latter No. 196-WD|S|O dated 1st September, 1982.

(ii) Most of the surplus materials had been transferred to the on-going projects and DCOS|MGPR. The remaining material was then under the charge of Open Line subordinates and was being returned to the Stores.

(iii) A case was registered with the Police for the pilferage of stores worth Rs. 11,000. The accused was acquitted by the Court on technical grounds, as similar material was also available in the market. In view of this, the amount in question had been written off by the competent authority.

2018. Audit maintained that the department had conceded that the stores were retained un-necessarily, but no action had been taken to fix responsibility for the irregularity, which caused a loss of Rs. 10,500, due to theft, and an expenditure of Rs. 183,000 on the watching coolies.

2019. Replying to a query, the departmental representative said that the unutilised material consisted of sleepers. The department had issued directives that, in case the material was not used within three months after the completion of a project, it must be either transferred to stores or delivered to another project.

2020. Questioned as to whether the material had been returned to the store, the departmental representative replied in the affirmative.

2021. After hearing the departmental explanation, the Committee decided that the paragraph may be treated as settled, subject to verification by Audit of the return of material to the stores.

2022. *Gross Irregularities Committed by an out-agent* (*Para* 4.11, *pages* 24—26—*AR—Ralways*)—According to Audit, an agreement was entered into by the Punjab Road Transport Board, an autonomous body, to work as an out-agent for running three Railway out-agencies which started functioning from

November, 1969. As per the agreement, no commission charges were admissible on the sale of passenger tickets. The out-agent was entitled only to the road fare portion on the rail-*cum*-road fare tickets. The out-agent subsequently, claimed commission charges on the overall sale of passenger tickets, but it was not agreed to by the Railway Administration. Instead of depositing the amount realized from the sale of passenger tickets and booking of consignments in the accounts of Railways, as required under the agreement, the out-agent withheld a sum of Rs. 203,000 pertaining to the earning of two out-agencies for the period from 17th August, 1975 to 31st October, 1975. The out-agent also started deducting commission charges from September, 1976.

2023. These out-agencies were closed by the Railway in November, 1976. As a result of a meeting, the out-agent paid back an amount of Rs. 100,000 in May, 1978 and undertook to pay the balance of Rs. 103,000 in June, 1978. The out-agencies were reopened and given back as city booking agencies (for passenger ticketing only), to the same agent with effect from the 21st May, 1978 and the Railways agreed to pay commission charges at the rate of 5 per cent on the sale of tickets.

2024. Audit further reported that the balance amount of Rs. 103,000 had not been paid by the out-agent so far on the plea that commission charges were payable to him with retrospective effect. The out-agent also committed gross negligence and irregularities in maintaining the accounts and returns. The agency's transactions had not been subjected to complete internal check by the internal check authority. As such, the exact position of the transactions was still to be known.

2025. The matter was taken up in November, 1975 and again in May, 1980 with the Railway Administration who, in their replies of June and December 1980, did not contest the facts and stated that legal opinion was being sought for to file a suit in the Court of Law for the recovery of the withheld amount.

2026. In their reply, the department explained that the Punjab Road Transport Board was authorised to act as the Railway Out-Agent for operating the Out-Agencies through GTS, Rawalpindi at Murree, Islamabad and Muzaffarabad in 1953, 1959 and 1979 respectively. As per the agreement, no commission was to be paid on the sale of passenger tickets. While operating these agencies the GTS|Rawalpindi demanded commission on the sale of tickets, on the plea that they had incurred expenditure and suffered losses on the running of these agencies. The Railway Administration refused to change the status and terms of the agreement thereupon the GTS, Rawalpindi started deducting commission,

unilaterally, from September, 1976. The Railway Administration closed all the three agencies on 13th November, 1976 for violating the agreement and the agent withheld the entire sale proceeds, amounting to Rs. 202,961. No accounts were submitted and no returns were filed.

2027. Since the closure of the agencies caused hardship to the residents of Muzaffarabad and Murree, the GTS authorities approached the then Advisor to the CMLA for Railways for the re-opening of the Agencies. Meetings were held and the Railways agreed to offer 5 per cent commission on the sale of passenger tickets, provided that the Punjab Road Transport Board cleared the outstanding dues of the Pakistan Railways in two instalments. The agencies resumed functioning on 21st May, 1978, and the Punjab Transport Board paid the first instalment of Rs. 100,000, on 25th May, 1978, but defaulted on the payment of the rest of the amount, which was still outstanding against them. Meetings were subsequently held at higher levels between the two Government agencies, namely the Railways and the Punjab Road Transport Board, but without any result. The PRTB continued to insist on reimbursement by the Railways of losses suffered by them previously. The Railways, on the other hand, contended that any payment or deduction of any commission was not warranted under the terms of the agreement and that the GTS, Rawalpindi had always the option to close down the agency, which was not exercised. As their working was not considered to be satisfactory, the agencies were finally terminated on 4th June, 1981.

2028. A meeting was held subsequently between the Chief Traffic Manager, Railways and Chief Traffic Officer, PRTB on 5th October, 1981. The PRTB authorities did not agree to pay up the amount in question unless their claim for commission for the earlier period was acceded to, as they had suffered losses. The issue was discussed again by the C.C.M. with the Chairman, PRTB, but without success. PRTB had not submitted any returns for the period 21st May, 1978 to 4th June, 1981 and some additional amount might also become due for the three year period during which the sales proceeds minus commission and cartage charges were deposited by the PRTB, without rendering any of accounts. Efforts would continue to be made to arrive at a final settlement.

2029. Audit further comment was that, although the facts of the case had not been denied, nothing had been said about the disciplinary aspect of the case. In respone to the Audit observation, the Railways had stated in September, 1981 that internal check of these Agencies was being carried out. The results of internal check had not been given in the reply. According to the information available in Traffic Accounts Branch, the Inspectors, who checked the accounts

for the period 21st May, 1978 onward, had found that the agencies continued to work till the date indicated against each and Rupees one million were further recoverable from the Out-Agencies as shown below—

	Period	Amount Rs.
Murree	21-5-1978 to 7-7-1981	155,356.95
Islamabad	21-5-1978 to 10-6-1981	883, 796.45
Muzaffarabad	21-5-1978 to 7-7-1981	31,021.76
	Total ..	1,070,175.16

2030. Audit further stated that, if the accounts had been subjected to regular internal checks, the Railway would not have been deprived of their earnings of over one million rupees. Audit stressed the need for an early settlement of the claims with Punjab Road Transport Board and asked if it would be worthwhile if the Adjuster was approached to resolve this issue. On a query the department agreed with the Audit figure of outstanding of one million rupees.

2031. After discussion, *the Committee directed that a complete report should be furnished to the PAC before its next meeting, setting out the total amounts due to the Railways from the Government and Private Railway Agencies as on 30th June, 1983, separately, and the procedures laid down for internal check of the same. The report should also include information about sales by the out-agencies and the amount of commission paid to them. Consideration of the paragraph was deferred.*

2032. *Loss of Rs. 24,000 due to short receipt/misappropriation of spare parts (Para 4.12, page 26—AR—Railways)*—The paragraph was treated as settled subject to verification by Audit.

2033. *Loss of Rs. 22,560 due to non-observance of Rules (Para 4.13, pages 26-27—AR—Railways)*—Audit pointed out that, under the rules, when the fee received by a Medical Officer is divisible between him and the Railway, the total amount is to be first credited to Railway Revenues and then the share of the Medical Officer is to be drawn on a refund bill, but that this procedure had not been followed with the result that a sum of Rs. 22,560 had been lost to the Railways.

2034. In their reply, the department explained that, out of a total of Rs. 30,405, a sum of Rs. 7,895, had been recovered and further recoveries of the balance amount were being made in instalments. After the recoveries were completed, only a negligible amount would be left. As the cases related to the years 1975 and 1976 and quite a few doctors were concerned, complete records were not available for effecting full recoveries.

2035. After going through the explanation of the Ministry and the Audit comments thereon, *the Committee directed that—*

(i) *recoveries should be expedited,*

(ii) *the Ministry should submit the records to Audit ; and*

(iii) *Audit should watch the recovery.*

2036. *The Committee wondered that as audit only checks a small percentage of transaction, what would be the total loss and what action had been taken by the Railways to stop the continuance of such losses.*

2037. *Heavy losses due to lack of proper vigilance* (*Para* 4.14, *pages* 27-28—*AR—Railways*)—The paragraph-stated that, under the extent rules, the plots of Railways land not required for development works in the near future, could be leased out on a quasi-permanent basis to out-siders. The interest of the Railways was, however, to be kept upper-most while giving such a lease. Contrary to the rules, the Railway Administration had leased out a plot of land in January, 1977 measuring 37214 sq. yards to a private firm, which was neither vacant nor surplus to the Railways requirements ; it was housing a railway colony, consisting of 14 officer's bungalows with out houses, 4 newly constructed flats and 56 staff quarters. Further, the lease price was worked out at the very low rate of Rs. 490 per sq. yard as against Rs. 1200 per sq. yard assessed by the Deputy Commissioner, Karachi. The firm was also exempted from paying a sum of Rs. 26.9 million as the estimated cost of constructing an alternate residential accommodation for the affected employees.

2038. Audit further reported that, without obtaining a bank guarantee as required in the agreement and without awaiting the ejectment of the out-siders occupying the out-houses, the Railway Administration started removing the fixtures and fitting of the houses and the officers and staff were provided hired residential accommodation at the annual recurring charges of Rs. 85,200. Vacant possession of the land could not be given by the target date due to a stay order, obtained by the squatters, and the firm refused to pay one year's advance rent or to provide the bank guarantee. The land, so leased out, had then been recovered by the Railway Administration under a Martial Law Order of 1977, but it had not been put to any profitable use thereafter.

2039. The department explained that the land was in the control of the Railways and would be put to proper use. In this entire transaction loss was sustained only on account of the following, as the 4 new flats were not demolished and were in the use of Railway officers—

(a) Amount of rent paid for the hiring of alternative accommodation for the displaced officials.

(b) cost of removal of the fixtures and re-fixing the same.

The Divisional Superintendent, Karachi had been asked to work out the total amount involved and initiate action for its regularisation. In a way, the dismantling of the old houses had a positive feature, as they had outlived their usefulness and maintenance was becoming expensive. Because of this action, most of the valuable land had become available to the Pakistan Railways and could be put to a better use for earning substantial revenues.

2040. Questioned as to where this plot was located and who was given the lease in January, 1977, the departmental representative replied that it lay near the Clifton Bridge and the then Prime Minister, Mr. Z. A. Bhutto wanted to acquire it. The departmental representative further informed the Committee that the department desired to utilize this plot of land for the Railway Foundation.

2041. After hearing the explanation of the department, the Committee did not make any further observation and the paragraph was treated as settled.

2042. *Wastage and delay in the execution of Capital projects-blockade of capital of Rs.* 422,000 (*Para* 4.15, *page* 28—*AR—Railways*)—It was reported by Audit that the construction of a multi-storeyed housing block at Karachi at an estimated cost of Rs. 1,461,688 was approved by the Railways Administration on an urgency certificate in March, 1976. Work on it was started on the 31st May, 1976 and was required to be completed within 8 months. But in November, 1976, it was suspended temporarily by the Railway Administration for want of funds and the contractor was paid Rs. 421,819 in February, 1977 for the work done up to November, 1976. Work was ordered to be restarted in February, 1977, but the contractor did not turn up, despite repeated notices, with the result that capital amounting to Rs. 421,819 stood blocked without any return.

2043. The matter was taken up with the Railway Administration in March, 1980, and the Divisional Superintendent, Karachi stated in December, 1980, that the contractor had been persuaded to complete the work, provided that his accepted tendered rates were increased or an appropriate escalation granted, which matter was under decision with the Railway Headquarters. Audit felt that a temporary suspension of work on the plea of paucity of funds in the first half of the financial year was not justified, and timely decision would have not only solved the residential problem of the staff but also provided revenues to the Railway. This under scored the need of—

(i) proper planning and phasing of the work, to avoid unnecessary blockade of capital ; and

(ii) taking timely decisions, to avoid delay in execution and increase in the cost of works.

2044. The Ministry explained that the main reason for the delay in the execution of this work was inadequacy of the available funds during the contract period. The final allocation of funds was made at the highest level and cuts were imposed without any notice. As such, it was not possible to arrange additional funds during the contract period for completing the work and the expenditure had to be restricted within the budget allocation for the year.

2045. The Ministry further explained that the scope of the work had also been reduced since from 16 to 10 flats, so as to remain within the sanctioned estimate. Tenders had been floated and the contract was likely to be awarded during the year 1983. The total allocation for the work in 1982-83 was Rs. 3 lacs, which would be fully utilised. The remaining work would go on to the next year, when efforts would be made to provide the balance funds.

2046. The Ministry agreed with the observations made by Audit and stated that the Divisions had been instructed to pay more attention to planning and phasing of the work and invite tenders for work only to the extent that funds were available during the year.

2047. Audit asked that, as to how and why the work was sanctioned on Urgency Certificate, for completion within 8 months if sufficient funds were not available. Besides no work was carried out after November, 1976 till 1983 though funds were provided every year and the capital invested stood blocked without any return. In view of such availability of funds there was no reason to reduce the scope of work to 10 flats. If the work was let out to a new contractor in February, 1983 why was that not done earlier. Also some depreciation in the work, carried out as far back as 1976, could not be ruled out.

2048. After discussion, *the Committee took the following decisions*—

(i) *A fresh sanction for the Revised Estimates, on a realistic basis, should be issued and a copy thereof furnished to Audit.*

(ii) *A report should be furnished to the Committee as to who gave the urgency certificate and who let the contractor go and Audit should verify it. Consideration of the paragraph was deferred.*

2049. *Losses incurred by the Railway on the Maintenance of sidings* (*Para* 4.16, *pages* 28-29—*AR—Railways*)—Audit had reported that, during the local audit in June, 1979, it was observed that expenditure incurred by the Railway Administration on the maintenance of certain sidings was far in excess of recoveries from the parties concerned. The Railway was thus sustaining heavy recurring losses on this account. This point was taken up with the Railway Administration in August, 1979, with a recommendation for a review of all the sidings, to ascertain

the annual losses thereon and to adopt measures for their avoidance. While accepting the recommendation, the Railway Administration intimated in December, 1980 that the annual expenditure on the sidings in question was Rs. 39,376 as against a return of only Rs. 5,170, resulting in a loss of Rs. 34,206 per annum. It was further stated in August, 1981 that the Railways had decided to revise the rate of recovery of the maintenance charges, on the basis of the increase in the current capital cost of the work but the matter was under reference with the military authorities. Besides, the losses suffered on all such sidings were also being assessed to recover them from the sponsors and that instructions had been issued for the carrying out a review of the rate of recovery, to keep pace with the inflation in costs.

2050. On Audit's emphasising on the need for an immediate revision of the rates and a regular periodical review of the rates of recovery, the Ministry stated that the Divisional Superintendents had been directed to take the following action to avoid recurring losses on the maintenance of sidings—

(i) work out the actual amount being spent on the maintenance of the sidings;

(ii) issue notices for the revision of rates as provided for in the agreement;

(iii) enter into fresh agreements for the enhancement of rates in order to maintain the sidings; and

(iv) periodically review the actual expenditure on the maintenance of the sidings.

2051. After going through the explanation of the department and the Audit comments thereon, *the Committee directed the departmental representative that the rates of all the sidings, except for the* 12 *in the Multan Division, should be reviewed and revised. Recoveries should also be expedited. Instructions should be issued for annual review of the working of the sidings and the revision of the rates of recovery and the implementation of such instructions should be ensured.*

2052. *Irregular payment of Rs.* 60,000 *to a Contractor* (*Para* 4.17, *page* 29—*AR—Railways*)—As Audit had accepted the examination of the Ministry, the paragraph was treated as settled.

2053. *Injudicious decision resulting in extra expenditure of Rs.* 272,000 (*Para* 4.18, *page* 30—*AR—Railways*)—It was pointed out by Audit that open tenders were invited in April, 1978 for the construction of 20 units of class-IV staff quarters at Pipri. The offers of the three lowest tenders which were Rs. 1,035,086, Rs. 1,038,109 and Rs. 1,119,611 were not accepted by the Tender Committee on the ground that the first lowest tenderer had submitted a crossed

cheque as earnest money, instead of a bank guarantee bond, the second lowest one had been already awarded another work and was not financially in a position to execute both the works simultaneously and the third lowest was much higher than the first lowest.

2054. Fresh tenders were invited in May, 1978. These were also filed, as the lowest offer of Rs. 1,461,699 was considered to be high. On the third tender call in July, 1978, the lowest offer of Rs. 1,391,522 was accepted on the consideration that, if tenders were invited again, rates would be still higher. The rejection of the third lowest offer of Rs. 1,119,611 in the first invitation to bid had resulted in an extra expenditure of Rs. 271,911.

2055. The department contended that there was no violation of the General Financial Rules and the established purchasing procedures in this case and all the decisions were made by the Competent Authority. Besides, the Ministry of Finance had accepted that escalation could be paid to contractors in genuine cases on merit even after the completion of the contracts in accordance with a stipulated procedure.

2056. After discussion, *the Committee directed the Ministry to furnish full facts to establish the* bona fides *of the decisions, including information about the estimated cost and the designation of the officials who accepted the tenders and the amount of contract for the other works undertaken by the other bidders.*

2057. *Non-recovery of rent of Railway land* (*Para* 4.19, *page* 30—*AR—Railways*)—According to Audit, the Customs Department were handed over a covered area of 8.124 sq. ft. in the premises of the Lahore Dry Port, Moghalpura in January, 1974, for opening their offices, without executing either a proper agreement or the fixation of rent. It was in June, 1975 that the rent was fixed at Rs. 31,500 per annum. The rent for the entire period, from January, 1974 to December, 1981, worked out to Rs. 252,000 and was yet to be recovered.

2058. The Ministry explained that the office accommodation was given to the Customs Department in 1974 on the instructions of the Central Government. There was hardly any time to execute an agreement between the two departments, and it was thought expedient to finalise the agreement subsequently. Since the Central Government was eager to make the Lahore Dry Port a success, everything was being rushed through and the Railway Administration, had no reasons to doubt that the recovery of rent from the Central Board of Revenue would be made in due course. Besides, a meeting was held with the Customs officials at Lahore and they had agreed to make the payment of the arrears in instalments.

2059. Audit commented that the reason given for the non-execution of agreement, namely rush of work, was not at all convincing, as it took more than 9 years from January, 1974 to February, 1983, to execute the agreement. This inordinate delay reflected indifference and carelessness on the part of Railway Administration. Audit further pointed out that, out of Rs. 404,000 outstanding against the Customs Department, Rs. 87,000 had been realized, leaving a balance of 317,000 which should be recovered expeditiously.

2060. *The Committee directed the departmental representative to have the recovery effected expeditiously by personal attention.*

2061. *Loss of Rs.* 4,875,000 (*approximately*) *on Sui Gas consumed by Railway employees* (*Para* 4.20, *page* 31—*AR—Railways*)—Audit had reported that the supply of of Sui Gas to 418 Railway quarters in a Division was started from the 1st April, 1975 on a no-profit-no-loss basis. Sui Gas charges were paid to the gas Company for actual consumption on a lump sum basis and recovery was made at a flat rate of Rs. 11.80 per burner p.m., fixed in 1976. The amount thus recovered was far less than the actual payment and, upto June, 1979 Rs. 220,000 had been paid to the Company in excess of recovery.

2062. The Ministry explained in their reply that, at the time of installing Sui Gas, bulk supply was taken through a single meter and no individual meters were installed and recoveries were made on a flat rate basis. The Sui Gas authorities enhanced their rates, from time to time, which resulted in the building up of excesses. The flat rates were revised in March, 1980, but recoveries at the enhanced rates could not be effected due to resistance from the staff and the C.B.A. Instructions had however, been issued to start recovery forthwith at the revised rates, together with the arrears.

2063. Audit observed in their comments that if the arrears had not been allowed to accumulate it might have been easy to recover the actual cost of gas, whenever the supply Company increased its rates and recommended the introduction uniform rates for all the stations.

2064. The departmental representative informed the Committee that they had decided to instal meters in all the quarters and that installation had been started. In future recovery for actual consumption will be made from each allottee.

2065. The Committee did not make any further observation and the paragraph was treated as settled.

2066. *Extra payment of Rs.* 51,000 *to a contractor due to a defective agreement* (*Para* 4.21, *pages* 31-32—*AR—Railways*)—In September, 1976, the Railway Administration re-introduced a deduction of 25 per cent for voids in the supply of pitching stone and a specific clause to this effect was required to be incorporated in all agreements for its supply. This specific clause was omitted in an agreement executed in September, 1977 for the supply of one lac cubic feet of pitching stone at the Jhelum Bridge. Payment was, however, made after deducting 25 per cent for voids, and was accepted by the contractor without protest.

2067. In November, 1977, the contractor represented that, in the absence of specific clause in the agreement for the deduction of voids, the deduction made was not justified. The Railways Administration decided in August, 1979, to pay to the contractor without any deduction for voids, due to the absence of any such clause|condition in the contract agreement, and Rs. 50,870, already deducted were refund to the contractor in October, 1979. The matter was taken up with the Railway Administration in July, 1980, asking them to fix the responsibility for omitting the agreement. The Railway Administration stated in December, 1980 that payment was made on the decision given by the Chief Engineer, as the rate for the supply of pitching stone was low even after payment for the voids. This plea was not considered by Audit to be tenable, as refund was allowed due to the non-provision of a specific clause in the agreement, which should have been incorporated.

2068. In their reply, the Ministry explained that no specific provision for a 25 per cent deduction for voids, stipulated under CEN's letter No. 770-W|37|5 (W.I), dated 1st September, 1976, was made in the agreement, as the correction slip No. 3, dated 26th November, 1966 to sub-clause 8 of specification No. 7.1 had created an ambiguity about the said deduction. Since no specific provision for such deduction, was made, the contractor's claim for refund was considered to be justifiable. This issue was examined in detail by the CEN & FA & CAO|LHR and, after obtaining legal opinion from the Law Officer, it was decided to refund the amount, already deducted from the bills, on account of 25 per cent voids. Fresh instructions were issued *vide* CEN's letter No. 770-W|37|5 (W. I), dated 18th April, 1979, that a specific clause should be added in the agreement for the supply of pitching stone for a deduction of 25 per cent for voids. The assessment that a loss of Rs. 50,870 had been caused to the Railways on account of refund for deduction for 25 per cent voids, was only for the sake of criticism as the contract rates did not stipulate any deduction in view of the absence of the specific clause.

2069. Audit emphasized in their comments that failure to incorporate the requisite clause in the agreement was an omission, for which responsibility had not been fixed.

2070. Questioned if the tenders which were issued had been checked, the departmental representative replied that the department had changed the policy any they removed the clause.

2071. *The Committee, finally, directed that the payment made to the Contractor may be checked by Audit and, if they be satisfied, the paragraph may be treated as dropped.*

2072. *Blockade of capital due to unnecessary purchase of teak wood Rs.* 3,737,000 (*Para* 4.22, *page* 32—*AR—Railway*)—No observation was made by the Committee and the paragraph was treated as settled.

2073. *Locking up of capital of Rs.* 2,186,000 *due to lack of proper planning and foresight* (*Para* 4.23, *pages* 32-33—*AR—Railways*)—Audit had reported that the conversion of three 'D' class stations into 'B' class, with standard-III signalling on the Jacobabad-Kashmoor section, was approved by the Railway Administration during 1977-78. This was considered necessary to reduce the length of block section and provide crossing facilities to trains. The cost was estimated to be Rs. 2,475,000 for each station. No urgency certificate on detailed estimate for undertaking the work was sanctioned but the execution of the structural portion of the work was let out in October, 1978 and fully completed in respect of two stations in November, 1979 and only 60 per cent in respect of the remaining one by June, 1978, when the contractor left the work.

2074. Subsequently, in December, 1980, the Chief Operating Superintendent did not consider the scheme justified because of the availability of sufficient line capacity and the tight financial position of the Railways. The matter was taken up with the Railway Administration in March, 1980 who held in January, 1981 that the conversion was necessary in the national interest, as it was intended to utilize the line as an alternate route in case of emergency. In July, 1981, it was intimated that the provisions of standard-III signalling had been deferred and the stations had to be converted into "B" class stations, with Non-inter-locking signalling system. Again, in August, 1981, it was stated that these stations would be provided with standard-III signalling in the next five years.

2075. These changes in decision, one after the other, indicated lack of proper planning and foresight and had resulted in the locking up of capital amounting to Rs. 2,186,000. Audit, therefore, stressed the need for more detailed and realistic scrutiny of projects before starting work on them, to avoid the unnecessary locking up of capital and for the adoption of remedial measures to avoid the recurrence of such a situation.

2076. The Ministry stated in reply that the works were executed after the sanction of the detailed working plans by the competent authority. The sanction of detailed estimates, however, remained pending until formal approval of the

revised estimates from the Railway Board. The execution of the work, however, was delayed due to financial stringency and as priority was attached to similar works on the Tando Adam-Rohri section. Soon after the remodelling of the remaining stations on the Tando Adam-Rohri section with standard-III signalling, the permanent way and signalling material had to be diverted for remodelling the standard-III signalling of these and other stations on the Jacobabad-Kashmore section. The Ministry concluded by saying that the observation of Audit regarding more detailed and realistic scrutinisation of projects had been noted for future guidance.

2077. Notwithstanding the above, Audit maintained in their comments that the capital of Rs. 2.186 million had stood avoidably blocked since 1978 and it was still to be known as to when further construction of the stations was to be undertaken. The work was started through the agency of a contractor in the absence of sanctioned estimates and even without the issue of an urgency certificate.

2078. After hearing the explanation of the Ministry and the Audit comments thereon, *the Committee decided that the Secretary of the Ministry should look into this case again and effort should be made to sort out the issues involved earnestly. Subject to such check, the paragraph may be treated as dropped subject to verification by Audit.*

2079. *Avoidable expenditure of Rs.* 136,000 *on Watching coolies* (*Para* 4.24, *pages* 33-34—*AR—Railways*)—According to Audit, a new block station (Sadiq Shaheed) between Mian Channu and Iqbal Nagar on the Khanewal-Sahiwal section was constructed by the Railway Administration at a cost of Rs. 1,241,000 to avoid the detention of trains and increase the sectional capacity by reducing the length of the block section. The structural and permanent way portions of the station were completed in June, 1969 and the signalling portion in June, 1978 and the station was ready for opening in October, 1978. But this could not be done as there was no staff for its operation.

2080. Audit further reported that Rs. 136,000 had been spent from July, 1969 to December, 1981 on watching coolies, employed at the station and this was in addition to the loss due to the deterioration of the station building, staff quarters permanent way material etc., during the eleven years in question. The capital invested also remained blocked without any return.

2081. Audit took this up with the Railway Administration in August, 1980, who responded in May, 1981 that the signalling portion could not be taken in hand earlier for lack of arrangement for the requisite imported material before, 1978 and the station could not be opened on its completion due to a ban on the creation of posts. The plea was not considered to be tenable as, notwithstanding

the ban, recruitment did take place for the posts. Audit also observed that, with proper planning and coordinated execution, such wasteful expenditure could be avoided.

2082. On the Ministry explaining that Sadiq Shaheed station was opened for traffic on 31st August, 1982 and the Railway Administration had taken necessary measures for better planning and coordination in the execution of works, Audit reiterated that delay in the opening of the station had resulted in avoidable expenditure of more than Rs. 137,000 on watching coolies and unnecessary deterioration of the station building, staff quarters etc., constructed more than a decade ago.

2083. Audit further commented that though the station was ready in October, 1978 it was opened on 31st August, 1982 and that also on single line working. One loop was said to have been completed and opened for traffic on 16th August, 1983, while the other still awaited completion for want of crossing timbers. Taking the above discussion into consideration, *the Committee decided as follows*—

(i) *The Ministry should lay down and streamline the system of Review of both big and small on-going projects. The real causes of delay should be identified in each case and remedial measures should be taken in time.*

(ii) *An independent enquiry should be carried out on the delay of* 13 *years in this case and to ascertain the causes and the delay ascribable to each factor, for example, the system of allocation etc. Remedial measures should then be adopted to remove the causes of delay in future.*

(iii) *A note should also be furnished to the Committee, showing the on-going projects, both big and small, on the Railways, with their target dates of completion and exact position at present in respect of each.*

2084. *Wasteful expenditure of approximately Rs.* 51,000 *due to improper planning* (*Para* 4.25, *page* 34—*AR—Railways*)—Audit had brought out that to provide extra-operational facilities the Railways Administration constructed a 3rd running line at a station at the end of 1972 which could not be used as the signalling portion of the work was not completed. The plan for the signalling portion was approved in June, 1976, but this work was deleted from the ADP 1976-77. In 1979, 1,075 feet of the track from the 3rd running line was dismantled on the verbal orders of the Executive Engineer and a new track of the same length was laid in connection with extension to oil siding. The track, laid for oil siding, was also dismantled in May, 1980 and the material so released was again used in the 3rd running line, which was completed and opened in August, 1981.

2085. Audit made out that the above-said actions clearly betrayed lack of proper planning and foresight, and resulted in an infructuous expenditure of Rs. 50,963. No benefit from this work was derived for nine years, besides the blocking of capital.

2086. In reply, the Ministry explained that the work of providing a 3rd line at the Vehari Railway Station was proposed by the Multan Division in 1967. Accordingly the Divisional Scale Plan No. 30-Y|VHR-1967 (Mul) and H.D. Qr. Plan No. 28524 were prepared and sanctioned by the FGIR. Based on this plan a Signal Diagram DCES No. 5|1 7-9-69 (IYD) was prepared and sent to the Multan Division for expediting the work. In 1973, the Division revised the Scale Plan to utilize the existing layout of the station and asked for a provision of standard-I signalling instead of std-II, proposed earlier. Later, after discussion, it was decided on the occasion of FGIR and Vice-Chairman's Inspection in 1974 to provide standard-I signalling on this station, because of its lower cost. A Signal Diagram for standard-I signalling was therefore, prepared and sent to the Division for necessary action. But its execution was delayed, as the work was dropped from the ADP 1976-77 due to overall financial constraints and it was subsequently completed in 1981. It was an error of judgement on the part of the Divisional Signal Engineer, Multan who had since been instructed to plan and coordinate the execution of such works in a proper manner.

2087. The Divisional Superintendent, Multan had also advised to adopt remedial measures, to avoid the recurrence of such errors. However, as the work had since been commissioned there was no wasteful expenditure except the delay that occurred in its execution.

2088. Questioned as to what was the idea of running the third line, the departmental representative submitted that the department had retained the third loop for creating more facilities at the station.

2089. The Committee observed that as the Ministry did admit improper planning and had issued instructions to the Divisional Signal Engineer, Multan for better planning coordination in the execution of such works in future, the paragraph be treated as settled.

Chapter-V-Other Topics of Interest

2090. *Unsanctioned expenditure* (*Para* 5.1, *pages* 35-36—*AR—Railways*).—According to Audit, unsanctioned expenditure by 1980-81 amounted to Rs. 195.229 million including 97 cases in which an expenditure of Rs. 100,000 or more was involved. Against the above, the amount of unsanctioned expenditure, as per the accounts for 1981-82 printed in April, 1983, stood at Rs. 126.200 million (Rs. 49.311 million pertaining to the period ending 1980-81 and Rs. 76.889 million during 1981-82).

2091. The Ministry stated that efforts were being made to clear the maximum possible amount by the Divisional and extra-Divisional officers and clearance to the extent of Rs. 119,160,000 out of the total outstanding of Rs. 195,229,000 had since been effected, leaving a balance of Rs. 76,069,000. Audit brought it to the Committee's notice that, despite its repeated directives and the assurances given by the departmental representatives, as in the PAC's Reports for 1972-73, 1977-78 and 1978-79, expenditure continued to be incurred without sanction, during 1980-81 such expenditure amounted to Rs. 46.6 million, highest during 5 years, for which no reasons were given though the need for doing so was pointed out in the Audit Report.

2092. Questioned about the outstanding amount during 1982-83, the departmental representative replied that it was Rs. 98 million.

2093. *The Committee took a serious view of these unsanctioned expenditures and observed that, if there is any unsanctioned expenditure after 1st January, 1984, the Railway Board will be held responsible for it. All the regularization should be completed before 30th June, 1984 and the Board should also take due action against the defaulters.*

2094. *Under-charges in traffic earnings (Para 5.2, pages 36-37—AR—Rauways)*—Audit had reported that the under-charges outstanding for recovery had decreased from Rs. 5,498,545 at the end of the 1979-80 to Rs. 4,762,333 at the end of the year under report, which was attributable to under-charges to the tune of Rs. 2,929,959 out of those outstanding at the end of the previous year having been withdrawn during the year. The under-charges so withdrawn were 53.28 per cent of the amount, outstanding at the end of the preceding year 1979-80, and the outstanding under-charges as per the Accounts for 1981-82 stood at Rs. 4,489,797.

2095. After discussion, *the Committee directed that the departmental representative should furnish an analysis of the outstanding under-charges to Audit who would examine and report back to the Committee. The paragraph was deferred.*

2096. *Losses due to remission and abandonment of claims to revenue (Para 5.3, pages 37-38—AR—Railways)*—It was pointed out by Audit that losses due to remission and abandonment of claims to revenue amounted to Rs. 7,396,080 during the year under report, recording an increase of about 54 per cent over such losses during the preceding year which amounted to Rs. 4,799,844. There had been a constant upward trend in remission cases and the amount of losses during 1980-81, as also its percentage to demurrage and wharfage charges accrued, was the highest during the last 5 years.

2097. *The Committee observed that the Ministry should review the position quarterly and furnish the report to Audit, for their examination.*

2098. *Other Losses booked in accounts* (*Para* 5.4, *page* 38—*AR—Railways*)—The Committee being satisfied with the explanation of the Ministry, the paragraph was treated as settled.

2099. *Transfer transactions* (*Para* 5.5 *pages* 38-39—*AR—Railways*)—No observation was made by the Committee. The paragraph was treated as settled.

Depreciation Reserve Fund (*Para* 5.6, *pages* 39-40—*AR—Railways*) *Improvement Fund* (*Para* 5.7, *page* 40—*AR—Railways*)

2100. The above-mentioned paragraphs were treated as settled.

2101. *Railway Pension Fund* (*Para* 5.8, *page* 41—*AR—Railways*)—According to Audit, this fund was established during 1974-75 for segregating the pension liability of the Pakistan Railways and annual contribution therefor from the Railway Revenues, prescribed at 10 per cent of pay of the pensionable staff. Audit further reported that the fund was showing a minus balance since the close of accounts for 1978-79, although contributions from the Railway Revenues were made at a higher scale than the aforesaid prescribed rate, besides appropriating the amounts of forfeited bonus.

2102. In reply, the Ministry stated that pension payments had increased so rapidly that even the substantial increase in the Railways contribution to the Pension Fund had become inadequate. It was expected that the minus balance would be wiped out gradually.

2103. Audit maintained that the minus balance under the fund at the end of 1981-82 stood at Rs. 42.201 million and the department had not enhanced its rate of contribution adequately to meet the delcit.

2104. After discussion, *the Committee directed that the Railways should consider adopting the pattern of Government accounting for pensions and should examine this in consultation with the Ministry of Finance. The accumulated losses of Rs. 63 million may also be considered for writing off and the words "payment to pension fund" should be substituted by the words "contribution to pension fund".*

2105. *Result of verification and revaluation of stores* (*Para* 5.9, *pages* 41-42—*AR—Railways*)—Audit had pointed out that the explanation furnished by the Ministry was not satisfactory. Adjustments needed to be carried in the accounts of the year concerned and steps taken to adhere to the codal provisions.

2106. In view of the above comments, the Committee decided that the paragraph may be treated as settled subject to verification by Audit.

2107. *Statement showing suspense balances* (*Para* 5.10, *pages* 42-43—*AR—Railways*)—The Ministry informed the Committee that the work of postings in and reconciliation of Suspense Registers was still in arrears. However, a Suspense Section had been created in the Ministry to tackle with this time consuming and laborious task. The main difficulty was no availability of old records. Efforts were being made to clear the pending items within the earliest possible time. Audit commented that—

(a) There was an urgent need for up-dating the Suspense Registers.

(b) The outstanding Sui Gas charges at the end of 1981-82 had further increased to Rs. 2.154 million.

(c) Electric charges, still recoverable from the staff at the end of 1981-82, amounted to Rs. 0.598 million.

(d) An amount of Rs. 9.903 million was still outstanding at the end of 1981-82 due to insufficient details.

(e & f) No remarks had been offered by the department against these paragraphs.

2108. After going through the departmental explanation and the Audit comments thereon, *the Committee directed that action in respect of all the above-mentioned points be taken expeditiously and reported to Audit, who may revert to the PAC, if necessary.*

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

2109. *Grant No.* 132—*Capital Outlay on Investment in Railways* (*Page* 171—*AA*) (*Paras* 1280-1281, *page* 364—*PAC Report* 1978-79)—In compliance, the Ministry informed the Committee that the advise of actual repayment had been obtained from the Economic Affairs Division and necessary adjustments carried out in the Accounts for 1979-80.

2110. In view of this explanation the Committee decided to drop the paragraph.

2111. *Comparison with previous years* (*Para* 1.3, page 2—*AR—Railways*) (*Paras* 1283—1288, *pages* 364—366—*PAC Report* 1978-79)—The Committee had last directed the department to look into the necessity of revaluing

the stores. The Ministry explained that, in the pre-modernized period, the Railways used to adopt the average price method for pricing the issues. Booze Allen Hamilton, who were appointed as Consultants for the modernisation of Pakistan Railways Accounts, recommended the adoption of the standard price system by the Railways and this is in use since 1967. This system was adopted so that the issues were priced at the last purchase rates, reflecting valuation close to the market price. The standard prices of only those items of stores were to be revised once a year which appeared in the consignment report of import items or in the domestic purchases invoice report, on the basis of the last purchase rate, and if the increase in prices was 10 per cent and above, taking effect from the commencement of the following financial year. In case of more than one transaction of an item in a year, the last price revised was considered to be effective from the commencement of the following financial year.

2112. The Ministry further stated that the stores Budget was provided on the basis of estimates of their requirements by the Divisions, prepared on the basis of Standard Prices, circulated by the stores Branch. In case of any other system being adopted the estimates prepared by the Divisions will be considerably under-valued, thereby un-balancing the Budget.

2113. After discussion, *the Committee directed the departmental representative that copies of the Report of Booze Allen Hamilton should be furnished to it and Audit. It may also be seen if the floating exchange rate had been duly taken into consideration, while laying down the standard price system.*

2114. *Infructuous expenditure of Rs.* 197,000 [(*Para* 6.1 (*i*), *page* 14—*AR—Railways*) (*Paras* 1293—1297, *pages* 367-368 *PAC Report* 1978-79)]—The Committee had last observed that the Chairman, Railway Board's orders had been floated by a junior officer and directed the department to look into the matter and take suitable action against him. Audit was also requested to verify that the work had since been completed. The Ministry explained that the siding was completed in 1980 and the officer concerned had since retired.

2115. Audit contended that verification by Audit, conducted as per PAC's directive, revealed that the siding in question had not been completed as yet. The capital works had been completed upto 90 per cent, but the plan of the work had been received back by the Rawalpindi Division, unapproved, with objections from Railways Headquarter. The departmental representative maintained, that the siding had been completed in 1980. As for the directive about disciplinary action, Audit pointed out that the department did not comply with it and that about 11 months after the Committee's directive on 14th April, 1981, the Divisional Commercial Officer concerned was relieved on 14th March, 1982,

2116. *The Committee directed the departmental representative that a report be furnished to Committee about the use of siding with or without platform and as to why disciplinary action could not be taken against the officer concerned in time.*

2117. *Loss of Rs.* 87,000 *on risk and cost purchase due to non-observance of proper procedure* (*Para* 6.8, *page* 20—*AR—Railways*) (*Paras* 1298—1303, *pages* 368—370—*PAC Report* 1978-79)—As Audit had verified the reply given by the department, the paragraphs were dropped.

2118. *Short recovery of house rent* (*Para* 6.12, *page* 22—*AR—Railways*) (*Paras* 1304—1306, *page* 370—*PAC Report* 1978-79)—The Committee had last directed that the Ministry should see as to why was there a delay in the submission of Rent Rolls, which were kept pending for five years and should take action against the officials responsible. The Ministry explained that the matter was being considered jointly by the FA and CAO and the CEN and action as warranted by the rules, was being taken against the defaulters.

2119. Questioned about the action which had been taken, the departmental representative replied that the main person had been charge-sheeted and the other concerned staff transferred. An amount of Rs. 5,000 was still recoverable from them.

2120. *The Committee directed the departmental representative to furnish a more detailed report to Audit, who should follow it up.*

2121. *Encroachment of Railway land* (*Para* 6.14, *pages* 23-24—*AR—Railways*) (*Paras* 1308—1312, *pages* 370-371—*PAC Report* 1978-79)—The Committee had last observed that there should be a comprehensive plan for taking care of the surplus railway lands and new rules should be framed to ensure that the plan was supplemented. The departmental representative was also directed to supply a copy of the plan and the rules to Audit for verification. The Ministry informed the Committee that, for taking effective steps in this direction, a separate Land Management Department had been established, who had done a lot of work and also removed some of the encroachments. The rules were under finalization.

2122. After discussion, *the Committe directed that the Railways should, if not already done so prepare an up-to-date register of all their properties alongwith the condition of each. It may also be indicated therein as to what had been done to take charge of these properties and how were the obstacles being faced? A detailed note should be furnished to the Committee about it within three month.*

2123. *Loss of revenue due to inefficient handling of wagons* (*Para* 6.17, *pages* 25-26—*AR—Railways*) (*Paras* 1320—1325, *page* 373—375—*PAC Report* 1978-79)—The Committee had previously held that the detention of wagons in the Faisalabad Yard, for six months in some cases, was a serious matter, which called for disciplinary action against those responsible for it. The Committee had also desired that the procedures, and particularly the Card Index System, be reviewed by the Ministry and Audit and the suggestions made in the audit paragraph be also considered by the Ministry, for implementation.

2124. The Ministry explained that, in the absence of any specific instances, no individual responsibility could be fixed or the detention of wagons at Faisalabad. However, the staff at Faisalabad had been warned and the position had improved substantially. As for the arrival of tank wagons without card labels the problem had been almost eliminated. As a further precaution, the name of Oil Companies was being endorsed against the Tank Wagon numbers. This had minimised the chances of tank wagons getting unconnected at different destinations.

2125. Audit commented that the main issue had not been dealt with, because full information about wagon numbers, dates of their detention, release etc. was supplied by Audit in their specific report issued in July, 1979. Responsibility should, therefore, be fixed in the reported cases to avoid their recurrence.

2126. Asked as to when was a warning was given and any action taken, the departmental representative informed the Committee that very severe action had been taken against six officials.

2127. A member remarked that compliance had not been reported on the Committee's directive that the Card Index System be reviewed by the Ministry and the suggestions made in the Audit paragraph be considered for implementation. Responsibility, where called for, should have been fixed thereafter.

2128. The departmental representative submitted that, in their case, increments had been withheld permanently.

2129. *The Committee decided that a full compliance report be furnished to Audit about the action taken by the Ministry Audit will them come to the Committee with their comments.*

2130. *Unsanctioned expenditure* (*Para* 7.1, *page* 27—*AR—Railways*) (*Paras* 1326-1327, *page* 375—*PARC Report* 1978-79)—The Committee observed that, in view of the foregoing paragraphs these paragraphs stood dropped.

2131. *Under-charges in traffic earnings* (*Para* 7.2, *page* 28—*AR—Railways*) (*Paras* 1328-1329, *pages* 375-376—*PAC Report* 1978-79)—The directive of the PAC, given in the above paragraph would be applicable here also.

2132. *Transfer Transactions* (*Para* 7.5, *page* 29—*AR—Railways*) (*Paras* 1330-1331, *page* 376—*PAC Report* 1978-79)—In view of the Committee's decision in the above mentioned paragraphs, these paragraphs were treated as dropped.

2133. *Bills Receiveable* (*Para* 7.6, *page* 29—*AR—Railways*) (*Paras* 1332—1335, *pages* 376-377—*PAC Report* 1978-79)—The Committee noted that action was being taken by the Ministry to recover the amount through the Government Adjuster. The paragraphs were, therefore, treated as dropped, subject to verification of recovery by Audit.

2134. *Results of verification and revaluation of stores* (*Para* 7.10, *page* 31—*AR—Railways*) (*Paras* 1336—1338, *page* 377—*PAC Report* 1978-79)—The Committee had, directed that the department should obtain the sanction of the competent authority to the effect that the Audit had no objection to the appearance of the surplus in the Appropriation Accounts. The Ministry explained that surpluses, amounting to Rs. 6,099,000 and Rs. 8,373,000 under stock verification and miscellaneous items respectively, were originated through Mod/Accounts. As provided in paragraph 2742-S, the items remaining uncleared at the end of half-year should be reported to the Railway Board, whose orders should then be obtained as to the Heads of Accounts to be debited and credited. Since the items comprising Rs. 6,099,000 and Rs. 8,373,000 did not fall under the said category, the same were left over for clearance in the subsequent years. Further, if these items were not retained but were charged off against the revenues, the budget of the Division would have been upset besides representing a fictitious position. The clearance of the said amount was under way. As for the net surpluses of Rs. 57,297,000 this was on account of the incorrect revision of the standard price by the CCS, which had since been cleared.

2135. Not finding the above explanation of the Ministry to be satisfactory, *the Committee directed that Audit should go into this matter again and report to the Committee.*

2136. *Non-realisation of Railway dues amounting to over Rs. 20 lakhs* (*Para* 9.14, *page* 23—*PAC Report* 1972-73) (*Paras* 1345-1346, *page* 379—*PAC Report* 1978-79)—The Committee had last directed that the department should examine it again and intimate to the Committee the names of those responsible for not having recovered the siding charges and whether any action had been taken against them. The Committee had also desired that the sidings, which might not be necessary, should be considered for being closed down.

2137. The Ministry explained that the outstanding maintenance charges pertained to several years during which several DENs and D.A.Os, working at Karachi preferred the bills and made efforts to realize the arrears, but all the parties did not respond positively. As most of the sendings were Commercially justified, their closing down was not in the interest of Railway Administration. As such, no individual could be held responsibile for it. However, concerted efforts were being made to realize the outstanding charges and the results were encouraging.

2138. Thereupon, Audit offered the following comments—

(a) The outstanding charges at the end of December, 1982 stood at Rs. 1.57 lac, which needed recovery.

(b) As for the disciplinary aspect of the case, the reply in the Compliance Report was not convincing, as there was failure even to prefer the claims mentioned in the Audit Report.

2139. *The Committee, finally, concluded as under—*

(i) *The outstanding charges should be cleared subject to verification by Audit.*

(ii) *Some action must be taken against those responsible for such a billing and also those responsible for not following up the same.*

2140. *Embezzlement of about Rs.* 350,000 *in the sale of tickets at a station* (*Paras* 822-823, *page* 158—*PAC Report* 1974-75) (*Paras* 1347-1348, *page* 379—*PAC Report* 1978-79)—The Committee had previously directed that a report should be submitted about the involvement of Mr. Yousuf in this case and whether he was promoted before or after the completion of the period of stoppage of his increment. The relevant dates in this case should also be given in the report. The Ministry explained, in their reply, that Mr. Yousuf, involved in the case of Mileage Coupons and responsible for paying a sum of Rs. 5,582, was promoted as a Special Ticket Examiner (S.T.E.) on 4th October, 1976 on the basis of his seniority, while he was awarded the punishment of W.I.P. for two years on 31st March, 1981.

2141. Questioned as to why was he punished 5 years after being promoted, the departmental representative submitted that he was awarded the punishment of withholding of increments for three years. In addition, Rs. 900, had already been recovered from him and Rs. 300, was being recovered regularly. A member of the Committee remarked that it was not clear as to how could the department recover any money from him without giving any reasons or findings. Besides, the Department had not mentioned as to who was held responsible for the embezzlement and who was the senior officer and who was responsible for checking. The

statements made by the Ministry in the reply appeared to be wrong. The Vice-Chairman, also raising a query as to when the embezzlement did take place, the departmental representative replied that it became known in 1975. The official found, involved in the case was promoted in 1976, and two Officers were retired on the 3rd December, 1978.

2142. After further discussion, *the Committee directed that a full report should be furnished to the PAC about the embezzelment of Rs. 3.5 lacs, indicating therein the responsibility of each official and the action taken or proposed to be taken against him.*

2143. Fraudulent payment to a querry contractor (Paras 824—827, pages 158-159—PAC Report 1974-75) (Para 1349, page 380—PAC Report 1978-79)—The explanation given by the Ministry was not found by the Committee to be convincing. However, the departmental representative informed the Committee that action against Jalulddin was under finalization. Audit enquired as to the decision in the case of the third Officer, Mr. S. R. A. Rizvi, *Ex.* DEN-I, and why an inquiry was not held for these two items ? The departmental representative promised to furnish a full report on it.

2144. *The Committee directed that a full report should be furnished to the PAC about compliance on the lines of the directive given by it.*

Land Management

2145. A member of the Committee suggested that it would have been better if the department had a Director of Lands at the Headquarters in Lahore, and Assistant Directors in the other Divisional Headquarters. The departmental representative stated that the Land Management Officers in the Divisions would be in BPS 18 and promised to submit a report on Land Management organisation, set up by the Board.

PERFORMANCE AUDIT REPORT ON THE PAKISTAN RAILWAYS CARRIAGE FACTORY

2146. The Evaluation report stated that the NEC in its meeting held on 9th May, 1967, approved the Project at a total cost of Rs. 80.955 million (including foreign exchange component of Rs. 35.098 million). The construction of the factory started in March, 1969, after a delay of about two years, completed in December, 1970, under the consultancy and technical supervision of a foreign firm at a total cost of Rs. 99.060 million (including foreign exchange component of Rs. 34.450 million). Thus there was, an increase of Rs. 18.105

million *i.e.* 22.4 per cent over the originally sanctioned cost. The escalation in cost was partly due to the increase rate of Customs Duty and levy of sales tax and partly due to increased cost of construction.

2147. The factory started production in June, 1971, with a capacity of manufacturing 150 Coaches per year on a single shift basis from the third year of production. During 1971-72 to 1979-80, only 669 Coaches were manufactured against a target production of 1162 coaches which was 58 per cent of the capacity. Capacity production was not achieved in any year till 1978-79. The payment of fixed over-head charges and interest on capital amounting to about Rs. 86 million had become infructuous to the extent of 42 per cent for utilisation of the capacity. The low production during 1971-72 to 1977-78 was attributed by the Railway Administration to the non-availability of the required funds material and labour.

2148. The cost of manufacture of a coach was estimated at Rs. 302,020. The total and per unit production cost of the coaches manufactured from 1971-72 to 1977-78 were as below—

(Figures in unit of rupees)

S.No	Project of	Total Cost	Cost per Coach
1.	37 Coaches 1971-72 and 1972-73	24,155,737	652,857
2.	13 Coaches (1973-74)	9,963,179	766,398
3.	52 Coaches (1974-75)	62,425,006	1,200,480
4.	23 Coaches (1975-76)	28,778,346	1,251,232
5.	30 Coaches (1975-76)	34,683,574	1,156,119
6.	150 Coaches (1976-77)	175,110,292	1,167,401
7.	170 Coaches (1977-78)	195,493,662	1,149,963

Wide fluctuations in the unit cost for various years indicated the need for economy in expenditure. (200 carriages were exported to Bangladesh, costing 25 million dollar).

2149. It was further stated that soon after the 1971 War the Factory had to face acute shortage of foreign exchange Consequently, the Factory received a set-back but, as soon as foreign exchange was arranged, production want up again in full swing. The total number of carriages so far manufactured was 1116, out of which 223 carriages were exported, at a very competitive price. The cost of manufacture during 1979-80 varied from Rs. 12 lakh to about 16 lakh per carriage. At present, the cost of manufacture was about Rs. 20 to 21 lakh per carriage. The Carriage Factory is one of the most officient units working in the country and the Railways should be proud of it.

2150. After hearing the above facts, *the Committee observed that, since the Factory is involved a considerable export of carriages, the establishment of a Banded Ware House may be examined. For the same reason, interest on capital and the over-heads on capacity production should be kept at a low minimum.*

2151. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs|points in (i) the Appropriation Accounts 1980-81 and the Audit Reports thereon; and (ii) the departmental response on the PAC's Report 1978-79. These would be deemed as settled subject to such regularization actions as may be necessary under the rules.

2152. The Committee thereafter adjourned *sine die*.

M. A. HAQ,
Secretary.

Islamabad, the 30th January, 1985.

FEDERAL COUNCIL SECRETARIAT

Saturday, the 5th May, 1984

Thirteenth Sitting (PAC)

2153. The Public Accounts Committee assembled at 10.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. *Member*

(4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member*

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

(3) Mr. S. I. Shabbir, Deputy Auditor-General (Co-ord)

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

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(6) Mrs. S. N. Sheikh, Director General, Commercial Audit

(7) Mr. Fazal Ahmed, Director General, Audit and Accounts (Works), Lahore.

Ministry of Finance

(1) Mr. Fayiaz Akhtar, F. A. (Kashmir Affairs & Northern Affairs & Interior)

(2) Capt. (Retd) G. Sarwar Malik, D. F. A. (Kashmir Affairs & Northern Affairs & Interior)

2154. *Accounts examined*—The Accounts pertaining to the Ministry of Kashmir Affairs and Northern Affairs were examined by the Committee during the course of the day.

KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION

2155. The Committee first took up, for examination, the Appropriation Accounts etc., pertaining to the Kashmir Affairs and Northern Affairs Division. The following departmental representatives were present—

(1) Mr. M. Z. A. Temuri, Additional Secretary Incharge

(2) Mr. Hizbullah Khan, Joint Secretary

(3) Mr. Navid Asghar Qureshi, Joint Secretary

(4) Col. Muhammad Ali, Director Education, N. A. Gilgit

(5) Mr. M. Shaukat Mufti, Assistant Accounts Officer

(6) Mr. A. Q. Mughal, Director Budget and Accounts, Commissioner Office, Gilgit.

2156. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Kashmir Affairs & Northern Affairs Division	121
2.	Northern Areas (Except Function 014-Kashmir Affairs Party)	122
3.	Federal Government Educational Institutions in Northern Areas	123
4.	Other expenditure of Kashmir Affairs & Northern Affairs Division ..	124
5.	Capital outlay on Purchases by Kashmir Affairs and Northern Affairs Division.	131
6.	Development Expenditure of Kashmir Affairs and Northern Affairs Division.	165

2157. *Reconciliation of Accounts with Audit*—The Committee noted that while the reconciliation of Accounts had been completed upto 1982-83, but for the year 1983-84 was in progress. *The Committee directed that the reconciliation of Accounts pertaining to the Ministry upto 31st March, 1984 be completed by the 31st May, 1984 and an officer should be exclusively earmarked for this work.*

AUDIT REPORT

Losses in Civil Supplies Depots Northern Areas—Rs. 5,917,701

2158. *Loss of Rs. 3,189,324 at Civil Supplies Depot, Jaglot, Northern Areas during 1974-75 to 1978-79 [Para 180 (a), page 143—AR]*—Audit reported the following losses—

	Rs.
(i) Godown shortage of 7—14—4 Mds. of wheat and spoilage of 120 Mds. of wheat during 1978-79	10,386
(ii) Non-availability of receipted vouchers etc. from the recipients of 34,706 Mds. of wheat and 1,510 Mds. of sugar despatched during 1975-79	3,148,386

		Rs.
(iii)	Transit shortage of 293-23-8 Mds. of wheat and 2—22—0 Mds. of Sugar during 1975-78	23,902
(iv)	665 empty bags of wheat charged off from the stocks as unserviceable without the sanction of competent authority during February, 1978	6,650
	Total ..	3,189,324

2159. The losses were brought to the notice of the local office and the Ministry in August 1980 but produced no action. These losses needed detailed investigations for fixing responsibility and their recovery, wherever possible. The department replied as under seriatim—

(i) The case was under investigation and its result would be intimated as soon as it was finalized.

(ii) The receipted vouchers for 34,594—12—8 Mds. of wheat (and not 34,706 Mds) were not received at the despatching Jaglot centre. Against the above quantity, vouchers for 33,444—23—8 Mds. of wheat had since been received and transportation charges paid to the contractors. The cost of the balance wheat of 1,149—29—0 Mds. had been recovered from the contractors, provisionally. As regards 1,509—30—0 Mds. of sugar, it had been delivered at the destination and the receipted vouchers were available at the Directorate.

(iii) The actual transit shortage in the consignments of wheat despatched from Jaglot and Rawalpindi was 609—23—0 Mds. (and not 293—23—8 Mds. as pointed out by Audit). Its cost had been recovered from the contractors in full. As for the transit shortage of 2—22—0 Mds. of sugar, its cost of Rs. 949.95 had not been recovered as yet, as the contractor had not yet claimed the transportation charges of Rs. 7,122,50 which was less than the transportation charges.

(iv) 665 empty bags of the wheat were not actually charged off the stock ledger but brought forward on page 70 of the stock ledger. These bags, being damaged, were transferred to empty bags account.

2160. Audit's comments on the above reply were—*Item (i)*—The losses were noticed in 1978-79 and reported to the Ministry in August, 1980. No corrective measures were taken even after a lapse of over three years and the reply was incomplete. The authorities were required to justify as to how 120 Mds. of wheat were declared as spoiled in the cold climate, where due to acute shortage of wheat throughout the year, the commodity which comes in first also goes out first. The results of the investigation were awaited.

2161. *Item (ii)*—The receipted vouchers for payment of transportation charges were not produced by the Director, Civil Supplies and Transport when a special Inspection Officer was deputed on the 22nd January, 1984 to verify the facts on the spot.

2162. *Item (iii)*—The recovery of Rs. 60,416 for shortage of wheat in transit was verified from the contractor's bills. As regards the transit shortage of 2—22—0 Mds of sugar, the fact that the amount payable to the contractor exceeds the cost of the shortage should have brought to the notice of the Inspection Officer on the 22nd January, 1984 so as to close the case.

2163. *Item (iv)*—During local audit in May, 1980, 665 bags were found charged off from the Stock Register in February 1978, being "Un-serviceable". The records, proving that those were not charged off but brought forward at page 70 under the empty bags account was not produced before the Inspection Officer.

2164. When questioned as to why the quantity and the amount were written off, the departmental representative submitted that it was very old case, which related to 1973-74 and it was not possible to realize the quantity or the amount, as this came to notice rather late in 1980. On a query by a member whether the officials of the department knew about it, specially the Accountant, the departmental representative replied that it happened because no physical verification was carried out in those days.

2165. After some discussion, *the Committee took the following decisions*—

(i) *A copy of the Inquiry Report on the basis of which the quantity was written off should be furnished to Audit.*

(ii) *Reports of verification of 33 depots should be furnished to Audit, who will come back to the Committee if necessary. A statement of losses suffered at various depots should also be furnished to Audit.*

(iii) *The responsibility for irregularities should be fixed for deciding whether any criminal action is called for.*

(iv) *A short note should be furnished by the Ministry about the action being taken to rectify the situation for the future. The procedure for writing off should also be included in this note, which should be given to Audit, who will submit the same to the PAC with their comments.*

2166. *Losses of Rs.* 827,522 *in Civil Supply Depot, Astore during* 1973-74 *to* 1978-79 [*Para* 180 (b) (*i*), *page* 144—*AR*]—According to Audit, godown shortages of 2186—27—6 Mds. of Wheat and 18—26—0 Mds. of Salt, worth Rs. 244,587, were noticed during the handing and taking over of charges on the 21st April, 1975 and 16th November, 1977. Shortages of 2149—25—0 Mds. of wheat, 54—15—0 Mds. of Sugar and 30—25—0 Mds. of Salth worth, Rs. 215,689, were also noticed while conducting physical verification from April, 1975 to November, 1977.

2167. In reply, the Ministry stated that, at the time of handing over the charge of the depot on 21st April, 1975 and 16th November, 1977, a quantity of 1787—16—6 Mds. of wheat and 7—22—0 Mds. of salt were delivered short by the then Assistant Civil Supplies Inspectors, to their successors. As 399—11 Mds. of wheat and 11—04 Mds. of sugar were godown shortages for the year 1974-75, these could not be accounted for against the short deliveries. The case had been enquired into and results of the inquiry were as under—

(i) *Mr. Ghulam Hussain, A.C.S.I.* The cost of shortages worth Rs. 131,049 had been held to be payable by him. Recoveries at the rate of Rs. 300 p.m. started from his pay from September, 1983 as no landed property was owned by him.

(ii) *Mr. Fazal Shah A.C.S.I.* He was held responsible for shortages worth Rs. 168,716. As he did not possess any landed property, nothing could be recovered as arrears land revenue. However, Rs. 300 as 1|3 of salary had been fixed for monthly recovery. Monthly reports would be watched.

2168. The cases of godown shortages of 2149—22 Mds. of wheat (not 2149—25 Mds.), 54—15 Mds. of sugar and 30—25 Mds. of salt *plus* 399—11 Mds. of wheat, and 11—4 Mds. of sugar for 1973-74 to 1978-79, had been inquired into, and the position was as under—

1973-74. Out of 515—17 Mds. of wheat and 11—05 Mds. of sugar, the godown shortage of 93 Mds. of wheat and 4—17 Mds. of sugar had been regularised by the Ministry, leaving a balance of 422—17 Mds. of wheat and 6—28 Mds. of sugar. The cost of the remaining quantities (Rs. 22,806) was to be recovered from the custodian concerned. Rs. 1,170 had been recovered from Mr. Musa Khan and deposited in the Government Treasury *vide* challan No. 5, dated 21st November, 1983.

1974-75. Out of 399—11 Mds. of wheat and 11—04 Mds. of sugar, the Ministry had accorded sanction to the regularisation of godown shortages of 75—34—11 Mds. of wheat and 7—34 Mds. of sugar.

The Deputy Commissioner, Diamir has been requested to recover the landed cost of the remaining amount from the custodian concerned.

1975-76. Out of 715—15 Mds. of wheat, 11—10 Mds. of sugar and 6—28 Mds. of salt shortages 134—36 Mds. of wheat, 4—34 Mds. of sugar and 1—10—12 Mds. of salt had been written off. For the remaining shortages of 580—19 Mds. of wheat, 6—16 Mds. of sugar and 4—32 Mds. of salt, the Deputy Commissioner had intimated that an amount of Rs. 49,139 was recoverable from Mr. Fazal Shah, A.C.S.I., and recovery at the rate of Rs. 300 p.m. had been started.

1976-77. Out of 623 Mds. of wheat, 10 Mds. of sugar and 8 Mds. of salt, the shortages of 129—12 Mds. of wheat 6—08—04 Mds. of sugar and 1—13—07 Mds. of salt had been written off. For the remaining shortage of 493—28 Mds. of wheat, 3—28—12 Mds. of sugar and 6—26—08 Mds. of salt, the Deputy Commissioner had reported that Rs. 58,834 were recoverable from Mr. Fazal Shah, A.C.S.I., and this was being recovered at the rate of Rs. 300 p.m.

1977-78. Out of 189—20 Mds. of wheat, 15 Mds. of sugar and 8—39 Mds. of salt, shortages of 169—29 Mds. of wheat, 10—24 Mds. of sugar and 2—32 Mds. of salt, had been written off. For the balance of 19—31 Mds. of wheat, 4—16 Mds. of sugar and 6—07 Mds. of salt, Rs. 3,338 had been recovered from the defaulter and deposited in the Treasury *vide* challan No. 6, dated 1st June, 1982.

1978-79. As regards 3,956.33 Kg. of wheat, 261.68 Kg. of sugar and 119.97 Kg. of salt, the case was under process and the result thereof would be intimated on the finalization of the case.

2169. The Audit representative informed the Committee that, the position stated by the department in some of the above mentioned cases, had been accepted by Audit and, in some, Audit had not yet verified the position. A member remarked that Audit had not been able to verify as the documents were not produced. The departmental representative confirmed that the documents were available at the Depots, but that Audit wanted to verify them at Rawalpindi.

2170. After further discussion, *the Committee directed that a statement of irregularities should be prepared, giving the names of offenders and the evidence available against them. A whole-time officer should be deputed to go into all the cases in this paragraph and report. Audit should have the figures verified at site.*

2171. [*Para* 180 (*b*) (*ii*), *page* 144—*AR*]—Audit had reported that eighteen consignments, weighing 4,249—28—4 Mds. of wheat and costing Rs. 367,246, were despatched from Rawalpindi to Astore (N.A) during 1973-74 and 1976. Though the consignments were not delivered at the destination, the matter was not pursued by the authorities.

2172. The Ministry stated in their reply that five consignments, of wheat weighing 873—22—4 Mds. had been duly received by the concerned depots Vouchers for the remaining 13 consignments, weighing 3,376—6 Mds., had also been made available by the DCS & T to the Deputy Commissioner, Diamir for verification and were expected to be received back shortly.

2173. The Audit representative observed that a note should be given in the first instance showing as to how and where the consignments had been despatched, and received and what records were required to be kept by the department?

2174. After the above explanation of the Ministry and Audit comments thereon, *the Committee observed that neither Audit nor the concerned department had adopted the right course to resolve the problem. AGPR should furnish a note to the PAC regarding the procedures being followed for the despatch and receipt of goods and accounting thereof.*

2175. *Losses of Rs.* 704,834 *at the Civil Supplies Depot, Punial, during* 1973-74 *to* 1979-80 [*Para* 180 (*c*) (*i—viii*), *page* 144—*AR*]—Audit had given the following details of losses—

	Rs.
(i) 4,561—7—0 Mds. of wheat were charged off the stock during 1973-74 without depositing the sale proceeds ..	341,951
(ii) 1,461—18—8 Mds. of wheat (balance on 6th June, 1975) was not carried forward and 181—20—0—Mds. of sugar were not taken on stock on 30th November, 1976 ..	146,498
(iii) 102—2—2 Mds of wheat, charged off from stock as issued to Gupis, during April to September, 1975 was not received at the destination	7,703
(iv) 3,853—27—8 Mds of wheat and 81—2—8 Mds of sugar charged from the stock without deposit of sale proceeds..	108,469
(v) 1,017—32—0 Mds of wheat was not taken on stock in June, 1975 and May, 1977	81,772
(vi) Shortage of 156—33—6 Mds of wheat in transit during December, 1975 to March, 1979	8,826
(vii) 45—27—0 Mds of wheat declared short on 24th June, 1975 without valid reason	3,422
(viii) Non-deposit of sale proceeds of 92—12—0 Mds of wheat in September, 1980 and 20—10—0 Mds of sugar in April, 1976.	6,193
Total ..	704,834

2176. The above losses were brought to the notice of the Ministry in May, 1981 and the cases were reported to be under investigation. Action needed to be expedited.

2177. In reply, the Ministry, explained *ad seriatim*—

(i) The Inquiry Officer had reported that, during 1974-75 (not 1973-74) and 1975-76, a quantity of 8,517—24—0 Mds. of wheat (not 4,561—7 Mds.) was received at the Civil Supply point, Gahkuch. 8,402—24 Mds. of wheat were issued to the Public and the sale proceeds thereof, including those of an excess of 3—14—08 Mds., were deposited into Government account. A balance of 115—00 Mds. wheat was carried forward in the stock ledger as the opening balance for 1976-77. There was no loss to Government, as Audit worked out losses on penal rates, deeming the same as mis-appropriated. Actually there was no mis-appropriation.

(ii) The investigation report of the Inquiry Officer showed that for the balance of 1,464—18—8 Mds. of wheat transferred to the then officials of the Civil Supplies Office to a new register, which, however was left incomplete. This register had no signature. The quantity was available in the original stock ledger and sale proceeds thereof had been deposited into Government account.

(iii) According to the Inquiry Officer, the total of the despatches had come to 3,500—16—06 Mds. (not 3,442—34—06 Mds. as worked out by Audit) and there was a difference of 14—38—02 Mds. and not 102—20—2 Mds. The sale proceeds of 14—38—02 Mds. of wheat had already been deposited into Government account and the loss of Rs. 7,703 had been worked out by Audit on penal rates, was on assumption that the wheat was mis-appropriated.

(iv) The sale proceeds of the entire quantity of 3,853—27—8 Mds. were deposited into Treasury and could be verified by Audit. The Sugar weighing 81—2—8 Mds. was also issued to the public and the sale proceeds thereof credited to Government Treasury, which could also be verified by Audit.

(v) As verified and confirmed by the Inquiry Officer, a quantity of 835—8 Mds. of wheat. despatched during June, 1975, had been taken on the stock ledger. Similarly, 182—24 Mds. of wheat had also been taken on the Stock ledger and the sale proceeds of 1,017—32 Mds. of wheat had also been deposited into Government Treasury.

The loss of Rs. 81,772 had been worked out at penal rates, on the incorrect assumption that assuming the commodity was mis-appropriated.

(vi) There was an actual transit shortage of 102—30 Mds. of wheat and not 156—33—6 Mds. as observed by Audit. The cost of 102—30 Mds. of wheat, amounting to Rs. 3,288, had been already recovered by deduction from the contractor's bill alongwith Rs. 470, being the cost of 47 empty bags.

(vii) As reported by the DCS&T, the cost of transit shortage of 43—7 Mds. of wheat at the landed cost of Rs. 100 per Md. and amounting to Rs. 4,317.50 had been recovered, which could be verified by Audit. 2—20 Mds. of wheat, declared short on 1st August, 1978, had been already regularized *vide* Commissioner Office Gilgit letter No. ADCS-14 (9)|77 dated 15th May, 1982.

(viii) The sale proceeds of 92—12—0 Mds. of wheat and 20—10—0 Mds. of sugar, amounting to Rs. 6,193.06, had already been deposited into the Government Treasury.

2178. After examining the above explanation of the Ministry and the Audit comments thereon, *the Committee directed the departmental representative to look into the matter carefully and give a detailed reply to Audit, for examination verification who will revert back to the PAC, if necessary.*

Loss of Rs. 278,148 *at Civil Supplies Depot Bhunji, during* 1973-74 *to* 1978-79 [*Para* 180 (*d*) (*i—vii*), *page* 145—*AR*]—

Losses of Rs. 256,166 *in Civil Supplies Depot Gupis during* 1974 *to* 1978 [*Para* 180 (*e*) (*i—v*), *page* 145—*AR*]—

Irregularity in Civil Supplies Depot Gilgit loss of Rs. 228,091 *during* 1973—77 [*Para* 180(*f*) (*i—iii*) *pages* 145-146—*AR*]—

Losses of Rs. 194,260 *at Civil Supplies Depot Chater Khand, during* 1974-75 *to* 1979-80 [*Para* 180 (g) (*i—vi*), *page*—146—*AR*]—

Losses of Rs. 125,464 *in Civil Supplies Depot Nillat* (*Nagar*) *during* 1973-74 to 1978-79 [*Para* 180 (*h*) (*i—v*), *pages* 146-147—*AR*]—

Losses of Rs. 98,664 *at Civil Supplies Depot Yasin during* 1974-75 *to* 1979-80 [*Para* 180 (*i*) (*i—v*), *page* 147—*AR*]—

Losses of Rs. 15,228 *at Civil Supplies Depot, Sassi during* 1974-75 *to* 1979-80 [*Para* 180 (*j*) (*i—iii*), *page* 147—*AR*]—

2179. After examining the explanations of the Ministry on the above paragraphs and the Audit comments thereon, *the Committee directed that the departmental representatives should go into these cases of losses again and furnish replies in detail which should also contain the reasons for late deposits. An officer from the Office of the Accountant General should visit the sites for checking the departmental explanations and furnish a report to the PAC.*

2180. *Non-submission of accounts of advances of Rs.* 381,684, *and unauthorized opening of bank account* (*Para* 181, *page* 147—*AR*)—It was reported by Audit that, in the office of the S.D.M., Gilgit, Rs. 381,684 were transferred from the Personal Ledger Account of the Deputy Commissioner, Gilgit and advanced to subordinate authorities for the execution of different schemes in the Northern Areas from February, 1973 to July, 1975. Neither the adjustment vouchers for such advances were obtained by the end of 1981 where audit checked the position nor was it known whether the schemes were executed.

2181. The Ministry replied that the development schemes were completed and detailed accounts thereof had also been prepared, which could be verified by Audit. Audit asked why the accounts had not been submitted to the Audit office and the opening of Bank Account with a cooperative bank without the permission of the Ministry of Finance required condonation. Questioned as to where such accounts were opened and what was deposited therein, the Audit representative replied that six accounts were opened with the Northern Areas Commercial Cooperative Bank and a cheque drawn on the treasury was deposited in the D.C's Account.

2182. Not being satisfied with the above explanation, *the Committee directed that—*

(i) *a detailed explanation should furnished to Audit, mentioning all the development schemes therein. Audit will then verify and report to the PAC; and*

(ii) *an explanation should be furnished as to why the Accounts were opened with the Cooperative Bank and money transferred from the PLA.*

2183. *Fictitious drawal of Rs.* 23,035 *for equipment in Government Degree College for Men, Gilgit* (*Para* 182, *page* 148—*AR*)—Audit had reported that Rs. 73,597 were paid to various firms in June, 1979 for the supply of laboratory equipment. Items costing Rs. 23,035 were not taken on stock. The Authorities stated that the items were not purchased and a sum of Rs. 27,405 was recovered and deposited in the bank under challan No. 12 dated 4th July, 1979. The challan related to recovery of an overpayment of Rs. 27,405 (not Rs. 23,035)

and was dated 4th July, 1978 (not 1979) whereas the purchases were made in June, 1979. The matter was brought to the notice of the Ministry in October, 1980. No satisfactory reply was received. Effective steps were required to be taken to recover the overpayment.

2184. In their reply, the Ministry stated that after having re-checked the position, the date shown on the Treasury Challan No. 12 dated 4th July, 1979 for Rs. 27,405 was duly certified as 4th July, 1979 and not 4th July, 1978, by the National Bank of Pakistan Gilgit and a certificate was available to verify the position. As regards purchase of items for Rs. 23,035 not taken on stock, the fact was that no items were purchased and erroneous drawal of Rs. 27,405 of which Rs. 23,035 was a part, was refunded. Audit maintained that the refund of the amount in the next financial year was irregular and needed condonation by the Ministry of Finance. Subject to the regularisation required by the Audit, the paragraph was dropped.

2185. *Irregularities in the Educational Institutions, Gilgit* (*Para* 183, *page* 148—*AR*)—Since Audit accepted the position as described by the Ministry, the Committee decided to drop the paragraph.

2186. *Retention of Contractor's securities* (*Para* 184, *page* 148—*AR*)—The contractors of a Civil Supplies Directorate were asked in June, 1975 to deposit security in cash instead of the usual call deposit certificates. Cash deposits of Rs. 10,500 was neither entered in the cash book, nor deposited into Treasury. Government cash was thus retained out side the book for years together. It was stated by the Ministry that actually the cash deposits received from contractors were to be refunded soon after the completion of contracts. The retention of money in hand during 1974-75 and 1975-76 had, however, been condoned and regularized *vide* the Division letter No. CS-8 (12)|79 dated 24th October, 1982 addressed to A.G.P.R., Islamabad.

2187. Questioned as to who kept this fund, the departmental representative informed the Committee that the Deputy Commissioner had kept the fund. A member enquired as to what action had been taken against him and whether the Director was responsible for it? Where was the money? The departmental representative replied that it was kept in the Director's custody. The representative of the Ministry of Finance intervened to say that this amount should have been kept in the Treasury. The Member further enquired as to what action had been taken to find out where the money was and what disciplinary action had been taken? The Member further remarked that as the case had to be regularized with the concurrence of the Ministry of Finance, the Admn. Ministry should also explain why they condoned it. *The Committee directed the departmental representative to look into this matter and give full report to Audit who will report back to the PAC. The paragraph was deferred.*

2188. *Irregularities in the accounts of Agency Surgeon, Gilgit (Para 185, page 149—AR)*—As reported by Audit, Rs. 634.023 were spent during 1974-75, 1977-78 and 1978-79 in excess of budget estimates. In the absence of re-appropriation Orders or Supplementary grants, the expenditure incurred was unauthorized. The amounts were required to be regularized with the approval of Finance Division.

2189. Audit further pointed out that according to development schemes P.C.-1, Rs. 360,000 were earmarked for the purchase of nine Ambulance Jeeps during 1972—75 for the benefit of the people of far flung villages. The local office purchased only one Ambulance for Rs. 77,500 and five ordinary jeeps for Rs. 281,095 defeating the object of the scheme. Even the sanction of the competent authority for deviation from the original scheme was not obtained. These cases were brought to the notice of the local authorities and the Director, Health Services in February, 1980. No satisfactory reply had been received from them. Steps were required to be taken for regularisation and fixation of responsibility.

2190. In their reply, the department explained that the pay and allowances were revised twice from 1974—79 but no additional funds were provided to meet the increases, in pay and allowances. The case for re-appropriation was also taken up but unfortunately the approval of the Ministry of Finance could not be obtained. The excess of Rs. 634,023 consisted of figures for three years relating to the following heads—

1974-75	..	..	.. Rs.	162,366	Pay of Establishment
1977-78	..	..	.. Rs.	468,597	Allowances
1978-79	..	..	.. Rs.	3,060	Other charges

All the above excesses had been individually discussed in the Appropriation Accounts for these years by the PAC and examined the basis of overall savings and excesses in the Grants. The audit observation was, therefore, not required for inclusion in the Report for 1980-81.

2191. The Ministry further stated that the PC-1 form of the development scheme included purchase of nine ambulance jeeps worth Rs. 360,000. Due to rise in the price of jeeps, the estimated cost of Rs. 40,000 per jeep was considered insufficient because of the fact that the cost of an ordinary jeep was Rs. 62,000 in 1975. Besides, ambulance jeeps were not suitable for the hilly areas of Northern Regions. In view of this cost hike and hilly terrain, it was decided to purchase five ordinary jeeps for Rs. 281,095 and one ambulance jeep for Rs. 77,500 from within allocated funds.

2192. Thereupon, a member of the Committee remarked that it was obvious that the jeeps had not been used for the purpose for which the grant was given and that the funds were utilized for buying jeeps which were presumably used for personal purposes and suggested that action should be taken against the person concerned. The department needed ambulances and the funds were provided for that purpose. The departmental representative replied that only jeeps could run on that route and the ambulances were not suitable for that purpose. The Vice-Chairman enquired as to who took this decision that the jeeps were not fit and what was the reasoning behind the decision. The departmental representative answered that the Director, Health Services took the decision. Thereupon, the Vice-Chairman again enquired as to whether the basis for the change had been given on the file in support of his decision ? The departmental representative could not give a reply, *the Committee, therefore, directed the departmental representative that a report with full facts should be furnished to the PAC, which should among matter explain how the feasibility aspect had been ignored at the time of submission and approved of PC-I and also reporting the date when the decision was taken that the ambulance was not suitable and jeeps should be purchased.*

2193. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)— The Ministry informed the Committee that the system of internal check in this Division had been streamlined. The accounts of this Division (Main) and Attached Offices upto the year 1981-82 had been internally checked and copies of reports furnished to AGPR, Islamabad (OAD) Section. In future, the internal check would be regularly conducted and copies of report furnished to Audit.

2194. After hearing the above explanation of the department, *the Committee observed that internal Audit should also be extended to various other offices of the Ministry.*

2195. *Delay in processing of G. P. Fund cases* (*Para* 188, *page* 151—*AR*)— The Committee took serious view on the delay of G. P. Fund cases of the officials (M|s. Mir Ahmed and Hadayatullah, Peons) as mentioned in item 4 of the Ministry's reply. The Vice-Chairman observed that there are instructions given by PAC that some one should be held responsible for delay and action taken against him.

2196. *The Committee having learnt that there was delay in the AGPR's office, decided that the AGPR should furnish on explanation for the delay and should also take action against the defaulters who misplaced the cases of the above officials.*

2197. *Delay in the processing of Pension cases* (*Para* 189, *page* 157—*AR*)—The Ministry explained that the delay in the pension case of Mr. Sultan Ali was not in its initiation by them but was in the completion of formalities by AGPR. The Instructions issued by the Ministry had already been noted by all concerned and no such delay had been reported. Thereupon, *the Committee directed the AGPR to explain why formalities had not been completed in time.*

COMMERCIAL ACCOUNTS

2198. *Norhern Areas Transport Corporation Limited, Gilgit* (*Para* 300, *page* 123—*ARCA*)—The Corporation was established in March, 1974 as a private company under the Companies Act, 1913 with registered office at Rawalpindi and head office at Gilgit. The authorized share capital of the Corporation was Rs. 5,000,000 later increased to Rs. 10,000,000. Its objective was to develop transport facilities in the Northern Areas. It had a fleet of 109 vehicles on 30th June, 1980. The information was noted.

2199. (*Para* 301, *page* 123—*ARCA*)—Audit reported that the Corporation sustained an operational loss of Rs. 5,662,427 during the year under review as against Rs. 3,901,082 in the previous year. The increase in loss was stated to be mainly due to—

(i) acceptance of a contract for transportation of wheat, sugar, etc. @ Rs. 9.90 per maund against the lowest bid of Rs. 13.50 from a private party involving a possible loss of revenue amounting to Rs. 756,000 ;

(ii) employment of excessive staff under public and political pressure involving an avoidable expenditure of Rs. 400,000 ; and

(iii) operation of jeep Service on non-viable routes.

2200. The Corporation was under no obligation either to accept an uneconomical contract for transportation of wheat and sugar or to employee redundant staff under pressure. Unbusiness like action of the management thus led to a loss of about Rs. 1,156,000.

2201. Audit further reported that the accumulative loss of the Corporation as on the 30th June, 1980 amounted to Rs. 14,360,101. The entire share capital of the Corporation Rs. 9,100,000 (including the share application money of Rs. 6,600,000), amounting to was exhausted on that date. Ways and means were to be found to make the Corporation a self-sustaining unit.

2202. In reply to the above points, the Ministry explained *ad seriatim*—

(i) The Corporation was farmed to render a public service, and similar organisation were running in deficit in all the Provinces. However,

the loss of Rs. 756,000 to the Corporation was gain to the Government, since transportation charges on food were payable by Government.

(ii) The Audit observation was correct. The number of staff on 30th June, 1980 was 384, which had been reduced to 269 by 30th June, 1982.

(iii) Jeep service had to be continued to link the main parts of Northern Areas but it was being reduced in the areas where private parties were coming forth.

2203. It was further stated that, if the Corporation had not accepted the contract, which resulted in saving to the Government, its fleet of trucks would have been left without work. The Ministry also said that attempts were being made to make the Corporation economically viable. The losses had been considerably reduced (Rs. 2.91 million in 1980-81 and Rs. 1.28 million in 1981-82) in the subsequent year. But none of the Public Transport Corporation is self-sustaining in Pakistan or in most other countries.

2204. Questioned as to whether any action was taken and if so what action was taken to convert the loss into profit, the departmental representative submitted that this would be checked by the Ministry. A member of the Committee remarked that the department had shown a reserve of Rs. 177 lakhs. It was not clear as to where it had come from and as to whether it was a grant. The department should furnish an explanation thereon. The Vice-Chairman observed that the department had a cumulative loss of Rs. 14,360,101 as at the end of 1980, the departmental representative submitted that the loss was going down annually.

2205. After discussion, *the Committee directed that the accounts of the Northern Areas Transport Corporation Limited should be reviewed by Audit and a report prepared for the PAC, the report should give replies to the question asked in paragraph* 2204 *above, should give the actual figures of passengers and goods carried and the income therefrom, and should make an evaluation of the performance of the Corporation should also be furnished to the Committee.*

2206. (*Para* 302, *page* 123—*ARCA*).—Audit had reported that physical verification of the POL stock held at the close of 1979-80, had not been carried out. The value in the Accounts, therefore, represented book value only. There was a need for a proper physical checking of the POL stock at the close of each year. The Ministry explained that the business of POL distribution had been discontinued, since Petrol Stations had been established in the Northern Areas by the oil distribution Companies. The Committee did not make any observation and the paragraph was dropped.

2207. (*Para* 303, *pages* 123-124—*ARCA*)—Sundry debtors, on the 30th June, 1980, amounted to Rs. 2,164,012 and a provision of Rs. 323,200 was made against debts (Rs. 532,713) due from the Pakistan State Oil Limited. The year-wise break-up of the debtors was as given below—

Year	Amount
	Rs.
1975-76	159,036
1976-77	288,351
1977-78	155,336
1978-79	331,651
1979-80	906,438
Total ..	1,840,812

It was seen that the bulk of the amount was recoverable from government institutions and Audit desired that efforts should be intensified for their recovery. The Ministry pointed out that all possible efforts to recover the arrears had been made but with no substantial results. Audit then raised the following points in their comments—

(i) whether the Government Adjuster was approached to recover the amounts, due from government agencies ?

(ii) what amount was outstanding against private parties and what were the prospects of their recovery.

(iii) that Sundry Debts of Rs. 1.810 million on 30th June, 1982 should that there was no substantial reduction even though POL distribution had been discontinued.

2208. *The Committee decided to drop the paragraph subject to verification by Audit. It also observed that the Secretary, Federal Council Secretariat should follow up the directive of PAC about adjustments by the Government Adjuster.*

2209. (*Para* 304, *page* 124—*ARCA*)—It was reported by Audit that tankers were revalued and the increase of Rs. 710,000 in their value was taken to Profit and Loss Account through the "Previous years. adjustment account" for 1979-80, instead of crediting the amount to "Capital Reserve". An adjustment was needed to rectify the position. The Ministry informed the Committee that the accounts had been adjusted. A member enquired as to whether the department knew the reasons for the revaluation. The departmental representative promised to look into this.

2210. *The Committee directed that a report should be furnished to the PAC about the dispute with the PSO and the action taken to resolve it, including information about revaluation of the tankers and the action taken on the Audit objection.*

2211. *The Committee gave the following further directions—*

(i) *Page* 678 *CA (I) Capital Reserve—Full information on the Capital Reserve be furnished.*

(ii) *Pages* 686-687 *CA (I) Sundry Debtors—The names of persons, still defaulting in payment, should be furnished to the PAC through Audit.*

(iii) *Page* 688—*CA (I)—Disputes on notes* 8.3 *to* 8.7 *should be reported to the PAC through Audit.*

(iv) *Page* 690 *CA (I) The explanation about increase in costs should be furnished to the PAC. The information should be furnished by the end of May,* 1984.

APPROPRIATION ACCOUNTS

2212. *Grant No.* 121—*Kashmir Affairs and Northern Affairs Division* (*Page* 146—*AA*)—A saving of Rs. 263,114 was shown by Audit against the function head "014—Kashmir Affairs". The Ministry claimed that a debit of Rs. 261,000 on account of surveillance staff in Azad Kashmir was not received from the Government of Azad Kashmir during 1980-81, hence saving. The debit was adjusted during 1981-82 and the remaining balance of Rs. 2,114 was nominal. Audit maintained that, in view of the surrender of Rs. 487,900, a supplementary grant of Rs. 539,000 was unnecessary. The Committee did not make any further observation.

2213. *Grant No.* 122—*Northern Area* (*Page* 147—*AA*)—A saving of Rs. 19,137,073 was exhibited under the function head "014—Kashmir Affairs" against the final grant of Rs. 30,416,500. But the Ministry had shown the final grant as Rs. 10,944,500 and the actual expenditure Rs. 10,966,038, resulting in an excess of Rs. 21,538, which was stated to have occurred due to the Additional Dearness Allowance and increase in House Rent Allowance.

2214. Audit stated that, out of the total final grant of Rs. 30,416,500, an amount of Rs. 19,472,000 for NAWO pertained to the Ministry of Defence. The remaining Final grant had been accepted by the Kashmir Affairs Division as under—

Commissioner Northern Areas	1,936,400
Political and Administrative charges	9,008,100
Total ..	10,944,500

2215. Under actual expenditure, the difference of Rs. 313,389 (Rs. 11,279,427, Rs. 10,966,038) was due to the fact that reconciliation took place after the close of the year, when it was not possible for Audit to rectify the adjustment.

2216. Excess were also shown against the function heads "200—Law and Order", "222—Provincial Police". "479—Other Welfare Measures", "511—Administration|Land Commission" and "560—Rural Development". *The Committee did not feel satisfied with the explanation.*

2217. As regards the saving of Rs. 1,105,204 under the function head "421—Administration". The representative of the Ministry explain that it was due to certain posts of officers having remained vacant and that debit vouchers of the medicines purchased could not be adjusted in time. Not finding the explanation to be satisfactory, member of the Committee suggested that, prior to appearing before the Committee, the Principal Accounting Officer of Ministries|Divisions should be fully briefed, internally, by their Financial Advisers and other concerned officers.

2218. After some deliberation, *the Committee directed that the Financial Adviser concerned should keep himself abreast of the Accounts of the Ministry in general particularly when there is excess in expenditure. He should also advise the Principal Accounting Officer about these matters.*

2219. *The Committee further directed that full facts, giving a fresh reply, should be furnished to the PAC.*

2220. *Grant No.* 123—*Federal Government Educational Institutions in Northern Areas* (*Page* 149—*AA*)—Appropriation Accounts show a saving of Rs. 198,828 under this grant. The Ministry explained that the saving of Rs. 198,828 was due to posts of lecturers having remained vacant and for lack of progress in securing stipend forms from the students of various professional colleges due to extended sessions. The saving was, however, less than 2 percent.

2221. The Committee did not make any observation on this grant.

2222. *Grant No.* 124—*Other expenditure of Kashmir Affairs and Northern Affairs Division* (*Page* 150—*AA*)—A saving of Rs. 1,394,182 was shown by Audit against the function head "014—Kashmir Affairs". The department pointed out that as the Ministry of Defence controlled NAWO, they should furnish the explanation. Audit maintained that the final grant was inclusive of the provision relating to NAWO (Rs. 1,393,000), which had been separately

explained by the Ministry of Defence. The final grant and the actuals relating to the Kashmir Affairs and Northern Affairs Division, however, stood reconciled and accepted.

2223. When questioned as to whether or not the department had made any surrender and what was the position from 1975 to 1981, the departmental representative replied that the adjustment under Function 610—Food had been carried out for the year 1980-81. The Vice-Chairman enquiring as to when was the adjustment, made, the departmental representative replied that it was effected in April, 1984. A member enquired as to what happened from 1974-75 to 1982-83, what was the position of the year-wise grants and what were the causes for delayed adjustments. The departmental representative submitted that the delay was mainly due to the sale proceeds not having been received and it took months for them to come.

2224. After discussion, *the Committee directed that a statement be furnished to it about adjustments during the period* 1974-75 *to* 1982-83, *giving the reasons for delay in affecting them.*

2225. *Grant No.* 131—*Capital Outlay on Purchases by Kashmir Affairs and Northern Affairs Division* (*Page* 159—*AA*)—There was no material point for consideration by the Committee regarding this grant.

2226. *Grant No.* 165—*Development Expenditure of Kashmir Affairs and Northern Affairs Division* (*Page* 215—*AA*)—An excess of Rs. 1,358,712 was shown by Audit against the function head "Grant for Directorate of Local Bodies and Rural Development in Northern Areas" and of Rs. 10,761,461 under "Development Schemes in Northern Areas".

2227. The Ministry explained that an excess of Rs. 647,601 had occurred under "Grant for Directorate of Local Bodies and Rural Development" because an actual expenditure of Rs. 10,147,601 was incurred against the Final grant of Rs. 9,500,000. The reasons for the excess were—

(i) Inclusion of Rs. 489,884 relating to Industries (Development Scheme) Department under the grant.

(ii) Inclusion of Rs. 144,250, drawn in excess by Skardu through an error. The amount was refunded on 10th December, 1982.

(iii) Rs. 13,467 drawn directly by the Project Manager on account of salaries.

2228. As for the saving of Rs. 4,494,940 under Development schemes in the Northern Areas, the Ministry replied that Rs. 489,884 were adjusted erroneously against the Grant-in-Aid to LB & RD under item (i) above. Rs. 4,005,056 was the actual saving due to non-execution of Development Schemes.

2229. Audit pointed out in their comments on grant for Directorate of Local Bodies and Rural Development in N. A. that the net actuals were Rs. 9,730,640 (in the printed Appropriation Accounts, the actual was Rs. 10,858,712) of which Rs. 1,128,072 related to Development Schemes. As compared to this, the departmental figure was Rs. 10,147,601. There was, thus, a difference of Rs. 416,961 and booking to this extent was carried out in 1981-82. The explanation of the Ministry in respect of the excess was not convincing and required a second look by them.

2230. Audit further stated in their comments under " Development Schemes in Northern Areas " that the grant partly related to NAWO which was under the Ministry of Defence, who had furnished the explanation for their portion. In their letter, dated 13th February, 1984, it was stated that the final grant of Rs. 18,185,000 related to Kashmir Affairs. This grant was then shown in the departmental reply to be Rs. 19,185,000. Against this grant, the debits amounted to Rs. 14,690,060. Explanation for the saving of Rs. 3,494,940 according to grant worked out by Audit was, however, still to be furnished by the Division.

2231. Questioned as to when the money was drawn and who held it for two years, the departmental representative replied that it was drawn in 1980-81. Audit representative, thereupon, observed that the money must have been drawn before the 30th June, 1981. It was deposited after 1½ years. This was a serious matter as it was not explained as to who held it and where the money was in the meantime. A member of the Committee observed there seemed to be something fishy in it and the department should furnish a satisfactory explanation about where the money was kept during this period.

2232. *The Committee finally decided that a report should be furnished as to who drew Rs.* 144,250, *how it was drawn, where it was kept etc. The circumstances of delayed refund should also be spelt out described clearly. The report should be furnished to the PAC within a month.*

2233. *Points|paragraphs not discussed to be treated as settled*—The committee did not make any observation on other paragraphs and points in (i) the Appropriation Accounts 1980-81 and the Audit Report thereon and (ii) the compliance on the PAC's Report 1978-79. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

MINISTRY OF INTERIOR

2234. The other item on the Agenda was examination of the Accounts of the Ministry of Interior. A representative of the Ministry informed the Committee that the Secretary of the Ministry was busy with some other urgent work and, that there would be a Cabinet meeting on the 7th May, 1984, in which he would again be busy. The Committee decided that it would not take up the Ministry's Accounts unless the principal accounting officer was present. Consideration of the Accounts of Ministry of Interior for 1980-81, was then deferred to the next session.

2235. The Committee adjourned to meet again at 9.00 a.m. on Sunday, the 6th May, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 30th January, 1985.

FEDERAL COUNCIL SECRETARIAT

Sunday, the 6th May, 1984

Fourteenth Sitting (PAC)

2236. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

(1) Mian Zaka-ur-Rehman, Member, Federal Council	*Member (Acting Chairman)*
(2) Sayed Saieed Hasan, Member, Federal Council	*Member*
(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council	*Member*
(4) Mr. Masarrrat Hussain Zuberi, former Secretary to the Government of Pakistan	*Member*
(5) Mr. Yusuf Bhai Mian, Chartered Accountant	*Member*

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

(3) Mr. S. I. Shabbir, Deputy Auditor-General (Co-ord)

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

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(6) Mrs. S. N. Shaikh, Director General, Commercial Audit

(7) Mr. Fazal Ahmad, Director General, Audit and Accounts (Works), Lahore

Ministry of Finance

(1) Mr. Fayiaz Akhtar, F.A. (States and Frontier Regions)

(2) Mr. Mushtaq Ahmad Qureshi, F.A. (Works, Environment and Urban Affairs)

(3) Mr. M. Jamil Erikhzada, DFA (States and Frontier Regions)

2237. *Accounts examined*—The Accounts pertaining to the following Ministries|Divisions were examined by the Committee during the course of the day—

(1) States and Frontier Regions Division

(2) Works Division

(3) Environment and Urban Affairs Division

STATES AND FRONTIER REGIONS DIVISION

2238. The Committee first took up, for examination, the Appropriation Accounts and Audit Reports etc., pertaining to the States and Frontier Regions Division. The following departmental representatives were present—

(1) Syed Munir Hussain, Secretary

(2) Brig. (Retd) Usman Khan, Joint Secretary

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

(4) Mian Tayyab Hassan, Secretary, Finance Department, NWFP

(5) Mr. Muhammad Azeem Khan, Education Secretary, NWFP

(6) Mr. Attaur Rehman Khan, Secretary, C & W Department, NWFP

(7) Mr. M. Ramiz-ul-Haq, Deputy Secretary

(8) Mr. Fateh Muhammad, Section Officer

(9) Mr. U. D. K. Lodhi, OSD (F & A)

2239. This Division controlled the following grants—

S. No	Name of Grant	Grant No
1.	States and Frontier Regions Division	116
2.	Frontier Regions	117
3.	Federally Administered Tribal Areas	118
4.	Maintenance Allowances to *Ex*-Rulers	119
5.	Other Expenditure of States and Frontier Regions Division	120
6.	Development Expenditure of States and Frontier Regions Division	163
7.	Development Expenditure of Federally Administered Tribal Areas	164
8.	Capital Outlay on Development of Tribal Areas	186

2240. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation for the year 1983-84 had been completed only upto February, 1984. *It directed that reconciliation, particularly of the Accounts pertaining to the Malakand Force, be completed by May,* 1984.

AUDIT REPORT

2241. *Irregularities in the Accounts of C & W (Development) Division, Bajaur during* 1978-79 (*Para* 160, *pages* 133-134—*AR*)—According to Audit, Rs. 101,215 were paid to a contractor for 188.353 cft. slips, removed from the road side in May, 1979. The contractor was paid at the rates for original excavation of soft and hard rocks, requiring occasional or repeated blasting. The

rate permissible for rehandling the gravel work or excavated rock was Rs. 29.05 per hundred cft., and the contractor was entitled to Rs. 27,358 only. An excess payment of Rs. 73,856 was recoverable from the contractor. The Ministry explained that the local Administration had reported that this point had been already taken as Draft paragraph No. 409 of 1978-79 *vide* A. G. NWFP, Peshawar No. IR|DP|78-79|492, dated 29th October, 1980 and had since been settled, after producing the revised sanctioned estimate of the work to Audit.

2242. The Committee accepted the explanation and decided to drop the paragraph.

2243. Audit had also reported that Rs. 133,895 were paid to a contractor upto October, 1976 for electric installations at the Government College, Khar. According to the final measurement, the total value of the work was Rs. 86,176. An excess payment of Rs. 47,719 was stated to have been placed under "Misc. P. W. Advances" pending investigation and recovery.

2244. In reply the Ministry stated that the Communication and Works Department had informed that Rs. 7,912 had been recovered from the Party concerned and efforts were being made to effect the recovery of the balance of Rs. 39,807 from them. The department stated that as the Party concerned had lodged a Civil Suit against the Department, further recovery was not possible till the Court decision. *The Committee directed that recovery be got expedited after the disposal of the case. Audit was also requested to watch the recovery.*

2245. Audit further reported that Rs. 307,115 were paid to a contractor for constructing a building upto August, 1978, against Rs. 292,248, admissible involving an over-payment of Rs. 14,867. Recovery of Rs. 31,500 for the material issued to the contractor by the departmental stores was also outstanding. The contractor had left the work incomplete and his securities of Rs. 6,828 were forfeited. The balance amount was still recoverable.

2246. The Ministry explained that the Political Agent Bajaur at Khar, who had nominated Mr. Rahmat Jan as Contractor and the D. C. Dir in whose jurisdiction the said contractor resided, were regularly reminded to effect recovery from the contractor. In addition, the PWD Division and local bodies, who were executing construction works in the Agency of the contractors, had also been addressed to withhold the credit balance, if any, of the said contractor, in order to make good the Government loss.

2247. The Committee was further informed that the person responsible was charge-sheeted in January, 1984. Departmental representative promised to give complete information of the situation. The Committee deferred the consideration of the paragraph.

Irregularities in B & R Division, Bajaur

2248. *Infructuous expenditure of Rs.* 8,178,421 *on two bridges* [*Para* 161 (*i*), *page* 134—*AR*]—Audit had reported that the construction of two bridges was awarded to two firms on a lump sum contract of Rs. 4,333,320 and Rs. 3,563,426, without ascertaining their competence and financial status. The bridges were to be completed within 18 months from April, 1975 and November, 1975 and Rs. 8,178,421 were spent on them till June, 1978 when the contractors left the work incomplete in August, 1978 and January, 1978 respectively, holding the Department responsible for delay and stoppage of work. The firms submitted their claims of Rs. 1,618,739 and Rs. 231,150 for arbitration, due to idle hours losses.

2249. The department argued that the local administration had reportedly awarded the contracts to the firm after calling for competitive rates. If the contractor left the work incomplete, it did not mean that his competence and financial status were not looked into by the Department. The firm was approved for carrying out such works. The case was under the active consideration of the arbitrator, who was to decide whether or not the claim of the contractor for idle hours losses was genuine. Audit would be informed of the decision. Work, however, remained suspended on this project, as the bridge was not completed.

2250. Questioned about action against the contractor, the departmental representative submitted that the security deposit had been already recovered from him. Besides, fortunately, the project had since been completed and the arbitrator given his award.

2251. After hearing the explanation, *the Committee directed that a full report should be submitted to the PAC and the paragraph was deferred.*

2252. Audit further pointed out that 6,220 bags of cement were issued to a contractor during May, 1975 to May, 1976, though there was no provision for it in the agreement. Recovery of the cost of 5,620 bags was to be made at Rs. 20.75 per bag *plus* 5 per cent storage charges or market rate, whichever was higher and that of 600 bags @ Rs. 23.75 per bag *plus* 5 per cent storage charges. The recovery of the whole lot was made @ only Rs. 18.75 per bag plus 5 per cent storage charges, resulting in a short recovery of Rs. 14,952. The Committee was informed by the department that the Home Secretary and the Commissioner had been addressed to recover the amount and assured the Committee about its recovery. *The department was directed to expedite the recovery and Audit to pursue it.*

2253. *Irregularities in the Accounts of C & W Division Kurram* (*Parachinar*) (*Para* 162, *page* 135—*AR*)—Audit had brought to the notice of the local office to and the administrative Ministry in June, 1979, August, 1980 and

June, 1981, five instances, as at (i) to (v), of irregularities and over-payments to contractors in various Divisions of Communication and Works Department. Despite this, no satisfactory response came and no steps were taken to fix the responsibility and make good the losses.

2254. After considering the explanation of the Department and the Audit Comments thereon, *the Committee decided as follows item-wise—*

(i) *Copy of Inquiry Report and action taken thereon should be furnished to Audit.*

(ii) *The case should be looked into and a report should be furnished, through Audit, as to why was only SDO held responsible and two others were absolved?*

(iii) *An ex-*post facto *approval of Rs.* 9.488 *million should be obtained from the Provincial Development Working Party and furnished to Audit.*

(iv) *The department should pursue the recovery of the balance amount of Rs.* 257,489 *and produce record to Audit, who may revert back to the PAC, if necessary.*

(v) *This paragraph may be treated as settled subject to the stores worth Rs.* 104,865 *being written off and verified by Audit.*

2255. *Irregularities in Markaz of Integrated Rural Development Programme, Parachinar during* 1977-78 (*Para* 163, *page* 136—*AR*)—After discussion, the paragraph was treated as settled.

2256. *Irregularities in C & W Division (Development) Kurram Agency during* 1979-80 *and* 1980-81 (*Para* 164, *page* 136—*AR*)—Audit had pointed out to the Ministry and the Secretary in November, 1981, five instances of overpayment to contractors irregular expenditure etc. in various contracts given by the C & W Department; but no satisfactory reply was forthcoming. Necessary steps were needed to investigate the irregularities.

2257. After going through the reply of the department and Audit comments thereon, and hearing the departmental representative, *the Committee observed, item-wise, as below—*

Audit Paragraph	*Observations of the Committee.*
(i) Overpayment of Rs. 1,355,674 to the contractor, because the schedule of rate and prevalent premium had not been followed.	Advisability of the revision of schedule of rates be duly considered and the objection be treated as settled, subject to verification by Audit.

(ii) Overpayment of Rs. 32,967 to the Contractor due to the excess measurement of resurfacing of road.	The objection be treated as dropped subject to satisfaction of Audit. If not satisfied, they may come to the PAC.
(iii) Irregular expenditure of Rs. 104,265 on the repairs of machinery by splitting up the expenditure so as to bring it within the competence of the Executive Engineer.	This objection be treated as settled subject to such regularisation action as may be necessary under the rules.
(iv) Excess payment of Rs. 201,066 for scrapping of white-wash and applying Evershine emulsion paint in its place.	This objection be treated as dropped subject to verification by by Audit.
(v) Irregular expenditure of Rs. 170,208 and Rs. 2,800 on payment of consulting charges.	The objection be treated as dropped subject to Audit being satisfied in the light of the explanation of the Ministry.

2258. *Irregularities in C & W Ekka Ghund Division* (*Para* 165, *page* 137—*AR*)—According to Audit, the following irregularities were noticed during 1976-77 and 1978-79—

(i) Machinery and equipment worth Rs. 2,977,402 were purchased in 1976-77 but detailed numerical account of receipts, issues and balances was not maintained, resulting in a loss of rental charges and shortage of costly road making machinery. The cost of nine crushers, amounting to Rs. 1,129,500 and purchased for other Divisions, was charged to "Misc. P. W. Advances" pending recovery. Transfer documents, showing the issues and receipts, were not available.

(ii) The construction of a building for various Departments in and outside the Mohmand Agency Headquarters, was started in 1974 and completed by June, 1977. A Work order for the preparation of its model, costing Rs. 35,000, was placed in April, 1977 and delivery taken in May, 1977. The authorities stated that the Model, though not actually required, was prepared for exhibition in a seminar, which was not held. An infructuous expenditure of Rs. 35,000 needed investigation for fixing responsibility.

2259. The above-mentioned cases were brought to the notice of local office in May, 1978 and the Administrative Secretary in November, 1979 but without any satisfactory response. Effective steps were required to fix responsibility and make good the losses.

2260. In reply, the Ministry explained the position, item-wise, as under—

(i) Machinery and equipment worth Rs. 2,600,902 and not Rs. 2,977,402, were actually purchased during 1976-77 which Audit might verify. Proper numerical account of the receipts and issues of the Machinery were maintained in the T & P Register, which was available for verification. The Machinery was used on various projects in the Division and their hire charges were being made good from the contractor's bill and credited to the Government revenues as per the record of revenue receipts.

(ii) In National Seminars, such Model are always presented to present a better picture of the development works. The Model of Mohmand Agency Headquarters was specially important, for showing the progress of development being carried out there by the Government. Many dignitaries saw the Model and this added to the prestige of the Department. Unfortunately, the proposed seminar could not be held, but the Model duly existed and it could be presented in any subsequent seminar etc. The expenditure incurred on the Model was thus not wasted.

2261. Questioned as to why was only one Division authorised to buy the Machinery, the departmental representative submitted that it was the nearest Division. After going through the explanation of the department, the Committee decided that the paragraph be treated as settled, subject to the satisfaction of Audit.

2262. *Loss of Rs. 354,582 due to non-acceptance of lowest rates (Para 166, page 138—AR)*—In the Nowshera and Khairabad Bridge Division, the lowest rate tendered by a contractor for the "Construction of Tribal Hostel for 80 students" in April, 1979 was rejected without assigning any reason. Fresh tender was floated in May, 1979 and the work was awarded to another contractor, who offered the lowest rates, this time, which happened to not only higher than the lowest rates rejected in April, 1979, but also higher than those previously tendered by the same contractor. Meanwhile, the work was transferred to the C & W Division, Jamrud. The work on higher rates resulted in an extra-cost of Rs. 354,582. The irregularity was brought to the notice of the Ministry in May, 1981, but no satisfactory reply was received. The matter, therefore, needed investigation to fix responsibility.

2263. The Ministry explained that the work "Construction of Hostel for Tribal Areas Students at the vocational School, Nowshera" was put to tender by the Executive Engineer, Khairabad Bridge Division, Nowshera on 3rd April, 1979. Twelve contractors participated. The lowest rates were offered by M/s. Hassan

Khel. Before recommending his case for acceptance, the contractor was asked to supply the necessary documents but he failed to do so till 18th April, 1979. The Executing Engineer, therefore, recommended for acceptance the rates quoted by the 2nd lowest tenderer, M|s. N. N. Construction Company, Peshawar. The Superintending Engineer, Project Circle, Peshawar, however, rejected the rates of M|s. Hassan Khel and ordered that the work be retendered. It was re-put to tender on 10th May, 1979. When three contractors submitted their tenders, which were forwarded to the Superintending Engineer, Project Circle, Peshawar, who had accepted the rates tendered by Haji Sardaraz Khan, contractor, being the lowest. Since the original contractor had failed to supply the information upto 18th April, 1979, there was no alternative but to recall the tender as per the codal rules. Audit commented that the documents asked for from the lowest contractor were a pre-requisite to giving him the tender form itself. Re-tendering of the work hence needed to be investigated into.

2264. The Acting Chairman remarked that it seemed to be significant that the department called for retendering on the 18th April, 1979. The department stated that this was done because the contractor did not furnish the requisite information.

2265. Thereupon, a Member observed that the department should, in that case, not have given him the tender documents. *The reply of the Ministry being unsatisfactory, the matter should be looked into by the Secretary personally and a full report given to Committee.*

2266. After discussion, *the Committee directed that all the documents, which need to be seen before awarding any tender, must be called for and seen before an award is given, so that subsequent complications do not take place in future.*

2267. *Irregularities in the accounts of C & W Division, Khyber for* 1979-80 (*Para* 167, *page*, 138—*AR*)—Audit had reported that—

(i) The cost of stores worth Rs. 243,290, issued to the contractor for the Construction of Student's Hostel, Khyber Medical College should have been regularly recovered from the running bills of the contractor. The contractor was paid his final bill in May, 1980, although the cost of stores was still outstanding.

(ii) The item of "providing and fixing wardrobes" was executed through work orders, at a cost of Rs. 133,022, by splitting them up, so as to bring the job within the competency of the Divisional Officer. The local office maintained that the Chief Engineer had ordered the completion of work within six days even than the splitting was not permissible under the rules.

2268. The above mentioned cases were brought to the notice of the Ministry and Administrative Secretary in May, 1981, but no action was initiated to fix responsibility and recover the amount.

2269. As to the objection at (i), the Ministry explained that the C & W Department had informed that recovery of the cost of stores had been effected from the bills of the contractor. The agreement was rescinded and he was paid his final bill *vide* voucher No. 38-B, dated 12th May, 1980 submitted with the schedule docket No. 50 for 5|80, in which the recovery for stores had been made. The Audit pointed out in their comments that the Chief Engineer had intimated in his letter, dated 29th November, 1983 that the contractor had gone to the Court against forfeiture of his Security deposits and recovery of Rs. 243,290 was not possible till the Court decision.

2270. Regarding the Audit objection at (ii), the Ministry stated that the contractor had lodged a court case against the decision of the Department, which was still pending. The work was ordered to be completed within a short period on work order basis. Since there was no other alternative, except to call for quotation for completing the incomplete items of work, left by the original contractor, he same was got completed accordingly. Audit maintained that the balance work, costing Rs. 133,022 should have been put to an open tender. The execution of this work on work order basis was irregular and needed a regularization.

2271. After seeing the explanation of the Ministry and the Comments of Audit thereon, *the Committee concluded as follows—*

(i) *The case be re-examined by the department carefully and a report sent to Audit, who may come back to the PAC, if necessary.*

(ii) *In the circumstances brought out by the Ministry, the objection may be treated as settled/dropped, subject to regularization action as may be necessary under the rules.*

2272. *Irregular expenditure of Rs.* 119,929 *on removal of slips and boulders* (*Para* 168, *page* 139—*AR*)—It was reported by Audit that Rs. 119,929 was paid to the contractors of Tank C & W Division during 1977-78 for removing slips from shingled roads under construction. This was the liability of the contractor under the contract. Audit further reported that the contention of the authorities that removal of slips and boulders was necessary to keep the road open for traffic, was not tenable on the ground that, as per clause 29 of the contract agreement, the responsibility to keep the party completed roads open for traffic rested on the contractors. The irregularity was brought to notice of the Administrative Secretary in August, 1979 for initiating disciplinary action and effecting recovery.

2273. *The Committee considered the explanation of the Department and, not found it to be satisfactory, directed that the case be examined afresh and action taken in the light of Audit observations.*

2274. *Over-payment of Rs.* 35,763 *to a contractor in B & R Division Tank* (*Para* 169, *page* 139—*AR*)—An amount of Rs. 35,763 was over-paid to a contractor as escalation at 84 per cent of the value of the material brought at site before the 30th June, 1973, for which the contractor had been allowed a Secured Advance. The departmental representative informed the Committee that explanation for the irregular payment had been called for from the officials concerned and recovery would be effected from those found responsible. *The Committee directed the departmental representative to look into the case, take a decision, and report to Audit, who may revert back to PAC, if necessary.*

2275. *Irregularities in the Accounts of C & W* (*Department*) *Division Orakzai* (*Para* 170, *page* 139—*AR*)—Audit had pointed out three cases of over-payments, as mentioned below—

(i) Rs. 16,654 were over-paid to contractors due to enhancement in the existing rates by the Chief Engineer from the 1st April, 1979 and again from the 1st July, 1979, when Chief Engineer was not competent to enhance the rates already agreed upon. The Ministry contended that the enhancement of rates were recommended by the Advisory Committee, keeping in view the rise in the prices of almost all the items. The enhanced rates were approved by the Chief Engineer (Dev) *i.e.* the competent authority and were made applicable to the new schemes. As such, there was no over-payment and no recovery was due. A member of the Committee observed that Audit might accept the department's view, as no over-payment had been made because of increase in the prices of commodities. If it was a general case of revision of rates, Audit should be informed about the same. The departmental representative submitted that it was a general revision of rates. The objection was, therefore, dropped subject to verification by Audit.

(ii) Rs. 25,639 were paid to a contractor in June, 1980 for shifting of stores from one place to another, within the premises of the main godown. The Committee accepted the explanation of the Ministry and treated the objection as settled.

(iii) Rs. 191,332 and Rs. 47,123 were paid to Political Agent, Orakzai Agency and SDO (WAPDA) (E), Hangu as compensation for land and electrification charges, respectively. Acknowledgements of the recipients were not available on record. The Ministry stated in

their reply that these amounts could not be utilized and were refunded to the Division, credited to the respective works and usefully utilized on those works. Audit observed that payments of Rs. 191,332 and 47,123 were drawn in June, 1981, to avoid the lapse of funds, and written back in 9|81 to make funds available for utilization in the subsequent financial year. The adjustment was fictitious in terms of paragraph 98 of CPWA code and needed condonation.

2276. The departmental representative informed the Committee that necessary instructions were being issued not to incur irregular expenditure and assured the Committee that this would not recur again.

2277. A member of the Committee remarked that, if the financing was done through the Provincial Government, this should then have been looked into by the Provincial PAC.

2278. The paragraph was treated as settled subject to the requisite regularisation action.

2279. *Irregularities in the accounts of Executive Engineer (Development) (Division Mohmand Agency, Ghallanai for* 1979-80 (*Para* 171, *page* 140—*AR*)—Audit had pointed out three irregularities to the Ministry in June, 1981 but no satisfactory reply was given. Action was called for to investigate the losses and fix responsibility and recover over-payments from the contractors or have the losses made good by the persons at fault.

2280. After going through the Ministry's reply, the Committee decided that paragraphs 171 (i) and (ii) may be treated as settled subject to verification by Audit. Regarding paragraph 171 (iii) about the recovery of Rs. 1,782,354, being the cost of machinery and materials issued to the contractor in 1977, *the Committee directed that, as pointed out by Audit in their comments on the Ministry's reply, records should be produced to Audit about the recovery. In case the Divisional Accountant may have been involved, due punishment should be awarded to him. The Secretary should look into this matter personally. The paragraph was deferred for further clarifications.*

2281. *Theft of Stores in C & W Divisions, Mohmand at Ghallanai* (*Para* 172, *page* 141—*AR*)—Audit had reported that 25 ceiling fans and 700 detonators, worth Rs. 20,475, were stolen from a godown in December, 1977. The loss was debited to " Misc P. W. Advances " in August, 1978, pending clearance and the theft was neither reported to the Ministry|Audit Office, nor any departmental inquiry instituted. The Ministry informed the Committee that the recovery of

Rs. 9,000 on account of cost of ceiling fans had already been effected and credited to the Government *vide* XEN Mohmand Cash Vr. No. 84/907, dated 7th February, 1982 incorporated in his monthly accounts for 2/1982. The case for the recovery of the balance of of Rs. 10,500 was pending in the Court of the political Agent Mohmand who was being regularly requested to intimate the final decision. *The Committee stressed upon the departmental representative to effect an early recovery of the balance amount and decided to drop the paragraph subject to verification by Audit.*

2282. *Non-maintenance of expenditure record of Rs.* 2,479,633 *of Afghan Refugees* (*Para* 173, *page* 141—*AR*)—According to Audit, the Political Agent, Kurram distributed Rs. 2,479,633 in cash and kind to Afghan Refugees during October, 1975 to September, 1979. The Cash Book did not contain the monetary transaction for that period. Besides, the Refugees register, showing the dates of arrival, number of family members scales and rates of maintenance charges etc., was not maintained prior to February, 1979. No check could be exercised in the absence of essential records. The department intimated the Committee that in absence of reply from the local authorities, no action was taken by the department.

2283. The departmental representative, however, informed the Committee that the documents were now ready for verification by Audit. The Committee then decided to drop the paragraph subject to verification by Audit.

2284. *Irregular purchases and over-payment of maintenance allowance to Afghan Refugees by Political Agent, Mohmand* (*Para* 174, *page* 141—*AR*)—Audit had pointed out that beddings and clothings were purchased in December, 1978 and January, 1979 for Rs. 14,618 on the basis of quotation without adopting open tender system. Hence the purchases may not have been economical.

2285. Audit further reported that the maintenance allowance was paid to the Afghan Refugees in excess of the rates prescribed by Government from October, 1978 to September, 1979, resulting in an over-payment of Rs. 17,920. The irregularities were brought to the notice of the Ministry in October, 1979, but there was no response. These should hence be investigated into.

2286. The Ministry informed the Committee that a final reply was awaited from the local authorities. The paragraph was treated as dropped subject to the necessary regularization action.

2287. *Irregular payments of Rs.* 10,456 *by D. C. Mardan* (*Para* 175, *page* 142—*AR*)—Rs. 72,516 were paid to Afghan Refugees during June, 1979. Acquittance rolls for Rs. 64,884 were shown to Audit but payment of the balance

of Rs. 7,632 could not be substantiated till the end of 1981. Besides, though payment of Rs. 2,824 to the Refugees was shown in the payment register, actual payees receipts, attested by the disbursing officer, were not available on the record.

2288. The Ministry explained that Rs. 72,516 was not paid at one time as payment to the Afghan Refugees at the Gaudaf camp was made by the A.C., Swabi, through N.T. Circle, who used to go there on his tour and pay the allowance to those present in the camp. Rs. 64,884 was thus disbursed during the tours of N.T., Circle and the balance was paid between 24th September, 1979 and 21st October, 1979. Besides, payment of Rs. 2,824 had also been correctly made to the Afghan Refugees. Audit pointed out in their comments that the documents in question were not so far produced to Audit, for verification, inspite of reminder date 21st February, 1984.

2289. The Committee decided to drop the paragraph subject to verification by Audit.

2290. *Irregularities in the office of the Political Agent, Kurram (Para* 176, *page* 142—*AR*)—The following irregularities were pointed out by Audit in the accounts for 1978-79—

(i) Land Revenue amounting to Rs. 36,705 (1976 to 1979) and lease money amounting to Rs. 4,303 (1960) were not recovered from the owners|lessees till March, 1982.

(ii) Lease money for 538 acres of evacuee land was not fixed since 1960, According to the Ministry's orders dated the 3rd October, 1960, the land was to be allotted to the original occupants of the land on the original price, paid by the evacuees. The occupants of the land on the original price, paid by the evacuees. The occupants were neither paying the lease money nor the cost of the land.

2291. Commenting on the reply of the Ministry at (i) above, Audit pointed out that the recovery of Rs. 36,705 as land revenue and the lease money of Rs. 4,303 had been verified by Audit from the treasury challans.

2292. In view of the above position, this objection was dropped.

2293. As for objection at (ii) above, Audit pointed out that no reply was received from the department. *The Committee directed the departmental representative that a copy of reply, depicting the full position, should be given to Audit. The consideration of this paragraph was, therefore, deferred.*

2294. *Irregular expenditure of Rs.* 41,526 *on purchase and distribution of cloth in Nazarat Accounts of D. C. Bannu* (*Para* 177, *page* 142—*AR*)—Audit having verified the action taken by the department, the Committee decided to drop the paragraph.

2295. *Non-exhibition of cheques worth Rs.* 148,530 *in cash book and placing of funds in a Commercial Bank* (*Para* 178, *page* 143—*AR*)—It was reported that, in the Directorate of Education, FATA, three cheques, amounting to Rs. 148,530 drawn on 20th June, 1979 from the Treasury, were not entered in the Cash Book in disregard of the provisions of Rule 77 of the Treasury Rules Vol. I. The contingent bill, sub-vouchers and payees' receipt were also not produced to Audit. The amount stated to have been placed in a local Commercial Bank, but records of the Bank Account were not furnished either.

2296. The Ministry replied that out of three, two cheques amounting to Rs. 1,776 and Rs. 5,640 belonged to the Health Department and were encashed by Mr. Ulas Khan, District Health Officer. The third cheque, amounting to Rs. 141,114, was received from the pre-audit counter by the representative of the Directorate and the amount had been already disbursed to the actual payees, whose receipts could be produced to Audit on their next visit to the Directorate. A note to this effect had been already recorded on the payment and receipt sides of the cash book on 30th June, 1979 and duly attested by the Director of Education FATA. In their comments, Audit stated that they had rechecked this and it was found that—

(a) the cheque for Rs. 141,114 was not entered in the Cash Book on collection. (This was done later);

(b) the payment to vendors was made before the supply of home economics items, which was irregular; and

(c) Government money was irregularly kept in a Commercial Bank.

2297. Questioned about the action against the Divisional Accountant, the departmental representative replied that only one cheque pertained to the Education Department and the other cheques related to the Health Department. There was delay on the part of the Accountant but, later, the payment was disbursed to the party. A member remarked that it was procedurally wrong, because the transaction was not entered in the book. Audit representative intervened to say that they had no objection to it, if the department had duly reported, it would have been again checked by Audit.

2298. After discussion, the Committee decided to drop the paragraph subject to satisfaction of Audit.

2299. *Un-necessary expenditure of Rs.* 337,874 *of college establishment* (*Para* 179, *page* 143—*AR*)—Audit had pointed out that Rs. 337,874 was spent on salary and other charges on fifteen lecturers at the Inter College, Sadda during 1979-80. There having only 15 students on the rolls, the staff should have been deputed to other stations. The matter was brought to the notice of the local office in August, 1980 and the Administrative Secretary in October, 1980, but no action had been taken till February, 1982.

2300. After seeing explanation of the Ministry, the Committee concluded that the paragraph be dropped.

APPROPRIATION ACCOUNTS

2301. *Grant No.* 116—*States and Frontier Regions Division* (*Para* 138—*AA*)—The Committee accepted the explanation of the Ministry and did not make any further observation on this grant.

2302. *Grant No.* 117—*Frontier Regions* (*Para* 139—*AA*)—Audit had shown an excess of Rs. 175,849 against the function head " 225—Frontier Watch and Ward ". The department explained that the excess was due to grant of Additional Dearness Allowance and enhancement of Conveyance Allowance, sanctioned *w.e.f.* 1st July, 1980 after the finalization of budget for 1980-81. A supplementary grant for Rs. 4,828,200 was asked for, but the Finance Division declined and advised that the expenditure be met from within the sanctioned budget grant. Efforts were made to cover the additional expenditure within the sanctioned Budget Grant, Rs. 175,849 remained uncovered and this expenditure had to be incurred because the payment was of an obligatory and mandatory nature and could neither be postponed nor curtailed.

2303. The Committee accepted the explanation and did not make any further observation on this grant.

2304. *Grant No.* 118—*Federally Administered Tribal Areas* (*Page* 140—*AA*)—No observation was made by the Committee on this grant.

2305. *Grant No.* 119—*Maintenance Allowances to Ex-Rulers* (*Page* 143—*AA*)—No observation was made by the Committee on this grant.

2306. *Grant No.* 120—*Other Expenditure of States and Frontier Regions Division* (*Page* 144—*AA*)—Audit pointed out that a net final grant for

Rs. 1,193,645,319 was agreed upon as indicated by the Ministry in its reply. In actuals, the difference was under Codes 232 and 489, as explained below—

Function head 232—*Other Places of Detention*—The final grant and actuals, shown by Audit in the Appropriation Accounts were correct. But under the final grant, the Ministry had not included in its calculations, the re-appropriation contained in their letter No. F. 5-6| F. III|78 dated 12th February, 1981. Audits figures for actuals were based on reconciled figures at Peshawar and Lahore as shown below—

	Rs.	
(i) AGPR Sub-Office Peshawar ..	732,601	Reconciled on 28-2-1982.
(ii) AGPR Sub-Office Lahore ..	16,454	Reconciled on 8-7-1981.
Total ..	749,055	

2307. The above information had been supplied to the Ministry, who should revise their figures and submit explanation for the variations therein.

2308. *Function head* 489—*Others*—Audit made out that the final grant as well as the actuals had been contested. Under the final grant, neither the figures, contained in the Appropriation Accounts, nor those worked out by the Department were correct. The final grant actuals worked out to Rs. 1,182,542,868 (Audit omitted a reappropriation of Rs. 72,000 from the function head 014 to function head 489, whereas the Department had not taken the effect of reappropriation of Rs. 973 from this function head to function head 232, as explained thereunder). The expenditure shown in the Appropriation Accounts was based on reconciled|accepted expenditure as below—

(i) AGPR Rawalpindi	127,319,252	This was also appearing under actual recovery.
	341,306,143	
	468,625,395	
(ii) AGPR Sub-Office Peshawar ..	262,804,564	
(iii) AGPR Sub-Office Quetta ..	47,524,360	
	778,954,319	

2309. Audit further pointed out that it was not correct for the Ministry to have withdrawn its previous acceptance at this stage. As regards the explanation for the variation, the Ministry should have stated further as to how much aid matured in subsequent years and the circumstance under which the savings, which were apparent, could not be surrendered.

2310. Questioned as to why had the department not surrendered Rs. 402 million, the departmental representative submitted that this consisted of a number of items and the difference in the final saving was not much.

2311. After seeing the Ministry's explanation, the same member asked as to where from had the difference come under the World Food Programme. The departmental representative submitted that this had happened for the last 6—8 months. In order to meet the vital need of the refugees the department were issuing from their own stocks.

2312. Audit had also reflected a less recovery of Rs. 619,983,857 under the function head 489—Others. The Ministry explained that Rs. 341,306,143, exhibited by Audit against the recovery of " United Nations High Commissioner for Afghan Refugees " (UNHCR) actually related to the recovery from the W.F.P. and the recovery from UNHCR related to the Establishment Charges and other projects, financed from UNHCR's Funds. The Establishment Charges, re-imbursed by UNHCR, had been accounted for, while the funds for projects, provided by UNHCR, could not be accounted for due to non-finalisation of the procedure with the Finance Division. The representative of the Ministry further stated that the amount of Rs. 191,417,000 was not included in the New Item Statements relating to this Division. As such, it did not appear to pertain to this Division.

2313. A member observed that the actual recovery was wrongly shown as Rs. 341 million. The departmental representative submitted that there were some technical points and the Ministry would look into them. *The Committee directed that more care should be exercised in such cases.*

Grant No. 163—*Development Expenditure of States and Frontier Regions Division* (*Page* 213—*AA*)

Grant No. 164—*Development Expenditure of Federally Administered Tribal Areas* (*Page* 214—*AA*)

Grant No. 186—*Capital Outlay on Development of Tribal Areas* (*Page* 246—*AA*)

2314. There was nothing material for consideration by the Committee under these grants.

COMMERCIAL ACCOUNTS

2315. *Avoidable expenditure on airlifting of machinery and equipment* (*Para* 69, *page* 49—*ARCA*)—The Committee did not make any observation on this paragraph but observed that the Accounts of only the FATA projects were being prepared and furnished for inclusion in the Commercial Accounts. As from 1982-83, the overall FATA Accounts should also be prepared and furnished to Audit.

2316. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs|points (i) in the Appropriation|Commercial Accounts 1980-81, and the Audit Reports thereon and (ii) Compliance to PAC's Report 1978-79. These would be deemed as settled subject to such regularisation action as may be necessary under the rules.

WORKS DIVISION

2317. The Committee then took up, for its examination, the Appropriation Accounts etc., pertaining to the Works Division. The following departmental representatives were present—

(1) Mr. A. W. K. Sherwani, D. G., Pakistan PWD

(2) Sh. Faiz Ahmad, CE, Pakistan PWD

(3) Mr. Absar Ahmad Siddique, CE, Quetta

(4) Mr. Ghulam Muhammad Taj, Deputy Secretary

(5) Mr. Waqar Ahmad Khan, Director (F), NCL

(6) Mr. Muhammad Din, Section Officer

(7) Mr. Abdul Ghani Sameen, OSD, (Estate)

(8) Mr. Masud Muzaffar, Budget and Finance Officer, Pakistan P.W.D.

2318. This Division, controlled the following grants—

S. No	Name of Grant	Grant No
1.	Works Division	71
2.	Civil Works	72
3.	Estate Offices	73
4.	Federal Lodges	74
5.	Other expenditure of Works Division	75
6.	Development expenditure of Works Division	153
7.	Capital Outlay on Civil Works..	179

2319. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of Accounts of the Division for 1983-84 was still in arrears. *The departmental representative was directed that this much be got completed by the 31st May, 1984.*

APPROPRIATION ACCOUNTS

2320. *Grant No. 71—Works Division (Page 90—AA)*—There was nothing material for consideration under this grant.

2321. *Grant No. 72—Civil Works (Page 91—AA)*—According to Audit, a net saving of Rs. 5,419,972 had occurred under this grant in 'Other than Charged' Section. A member observed that, in view of the saving of Rs. 5,419,972, supplementary grant of Rs. 3,975,000 should not have been

asked for. The departmental representative submitted that this was obtained for the American Library and the Foreign Ministry had got this money. The Committee observed that the Ministry should have asked for only a token supplementary grant of Re. one and re-appropriated surplus funds available in the grant.

2322. A member also pointed out that the actual recovery of Rs. 2,609,155 was less than the estimated recovery of Rs. 6,330,000 under 'Suspense Stock'. The department explained that less recovery was due to the disposal of less stock than anticipated because of non-completion of formalities in time.

2323. The Committee did not make any further observation.

2324. *Grant No.* 73—*Estate Offices* (*Page* 93—*AA*)—The Committee did not make observation on this grant.

2325. *Grant No.* 74—*Federal Lodges* (*Page* 94—*AA*)—Audit had exhibited a saving of Rs. 36,823 under this grant. The department explained that the saving, being 1.69 per cent of the final appropriation was within the permissible 5 per cent limit of variation. The Committee therefore, did not make any observation on this grant.

2326. *Grant No.* 75—*Other expenditure of Works Division* (*Page* 95—*AA*)—An excess of Rs. 5,479 had been shown under this grant. The department stated that the excess, which came to 0.71 per cent, was on account of payment of Electricity Charges, based on actual consumption. The Committee accepted the explanation and did not make any further observation on this grant.

2327. *Grant No.* 153—*Development Expenditure of Works Division* (*Page* 197—*AA*)—A saving of Rs. 380,006 was shown by Audit against the function head '314—Building and Structures Civil Works'. The department explained that a saving of Rs. 408,376 was surrendered, the net saving thus amounting to Rs. 380,006 (22.33 per cent) could not be anticipated in time for the following reasons—

(i) Non-approval of the Scheme by the CMLA's Secretariat, as the work related to that Secretariat.

(ii) Changes in the Scope of the works-in-progress.

2328. Audit stated in their comments that the saving should have been surrendered in time, for utilization elsewhere.

2329. After hearing the departmental explanation and Audit comments, the Committee did not make any further observation on this grant.

2330. *Grant No.* 179—*Capital Outlay on Civil Works* (*Page* 233—*AA*)—Audit had reported that the saving of Rs. 25,079,218 had occurred under function 314—Building and Structure, in 'Other than charged' Section. After going through the detailed explanation of the Department, *the Committee observed that they should furnish detailed information, along-with documents, regarding re-appropriation and approval etc., to Audit, who could revert to the PAC, if necessary.*

AUDIT REPORT

2331. *Non-recovery of Government dues* (*cost of material mobilization advance, secured advance, risk and cost charges etc.*) *Rs.* 2.4 *million* (*Para* 81, *page* 67—*AR*)—Audit had reported that recoveries, amounting to Rs. 2,395,732, were outstanding against the contractors, after the completion of works, or rescission of their contracts under clause 3(a) or 3(c) of the Agreement in various Divisions of the Pakistan Public Works Department S. Nos. (i) to (xviii) in the Audit Report. The final bills were in minus figures in the cases mentioned at S. No. (i) and (ii), which showed that the department failed to make recoveries from the running bills at the appropriate time. The final bills were not prepared in the cases, shown at S. Nos. (iii) to (viii) and (x) to (xv), despite the lapse of a considerable time. Balance in the contractor's ledger has been outstanding for the last 5 to 12 years in the cases shown against S. Nos. (ix) and (xvi) to (xviii), brief particulars of which were as under—

(i) The contractor abandoned the work after February, 1978, when a sum of Rs. 150,274 was outstanding against him on account of cost of material (Rs. 135,905) and mobilization advance (Rs. 14,369). The department undertook to recover the amount, but the contractor's claim ran into a minus figure of Rs. 127,328. This amount was, however, reduced to Rs. 47,232, which was recoverable after adjusting his security deposit of Rs. 80,096. The department explained that the work "construction of Grain Godown for 2,000 capacity at Gojra" was awarded to M|s. Mohammad Aslam & Co. on 25th October, 1976. The work was not completed by the contractor. Hence the contract was rescinded under clause 3(c) of the Agreement and work was got completed by another contractor.

The department further stated that the accounts of the original contractor were finalized, after the completion of the remaining work. A total amount of Rs. 170,958 was recoverable from him, of which Rs. 123,726 was recovered in 5|81 and got verified from Audit, leaving a balance of Rs. 47,232. As this amount could

not be recovered despite efforts, it was decided to file a Civil suit for it and the Law Division were requested to appoint a lawyer. They did so in their letter dated 1st February, 1984. Action for filing a civil suit was in process.

A member noted that the Department had not intimated that progress of the case till 1983. *The Committee decided that Audit should watch the progress of the case and report to PAC, if necessary.*

(ii) Audit having verified that the recovery of Rs. 14,809 had been made from the contractor, the sub-paragraph was dropped.

(iii) The department informed the Committee that a criminal case was filed against the contractor in the Court of the Assistant Commissioner, Mastung for removing materials worth Rs. 124,912, from the site without permission. The two Executive Engineers Incharge responsible for not filing the Civil Suit had since retired. The hearing of the criminal case was completed during February, 1984 and judgement was reserved. *The Committee decided that Audit should watch the case and report to PAC, if necessary.*

(iv) Since Audit had verified the recovery, the sub-paragraph was dropped.

(v) As reported by Audit, recovery of Rs. 71,300 was due from a contractor for secured advance and cost of material, issued to him during the period from August, 1975 to May, 1976. The Department explained that recoveries of Rs. 71,300 pertained to the work "Black topping (cement|metal) of Pisheen Khonizadi Maladri Road upto 10 miles", awarded to M|s. Malik Shahjahan & Co. against Agreement No. SE (Q) CCCI|60|75-76, the Department also stated that—

(a) Rs. 29,831, available in the books as S.D. of the contractor, had since been adjusted *vide* T.E. No. 2 of 3|83.

(b) As for the remaining Rs. 41,469, all the Engineering Organization etc. had been requested to liquidate the amount from the dues of the contractor, if any held by them. Nothing had been heared from any of the Organisations. It appeared that the contractor, Malik Shahjahan, was not working in these departments. As such, the amount was to be written off.

(c) Disciplinary action against the Assistant Engineer and District Accounts Officer had been initiated *vide* letter No. 418|IP-81 (old 22), dated 18th December, 1982. No action could be initiated against the Executive Engineer, as he stood retired.

(d) However, if it was established that any other staff was also responsible for this action under relevant rules would be taken against them.

The department further intimated that the contractor's bill had not yet been finalized to determine the exact amount of Government dues outstanding against him. The whereabouts of the contractor could also not be ascertained. A civil suit would be initiated against the defaulting contractor, in consultation with the Law Officer. The Executive Engineer In-charge was retired from service in 1977. Disciplinary action would be taken against the remaining Officials. *The Committee considered the explanation and directed that disciplinary proceedings be finalized by the 30th September, 1984. Audit was requested to watch recovery|disciplinary action.*

(vi) As reported by Audit 130 tons of cement and 11.5 tons of steel were issued to a contractor in excess of requirements of the work awarded to him. Neither the cost of the material (*viz.* Rs. 172,372 at market rates as per the requirements of codal rules) was recovered from twelve running payments made to the contractor upto October, 1978, nor was the material received back from him. Further, the contractor failed to return 11,600 empty cement bags to the department and, therefore, rendered himself liable to pay a sum of Rs. 23,200 to the Government (at the penal rate of Rs. 2 each bag as per contractual requirement).

The Ministry explained that the recovery of Rs. 195,572 pertained to the work "Construction of Office and Laboratory Building for Arid Zone Research at Quetta", awarded to M|s. Gul Rajan against Agreement No. ACEQ|1|8, dated November, 1975, as detailed below—

	Rs.		
(1) Cost of 11,600 empty cement bags at the penal rate	23,200		
(2) Cost of 11.5 tons steel	65,150	}	*Rs.* 172,372
(3) Cost of 130 tons cement	107,222	}	
	195,572		

The Ministry further stated that it was confirmed by the Chief Engineer's Office that the cement was supplied in paper and not in Jute bags. No recovery for paper bags was to be made. Hence the amount of Rs. 23,200 was not recoverable. The other amounts had been partly recovered out of the Security Deposit of the contractor, *i.e.* Rs. 85,045. The rest of the amount of recovery would be adjusted on the finalization of the contractor's bill, which was in hand.

The Committee asked for a fuller report, giving all details, namely the original contract value, of the work done, amount given in the form of cash and materials with its value and total; the amount due to the contractor and the action proposed to be taken to recover the amount. The information may be furnished to Audit. The sub-paragraph was deferred.

(vii) Audit had pointed out that the recovery of Rs. 117,050 was outstanding against the contractor since 1974, against the cost of material issued. The Department informed the Committee that the case was *sub-judice* in the High Court of Sind. *The Committee directed the department that they should also put in their claim.*

(viii) Audit confirmed that the entire amount had been recovered and verified. The sub-paragraph was treated as settled.

(ix) The departmental representative informed the Committee that the balance amount had been written off. *The Committee directed that a copy of the write off action be supplied to Audit, for information.*

(x) Subject to verification by Audit, this sub-paragraph was treated as dropped|settled.

(xi) Recovery had been verified by Audit. The sub-paragraph was dropped.

(xii) Recovery had been verified by Audit. The sub-paragraph was dropped.

(xiii) The recovery was verified by the Audit. The sub-paragraph was dropped.

(xiv) Recovery had been verified by Audit. The sub-paragraph was dropped.

(xv) After going through the reply furnished by the Ministry, the Committee decided to drop the sub-paragraph subject to verification by Audit.

(xvi) The department informed the Committee that all the amounts, except Rs. 10,259 outstanding against M|s. Aftab & Co., had been recovered. The Law Officer had been requested that this amount may be included in the claim of the department to be presented before the official assignee of the Sind High Court. The Committee accepted the explanation of the Ministry and requested Audit to follow it up.

(xvii) & (xviii) The Committee decided to drop these sub-paragraphs, subject to verification by Audit.

2332. *Extra expenditure of Rs.* 251,000 (*Para* 82, *page* 72—*AR*)—Audit pointed out that a construction work was awarded to a firm at 1.62 per cent below the estimated cost in a Division of Pakistan Public Works Department. The sole proprietor of the firm died after completion 80 per cent of the work and the legal heir and successor of the deceased proprietor (his son) offered to complete the remaining work at the same rates. His request was not acceded to, and the work was allotted to another contractor at 120.5 per cent above the estimated cost ; resulting in a loss of Rs. 251,000 to Government.

2333. The Department explained that, on the assurance of the Department to provide more funds, work was awarded in January, 1978 to M|s. Maqsood Builders @ 1.62 per cent below the tendered cost of Rs. 236,315. The Expenditure sanction for Rs. 250,000 was issued by the Establishment Division in March, 1975, but physical transfer of funds did not take place. At the time of death of the contractor, expenditure on Civil and E|M Works amounted to Rs. 305,129, which was over and above the actual deposit. As work could not have been continued in the absence of funds, it was not allowed to be continued by his son and the contract was rescinded under clause 13 of the Agreement. The progress of work had already suffered for want of funds even prior to the death of the contractor in April, 1974. As such, the contention of Audit about the loss of Rs. 251,000 to Government was not based on facts as the amount of the Original and Revised Estimates were Rs. 248,200 and Rs. 616,210 respectively. The Revised Estimates included the original work on account of several additional items, requisitioned by the Client Department. The aspect appeared to have escaped the notice of Audit.

2334. Audit pointed out that the department had changed their earlier stand, set out in the paragraph. The records produced in support of the reply had been examined, but the sanctioned estimates, final bills and the authority, under which the Agreement of M|s. Maqsood Contractor was rescinded, were still awaited by Audit.

2335. In view of the above, the Committee decided that Audit should pursue the matter and the paragraph be treated as settled subject to the satisfaction of Audit.

2336. *Misappropriation of material—Rs.* 305,346 (*Para* 83, *page* 73—*AR*)—In a Division of the Pakistan Public Works Department, 1,867 tons of steel was received from various agencies, out of which 1,815 tons were issued to a number of contractors, for utilization on works. The balance quantity of 52 tons was neither accounted for nor was its consumption shown anywhere. Under the circumstances, it was apprehended that the material, valuing Rs. 305,346, had been misappropriated.

2337. The Ministry contended that non-accountal of 52 tons of cement, as pointed by Audit, was not correct. A scrutiny of form—35 for the works had revealed that the issues of steel against the following works were not correctly accounted for by Audit during the inspection of the Pakistan PWD Division, Sargodha—

S. No	Name of work	Qty. taken by Audit	Actual Qty. as per form 35	Difference
1.	Construction of School at Shahpur City.. ..	Nil.	33.18.0.0	33.18.0.0
2.	Construction of Middle School at Kandon ..	13.10.0.0	25. 2.0.0	11.12.0.0
3.	Construction of Primary School 4 rooms at Vinoka.	Nil.	6.18.3.0	6.18.3.0
			Total ..	52.8.3.0

2338. The department further stated that there was no mis-appropriation or loss to the Government. Recoveries had also been made from the contractors concerned. The records were produced to Audit on 30th March, 1983, for verification. Audit again requested to produce the records under their letter dated 6th March, 1984. Telegraphic instructions had been issued to the Executive Engineer to produce the records accordingly. Audit conceded that the accountal of steel had been verified, but bills in which recoveries had been made were for minus figures.

2339. A member observed that Audit should verify the final bills. The departmental representative confirmed that the department had prepared the final bills.

2340. In view of the above position, the Committee decided to drop the paragraph subject to verification by Audit.

2341. *Irregular purchase and excessive supply of furniture for Minister's residence* (*Rs.* 91,874) *and non-recovery of rent* (*Rs.* 59,718 (*Para* 84, *page* 73—*AR*)—The Committee observed that there was nothing worthwhile in this paragraph for discussion. It only needed a condonation. The Ministry should regularise it subject to the satisfaction of the Audit.

2342. *Inadmissible expenditure on security of Contractor's material Rs.* 87,542 (*Para* 85, *page* 74—*AR*)—Audit had reported that a Division of the Pakistan Public Works Department incurred an expenditure of Rs. 87,542 during April to September 1975 on employing Chowkidars/Clerks for the watch and ward of stores, supplied to the contractor for use on works, though its custody was the contractor's liability. Audit having accepted the Ministry's explanation, the Committee decided to drop the paragraph.

2343. *Non-recovery of cost of private work Rs.* 96,000 (*Para* 86, *page* 74—*AR*)—Audit had observed that in a Division of the Pakistan PWD an expenditure of Rs. 96,000 was incurred from 1966-67 to 1970-71 for providing Sui-Gas connections, installation of electricity and Pumping sets for water supply etc., in the requisitioned houses. Debits for the expenditure were passed on by the Division to the Estate Office, for recovery from the House owners but no credits were afforded to the Division. Consequently, the actual position of recoveries could not be ascertained.

2344. The non-recovery was brought to the notice of the department during local audit in December, 1971. As no progress was intimated, the matter was reported to the Chief Engineer in February, 1972, and to the Liaison Officer in April, 1981. It was reported in November, 1981, that the factual position would be intimated, after a scrutiny of the relevant records of recoveries from the respective owners.

2345. The Ministry explained that the expenditure was incurred under the proper authority of the Deputy Commissioner in order to provide essential facilities, like Sui Gas connection, electricity and pumping sets etc., in the requisitioned houses, occupied by the Central Government servants, moved from Karachi to Rawalpindi on the shifting of the Capital from Karachi to Rawalpindi during 1966-67, 1967-68 and 1970-71. The debits, alongwith original vouchers, were sent to the Estate Office regularly for acceptance. A similar paragraph No. 50 of the Audit Report 1970-71 for Rs. 1,005,674 on the subject was framed against the Estate Office, Rawalpindi|Islamabad. It appeared that the amount of Rs. 96,000 in this draft paragraph was included in the amount of Rs. 1,005,674.

2346. The Ministry further stated that the recovery of Rs. 58,889 had been got verified by Audit. Recoveries of Rs. 11,254 had also been traced out and that of the balance of Rs. 25,812 less departmental charges of Rs. 13,942 *i.e.* Rs. 11,870 remained to be traced out, for which joint efforts by the Pak. PWD and Estate Office were in hand.

2347. Audit pointed out in their comments that the Department had not substantiated its reply, about the inclusion of Rs. 96,000 in Rs. 1,005,674 under Paragraph No. 50 of the Audit Report 1970-71. Recoveries of Rs. 58,889 had been verified by Audit, and those of Rs. 14,517 would be verified on the production of record, requisitioned in January, 1984. The remaining amount of Rs. 22,594 should be recovered and got verified from Audit.

2348. A member observed that Audit should follow up the remaining recovery of Rs. 22,594 and, if the amount was irrecoverable, it should be written off. The Committee finally decided that the paragraph be treated as dropped subject to verification by Audit and the write off action.

2349. *Non-accountal of Cement worth Rs.* 44,000 (*Para* 87, *page* 75—*AR*).—After seeing the explanation of the department on the paragraph, the Committee decided to drop the paragraph subject to satisfaction of Audit.

2350. *Under-charging rent of Road Roller—Rs.* 34,200 (*Para* 88, *page* 76—*AR*)—Audit had reported that, in a Division of the Pakistan PWD a road roller was lent during 1978 to various contractors for 114 days at Rs. 150 per day, instead of the market rate of Rs. 450 per day charged by the L.D.A. Resultantly, Government was put to a loss of Rs. 34,200.

2351. Accepting the departmental reply, the Auditor-General observed that the rates should be revised periodically and a suitable procedure be evolved by the Ministry for it if feasible.

2352. The paragraph was dropped as recommended by Audit in their comments.

2353. *Shortage of material worth Rs.* 19,200 (*Para* 89, *page* 76—*AR*)—On the scrutiny of cement receipt and consumption accounts in a Division of Pak. PWD, Audit had found 24 tons of Cement short costing Rs. 19,200. The shortage was pointed out during local audit in October, 1978 and the matter was also reported to the Chief Engineer and Secretary in January, 1979, but neither any satisfactory reply was received nor the value of the shortage recovered or the loss got regularized by the competent authority even after a lapse of three years.

2354. The Ministry explained that the case for write off was pending, mainly because of the non-determination of the cost of the material at Rs. 8,892 worked out by the Department instead of Rs. 19,200 assessed by Audit in January 1983.

2355. The Committee decided that the paragraph be dropped subject to verification of write off action by Audit. Audit was also requested to follow up the case.

2356. *Outstanding recoveries of water charges worth Rs.* 125,263 (*Para* 90, *page* 76—*AR*)—Audit had reported that water was obtained by the Pak. PWD from the Municipal Corporation in bulk at Rs. 1.50 per hundred gallons and distributed to various factories at the Fish Harbour at Rs. 2 per hundred gallons. Rs. 125,263, relating to the period of October, 1961 was outstanding against some private parties even in October, 1973. The work was transferred to the Provincial PWD in October, 1974.

2357. The Department stated that the matter was taken up with the Provincial PWD Government of Sind but without any positive results. The Chief Engineer (South) Karachi was considering to file a civil suit against the defaulting private parties to recover Government dues, for which notices had been issued to them.

2358. After going through the above explanation, *the Committee directed that the question of transferring the liabilities of the Karachi Fish Harbour to the Provincial Government should be examined by the Audit in collaboration with the Ministry, in order to settle the matter.*

2359. *Non-recovery of Insurance Claim of Rs.* 5,000 (*Para* 91, *page* 77—*AR*)—Since the recovery had been verified by Audit, the paragraph was dropped.

2360. *Outstanding Inspection Reports, Audit Notes etc.* (*Para* 92, *page* 77—*AR*)—After hearing the departmental representative, *the Committee observed that the up-to-date position had been given in the Audit Report for* 1981-82. *The department should convince Audit and reconcile the Inspection Report with them. Audit should also do the same.*

2361. *Inspection not conducted by the Superintending Engineers/Divisional Officers* (*Para* 93, *page* 78—*AR*)—Audit recommended that the Ministry's reply may be accepted. The Committee therefore decided to drop the paragraph.

2362. *Outstanding Stock Returns—Subsidiary Accounts and Stock Accounts* (*Central*) (*Para* 94, *page* 79—*AR*)—After going through the explanation of the Ministry and Audit Comments, the Committee dropped the paragraph subject to verification by Audit.

2363. *Non-maintenance and non-production of record, returns etc.* (*Para* 95, *page* 80—*AR*)—According to Audit, the Pak. PWD was responsible for the maintenance of accounts with regard to expenditure incurred on works and establishment, submit various registers, schedules, and returns to Concurrent Audit on the due dates. The department failed to maintain important records, such as Register of Works and Scale Audit Registers etc. since the departmentalisation of their accounts and they also did not submit a large number of schedules and returns along with the monthly accounts etc. to the Concurrent Audit Office, despite repeated reminders.

2364. The Ministry explained that the Registers of works are maintained in the Divisions and the Work Audit Register, Scale Registers etc., could not be maintained in the Directorate of Budget and Accounts, Pakistan PWD, due to

acute shortage of staff and Officers. The maintenance of works Audit Register had, been started from July, 1983. Arrears in the various registers would be cleared by the staff, to be provided by Auditor-General as recommended by the Review Committee.

2365. Audit stated in their comments that Works Audit Registers and Scale Registers, should be maintained, as required in the scheme of Departmentalization of Pak. PWD. Accounts, clearance of outstanding returns etc., made by the department, should be got verified from Audit and the remaining ones cleared expeditiously.

2366. *The Committee directed that Audit should verify the position.*

2367. *Losses due to non-recovery, short recover, of rent of Rs.* 193,000 (*Para* 96, *page* 80—*AR*)—Audit had reported that, in various formations under the administrative Control of the Works Division, three cases of non-recoveries, short recoveries etc., of rent of Government-owned/requisitioned buildings were pointed out to the local authorities, but action taken by the Ministry towards recovery/regularization of the loss had not been intimated to Audit. This needed to be expedited. The details of the cases were—

1. (i) Rs. 41,418 were neither recovered from the allottee of a house, whose services were terminated on 1st January, 1973 nor did the department (Estate Office, Karachi) could get the house vacated from him.

   (ii) A house remained under unauthorized occupation of a private party from January, 1976 to April, 1981 without payment of any rent for the entire period, Rs. 19,200 had to be recovered by the Estate Office, Karachi from the Private party.

   (iii) A Government servant, occupying a hired accommodation with a standard rent of Rs. 600 per month, was retired from service *w.e.f.* 11th December, 1971. He neither vacated the house within 2 months allowed under the rules nor paid any rent to the Estate Office, Karachi, which had accumulated to Rs. 72,000 upto February, 1982.

   The Committee examined the explanation of the department and decided as under—

   (a) *No. (i) above may be treated as dropped subject to verification of recovery by Audit.*

   (b) *The case at (ii) above is subjudice. Audit should watch its progress.*

(c) *As for the case at (iii), the departmental representative should look into it personally and, amount of Rs. 72,000 is duly written off, this may be intimated to Audit, who should watch the progress.*

2. Audit further pointed out that an official occupying a Government-owned quarter at Lahore with a standard rent of Rs. 350 p.m. did not vacate the house within 2 months after his transfer in June, 1973. Rent of the unauthorized period of occupation (from August, 1973 to August, 1977), amounting to Rs. 17,150 was not recovered from him. Since Audit had verified the recovery, this paragraph was dropped.

3. Audit had also reported that a "B" Type house was hired for an officer in March, 1974 at a monthly rent of Rs. 1500 per month by the Estate Office, Rawalpindi. The rent was subsequently enhanced to Rs. 1,600 per month, so that the house got into a higher category than that the one to which the officer was entitled. He was, therefore, required to pay Rs. 100 per month in addition to 7.5 per cent of his emoluments. The need for an additional recovery of Rs. 12,736 was admitted by the department, but only Rs. 7,578 was recovered, leaving a balance of Rs. 5,158.

The Ministry explained that the matter was being referred to Law Division for advice about filing a civil suit. Thereupon, *the Committee decided that Audit should watch the progress of the case.*

4. (i) Audit had further reported that an official unauthorizedly occupied a Government-owned residence in Islamabad from the 1st November, 1971 to the 25th December, 1977 and did not pay any rent for the entire period, which amounted to Rs. 12,178.

(ii) A house was hired on the 26th September, 1978 at a monthly rent of Rs. 2,483, for a Federal Ministry on his own selection. He, however, did not occupy that house and selected another house with the result that the former house remained un-occupied upto the 23rd May, 1979 and it was dehired after making payment of Rs. 19,698 to the owner, resulting in a loss to Government.

After going through the reply of the Ministry, *the Committee decided as under—*

(i) The write off of the amount of Rs. 12,178 should be watched by Audit.

(ii) As Audit had verified this, the objection was treated as dropped/ settled.

5. Audit also pointed out that the allottee of a house was retired from Government service on the 25th April, 1974, but actually vacated the house on the 25th November, 1975, Rent for the said period, amounting to Rs. 6,175, was still outstanding against him. Since the recovery had been verified by Audit, the sub-paragraph was dropped.

Outstanding Inspection Report, Audit Notes etc. (*Para* 97, *page* 82—*AR*)—

Outstanding Periodical Returns (*Para* 98, *page* 83—*AR*)—

2368. In the light of explanations submitted by the Ministry, *the Committee directed that the figure in these paragraphs may be reconciled.*

2369. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)—The Committee considered the reply submitted by the Ministry *vis-a-vis* Audit observation *and directed that the department should make proper arrangements for carrying out Internal Audit.*

2370. *Delay in processing of G. P. Fund Cases* (*Para* 188, *page*, 151—*AR*)—The Committee did not make any observation on this paragraph which was treated as dropped.

COMMERCIAL ACCOUNTS

2371. *National Construction Company* [*Para* 3 (*xii*), *page* 6—*ARCA*]—It was confirmed by Audit that the Audit of accounts of the National Construction Company for 1981-82 had since been taken up by the Commercial Audit Department. The Committee made no observation and the paragraph was treated as settled.

COMPLIANCE ON THE POINTS RAISED IN THE PAC's REPORTS ON THE ACCOUNTS FOR 1978-79—

Non-recovery of Government dues on various accounts Rs. 823,981 [*Para* 50 (*iv*), *page* 53—*AR*] (*Paras* 536—538, *page* 176, *PAC Report* 1978-79)—

Non-recovery of Government dues on various accounts Rs. 69,854 [*Para* 50 (*v*), *page* 53—*AR*] (*Paras* 539—541, *pages* 176-177—*PAC Report* 1978-79)—

Non-recovery of Government dues Rs. 232,136 [*Para* 50 (*vii*), *page* 53—*AR*] (*Paras* 545—547, *pages* 177-178—*PAC Report* 1978-79)—

Excess payment of Rs. 299,421 (*Paras* 704—707, *pages* 126—*PAC Report* 1970-71) [*Para* 578 (*v*), *pages* 185—187—*PAC Report* 1978-79]—

Over-payment of Rs. 81,913 (*Paras* 713-714, *pages* 126-127—*PAC, Report* 1970-71) [*Para* 578(*vi*), *pages* 185—187—*PAC Report* 1978-79]—

Loss due to defective works Rs. 75,508 (*Paras* 715-716, *page* 127—*PAC Report* 1970-71) [*Para* 578 (*vii*) *pages* 185—187—*PAC Report* 1978-79]—

Outstanding rent amounting to Rs. 75,265 (*Paras* 717—719, *page* 127—*PAC Report* 1970-71) [*Para* 578 (*ix*), *pages* 185-186—*PAC Report* 1978-79]—

Non-recovery of secured advance of Rs. 15,400 (*Paras* 726-727, *page* 128—*PAC Report* 1970-71) [*Paras* 578 (*x*), *pages* 185—187—*PAC Report* 1978-79]—

Non-recovery of secured advance of Rs. 23,894 *due to shortage of material* (*Paras* 756—760, *pages* 130-131—*PAC Report* 1970-71) [*Para* 578 (*xi*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of income-tax amounting to Rs. 39,858 (*Para* 216, page 54—*PAC Report* 1973-74) [*Para* 578 (*xxii*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of Rs. 715,233 (*Para* 350-351, *page* 75—*PAC Report* 1974-75) [*Para* 578 (*xxiii*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of Rs. 382,814 *from the contractors* (*Paras* 356-357, *page* 77—*PAC Report* 1974-75) [*Para* 578 (*xxv*), *pages* 186-187—*PAC Report* 1978-79]—

Outstanding recoveries of Rs. 359,803 *due from contractors for work done on their risk and cost* (*Paras* 358—360, *pages* 77-78—*PAC Report* 1974-75) [*Para* 578 (*xxvi*), *pages* 186-187—*PAC Report* 1978-79]—

Theft of deodar wooden battons worth Rs. 65,100 (*Para* 371, *page* 79—*PAC Report* 1974-75) [*Para* 578 (*xxix*), *page* 187—*PAC Report* 1978-79]—

Non-recovery of Rs. 10,771 *from a contractor* (*Para* 377, *page* 80—*PAC Report* 1974-75) [*Para* 578 (*xxxi*), *page* 187—*PAC Report* 1978-79]—

Non-recovery of Government dues on account of cost of material and other dues etc. [*Para* 50 (*iii*), *page* 52—*AR*] (*Paras* 532—535, *pages* 174-175—*PAC Report* 1978-79)—

2372. *The Committee directed that since the cases were subjudice in different Courts of Law, Audit should watch their progress. The Committee may, however, be informed of the outcome in respect of the above-mentioned paragraphs.*

2373. *Non-recovery of Government dues on account of cost of material secured advances, risk and cost charges etc.* [*Para* 50 (*i*), *page* 51—*AR*] (*Paras* 528—531, *page* 174—*PAC Report* 1978-79)—*The Committee directed that the Ministry should ask the Political Agent to recover the money and deposit it in the Treasury and, if recovery was not possible, it should be written off. Audit was requested to watch the progress of the case.*

2374. *Non-recovery of Government dues on account of cost of material and other dues etc.* [*Para* 50 (*ii*), *page* 52—*AR*] (*Paras* 532—535, *pages* 174-175—*PAC Report* 1978-79)—*The Committee directed that both the Ministry should pursue the matter for effecting the remaining recovery from the Contractor through legal action.*

2375. *Non-recovery of Government dues on various accounts* [*Para* 50 (*vi*), *page* 53—*AR*] (*Paras* 542—544, *page* 177—*PAC Report* 1978-79)—Audit pointed out that the record to verify the recovery of Rs. 7,772 had not been produced to Audit ; and no progress had been intimated by the Department about recovering the balance. *The Committee directed that write-off action might be considered and Audit should be satisfied by producing record to it.*

2376. *Loss of Rs.* 26,223 *due to breakage of glass-panes* (*Para* 56, *page* 56—*AR*) (*Paras* 563—565, *page* 182—*PAC Report* 1978-79)—*The Committee directed that the Department should satisfy Audit, who may report back to it, if deemed necessary.*

Non-recovery of expenditure of Rs. 1,005,674 *from the owners of requisitioned houses* (*Paras* 697—699, *page* 125—*PAC Report* 1970-71) [*Paras* 578 (*iii*), *pages* 185—187—*PAC Report* 1978-79]—

Excess payments to contractors Rs. 16,437 (*Para* 771, *page* 132—*PAC Report* 1970-71) [*Paras* 578 (*xii*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of rent to the tune of Rs. 2,302,219 (*Paras* 423-424, *page* 88—*PAC Report* 1972-73) [*Para* 578 (*xvi*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of Rs. 714,689 *due from the contractor on account of their risk and cost liability* (*Paras* 352-353, *pages* 75-76, *PAC Report* 1974-75) [*Para* 578 (*xxiv*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of Water Charges and rent of sewer lines amounting to Rs. 159,220 (*Paras* 361—364, *page* 78—*PAC Report* 1974-75) [*Para* 578 (*xxvii*), *pages* 186-187—*PAC Report* 1978-79]—

Non-recovery of second advance amounting to Rs. 37,494 *from a contractor* (*Para* 374, *page* 79—*PAC Report* 1974-75) [*Para* 578 (*xxx*), *page* 187—*PAC Report* 1978-79]—

2377. *The Committee directed that the departmental and Audit representatives should meet to discuss all these cases of outstanding recoveries and agreed positions with regard to the recoveries should be brought before the PAC.*

2378. *Avoidable expenditure on work charged establishment maintained for watch and ward of surplus stores* (*Page* 17, *para* 2-*Interim Audit Report*) (*Paras* 753—755, *page* 130—*PAC Report* 1970-71) [*Para* 578 (*viii*), *pages* 185—187, *PAC Report* 1978-79]—The Department explained that, out of eleven survey reports, five had been disposed of, and money realised and verified. The remaining would be disposed of by the 30th September, 1984. *The Committee then directed that the Director General, Investment Promotion and Supplies should expedite the disposal of stores by September,* 1984. *A copy of Committee's directive be sent to the D.G.I.P & S for report compliance through Audit.*

2379. *Non-recovery of storage charges Rs.* 16,488 *and Rs.* 9,682 (*Para* 774, *page* 132—*PAC Report* 1970-71) [*Para* 578 (*xiii*), *pages* 186-187, *PAC Report* 1978-79]—It was explained by the department that disciplinary action was under process against the officers responsible for not making provision for the recovery of storage charges from the contractors for the material issue to them from Government stores. Audit pointed out in their comments that the department had stated before the PAC on 18th November, 1978 that disciplinary action was being processed, but it had not yet been finalized.

2380. A member observed that the department should satisfy Audit. *The Committee finally decided that the department should sort it out with Audit by the 30th June,* 1984.

2381. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points|paragraphs. (i) in the Appropriation Accounts|Commercial Accounts and the Audit Reports thereon and (ii) Compliance on the PAC's Report for 1978-79. These would be deemed as settled subject to such regularization action as may be necessary under the rules.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

2382. The Appropriation Accounts etc., pertaining to the Environment and Urban Affairs Division were the last to be taken up by the Committee for examination on the 6th May, 1984. The following departmental Representatives were present—

(1) Mr. Ayaz Ali Shah, Joint Secretary

(2) Mr. Zia-ul-Haq, Deputy Secretary

(3) Mr. Suleman Shah, Section Officer

2383. This Division controlled the following grants—

S. No	Name of Grant	Grant No
1.	Environment and Urban Affairs Division (Partly)	68
2.	Other Expenditure of Environment and Urban Affairs Division (Partly) ..	70
3.	Development Expenditure of Environment and Urban Affairs Division ..	152

2384. *Reconciliation of Accounts with Audit*—The Committee noted with satisfaction that the reconciliation work of the Division was complete upto December, 1983 and the remaining reconciliation work was well in hand.

APPROPRIATION ACCOUNTS

2385. *Grant No.* 68—*Environment and Urban Affairs Division* (*Page* 87—*AA*)—Audit had pointed out that, in view of the saving|surrender, the department should not have asked for a supplementary grant of Rs. 131,000. The Committee did not make any observation on this grant.

2386. *Grant No.* 70—*Other Expenditure of Environment and Urban Affairs Division* (*Page* 89—*AA*)—There was no point for consideration by the Committee under this grant.

2387. *Grant No.* 152—*Development Expenditure of Environment and Urban Affairs Division* (*Page* 196—*AA*)—Audit intimated that the final grant and actuals had been accepted. Surrender of Rs. 418,232 against the original provision of Rs. 750,000 under the function head "360-Urban|Town Planning and Regulatory Services-Lump Provision for Joint Research Project No. IV Urban Development and Slum Improvement" was due to the fact that the Finance Division did not agree to a further continuation of the Project.

2388. In view of the above, the Committee did not make any further observation on this grant.

AUDIT REPORT

2389. *Delay in processing of G. P. Fund cases* (*Para* 188, *page* 154—*AR*)—Since the reply of the Ministry had been accepted by Audit, the Committee decided to drop the paragraph.

COMMERICIAL ACCOUNTS

2390. *Pakistan Environmental Planning and Architectural Consultants Ltd.* (*PEPAC*) (*Para* 177, *page* 91—*ARCA*)—Audit reported that the Company earned a net profit of Rs. 0.636 million and Rs. 0.205 million during the year 1981-82 and 1982-83, respectively, as against Rs. 0.663 million in 1981-82.

2391. Thereupon, the Committee decided to drop the paragraph.

2392. (*Para* 178, *page* 91—*ARCA*)—Audit pointed out that the cash balances further increased to Rs. 2.249 million as on 30th June, 1982 and Rs. 3.204 million as on 30th June, 1983, on which the interest earned by the company was Rs. 38,498 and Rs. 165,997 respectively. The Committee did not make any further observation and the paragraph was treated as dropped| settled.

2393. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other points|paragraphs (i) in the Appropriation Accounts|Commercial Accounts and the Audit Reports thereon and (ii) Compliance on PAC's Report 1978-79. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

2394. The Committee then adjourned to meet at 9.00 a.m. on Monday, the 7th May, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 1st February, 1985.

FEDERAL COUNCIL SECRETARIAT

Monday, the 7th May, 1984

Fifteenth Sitting (PAC)

2395. The Public Accounts Committee assembled at 9.00 a.m, in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present —

P.A.C.

(1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman*
(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*
(3) Syed Saieed Hasan, Member, Federal Council .. *Member*
(4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member*
(5) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan *Member*
(6) Mr. Yusuf Bhai Mian, Chartered Accountant .. *Member*

Federal Council Secretariat

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

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan
(2) Mr. S.I. Shabbir, Deputy Auditor-General (Co-ord)
(3) Mr. Khalid Rafique, Deputy Auditor-General (A&R)
(4) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues
(5) Mr. A.S. Ansari, Director General of Audit, Defence Services

Ministry of Finance

(1) Syed Shaukat Hussain, F.A. (Army)
(2) Mr. Muhammad Ashraf, AFA (Military Finance)

2396. *Accounts examined*—The Accounts pertaining to the Defence Division were examined by the Committee during the course of the day.

DEFENCE DIVISION

2397. The Committee took up, for its examination, the Appropriation Accounts etc., pertaining to the Defence Division. The following departmental representatives were present —

(1) Mr. Aftab Ahmed Khan, Secretary

(2) Mr. Anis Ahmed, Joint Secretary

(3) Mr. Ibnul Hassan, MAG

(4) Mr. Ishaq Satti, Additional Secretary (MF)

(5) Mr. S.M.N. Ahsan, Deputy Secretary

(6) Mr. Zeenatullah Khan, Deputy Secretary

(7) Mr. Naseer Ahsan, Deputy MAG

(8) Mr. Ashraf Baig, Section Officer

(9) Mr. Shah Muhammad, F&AO

2398. This Division, controlled the following grants —

S. No	Name of Grant	Grant No
1.	Ministry of Defence	29
2.	Survey of Pakistan	31
3.	Northern Areas (Function 014 Kashmir Affairs)	122
4.	Other expenditure of Kashmir Affairs and Northern Affairs Division (Function 014-Kashmir Affairs-NAWO)	124
5.	Development Expenditure of Ministry of Defence (Function 382 Survey of Pakistan)	145
6.	Development expenditure of Kashmir Affairs and Northern Affairs Division (014-Kashmir Affairs and Northern Affairs Division—Development Schemes in Northern Area)	165
7.	Capital Outlay on Civil Aviation and Other Works of Ministry of Defence (Function 586-Residential Buildings)	175

2399. *Reconciliation of Accounts with Audit*—The Committee observed that the reconciliation of Accounts for the year 1983-84 had not been completed. *The departmental representative was directed that all the pending accounts should be reconciled by the* 31*st May*, 1984.

APPROPRIATION ACCOUNTS (CIVIL)

2400. *Grant No.* 29-*Ministry of Defence* (*Defence Division*) (*Page* 45-*AA*)—The department contended that the excess of Rs. 76,161,830 reported under this grant, was actually under NLI and not the Division itself. There was also further difficulty that the break-up of the figure of final appropriation *i.e.* Rs. 81,159,480 (shown by Audit under the function head "111-Defence Division including Northern Light Infantry") had not been supplied by the A.G.P.R. However, according to the department the separate figures for the two were as under —

	Rs.
Defence Division	6,412,880
NLI	75,443,000
	81,855,880

2401. The Ministry stated that the supplementary grant of Rs. 696,400 accounted for against Code head "111—500—Commodities and Services," sanctioned *vide* Secretary Finance Diary No. 7172 dated 8/9 June, 1981, had not been taken into accounts by Audit.

2402. Audit maintained that the final grant shown in the appropriation accounts was correct as the supplementary grant did not appear in the printed book. The excess expenditure on the other hand was due to the belated adjustment of expenditure for the previous years of NLI (Rs. 149,991,716) for which debits were received in 1980-81 minus the non-booking of the current year's expenditure of Rs. 65,964,000. The debit for the latter amount was received late from Military Accounts and booked in 1981-82.

2403. The Vice-Chairman remarked that it seemed that the accounts were being adjusted after a year, for which reasons should be given clearly. The departmental representative submitted that there was some confusion, but now the department had started monthly reconciliation with the A.G.P.R. *The Committee finally observed that, in future, there should be no arrears in reconciliation.*

2404. *Grant No.* 31-*Survey of Pakistan* (*Page* 47-*AA*)—The appropriation accounts showed a saving of Rs. 1,108,226 under the function head "382-Survey of Pakistan". The department explained that, the information available with them showed actual expenditure of Rs. 19,563,139 during 1980-81. While reconciling figures with the A.G.P.R., Karachi, it came to notice that debits of Rs. 1,013,549 had not been received from the DGPI & S. These debits had been booked by Audit in the accounts of 1981-82. The expenditure booked in 1980-81 thus amounted to Rs. 18,549,590. Audit further observed that the accounts reflected an estimated recovery of Rs. 2,895,000, whereas no recovery was recorded for the year. The Ministry explained that actual recovery was Rs. 3,993,567 made by its offices in Rawalpindi. However, the A.G.P.R., Rawalpindi failed to record the recoveries by debiting the agencies for whom work was done.

2405. Audit observed that the departmental explanation for the actual recovery was not wholly correct, as the Department had not drawn Audit's attention thereto before the closing of accounts for 1980-81 nor during the reconciliation. Audit further stated that the amounts forwarded by the Survey of Pakistan had been incorporated in the accounts for 1981-82. The Departmental Proforma Stores Accounts for 1980-81 and 1981-82, duly verified by Audit, had also been received and were being printed in the accounts for 1982-83. Accounts for 1982-83 had not been received so far.

2406. A member asked whether the figures for the entire department had been reconciled and included complete adjustment. The departmental representative replied in the affirmative. The recovery figure of Rs. 3.9 million had also been almost agreed with the A.G.P.R.

2407. Questioned as to why the recoveries were not being booked., the departmental representative replied that this was due to lack of reconciliation of the Accounts of previous years. Actually, the department had been advising the A.G.P.R. of the recoveries to be made but these were not being recorded in his books. But now he was accepting them and recoveries were being booked and reconciled monthly.

2408. Thereupon, *the Committee observed that as the A.G.P.R's accounts did not reflect recoveries, he should finalized them by May*, 1984.

2409. *Grant No.* 122-*Northern Areas* (*Page* 147-*AA*)—According to Audit, a saving of Rs. 19,137,073 had occurred under the Grant No. 122-Main Head 014-Kashmir Affairs (NAWO). The Ministry explained that, as against Rs. 11,279,427 shown by Audit under actual expenditure, the departmental figure in respect of Northern Areas Works Organization was Rs. 26,916,600. Audit commented that the appropriation under this grant was handled both by the Kashmir Affairs and Northern Affairs Division and the Defence Division (NAWO).

2410. The Vice-Chairman remarked that there was a saving but the figures had not been reconciled at any stage. The Auditor-General also asked about the figures shown in the budget book. The departmental representative replied that, as far as the Defence Division was concerned, the budget book was not the authority for allocation. The Defence Division had allocations separately released by the Ministry of Kashmir Affairs. The Vice-Chairman then observed that, in that case, the Ministry of Kashmir Affairs should produce the relevant documents.

2411. The departmental representative also informed the Committee that the Northern Areas Works Organisation were getting funds from the Ministry of Kashmir Affairs. But, for administrative reasons, it was under the Ministry of

Defence. Therefore, the departmental representative would suggest that, in the PAC meetings, these appropriation accounts should be dealt with by the Ministry of Kashmir Affairs and not by the Ministry of Defence.

2412. *The Committee further observed that the Ministry of Kashmir Affairs had transferred Rs. 27 million to NAWO, and the latter should account for this amount. Thereupon, the Committee directed that Audit should look into the matter and report back.*

2413. *Grant No.* 124-*Other Expenditure of Kashmir Affairs and Northern Affairs Division—Function Head* "014-*Kashmir Affairs*" (*Page* 150-*AA*)—The appropriation accounts showed a saving of Rs. 1,394,182 under this head. Audit further observed that the grant was jointly dealt with by the Kashmir Affairs and Northern Affairs Division and the Ministry of Defence (NAWO). The portion relating to the Kashmir Affairs and Northern Affairs Division had been dealt with separately and that relating to NAWO was accepted by Audit. The actuals of Rs. 1,347,000, relating to this grant, had been booked by the A.G.P.R. under grant No. 165. The Committee did not make any observation on this grant.

2414. *Grant No.* 145-*Development Expenditure of Ministry of Defence* (*Function* 382—*Survey of Pakistan*) (*Page* 177-*AA*)—The Committee observed that it was a very small expenditure and stood accepted.

2415. *Grant No.* 165-*Development Expenditure of Kashmir Affairs and Northern Affairs Division*—(*NAWO*) (*Page* 215-*AA*)—The appropriation accounts showed an excess of Rs. 10,761,461 under Function 014 Kashmir Affairs and Northern Affairs Division—Development Schemes in Northern Areas under this grant. After going through the Ministry's explanation and Audit comments thereon, the Committee observed that this case was similar to the one already discussed under the foregoing grant. Auditor-General remarked that the Ministry of Finance and Ministry of Kashmir Affairs to do something later on. No further observation was made by the Committee.

2416. *Grant No.* 175-*Capital Outlay on Civil Aviation and Other Works of Ministry of Defence* (*Page* 224-*AA*)—The appropriation accounts showed a saving) of Rs. 204,431,301 against the final grant of Rs. 364,000,000 under the Head "586-Residential Buildings". The Ministry explained that, during 1980-81, a sum of Rs. 364 millions were allocated to the Army, Navy and Air Force for Capital-Residential Works as under —

	(*Rs in million*)
Army	181.100
Navy	76.000
Air-Force	106.900
	364.000

2417. The Ministry further stated that, for the purpose of adjustment, it was decided that, initially, expenditure would be booked in the Defence accounts and transferred to the A.G.P.R. for subsequent debit to Head 586 in grant No. 175. At the time of closing the 1980-81 Accounts the amount of Rs. 364 millions was transferred to the A.G.P.R. Audit confirmed that the actuals of Rs. 159,568,699 booked by Audit were belated adjustment of debits for the years 1978-79 and 1979-80 and the entire debits of Rs. 364 million relating to the year 1980-81, were received late from the MAG through Exchange Accounts and adjusted during 1981-82.

2418. The problems created by such transactions having already been considered and commented upon by the Committee elsewhere, no observation was made by the Committee in this case.

AUDIT REPORT (CIVIL)

2419. *Irregularities in Cantonment Board, Karachi* (*Para* 10, *page* 27-*AR*)— Audit had reported the following irregularities in the 1974—78 accounts —

(i) On the 30th June, 1974, rent and taxes, amounting to Rs. 2,723,270, were due but effective steps had not been taken to realize the arrears and the dues increased to Rs. 3,587,740 by 30th June, 1978. Due to abnormal delay, the prospects of recovery had become remote and special measures would be needed to effect recovery.

(ii) Government securities of the face value of Rs. 300,000 were pledged in favour of a bank, as security for an overdraft to a firm of architects. The firm drew Rs. 180,000 from the Bank in April-June 1976 and by February, 1979, an interest of Rs. 99,983 had accrued thereon. There was no justification for this favour. In March, 1981, the Board stated that an inquiry had been instituted against the then Executive Officer. There has been no news of any further developments.

(iii) Rs. 374,056 were invested in 1963-64 as fixed deposit for 10 years in unsound Commercial bank. To incerase the investment, the Board also encashed National Defence Certificates pre-maturely, losing interest of Rs. 4,918. The bank went into liquidation in May, 1968, causing a loss of the principal amount and 10 years of interest thereon, which would have been Rs. 142,521.

(iv) Advance rent of Rs. 14,400 for one year, to hire a house for an additional executive officer, was paid to a landlord in November, 1976. Clause 9 of the agreement required one month's notice on either side, for the termination of the agreement. The Board vacated the house six months before the expiry of the agreement without serving one month's notice. Thus Rs. 6,000 were paid unnecessarily for five months.

2420. The above-mentioned cases were brought to the notice of the Board and the Ministry. Though interim replies were received, no retrieval measures were adopted despite a lapse of six years.

2421. In their written reply, the Ministry explained, *ad seriatim*, as below —

(i) The Karachi Cantonment had now been bifurcated into two Cantonments *i.e.* Karachi Cantt. and Clifton Cantt. The arrears of revenue pertaining to the areas, located in both these Cantonments, had been divided into the respective Cantonment Boards. As for recovery, the Ministry had produced a statement, giving details of the outstanding amount of Rs. 3,587,740. It was seen therefrom that the full amount of Rs. 3,134,292, pertaining to the Clifton Cantt Board and Rs. 390,382, out of Rs. 453,447, pertaining to the Cantt Board, Karachi had been recovered, leaving a balance of Rs. 63,064, against the latter. The Ministry had mentioned that a sum of Rs. 82,211 remained in arrears, which was expected to be recovered soon.

(ii) The inquiry against the concerned Officer had been completed and he had been punished for the irregularities committed by him. The matter had become the subject of litigation on the institution of a Civil Suit by the Architect Firm concerned against the Cantonment Board Karachi, who had also filed a counter claim against the Firm. The case was pending in the High Court of Sind.

(iii) The Cantonment Board Karachi had taken up the matter with the Official Liquidator of the bank, who was being reminded for an early finalization of the matter.

(iv) The balance of advance rent was recovered from the Officer, then occupying the vacated bungalow. An amount of Rs. 2,200 had been paid by him. The balance would be recovered in easy instalments.

2422. Replying to a query about the present balance due in respect of the Cantonment Boards, the departmental representative said that all the amounts had been recovered from the Drigh Road Cantonment.

2423. Questioned about the position of inquiry instituted against the officer, the departmentlal representative submitted that he had been given the punishment of stoppage of increments for three years. The Ministry further informed the Committee that a case had been instituted in the High Court.

2424. After going through the explanation of the Ministry and the Audit comments thereon, *the Committee directed that the arrears position, as on* 31-3-1984, *and alongwith the final position should be furnished to Audit by* 30-6-1984. *In future the arrears should be kept to the minimum. Recoveries should be made at the earliest possible date and Audit kept informed about them.*

2425. *Recoveries not effected—Rs.* 120,880 (*Para* 11, *pages* 28-29—*AR*)—Overpayment of pay, allowances etc., and other government dues as pointed out by Audit, were not recovered promptly in 38 cases by the Defence Wings of 16 Missions abroad. Consequently, outstandings accumulated to Rs. 120,880. The Ministry stated in their written reply that the case was referred to Joint Secretary Headquarters for recovering the overpayment of U.S. $ 699.02 JS HQ had intimated that the Officer had retired from service on 3rd July, 1983. He had been asked again to settle the long outstanding audit objection, as the Officer was sent on retirement by them without clearing the outstanding dues against him, in violation of the Army Force Regulations. Audit pointed out in their comments that only a small sum of Rs. 3,102 had been recovered, leaving a balance of Rs. 117,778, which may be recovered immediately. The Ministry further explained that the Embassy of Pakistan, Kabul had been requested to intimate the actual amount on account of Service/utility Charges to be refunded by Col. Murad and Wing Commander T.A. Shehzada. On receiving a reply, the officers concerned would be asked to refund the amount. As for the Exchange Compensation Allowance (ECA), the Ministry stated that the Attaches and their staff were paid lesser ECA than authorised. Audit, thereupon, stated that, factually, out of 14 officials of the Defence Wing only 7 were paid less. The due amounts recoverable in these cases still remained to be calculated and recovered.

2426. The Vice-Chairman remarked that the case had been delayed inordinately and the Department must give the reason for such delay. The departmental representative informed the Committee that action was being taken new expeditiously.

2427. Replying to an observation made by a member, the departmental representative further stated that they had been corresponding with Foreign Missions for the last two years. As a result, same money had already been recovered.

2428. Questioned about the system of internal checks, in the Ministry, the departmental representative answered that they had no control over these payments. Thereupon, the Vice-Chairman enquired as to who was responsible for making these payments. The departmental representative replied it was the Chief Accounts Officer, who was not under the control of their Ministry. Replying to another query as to how could the overpayment be reduced or avoided, the departmental representative submitted that the rules provided that overpayments, due to wrong interpretation of rules by the Missions should be regularized.

2429. *After further discussion, the Committee directed as below—*

(i) *A review by the Ministry be carried out by the 30th September, 1984 to see whether over-payments are to be recovered or written off. In case of recovery, definite time-limits should be given. A report should be sent to the Committee.*

(ii) *Internal check system should be strengthened by the CAO, Ministry of Foreign Affairs, for avoiding overpayments to Military Attaches.*

2430. *Irregular expenditure of Rs.* 81,788 (*Para* 12, *page* 29—*AR*)—Audit had reported that, in seven cases, an expenditure of Rs. 81,788 was irregularly incurred by the Defence wing of three Missions abroad on the Purchase of stores and payment of pay and allowances etc., without obtaining bids or quotations or without obtaining prior approval of the competent authoritity.

2431. The departmental representative informed the Committee that either the expenditure had been regularised or the money had been recovered. The Committee decided that the paragraph be treated as settled subject to verification of recoveries by Audit.

2432. *Non-recovery of rent and dues* (*Para* 13, *page* 29—*AR*)—The Committee did not make any observation on this paragraph because Audit had informed the Committee that recovery would be verified in the next audit.

2433. *Delay in processing of G. P. Fund Cases* (*Para* 188, *page* 151—*AR*)—The paragraph was dropped.

2434. *Delay in the processing of pension cases* (*Para* 189, *page* 157—*AR*)—Since the explanation of the Ministry was accepted by Audit, the paragraph was dropped.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

2435. *Construction of Bank —Warehouses—Rs.* 1,190,500—*Navy* (*Para* 1, *Item* 1, *page* 4-*AA—Defence Services*)—According to Audit, an expenditure of Rs. 1,190,500 was incurred without the sanction of competent authority. The Ministry explained that the work was sanctioned for Rs. 31,592,800. Due, however, to changes and additional works in the Building, the necessity for a revision was accepted by the Government and Naval Headquarters (NHQ) were directed to continue the work to avoid delay, keeping in view its urgency/importance and impact on defence requirements.

2436. The Ministry further stated that the Revised P.E. was initiated on the 4th March, 1981 and revised administrative approval for Rs. 43,211,000 was issued *vide* NHQ letter No. WK/5439/Wks-3/NHQ, dated the 30th September, 1981. No expenditure was incurred without the sanction of the competent authority as with the issue of the Revised P.E., the total expenditure was covered by the revised administrative approval.

2437. In view of the above explanation, the Committee did not make any further observation and the paragraph was treated as settled.

2438. *Provision of 4 cone covered pens—Rs.* 3,972,265—*PAF* (*Para* 1, *Item* 2, *page* 4-*AA—Defence Services*)—The Ministry explained that the formation concerned did not agree to the contention of Audit because the work in question which was an operational and executed in the interest of the State, had since been completed and the project estimate, based on the completion cost was being processed for obtaining administrative approval for regularisation.

2439. After going through the above explanation, the Committee decided that the paragraph may be treated as settled subject to verification or regularisation by Audit.

2440. *Payment to WAPDA upto and during* 1980-81 *on account of electric charges without C.A.—Rs.* 2,305,646—*PAF* (*Para* 1, *item* 3, *page* 4-*AA—Defence Services*)—In their reply, the Ministry pointed out that the formation concerned did not share the Audit view, as the above expenditure was incurred within the allotment for 1980-81 without any excess. The contract agreement for electric supply was concluded between the Defence & WAPDA and was submitted to the C.A.A.F., Lahore for scrutiny.

2441. Audit observed that the agreement, submitted for scrutiny in April, 1974 was misplaced and was scrutinized after about 10 years.

2442. After going through the Ministry's explanation and Audit comments thereon, the Committee decided to drop the paragraph subject to verification by Audit.

2443. *Operational Works—Rs.* 3,323,382—*PAF* (*Para* 1, *Item* 4, *page* 4-*AA—Defence Services*)—It was stated by the Ministry that the formation had not agreed to the Audit view-point because the works involved were operational, executed under the Ministry of Defence (Air Branch) Rawalpindi letter No. AHQ/5500/2/Works/Bgt/AF/3433/D-10 (AF-II) dated 3-11-1977. Project estimates against these jobs had since been submitted for obtaining administrative approval towards regularization. These were under scrutiny.

2444. The paragraph was dropped subject to verification of regularisation by Audit.

2445. *Provision of Apron for* 48 *Air-crafts—Rs.* 6,985,009—*PAF* [*Para* 1, *item* 5 (*i*), *page* 4-*AA—Defence Services*]—Garrison Engineer (Air), Mianwali incurred an expenditure of Rs. 6,985,009 without the sanction of competent authority required under the rules. The formation maintained that this was ordered to be executed as an operational work under the Ministry of Defence (Air-Branch) Rawalpindi letter No. AHQ/5500/2/Wks-Bgt/3433/D-10 (AF-II) dated 3-11-1977. The work had since been completed and processing for the administrative approval of the completion cost had since been initiated in order to regularise the expenditure.

2446. *The Committee observed that the Ministry should scrutinize the project cost promptly and thereafter, send a report to Audit who should follow it up.*

2447. *Additional O.R.P. Rs.* 1,119,988—*PAF* [*Item* 5 (*ii*), *page* 4-*AA*—*Defence Services*]—The Garrison Engineer (Air), Mianwali incurred an expenditure of Rs. 1,119,988 against the subject Work without the sanction of the competent authority. The formation stated that this was ordered for execution as an operational work under the Ministry of Defence (Air Branch) No. AHQ/5616/182/Wks-Bgt/F-II/81/D-10 (AF-ii) dated 29-3-1981. The work had since been completed and administrative approval for the completion cost had been asked for to regularise the expenditure.

2448. *The Committee directed that Audit should follow it up.*

2449. 2/*MU*/*CPP*/*OPS*/*E&M*/77-78—*Rs.* 5,189,881—*PAF* [*Item* 5 (*iii*), *page* 4-*AA*—*Defence Services*]—Audit had pointed out that the GE, (Air Mianwali incurred an expenditure of Rs. 5,189,081 against the job, without the sanction of the proper authority required under the rules. The formation submitted that the subject job had been ordered for execution as an operational work under the Ministry of Defence (Air-Branch), Rawalpindi Secret letter No. AHQ/5500/2/Works/Bgt/AF/3433/D-10/(AF-II) dated 3-11-1977.

2450. *The Committee directed that the entire expenditure incurred on unauthorized works in this case and others should be regularized by issuing a government sanction and a fuller report should be furnished to Audit, who may revert to the PAC, if necessary.*

2451. *Para* 3—*Army*, *page* 4-*AA*—*Defence Services*)—According to Audit, cases continued to occur in which consignees of Defence Department Stores had not linked the goods received by them against specific consignments, notified as having been despatched to them, and it was not possible for Audit to verify that such consignments had been actually accounted for by the consignee.

2452. The department explained that fresh instructions had once again been issued to all the Ordnance Depots (*vide* GHQ letter No. 4248/796/MG/OS-10A dated 8-5-1982), for strict compliance with the existing procedure, to eliminate the recurrence of non-linking of goods. All the depots had also been asked to clear the outstanding cases.

2453. As for the Navy, the Ministry confirmed that vouchers had been linked up by the Air Store Depot and Audit may verify the same.

2454. *The Committee observed that the result of the observance of instructions, issued to all Ordnance Depots, may be reported to Audit.*

2455. *Warrant of Stores in respect of Naval Establishments* (*Para* 4—*Navy, page* 4-*AA—Defence Services*)—As reported by Audit, no Warrant of Stores in respect of Naval Establishments were issued by the Warrants of Stores Committee, formed under the instructions of the Government. The store Establishments continued to draw their requirements, as per the provisional Warrants of Stores, prepared by the Committee.

2456. The department contended that, according to the information obtained from the MAG. Warrant of Stores in respect of nine ships had not been issued so far. The Ministry also emphasized that preparation of Warrant of Stores is a continuing process and the Committee has to examine and approve draft warrants of every ship or craft inducted into the service after compilation of the same by the ship or craft concerned, keeping in view its requirement and role. The Warrants of Stores of Naval Ships and Establishments were being regularly prepared and approved by the Committee. After hearing the departmental explanation, the PAC decided that the paragraph may be treated as settled.

2457. *Physical verification of Stock* (*Para* 5—*Army, page* 5-*AA—Defence Services*)—It was reported that the physical verification of stocks was carried out by all the Units and Formations during 1980-81 except one Army Unit, where it was not carried out at all.

2458. In their reply, the Ministry explained that GE(P), Finalization, Wah *vide* his letter No. 3245/271/E-3 dated 1st November 1981, had forwarded a certificate to Audit that stock verification for 1980-81 could not be carried out, because all the outstanding items of stores had been transferred to the Superintendent Stores (Stores & CMC) POFs, Wah during October and December, 1980 and these were physically held on his charge. They had further clarified that though all the stores items were held in the books of GE (P) Finalization, they were physically lying inside the factory premises under the safe custody of the Superintendent for the last 20 years. These stores, transferred to the Superintendent Stores under Voucher No. 35/04/3008 dated 6th October, 1980 and 35/040/4010 dated 6th December, 1980 were not stocked properly and were kept in an haphazard manner and even the vouchers were not yet accepted inspite of repeated reminders. In the circumstance, their verification was not possible. However, a case regarding condonation of non-verification of stocks for 1980-81 by the POF Board had been initiated by the GE(P) Finalization Wah. Quick action was therefore, required to place the store and its records at one place.

2459. The Vice Chairman remarked that GE(P) Finalization, Wah, had given no certificate in this respect. The departmental representative said that they had since been informed that the vouchers had been accepted. After hearing the departmental explanation, the Committee decided to drop the paragraph subject to verification by and satisfaction of Audit.

Appendix 'A'

2460. *Foreign Exchange loss—Rs.* 187,328 [*Item I(i)* 1, *NHQ/Budget Dte, page* 7- *AA—Defence Services*]—The Ministry explained that a remittance of FF 11.95 million against a contract was made twice to Paris by the CMA Office. When the error came to light, the amount of one remittance was got back but it resulted in a loss of Rs. 187,328 owing to variation in the exchange rate. The loss had since been written off *vide* Ministry of Defence letter No. BG/4112/NHQ/332/D-8 (Navy-II)/81-dated 26-2-1981. Besides, action against those responsible for the lapse had been taken. A member enquired as to what preventive action had been taken in this regard. The departmental representative informed the Committee that the procedure was being revised and streamlined to prevent such double payments in future.

2461. After discussion, *the Committee directed that a comprehensive note be furnished by the MAG to the Committee about measures, to be taken to prevent such double payment in future.*

2462. *Extra Expenditure caused to State—Rs.* 22,287—*Army/RV & F* [*Item I (i)* 2, *page* 7-*AA—Defence Services*]—The Ministry stated that a contract for the supply of 8,600,000 pounds loose white bhoosa at the Military Farm, Lahore was concluded with Abdul Majid Muhammad Din, during 1969-70. The contractor supplied 7,037,636 pounds of bhoosa, leaving a deficiency of 1,562,364 pounds. 1,326,019 pounds of bhoosa was taken out from the stocks against the above deficiency at the risk and expense of the contractor because such a huge quantity was not easily available in the locality, being the season's end.

2463. The Committee accepted the explanation and the paragarph was treated as settled.

2464. *Stores short landed from abroad—Rs.* 14,729—*PAF/Supply Dte* [*Item II (i)* 1, *page* 7-*AA—Defence Services*]—The Ministry explained that the amount of loss represented the cost of stores, sent abroad for repairs or overhaul, but not handed over by the Carrier to the Freight Forwarder. The claim lodged by the ADP, Washington D.C. on the carrier was rejected as time-barred. The loss was regularised by the competent financial authorities at the Air Headquarters on 10-10-1980.

2465. *The Committee directed that the matter be pursued, action taken for the delay and a report furnished to Audit about the stores short landed from abroad.*

2466. *Overpayment of contingency allowance—Rs.* 28,640 *Army/PP & A Dte* [*Item II (i)* 36, *page* 8—*AA—Defence Services*]—It was stated by the department that this case related to the regularisation of excess payment of Government money, amounting to Rs. 28,640, for line contingent allowance to 77 Mtn Regt.

Arty during 1975 & 1976. The necessary preventive measures had since been adopted by the Unit. The overdrawn amount had also been regularised *vide* Ministry of Defence letter No. 4603/1124/PPA-2A/D-4 (A-IV/80 dated 17th September, 1980. The Committee did not make any observation and the paragraph was dropped.

2467. *Overpayment out of ATG,* 1977-78 & 1978-79—*Rs.* 104,310—*Army MED* (*Item II*-37, *page* 8—*AA—Defence Services*)—The Committee accepted the explanation of the Ministry and treated the paragraph as settled.

2468. *Excess electric consumption—Rs.* 5,563—*PAF* [*Item II* (*i*) 39, *page* 8-*AA—Defence Services*]—The Ministry informed the Committee that a Board of Inquiry was constituted who recommended the write-off of this amount. Accordingly, a loss statement was prepared, which was duly sanctioned by the Ministry of Defence under No. AHQ/3046-I/E-3/F. 95/D-10 (AF-II)/79 dated 11-12-1980. The Committee did not make any observation and the paragraph was treated as settled.

2469. *Non-recoverable amount Rs.* 17,653—*PAF* [*Item II* (*i*) (40), *page* 8—*AA—Defence Services*]—After seeing the Ministry's explanation, the Committee observed that the officer concerned had been accorded seniority, instead of the recovery of the amount from him had not even been asked to refund the money overpaid to him. The departmental representative submitted that the officer was given seniority in 1976-77. *The Committee decided that action be taken to recover the money or regularize the payment and a report of the action taken be sent to Audit, who may revert to the PAC, if necessary.*

2470. *Loss of files/overpayment of pay and allowance—Rs.* 20,206, *DML & C* [*Item II* (*i*) 41, *page* 8-*AA—Defence Services*]—The Ministry explained that the loss of files and the objection regarding over-payment had been regularised *vide* Ministry of Defence letter No. 101/332/PA/ML&C/4007/D-12/ML & C/77 dated 5-10-1980. The Committee did not make any observation and the paragraph was treated as settled.

Annexure to Appendix 'B'

2471. *Damage to Aircraft—Rs.* 97,478 [*Item I* (*i*)—*Army/PP & A Dte, page* 11-*AA—Defence Services*]—The Ministry informed the Committee that disciplinary action had been taken against the pilot and the loss was regularised under the Ministry of Defence (Army Branch) letter No. 4628/1278/PPA-6/1496/D-4 (A-IV) of 28th July, 1980. The necessary remedial measures had also been adopted by the Formation Headquarter. The Committee did not make any observation on this item and the paragraph was treated as settled.

2472. *Damage to Helicopter—Rs.* 2,002,034—*Army/PP & A Dte* [*Item-I* (2), *page* 11-*AA—Defence Services*]—It was explained by the Ministry that disciplinary action had been taken against the Pilot. As for Penal Recovery, it was not applicable in this case, because the Base Commander had not recommended it. Individuals are not monetarily penalised in aircraft accidents due to large sums involved and flight safety reasons. The Commander Rawalpindi Log Area and the C.G.S. also recommended the writing off the entire loss as a charge against the State. The necessary remedial measures had since been adopted by the Base Headquarter and the loss was regularised under the Ministry of Defence (Army Branch) letter No. 4628/1246/PPA-6/351/D-4 (Army IV) dated 5th March, 1981.

2473. A member enquired as to whether the decision had been taken by the Defence Division or the Services. The departmental representative submitted that it was a voluntary service, where Officers volunteered to join this cadre and it entailed on extra duty for them.

2474. *The Committee directed that a self-contained note about this case be given to Audit, who may revert back to the PAC, if necessary.*

2475. *Damage to Aircraft—Rs.* 774,358—*Army/PP & A Dte* [*Item I* (3), *page* 11-*AA—Defence Services*]—The Ministry confirmed that the loss of Rs. 774,358 was regularised under the Ministry of Defence (Army Branch) letter No. 4628/1022/PPA 2 B/1698/D-4 (Army-IV) dated 11-8-1980. *The Vice-Chairman observed that there being a number of aircraft accidents, the Ministry should decide as to what the penal action be taken in such cases—*

Damage to Lorry—Rs. 23,675—*Army/PP & A Dte* [*Item I*(6), *page* 11-*AA—Defence Services*]—

Damage to Lorry—Rs. 9,839—*Army/PP & A Dte* [*Item-I* (7), *page* 11-*AA—Defence Services*]—

Damage to Lorry—Rs. 8,203—*Army/PP & A Dte* [*Item-I*(8), *page* 11-*AA—Defence Services*]—

Damage to Tank—Rs. 65,615—*Army/PP & A Dte* [*Item-I*(9), *page* 11-*AA—Defence Services*]—

Damage to Engine—Rs. 34,064—*Army/PP & A Dte* [*Item-I* (10), *page* 11-*AA—Defence Services*]—

Damage to Jeep—Rs. 6,277—*Army* (*Item I* (11), *page* 11-*AA—Defence Services*]—

Damage to Vehicle—Rs. 11,197—*Army/PP & A* [*Item-I* (12), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 6,634—*Army/PP & A Dte* [*Item-I* (13), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 74,719—*Army/PP & A Dte* [*Item I* (14), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 100,891—*Army/PP & A Dte* [*Item-I* (15), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 52,222—*Army/PP & A Dte* [*Item-I* (16), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 10,378—*Army/PP & A Dte* [*Item-I* (17), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 11,197—*Army/PP & A Dte* [*Item-I* (18), *page* 11-*AA—Defence Services*]—

Damage to Truck—Rs. 12,318—*Army* [*Item-I* (19), *page* 11-*AA—Defence Services*]—

2476. In view of confirmation by the Ministry that regularization and disciplinary actions had been completed in these cases and remedial measures, wherever called for, also taken, the Committee agreed to treat the Items as settled subject to verification by Audit.

2477. *Damage to Ordnance Store—Rs.* 19,015 *Army/OS Dte* [*Item-I* (20), *page* 11-*AA—Defence Services*]—The department explained that this case pertained to the write-off of the loss of Rs. 19,015 representing the value of stores mentioned in the COD, Rawalpindi loss statement No. 01/EMS dated the 6th February, 1979, forwarded to the GHQ (OS Dte), after scrutiny by the CCMA (Store section), Rawalpindi for regularisation by the MGO, being the CFA in this case. The Ministry of Finance (Mily) and the CCMA, GHQ had concurred in it and the amount was regularised.

2478. On the Vice-Chairman enquiring as to what caused the loss the departmental representative replied that it was caused in transit during December, 1971.

2479. The Committee did not make any further observation and the paragraph was treated as settled.

2480. *Damage to Ordnance Store—Rs.* 64,100 *Army/O.S. Dte* [*Item-I* (21), *page* 11-*AA—Defence Services*]—The Ministry explained that the Embarcation HQ had intimated that a claim of Rs. 64,099 was lodged on National Shipping Corporation, for the short-landing of stores. After a long correspondence, the carriers paid Rs. 42,147 which were deposited in Government Treasury under T.R. bearing No. 1269 dated the 23rd October, 1979, forwarded to the CMA (Store Section) Karachi. It was also stated that, as the consignments were not insured, the loss of the balance amount had to be regularised, and the OAD

Dhamial prepared a loss statement for the purpose. The entire amount of Rs. 64,099 was regularised under the financial powers of MGO, being the CFA in this case.

2481. A member of the Committee remarked that as against Rs. 42,147, why was the amount of Rs. 64,099 regularised. The departmental representative submitted that the total amount was regularised, as partly recovered and partly written-off.

2482. *The Committee directed that the MAG and Audit should settle, for further necessary action whether the regularisation of the whole amount of Rs.* 64,099 *or only of the unrecovered amount of Rs.* 21,972 *was required.*

2483. *Mis-appropriation of Loss—Rs.* 31,988*—Army PP&A Dte* [*Item-I* (22), *page* 11-*AA—Defence Services*]—The Ministry intimated that the loss was regularised and the necessary remedial measures had been adopted to prevent such mis-appropriation. Disciplinary action had also been taken against the persons concerned. As for penal recovery the Field General Court Martial decided that no deductions were to be made from the accused.

2484. A member of the Committee asked to—

(i) Why did Audit have to raise this objection?

(ii) Why did the department not have any departmental procedure for the detection of all such cases?

(iii) Why did the department take 10 years to regularise it, and why in this wholesale manner?

2485. The departmental representative submitted that the Ministry remained in correspondence and ultimately the regularisation took place. *The Committee observed that the regularisation procedure did not appear to be very satisfactory and that the Ministry should have a second look at it.*

Loss of Miscellaneous Store—Rs. 6,408*—PAF/Dte. of Supply* [*Item I* (26), *page* 11-*AA—Defence Services*]—

Loss of Miscellaneous Store—Rs. 8,000*—PAF/Dte. of Supply* [*Item I* (27), *page* 11-*AA—Defence Services*]—

Loss of Miscellaneous Store—Rs. 11,600*—PAF* [*Item-I* (28), *page* 12-*AA—Defence Services*]—

Loss of POL—Rs. 71,259*—Army/S & T Dte.* [*Item I* (29), *page* 12-*AA—Defence Services*]—

2486. It was confirmed by the Ministry that the losses in regard to these items had since been regularised. As such, the Committee had no option but to drop these cases.

2487. *Loss of White Bhoosa—Rs.* 6,278—*Army/RV&F* [*Item-I* (31), *Page* 12-*AA—Defence Services*]—The Ministry explained that 22 wagons of baled white bhoosa, quantity of 310,720 Lbs, were despatched from Depot Naurang Sarai to the Quetta Military Farm, during the period from 30-3-1974 to 19-6-1974. The wagons were unloaded on arrival in the presence of a Board of Officers, who detected shortage of 50,106 pounds therein. A Court of Inquiry was convened to investigate the causes of the loss and to fix responsibility. According to the findings of the Court of Inquiry, Sub-Assistant Supervisor Noor Mohammad was held reponsible for the short despatch of the bhoosa. He was directed to pay Rs. 6,278, being the cost of 50,106 pounds bhoosa, short received. His promotion was also stopped for five years. The loss was regularized under the Ministry of Defence (Army Branch) Rawalpindi No. 5802/429/Farms 247/D-4 (Army-IV) dated 22-2-1981.

2488. *The Committee directed that a copy of the Inquiry report be supplied to Audit and the paragraph was deferred.*

2489. *Loss of Naval Store—Rs.* 6,756—*Navy* [*Item I* (32), *page* 12-*AA—Defence Services*]—According to the explanation of the Ministry, the entire amount recovered from the individual, held responsible, was debited to IPA *vide* CNA letter No. NPS/NE/712746 dated 17-11-1980 and the individual was also awarded punishment for the loss of government Stores *vide* PNS KARSAZ punishment Warrant No. 9/80 dated 17-5-1980.

2490. The Committee did not make any further observation and the paragraph was treated as settled.

Loss of Store—Rs. 6,911—*Army/PP&A Dte.* [*Item-I* (33), *page* 12-*AA—Defence Services*]—

Loss of ASC Store—Rs. 9,980—*Army/PP&A Dte.* [*Item-I* (34), *page* 12-*AA—Defence Services*]—

Loss of M.T. Store—Rs. 75,000 *PP&A/Dte. of Supply* [*Item-I* (35), *page* 12-*AA—Defence Services*)—

Loss of M.T. Store—Rs. 67,452—*Army/PP&A Dte.* [*Item-I* (36), *page* 12-*AA—Defence Services*]—

2491. The Committee noted that the above losses had since been regularized. As such, these paragraphs were treated as dropped.

2492. *Loss of M.T. Stores—Rs.* 36,600—*PAF/Dte. of Supply* [*Item I*-(67), *page* 13-*AA—Defence Services*]—The Ministry explained that, according to the report of the Board of Inquiry, a civil bus, coming from the opposite side at a high speed, went out of control while over-taking a tractor with trolly and hit

the service jeep. A case against the bus driver was registered at the Kamoke Police Station. The service driver was, however, blamed for having given lift to un-authorized persons and over-loading the jeep, which ultimately resulted in a fatal accident. He was reprimanded on 9-7-1980 and the loss had since been regularized. Instructions were issued on 5-5-1980 that no unauthorized persons were to be carried in service transports.

2493. A member remarked that the punishment was not sufficient. The Vice-Chairman observed that it would be difficult to enhance the punishment after it had been awarded.

2494. The Committee accepted the departmental explanation and the paragraph was treated as settled.

2495. *Loss of Miscellaneous Naval Stores—Rs.* 64,440—*Navy/Stores Dte.* [*Item-II* (2), *page* 13-*AA—Defence Services*]—The Ministry explained that the NSD arranged the bunkering of PNS 'ATTOCK' with PSO 900 ton of FFO on 29-5-1977 and the ship was berthed alongside 15/16, East Wharf for this purpose. The pumping of fuel started at 11.30 hours and was to continue for nine hours for bunkering 900 tons of fuel, but it was stopped at 1555 hours to meet the operational requirements of PNS TIPU SULTAN. The PNS 'ATTOCK' waited for half an hour for the PSO's supervisor, who was not present during the bunkering of the ship for noting the quantity embarked. The ship had therefore, to leave the fuelling berth after informing the PSO fitter present at the jetty that the quantity received on 29-3-1977 was 399 tons.

2496. The PSO's Officer came on board the ship on 30-5-1977 with a supply voucher of 614 tons for signature which was not accepted by the ship, as she had received only 399 tons on the tank soundings. A Board of Inquiry was constituted by the Commander Logistics, to investigate the case. The President of the Board, with the approval of the administrative authority, negotiate with the Pakistan State Oil to arrive at an amicable solution. Consequently, the PSO agreed to write-off half of the amount in dispute, with the other half to be borne by the Government. The loss statement for Rs. 64,439 was also approved by the Government *vide* letter No. ST/K/1705/XII/NHQ/709/D-8 N-II/81, dated 26th April, 1981.

2497. A Member enquired as to whether some-one had explained the loss. The departmental representative submitted that there was a dispute between the supplier and the recipient about the discrepancy of 215 tons (614 tons—399 tons).

2498. The Committee accepted the department's explanation and not making any further observation, treated the paragraph as settled.

2499. *Loss of MES Store—Rs.* 486,576—*Army/DW & CE* [*Item-II* (10), *page* 13-*AA—Defence Services*]—It was stated by the Ministry that while carrying out the audit of the accounts of GE (Army), Lahore in 1950-51, it was observed that certain Pt/ty buildings were struck off the charge of the formation concerned without proper authority and with the remark that the building did not exist at the site. A Court of Inquiry, to investigate into the circumstances which resulted in a loss to the Government and to fix responsibility therefore, was ordered in 1956. The proceedings of the Court of Inquiry were sent to the competent authority (10 Div), but were lost in transit. Another Court of Inquiry was convened in 1972, who could not finalise their proceedings for want of records of the previous Inquiry. A third Court of Inquiry was ordered in 1976 and based on its recommendations, the loss was written off by the competent financial authority *vide* Ministry of Defence letter No. 305/298/E-3/F-4/52/D-3 (Army-III)/80 dated 15-1-1981.

2500. A member remarked that it was a extremely bad case having taken 35 years to settle an objection raised in 1950-51.

2501. After discussion, *the Committee concluded that copies of the report of the third Inquiry, finalized in* 1984, *should be furnished to the PAC and Audit.*

2502. *Loss of M.E.S. Store—Rs.* 326,922—*Army/DW &CE* [*Item II* (11), *page* 13-*AA—Defence Services*]—The Ministry explained that 2,000 tons of Asphalt was procured for the construction of roads at Okara. As this quantity was insufficient for operating the Asphalt paving plant, another consignment of 1,800 tons was provided but, due to the heat the barrels started leaking. In October, 1973, a departmental Board of officers was convened, who recommended the provision of empty drums to refill the leaked out bitumen.

2503. The Ministry further stated that a Station Court of Inquiry was ordered in 1977 and, according to the recommendation of this Court, the loss was to be borne by the State and the bitumen, spilled over the ground, was to be put to auction. The loss was regularized by the CFA and the bitumen spilled over the ground was sold by public auction *vide* Ministry of Defence (Army Branch) Rawalpindi No. 305/296/E-3/2730/D-3/Army-III/81 dated the 2nd January, 1982.

2504. After discussion, *the Committee considered it to be a bad case and directed that a copy of report of the Court of Inquiry should be furnished to Audit, who may revert back to the PAC, if necessary.*

2505. *Loss of M.E.S. Store—Rs.* 25,000—*PAF/DW & CE* [*Item-II* (12), *page* 13-*AA—Defence Services*]—In view of the departmental reply, the paragraph was treated as settled subject to verification by Audit.

2506. *Loss of M.E.S. Stores—Rs.* 16,726—*Army/DW & CE* [*Item-II* (13), *page* 13-*AA—Defence Services*]—Since the loss was investigated by a Court of Inquiry and was written off on the 9th May, 1981 through the loss statement No. 667/113/36/S dated the 20th August, 1960, the paragraph was treated as settled.

2507. *Loss of M.E.S. Store—Rs.* 16,373—*Army/DW & CE* [*Item-II* (14), *page* 14-*AA—Defence Services*]—While auditing the accounts of the Project Engineer (Army), Lahore in 1967-68, Audit observed that some unserviceable stores were sold through public auction at a nominal price of Rs. 1,850, against the assessed value of Rs. 22,689. A Court of Inquiry was held to investigate the loss and, according to their recommendations, the loss was written off by the competent financial authority *vide* loss statement No. 808/901/E-3 dated the 17th March, 1975.

2508. A member asked whether anyone had decided that it was a case of negligence, loss or theft? If this was correct, the regularization should have come from the Ministry.

2509. *The Committee, thereupon, directed that the Secretary should look into it and furnish a report to the Committee.*

2510. *Loss of M.E.S. Stores—Rs.* 16,495—*Army/DW & CE* [*Item-II* (15), *page* 14-*AA—Defence Services*]—The Ministry explained that, while carrying out the audit of accounts of the Project Engineer (Army), Lahore it was observed that 12,721 sft corrugated black iron sheets and 8,616/96 Lbs of wind ties were not taken on charge in the Demolition Register. A Court of Inquiry held that no misappropriation of stores had taken place but due to clerical omission, the demolished material was not accounted for in the Demolition Register. Accordingly, the loss of Rs. 16,495 was written off by the competent financial authority *vide* loss statement No. 337/299/E-3 dated the 17th July, 1979.

2511. A member enquired whether the material was sold and any money realized. The departmental representative did not answer that question but submitted that the loss was regularized by the Commander as the Court of Inquiry could not hold anybody responsible for it and concluded that no mis-appropriation of material had taken place. The Committee did not make any further observation and the paragraph was dropped.

2512. *Escalation awards to Contractors against CAs mentioned in Appendix 'C'* (*Item* 1 *to* 7—*Appendix 'C' page* 15—*AADS*)—The Ministry explained in their reply that, due to subsequent devaluation of Pakistan rupee in 1972, prices of building materials, labour charges, etc., increased abnormally, affecting the execution of contracts relating to various Defence Projects and Works. Under

Government orders, Escalation Committees were constituted to determine the compensation to be paid to affected contractors on this account. After thorough examination of each escalation claim, the Escalation Committee granted *ex-gratia* awards.

2513. *The Committee directed that a report on all the awards made and the losses thereof should be furnished to the PAC through Audit. The paragraph was, therefore, deferred.*

AUDIT REPORT (DEFENCE SERVICES)

2514. *The Schedule of Authorized Expenditure for the year* 1980-81 *relating to Defence Services amounted to Rs.* 14,031,800,000—*Military Finance* (*Paras* 1 *and* 2, *page* 1—*ARDS*)—Audit had reported that as a Supplementary grant of Rs. 1,204,333,000 was obtained during the year, the final grant stood at Rs. 15,236,133,000. An excess of Rs. 25,194,954 occurred against the aforesaid final grant. The Ministry explained that the comparison of grants for 1978-79, 1979-80 and 1980-81 was shown by Audit for general information. They, however, accepted the amounts and percentage indicated in the comparison. The expenditure in the years 1978-79 and 1979-80 was equal to the final grants, but that in 1980-81 exceeded the Final Grant by 0.17%, which was negligible.

2515. On the Vice-Chairman enquiring as to how could the Ministry have an excess, the departmental representative replied that this was due to the clearing of outstanding payments. The Vice-Chairman again enquired as to how did the department make payments without authorization and whether they could technically do so, there was no equalisation fund either? The departmental representative submitted that the Ministry incurred the expenditure according to the budget. They obtained the budget grants and in addition, had certain amounts in the equalization deposit fund. The expenditure was incurred from both these funds.

2516. After discussion, *the Committee took the following decisions—*

(i) *The excess should be booked into by the MAG to ascertain how it occurred. The Ministry should also look into the matter again, in order to have the procedures streamlined.*

(ii) *As for paragraph* 2 *of the Audit Report* (*Defence Services*), *the Ministry should go into this matter, to sort it out, and then furnish explanation for excess of Rs.* 25,194,954 *to the Committee.*

2517. *Suspense Account—National Logistic Cell—Rs.* 4,600,496 (*Para* 3, *page* 1—*ARDS*)—Audit had pointed out that a sum of (—) Rs. 4,600,496, pertaining to the National Logistic Cell, which appeared in the Suspense Account for 1980-81, had not been cleared so far.

2518. The Ministry explained that the total amount had been adjusted/ cleared by the M.A.G.

2519. After discussion the paragraph was treated as dropped.

2520. *Review of Expenditure of Military Engineer Services* (*Para* 4, *page* 1—*ARDS*)—Audit pointed out that the Appropriation Accounts did not include a review of the expenditure of the Military Engineer Services for 1980-81, as complete material for it was not received by Military Finance, till the time of the preparation of the Appropriation Accounts 1980-81.

2521. The Ministry's representative accepted this position but stated that the MES Review for 1980-81 had since been printed along with the Appropriation Accounts Defence Services for the year 1981-82.

2522. The Committee decided to drop the paragraph.

2523. *Comparative position of losses and infructuous expenditure* (*Para* 5, *page* 2—*ARDS*)—It was reported by Audit that losses, regularized during the year, could be categorised as (i) losses due to theft, fraud and neglect, (ii) losses incurred in transit (iii) infructuous expenditure, and (iv) losses due to other causes.

2524. The Vice-Chairman enquired as to what steps were being taken to minimise the losses? The departmental representative informed the Committee that supervision had been tightened up. If so desired, details would be furnished to Audit. On this assurance, the paragraph was treated as settled.

2525. *Irregular expenditure on painting roof tops—Rs.* 967,000 (*Para* 1, *page* 3—*ARDS*)—Audit had pointed out that an M.E.S. formation had the tops of AC/CGI-iron roof sheets of certain buildings painted during 1976-77 through seven minor works at an expenditure of Rs. 967,441, which was neither regular nor authorized. The Executive explained in March, 1979 that the work had to be done emergently, as directed by the Prime Minister, and sanctions were duly accorded by the Q.M.G. This was not acceptable to Audit as the orders of the Prime Minister did not dispense with the requirements of Rules, which were set aside by the executive on their own. The matter was reported to the Ministry in November, 1981 for expeditious regularization of the expenditure, but no response had been received so far.

2526. The Ministry contended that the painting of the sheet roofs in Rawalpindi Cantonment was ordered by the then Prime Minister *vide* Commissioner Rawalpindi Circular letter No. 11320/PA of 16/17th July, 1976 and was carried out after sanctions by the competent financial authority. As such, there was no departure from the laid down rules.

2527. After seeing the Ministry's explanation and seeking clarifications, the Committee decided to drop the paragraph.

2528. *Overpayment to M.E.S. (Air) Contractors due to incorrect application of rates—Rs.* 362,500—*PAF/DW&CE (Para 2-I, page 4—ARDS)*—Audit reported the following overpayments—

(a) In June, 1978, payment for 6" thick PCC was allowed *pro rata*, deduced on a scheduled item which *inter alia* included the element of form work and fair facing. As such work was neither required in the job, an appropriate deduction should have been made which was not done, resulting in an overpayment of Rs. 40,419.

(b) In June, 1977, another contractor was paid for RCC in foundation at a rate, which included an element for shuttering, which was not required in the work, resulting in an overpayment of Rs. 19,691 to the contractor.

The Ministry explained that the objection at (a) was partially correct as according to item No. 4 of the Schedule of rates 1970, the ingredient of form work was included in the job and a reduction should have been made for that item from the rate whereas the surface, when the concrete was laid, was to be fair finished for lying the top layers. Only top layer was finished smoothly. Hence the recovery of overpayment for only the form work, involving Rs. 14,739 was in process.

2529. Audit contended that the formation, the Garrison Engineer concerned and the Air HQ, all had earlier accepted the overpayment of Rs. 40,419 and promised recovery. A change in the accepted position at this stage would be tantamount to reconstruction of facts. The Ministry should, therefore, arrange the recovery of the full amount, overpaid to the contractors. The Committee agreed with Audit.

2530. As for (b) above, the Ministry stated that the rate had been correctly applied by the Department and this was confirmed by the E-in-C's Branch. Audit pointed out in their comments that the overpayment had been admitted by the Garrison Engineer and also by the service Headquarters in December, 1980. The Ministry of Finance (Military) had also upheld Audits contention.

2531. After discussion, *the Committee concluded that*—

(i) *Internal audit, should be conducted for all the years and minor objections should be settled, and major items sent to Audit who may bring them before PAC, as necessary; and*

(ii) *the Ministry of Finance (Military) should go into the matter, sort it out and furnish a fuller report to Audit.*

(*Sub-Para I(C), page 4—ARDS*)—In June 1976, payment for pre-cast concrete slabs for placing them over drains was admitted under a particular schedule item, which *inter alia* included the cost of setting, jointing and pointing in cement mortar 1 : 4. As this process was not involved in placing the slabs over the drains an appropriate reduction in rate was warranted which was not done and resulted in the overpayment of Rs. 10,767.

2532. The Ministry stated that recovery and action against the Garrison Engineer were in process. Mr. Qasim Ali, Sub-Engineer, had since retired. Therefore no action could be initiated against him. Appropriate instructions had been issued to all the supervising technical staff, dealing with work of such a nature.

2533. *The Committee directed that Audit should follow it up.*

(*Sub-Para I(d), page 4—ARDS*)—Payment for 1-1/8" dia mild steel bars for dowels was admitted in June, 1976 under a schedule item which, *inter alia*, included an element of cutting, making hooks, bends, binding wire, etc. The work carried out by the Contractor did not, however, involve these elements, but a proportionate adjustment in the composite rate was not made resulting in an overpayment of Rs. 7,770 to the contractor.

2534. As according to the Ministry, recovery action was under process, the paragraph was treated as dropped subject to verification by Audit.

[*Sub-Paras I(e) to (h), page 4—ARDS*]—No observation was made by the Committee on these sub-paragraph which were treated as settled subject to verification by Audit.

[*Sub-Para I(i), page 5—ARDS*]—Audit had reported that under a contract agreement, 164395 burnt bricks originally laid in mud mortar were obtained from a demolished structure and retained by the contractor. In October, 1976, the costing of bricks was recovered @ Rs. 50 per 1000. Recovery at the low rate was not justified as the recovered bricks were still serviceable and re-used in the work paid for as new. As such, recovery should have been effected at the market rate. When pointed out by audit, the executive responded that some of the bricks were found broken but agreed to recover an additional amount of Rs. 11,787 therefor. The Ministry however contended that bricks, once used and later recovered from demolition could not be compared with new bricks in shape or value, hence such bricks could not be paid for as new ones.

As per E-in-C's Routine Instruction No. 365 the Garrison Engineer was the sole authority to determine the prices of demolished stores, keeping in view their condition. He fixed the cost of the demolished bricks @ Rs. 50 per 1000 Nos. The rates for new bricks up to 30-5-1975 was Rs. 75 for thousand, as per the quotation obtained. In view of the foregoing, the rate fixed by the Garrison Engineer, *viz.*, Rs. 50 per thousand bricks was justified and called for no disciplinary action.

2535. Audit pointed out in their comments that, since the used bricks were incorporated by the contractors in the works and paid for as "new work", the recovery should have been made at the Schedule Rate *plus* the tendered percentage. This was agreed to by the Garrison Engineer concerned, taking it to be the market rate.

2536. After seeing the departmental explanation and Audit comments thereon, *the Committee observed that Rs. 50 per thousand bricks was very low and directed that the department should furnish a fuller report to Audit. The paragraph was, therefore, deferred.*

2537. [*Para 2-II (a) to (f), pages 5-6—ARDS*]—Audit pointed out further overpayments, made to various contractors by an MES (Air) formation.

2538. Noting that the recovery and disciplinary action were underway and instructions had been issued to the staff to avoid such irregularities in future the Committee made no observation and the paragraph was treated as settled subject to verification by Audit.

2539. (*Para 2-III, page 6—ARDS*)—Audit had reported that, a contract Agreement required a road was to be carpeted with 2" thick premixed hot dressing, a cheaper variety of bitumen. Payment was, however, allowed by the Engineering Authority concerned in June, 1978 at the rate applicable for bitumen cut back, a costlier quality of bitumen, resulting in an overpayment of Rs. 29,380.

2540. The department explained that a recovery of Rs. 4,736 had been made and the recovery of the balance amount was under process. As regards disciplinary action the explanation of the individual concerned had been obtained and forwarded to the CMES (Army), Lahore for comments.

2541. In view of the above, the Committee decided to drop the paragraph subject to verification by Audit.

2542. (*Para 2-IV, page 6—ARDS*)—In view of the explanation of the Department, the Committee decided to drop the paragraph subject to verification by Audit.

2543. *Irregular expenditure due to non-observance of the specification, in Contract Agreement—Rs.* 245,500—*PAF/DW &CE* (*Para* 3, *page* 7—*ARDS*)—After having gone through the explanation of the Ministry, *the Committee asked that the Ministry and Audit to examine whether the CAS had the requisite authority ? If not, what further action should be called for in the matter ? If somebody had done irregularity then there should be disciplinary action against him. Departmental representative promised to look into it. The consideration of paragraph was deferred.*

2544. *Issue of stores to contractor for omitted works and short recovery of their cost—Rs.* 156,000—*PAF/DW &CE* (*Para* 4, *page* 7—*ARDS*)—Audit had pointed out that certain materials (steel 70,938 lbs. and cement 1585 cwt.) were left intact in the lumpsum contract, although they were included in a minus variation order. In March, 1978 these materials were retained by the Contractor and recoveries there of were made at schedule 'B' rate, which should have been recovered at the market rate. Hence an amount of Rs. 156,000 *i.e.* the difference between Schedule 'B' rate and the market rate, remained un-recovered.

2545. Disagreeing with above observation, the Ministry stated that the paragraph was based on assumed details without carefully checking the F/Bill of CA No. CEAF-84/73. Audit observed that the position explained by the Ministry will be duly verified by them and suggested that the paragraph be deferred.

2546. Agreeing to this the suggestion, *the Committee directed the department to furnish a complete Report to Audit.*

2547. *Non-recovery of cost of rectification of defects in 16 bachelor officers quarters, Rs.* 105,500—*Army/DW &CE* (*Para* 5, *page* 7—*ARDS*)—The Ministry informed the Committee that, out of a total recovery of Rs. 105,488, Rs. 18,532 had been recovered from M/s Yousaf Khattak & Co. As for the balance of Rs. 86,906, the Law Division had been approached to nominate a Council for filing a suit in the Court. The Assistant Commissioner, Nowshera had also been contacted to locate the assets of the said contractor.

2548. In view of the above position, *the Committee directed that Audit should pursue the matter.*

2549. *Loss due to return of serviceable stores in un-serviceable condition—Rs.* 98,600—*PAF/DW &CE* (*Para* 6, *page* 8—*ARDS*)—Audit reported that a contractor was issued 8,618 Rft., cast iron pipes between October, 1975 and May, 1976 for fixing. On the completion of the job, the contractor returned the un-consumed 2,066 Rft. pipe in unserviceable condition, which was accordingly brought to charge in the Demolition Register, resulting in loss of Rs. 98,571.

2550. The Ministry explained that, during the Hydraulic test, 2,066—5", Rft. was found un-serviceable and returned by the contractor to the stores. It was brought on charge against the provision of rules and subsequently disposed of.

2551. Questioned as to how much material was issued to the contractor, the departmental representative replied that the water supply pipes, issued to the contractor, were very old. When the Contractor fixed these pipes, some were found leaking and had to be removed.

2552. The Committee accepted the departmental explanation and the paragraph was dropped.

2553. *Payment for work shown in the drawings and already accounted for in the lumpsum—Rs.* 65,600-*Army/DW&CE* (*Para* 7, *page* 8—*ARDS*)—Audit had pointed out that, the General Conditions of Contract stipulated that no deviation order was to be prepared for the adjustment of errors and omissions in the bills of quantities in respect of the items mentioned in the specifications and drawings, especially if they were valued at less than 5% of the contract cost. A deviation order for Rs. 65,589, which was less than 1% of the total amount of the contract, was made by an Engineering Authority.

2554. In reply, the Ministry contended that clause 2 of the particular specifications of the contract provided that if there was any work other than the items included in the abstract of Bills of Quantities, shown in the drawings, it may be ordered to the contractor through a deviation order. Since clause 2 of the particular specifications formed part of the contract, the work of internal sewage, shown on the drawings, but not catered for in the Bill of Quantities, was correctly given to the contractor through a deviation order.

2555. The contention of the Ministry was not found tenable by Audit. The work was to be executed in accordance with the specifications and drawings, attached with the C.A. Bill, hence it could not be made the basis for additional payment on any account. Further, the cost of work, shown on the drawings but not catered for in the Bill of Quantities, was less than 5% of the total cost of the C.A. No deviation order could be prepared to adjust this omission as per the General Conditions of the Contract. This discrepancy was accepted, in principle by the Garrison Engineer at the time of discussion and he had promised to refer it to the contracting authority, for rectification.

2556. After going through the departmental explanation and the Audit comments thereon, *the Committee directed that the Secretary should look into it and have a clear reply sent to Audit, who should come back to the P.A.C., with their comments, paragraph was deferred.*

2557. *The Committee further directed that Ministries should be extremely careful about the wordings of their contracts and agreements. They must ensure, in each case that the language of the contract is absolutely unambiguous, so that possibilities of subsequent complications and litigation are eliminated.*

2558. *Overpayment due to short incorporation of steel bars, Rs.* 41,400-*PAF/DW&CE* (*Para* 8, *page* 8—*ARDS*)—Audit had reported that, according to the Bill of Quantities of a contract agreement, the RCC work required the incorporation of 133,875 lbs. of mild steel bars of various sizes, whereas only 124,830 lbs of mild steel bars were actually used, resulting in short incorporation of 9,045 lbs. Since the financial effect of the variation was more than 5% of the contract amount, a sum of Rs. 41,449 was required to be recovered from the contractor while making final payment in June, 1976, which was not done.

2559. Disagreeing with the above, the department replied that from an examination of the stores consumption statement attached with the final bill it appeared (that, against the given quantity of steel *i.e.* 133,875 lbs, the contractor had consumed) 130426 lbs, of steel, leaving the financial effect of the balance quantity of 3,449 lbs as less than 5% of the contract amount. It appeared that the figures of consumption had not been checked properly because the stores consumption statement attached with the final bill showed 133,875 lbs. *The Committee directed that Audit, in collaboration with the department, should check the figures carefully and then come to the PAC. The paragraph, therefore, stood deferred.*

2560. *Overpayments to contractors against the terms and conditions of contracts—Rs.* 41,100—*Army/DW&CE* (*Para* 9-*A*, *page* 9—*ARDS*)—The Audit Report said that, according to the terms and general conditions of MES Contract, payment for discrepancies in the Bills of Quantities and drawings, was not admissible, if they were within 5% of the contractual amounts. Notwithstanding the aforesaid provision, an Engineering Authority allowed the irregular payment of Rs. 31,508 in March, 1977. This was accepted by the executive and was brought to the notice of the Ministry in June, 1981 who also accepted this position. Nevertheless, recovery was not made and no disciplinary action or remedial measures taken.

2561. The Ministry informed the Committee that the recovery action was in progress. As for disciplinary action the Executive Engineer was no longer in service and the S.D.O. had died. However the staff working under Garrison Engineer had been instructed to be vigilant in future. Subject to Audit verifiying recovery the paragraph was dropped.

2562. *Overpayments to contractor against the terms and conditions of contracts—Rs.* 41,100—*Army/DW&CE* (*Para* 9-B, *page* 9—*ARDS*)—According to Audit Rs. 9,615 were paid in June, 1976, in violation of the 5% minimum variation required. This irregular payment was pointed out by Audit in October, 1978. It was stated in January, 1979 that the deviation order was prepared for the shifting of substations and cable laying route and as such, the payment was in order. The reply was not tenable, as the additional quantity of cable used was within the 5% limit.

2563. The Ministry contended that, in this case, the site of the sub-station was shifted and the extra length of the cable was required not due to any change in the route but the extra distance involved. Hence the expenditure was legitimate and prior sanction of the competent authority was also obtained for initiation of the deviation order. *The Committee directed that the department should furnish a more detailed report to Audit. The consideration of paragraph was deferred.*

2564. *Un-authorized payment to the contractor due to mis-statement of facts—Rs.* 38,700—*PAF/DW&CE* (*Para* 10, *page* 9—*ARDS*)—The Ministry intimated that the recovery action was underway. The Committee decided to drop the paragraph subject to verification by Audit.

2565. *In correct pricing of amendment to a contract agreement-Rs.* 31,500-*PAF/DW&CE* (*Para* 11, *page* 10-*ARDS*)—In view of the departmental explanation, the paragraph was treated as settled subject to verification by Audit.

2566. *Undue financial aid to contractor by granting extension—Rs.* 30,300—*PAF/DW&CE* (*Para* 12, *page* 10—*ARDS*)—According to Audit, work in an Engineering formation against a contract agreement for Rs. 757,857 was to be completed by the 1st April, 1975 (extended to the 15th April 1976) and was placed under penalty clause with effect from the 16th February, 1976. The work was actually completed on the 15th March, 1976 for which a further extension was granted on the 14th February, 1976 on the ground of non-availability of flat iron bars. This extension was irregular, because the contract was already under the penalty clause and also because it was granted on a false ground as the quantity of flat iron bars, already issued to the contractor up to November, 1975, was far in excess of the quantity actually incorporated in the work and unconsumed bars had to be returned by the contractor, after the completion of the work. Liquidated damages of Rs. 30,315 (4% of the contract cost) were thus recoverable from the defaulting contractor.

2567. The explanation of the department was not found convincing by the Committee, *who directed the departmental representative that the reasons for extension should be furnished to Audit, who should report back to the PAC.*

2568. *Infructuous expenditure on the installation of Water meters—Rs.* 22,000—*Army/DW&CE* (*Para* 13, *page* 10—*ARDS*)—Audit had pointed out that, in a M.E.S. formation a contract for the installation of 30 water meters in buildings was concluded in November, 1977. This led to an infructuous expenditure of Rs. 21,952. The department explained in May, 1980 that the contract pertained to a period before the instructions were issued by the higher authorities in July, 1979 banning provision of water meters. This was not found acceptable, as the provision of such water meters was never regular and the instruction of July, 1979 only confirmed this position.

2569. It was stated in reply that water meters were provided for economy in use of water and to control wastage. This was in conformity with the instructions of the QMG Branch. In July, 1979, it was decided that water meters were not to be provided in the accommodation planned for construction for consumers entitled to free supply. Water meters were, however, provided as per the contract conditions prior to July, 1979 and this was in accordance with the policy in vogue at that time.

2570. Audit pointed out that the provision of water meters in the JCOs/ORs quarters were never authorised nor were they necessary. The so-called policy review in 1979 was only a confirmation of the earlier policy and water meters were not needed where water supply was free of cost.

2571. After discussion, *the Committee decided that the authority to install the water meters should be produced before Audit and a fuller report be furnished to the PAC through Audit.*

2572. *Overpayment for work not actually done—Rs.* 21,400—*PAF/DW&CE* (*Para* 14, *page* 11—*ARDS*)—In view of the departmental explanation, the paragraph was dropped subject to verification by Audit.

2573. *Loss of revenue due to less recovery of rent and electric charges—Rs.* 20,000—*PAF/DW&CE* (*Para* 15, *page* 11—*ARDS*)—The department confirmed that the amount short recovered had since been deposited by the Banker and duly verified by the G.E. (Air), AHQ PSC. As such, the Committee directed that the paragraph be treated as settled subject to verification by Audit.

2574. *Extra expenditure due to hiring bungalow—Army/Qtg. Dte.* (*Para* 16, *page* 11—*ARDS*)—The department explained the embargo under the lease deed on rent restriction was lifted with effect from 25th June, 1971 *vide* ML&C Deptt. letter No. 25/10/L/AD/C/ML&C-71/III dated the 23rd January, 1974. Audit commented that the reply of the department was based on incorrect interpretation of ML&C's letter dated 23-1-1974, which did not waive the restriction of 10% capital cost and the restriction was further reiterated in QMG Branch letter dated the 5th August, 1975, issued in clarification of the Ministry of Defence letter No. 115/3/67/ Budget-5/3534/D-8/75 dated 2-7-1975.

2575. *The Committee directed that a copy of the circular be furnished to Audit who may come to the Committee, if necessary.*

2576. *Extra avoidable expenditure due to un-authorized change in specification of stone masonry work—Rs.* 15,000—*PAF/DW&CE* (*Para* 17, *page* 12—*ARDS*)—Audit had reported that, in accordance with the particular specification forming

part of a contract, the stone masonry in the foundations up to the ground level was to be laid in random rubble stones brought upto courses, a cheaper and less presentable quality of work. It was, however, un-authorisedly laid in squared rubble, a costlier quality of work meant for superstructure open to view, resulting in an avoidable extra expenditure of Rs. 15,009 in June, 1977.

2577. The reply furnished by the department was not acceptable to Audit. *The Committee directed the departmental representative to examine it again and furnish a report to them. The consideration of paragraph was deferred.*

2578. *Overpayment on account of incorrect quantities shown in deviation order—Rs.* 14,000—*PAF/DW&CE* (*Para* 8, *page* 12—*ARDS*)—The department having informed the Committee that the amount had since been recovered, the paragraph was treated as settled subject to verification by Audit.

2579. *Extra expenditure of Rs.* 13,700—*Army/Qtg Dte.* (*Para* 19, *page* 12—*ARDS*)—Not satisfied with the departmental explanation, *the Committee directed the departmental representative to furnish a revised reply with fuller details, to Audit, alongwith a copy of the report of the Court of Inquiry. The paragraph was deferred.*

2580. *Non-recovery of Rs.* 12,700 *from M.E.S. Contractor on various accounts—Army* (*Para* 20, *page* 13—*ARDS*)—The department informed the Committee that recovery was being made by the formation concerned. The Committee decided to drop the paragraph subject to verification by Audit.

2581. *Infructuous expenditure of Rs.* 10,200 *on hiring of private accommodation—Army Qtg Dte.* (*Para* 21, *page* 13—*ARDS*)—*The Committee directed the departmental representative to expedite regularisation, disciplinary actions and the remedial measures and thereafter produce the documents/papers to Audit. Subject to the above, the paragraph was treated as dropped.*

2582. *Overpayment for non-omission of glazed steel window from bill of quantities—Rs.* 7,800—*PAF/DW&CE*-(*Para* 22, *page* 13—*ARDS*)—In view of Audit comments on the departmental reply that the Ministry should reconcile the discrepancy, and arrange the finalisation of recovery, and take disciplinary and remedial action at an early date, *the Committee directed the departmental representative to look into this again carefully and send information to Audit, in order to avoid any confusion. The consideration of paragraph was deferred.*

2583. *Less recovery on account of water charges—Rs.* 6,000—*Army* (*Para* 23, *page* 14—*ARDS*)—According to Audit, water charges amounting to Rs. 6,298 (calculated at the flat rate of 31 paisa per thousand of the value of the work) were shown recoverable in the final bill of a contractor in May, 1978. Later, the amount of Rs. 6,298 was scored out and substituted by Rs. 1,280 on the authority of a water bill, stated to have been prepared on the basis of metered supply of water.

The bill was fictitious, as recorded evidence was available that the water meter was broken and was out of order. A sum of Rs. 5,986 (Rs. 5,018 *plus* previous outstanding amount of Rs. 968) was thus short recovered from the contractor. The Ministry informed the Committee that an amount of Rs. 5,937 short recovered from the contractor had since been recovered and disciplinary action was being taken against the officers/individuals held responsible for it.

2584. *The Committee directed the departmental representative that the disciplinary action should be finalised urgently. Audit was also to follow up the paragraph.*

2585. *Extra expenditure due to conclusion of contracts at un-economical rates—Rs.* 17.18 *lacs—Army/S&T Dte* (*Para* 24, *page* 14—*ARDS*)—After having gone through the departmental explanation and the Audit comments thereon the Committee observed that it was a case of error of judgement and that errors should be avoided in future. *The Committee decided to drop the paragraph subject to finalisation of the case by the Department, under intimation to Audit.*

2586. *Extra Expenditure on procurement of Charpoys Rs.* 1,445,000—*Army Qtg. Dte* (*Para* 25, *page* 15—*ARDS*)—Audit's comment on the department's explanation was that if the administration had taken note of the galloping inflation in May, 1973 to August, 1974 they could have saved the extra expenditure of Rs. 1,444,875, treating this to be a case of genuine error of judgement the Committee decided to drop the paragraph.

2587. *Un-authorised consumption of steam coal by a Defence Organisation—Rs.* 298,000—*Army* (*Para* 27, *page* 15—*ARDS*)—The departmental representative informed the Committee that the Commandant Staff College was authorised 120 tons of Steam Coal every year for use in the central heating installations for providing heating facilities to the old College building and the Officers Mess. The old building was demolished in 1970-71 and the main building was constructed in 1976. It was being used for a mess and also for training purposes.

2588. The Committee accepted the departmental explanation and the paragraph was treated as dropped.

2589. *Loss of Revenue due to non-crediting of ground rent—Rs.* 294,800—*DML&C* (*Para* 28, *page* 16—*ARDS*)—The explanation of the Ministry was not found tenable by Audit as, under the rules, the income from the orchards had to be credited to public funds and not to any private account.

2590. After having gone through the departmental explanation and the Audit comments thereon, *the Committee observed that—*

(i) *Audit should first examine whether the same income was received from Orchards as previously ;*

(ii) *Whether the building required was for Defence purposes and*

(iii) *the Ministry should furnish a full report to Audit.*

2591. The paragraph was deferred.

2592. *Loss of Rs.* 147,400 *due to tampering of record of issue of medical stores—Armed/Med Dte* (*Para* 29, *page* 16—*ARDS*)—The departmental representative informed the committee that the Court of Inquiry had found that no mis-appropriation or loss of Government stores was involved. After seeing the departmental explanation and the Audit comments thereon *the Committee decided that the Ministry should satisfy Audit. The paragraph was treated as settled subject to writing off of the loss and submission of report to Audit.*

2593. *Non-recovery of amount of risk and cost—Rs.* 48,100—*Army/Qtg. Dte* (*Para* 30, *page* 17—*ARDS*)—*The Committee observed that the case was sub-judice and Audit should watch progress.*

2594. *Un-authorised occupation of houses—Rs.* 21,500—*Army/Qtg. Dte* (*Para* 31, *page* 17—*ARDS*)—The department having informed the Committee that the amount had been recovered from the occupant, the paragraph was treated as dropped subject to verification of recovery by Audit.

2595. *Extra expenditure due to irregular consumption of condiment powder—Rs.* 18,000—*Army* (*Para* 32, *page* 17—*ARDS*)—In view of the departmental explanation, the paragraph was treated as dropped.

2596. *Loss of blankets—Rs.* 11,500—*PAF/Dte of supply* (*Para* 33, *page* 18—*ARDS*)—The departmental representative informed the Committee that Audit had pointed out the discrepancy in 1974. A Court of Inquiry found that only 61 blankets were short for which nobody was to be blamed. As such, Rs. 1,284 were written off. In view of this explanation, the Committee decided to drop the paragraph subject to verification by Audit.

2597. *Overpayment to contractors due to erroneous measurement/wrong calculations—Rs.* 1.26 *millions Army/PAF/Navy* (*Para* 34, *page* 18—*ARDS*)—Audit had pointed out that MES formations had overpaid the contractors a total of Rs. 1,264,341, due to erroneous measurement of works executed by them or wrong calculation of payments admissible to them. Seventy seven cases of such overpayments (43 pertaining to Army, 33 to Air Force and 1 to Navy) detected by Audit during 1968—1979 were accepted for recovery by the Engineering authorities concerned during discussions on preliminary Audit observations. Despite so many years, the amounts are still outstanding. Recovery action and disciplinary and remedial measures were called for urgently.

2598. After having gone through the departmental explanation *the Committee directed that the department should take action to effect the recovery in full and furnish a report to Audit, who may revert back to the PAC, if necessary.*

2599. *Overpayment to M.E.S. Contractors due to application of wrong rates—Rs.* 725,000—*Army/PAF/Navy* (*Para* 35, *page* 18—*ARDS*)—Audit detected a number of cases, where mistakes were found in the calculation and application of rates to determine the cost of works, executed by the contractors. The overpayments pointed out by Audit were not recovered promptly. In 159 cases (during 1968—1979) overpayments involved a recovery of Rs. 725,224 from the contractors.

2600. After having gone through the departmental reply, *the Committee directed that recovery should be expedited.* However, the paragraph was dropped subject to verification of recovery by Audit.

2601. *Overissue of stores to M.E.S. Contractor and short recovery of cost of stores retained by them—Rs.* 172,500—*Army/PAF* (*Para* 36, *page* 18—*ARDS*)—In view of the departmental explanation, the paragraph was dropped subject to verification of recovery by Audit.

2602. *Short recovery of hire charges of Tools and plants issued by the MES to contractors—Rs.* 91,700—*Army/PAF* (*Para* 37, *page* 19—*ARDS*) No observation was made by the Committee and the paragraph was treated as settled subject to verification of recoveries by Audit.

2603. *Payment for medium quality water tubing against light quality tubing actually supplied—Rs.* 90,200—*Army/PAF* (*Para* 38, *page* 19—*ARDS*)—*The Committee directed the departmental representative to furnish further progress of recoveries to Audit.*

2604. *Abnormal delay in finalization of loss statement Rs.* 13.73 *million—Army/PAF/Navy* (*Para* 39, *page* 19—*ARDS*)—Audit had pointed out that, despite repeated instructions that regularization of losses of stores and public money should be finalized expeditiously, cases of such losses were still outstanding. The concerned authorities had failed to regularize the expenditure even after a lapse of 10 to 20 years.

2605. In their written reply the department explained in detail that the recoveries/regularization of losses were being processed by the formations concerned.

2606. *The Committee directed that regularization action should be expedited and Audit should pursue the matter.*

2607. *Amounts outstanding against contractors for miscellaneous reasons—Rs.* 95.23 *million—Army/PAF/Navy, DML & C* (*Para* 40, *page* 20—*ARDS*)—In view of the Ministry's reply, the paragraph was treated as dropped subject to verification of recovery by Audit.

2608. *Non-recovery of barrack damages—Rs.* 299,000—*Army* (*Qtg, Dte*) (*Para* 41, *page* 21—*ARDS*)—*The Committee noted that the explanation, given by the Ministry, was incomplete/unsatisfactory and directed that a fresh reply should be furnished to them.*

2609. *Non-recovery of rent and allied charges from the contractors and Government employees—Rs.* 2.83 *millions—Army* (*Qtg. Dte*) (*Para* 42, *page* 21—*ARDS*)—*The Committee directed that regularization/recovery action should be expedited and a report furnished to Audit.*

2610. *Un-actioned accepted irregularities—Rs.* 2.29 *millions—Army/PAF/ Navy/DML & C* (*Para* 43, *page* 21—*ARDS*)—*The Committee directed the department to furnish a report about the clearance of L.T.A.Rs. to Audit.*

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

2611. *The Committee directed that Audit should furnish their comments on the Accounts. An improved format for presenting these Accounts should be devised and put into effect from* 1-7-1984 *by the Department.* The consideration of Commercial Appendix Defence Services for 1980-81 was, however, deferred for the next session of the PAC.

COMPLIANCE ON PAC'S REPORT 1978-79

2612. *Grant No.* 28—*Ministry of Defence* (*Page* 47-*AA*) (*Paras* 1454—56, *pages* 406-407—*PAC Report* 1978-79)—The Committee after going through the departmental reply and the Audit Comments decided to drop the paragraph.

2613. The remaining items of Compliance Reports for the year 1978-79 were also deferred for the next session of the PAC.

2614. *Points/Paragraphs not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paragraphs in the Appropriation Accounts (Civil/Defence) and Audit Reports (Civil/Defence). These would be deemed as settled subject to such regularization action as may be called for under the rules.

2615. The Committee then adjourned to meet again at 9.00 A.M. on Tuesday, the 8th May, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 17*th March,* 1985.

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 8th May, 1984

Sixteenth Sitting (PAC)

2616. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present —

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. .. *Member*

(4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member*

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

(3) Mr. S.I. Shabbir, Deputy Auditor-General (Co-ord)

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

(5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues

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

(7) Mrs. S.N. Shaikh, Director General, Commercial Audit

(8) Mr. Fazal Ahmad, D.G. A&A (Works), Lahore

Ministry of Finance

(1) Mr. Fakharuddin Malik, F.A. (Procurement)

(2) Mr. M.Y. Qureshi, F.A. (Military Finance)

(3) Mr. M.A.A. Siddiqi, DFA (DP)

(4) Mr. Munawar Ali Khan, AFA

(5) Mr. Muhammad Ashraf, AFA

2617. *Accounts examined*—The Accounts pertaining to the following Ministries/Divisions were examined by the Committee during the course of the day —

(1) Aviation Division

(2) Defence Production Division

AVIATION DIVISION

2618. The Committee first took up for examination, the Appropriation Accounts etc., pertaining to the Aviation Division. The following departmental representatives were present —

(1) Mr. Aftab Ahmad Khan, Secretary

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

(3) Mr. Luckman, J. Contractor, G.M. (PIAC)

(4) Mr. Tanveer Arif Khan, Security Officer (ASF)

(5) Brig. Ayaz Ahmad, MD (ADA)

(6) Mr. Jamil Ahmad Sheikh, Director Finance (ADA)

(7) Mr. S.A.A. Kazmi, Director (Met)

(8) Brig. Husain Ahmad, Director Finance (CAA)

(9) Mr. M. Arif Mirza, F&AO

2619. This Division controlled the following grants —

S. No	Name of Grant	Grant No
1.	Ministry of Defence (Function Head 500-Economic Services)	29
2.	Meteorology	30
3.	Aviation	32
4.	Development expenditure of Ministry of Defence (Function 387 Mateorology)	145
5.	Capital Outlay on Civil Aviation and other Works of Ministry of Defence (Function 586-Civil Aviation)	175

2620. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation work of the Division as not up-to-date. *The departmental representative was directed to have the reconciliation of Grant No. 32 pertaining to the A.G.P.R. Giligit completed by September*, 1984.

AUDIT REPORT

2621. *Undue financial aid of Rs. 253,824 to a contractor (Para 14, page 30-AR)*—In a Division of the Airport Development Agency, a mobilization advance of Rs. 1,111,250 paid to a contractor in January, 1979, was to be recovered at 10

per cent of the gross amount of the running bills. Although six running bills, amounting to Rs. 2,538,244, were paid during April, 1979 to November 1979, no recovery was affected, which meant an undue financial aid to the contractor.

2622. The department explained that Rs. 71,000 were recovered from the contractor earlier and the balance of Rs. 182,824 had also been recovered and adjusted *vide* Hand Receipt dated 20-6-1982, making for a total recovery of Rs. 253,824.

2623. The departmental representative further explained that as the contractor had gone into default, the contract had been cancelled and work was being executed at his risk and cost. Replying to a query as to whether the department had obtained a bank guarantee, the departmental representative replied in the affirmative and said that its encashment was in hand.

2624. A member suggested that the Department should give a fuller report to Audit as well as Secretary Federal Council immediately on what was the total amount given, what was the value of the contract, what was the value of the work done, when was it suspended, what were the reason given by the contractor for the suspension of the work. The paragraph was deferred.

2625. *Non-accountal of material worth Rs.* 491,310 (*Para* 15, *page* 30-*AR*)— As reported by Audit, in a Division of the Airport Development Agency, bitumen was issued to a contractor and stone metal etc., was purchased from the contractor in bulk during November, 1970 (in the initial stage of execution of work) in excess of the actual requirements. Consequently, material valuing Rs. 491,310 remained unaccounted for after the completion of work.

2626. The departmental representative informed the Committee that some of material was purchased for the construction of 9000 ft. runway at Skardu. During the execution of the work, the position had changed and, instead of 9000 ft. the department constructed only 6000 ft. runway.

2627. The Chairman observed that it was quite evident that loss had occurred and Ministry had admitted the loss due to change in decision. After discussion, *the Committee decided that a full report giving information about reduction in the length of the runway from* 9000 *to* 6000 *ft. should be furnished to Audit, who will satisfy themselves that no loss occurred because of the change in the scope of work. Subject to such verification, the paragraph was dropped.*

2628. *Mis-use of Income Tax Receipts Rs.* 131,000 (*Para* 16, *page* 31—*AR*)— The explanation furnished by the department was accepted and the paragraph was treated as settled.

2629. *Irregular expenditure of Rs.* 40,055 (*Para* 17, *pages* 31-32-*AR*)—The Committee noted that the adjustment had been verified by Audit and treated the paragraph as settled.

2630. *Expenditure incurred on works in anticipation of technical sanction* (*Para* 18, *page* 32-*AR*)—Audit confirmed that out of 120 works, 110 works had been technically sanctioned. Sanctions on the remaining 10 works, under process, might be furnished to Audit. The Committee decided to drop the paragraph, subject to verification by Audit.

2631. *Loss of Rs.* 38,086 *due to delay in lifting of bitumen from refinery* (*Para* 19, *pages* 32-33-*AR*)—In a Division of the ADA, payment of Rs. 79,776 was made to Attock Oil Company on 18th September, 1973, for the supply of 200 tons of bitumen. Simultaneously, an agreement was executed with a contractor for transporting the bitumen from the refinery to the site of work within two months from 10th September, 1973. The contractor could, however, lift only 48 tons within the agreed period. Consequently, the ADA was forced to pay an additional amount of Rs. 38,086 to the Oil Company for the balance quantity of 152 tons bitumen, due to an increase of Rs. 250 per ton in the price of bitumen from the 20th November, 1973.

2632. The department explained that 960 tons of bitumen was required for the PAF's operational works at Murid. To avoid duplication and higher rates, a consolidated tender for the cartage of 960 tons was called and work was awarded to the lowest bidder. Bitumen of special grade was manufactured in limited quantities by Attock Oil Company who were to Supply it in bulk through their tanker at the Swan Camp outside Rawalpindi. The Company had only one tanker for delivering bitumen to executing agencies for works including defence works. Hence the quantity delivered to the ADA was always irregular. Besides, the contractor had explained that bitumen was not being supplied by the Company in sufficient quantities and he was not at fault. The Assistant Engineer requested the Attock Oil Company to increase its supply but the Company expressed its in ability to do so as it had only one tanker for delivery of bitumen. Meantime the price of bitumen was increased by Government and the difference of Rs. 38,086 had to be paid to the supplier as per the terms of the agreement.

2633. The contractor was thus not at all at fault for delay in transporting the bitumen. In fact, he suffered a loss on account of this delay and subsequently, sought arbitration and was allowed compensation by the Arbitrator.

2634. Not agreeing with the department's contention, Audit pointed out that delay was not due to the non-availability of bitumen or tanker with the supplier, but the non-availability of empty bitumen drums, which was the responsibility of the contractor.

2635. On the enquiry about the award of the arbitrator the departmental representative replied that it would be brought to the notice of the PAC in the next meeting.

2636. The Vice-Chairman remarked that the department should have taken up the matter of the supply of bitumen with the Attock Oil Company. The matter should be gone into thoroughly to see whether the contractor was or was not being given the bitumen.

2637. *The Committee finally came to the conclusion that the department should re-examine the case ascertain the nature of the claim and on the basis of the award. Further consideration of the paragraph was therefore, deferred.*

2638. *Excess payment of Rs.* 11,322 *on cartage of petrol and lubricants at higher rates* (*Para* 20, *pages* 33-34—*AR*)—The departmental representative having informed the Committee that Audit had accepted the reply of the department and verified it, the Committee decided to treat the paragraph as settled.

2639. *Loss of Rs.* 9,128 *due to non-accountal of empty gunny bage* (*Para* 21, *page* 34—*AR*)—After examining the departmental reply and the Audit Commients thereon, *the Committee directed that the stock register may be produced before Audit, and, if Audit is not satisfied, the case should come up to the P.A.C.*

2640. *Non-accountal of Steel worth Rs.* 6,347 (*Para* 22, *page* 34-35—*AR*)—The departmental representative informed the Committee that Audit had accepted the departmental reply. The paragraph was, therefore, dropped.

2641. *Shortage of Bitumen costing Rs.* 15,834 (*Para* 23, *page* 35—*AR*)—In a Division of the ADA, 378 tons (846,720 Lbs.) of bitumen was purchased for consumption on a work at Skardu. The material was transported from Rawalpindi to Skardu, partly by air, and partly by road, in May, 1969, but the total quantity despatched was only 744,425 Lbs., leaving a balance of 102,295 lbs., or 45.67 tons unaccounted for. The transportation of this balance quantity was neither traceable from the records nor was it taken in the stock of the accounts relevant works, maintained at Skardu. The Government was, therefore, put to a loss of Rs. 15,934.

2642. The department explained that, though the details of the 378 tons of bitumen in question were not available, relevant records showed that 345 tons of bitumen were purchased, duly transported to Skardu and, as verified by Audit ; consumed as follws—

(a) Issued to contractor and recovered	528.96 tons
(b) Issued to another contractor for surface dressing ..	7.34 tons
(c) Wastage	8.70 tons
	545.00 tons

2643. The department contended that it was evident that there was no loss to the Government.

2644. Audit maintained that the records relating to the transfer of 7.34 tons of bitumen to another contractor and the recovery thereof were not produced to Audit. Recovery for the wastage of 8.70 tons of bitumen had also to be made from the contractor and shown to Audit for verification, because no wastage of bitumen was allowed in any other department.

2645. A member observed that department had changed stands many times. After discussion, *the Committee observed that the department should satisfy Audit on the points raised by them and a full report consistent with facts should also be furnished to Audit, who may revert to the PAC, if necessary.*

2646. *Mis-appropriation of bitumen worth Rs.* 10,184 (*Para* 24, *page* 35—*AR*)—The department had stated that recovery of the bitumen was effected from Hassan Engineering Ltd., as per its actual consumption on the works and the remaining quantity of 23.69 tons of bitumen was received back from the contractor. A transfer entry to this effect was prepared in order to set the accounts right.

2647. The Committee decided that the paragraph may be treated as settled subject to the production of records to and their verification by Audit.

2648. *Wasteful expenditure due to defective planning Rs.* 13,783 (*Para* 25, *page* 36—*AR*)—The department informed the Committee that the expenditure of Rs. 13,783, incurred on laying of water mains and paid to the contractor, was being written off by the Competent Authority, because the work was abandoned.

2649. Accepting the explanation, the Committee decided to drop the paragraph.

2650. *Loss of Rs.* 11,200 *due to transportation of an unserviceable roller* (*Para* 26, *pages* 36-37—*AR*)—Audit had reported that, in a Division of the ADA, an expenditure of Rs. 11,200 was incurred for the transportation of an unserviceable Vibratory Roller from Karachi to Swat in March, 1978, and subsequently from Swat to Rawalpindi in May, 1979. The Roller was not utilized on the works for which it was transported to Swat, resulting in a financial loss of Rs. 11,200 to the Government.

2651. The department intimated that the ADA had, at no stage, said that the Roller was not in a proper condition at the time of its transportation to Swat or its serviceability was doubtful. In fact, the Roller was in operation when transported to Swat but, unfortunately it became unserviceable during transit for which nobody could be held responsible.

2652. Audit disagreed with the above reply, as the concerned Deputy Director, had stated at the time of local audit in March, 1980 that the Roller, which was lying idle, was transported from Karachi with the hope of making it serviceable, although its exact condition was not ascertainable. He had further admitted that, due to its condition its repairs could not be arranged in the remote areas of Swat. Audit further pointed out that the Agency had not produced any documentary evidence to show that the Roller was in operation, when transported to Swat. As such, the loss of Rs. 11,200 was established an needed to be recovered from the persons held responsible.

2653. After discussion, *the Committee directed that the department should look into it and furnish additional facts to Audit to justify the decision for transportation of the Roller from Karachi to Swat.*

2654. *Outstanding Inspection Reports, Audit Notes etc., (Para 27, pages 37-38—AR)*—In view of the departmental explanation and the Audit comments thereon, the paragraph was treated as settled subject to verification by Audit.

2655. *Non-realization of Government dues of Rs.* 13,634,108 *against various Agencies Para* 28, *page* 38—*AR)*—Audit reported that most of the dues had been recovered as per the departmental reply received by Audit in January, 1984. The Committee appreciated the position and dacided to treat the paragraph as settled.

2656. *Irregularities in the Accounts of Airport Manager, Gilgit (Para 29, page 38—AR)*—The Committee having accepted the departmental explanation, the paragraph was treated as settled subject to verification by Audit.

APPROPRIATION ACCOUNTS

2657. *Grant No. 29—Ministry of Defence (Page 45—AA)* The Appropriation Accounts show an excess of Rs. 38,327 under function 586—Civil Aviation of this grant. The Ministry explained that Rs. 62,269, relating to Grant No. 32 (Department of Civil Aviation), had been wrongly debited to the Grant No. 29. After its exclusion, the Grant closed with a saving of Rs. 23,942 which was within the permissible limit.

2658. The Vice-Chairman observed that there was some discrepancy between the Audit and the Ministry. The Audit representative confirmed the department's version. The Committee then did not make any further observation on this grant.

2659. *Grant No. 30—Meteorology (Page 46—AA)*—The appropriation accounts show an excess of Rs. 1,414,933 had occurred under this grant. The

excess was ascribed to the belated adjustment for 1977-78, 1978-79 and 1979-80 expenditure. Audit having confirmed this position. The Committee made no observation on this grant.

(i) *Grant No.* 32—*Aviation* (*Page* 48—*AA*)—

(ii) *Grant No.* 145—*Development Expenditure of Ministry of Defence* (*Pages* 177-178—*AA*)—

2660. The Committee did not make any observation on these grants.

2661. *Grant No.* 175—*Capital Outlay on Civil Aviation* (*Page* 224—*AA*)—Audit had noted an excess of Rs. 12,563,229 under the function head " 586—Civil Aviation-Equipment ". The Ministry explained that the final grant was Rs. 42,612,000 and not Rs. 41,612,000. The difference of Rs. 1,000,000 was included by Audit in " Establishment ", to tally the total grant.

2662. The Ministry further stated that the variation of Rs. 11,563,229 was largely due to the receipt of debit from the U.N.D.P. Aid for Equipment of C.A.T.I., valued to Rs. 14,464,089 and supplied in the previous three years against which there was a provision of Rs. 2,929,000 in 1980-81.

2663. In view of the above, the Committee did not make any observation on the excess except for reitrating its opinion that the accounts of foreign aid requires attention.

COMPLIANCE ON THE POINTS CONTAINED IN THE 1978-79 PAC'S REPORT

2664. *Loss of Rs.* 358,637 *due to theft of material* (*Para* 8, *pages* 28-29—*AR*) (*Paras* 1553—1558, *pages* 428—430—*PAC Report* 1978-79)—The Committee had previously directed the department to make more satisfactory arrangements for the safe custody of their stores and Audit were requested to look into the inquiry report and come back with their comments. In compliance, the departmental representative informed the Committee that more effective steps had been taken to ensure the security of stores *e.g.*, posting of Chowkidars, round-the-clock at such places, and random inspection by the officers responsible for security at the airport.

2665. The Vice-Chairman observed that the main point was that only Mr. A.K. Malik, the then Controller, Central Engineering and Stores, who was no more in service, was considered by the department to be responsible for the loss, whereas the inquiry report showed that other Officers were also involved. The departmental representative submitted that the Inquiry Committee had given their report and, after going through all the pros and cons, had recommended

the write-off of the amount. The departmental representative further stated that the theft could not be traced by the police or the FIA who carried out the investigation.

2666. After further discussion, *the Committee directed that the Ministry should examine the report and decide whether adequate action was taken on it. If not they should decide as to what further action would be called for? The paragraph was deferred.*

2667. *Sundry Debtors* (*Paras* 784-785, *page* 152—*PAC Report* 1974-75) (*Paras* 1591—1593, *pages* 436-437—*PAC Report* 1978-79)—After going through the Ministry's reply and the Audit comments thereon, *the Committee directed that recovery should be expedited and Ministries concerned should be asked to effect the same, by deduction from pay, if necessary. A list of defaulters should also be furnished to the PAC. Audit was requested to follow up.*

COMMERCIAL ACCOUNTS

Pakistan International Airlines

2668. *Expected loss of Rs.* 828,735 *due to non-recovery from a Foreign Party* (*Para* 31, *page* 27—*ARCA*)—Audit had pointed out that, in September, 1969, PIA entered into an agreement with a foreign club to provide Air Transport facilities to the passengers, holding valid credit cards of the club or its franchise in other countries. The club was required to make full payment to the Corporation by the 10th of the following month, after charging a Commission of 3-1/2 per cent. Despite the clubs failure to honour the payment schedule, the Corporation continued honouring the club's credit cards, resulting in an accumulation of dues amounting to Rs. 828,735 for the period from October, 1973 to May, 1975.

2669. When in April, 1980, Audit drew attention to the situation, the management stated that the club had agreed to pay Rs. 321,630, and in their communication dated 9th November, 1981 they also informed that it had been decided to file a suit for the recovery of the balance. The irregularity was also reported to the Ministry in April, 1981, but without any reply despite repeated reminders.

2670. The Ministry explained that the information about the use of PIA services by the club's members was to be furnished to the club within 30 days of the end of a month and PIA in certain cases failed to do so because of switch over from manual to computerisation. The Sales Reports received from stations could not be processed in time. Also the Credit Card Scheme was in an introductory stage in the country and all its pros and cons could not be kept in view.

2671. P.I.A.C. decided to go into litigation for the balance after receiving the agreed amount. The legal Advisor at New York wrote that the Courts in America, did not admit proceedings against the defaulters of partial claims. Having refused to accept the agreed amount, the only legal course open was to go into litigation for the entire amount. But, taking into consideration the legal costs and the likely period for a decision, the Corporation decided to accept the agreed amount of Rs. 321,630 in full and final settlement of the claim, particularly allowing for the fact that 100% utilisation of such tickets was not envisaged and their extension was not permissible without authorisation by the Head office. The necessary legal documentation to implement the decision was in hand. On the receipt of the agreed amount and adjustment for un-utilised tickets, the balance, if any, would be written off.

2672. After a detailed discussion, *the Committee directed that P.I.A., should take action against person responsible and furnish full facts, including facts about the loss suffered on this account. Whatever is likely to be recovered from the Diners' club should be collected within three months.*

2673. *Fradulent issuance of tickets etc., Rs.* 544,000 (*Para* 32, *page* 27—*ARCA*)—According to Audit, in connivance with out-siders certain employees defrauded the PIA to the tune of Rs. 44,000 through the fraudulent issue of tickets and Miscellaneous Charges Orders from July, 1972 to March, 1973. The fraud was detected in March, 1973 and a case was registered with the Special Police Establishment in May, 1973. The fraud was facilitated due to disregard of rules, which stipulated the matching of the Auditor coupons, with the flight coupons. The case was closed by Special Police Establishment, as the accused were being proceeded against departmentally. Later, even departmental proceedings were withdrawn on 1-11-1974 on the plea that the case was pending finalization for over two years and issuing of charge sheets affected the morale of employees. Ultimately, the amount involved was written off in September, 1977. These arguments were not convincing and timely action would have enabled the Management not only to fix the responsibility and recover the amount but also award due punishment to the delinquents.

2674. Audit further reported that another official of the Corporation committed a fraud of about Rs. 0.50 million in 1978 and while posted on non-revenue service counter, managed to issue revenue tickets, including Miscellaneous Charges Order for domestic and international routes, and mis-appropriated the proceeds thereof.

2675. The departmental representative explained that, to overcome the lacuna in the system, a fresh programme was developed and fed in the Computer

to ensure prompt detection of frauds by means of quick processing and minimising errors in the final tabulations. The revised sytem was found to be wroking successfully. He added that since the introduction of the current system of issue and utilisation of non-revenue Tickets, no such incident had taken place.

2676. After examining the departmental explanation and Audit comments, the Committee directed that the matter be considered as closed on the competent body, passing the appropriate resolution.

2677. *Expected loss of Rs.* 1.809 *million due to fraud* (*Para* 33, *page* 28—*ARCA*)—Audit had pointed out that an official of the PIA mis-appropriated an estimated amount of Rs. 2.809 million through fraud during 1979. As the relevant records were not made available to Audit, the *modus operandi* of the fraud and the exact amount involved could not be ascertained. The departmental representative informed the Committee that the entire amount had been recovered and the official, held responsible, was sentenced to 7 years imprisonment.

2678. Thereupon, the Committee decided to drop the paragraph.

2679. *Expected loss of Rs.* 469,891 *due to non-recovery of dues from an Agent* (*Para* 34, *page* 29—*ARCA*)—The department informed the Committee that the case was subjudice in a Court of Law.

2680. The Committee therefore, did not make any further observation on the paragraph and asked Audit to pursue it.

2681. *Loss of Rs.* 297,254 *due to Irregular credit facilities and dishonoured cheques* (*Para* 35, *page* 29—*ARCA*)—Audit had reported that cheques in the total sum of Rs. 309,121, given by various parties against PIA's invoices April, 1972 to October,1975 were dishonoured on their presentation to the bank. Though Rs. 33,374 were reportedly recovered from the parties, recovery of only Rs. 8,000 could be verified. Subsequently, Rs. 3,867 were written off, leaving a balance of Rs. 297,254. The Corporation suffered this loss due to extending credit facilities without observing the rules which restricted such credit to parties having a good local reputation and limiting the period of settlement to 30 days.

2682. The department explained that the above view of Audit could not be endorsed, as cheques were accepted at the briefing counter for different services provided at those counters, like payment of excess baggage freight etc. Cheques were accepted, as their non-acceptance could have resulted in off-loading the passengers or cargo, entailing heavy revenue losses to the Airlines. This practice was a tradition of the mercantile world and did not come under the purview of credit facilities. Therefore, it did not amount to the non-observance of rules.

2683. Replying to a query, the departmental representative submitted that, in this case, responsibility had been fixed on specific persons.

2684. *The Committee thereupon, directed that the matter should be finalised and its progress reported to Audit, subject to the satisfaction of Audit, the paragraph was deemed settled.*

2685. *Expected loss of Rs.* 248,222 *due to non-pursuance of insurance claims* (*Para* 36, *page* 30—*ARCA*)—A consignment of paper towels, valuing Rs. 45,163 imported by PIA in March, 1978, was found damaged. This was attributed to rain during transit. PIA lodged a marine insurance claim with the underwriters on 26-4-1978, who asked for certain documents, but the Corporation failed to furnish them.

2686. The department stated in their reply that, due to lack of coordination and the failure to furnish in time survey reports, the basic requirement of the Insurers the latter were reluctant to admit the claims. Strict monitoring was being done to avoid such lapses in future.

2687. After going through the departmental explanation, the Committee decided to drop the paragraph.

2688. *Expected loss of Rs.* 2.40 *lacs due to import of shopping bags without payment of custom duties* (*Para* 37, *page* 30—*ARCA*)—PIA imported two consignments from Hongkong in 1978, containing 2.08 lacs of white polythene shopping bags valuing Rs. 1.37 lacs. Clearance of goods was held up by Customs as the Corporation declined to pay the duty and sales tax of Rs. 2.40 lacs thereon, arguing that the shopping bags were distributed to the passengers on international flights free of cost. Sales duty was paid but an appeal was filed. The Custom authorities rejected the appeal for want of Government orders exempting shopping bags from the payment of duty. While agreeing with Audit, the department explained that even after paying the Customs duty, the cost per bag worked out to Rs. 1.92 as against Rs. 2.10 per each locally acquired bag. Thus there was no loss even after the payment of Customs duty. The appeal for refund of Customs duty was lying with the Finance Secretary for a decision.

2689. After hearing the departmental representative, the Vice-Chairman remarked that the Corporation should not deviate from normal practice in such matters. The paragraph was, however, treated as settled.

2690. *Unplanned purchase of Airconditioning units and a collating machine* (*Rs.* 125,629) (*Para* 38, *page* 30—*ARCA*)—The department claimed that the Airconditioning Units were procured after an extensive study and research, keeping

in view the economical aspect of the deal. But it appeared to Audit that their operational cost had not worked out at the time. Had this also been done, the loss could have been avoided.

2691. As for the installation of a collating machine, Audit informed the Committee that the management could not produce any records to substantiate their reply as to the working of this machine.

2692. The Committee decided to drop the paragraph subject to verification of the departmental reply by Audit.

Loss of Rs. 95,119 *for favour to a landlord* (*Para* 39, *page* 31—*ARCA*)—

Fraudulent drawal of Provident Fund Advances—Rs. 38,000 (*Para* 40, *page* 31—*ARCA*)—

Loss of Rs. 33,284 *due to theft of blank tickets* (*Para* 41, *page* 32—*ARCA*)—

2693. After discussion, the Committee came to the conclusion that the above-mentioned paragraphs be treated as settled subject to verification by Audit.

2694. *Loss of Rs.* 18,091 *as a result of embezzlement of revenue* (*Para* 42, *page* 32—*ARCA*)—Audit had reported that on an inquiry held in March, 1976 the PIA discovered 35 cases of embezzlement amounting to Rs. 36,182 (£ 1546/22), which were committed by two employees during 1975. The services of one of them were terminated, while the other resigned.

2695. The Ministry explained that the *modus operandi* of the said employees in the U.K. was used to mutilate the excess baggage documents of the transit passengers bound for Pakistan and mis-appropriate the cash. Before this came to light, one of them submitted his resignation, which was recommended for acceptance by the Station Manager under the normal rules and accepted by the Competent Authority. The services of the other culprit were terminated when the loss was detected. In response to an advertisement for the post of Ethnic Sales Promotion Officer, he again applied and offered the payment of 50% of the embezzled amount. He also brought about the maximum possible political pressure on the Management for reappointment, which was agreed to subject to repayment of half of the total amount embezzled and not posting him to any cash dealing activity.

2696. Audit maintained that it was a wrong course of action and should not be repeated in future. The management also obtained a report on the work and conduct of the reappointed employee.

2697. *The Committee took a serious view of this reappointment and directed that persons, against whom any case of fraud was established should not be employed*

or re-employed by a government or semi-autonomous body. PIA's action in this case was highly inappropriate and the Committee's view should be brought to the notice of PIA Board, for necessary action.

2698. *Delay in disposal of Audit/Inspection Reports (Para 70, pages 50-51—ARCA)*—The reply to above paragraph was not furnished by the Corporation.

2699. *Working results of the Corporation (Paras 115—117, pages 72-73—ARCA)*—Audit informed the Committee that the Corporation earned an operating surplus of Rs. 223 million during 1981-82 and Rs. 441 million in 1982-83 as against Rs. 71 million in 1980-81. The Committee did not make any observation on these paragraphs which are to be deemed settled.

2700. *The Corporation's investments (Para 118, page 73—ARCA)*—PIA's investments in its subsidiaries and associated companies amounted to Rs. 125.822 million on 30th June, 1981. No dividend on these investments was received by the Corporation, as the subsidiaries and associated companies were generally running in losses. Audit was of the view that the advisability of investment in such companies needed to be re-examined.

2701. Audit further pointed out that, in addition to the above investments, advances allowed to the subsidiary companies amounted to Rs. 121.154 million as on the 30th June, 1981, and were, in most cases, not only interest free but interest, amounting to Rs. 10.708 million charged previously was also waived. This needed to be justified.

2702. The department explained that the Corporation was charging interest on the advances, extended to PIA subsidiaries, at 14%. As for writing off the interest, amounting to Rs. 10.708 million, the Audit field staff were intimated earlier, that, on the directive of the Government, the PIA Hotels Limited had to construct a 46 room Hotel at Larkana, which was completed in 1974. This hotel was not economically viable. It was casually occupied by foreign dignitaries and diplomats, and there was only occasional occupancy by some tourists and other visitors. The average occupancy level was very low.

2703. The management further stated that, although the PIA did not get dividends from its investment in its subsidiaries, it derived benefits in the shape of passenger revenue, and freight business etc. PIA was, however, considering those which had no prospects of early development.

2704. The management further stated that, due to uneconomic and poor occupancy, the hotels incurred losses throughout its operation. Because of this position, the PIA Board in their 116th meeting held on the 16th April, 1980 resolved to write off the interest charged on the loans advanced to the PIA Hotels Limited and directed that the Larkana Hotel be disposed of.

2705. After examining the departmental reply and the Audit comments thereon, *the Committee directed that a detailed report, with explanation for delay, be furnished to the PAC.*

Long-terms debts (*Para* 119, *page* 73—*ARCA*) *Consumption of stores and spares* (*Para* 120, *page* 73—*ARCA*)—

Sundry Debtors (*Para* 121, *page* 73—*ARCA*), *Writing off bad and doubtful debts amounting to Rs.* 16.660 *million* (*Para* 122, *page* 74—*ARCA*)—

2706. After considering the departmental replies, the Committee did not make any observation and the above-mentioned paragraphs were treated as settled.

2707. *Midway House Limited* (*Paras* 125—131, *pages* 75-76—*ARCA*)—Audit informed the Committee that the figures of operating profit/loss of the company for the last 3 years were as under—

	Operating Profit/Loss (*Rs. in million*)
1980-81	(1.628)
1981-82	(0.925)
1982-83	(5.226)

2708. Audit further reported that out of the debits, amounting Rs. 2.242 million outstanding as on 30-6-1981, an amount of Rs. 0.336 million was still outstanding.

2709. A member observed that as far as Midway House was concerned, the department had said that it was being disposed of. The departmental representative replied that the department had made a presentation to the Board of Directors and the intention was to sell it.

2710. After further discussion, *the Committee directed that a full report, showing the latest position of the Company, alongwith a copy of the investments etc., should be furnished to Audit who may come back to the PAC, if necessary.*

2711. *PIA Hotels Limited* (*Paras* 132—140, *pages* 77—79—*ARCA*)—The PIA Hotels Limited was incorporated as a private limited company on 21-3-1968 and converted into a Public limited company on 21-12-1971. The Company was a wholly owned subsidiary of the PIA and was formed to construct/operate a chain of hotels, as hotel business was considered to be connected with the Airlines business and helped to promote tourism by making suitable accommodation available at the various tourist resorts in the country. Pakistan Services Limited

remained the Managing Agents of the Company upto 30-6-1973. The Company now owns and operates five hotels at various locations and three restaurants Karachi, Lahore and Islamabad.

2712. The Company sustained a net loss of Rs. 4.954 million during 1980-81 as against a loss of Rs. 2.995 million, during 1979-80, mainly due to the abnormal low occupancy of rooms in the various hotels of the Company.

2713. The management agreed with the observations of Audit and stated that the rate of occupancy of the Hotels is co-related with the number of tourists, whose behaviour was un-predictable.

2714. After examining the departmental reply and the Audit comments thereon, the Committee did not make any observation. The paragraphs were treated as settled.

2715. *Sky Rooms Limited* (*Paras* 141—144, *page* 80.—*ARCA*)—According to Audit, Sky Rooms Limited, a wholly owned subsidiary of the PIA was incorporated as a Private Limited Company on 25th May, 1975, mainly to run hotels, motels, cafes, restaurants and guest houses. The Company owned and managed. The inn at the Karachi Airport and three restaurants at Karachi, Lahore and Islamabad. The restaurants were transferred to PIA Hotels Limited, on 1st July, 1980, while the Inn continuous to be owned and managed by the Company. The Company sustained an operational loss of Rs. 0.057 million during 1980-81 as against a loss of Rs. 0.677 million during 1979-80.

2716. The Committee did not make any observation on the above paragraphs which were dropped.

2717. *Pakistan Hockey Federation* (*Para* 145, *page* 80—*ARCA*)—A sum of Rs. one million, received from the PIA by the Sky Rooms Limited on 15-4-1980, was paid on instructions from the Corporation, to the Pakistan Hockey Federation for meeting the cost of a building, under construction by the Federation. The proposed buildings was estimated to cost Rs. 2.0 million against which Rs. 1.0 million had been advanced, while the balance amount of Rs. 1.0 million was to be financed by Sky Rooms from its own resources. The management informed the Committee that PIA had repaid Sky Rooms the latter amount.

2718. *The Committee directed that the PIA should determine whether Rs.* 1.00 *million was a donation to the Pakistan Hockey Federation or an investment in their project. PIA should then come back to the PAC. The paragraph was deferred.*

2719. *PIA Shaver Poultry Breeding Forms Limited* (*Paras* 149—151, *page* 82—*ARCA*)—The Committee did not make any observation on these paragraphs and, as such, they were treated as settled.

2720. *Duty Free Shops Limited* (*Paras* 152—156, *pages* 83-84—*ARCA*)—Audit informed the Committee that the company earned an operating profit of Rs. 0.322 million in 1979 as against Rs. 0.184 million in the previous year on turn overs of Rs. 24.736 million and Rs. 13.518 million respectively. *The Committee asked for justification for PIA charges, a source fee of* 12-1/2% *of gross sales. The paragraph was deferred.*

2721. *PIAAK Travels Limited* (*Paras* 157-158, *page* 85—*ARCA*)—The working results of the Company further deteriorated in 1981-82 it sustained a net loss of £ 16,691 as against £ 6,903 during 1980-81. However, the loss was reduced to £ 5,012 during 1982-83. *The Committee, wondered why PIA could not give a subvention for the annual losses.*

2722. *Minhal Incorporated* (*Paras* 159—163, *page* 86—*ARCA*)—*The Committee asked for particulars of investment by PIA and by others in the business and about the arrangements made for proper sharing with other.*

International Advertising Limited (*Paras* 164—166, *page* 87—*ARCA*)—

PIA Recruiting Agency Limited (*Paras* 167—169, *page* 88—*ARCA*)—

2723. The Committee did not make any observation on the above mentioned paragraphs which were treated as settled.

2724. *Points/Paragraphs not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs/points in the Appropriation and Commercial Accounts for 1980-81 and the Audit Report thereon, and on the Compliance Report on 1978-79 PAC Report. These would be deemed as settled subject to such regularization action as may be necessary under the rules.

DEFENCE PRODUCTION DIVISION

2725. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Defence Production Division. The following departmental representatives were present—

(1) Mr. Abdul Majid Mufti, Secretary

(2) Mr. Ehsanul Haq, Joint Secretary

(3) Mr. Talib Husain, Section Officer

(4) Col. Muhammad Ishaq, DG (DP)

(5) Mr. Hasan Ehtisham, DCIR and Member POF Board

(6) Mr. Sarwar, M.D. (Wah Industries Ltd.)

(7) Col. Muhammad Javed, DW&CE (DP)

2726. This Division controlled Grant No. 29—Ministry of Defence (Function 112 only).

2727. *Reconciliation of Accounts with Audit*—Noting that the reconciliation of accounts pertaining to the Division was not upto date, *the Committee directed that the reconciliation of all the Accounts upto* 2/84 *be completed by* 31*st May*, 1984.

APPROPRIATION ACCOUNTS (CIVIL)

2728. *Grant No.* 29 (*Page* 45—*AA*)—There was no material point for consideration under this grant.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

2729. *POF's* (*Para* 3, *page* 4—*AADS*)—Audit had pointed out that cases continued in which consignees of the Defence Department Stores had not linked the goods, received by them, against the particular consignments, notified as having been dispatched to them, and it was not possible for the internal Audit to verify that such consignments had actually been brought to accounts by the consignees.

2730. The Ministry explained that there was a gap of 3 to 4 months between the actual receipt of invoices and that of the consignments. Piece meal receipt of latter also delayed the clearance of invoices for the full consignment. In such cases, it took time to link up the consignments with the shipping documents.

2731. Questioned as to how many invoices had been cleared and how many remained, the departmental representative replied that the total of outstanding invoices was 70.

2732. After discussion, *the Committee directed that the work of linking should be brought up-to-date. It should not take more than three to four months to clear the work remaining outstanding.*

Appendix 'A'

Cash losses, overpayments, irrecoverable claims etc., due to other causes—

2733. (*i*) *Waiving of Liquidated Damages—Rs.* 8,026 [*Sl. No. II* (*i*) 12, *page* 7—*AADS*]—The Department explained that the supplier delayed the supplies and extension in the delivery period was, therefore, granted by the DP (Air) upto 30-4-1980, with 1% Liquidated Damages. The firm submitted an appeal to the DGDP for the waiver of such Damages amounting to Rs. 8,026. The appeal was accepted, because the Quality Control Authority had delayed the communication of their approval of the sample in the previous contract by 4 months and 18 days for which the firm could not be held responsible. Accordingly, the liquidated damages were waived off by the Government.

2734. Replying to a query, the departmental representative submitted that a committee had been constituted in early 1982 and all such cases would be considered by that Committee for a decision.

2735. *The Committee decided that the department may furnish a detailed reply on the subject. The paragraph was deferred.*

2736. *Waiving of Liquidated Damages—Rs.* 59,517 [*Sl. No. II* (*i*) 24, *page* 8—*AADS*]—The facts, as stated by the department, were that an Indent for the procurement of sleeping bags, numbering 150,000 was received from the General Headquarter and contracts were awarded to three firms, namely, Wajid Ali Industries, Karachi, Javed Brothers Karachi and Ibrahim Sons, Rawalpindi. Wajid Ali failed to supply the stores within the delivery period and requested an extension for reasons which were not considered to be genuine Extension was, therefore, granted with 1% liquidated damages. The firm completed the supplies within the extended delivery period and requested the waiver of liquidated damages.

2737. The other firm Javed Brothers also failed to supply the stores within the delivery period and requested for an extension which was granted with 1% liquidated damages. Later, the firm represented against it and the DGDP approved the waiver of the liquidated damages.

2738. The third firm, Ibrahim and Sons, could supply only 4118 bags within the extended delivery period and the order for the balance quantity of 30,882 bags was cancelled at the firm's risk and cost. Later, the indentor initiated a reduction demand and, therefore, there was no question of risk purchase.

2739. The explanation of the department was accepted by the Committee and the paragraph was treated as settled.

2740. *Waiving of Liquidated Damages—Rs.* 44,847 [*S. No. II* (*i*) 26, *page* 8—*AADS*]—After hearing the departmental representative, the paragraph was dropped subject to verification by Audit.

2741. *Waiving of Liquidated Damages—Rs.* 30,940 [*S. No. II* (*i*) 29, *page* 8—*AADS*]—After having gone through the explanation of the department, the Committee decided to drop the paragraph, subject to verification by Audit.

2742. *Waiving of Liquidated Damages—Rs.* 60,168 [*S. No. II* (*i*) 30, *page* 8—*AADS*]—A member observed that there was a partial waiver, as the balance had been recovered. The Committee thus decided to drop the paragraph subject to verification by Audit.

2743. *Risk purchase—Rs.* 88,991 [*Sl. No. II* (*i*) 33, *page* 8—*AADS*]—In view of the Ministry's explanation a member asked whether any general instructions had been issued that such action should not be repeated in future. The departmental representative confirmed that such instructions had been issued.

2744. The Committee decided that the paragraph be treated as settled.

2745. *Risk purchase Rs.* 17,600 [*S. No. II* (*i*) 34, *page* 8—*AADS*]—The department informed the Committee that the case stood regularised, subject to verification of such action, the paragraph was dropped.

2746. *Risk purchase—Rs.* 341,260 [*Sl. No. II* (*i*) 35, *page* 8—*AADS*]—The department explained in their reply that the firm had refused to deposit the risk amount in the Government Treasury on the plea of pre-contract deviation regarding the use of sulpher dye and filed suit in the Court of Senior Civil Judge, Gujranwala. On the firm's appeal to DGDP, the Law Officer suggested that the case be settled out of court accepting 30% of the claim, as over-pastings of the pre-contract deviation was a contractual decision and the chances of winning the case in the Court were slim. The Law Division also concurred in this opinion. The firm's Managing Director agreed to pay 30% of the Claim in 60 Instalment which he was paying. Accordingly, the risk purchase, amounting to Rs. 238,882 out of Rs. 341,260, was written off *vide* Government letter No. 71192/P-17/11/74/DP-4 dated 16th April, 1981.

2747. Questioned as to whether this was justifiable and who was responsible for it, the departmental representative replied that the indentor was responsible.

2748. After discussion, the Committee observed that a separate draft paragraph was being prepared by Audit and decided to drop the paragraph from here.

Appendix 'B'

Loss of POF Stores—Rs. 10,875 [*Sl. No. I* (24), *page* 11—*AADS*]—

Loss of POF Stores—Rs. 12,365 [*Sl. No. I* (25), *page* 11—*AADS*]—

Loss of POL—Rs. 8,798 [*Sl. No. I* (30,) *page* 12—*AADS*]—

Loss of Ordnance Stores—Rs. 264,640 [*Sl. No. II* (17), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 14,290 [*Sl. No. II* (18), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 131,447 [*Sl. No. II* (19), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 17,504 [*Sl. No. II* (20), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 19,144 [*Sl. No. II* (21), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 17,086 [*Sl. No. II* (22), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 36,641 [*Sl. No. II* (23), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 33,830 [*Sl. No. II* (24), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 29,283 [*Sl. No. I* (25), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 27,792 [*Sl. No. II* (26), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 26,589 [*Sl. No. II* (27), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 48,153 [*Sl. No. II* (28), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 43,259 [*Sl. No. II* (29), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 20,801 [*Sl. No. II* (31), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 21,513, [*Sl. No. II* (32), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 17,053 [*Sl. No. II* (33), *pagr* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 18,828 [*Sl. No. II* (34), *page* 14—*AADS*]—

Loss of Ordnance Stores—Rs. 15,832 [*Sl. No. II* (35), *page* 14—*AADS*]—

2749. After examining the facts of the above cases, the Committee observed that all these paragraphs pertained to recovery, verification of recovery and writing off actions. The Committee accepted the explanations of the department and decided that the paragraphs be treated as settled subject to verifiation by Audit.

Appendix 'D'

2750. *Due to diversion of water main road and pucca drain—Rs.* 36,649 *(Sl. No. I, page* 16*—AADS)*—The department informed the Committee that the expenditure of Rs. 36,649 was written off by the Competent Authority as a loss, debitable to the State. The paragraph was deemed to be settled.

Appendix 'A'

2751. *Waiving of liquidated damages and waiving of risk purchase—Rs.* 422,983 [*S. No. II (i)* 49 *(i)—(v), page* 8-A*—Appendix 'A'—AADS*]—After examining the explanation of the department, *the Committee came to the conclusion that all the issues raised in this item should be looked into by the Secretary, Defence Production and his conclusions reported to the Committee.*

2752. *Waiving of Liquidated Damages—Rs.* 31,200 *(Sl. No. II (i)* 50, *page* 8-*A—Appendix 'A' —AADS)*—After hearing the departmental representative the Committee decided to drop the paragraph.

2753. *Waiving of Risk Purchase amount Rs.* 539,093 [*Sl. No. II (i)* 51, *page* 8-*A—Appendix 'A'—AADS*]—The paragraph was treated as settled.

2754. *Waiving of Liquidated Damages—Rs.* 52,015 [*Sl. No. II (i)* 52, *page* 8-*A—Appendix 'A'—AADS*]—The Committee did not make any material observation regarding this paragraph, which was dropped.

AUDIT REPORT (DEFENCE SERVICES)

2755. *Loss of Explosive Chemicals, etc., (Para* 44, *page* 22*—ARDS)*—In a Defence Organisation, large quantities of chemicals were found short during the annual stock taking in June, 1977. As the shortages included certain non-consumer items, immediate inquiry into the loss was demanded by Audit in 1977, but the inquiry had yet to be finalized. The department stated that, as discrepancies were noted in the relevent records, the same were placed under objection by Audit. Most of the discrepancies were, however, reconciled in the subsequent years and the Board of Officers, constituted by the CS & SA to investigate the discrepancies considered that no serious irregularity had been committed. However, the Government had since been moved for regularization/waiving of the items actually found to be short.

2756. Replying to a query, the departmental representative said that the total value of the stores was about Rs. 115,000.

2757. After hearing the departmental representative and adjudging this to be an old case, the Committee directed that regularization should be expedited

and then a statement furnished to Audit. Timely stock taking and maintenance of proper records should also be ensured for the future. Subject to audit's verification of such actions, the paragraph was dropped.

2758. *Extra Expenditure of Rs.* 141,000 *on the Procurement of Store* (*Para* 45, *page* 23—*ARDS*)—It was pointed out that the lowest offer of Rs. 186,000 for the supply of 5,000 sft., of plywood was ignored by a Purchase Agency in January, 1979 without assigning any reason and the second lowest offer of Rs. 220,680 was accepted, subject to approval of the sample. The Contractor supplied the sample on 20-2-1979, but the inspecting authorities approved it on 17-6-1979, three months after the expiry of the validity of the offer. The purchase agency failed to get the validity period extended. Hence, retendering was resorted to and the contract for the supply was concluded with the same contractor in October, 1979 at the increased cost of Rs. 327,000, resulting in an extra expenditure of Rs. 141,000.

2759. The department accepted the Audit objection and informed the Committee that the officer responsible for the irregularity had been tried by General Court Martial and convicted. The case for the regularization of extra expenditure of Rs. 141,000 has been initiated and it was with the F.A. (Procurement). All concerned had also been instructed to adhere strictly to the prescribed procedures.

2760. On a question by the Vice-Chairman, the departmental representative submitted that the case was sent to the Inspection Team in February, 1979. Regularisation action had been taken and a letter was issued on the 16th May, 1983.

2761. After discussion, *the Committee directed that—*

(i) *Some mechanism must be devised where by delays in inspection should come to the notice of the Secretary more promptly in future* ; *and*

(ii) *the Ministry should see as to whether the delay took place in the Laboratory or the Inspection Wing, and take action accordingly.*

2762. *Infructuous expenditure caused by delay in cancelling contract Rs.* 80,000 (*Para* 46, *page* 23—*ARDS*)—Commenting on the reply of the department, Audit pointed out that, while discussing the Audit Report 1979-80, the Ministry was directed by the PAC to furnish a report on cases involving Mughal Industries. This, being one of those cases, it would be covered by the Audit report on Compliance. *The Committee decided that the compliance report may be awaited and the paragraph deferred.*

2763. *Extra expenditure of Rs.* 28,500 *due to avoidable delay in finalising contract* (*Para* 47, *page* 23—*ARDS*)—It was pointed out that, against an indent for the supply of magnetic tapes (for IBM computer model 360), three quotations

were received and opened on 17-4-1975. The indentor communicated acceptance of IBM's quotation on 14-5-1975 rejecting the others technically. But the Purchase Agency could not communicate acceptance of the offer of M/s. IBM within the validity period of the offer which expired on 17th May, 1975, resulting in retendering on 29th December, 1975 in which M/s. IBM repeated its offer of Rs. 275 (Opened on 21st January, 1976. The purchase agency again failed to communicate its acceptance and unnecessarily called for the acceptance of the brand from indentor on 21st February, 1976 (when validity of the offer had expired). In third tendering, in April, 1977, M/s. IBM quoted higher rates of Rs. 370 which were accepted on item being declared as proprietary for the firm. The delay, whether on the part of the Procurement Agency or the indentor led to an extra expenditure of Rs. 28,500 which needed regularization by Ministry.

2764. After considering the departmental reply and keeping in view the above position, *the Committee observed that the question of the item having been declared proprietary should be gone into alongwith delay in the acceptance of the offer, leading to the increased cost. The extra expenditure incurred may be got regularized. The paragraph was deferred.*

2765. *Extra expenditure of Rs.* 27,300 *due to acceptance of higher rates* (*Para* 48, *page* 24—*ARDS*)—Audit informed the Committee that the case had been regularized as stated in the Ministry's reply and it would be verified by them. The Committee decided that the paragraph to be treated as dropped subject to verification by Audit.

2766. *Overpayment to contractors due to incorrect valuation of deviation— Rs.* 68,500 (*Para* 49, *page* 24—*ARDS*)—The Committee noted that there was a difference of opinion between Audit and the Ministry in sub-para (b). After going through the departmental reply, the Committee decided that the paragraph may be treated as settled subject to verification by Audit.

2767. *Overpayment to a contractor due to amalgamation of dissimilar items of a work—Rs.* 23,800 (*Para* 50, *page* 25—*ARDS*)—The departmental representative informed the Committee that they had agreed to the audit objection and recovery was being arranged, through the DW&CE (Army), from the standing security of the contractor, worth Rs. 25,000, subject to clearance of certain formalities. In the meantime, the contractor had instituted a Court case, which was *sub-judice*.

2768. The Committee did not make any further observation and the paragraph was treated as settled subject to verification by Audit.

2769. *Overpayment for quantities not appearing tin the measurement book— Rs.* 11,300 (*Para* 51, *page* 25—*ADRS*)—In a M.E.S. formation, the quantities and dimensions of certain items of work, carried out by a contractor, were incorrectly

measured, calculated and paid for in 1975, resulting in an overpayment of Rs. 11,303, on account of the work not done and stores not incorporated. The departmental representative stated that extra earth work carried out by the contractor could not be correctly recorded in the measurement book. This was an error and not an overpayment warranting any recovery.

2770. A member enquired as to whether any action had been taken against the person, who made a wrong entry in the measurement book. The departmental representative replied that the person concerned had been given a warning. The Committee did not make any further observation and the paragraph was treated as dropped.

2771. *Loss of Atta worth Rs.* 645,000 (*Para* 26, *page* 15—*ARDS*)—Audit maintained that the loss caused due to mismanagement and non-coordination between various executive authorities needed regularization. The departmental representative informed the Committee that the storing arrangements had been comparatively improved and remedial measures adopted.

2772. In view of this explanation, the paragraph was treated as settled.

COMMERCIAL APPENDIX TO APPROPRIATION ACCOUNTS (DEFENCE SERVICES)

2773. *Infructuous expenditure of Rs.* 11,479,000 *on import of a case Manufacturing Plant* (*Para* 8, *page* 5-*Commercial Appendix*)—According to Audit, a case manufacturing plant was imported by the P.O.F. in 1966 at a cost of Rs. 11,479 million in order to simplify the case manufacturing process, increase production, minimise the percentage of process loss and reduce the production cost. It was installed in August, 1968, but was rendered idle due to technical shortcomings and non-availability of "know-how". In fact the idea of commissioning it was dropped in 1973, when it failed in its trial. When pointed by Audit in September/November, 1980 the Management confirmed the non-commissioning in December, 1980 and said that "know-how" for this plant was being sought from a foreign firm.

2774. The departmental representative assured the Committee that the plant would be commissioned as soon as technical "know-how" became available on the manufacture of brass rod and experience gained with the imported brass rod. The three operations, namely slugging, cupping and draw would also be re-activated then.

2775. The Committee decided that the paragraph may be treated as dropped subject to the satisfaction of Audit.

2776. *Blockade of capital amounting to Rs. 28.089 million due to over-provisioning of stores (Para 9, page 5-Commercial Appendix)*—It was pointed out that, in a formation, stores worth Rs. 28.089 million, either procured when not require immediately having become obsolete due to change in the production plans, were lying unused for more than seven years. The management also did not take any action for their disposal, resulting in an unnecessary blockade of capital. In addition, certain constructional stores were also lying un-consumed for the last 9 to 15 years, the value of which was not available, as the same were received from a sister department. The maintenance of such stores also involved unnecessary expenditure.

2777. After seeing the explanation of the Ministry, a member enquired as to whether it was visualised when purchasing the stores that they would be utilized within a particular period. The departmental representative replied that the management later decided to convert the entire material and the stores became surplus in the process. Replying to a query about the estimated overall consumption at the time of their import, he submitted that after one year's production, it was between 25 to 50 per cent. The management had imported material for stocking for six years.

2778. *The Committee observed that the paragraph contained a number of items of stores. The Ministry should furnish a detailed explanation about the use of imported material to Audit for their satisfaction and the latter should report to the Committee. The paragraph was deferred.*

2779. *Loss of Rs. 2,009,579 due to less acknowledgement of Copper scrap (Para 10, page 6—Commercial Appendix)*—Since the position has been verified by Audit, the paragraph was treated as settled.

2780. *Loss of Rs. 1.624 million due to acceptance of substandard /short supply of stores (Para 11, page—6, Commercial Appendix)*—It was pointed out by Audit that the POFs sustained a loss of Rs. 1.624 million due to acceptance for the substandard stores detailed below —

(i) Though 100,540 Lbs. steel sheets were in stock since February, 1973, additional orders worth Rs. 245,057 in February, 1974 and on receipt, the entire quantity was found sub-standard and rejected. Neither replacement of stores was claimed nor have the rejected stores utilized so far.

(ii) Similarly, steel sheets weighing 84,849 lbs. and valuing Rs. 179,685 were imported in February, 1974 for production purposes. On receipt, these stores, too, were found below specifications and rejected.

2781. The Ministry explained that in each case the full quantity required for manufacturing the ammunition for which an order had been received was calculated and added to the working balance, and from the sum thereof, the quantity of material in stock was deducted and an order was placed for the balance. Both the materials were procured for the manufacture of Disc Detecting Anti-Personnel and Anti-Tank mines. The customer later reduced his order for this item to 10%. It was however, considered in advisable to stop the procurement as the materials were not perishable and orders for the stores were a recurring nature.

2782. The materials when received were found not so conform with the specifications and were rejected. The Purchase Department asked the supplier to replace the rejected stores, but he refused to do so as payment had already been received by him through an irrevocable letter of credit.

2783. The Ministry emphasized that the materials supplied were not perishable and the POFs were positive that, they would be used in due course. Moreover, these materials were procured at a price of Rs. 3,759 per M. Ton and the present price was Rs. 4,222 per M. Ton.

2784. Questioned as to what action was taken about the non-carrying out of inspection, the departmental representative said that they would look into it.

2785. After a detailed discussion, *the Committee took the following decision* —

(i) *The department should check whether or not the materials were suspected and if not take disciplinary action against the defaulters.*

(ii) *The consumption pattern of steel during the previous 10 years should be studied to see whether large-scale import was required for any particular purpose. It may also be examined whether the sub-standard material could have been returned and the supplier made to refund the amount paid in the alternative such materials could have been disposed of earlier.*

(iii) *A full report about the matter should be furnished to the PAC through Audit.*

2786. *Non-recovery of electricity charges of Rs.* 1,551,375 *from Cantt. Board* (*Para* 12, *pages* 8-9—*Commercial Appendix*)—After hearing the departmental representative, *the Committee directed that action to recover the balance amount of Rs.* 96,774 *may be expedited. Audit was also requested to follow up.*

2787. *Non-imposition of penalty amounting to Rs.* 2,123,532 *on a contractor* (*Para* 18) *page* 9—*Commercial Appendix*)—No observation was made by the Committee and the paragraph was treated as settled.

2788. *Loss of Rs.* 72,161 *and extra expenditure of Rs.* 1,520,246 *due to abandonment of construction work* (*Para* 14, *page* 10—*Commercial Appendix*)—Audit informed the Committee that the case was still sub-judice. No observation was made by the Committee and the paragraph was dropped.

2789. *Loss of Rs.* 1,137,442 *in short supply of stores against* 100% *advance payments* (*Para* 15, *pages* 10-11—*Commercial Appendix*)—It was pointed out by Audit that a formation entered into agreements in June 1977 with two firms for the supply of 200 M/tons of lead ingots and 200 M/tons, Zinc ingots electrolytic high Grade at the rate of Rs. 8,364.53 and Rs. 12,500 per M. tons, respectively. The supply was to be completed within six to eight months from the dates of signing the contracts. 100% advance payments of Rs. 1,672,906 and Rs. 2,500,000 were made to the suppliers on 18-6-1977, on the submission of Bank guarantees as per the contract. The firms supplied 136.671 M/tons of lead ingots, valuing Rs. 1,143,189 upto the 6th August, 1978 and 151.322 M/tons of Zinc Ingots valuing Rs. 1,892,275 upto the 13th June, 1978. The relevant records, including bank guarantees were, however, not produced to Audit on the plea that they were with the advocate, as the case was sub-judice.

2790. The Ministry explained that the bank guarantees, furnished by the supplier, against 100% advance, were apparently in order and the genuineness thereof was confirmed by the local branch of UBL, hence they were deemed acceptable. Only when the short supply of the stores was detected and the bank was asked to encash the guarantees then it came to light that they had been wrongly issued without the authority of the Bank's head office. Civil suit was then filed in the Court of Senior Civil Judge, Rawalpindi and its outcome would be known in due course.

2791. After some deliberation, *the Committee took the following decisions*—

(a) *A full report should be furnished to the PAC along with the report of the Court of Inquiry. The number of other cases, involving hundred per cent advance payments, should also be given in the reports. It should also state the steps taken for recovery and should give an explanation as to how a bank could take up the position that guarantees issued by a branch were not operative as they were unauthorised.*

(b) *Strict instructions should be issued against the making of one hundred per cent advance payments in future.*

(c) *A proper inventory control procedure should be issued by the Ministry and a copy of the new Purchase Procedure,* 1983 *furnished to Audit.*

(d) *The Ministry should also look into the circumstances in which Rs.* 1.137 *million were paid to two firms belonging to the same person.*

2792. *Loss of Rs.* 270,165 *to the State by non-affixing revenue stamps on pay bills* (*Para* 16, *page* 11—*Commercial Appendix*)—The Committee decided that the paragraph was dropped subject to regularisation and verification by Audit.

2793. *Over-issue of Steel Ingots valuing Rs.* 877,223 (*Para* 17, *page* 12—*Commercial Appendix*)—Audit's view was that the case should be taken up at a higher level in the Ministry of Defence Production and settled. *The Committee directed Audit to watch the progress of the case and come back to the Committee if necessary.*

2794. *Loss of Rs.* 278,152 *due to non-recovery of electricity charges at revised rates* (*Para* 18, *page* 12—*Commercial Appendix*)—The departmental representative informed the Committee that the total amount had since been recovered. The Committee appreciated the department's efforts and dropped the paragraph, subject to verification by Audit.

2795. *Grant of liberal extensions to the Contractors* (*Para* 19, *page* 12—*Commercial Appendix*)—No observation was made by the Committee, the paragraph was dropped.

2796. *Irregular payment of Rs.* 157,107 *to Workers engaged in non-production job of running the Canteens* (*Para* 20, *pages* 13-14—*Commercial Appendix*)—The Committee directed that the payment be regularized expeditiously. The paragraph was, however, dropped subject to verification by Audit.

2797. *Avoidable/extra expenditure of Rs.* 149,625 *on procurement of thread Cotton* (*Para* 21, *page* 14—*Commercial Appendix*)—The paragraph was dropped.

2798. *Extra expenditure of Rs.* 19,404 *due to abnormal delay in placing a contract* (*Para* 22, *page* 15—*Commercial Appendix*)—Audit pointed out that, in a formation an offer for the supply of 693 gross of washing soap @ Rs. 142 per gross was received from a firm in March, 1977, with a validity period of one month. The purchase proposal was not finalized within the validity period. The firm increased the rate on 21-5-1977 to Rs. 155 per gross., again with a validity period of one month. Again, the purchase proposal was not finalized and the firm further increased the rate to Rs. 170 per gross which was accepted and the contract placed on 27-9-1977, resulting in an extra payment of Rs. 19,404.

2799. After studying the departmental explanation and the Audit comments thereon, *the Committee observed that soap should not be held to be a proprietary item. Two or three brands may be selected for the purpose of generating competition. As far as possible, bids should be called for by specifications, rather than by brands.*

2800. *Loss of Rs.* 9,152,125 *on sale of Brass Billets* (*Para* 23, *page* 15 *Commercial Appendix*)—After hearing the departmental representative, the Committee decided to drop the paragraph.

2801. *Loss of Rs.* 647,782 *due to deterioration of Atta* (*Para* 24, *page* 16—*Commercial Appendix*)—Audit pointed out that this paragraph was a duplication of paragraph 20 of the Audit Report on Defence Services for the year 1981-82.

2802. The Committee did not make any further observation and the paragraph was treated as dropped.

2803. *Loss of Rs.* 169,795 *due to defective manufacture of components* (*Para* 25, *pages* 16-17—*Commercial Appendix*)—The departmental representative informed the Committee that the Court of Inquiry had recently finalized its report, which was under study. *The Committee directed that Audit should follow it up and report to the Committee . The paragraph was deferred.*

2804. *Loss of Rs.* 999,725 *due to sale of Grade-I Brass Head Turnings and Grades II scrap* (*Para* 26, *page* 17—*Commercial Appendix*)—The Committee accepted the explanation of the department and decided to drop the paragraph.

2805. *Avoidable expenditure of Rs.* 18,304 *due to hiring of a private bungalow beyond requirement* (*Para* 27, *page* 17—*Commercial Appendix*)—After hearing the departmental representative, the paragraph was dropped.

2806. *Infructuous expenditure of Rs* 18,925 (*Para* 28, *page* 18—*Commercial Appendix*)—Commenting on the reply, Audit stated that, although it did not agree with the arguments of the Ministry, it had no objection to get the loss written off.

2807. The Committee agreeing with Audit, the paragraph was dropped subject to verification by Audit.

2808. *Delay in disposal of Audit/Inspection Reports* (*Para* 29, *page* 18—*Commercial Appendix*)—The departmental representative informed the Committee that replies had been sent to Audit regarding all the 24 outstanding reports. The Committee accepted the departmental explanation and the paragraph was settled.

Pakistan Ordnance Factories

2809. *The closing balance of stores* (*Para* 60, *page* 39-*Commercial Appendix*)—The closing balance of stores having increased from Rs. 843.713 million on 30-6-1980 to Rs. 916.411 million on 30-6-1981 *i.e.* by 8.62%. Audit recommended that obsolete and surplus stores in the inventory should be segregated and disposed of at an early date.

2810. The department explained that disposal of obsolete/surplus stores was being carried out regularly.

2811. The Committee did not make any further observation and the paragraph was treated as settled.

2812. *Amount due to factories on account of work done for private individuals (Para 61, page 39—Commercial Appendix)*—Audit pointed out that the amount, due to factories on account of the work done for private individuals, increased from Rs. 82.860 million on 30-6-1980 to Rs. 122.852 million on 30-6-1981. This was about 92% of the total value of services rendered during the year, implying that the factories were following a liberal credit sales policy and the existing credit policy needed a revision.

2813. The department stated that the recovery of the outstandings was encouraging with the exception of a few old cases. Efforts were being made to clear the remaining outstanding amount also.

2814. The Committee did not make any observation and the paragraph was dropped.

2815. *Outstanding amount of Rs. 181.152 million against various parties (Para 62, page 39—Commercial Appendix)*—The departmental representative stated that, out of Rs. 181,151,555, a sum of Rs. 43,598,855 had been cleared, leaving a balance of Rs. 137,552,699.

2816. Audit commented that, the total amount recovered was Rs. 66.075 million, leaving a balance of Rs. 115.077 million. However, the total recoverable amount had increased to Rs. 300.247 million by 30-6-1983.

2817. Replying to a query about the present position of the ouststanding dues, the departmental representative submitted that the ouststanding amount was Rs. 553 million of which Rs. 321 million pertained to Dacca.

2818. After discussion, *the Committee directed that the position of up-to-date outstanding amounts should be furnished to Audit and efforts made to reduce them.*

Ordnance Clothing Factories

2819. *Production of goods (Para 72, page 55—Commercial Appendix)*—The production of goods had decreased from Rs. 86.270 million in value during 1979-80 to Rs. 74.049 million during 1980-81 as by 14.16%. The Committee did not make any observation and the paragraph was dropped.

2820. *Outstanding of Rs. 2.039 million against various parties (Para 73, page 55—Commercial Appendix)*—Audit pointed out that no recovery or clearance had been made from the old outstandings (1971-72 to 1978-79) and Rs. 5.428 million was outstanding on 30-6-1983. Strenuous efforts should be made to clear them. The Committee dropped the paragraph.

2821. After a review of the POF's balance sheet, *the Committee concluded that it required accuracy and that the POF should prepare proper Balance Sheet which would show the correct position as the balance sheet given to the Committee, seemed to have a mistake of Rs. 60 crore.*

2822. *The establishment of a Shot Gun Ammunition Factory by Wah Industries Limited approved by the ECNEC on 16th January, 1978 (Para 90, page 75—Commercial Appendix)*—After examining the departmental explanation and Audit comments thereon, *the Committee directed that a copy of the Accounts of the Factory should be given to Audit for review and comment and for submission to the Committee, subject to compliance with the committee's directives, the paragraph was dropped.*

2823. *Book Debits included Rs. 6.506 million recoverable from Wah Bofors Ltd. (Para 91, page 75-Commercial Appendix)*—After studying the explanation of the Ministry and Audit comments thereon, *the Committee observed that a cpoy of the Accounts of Wah Bofors should be given annually to Audit for review and subsequent presentations to the Committee, as Government held 51% shares in that company.*

COMPLIANCE ON PAC's REPORT FOR 1978-79

2824. *Adjustment of outstanding amounts (Paras 466-74, pages 87-88-PAC Report 1971-72) (Paras 1644-46, page 449-PAC Report 1978-79)*—In view of the reply of the Ministry, the Committee decided to drop the paragraphs.

2825. *Non-reappraisal of value of imported machinery (Paras 475—79, page 88-PAC Report 1971-72) (Para 1647, page 449-PAC Report 1978-79)*—The Committee had previously directed the departmental representative to supply full facts to Audit as early as possible. In compliance, the Ministry explained that the consequential increase was made in the assets and liabilities simultaneously and was reflected in the Accounts for 1978-79. Audit communicated that the records, showing the revaluation of plant and machinery, had not been produced for verification.

2826. *The department was directed to produce the records before Audit and subject to the latter's satisfaction the paragraph was dropped.*

2827. *Loss due to non-recovery of standard rent (Para 107, page 38—PAC Report 1972-73) (Para 1657, page 451—PAC Report 1978-79)*—Audit informed the Committee that no decision had yet been taken by the Ministry. *The Committee directed that a decision in the matter be taken soon. The paragraph was deferred.*

2828. *Statement of Assets and Liabilities of Ordnance Factory as on 30th June, 1974 (Paras 586—87, page 108-PAC Report 1973—74) (Paras 1661-1662, page 452—PAC Report 1978-79)*—No observation having been made by the Committee, the paragraphs were dropped.

2829. *Points and paragraphs not discussed to be treated as settled*—The Committee did not make any observation on the other paragraphs and points in the Appropriation and Commercial Accounts, Commercial Appendix Defence Services 1980-81 the Audit Reports thereon, and the Compliance reports on the 1978-79 PAC Report. These would be deemed as settled subject to such regularization action as may be called for under the rules.

2830. The Committee then adjourned to meet at 9.00 a.m. on Wednesday, the 9th May, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 30th March, 1985.

FEDERAL COUNCIL SECRETARIAT

Wednesday, the 9th May, 1984

Seventeenth Sitting (PAC)

2831. The Public Accounts Committee essembled at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1980-81. The following were present—

P.A.C.

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

(2) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member*

(3) Syed Saieed Hasan, Member, Federal Council .. .. *Member*

(4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council. *Member*

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmed, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

(3) Mr. S.I. Shabbir, Deputy Auditor-General (Co-ord)

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

(5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues

(6) Mrs. S.N. Shaikh, Director General, Commercial Audit

(7) Mr. S.T. Rehman, Director General of Audit, P.T. & T

Ministry of Finance

Mr. M. A. Qureshi, F.A. (Communications)

2832. *Accounts examined*—The Accounts pertaining to the Ministry of Communications were examined by the Committee during the course of the day.

MINISTRY OF COMMUNICATIONS

2833. The Committee took up, for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Communications. The following departmental representative were present—

(1) Mr. F.K. Bandial, Secretary
(2) Mr. S. Ibrahim Shah, Deputy Secretary
(3) Mr. M.A. Iqbal, Director, Roads and Road Transport
(4) Mr. M. Khursheed, D.G., Pakistan Post Office
(5) Brig. M.Z.H. Rathore, MD. (NRTC)
(6) Mr. M.W. Rizwi, MD (CTI)
(7) Brig. Mansoorul Haq, DG (T&T)
(8) Mr. K. Ajmal Khan, MD (TIP)
(9) Brig. S.S.A. Qasim, MD (K.T.C), Karachi
(10) Rear Admiral M.I. Arshad Chairman (KPT)
(11) Vice Admiral A. Zamir MD (KS&EW)
(12) Mr. M. Iqbal Sumbal, MD. (P.U.T.C.), Lahore
(13) Rear Admiral A. Waliullah, Chairman, (P.Q.A.)
(14) Cdr. M.N. Beg, DG, (P&S)
(15) Rear Admiral A.W. Bhombal, Chairman (P.N.S.C.)

2834. The Ministry controlled the following grants—

S. No	Name of Grant	Grant No
1.	Ministry of Communications	19
2.	Department of Shipping Control and Marcantile Marine	22
3.	Lighthouses and Lightships	23
4.	Other expenditure of Ministry of Communications	24
5.	Development expenditure of Ministry of Communications	142
6.	Capital outlay on Ports and Shipping	171
7.	Capital outlay on Communication Works	172
8.	Investment in Urban Road Transport Corporations	173
	Pakistan Post Office Department	
1.	Pakistan Post Office Department	20
2.	Capital outlay on Pakistan Post Department	169
	Pakistan Telegraph and Telephone Department	
1.	Pakistan Telegraph and Telephone Department	21
2.	Capital outlay on Pakistan Telegraph and Telephone Department	170

2835. *Reconciliation of Accounts with Audit*—The Committee noted that though the reconciliation of Accounts for 1983-84 had not been completed, the progress of reconciliation was satisfactory. *The Committee directed that the outstanding reconciliation work be completed at the earliest possible date, because the Accounts were to be finalized by Audit within a few weeks.*

APPROPRIATION ACCOUNTS

2836. *Format for replies*—The Committee found that the format of replies furnished by the Ministry was not proper. *It directed that, in future, replies must be prepared in the form in which other Ministries were sending their replies viz., going serially and paragraph by paragraph of the Appropriation Accounts, the Audit report and the Commercial Accounts etc.*

2837. *Grant No. 19—Ministry of Communications (Page 37—AA)*—The excess expenditure of Rs. 65,613 against the function head " 581—Administration " was ascribed by the department to expenditure on the pay and allowances of the Inspector General (Highway Safety), which post was created in the beginning of 1980-81. A supplementary grant was requested for it but, in view of estimated savings, no supplementary grant was sanctioned, resulting in an excess of Rs. 65,613. The Committee also observed that there was an excess of Rs. 126,097 under function ' 587—Ports and Shipping ' due to excessive surrender. *The Committee did not find the explanation to be satisfactory and after discussion, directed as under—*

(i) *As re-appropriation could be effected within the same Grant, there was no justification for an excess expenditure under function head* 581, *defaulting offfcer should be taken to task for it.*

(ii) *Clearcut responsibility of duties should be laid down for incurring expenditure strictly on the basis of budget allotments.*

(iii) *Some procedure about recovery from Post, Telegraph and Telephone Departments on the basis of the budget provision, should be laid down by the Ministry.*

2838. *Grant No. 24—Other expenditure of Ministry of Communications (Page 40—AA)*—Audit had reflected an excess of Rs. 10,873,181 under this grant, Ministry explained that, out of the final appropriation of Rs. 62,977,800 an amount of Rs. 22,283,310 was allocated to the Frontier Works Organisation, whereas, the reconciliation statement showed an expenditure of Rs. 33,156,491. Thus the entire excess expenditure of Rs. 10,873,181 was attributable to the F.W.O.

2839. The Ministry further explained that the Karakorum Highway passed through an extremely difficult terrain and was subject to devastating Land slides and mud flows throughout its length. The upper portions of the High-way suffered severe damage from glacier movements every year. Two Road Maintenance Battalions had, therefore, been deployed to maintain the road in its original shape and keep it open for traffic throughout the year.

2840. Audit observed that the Ministry had merely conveyed the information supplied by the F.W.O. without expressing their own views regarding the circumstances under which the request for supplementary grant from the Department was not accepted. Besides, the Committee was not informed whether or not the progressive expenditure was reported by the F.W.O. to the Ministry ? If the answer was in the affirmative then what steps had been taken by the Ministry to check the expenditure beyond the allocated provisions.

2841. After discussion, *the Committee observed that two issues had been raised, one financial and the other accounting. As for financial problem, Government may consider providing Rs.* 30 *million, required for the two battalions of the F.W.O. but as for the accounting problem, the Ministry did not seem to have been seeing the Grant as a whole. The Accounts Officer in the Ministry must, at every point of time know the position of each grant, so that excesses could be adjusted, against savings. The accounts and procedure also needed to be better organised in the Ministry.*

2842. *Grant No.* 142—*Development Expenditure of Ministry of Communications* (*Page* 171—*AA*)—In respect of the excess of Rs. 65,950,038, depicted against the function head " 312—Highways, Roads and Bridges, " Lump provision for Third Highway Project the Ministry explained that the EAD had wrongly advised, the A.G.P.R., to make an adjustment against Third Highway Project *vide* their letter No. 11(2) FAA-III/81 dated 21-12-1981. The adjustment actually should have been made on to the Urban Road Transport Corporation accounts and was adjustable against 700—Debt Servicing Investible funds and Grant 720—Govt. Investment (N.E.S.); 722—Non-Financial Institutions ; Investment in Urban Road Transport Corporation under Grant No. 173—Investment in Urban Road Transport Corporations. The EAD had been requested to send the necessary correction memorandum to the Accountant General Pakistan Revenues.

2843. The Vice-Chairman remarked that the Ministry had not given an overall picture of the excesses and saving under this grant. After discussion, *the Committee directed that in the replies to the Audit objection the Ministry should have in view the overall position of the Grant and should not have dealt with piecemeal. The Ministry must loss no more time in implementing Government orders*

for the appointment of a qualified Finance and Accounts Officer, to look after the Accounts and that the instructions issued by the Ministry of Finance in this behalf should be complied with.

2844. *Grant No.* 171—*Capital outlay on Ports and Shipping* (*Page* 220—*AA*)—After going through the departmental reply and Audit comments, *the Committee directed Audit to verify the departmental explanation for saving of Rs.* 77,774,757 *under function* '587 *Port and Shipping Bunder Qasim Project*' *and less recovery of Rs.* 17,844,805 *under function* '587—*Port and Shipping Technical Assistance* (*Canada and USA*)'.

(i) *Grant No.* 22—*Department of Shipping and Control and Mercantile Marine* (*Page* 38—*AA*)—

(ii) *Grant No.* 23—*Light House and Light-Ships* (*Page* 39—*AA*)—

(iii) *Grant No.* 172—*Capital Outlay on Communication Works* (*Page* 221—*AA*)—

2845. The Committee did not make any observation regarding these grants.

2846. *Grant No.* 178—*Development Loans and Advance by the Federal Government—Port Qasim Authority* (*Pages* 228—232—*AA*)—Audit pointed out that this grant is controlled by Finance Division and has been explained by them in their brief. Ministry of Communications had un-necessarily explained some items under this grant. Accounts of the Finance Division would be examined by the Committee on 10th May, 1984. Audit had shown an excess of Rs. 29,222,633 against the function head " Port Qasim Authority ". The Ministry claimed that the amount of excess expenditure of Rs. 39,222,633 should have been deducted from the savings shown against Grant No. 171. *The Committee directed that Audit should check whether such an adjustment was required and if so, carry it out.*

COMMERCIAL ACCOUNTS

Karachi Shipyard and Engineering Works Limited

2847. *Working results* (*Para* 101-102, *page* 67—*ARCA*)—According to Audit, Bank Borrowings on 30-6-1981 amounted to Rs. 168.725 million as against Rs. 91.134 million on 30-6-1980 and interest thereon amounted to Rs. 7.115 million and Rs. 4.667 million in the respective years. On the other hand, investments in Government Treasury Deposit Receipts and each and bank balances as on 30-6-1981 were Rs. 9.224 million and Rs. 71.332 million respectively.

2848. The department conceded that the KSEW's Bank Borrowings on 30-6-1981 were Rs. 168.725 million against Rs. 91.134 million on 30-6-1980. The investment of Rs. 9.224 million in Government Treasury Deposit Receipts,

however has been made under the instructions of the Ministry of Communications, *vide* their letter No. 3(1)/80-Sh-I, dated 21-6-1981. The amount was temporarily invested on 29-6-1981 for seven days to meet the requirements of the Ministry of Finance and the Treasury Receipts were subsequently encashed on 6-7-1981.

2849. Regarding operations, the Company had sustained a net loss of Rs. 58.921 million during 1981-82 and Rs. 42.175 million in 1982-83 as against a net profit of Rs. 2.869 during 1980-81. The Vice-Chairman remarked that there was a profit in 1980-81 and thereafter there were losses. The departmental representative submitted that the Shipyard had not received any orders for Ships. Unless orders for 20 crores worth of ship builders were received annually losses would continue, because the Company would have large unrecouped overhead expenses, and would in addition be incurring interest charges thereon.

2850. A member observed that there was a general promotion policy of the Government that would apply to all the engineering industries including ship building. The Vice-Chairman added that there should have clear cut policy regarding promotion to the engineering industry and should take an early decision in the matter.

2851. After discussion, *the Committee directed that full facts about bank borrowings and investment of subsidy in Treasury Receipts should be furnished, alongwith the information whether the KS & EW incurred any loss thereby or had again from such transactors.*

2852. The Committee also felt that, if there was any need for more ships were to be purchased the capacity existing in the country should be utilized first.

2853. *Rejection of two launches build by Shipyard* [*contract price Rs.* 5.604 *million* (*Para* 13, *page* 18—*ARCA*]—The shipyard had built two launches for a customer at the contract price of Rs. 5,604,200. These were rejected by the latter for not being according, to specifications and the deposit of Rs. 4,203,105, was refunded in May, 1978. The launches remained undisposed and the Shipyard was likely to sustain a loss of Rs. 6,211,388, being the actual cost thereof. The customer had refused to accept them as the speed and workmanship were not an confirmity with the specifications. The department stated in their reply that facts had already been furnished to Audit. However, all-out efforts were being made to dispose of the launches.

2854. Audit maintained in their comments that the effect of increased weight should have been brought by the Shipyard to the notice of the Customer before taking up the work.

2855. The departmental representative explained that the original order was placed by the Karachi Customs in 1974 but, while, the launches were being built, the customer added certain items which reduced the speed. The Customs had now agreed to take one and the other had been sold to the Capital Development Authority.

2856. Secretary Communications promised to go through this case and assured the Committee that the objection would be cleared. *The Committee directed the Department to furnish full facts to Audit. Consideration of the paragraph was deferred.*

2857. *Loss of Rs.* 0.651 *million due to fire at the Port* (*Para* 14, *pages* 18-19—*ARCA*)—According to Audit, three consignments of K.S. & E.W., valuing Rs. 651,428 were damaged by fire at the Karachi Port in 1975—77. The period of Insurance cover for these consignments was for 60 days but, inspite of their non-clearance within that period, the cover was not extended. Thus no claim could be preferred against the underwriters and the loss was written off by the Board on 13-12-1979.

2858. The departmental representative explained that it was unfortunate that a fire broke out in the Karachi Shipyard before the consignment could be cleared, within the specified period, but submitted that it was an error of omission which was not wilful and may be condoned.

2859. After hearing the departmental representative, the Committee did not make any further observation and the paragraph was dropped.

2860. *Punjab Urban Transport Corporation Ltd.* [*Para* 3(*iv*) *page* 6—*ARCA*]—Audit informed the Committee that the Ministry had not furnished a reply to this paragraph as the Accounts for 1980-81 to 1982-83 had not yet been compiled. *The Committee directed that the Accounts for* 1980-81 *should be finalized as expeditiously as possible. Consideration of the paragraph was deferred.*

Karachi Transport Corporation Ltd.

2861. *Extra expenditure of Rs.* 52,127 *due to costly purchases* (*Para* 15, *page* 19—*ARCA*)—Audit pointed out that, deviating from its normal procedure of competitive tendering, the Karachi Transport Corporation resorted to spot purchases of spare parts for Rs. 327,091 in April, 1978 on the plea that the normal procedure would have caused delay in the repairs of buses, which were to be put on the road immediately. The Corporation did, however, obtain market rates, through an open tender enquiry dated 6-5-1978, for similar spare parts for another lot of buses. As compared to the rates received in the tenders, the rates paid on spot purchases were high causing extra expenditure of Rs. 52,427.

2862. The Ministry explained that the purchase of spare parts was made by the KTC to bring on road, as quickly as possible, the buses which had been held up for lack of major overhaul facilities. The procurement of stores was made by a Committee, set up for the purpose in order to meet the urgent requirements. Such purchases had been made in a hurry and the items accepted and payments made in certain cases on the spots, after proper inspection. Later, however, it was noticed that certain sub-standared items were also purchased at higher rates. Arbitrary and large deductions from the bills of the suppliers were them made to penalize them.

2863. Not finding the above reply to be satisfactory, *the Committee directed as below—*

(i) *The Authority which ordered the purchases on the spot should indicate cogent reasons therefor.*

(ii) *An explanation be furnished as to why the normal procedure of competitive tendering was deviated from.*

(iii) *The case should be looked into once again and a comprehensive report furnished to the PAC, through Audit.*

2864. *Determination of assets of Karachi Road Transport Corporation* (*Para* 105, *page* 68—*ARCA*)—The Committee after going through the written reply of the Corporation observed that the administrative control of KTC had been taken over by the Government of Sind *w.e.f.*, 3rd October, 1982. *The Committee directed Audit to consider passing on the material on the accounts of K.T.C. to the Provincial PAC for examination with the Provincial accounts.*

Pakistan National Shipping Corporation

2865. *Misappropriation of Rs. 1.2 million in collaboration with suppliers* (*Para* 16, *page* 19—*ARCA*)—Audit had reported that PNSC, entered into a contract with a firm in January, 1976, for the supply of dunnage @ Rs. 58 per cft., on ship. The firm billed the Corporation for Rs. 243,600 for the supply of 100 tons dunnage to one of its vessels. While scrutinizing the bill, the management observed some discrepancies in the dates and serial numbers of the delivery challans. On seeking clarification from the Superintendent, Cargo, it came to notice that only 50 tons of dunnage were actually delivered to the ship. The matter was departmentally investigated and three senior officers were held responsible for gross negligence in signing two delivery challans of 50 tons each against a supply of a total of only 50 tons dunnage.

2866. The Management stated that the case was referred to the Ministry for investigation and the report of inquiry was awaited. In the meantime, files

relating to the investigation were called for by F.I.A. and returned to the P.N.S.C., without any comments or suggesting any action against the officers. The Ministry further stated that the firm had approached the High Court who ordered that there should be arbitration in the case. The claim of the firm was rejected in the arbitration award dated 3-8-1978, and no payment was made to them. The Corporation thus sustained no loss as payment to the firm was made only for the actual supply of 50 tons.

2867. Audit observed that no disciplinary action had been taken against the officers, who signed delivery challans for 100 tons, against the 50 tons actually supplied.

2868. After discussion, *the Committee directed that full facts should be ascertained by Audit and PNSC and the requisite action taken thereafter.*

2869. *Loss of Rs.* 634,097 *due to issue of clean Bill of Landing for defective consignment* (*Para* 17, *page* 20 – *ARCA*)—Audit had pointed out that a consignment of Terry Fabrics was shipped by two parties through P.N.S.C. on 29-4-1975. The consignment was defective, as shown in the Mate's Receipts issued by the Master of the ship. Although conditional Mate's receipts were issued, the Corporation issued a clean bill of lading on the guarantee of the shippers without obtaining any bank guarantee. The consignment was subsequently declared defective by the consignee, who claimed damages, which were accepted by the Corporation for Rs. 634,097. The loss was caused by the issue of clean bill of lading, without obtaining a bank guarantee.

2870. The Ministry explained that there were only two alternatives for the Corporation either to reject the Cargo and lose freight or accept the cargo and issue a clean bill of lading. As for a bank guarantee, no claim was anticipated at that time. In certain cases, Commercial decisions (risk) had to be taken considering the scarcity of the Cargo, specially when there was throat freight competition. A claim had, however, been lodged with P & I Club, which was being pursued and would be settled in due course.

2871. After discussion, *the Committee directed that full facts should be furnished, including what was total value and nature of consignment, the total amount of damage and whether and what efforts were made to realise the amount. Consideration of the paragraph was deferred.*

2872. *Non-recovery of demurrage amounting to Rs.* 163,350 *from the charterer* (*Para* 18, *page* 20—*ARCA*)—Audit informed the Committee that the amount had been written off by the PNSC Board. It was, therefore, decided to drop the paragraph.

2873. *Overpayment of Rs. 0.429 million as Sea Special Allowance to ineligible Officers (Para 19, page 20—ARCA)*—Audit observed in their comments on the Ministry's reply that, in case the Authority felt that payment of Allowance in such cases was necessary, it should have obtained a " No Objection " certificate from the Ministry of Finance.

2874. The Committee observed that a copy of the instructions, received from the Finance Division in this behalf, be furnished to Audit. The paragraph was dropped subject to verification by Audit.

2875. *Loss of Rs. 533,122 due to shipment of Cargo on defective documents (Para 20, page 21—ARCA)*—Commenting on the reply of the Ministry, Audit pointed out that the Corporation had not explained as to why the consignment was accepted without obtaining the name, address and whereabouts of the consignee ; who was responsible, for this omission, and what action was taken against the person.

2876. After examining the departmental reply and Audit's comments thereon, *the Committee directed that explanation should be furnished for accepting the cargo without obtaining the name of the consignee, from the exporter in Berlin. The Committee further directed the departmental representative to look into the case again and find out the factual position as import control regulations provide no import without letter of credit, why no letter of credit was opened. There must be something on the record why this decision was taken. Consideration of the paragraph was deferred.*

Non-recovery of cost of rope-slings from chaterers of ship (Rs. 97,200) (Para 21, pages —21—22ARCA)—

Loss of Rs. 31,520 due to acceptance of cheque in lieu of cash (Para 22, page 22—ARCA)—

2877. After discussion, the Committee decided to drop the two paragraphs subject to verification by Audit.

Port Qasim Authority

2878. *Failure to obtain reduction of Rs. 4.449 million in contracted price (Para 23, page 22—ARCA)*—Audit having accepted the explanation given by the Ministry, the paragraph was dropped.

2879. *Non-recovery of liquidated damages amounting to Rs. 0.316 million (Para 24, page 22—ARCA)*—The Port Qasim Authority entered into a contract with a foreign firm in November, 1976 for the purchase of two pilot launches at £ 225,540 each. In terms of the contract, the first launch was to be delivered

by 24-11-1977 and the second by 30-4-1978, whereas they were delivered on 19-5-1978 and 29-8-1978. Thus the suppliers became liable to pay a sum, equal to 0.2% of the contract price per week as liquidated damages Despits this contractual provision, no liquidated damages were recovered from the supplier's bill on the plea that the launch due for delivery on 24-11-1977 was delayed because of the problems with its speed due to the faulty manufacture of propellers, which allegation was strongly denied by the suppliers of the propellers.

2880. The Ministry explained that the matter was taken up with the Crown Agents who stated that the first launch was completed and launched on 8-11-1977 but due to bad weather, trials could not be held upto 17-11-1977, and that during the trials it was found that the launch had a lower speed than that required in the contract.

2881. Audit commented that it was the responsibility of the main contractor to supply the launches with the agreed speeds and within the stipulated period. He should have foreseen all the likely problems. As such the non-recovery of liquidated damages was not justified.

2882. The Committee agreed with the Audit comments, but made no further observation on the paragraphs which were settled subject to verification by Audit of the facts narrated by the Ministry.

2883. *Infructuous expenditure of Rs.* 2.028 *million due to execution of work before deciding finally the location of site for Water Reservoir and Pump House* (*Para* 25, *page* 23—*ARCA*)—After considering the departmental explanation, the Committee decided that the paragraph be dropped.

2884. *Irregular payment of qualification/uniform allowances amounting to Rs.* 166,966 (*Para* 26, *page* 23—*ARCA*)—Audit reported that the Port Qasim Authority allowed qualifications allowance at the rate of Rs. 750 per mensem *w.e.f.* 20th August, 1976. Later, it was increased to Rs. 1,250 per mensem and an Uniform Allowance of Rs. 300 per mensem was also sanctioned for certain officers, on the analogy that such allowances were being paid to the Karachi Port Trust Officers. The Government however, directed in August, 1977 that officers in the Authority were not entitled to such allowances, that the orders should be withdrawn immediately and recovery of payment, already made, be effected from salaries. Though the payment of the allowances to the two officers was discontinued from 1-12-1977, Rs. 27,620 already paid for the period from August, 1976, to November, 1977 was not recovered. The Authority, however, continued to pay these allowances to seven other officers during the period from January, 1978 to April, 1980, resulting in an overpayment of Rs. 139,346.

2885. The Ministry explained that the Government had approved the grant of qualification and Uniform Allowance to the Marine/Engineer Officers of the Karachi Port Trust from May, 1976. On the same analogy, the Deputy Conservator and Harbour Master of the Port Qasim Authority requested the grant of these allowances and the Ministry agreed in September, 1976 to the grant of these allowances to the two officers. However, in August, 1977 the Ministry informed the Authority that the two officers were not entitled to these allowances and directed that any further payment of these allowances to them be stopped/ and the amount of Rs. 27,620 already, paid, be recovered. The payment of allowances was accordingly stopped. The question of recovery of the amount already paid was taken up by the Authority with the Ministry and the matter was regularised by them *vide* letter No. 4(10)/76-PI-Q dated 5-1-1983.

2886. Audit pointed out in their comments that the Authority may obtain the specific sanction of the Ministry of Communications, duly endorsed by the Finance Division, for the payment of Qualification Allowance etc., to all the Marine/Engineering Officers of Port Qasim Authority.

2887. After discussion, *the Committee came to the conclusion that a fresh explanation may be furnished to Audit, who should verify, and then report of the Committee, if necessary subject to Audit satisfaction the paragraph should be deemed to be settled.*

2888. *Extra expenditure of Rs.* 1.48 *million due to payment at enhanced rates* (*Para* 27, *page* 24—*ARCA*)—Audit pointed out that the Port Qasim Authority awarded a contract on 15-3-1975 for the construction of a service road at a total cost of Rs. 3.52 million. During the execution of work, the estimated quantities of earth work and embankment, as shown in the Bill of Quantities, increased from 2.36 million cft. to 5.30 million cft. and from 2.56 million to 4.06 million cft. respectively.

2889. Due to these abnormal increases, the contractor demanded an increase in the rates from Rs. 15 and 20 to Rs. 45 and Rs. 60 % cft. respectively. The rates were accepted by the Authority and a supplementary contract was entered into on 17-2-1976. Thus, the Authority had to incur an extra expenditure amounting to Rs. 1.48 million.

2890. It was stated by the Ministry that the contract for the construction of the Service Road was awarded to Shaikh Amir Muhammad, the lowest bidder, on the 15th March, 1975, for a total price of Rs. 3.52 million, based on the estimates prepared by the Consultants (M/s. Techno Consultants). However, detailed surveys and cross-sections were made during the execution of the work,

when it was noticed that there were abnormal variations in the quantity of pay items 3 and 4 as detailed below—

Pay item 3	.. ..	"Unclassified Earthwork" Quantity was found to have increase from 2.36 million cft. to Rs. 5.30 million cft.
Pay item 4	.. ..	Preparation of Embankments under the contract quantities were found to have increased from 2.56 million cft. to 4.06 million cft.

The above surveys and revised quantities were carried out by the Engineers and certified to be true on the basis of records maintained by the Engineers during the execution of the contract.

2891. Audit maintained that, if the above survey had been properly carried out in the first instance, payment of Rs. 1.48 million, made for the increased quantities at enhanced rates, could have been avoided.

2892. The Vice-Chairman enquired that who took the decision ? The departmental representative replied that at that time the Chairman constituted a one-man Board and took the decision. The Vice-Chairman remarked that an increase of 200 per cent within a period of 2 months was not at all justified. But in view of the decision taken at the level of the Chairman who was no longer there no disciplinary action could be taken against the person(s), responsible for these irregularities.

2893. *The Committee also observed that the explanation of the Ministry did not appear to be satisfactory and the action taken by them was not in order. It further desired that the matter should be reported at the next session.*

2894. *Non-recovery of Rs.* 60,855 *from a contractor* (*Para* 28, *page* 24 *ARCA*)—After learning from the departmental representative that the amount had been recovered from the contractor, the Committee decided that the paragraph be treated as settled.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

(i) *Grant No.* 22—*Other expenditure of Ministry of Communications* (*Page* 41—*AA*) (*Paras* 700-701, *page* 215—*PAC Report* 1978-79)

(ii) *Grant No.* 168—*Capital outlay on ports and Shipping* (*Page* 206—*AA*) (*Paras* 713—718, *pages* 217—219—*PAC Report* 1978-79)

(iii) *Financial operation of PNSC (Paras 280—295, pages 68—70 PAC Report 1970-71 and Paras 785-786, pages 234-235 of PAC Report 1978-79)—*

2895. The Committee noted the departmental replies and Audit Comments on the above paragraphs and did not make any further observation.

APPROPRIATION ACCOUNTS

Pakistan Post Office Department

2896. *Audit certificate on the financial Review [Section I Para 1 (a—g), pages 15—17—AA—Pak. P. O.]*—Commenting on the departmental reply in respect of Para 1(a), Audit observed that placing of the amount of Rs. 38,043,000 under the Head " East Pakistan Suspense " by the department was not correct, as the department simply reduced this amount from the Capital Investment (Liability Side) as well as from the Fixed Assets. The result was that, although the figures in the Finance Account (Rs. 198,149,848) agreed with those in the initial Books of Account of the Department, these did not agree with the corresponding figures in the Balance Sheet (Rs. 160,106,848). However, the mistake had been rectified in 1982-83.

2897. The Committee after going through the Balance Sheet observed that even the basic figures are not correct. This required a fair amount of work. It was a time consuming exercise, department had to be very careful about all that. Auditor-General intervened to say that department might take up revision and simplification of the format of balance sheet and Audit would associate to help them in this behalf. The Chairman remarked that Auditor-Generals response was there and Audit should really guide them in the matter. Auditor-General assured the Committee of his help to the department.

2898. As for the departmental replies in regard to paragraph I (b—g), Audit had verified. However, they were watching the progress of work.

2899. The Vice-Chairman remarked that, so far as the Appropriation for Post Offices was concerned, it was evident that there were excesses under almost all the items, though the amounts were not very large and the department had also worked out the percentages. The excesses seemed to be acceptable but the Postal Department did not appear to have been aware of the cumulative expenditure month by month during the year. While admitting the excesses, the departmental representative, stated that their difficulty arose from the fact that of 11,600 Post Offices 9000 were in villages.

2900. After discussion, *the Committee took the following decisions—*

(i) *Even small excesses' should be avoided scrupulously. This would help keep better Accounts.*

(ii) *The balance-sheet, prepared by the department, was incomplete. All Liabilities and Assets were not fully shown there nor did the balance-sheet reflect the PLI operations. In future, the PLI Fund Accounts should be duly reflected in the Accounts of the Postal Department and, in their Balance Sheet. Audit should guide the Postal Department in preparing the Balance-Sheet properly.*

2901. *Grant No. 20 Pakistan Post Office Department—Function Head "Total Establishment Charges" (Section-II, page 31—AA—Pak—P. O.)*—An excess of Rs. 416,229 was depicted against this function head. The department claimed that the excess represented 0.19 per cent of the Final Appropriation, which required no comments. However, in view of the fact that the Post Office Department contained 15 operational Codes in which expenditure was incurred by more than 60 units, the variation was unavoidable. The Committee did not make any further observation on the grant.

2902. *Grant No. 169—Capital outlay on Pakistan Post Office Department (Section-II—Page 34—AA—Pak. P. O.)*—There was nothing material for Consideration in this Grant.

AUDIT REPORT

Pakistan Post Office Department

2903. *Losses/Defalcation of Public Money in Post Offices (Chapter II Para 1, page 11—AR—Pakistan Post Office)*—The department in their written reply stated that there was a substantial decrease in the number of cases as well as in the amount involved in defalcations or losses of Public money during 1980-81 as compared to the previous years. The Committee did not make any observation on this paragraph.

Fraud in Post Office Saving Bank Transactions Rs. 329,731 *(Chapter II, Para 2, page 13—AR—Pak. P.O.)*—

Misappropriation of Rs. 72,822 *in sale of Pakistan Postal Order (Chapter II—Para 3, page 14—AR—Pak. P.O.)*—

Fraud Case of Sukho Chak Sub-Office (Chapter II—Para 4, page 14-15—AR—Pak. P.O.)—

2904. The Committee was informed that the fraud Cases under the above mentioned paragraphs were before quasi-Judicial authorities. *The Committee stressed the need for their speedy finalization. The paragraphs were deferred.*

2905. *Overpayment of Rs.* 23,068 *in pay to the staff of Pakistan Post Office Department* (*Chapter II—Para* 5, *page* 15—*AR—Pak. P.O.*)—The Committee, directed, the departmental representative to expedite, recovery and Audit to, watch the progress. The paragraph was dropped.

2906. *Loss of Rs.* 1,127,478 *on the retention of experimental and unremunerative Post Offices* (*Chapter II—Para* 6, *pages* 15-16—*AR—Pak. P.O.*)—The Committee did not make any material observation on this paragraph except that the unremunerative expenditure was a substantial. The paragraph was dropped.

2907. *Temporary Embezzlement of Rs.* 150,982 (*Chapter—II—Para* 7, *page* 16—*AR—Pak. P.O.*)—The department confirmed that the total amount of Rs. 150,982 had been regularised and orders had been issued to restrict this practice to unavoidable circumstances only and to get the expenditure regularised by the competent authority, without any delay. Instructions had also been issued to regularise the temporary advances, drawn on paper chits under unavoidable circumstances within one month. *The Committee observed that practice must be discouraged and positive action taken against those who do not observe the instructions. The paragraph was dropped subject to verification by Audit.*

2908. *Irregular Grant Honoraria* (*Rs.* 22,023) *and loss of revenue* (*Rs.* 222,315) (*Para* 8, *page* 16-17—*AR – Pak. P.O.*)—According to Audit, in some Post Offices, the staff entrusted with the work of issue and renewal of Broadcasting Receiving Licences was granted honoraria equal to 10% to 20% of the revenue collected. Grant of honorarium for normal work was not admissible.

2909. The Ministry explained that, under the revised procedure for the issue and renewal of Broadcast Receiver Licences and collection of licence fees (already printed in 1977 in the form of a booklet), a person maintaining a Broadcast Receiver Set without a valid licence becomes liable to pay a penalty, in addition to the licence fee Under the said procedures the Wireless Licence Inspectors, whose normal duty was simply to detect and report the cases of evasion of Government revenue, had been assigned an extra duty to collect the fee and penalty on the spot and deposit the same in the Post Office account.

2910. Audit representative said that, if the extra duty assigned to Wireless Licence Inspectors was over and above their normal duty, the department could compensate them for the extra work. The Committee did not make any observation and the paragraph was treated as settled.

APPROPRIATION ACCOUNTS (T & T DEPARTMENT)

2911. *Financial Review on the working of the Telegraph Department* (*Section I, pages* 7-8—*AA—T&T*)—After meeting their expenditure, including interest on Capital Outlay and contribution to Renewals Reserve Funds (R.R. Funds), the T & T Department had earned a profit of Rs. 1,083,596 million in 1980-81.

Audit commented that the Presidential Order prescribed that the Department should pay Return on Government Investment before the close of the financial year. As the Government had not prescribed the rate of return, no provision had been made for such return and to that extent the figure of Rs. 1,083,596 million did not represent the correct profit for the year.

2912. In view of the above position *the Committee, observed that Government should take a quick decision about the rate of Return on investment from the T & T Department.*

2913. *The Committee also directed that the balance sheet of the T & T Department should be prepared properly, incorporating all the assets and liabilities therein.*

2914. *Grant No.* 21—*Pakistan Telephone and Telegraph Department* (*Section II, page* 27—*AR—T&T*)—The department explained that the excess under this grant was the net result of a saving of Rs. 6,078,495 against the T&T Department and an excess of Rs. 52,294,451 by the Special Communication Organisation. The saving of Rs. 6,078,495 in the T&T Department was within the permissible limit of 5% and the excess of Rs. 52,249,451 in the Special Communication Organisation was due to the transfer to AGPR of the actual expenditure by the FEO in the years 1977-78, 1978-79 and 1979-80.

2915. The department further stated that the excess under the function head "617—Interest on Debt (Charged)" was due to the booking of the Capital expenditure on the S.C.O. relating to previous years, during the year 1980-81 resulting the payment of more interest to the Government. Audit observed in their comments that the department was required to provide for the outstanding liabilities in respect of the expenditure incurred in the previous years but adjusted during the year under report through the Original or Supplementary budget. This was not done, which resulted in to the excess.

2916. Audit further commented that, with the creation of the T & T Fund from 1-7-1980, the department was liable to provide for "Return on Government Investment". It was neither provided for nor paid. The amount of Rs. 119,674,108. Charged in the Accounts, had also not been paid to the Government, so far.

2917. The Vice-Chairman remarked that there was an excess of Rs. 5 crores. Audit claimed that past debits were within the knowledge of the department and should have been adjusted. The departmental representative submitted that the Accounts of the Telecommunication Organisation were passsed on to them after the 30th June. The Vice-Chairman again remarked that the departments knowledge was defective.

2918. After discussion, *the Committee observed that excesses were due to the past debits and interest, The department should ascertain such debit in time and try to provide for them in future.*

AUDIT REPORT (PAK. T & T)

2919. *Misappropriation of Stores worth Rs.* 1,312,630 (*Chapter II—Para* 2.1, *page* 35—*AR—T&T*)—Audit had pointed out in their comments on the reply of the department, that the stores vouchers had been entered in the proper register and the stores had been accounted for and utilized in the works, which were to be verified.

2920. Besides, investigation in respect of stores valuing Rs. 18,180, needed to be finalized.

2921. *The Committee directed that this should be done quickly. Audit was also requested to follow up.*

2922. *Misappropriation of Stores and Telephone Instruments worth Rs.* 6,301 (*Chapter II, Para* 2.2, *pages* 35-36—*AR—T&T*)—The Committee decided to drop the paragraph subject to verification by Audit.

2923. *Misappropriation by Charging bogus payment Muster Rolls* (*Chapter II, Para* 2.3, *page* 36—*AR—T&T*)—Audit pointed out in their comments on the departmental reply that the disciplinary proceedings in this case, which occurred in 1978, must be finalized and the amount of Rs. 43,223 recovered urgently. *The Committee so directed and also desired that Audit should watch the progress of these actions/and report back to the Committee, if necessary.*

2924. *Theft of Copper Wire worth Rs.* 6.98 *lacs* (*Chapter II, Para* 2.4, *page* 36-37—*AR—T&T*)—Audit had pointed out that there were heavy thefts of Copper wire from 1970 to 1977 in a Telegraph Division at Multan causing a loss of Rs. 697,688. These losses were registered with the Police, but were not reported to Audit, as required under the rules.

2925. Questioned about the present position of the cases, the departmental representative replied that except for one case the others were dealt with by the Military Court and the accused were awarded sentences of imprisonment of seven years by the Court.

2926. The Committee did not make any further observation except that Audit should wacht further development in the remaining cases. The paragraph was dropped.

2927. *Theft of Store worth Rs. one lac* (*Chapter II, Para* 2.5, *pages* 37-38—*AR—T&T*)—According to Audit, twelve cable drums were received in an Engineering Division, from Germany under aid to impart practical training to the technical staff of the Department. The cable, rolled on eight drums, was stolen in January, 1975 causing a loss of Rs. one lac. The matter was reported to the Police but

not to Audit, as required under the rules. The irregularity was taken up with the department in April, 1977, when Audit was informed that no departmental enquiry was held.

2928. Moreover the results of police investigation had also not been communicated to Audit despite repeated reminders and discussion held in November, 1981.

2929. The departmental representative informed the Committee that the German Government had set up a training centre at Sukkur. Out of four miles of unused cable, a certain length was stolen and the matter was referred to the police. The Committee accepted the explanation of the Department and the paragraph was treated as dropped subject to verification by Audit.

2930. *Overpayment of Rs.* 215,474 *to Contractors* (*Chapter II, Para* 3.1, *page* 38—*AR—T&T*)—After considering the departmental reply, the Committee observed that, if there was any irregularity, it should be regularized under intimation to Audit. The paragraph was dropped.

2931. *Overpayment of Rs.* 144,268 *by allowing rates higher than schedule rates* (*Chapter II, Para* 3.2, *pages* 38-39—*AR—T&T*)—Audit informed the Committee that the disciplinary precedings had been completed and the officer concerned removed from service in August, 1983. Action regarding the loss of Government money should not be postponed any longer.

2932. In view of the above, the Committee directed that the requisite actions regarding the loss of Government money should be finalized expeditiously. Subject to Audit's satisfaction, the paragraph was dropped.

2933. The Committee deferred the examination of the remaining Accounts of the Ministry of Communications for 1980-81 and the Performance Evaluation Report on Carrier Telephone Industries Ltd., (CTI) to its next-session.

2934. The Committee then adjuroned to meet again at 9.00 a.m. on Thursday, the 10th May, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 30*th March*, 1985.

FEDERAL COUNCIL SECRETARIAT

Thursday, the 10th May, 1984

Eighteenth Sitting (PAC)

2935. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1980-81. The following were present —

P.A.C

(1) Mian Zaka-ur-Rehman, Member, Federal Council .. *Member, (Acting Chairman)*

(2) Syed Saieed Hasan, Member, Federal Council .. *Member*

(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member*

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

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

(3) Mr. S.I. Shabbir, Deputy Auditor-General (Co-ord)

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

(5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues

(6) Mrs. S.N. Sheikh, Director General, Commercial Audit

(7) Raja M. Saleem Khan, Director, Foreign Audit

(8) Ch. Muhammad Ilyas, Director, Revenue Receipt Audit

Ministry of Finance

(1) Mr. A. Rashid K. Baluch FA (EAD)

(2) Mr. Fayiaz Akhtar FA(CBR)

(3) Mr. Masood Ahmad DFA (EAD)

(4) Khawaja Reaz Hasan, DFA (Health)

2936. *Accounts examined*—The Accounts pertaining to the following Ministries and Divisions were examined by the Committee during the course of the day —

(1) Ministry of Health, Special Education and Social Welfare

(2) Finance Division

(3) Economic Affairs Division

(4) Central Board of Revenues

MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

2937. The Committee first took up for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Health, Special Education and Social Welfare. The following departmental representatives were present —

(1) Mr. Iqbal Masood, Secretary
(2) Dr. S. Mohsin Ali, M.S. (C.G.P.C)
(3) Mr. Jahanzeb Khan, Deputy Secretary
(4) Mr. Mehr Khan, Section Officer (F&A)
(5) Mr. A.R. Kausar, AAO

2938. This Ministry controlled the following grants —

S.No	Name of Grant	Grant No
1.	Health and Social Welfare Division	64
2.	Medical Services	65
3.	Public Health	66
4.	Other expenditure of Health and Social Welfare Division	67
5.	Development expenditure of Health and Social Welfare Division	151

2939. *Reconciliation of Accounts with Audit*—The Committee noted that there conciliation of the Accounts to December, 1983 had not been completed as yet. *The department was directed to have the reconciliation of accounts to 31st May, 1984.*

AUDIT REPORT

2940. *Irregularities in Central Government Poly-Clinic Islamabad (Para 79, pages 66-67—AR)*—Audit had pointed out the following irregularities in the 1979-80 Accounts —

(i) Admission charges were either not recovered or recovered at less than the prescribed rates from the patients, admitted in the Officers' ward during July, 1978 to June, 1980 resulting in a loss of Rs. 14,939.

(ii) An expenditure of Rs. 5,058 was incurred during 1978-79 on the repairs of an off-road Pick-up-Van, without obtaining the sanction of the competent authority. After repair the van was used for 5 days and finally condemned.

(iii) A sum of Rs. 11,227 was spent on the repairs of two other vehicles, but these remained off the road. In both cases, the expenditure on repairs was infructuous and resulted in loss to Government.

2941. The department explained as below, *ad seriatim* —

(i) Out of Rs. 14,939, Rs. 8,062 had since been recovered from the patients, leaving a balance of Rs. 6,877 only. The defaulters were being pressed for the payment of the outstanding dues.

(ii) Out of Rs. 5,058, a sum of Rs. 2,963 was spent on the repairs of a Pick-Up-Van ; and five tyres costing Rs. 2,095, could not be purchased, as the firm refused to supply the tyres without an advance payment.

(iii) The amount of Rs. 11,227 was incurred on the repair and POL charges on these vehicles. These vehicles remained on the road after periods mentioned in the Audit Report. Subsequently, these vehicles were condemned by Condemnation Board. The expenditure was thus genuine and not infructuous.

2942. The department further stated that the above expenditure was on routine minor repairs. However, the engine of the vehicle ceased to function later and the estimate, submitted by the firm for the overhauling of the engine, was very high. Accordingly, the vehicle was examined by the Condemnation Board, which considered a further repair of the vehicle to be un-economical and hence condemned the latter.

2943. Audit asked for more effective measures to accelerate the pace of recovery of Rs. 6,877 in the first case. It also observed that, reportedly on the 20th October, 1978 enroute to Peshawar, the engine of the vehicle ceased working, there was no permission on record for this journey beyond the municipal limits. The entire expenditure of Rs. 5,058 on repairs was incurred after that date and the vehicle was condemned on 21-5-1980, having been used only for a few days during this period. Obviously, the expenditure on repairs was necessitated by a misuse of the vehicle. The matter, therefore, needed to be investigated. Audit also asked for a copy of the condemnation report.

2944. Audit informed the Committee that the position explained by the Department relating to Para 79 (iii) would be verified by them. Asked about the non-recovery of the admission charges, the department explained that these charges related to 1978-79 and 1979-80. Thereupon, the Acting Chairman invited the views of the Auditor General, who urged that effective measures must be taken to recover the dues, before a patient was allowed to leave the hospital.

2945. After further discussion, the Committee dropped the paragraph subject to verification by Audit.

2946. *Loss of Rs. 112,149 due to non-acceptance of lowest offer (Para 66, page 67—AR).*—According to Audit, a Medical Centre sustained a loss of Rs. 112,149 during 1975-76 as a result of the acceptance of the following tenders which were not the lowest without assigning any reasons therefor.—

Item	offers accepted	Lowest offer	Loss
	Rs.	*Rs.*	*Rs.*
(i) Ice	54,000 (Third lowest)	30,000	24,000
(ii) Fruits	164,208 (Fifth lowest)	123,647	40,561
(iii) Vegetables	93,486 (Second lowest)	87,286	6,200
(iv) Mutton	274,083 (Fourth lowest)	232,695	41,388
			112,149

(i) The department explained that this happened in 1974-75 and not 1975-76. The lowest bidder did not submit complete papers and deposit the earnest money. His tender being invalid, the next lowest was accepted by the competent authority.

(ii) In this case negotiations were arranged by the Director, Jinnah Post-Graduate Medical Centre, Karachi and the lowest tender of Haji Abdul Majeed for Rs. 118,550 was accepted. The audit objection was thus not correct.

2947. Audit replied that they had duly verified the position regarding (i). As for item (ii), Audit stated that the lowest tender, submitted by M/s. Malik Muhammad Zafar, should have been accepted as the rates quoted by Haji Abdul Majeed were higher, *i.e.* Rs. 164,208 as against Rs. 123,647. It was also not in order to negotiate with only one contractor for lowering his rates, as was done in this case. If the other bidders, including Malik Muhammad Zafar, had also been approached for negotiation, much lower rates might have been obtained.

2948. Audit having verified in addition to (i) the position for (iii) and (iv), the Committee decided to treat them as settled. As for item (ii), the Committee observed that keeping in view the sanctity of tender in future, if negotiations are resorted to in any contract, then they must be held with all the bidders, including the lowest. Item (iii) was also treated as settled.

2949. *Non-conducting of Internal Check (Para 189, page 150—AR).*—The Committee was informed by the department that, in compliance with the suggestion made in this paragraph, clear instructions had been issued to all the Attached and

Subordinate Offices for the carrying out of internal checks. The Committee directed that the instructions should be issued for regular internal checks and dropped the paragraph subject to verification by Audit.

2950. *Delay in processing of G.P. Fund cases* (*Para* 188, *page*, 151—*AR*)—The departmental representative assured the Committee that they would revise the instructions in order to prevent delay in G.P. Fund cases. The Committee did not make any observation and the paragraph was dropped.

2951. *Delay in the processing of Pension cases* (*Para* 189, *page* 157—*AR*)—The Committee observed that the position of pension cases being similar to that of G.P. Fund cases, the paragraph was dropped.

APPROPRIATION ACCOUNTS

2952. *Grant No. 64-Health and Social Welfare Division* (*Page* 82—*AA*)—The Appropriation Accounts showed a saving of Rs. 587,179 under detailed function head '421-Administration'. The Ministry explained that the provision for Telephone charges for May, 1981 was retained for the anticipated bills but there were not received during the financial year, hence the saving.

2953. Audit Commented that the Supplementary Grant of Rs. 265,000 and the Re-appropriation of Rs. 108,500 to this code proved un-necessary in view of the final saving and a surrender of Rs. 97,700, and that the savings because of non-receipt of telephone bills should have been included in the surrender. The Division should also have given the amount paid for the telephone bills in 1980-81 and then again in 1981-82. A member remarked that the explanation of the Ministry was not logically consistent. While preparing their reply the Department should have realised that if a surrender was anticipated, they should neither have asked for an additional grant nor resorted to re-appropriation. The departmental representative agreed with this view.

2954. *Function head '424-Mother and Child Health'* (*Page* 82—*AA*)—The explanation for an excess of Rs. 7,567, given by the department under this function, was not accepted by Audit, who commented that the department should have kept a progressive record of expenditure and surrendered only the actual amount not required. The Committee agreed with Audit.

2955. *Function head '427-Drugs Control'* (*Page* 82—*AA*)—The explanation of the Ministry for an excess of Rs. 1,012 was not acceptable to Audit nor to the PAC. A member pointed out that the department could have prevented the excess with a re-appropriation. The Ministry having mentioned a newly established Research Fund, the Committee directed that a self-contained note be furnished to it about the Fund, including information about the amount collected so far and up-to-date utilization therefrom for research at the Federal and Provincial levels etc. The

Committee thought that, with the increased fee for manufacturing and renewal licences, it should be possible to further strengthen measures for drug control and hold seminars etc. on quality control.

2956. 428-*Research and Development of Unani Medicines and* 471-*Administration* (*Page*-82—AA)—No observation was made by the Committee on this function head.

2957. *Grant No. 65-Medical Services* (*Page* 83—AA)—Under the function head "422-General Hospitals and Clinics" the Accounts showed a saving of Rs. 6,960,603. The Ministry explained that it was due to late receipt of a number of bills relating for purchase of drugs and medicines. The Committee observed that the explanation should have been more elaborated and clear. However, it did not make any further observation on the grant.

2958. *Grant No. 66-Public Health* (*Page 85—AA) and Grant No. 67—other expenditure of Health and Social Welfare Division* (*Page* 86-*AA*)—The Committee did not make any observation on these grants.

2959. *Grant No.* 151-*Development Expenditure of Health and Social Welfare Division* (*Page*192—*AA*)—*Detailed function head* "422-*General Hospitals and Clinics*". A member enquired about the position of the Bolan Medical College, the causes for the construction debacle, the award of contracts, the large advances paid to contractors, their subsequent accounting, the question of design faults, the waste of money and asked for a full report on the project since its inception. The Audit representative said that comprehensive report on this college, will be furnished to the Committee. There was a lot more in that Report and PAC would come to know every thing from that. The situation was not very ideal and the Committee would get the Report at the proper time.

2960. Another member enquired about the belated adjustments in the Ayub Medical College and the Malaria Control Programme. The Department had also an expanded Programme of Immunisation, which was a Foreign Aided Project. The departmental representative submitted that foreign aid for Malaria Control had now been stopped. No funds for the malaria control programme were received for three years with the result that the incidence of malaria had increased again Foreign aid for it had however, been again started from 1981.

2961. *Pilot Project on Community Health Workers—The Committee directed that a self-contained note be furnished to it about this project.*

COMPLIANCE ON THE POINTS CONTAINED IN THE 1978-79 PAC REPORT

2962. *Compilation of Accounts* [*Para* 3 (*ix*), *page*-5—*CA* (*Para* 1252, *page* 353, *PAC Report* 1978-79]—Audit informed the Committee that the accounts of the National Health Laboratories upto 1982-83 had been complied by the Department and were under review by the Accountant General Pakistan Revenues, the paragraph was treated as settled.

2963. *Compilation of Accounts* [*Para* 3 (*x*), *page* (5—*CA*) (*Para* 1253, *pages* 353-354—*PAC Report* 1978-79]—Out of 14 Fair Price Drug Stores, the accounts of 10 had been compiled and incorporated, in the Commercial Accounts for 1979-80. For the remaining 4 stores at Faisalabad, Hyderabad, Karachi and Larkana, the Ministry had explained its inability to prepare the accounts on the ground that basic records were not maintained by the concerned Managers. On being asked as to what disciplinary action had been taken for this defect, the departmental representative replied that one Manager Mr. Shabbir Ahmad was convicted and sentenced to three years imprisonment. No further observation was made by the Committee on the paragraph.

2964. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs/points contained in the Appropriation and Commercial Accounts, the Audit Report thereon for 1980-81, and the compliance on 1978-79 PAC's Report. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

FINANCE DIVISION

2965. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Finance Division. The following departmental representatives were present—

(1) Mr. H.U. Beg, Secretary

(2) Mr. Qamaruddin Siddiqui, Additional Secretary

(3) Mr. Sadiq Sayeed Khan, Additional Secretary

(4) Mr. K.N. Cheema, Joint Secretary

(5) Mr. Inamul Haq, Joint Secretary

(6) Mr. Shamim Ahmad Khan, Joint Secretary

(7) Mr. Fayiaz Akhtar, Joint Secretary

(8) Mr. Saeedullah, Joint Secretary

(9) Mr. Irtaza Zaidi, Chief Director, National Savings

(10) Mr. S.M. Shaukat, Master of the Mint

(11) Mr. B.A. Siddiqui, Director Accounts (ADBP)

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

(13) Mr. M. Waqas, Deputy Secretary

(14) Mr. Shafat Ahmad, Deputy Secretary

2966. This Division controlled the following grants—

S. No	Name of Grant	Grant No
1	2	3
1.	Finance Division	38
2.	Pakistan Mint	39
3.	Superannuation Allowances and Pensions	40
4.	National Saving	41
5.	Other Expenditure of Finance Division	42
6.	Grant-in-Aid and Miscellaneous adjustments between Federal and Provincial Governments	43
7.	Grant and Subsidies to Non-Financial Institutions	43-A
8.	Capital outlay on Pensions	132-A
9.	Federal Miscellaneous Investments	133

1	2	3
10.	Other Loans and Advances by the Federal Government	134
11.	Development Expenditure of Finance Division	147
12.	Capital Outlay on Mint	176
13.	Miscellaneous Capital Investments	177
14.	Development Loans and Advances by the Federal Government	178
15.	Audit	—
16.	Servicing of Domestic Debt	—
17.	Servicing of Foreign Debt	—
18.	Repayment of Domestic Debt	—
19.	Repayment of Foreign Debt	—

2967. *Reconciliation of Accounts with Audit—The Committee directed that the reconciliation of accounts from* 1982-83 *to* 31*st March,* 1984 *be completed by the end of May,* 1984.

APPROPRIATION ACCOUNTS

2968. *Grant No.* 38—*Finance Division* (*Page* 53—*AA*)—There was nothing material for consideration under this grant.

2969. *Grant No.* 39—*Pakistan Mint* (*Page* 54—*AA*)—The Accounts showed an excess of Rs. 138,658 under this Grant. Audit maintained that the final grant of Rs. 15,447,000 was agreed to by the Department. But there was a difference of Rs. 178,709 in the two figures of actual expenditure as this amount a booking by the AGPR, Karachi on account of debits raised by the IP&S Department, were not recorded by the Division. The Department was being persuaded to furnish details.

2970. *Grant No.* 40—*Superannuation Allowances and Pensions* (*Page* 55—*AA*)—The Accounts show an excess of Rs. 924,669 against the final charged grant of Rs. 784,000 and another excess of Rs. 127,765,343, under the "Other than Charged" grant. The Division explained that the total excess of Rs. 128,690,012 was mainly under "Gratuities Superannuation & Retirement Allowances" and "Payment of Commuted Value of Pensions" etc., due to the increased number of cases of pensioners and revision in the rates of pension. It was further contended that the expenditure under this Demand was not likely to be accurate and was based on estimate. Normally, the Accounts Officers framed these estimates, keeping in view the past payment trends, which were usually disturbed by factors like compulsory retirements, premature voluntary retirements and revision in the rates of pay and pensions of retiring public servants. The Accounts Officers had no control over these excesses as the payments were of an obligatory nature.

2971. As for requests for Supplementary Grants, to bring the Final Grant to the likely actuals, since payments were made by the Treasury Offices at various stations, the figures of actual expenditure were not available to the Accounts Officers well in time for accurate Supplementary demand. The Surrender of savings/ allocation of additional funds through supplementary grants, as the case may be, were made on the basis of Revised Estimates for that year, furnished by the Accounts Officers in the light of the trend of expenditure for only a portion of that year, *i.e.* 3 to 4 months. Variations from the final grant under these heads were, therefore, unavoidable. However, to make the estimates more accurate for budgeting, a Committee consisting of the Deputy Secretary (Budget) as convener, the Section Officer dealing with the Demands and two representatives from the Audit Department as members, had now been constituted to identify the problems involved and suggest ways and means to achieve the objective of realistic estimates. It could be hoped that, in future, the estimates would be more accurate.

2972. A member expressed his dissatisfaction with the final grant being only Rs. 85 million and the expenditure under the "Other than Charged" section being Rs. 213 million as, in his opinion, the excess of Rs. 127 million on a grant of Rs. 85 million could not possibly have occurred just at the end of the year. The Secretary replied that the basic issue, was the procedure and the Division was hoping to improve it.

2973. After discussion, *the Committee directed that the pension liability should be calculated on the basis of the previous year's actuals and the exact position upto 15th May, each year should be taken into consideration for making surrenders or asking for supplementary grant by the Finance Division.*

2974. *Grant No.* 41-*National Savings* (*Page* 56—*AA*)—Audit had exhibited a saving of Rs. 308,156 under this grant, but the department's explanation was accepted by them with the observation that the difference in the Audit and departmental figures *i.e.* Rs. 420,269 (Rs. 23,249,113—Rs. 22,828,844), was due to a write back relating to 1979-80, without which there would have been an excess of Rs. 112,113 which would have required to be covered by supplementary grant.

2975. The explanation being acceptable to Audit, *the Committee directed that the Finance Division should prepare a statement for the saving of Rs.* 308,156 *and furnish it to Audit.*

2976. *Grant No.* 42-*Other Expenditure of Finance Division* (*Page* 57—*AA*)—The saving of Rs. 77,576 under this grant was stated by the Division to be within the permissible limit of 5%. Audit observed that the supplementary grant of Rs. 141,917,000 mainly on account of contribution to the Central Zakat Foundation, was excessive in view of the surrender of Rs. 81,490,000 previously in the Miscellaneous and Unforeseen Charges. Obviously the Unforeseen Charges included an amount of Rs. 140 million for the Federal Government's contribution to

the Zakat Fund, a member suggested that it might be more appropriate not to lump this large amount with an other item which may be relatively small and that it would be better to give it a separate head of account. The departmental representative agreeing to this suggestion, *the Committee directed that "Other Unforeseen Charges" should not be lumped together, but should be given separate heads with the details of various items involved therein.*

2977. *Grant No.* 43-*Grants-in-Aid Miscellaneous Adjustments Between the Federal and Provincial Governments* (*Page* 58—*AA*)—According to Audit, a surrender of Rs. 117,571,008 was made under "Other than Charged" portion of this Grant. The Committee also noted that there was a substantial surrender. The departmental representative replied that this was because the Provincial Governments were allocated finances from the Pool. The Committee then did not make any further observation regarding this grant.

2978. *Grant No.* 43-*A Grants and Subsidies to Non-Financial Institutions* (*Page* 59—*AA*)—A provision of Rs. 338,479,000 made through the Excess Budget Statement was later withdrawn by the Finance Division. The provision was, however, utilized in full by making grants to non-Financial Institutions mainly the Railways to meet the charges for Government Traffic and to pick-up losses on this account. The Committee did not make any observation on this grant.

2979. *Grant No.* 132-*A-Capital Outlay on Pensions* (*Page*-161—*AA*)—A short recovery of Rs. 836,000 is shown in the Accounts under the Capital Portion of Equated Payments, Out of Revenue, and Rs. 2,300,000 under the purchase of Annuity for the Payment of Sterling Pension. After discussion, *the Committee observed that it had recommended some years age that the whole amount commuted Payment be written off, and the Division should have taken action thereon. It recommended that the matter should now be cleared at the earliest possible.*

2980. *Grants No.* 134,147 *and* 176 (*Pages* 163,181 *and* 225—*AA*)—The Committee did not make any observation on these grants.

2981. *Grants No.* 133 *and* 177 (*Page* 162 *and* 227—*AA*)—After examining the grants, *the Committee made the following observation* —

> *"These grants may be possibly brought together or a more clear distinction should be drawn between them and tried to rationalise them as it would be better. The Ministry should review the classification of Grants, in consultation with Audit, to further simplify the Federal Accounts". The departmental representative stated that we had noted the point and would look at it from that point of view.*

2982. *Grant No.* 178-*Development loans and Advances by the Federal Government* (*Page* 228—*AA*) 700—*Debt Servicing, Investible Funds and Grants*)—A saving

of Rs. 2,432,905,300 had occurred in the Other than Charged portion of this grant. It was explained by the department that the amount had been adjusted. The Committee did not make any further observation.

2983. *Appropriation-Audit* (*Page* 251—*AA*)—The Committee did not make any observation on this Appropriation.

Appropriation—Servicing of Domestic Debt (Page 252-AA)—

2984. *Function head* 711-611 *Permanent Debt* (*Page* 252—*AA*)—The department explained that the excess of Rs. 73,467,769 shown in the Appropriation Accounts, was due to the arrear payment of interest on the expired Market Loans. Audit pointed out that the detailed working, contained in the Appropriations, Accounts, had revealed that a supplementary grant of Rs. 26,000,000 was obtained whereas Rs. 23,337,000 was re-appropriated to other items. This was entirely un-necessary. Besides, the excess of Rs. 73,467,769 under this item revealed that a lesser amount should have been reappropriated. The explanation of the Department for the excess expenditure was also not convincing.

2985. Observing that the interest payable was not properly estimated, *the Committee did not find the explanation of the Department to be really satisfactory and directed the department to look into it again.*

2986. *Function head* '711-613 *Floating Debt*' (*Page* 252—*AA*)—The Accounts shows a saving of Rs. 198,151,248 under this item. The Division attributed the saving to the lower quantum of borrowing from commercial Banks for state trading in foodstuffs and fertilizer. *The Committee directed that the Ministry during the course of the year should try to obtain as much information as possible for making estimates, so that they are not very wide of the mark.*

2987. *Function head* '711-614 *and Unfunded Debt*' (*Page* 252—*AA*)—The Division explained that the excess of Rs. 550,429,572 Unfunded Debt consists of the Small Savings Schemes, including Postal Life Insurance Fund and the State Provident Funds. A member observed that the above explanation did not appear to be really satisfactory but, since it came from a Government Organisation, one would accept it. However, the Division should have full information for the whole year.

Appropriation—Servicing of Foreign Debt (Page 253—AA)—

2988. *Function Head* 713-612 *Foreign Debt* (*Page* 253—*AA*)—The Committee observing that the explanation, given by the Ministry for the excess of Rs. 6,236,580 under this item was unsatisfactory and required more elaboration. A member suggested that Foreign currency figures should also be given to see whether the conversion in Pak. currency is correct, so that there is no ambiguity about these Accounts. *The Ministry of Finance and the Auditor General should work out the appropriate format therefor.*

2989. *Appropriation-Repayment of Domestic Debt* (*Page* 254—*AA*)—The departmental representative stated that excesses/savings under this Appropriation would not occur after the procedural changes are effected. This is being looked into again.

Appropriation—Repayment of Foreign Debt (Page 255—AA)—

2990. *Function* 717-880 *Repayment of Loans-Foreign Loans* (*Page* 255—*AA*)—After examining the Ministry's reply, and the Audit comments thereon, a member observed that on pages 253 and 255 of Appropriation Accounts under function 717-880, an identical figure of expenditure of Rs. 2,316,865,450 appears. One of these was reduction or avoidance of foreign debt and the other was repayment of loans. What was the distinction between the two. The member through that there appeared to be mistake in accounting. The departmental representative promised to look into it.

AUDIT REPORT

2991. *Recoveries not effected—Rs.* 11,218 (*Para* 36, *Page* 45—*AR*)—As reported by Audit, over-payment on account of travelling allowances in six cases not promptly recovered abroad, were as follows —

		Rs.
From 5 to 10 years old		7.829
More than 10 years old		3.389
	Rs.	11.218

2992. The Ministry explained that the over-payments and outstanding recoveries had been regularized under intimation to the Audit Office. The Committee decided to drop the paragraph subject to verification by Audit.

(i) *Non-conducting of Internal Check* (*Para* 187, *page* 150—*AR*)—

(ii) *Delay in processing of G.P. Fund cases* (*Para* 188-*page* 151—*AR*)—

(iii) *Delay in processing of Pension cases* (*Para* 189, *page* 157—*AR*)—

2993. The Committee did not make any observation on the above paragraphs.

COMMERCIAL ACCOUNTS

Agricultural Development Bank of Pakistan

2994. (*Para* 172, *page* 89—*ARCA*)—Audit had reported that cash in transit, amounting to Rs. 23.05 million, included remittances of Rs. 0.2 million pertaining to the years 1978-79 and 1979-80, as per the details given below —

Date of remittance	Amounts
	Rs.
12-4-1978	100,000
2-6-1978	50,000
18-10-1979	50,000
	200,000

2995. These remittances had not been cleared till the 31st December, 1981. There was a need for an early clearance. The Ministry stated that the remittances, made by branches of the bank were actually received in time, but could not be adjusted for want of details. They had been traced and adjusted in 1982.

2996. A member remarked that the remittances pertained to 1978-79, were adjusted in 1982, after Audit had pointed them out and asked whether there was any internal check ? The departmental representative conceded that there was no internal check. *The Committee only observed that, since these remittances had been adjusted, there was nothing more to be said in the matter, except that there should be internal check over such transactions.*

2997. (*Para* 173, *page* 89—*ARCA*)—According to Audit, an amount of Rs. 8.512 million, shown under suspense on 30-6-1981, included amounts outstanding since 1965-66. The Ministry replied that, out of Rs. 8.512 million, Rs. 3.797 million stood adjusted and branches of the Bank were being pressed to adjust the remaining old entries, as expeditiously as possible. Audit stated that the outstanding amount under suspense had been reduced to Rs. 0.678 million.

2998. A member asked about the inter-branch transactions? The departmental representative said that the amount was now included in suspense. Only Rs. 0.5 million was left, which pertained to the *ex*-employees. Thereupon, the same member observed that, if the amount was not recoverable, it may be considered for write off. The Committee desired that the Bank should write off irrecoverable amounts.

2999. (*Para* 174, *page* 90—*ARCA*)—Audit reported that marine diesel engines and spare parts, valuing Rs. 1.28 million procured against an Asian Development Bank credit from 27-3-1973 to 14-1-1976, were still lying in stock

on 30-6-1981, and the object for which credit was obtained could not be achieved, causing an unnecessary blockade of Government funds to that extent. Similarly, High-speed diesel engines, valuing Rs. 58.20 million, were imported from 20-1-1981 to 30-6-1981 to supplement the irrigation water by utilising the sub-soil water resources in non-electricity areas, but not a single engine could be sold until 31-12-1981. A proper utilization of credits, to achieve the desired object of development in agriculture, could not be over-stressed.

3000. The Ministry explained that the marine diesel engines and other equipments, imported under the ADB Loan No. 54-Pak, were disposed of and the present stocks with the Bank consisted of spare parts of the value of Rs. 1,231,670. The Ministry further stated that new technology takes time for introduction. Out of 1000 High-speed diesel engines, 95 engines had been sold out upto 30-6-1982. However, efforts were being made to give publicity for the beneficial use of these Engines. Audit intervened to say that, out of 1000 engines, 617 were still lying in stock un-disposed of.

3001. *The Committee directed that all possible efforts should be made to dispose of the diesel engines still in stock. The Provincial Governments should also be asked whether they would be interested in their purchase.*

3002. *Detailed head* " 720 *Government Investments identified items* " (*Page* 49—*Finance Accounts of the Federal Government* 1980-81)—A member drew the attention to the above-mentioned head of the Finance Accounts and observed that the figures therein for Government investment and loans were not in accord with those given by the Bank. The departmental representative submitted that all the new shares were being purchased by the State Bank.

3003. After discussion, *the Committee directed that—*

(a) *a list of the share-holders of ADBP as on* 30-6-1980 *should be furnished to the PAC.*

(b) *it may be clarified in the balance-sheet of the ADBP that whether borrowing from Federal Government* (*Page* 246 *of Commercial Accounts* 1980-81) *was the liability of the Government or of the ADBP, and if it was the liability of the Government it should not be shown a loan.*

3004. Auditor-General informed the Committee that a new compilation entitled ' Investments and Loans of the Federal Government in Public Enterprises ' will be submitted in due course.

3005. *The Committee also desired that the details of all guarantees issued by the Government in any department for any purpose should be ascertained by the Auditor-General and the Finance Division and they should be given in the Finance Accounts of the Federal Government in an appropriate format.*

3006. *Delay in the disposal of Audit/Inspection Reports* (*Para* 70, *pages* 50-51—*ARCA*)—The Auditor-General suggested that the paragraph be deferred and discussion on it be held at the next meeting. The acting Chairman, agrees to defer the consideration of the paragraph.

3007. *Paragraphs* 19, 28, 29-*A* 32, 37 *of Annexures—A, B, C, D and E to paragraph* 70, *pages* 50-51—*ARCA*)—At the request of Auditor-General, the Committee deferred the consideration of the above-mentioned paragraphs for the next meeting, as he had not studied the reply of the Ministry thereto.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

3008. *Omission of several Supplementary Grants from Book of Supplementary Demands* (*Para* 1372, *page* 386—*PAC Report* 1978-79)—The Finance Division by its D.O. letter No. 2555-DS(B)/84-dated 4-3-1984, had requested all Ministries and Divisions to verify and ensure that all the schedules of Supplementary Grants, furnished by them to Finance had been accounted for by them. The few omissions brought to the notice of the Committee, were a result of the default of the Ministry or Division concerned, who did not attend to similar requests of the Finance Division in previous years also. Audit confirmed that the main responsbility for the omission of supplementary grants from the Book of Supplementary Grants lay with the concerned Ministry or Division.

3009. *The Committee directed that consideration may be given by Finance in the Budget Wing to give the serial numbers so that there is a double check on their processing and omission or duplication is avoided.*

(i) *Grant No.* 39—*Finance Division* (*Page* 58—*AA*), (*Paras* 1373—1375, *page* 386—*PAC Report* 1978-79)—

(ii) *Sub-head* "*B*-3—*Cash credit accommodation* (*Page* 236—*AA*), *paras* 1397 *to* 1399, *page* 391—*PAC Report* 1978-79)—

3010. The Committee after going through the departmental replies and Audit Comments did not make any observation on the above paragraphs.

3011. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs and points concerning Appropriation and Commercial Accounts and the Audit Reports thereon for 1980-81 and the compliance on 1978-79 PAC Report. These would be deemed settled subject to such regularization actions as may be necessary under the rules.

ECONOMIC AFFAIRS DIVISION

3012. The Committee next took up for examination, the Appropriation Accounts etc., pertaining to the Economic Affairs Division. The following departmental representatives were present —

(1) Mr. M.H. Chaudhry, Joint Secretary
(2) Mr. Salar Masood, Deputy Secretary
(3) Mr. Z.M. Jauher, Deputy Secretary
(4) Hafiz Muhammad Usman, Director Accounts
(5) Mr. Muhammad Yusuf, Section Officer (F&A)

3013. This Division controlled the following grants —

S. No.	Name of Grant	Grant No
1.	Economic Affairs Division	49
2.	Technical Assistance Schemes	50
3.	Development expenditure of Economic Affairs Division	148

3014. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of Accounts to 31st March, 1984 had yet to be completed. *The departmental representative was directed to have the reconciliation of the outstanding accounts carried out speedily.*

AUDIT REPORT

3015. *Government dues not recovered—Rs.* 5,903 (*Para* 37, *pages* 45-46-*AR*)—Audit had reported that the balance of a motor car advance *viz.* Rs. 5,778 granted to an officer in April, 1956 plus the interest accrued thereon, remained to be recovered since November, 1956. In an other case, the over-payment of TA/DA made by a Mission abroad in 1956 was also not recovered.

3016. It was explained by the Ministry that the outstanding balance of Rs. 5,903 on account of Motor Car Advance in respect of Kh. Mushtaq Elahi had been written off with the approval of the competent authority. Audit informed the Committee that write off sanction was admitted in audit. After hearing the departmental representative and Audit, the Committee decided to drop the paragraph.

3017. *Non-conducting of internal check* (*Para* 187, *pages* 150-151-*AR*)—The Committee directed that copies of all the reports of internal Checks carried out by the department had, should be furnished to Audit. The departmental representative confirmed that copies of all internal audit reports had been provided to Audit. The Committee then decided to drop the paragraph.

3018. *Delay in processing of G.P. Fund cases* (*Para* 188, *pages* 151-156-*AR*)—As Audit was satisfied with the explanation given by the department the Committee decided to drop the paragraph.

APPROPRIATION ACCOUNTS

3019. *Grant No.* 49-*Economic Affairs Division* (*Page* 66-*AA*)—There was nothing material for consideration under this grant.

3020. *Grant No.* 50—*Technical Assistance Schemes* (*Page* 67—*AA*)—The Committee did not make any observation regarding this grant.

3021. *Grant No.* 148-*Development Expenditure of Economic Affairs Division* (*Page* 184-*AA*)—Audit had pointed out that, under function 741-Grants-in-aid to Provincial Governments Rs. 7,500,000 represented the belated adjustment of debits, at the Quetta Office for 1975-76. The Committee only observed that there was no variation in the recovery in connection with this Grant.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC'S REPORT FOR 1978-79

3022. *Procedure for Foreign Aid Accounting* (*Para* 1109, *pages* 314-315-*PAC Report* 1978-79)—After going through the reply of the Ministry and the Audit comments thereon relating to the accounting of Foreign Aid and Grants, the Committee observed that the position had now improved and the paragraph was treated as dropped.

3023. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs and points relating to Appropriation Accounts and Audit Report thereon for 1980-81 and the Compliance Report for 1978-79. These would be deemed as settled subject to such regularization actions, as may be necessary under the rules.

CENTRAL BOARD OF REVENUES

3024. The Appropriation Accounts etc. pertaining to the Central Board of Revenues were the last to be taken up by the Committee for examination on the 10th May, 1984. The following departmental representatives were present —

(1) Mr. Fazlur Rehman Khan, Chairman
(2) Mr. Zafar Hussain, Member (T/A)
(3) Mr. Ahadullah Akmal, Member (IT)
(4) Mr. Aitezazuddin Ahmad, Member (CE/ST)
(5) Mr. G.A. Jahangir, Member (Customs)
(6) Mr. Muhammad Aslam Shad, Chief (CE)
(7) Mr. Safdar Ali, Secretary (ST)
(8) Mr. Baland Akhtar, Secretary (IAT)
(9) Mr. Aftabul Hasan Naqvi, Secretary (Admn)

3025. This Board controlled the following grants —

S. No.	Name of Grant	Grant No
1.	Central Board of Revenue	44
2.	Sea Customs	45
3.	Land Customs and Central Excise	46
4.	Taxes on Income, Corporation Tax and Sales Tax	47
5.	Estate Duty	48

3026. *Re-conciliation of Accounts with Audit*—The Committee noted that some of the Accounts for the year 1983-84 upto 31st March, 1984 had not been reconciled. *The Committee directed that the reconciliation work should be completed by the* 31*st May*, 1984.

APPROPRIATION ACCOUNTS

3027. *Grant No.* 44, *Central Board of Revenue* (*Page* 60—*AA*)—The Accounts show a saving of Rs. 301,869 under the function head "023-Taxes Management Board of Revenues, Excise and Taxation Department". The Board explained that the saving, being below 5% of the final grant, required no explanation. However, Audit pointed out that the details contained in the Appropriation Accounts revealed that a Supplementary Grant of Rs. 2,200,000 for strengthening and reorganising the Department was obtained and Rs. 399,300 (on account of vacant posts) were surrendered. In view of this surrender and saving of Rs. 301,869 under

the Grant, the Supplementary Grant was partly excessive. The departmental representative stated that the supplementary grants was obtained in December, 1980 for specific purpose. If the Committee looked at the total, it was less than 5%. A member remarked that under the circumstances, the Board should have asked for a token grant. *The Committee observed that the Department must adhere to the correct procedures in surrendering the savings and also asking for supplementary grants.*

3028. *Grant No. 45-Sea Customs (Page 61—AA)*—The net saving of Rs. 722,795 under this grant was within the permissible limit of 5% of the final grant. The Committee hence did not make any observation on it.

3029. However, the Committee drew the Board's attention to Note 2 to Grant No. 45-Sea Customs on page 61 of the Appropriation Accounts which state that the Proforma Account of Receipt and Expenditure about overtime and holiday fees was not furnished by it. The departmental representative submitted that these officers did not get full payments. They got only two thirds thereof and one third went to Government. As such, there was no question of incurring any loss. The Committee accepted the explanation and made no further observation.

3030. *Grant No. 46-Land Customs & Central Excise (Page 62—AA)*—Audit had not offered any comments on the reply of the Department, the Committee also found nothing material for its consideration.

3031. *Grant No. 47-Taxes on Income, Corporation Tax and Sales Tax (Page 64—AA)*—A saving of Rs. 1,434,380 occurred under the function head "023-Tax Management-Board of Revenue, Excise and Taxation Department". The Board stated that the saving was within the permissible limit of 5% of the final grant and required no explanation. Besides, the statements of remission, write off, etc., had been sent to the AGPR, Rawalpindi by the Director of Inspection (Taxes) Islamabad in March, 1982. Audit pointed out that as the information was not supplied by the department in time, it could not be incorporated in the accounts for 1980-81. The reasons given by the Department for remission/write off were also incomplete as the dates when the assessees were declared to be untraceable had not been given and the reasons for not effecting recovery of the recoverable amounts had also not been furnished.

3032. After hearing the explanation of the Department, a member enquired as to why exceptionally large amounts lay unrecovered in the Faisalabad Zone ? The departmental representative replied that there were many very old cases from 1956-57. After further discussion, *the Committee directed that a statement should be furnished to it, showing the trend of remissions/write offs on the basis of figure for the last 5 years. The departmental representative promised to furnish detailed statement.*

3033. *Grant No. 48-Estate Duty (Page 65—AA)*— The Committee did not make any observation on this grant.

AUDIT REPORT

3034. *Infructuous expenditure of Rs.* 13,870 *on pay and allowances of a driver (Para* 38, *page* 46—*AR)*—After examining the explanation of the department and Audit comments thereon, the Committee decided to drop the paragraph subject to verification by Audit.

3035. *Irregularities in Central Zone Income Tax Office, Karachi [Para 39(i) (ii), page* 46—*AA]*—The following irregularities had been noticed by Audit during 1975—77 —

(i) A proposal for purchase of a photo copier, costing Rs. 175,000, was put up to the Ministry of Finance, but the latter did not agree and suggested that another cheaper model, should be purchased by inviting competitive bids. The Board however, purchased the copier costs Rs. 175,000 the very second day *i.e.* the 30th May, 1977, without fulfilling the codal requirements.

(ii) Furniture and carpets were purchased for 43,580 and Rs. 7,873 respectively without adopting the open tender system.

3036. After studying the explanation of the Board, Audit advised that the paragraph be treated as settled. Accordingly, the Committee decided that the paragraph be dropped.

3037. *Irregularities in the office of Collector, Excise and Land Customs, Peshawar (Para* 40—*pages* 46—*AR)*—Audit informed the Committee that the Department had admitted the irregularities and also promised to avoid them in future. The Committee decided to drop the paragraph.

3038. *Non-recovery of taxes and duties amounting to Rs.* 3,586,237 *(Para* 4, *pages* 162—168—*AR)*—Audit had reported that, during the test audit, taxes and duties amounting to Rs. 3,586,237 were found recoverable from various assessees. The cases in which recovery was still to be made are given below —

Short-Assessment of Customs Duty and Sales Tax—Rs. 63,183 [*sub-para (i), page* 162—*AR*]—

Irregular adjustment of export rebate— Rs. 631,054 [*sub-para (ii), page* 163—*AR*]—

Non-realisation of Additional Duty— Rs. 259,379 [*sub-para (iii), page* 163—*AR*]—

Non-realisation of Additional Duty—Rs. 195,902 [*sub-para (iv), page* 163—*AR*]—

Non-recovery of Additional Duty from hotel—Rs. 43,554 [*sub-para (v), page* 164-*AR*]—

Excess adjustment of export rebate—Short recovery of Excise Duty and Additional Duty— Rs. 38,733 [*sub-para (vi), page* 164—*AR*]—

3039. In view of the explanations given by the Department, Audit recommended that the sub-paragraphs may be treated as settled. Accordingly, the Committee decided that the sub-paragraphs (i) to (vi) may be so treated.

3040. *Non-realisation of Sales Tax—Rs.* 606,452 [*Para* 4 (vii), *page* 165]—*AR*— Audit had reported that the Sales Tax, leviable under the law for the assessment years 1973-74 to 1975-76, was not levied and realised from two manufcaturers at Lahore. The Department explained that —

(i) the Audit contention that Sales Tax, amounting to Rs. 515,510 for the assessment years 1973-74 and 1975-76, was not realised from Fakkhar-ud-din and Sons Limited (Manufacturer of Bus Bodies) was not correct. In actual fact, Sales Tax assessments for the first two years were made and demands for Rs. 352,800 and Rs. 162,710 were raised. The assessee prefering appeals against the said assessments the appellate authority set them aside. Re-assessments in respect thereof were completed on 31-12-1983. Recovery of tax was stayed as the party had gone in appeal but the Commissioner had advised that recovery proceedings had been started.

(ii) The second manufacturer S.M. Shah & Co Ltd., was engaged in the manufacture of Weighing Scales and Weights. The departmental representative informed the Committee that an appeal was pending before the Appellate Tribunal against the assessment of Rs. 90,942 but the Commissioner had, however, started recovery.

3041. In view of the explanation at (i) and (ii) above, the Committee did not make any further observation and the paragraph was treated as settled subject to verification by Audit.

3042. *Loss of revenue due to tampering of records—Rs.* 161,716 [*Para* 4 (*viii*), *page* 165—*AR*]—Arrears, amounting to Rs. 161,716 due from certain assessees, were transferred from one circle to another on point of jurisdiction, only. The receiving circle entered in its Demand and Collection Register only Rs. 35,659 and not the full amount. Questioned about the latest position, the departmental representative submitted that all the arrears had since been entered in the Demand and Collection Register. The Acting Chairman observed that these cases were old and time-barred. *The Committee directed that the Department should consider the writing off those arrears, where they may have become irrecoverable. Audit should also watch the recovery or write off.*

3043. *Non-recovery of Sales Tax—Rs.* 153,705 [*Para* 4 (*ix*), *page* 165—*AR*]— Recovery having been verified by Audit, the paragraph was treated as settled.

3044. *Non-realisation of Sales Tax Rs.* 100,880 [*Para* 4 (*x*), *page* 166-*AR*]— Questioned about the action taken in this case, the departmental representative submitted that an appeal was pending with the Appellate Tribunal, Lahore since April, 1982. Audit was requested to watch the progress. The paragraph was dropped.

3045. *Non-realisation of Additional Sales Tax—Rs.* 60,774 [*Para* 4 (*xi*), *page* 166—*AR*]—The Committee desired that Audit should watch the progress of recovery. Subject to such observation the paragraph was dropped.

3046. *Non-realisation of Additional Sales Tax— Rs.* 42,144 [*Para* 4 (*xii*), *page* 166—*AR*]—The Committee was informed by the department that the Commissioner, Income Tax, Central Zone, Lahore was likely to write off the amount of Rs. 6,267 relating to National Silk and Royan Mills Limited. The Acting Chairman asked the departmental representative to get the decision expedited. Subject to Audit watching development, the paragraph was dropped.

3047. *Short-realisation of Gift Tax from Assessees of Sheikhupura* [*Para* 4 (*xiii*), *page* 167-*AR*]—According to Audit, Gift Tax was realised short from 46 assessees, due to the adoption of incorrect value of the gifted agricultural land. It was explained by the Department that, in view of the instructions contained in the Board's circular dated 17-7-1975, assessments in some cases were completed by the officers on the basis of higher market value. The assessments framed were not sustained in appeals. Audit commented that if the board intended to stand by its circular, which meant that they should re-open 46 cases of under-assessment. After discussion, *the Committee came to the conclusion that the Central Board of Revenues may consider issuing a clarification, so that any ambiguity in the matter is removed.*

3048. *Non-realisation of Gift Tax—Rs.* 324,286 [*Para* 4 (*xiv*), *page* 167—*AR*]— The Committee noted that, in view of the department's reply, no further action was recommended by Audit. As such it was decided to drop the paragraph.

Short realisation of Gift Tax from Assessees of Sargodha—Rs. 286,088 [*Para* 4(*xv*), *page* 168—*AR*]—

Short-realisation of Gift Tax from Assessees of Abbottabad—Rs. 196,262 [*Para* 4 (*xvi*), *page* 168—*AR*]—

3049. Audit maintained that the comments offered by Audit against paragraph 4(xiii), were applicable to the above-mentioned paragraphs also. The Committee thereupon, decided that its decision on paragraph 4(xiii) will be applicable in this case also.

3050. *Internal Audit system of the Department* (*Para* 5, *page* 169—*AR*)—Audit commented that, in view of the departmental reply, the paragraph may be treated as settled subject to setting up of an Audit Cell in the Collectorate of Central Excise & Land Customs, Peshawar. The Committee agreed to the above suggestion without any further observation.

3051. *Delay in disposal of Inspection Reports and Audit Observations* (*Para* 8, *page* 169—*AR*)—Commenting on the explanation of the Department, Audit pointed out that, at the end of January, 1984, 1,072 Audit & Inspection Reports and 7,644 C.R.A. observations were still outstanding. Similarly, the first replies to 168 Audit & Inspection Reports and 695 audit observations were awaited, Admitting the above facts, the Board informed the Committee that they were getting all outstanding reports cleared. *The Committee directed the departmental representative to look into the matter and get this expedited. Audit was also requested to watch the progress.*

3052. *Delay in the processing of Pension cases* (*Para* 189, *page* 157—*AR*)—Since the explanation of the Department was accepted by Audit, the Committee did not make any observation on this paragraph which was treated as settled.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S REPORT FOR 1978-79

3053. *Grant No. 46-Sea Customs* (*Page* 67—*AA*) (*Paras* 1118-1119, *pages* 316-317—*PAC Report* 1978-79)—The case of omission of supplementary grants for 1978-79 had been further looked into by Audit. It transpired that the schedule sent to the Finance Division by the CBR was lost in transit and did n ot reach that Division. The C.B.R. could not furnish a copy of its reference, as it was not traceable. The Committee directed the department that a copy of the schedule be furnished to Audit. The paragraph was then treated as dropped.

3054. *Points not discussed to be treated as settled*—The Committee did not make any observation on other paragraphs and points in the Appropriation Accounts and the Audit Report for 1980-81 and the compliance on PAC 1978-79 Report. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

3055. The Committee thereafter adjourned *sine die*.

M. A. HAQ,
Secretary.

Islamabad, the 7th September, 1984.

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*The balance of the Federal accounts of Ministries of Interior and Communications for the year 1980-81 were examined on 26th and 27th August, 1984, with the Federal accounts for the year 1981-82. (Paragraphs 3056—3333).

FEDERAL COUNCIL SECRETARIAT

Sunday, the 26th August, 1984

Nineteenth Sitting (PAC)

*3056. After deferring, on 5-5-1984, the examination of the balance of Federal Accounts for the year 1980-81 to its next session, the Public Accounts Committee met in the State Bank Building, on Sunday at 10.00 a.m. on the 26th August, 1984, to examine the Appropriation Accounts etc., pertaining to the Ministry of Interior. The following were present—

P.A.C.

(1) Syed Saieed Hasan, Member, Federal Council .. .. *Member, (Acting Chairman)*

(2) Akhunzada Bahrawar Saeed, Member, Federal Council. *Member*

(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council. *Member*

(4) Mr. Abdul Qadir, Former Chairman, Railway Board .. *Member*

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

Federal Council Secretariat

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

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)
(3) Mr. S. I. Shabbir, Deputy Auditor-General (Co-ord)
(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R)
(5) Mr. M.A. Lodhi, Accountant General, Pakistan Revenues
(6) Mr. Zaheeruddin Jeddy, Director General (PEC)
(7) Mrs. S.N. Sheikh, Director General, Commercial Audit
(8) Mr. Iftikhar Ali Khan Raja, Director General, Audit and Accounts, Works
(9) Mr. M. Saleem Siddiqui, Director Concurrent Audit (CDA)

Ministry of Finance

(1) Raja Raza Arshad, Deputy Secretary
(2) Mr. Saeedullah, F.A. (Interior)
(3) Mr. H. A. Niazi, F.A. (Communications)

MINISTRY OF INTERIOR

3057. After examining the Appropriation Accounts, etc., for 1981-82 concerning the Law and Parliamentary Affairs Divisions, the CMLA Secretariat and the Establishment Division, minutes of whose proceedings about which will be appended to the PAC's Report on the Federal Accounts for 1981-82, the Appropriation Accounts, etc., for 1980-81, and Compliance report 1978-79 pertaining to the Ministry of Interior, were the last to be taken up by the Committee for examination on that day. The following departmental representatives were present—

(1) Mr. Roedad Khan, Secretary General
(2) Mr. Mazhar Rafi, Additional Secretary
(3) Mr. Abdul Wahab, Joint Secretary
(4) Mr. U.D. Khan, Deputy Secretary
(5) Mr. Jan Nadir Khan, Chairman, CDA
(6) Mr. Saghir Asad Hasan, F.A./Member, CDA
(7) Mr. Muhammad Izharul Haq, Director, AA(CDA)
(8) Mian Niaz Gul, Director, Islamabad Administration
(9) Haji Sher Muhammad, Director General, Civil Defence

3058. This Ministry controlled the following grants—

S. No.	Name of Grant	Grant No
1.	Environment & Urban Affairs Division (Partly)	68
2.	Islamabad	69
3.	Other Expenditure of Environment & Urban Affairs Division	70
4.	Ministry of Interior	86
5.	Passport Organisation	87
6.	Civil Armed Forces	88
7.	Registration Organisation	89
8.	Civil Defence	90
9.	Federal Investigation Agency	91
10.	Other Expenditure of Ministry of Interior	92
11.	Islamabad Administration	92-A
12.	Ministry of Local Government and Rural Development (Partly)	98
13.	Ministry of Religious Affairs and Minorities Affairs (Partly)	111
14.	Development Expenditure of Ministry of Interior	155
15.	Development Expenditure of Ministry of Local Government and Rural Development (Partly)	157
16.	Capital outlay on New Federal Capital	180

3059. *Reconciliation of Accounts with Audit*—The Committee noted that the reconciliation of Accounts for the year 1983-84 had yet to be completed. *The departmental representative was directed to ensure that the outstanding work of reconciliation is completed by September* 30,1984.

APPROPRIATION ACCOUNTS

3060. *Grant No.* 68, *Environment and Urban Affairs Division* (*Page* 87—AA)—There was a saving of Rs. 141,848 under this grant. The Ministry explained that out of total final grant, an amount of Rs. 3,338,000 pertained to the CDA and this amount had been adjusted by Audit under the head " 360—500—payment to CDA " on account of cost of land for the Sind House. There was hence no saving or excess in it. The balance pertained to the Environment and Urban Affairs Division.

3061. A member of the Committee enquired as to whether Sind House belonged to the Central Government or the Provincial Government. The departmental representative submitted that it belonged to the Sind Government. The same member further observed that, in case the Central Government were paying for the land, then the payment should have been charged to Grant No. 8. The departmental representative assured the Committee that he would look into it personally. The Audit representative intervened to say that the department should also furnish a report about it.

3062. The Committee directed that a report be furnished to the PAC about the payment of price by the Federal Government for the land for the Sind House.

3063. *Grant No.* 69 & 70 (*Pages* 88-89—*AA*)—There was nothing material for consideration by the Committee under these grants.

3064. *Grant No.* 86—*Ministry of Interior* (*Page* 107—*AA*)—Audit had reported an excess of Rs. 53,263 under the head " 014—Interior Division ". It was explained by the Ministry that the excess was due to the late receipt of a debit of Rs. 184,400 from the CMA, pertaining to 1979-80, as the cost of a Car. Had the debit been raised before June, 1981, the excess would have been converted into a minor saving. Audit confirmed the booking of the debit for 1979-80.

3065. Questioned as to whether it was a new or a Second hand Car, the departmental representative explained that the CMA or the Supply and Development Department had placed the order for it.

3066. The Committee did not make any further observation on this grant.

3067. *Grant No. 87—Passport Organisation (Page 108—AA)*—An excess of Rs. 1,608,922 is shown in the appropriation Accounts under the head "080—Immigration and Passport". It was attributable to the following—

(a) A sum of Rs. 1,531,115, short-booked by the A.G.P.R., Karachi during 1979-80, had been debited in the accounts for 1980-81 by Audit as per note in the Appropriation Accounts at page 108.

(b) The remaining excess of Rs. 77,807 was mainly due to increase in the rates of Dearness and Conveyance Allowances, sanctioned by the Government *w.e.f.*, 1-7-1980, for which no provision was made in the Budget. No Supplementary Grant was asked for either, as the excess was expected to be met out of general savings.

3068. The Committee did not make any further observation on this grant.

3069. *Grant No. 88—Civil Armed Forces (Page 109—AA)*—Audit had exhibited an excess of Rs. 5,627,508 under the head "224—Provincial Border Forces". It was explained by the Ministry that this was due to increase in the rates of Dearness and Conveyance allowances *w.e.f.*, 1-7-1980. Increases of Rs. 4,854,600 and Rs. 137,300 were anticipated by the Ministry on this account. The rates of dry rations were also revised by the G.H.Q. twice during the year, firstly to Rs. 11 per head from 1-7-1980 and then to Rs. 20 *w.e.f.*, 1-1-1981. Rates of fresh ration had also gone up during the year.

3070. The department further stated that the F.A. (ID) had agreed that the excess expenditure would be regularised by obtaining a Supplementary Grant. But, against a demand of Rs. 20,048,100, only a Supplementary Grant of Rs. 4,100,000 was sanctioned. It was further stated by the department that allocation for increase in the "Establishment Charges" being obligatory, for payment to the personnel, numbering 14,230, could not be postponed. As such, the Supplementary Grant, sanctioned by the Finance Division was far short of the actual requirements.

3071. A member of the Committee remarked that a total Supplementary Grant of Rs. 12.75 million and an-overall excess of Rs. 11,441,791 under the 'Civil Armed Forces' were shown in the Appropriation Accounts. The explanation given by the Ministry was, therefore, not convincing. Finance Division may also examine as to why the Supplementary Grant requested for by the Ministry, was not agreed to for meeting the inescapable requirement of the Ministry for making payment to the personnel. He also underlined that there should have been separate elaborate explanations in respect of the heads "224—Provincial Border Forces" and "225—Frontier Watch and Ward".

3072. After discussion, *the Committee concluded that the reasons as to why the Finance Division gave a lesser supplementary grant than asked for, against the demand of Rs.* 20,048,100 *for salaries, were not clear. The Finance Division may clarify the matter and also apprise the Committee about the position of supplementary grant asked for under Grant No.* 92-A.

3073. *Grant No.* 89—*Registration Organisation* (*Page* 110—*AA*)—No observation was made by the Committee on this grant.

3074. *Grant No.* 90—*Civil Defence* (*Page* 111—*AA*)—Explaining the saving of Rs. 39,986 under the head '241—Administration' the Ministry stated that the final grant, according to the Revised Appropriation Accounts, issued by the A.G.P.R., Rawalpindi was Rs. 2,756,730 and not Rs. 2,716,744. Thus the final grant and actual expenditure were the same and there was no excess or saving under this object. Audit conceded that the difference of Rs. 39,986 under the final grant was due to non-accountal of a reappropriation order by the A.G.P.R. (Reappropriation from function head 242 to function head 241). The actuals of Rs. 2,756,730 were reconciled and accepted. The Committee did not make any further observation on this grant.

3075. *Grant No.* 91—*Federal Investigation Agency* (*Page* 112—*AA*)—The saving of Rs. 10,412 under object 221 Federal Police being less than 1% and within the permissible limit, the Committee did not make any observation on this Grant.

3076. *Grant No.* 92—*Other Expenditure of Ministry of Interior* (*Page* 113—*AA*)—No observation was made by the Committee on this Grant.

3077. *Grant No.* 92—*A—Islamabad Administration* (*Page* 114—*AA*)—Audit pointed out in their comments that excess of Rs. 12,616,793, as stated by the Ministry in their reply, was incurred on the Ministry of Finance's promise to cover it but later Ministry of Finance did not agree to do so. *The Committee directed that the Finance Division should report about the comments of Audit, made on the reply of the Ministry of Interior. The same action was indicated in the PAC directives given on Grant No.* 88. *Consideration of the grant was, therefore, deferred.*

(i) *Grant No.* 98—*Ministry of Local Government and Rural Development* (*Page* 120—*AA*)—

(ii) *Grant No.* 111—*Ministry of Religious Affairs and Minorities Affairs* (*Page* 132—*AA*)—

3078. The Committee did not make any material observation on these grants.

3079. *Grant No.* 155—*Development Expenditure of Ministry of Interior* (*Page* 200—*AA*)—Audit had reflected a saving of Rs. 2,338,250 under the object

head "429—Other—Pilot Projects". The Ministry stated that the saving was due to the fact that information about the actual aid, against the provision of Rs. 2,660,000, was not received in time and adjustment for it could not be carried out during the year. The saving had been reduced to the extent of Rs. 321,750 by taking into account the aid received from USAID, for which no provision was made in the budget during the year.

3080. Questioned as to what were the Pilot Projects, the departmental representative replied that these were called the Buner Pilot Projects. The amount received for the Project from the donor countries was spent by the Project Directors. They were Pakistanis but assisted by specialists engaged by the United Nations or donor countries.

3081. A member of the Committee enquired as to what action had taking against the known law-brakers. The "Economist" had stated that the Government knew who the ring leader were, but that no action was being taken against them. The departmental representative answered that, for the first time, the Government had taken action against the drug laboratories in the Tribal Areas. These had been smashed in the Federally Administered Tribal Areas, specially in Landi Kotal and a working laboratory was captured along with the chemist. The Government had raised punishment for this offence from five years to life imprisonment. The member asked that the reply did not explain lack of action against the ring leaders. The Departmental Representative asked for their names. The member replied that if Government was not aware of them it should ask the Economist.

3082. The Committee did not make any further observation on this Grant.

3083. *Grant No. 157—Development Expenditure of Ministry of Local Government and Rural Development—Object "563—Integrated Rural Development Programme—Token Provision for Development of Sub-Urban Villages Farms around Islamabad (Page 205—AA)*—Audit had shown an excess of Rs. 469,000 under this object head. The Ministry explained in their reply that the amount of Rs. 2,800,000, which was transferred to the Punjab Government by the Ministry of Local Government and Rural Development, had been booked by Audit as actual expenditure, whereas the total amount of Rs. 6,500,000 was placed by the Punjab Government in the Personal Ledger Account of the Deputy Commissioner/Project Director, Islamabad opened with the District Accounts Officer, Rawalpindi. The Islamabad Administration continued to draw money from the Personal Ledger Account of the Deputy Commissioner/Project Director, Islamabad, maintained with the District Accounts Officer, Rawalpindi even after 1-1-1981 when Islamabad became Federally administered area.

3084. A member of the Committee enquired about the excess of Rs. 469,000. The Audit representative intervened to say that, when there was no budget provision, how could this money be transferred ? The departmental representative stated that the amount was transferred to the Islamabad Administration by the Punjab Government. When Islamabad became a district and a Federally Administered Area, the Punjab Government provided the money. The departmental representative further pointed out that, though this was being dealt with by the Ministry of Local Government and Rural Development, the Ministry of Interior had to explain it. *The Committee observed that the concerned Ministry, now responsible for this matter, should explain the position to the Committee. Consideration of the matter was deferred.*

3085. *Grant No.* 180—*Capital Outlay on New Federal Capital* (*Page* 234—*AA*)—The Committee did not make any observation on this Grant.

AUDIT REPORT

3086. *Non-recovery of Rs.* 19,267 (*Para* 146, *page* 125—*AR*)—Audit had reported that charges of a private nature, amounting to Rs. 19,267 and paid by a Mission abroad on behalf of a former Interior Minister, were held recoverable. The irregularity was initially pointed out in June, 1975. Since then, the matter was pursued regularly with the Mission and the Ministry concerned, but no action to recover or write off the amount had been taken so far.

3087. The Ministry stated that the entire amount had since been written off by the Finance Division. Necessary sanctions, duly endorsed by the D.F.A. (ID), had been issued. As Audit had admitted the write off sanctions the Committee decided to drop the paragraph.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORT ON THE ACCOUNTS FOR 1978-79

(i) *Reconciliation of Accounts with Audit* (*Paras* 653-654, *page* 205—*PAC Report* 1978-79)—

(ii) *Group head 'B—Pakistan Narcotics Control Board'* (*Page* 120—*AA*) (*Paras* 657-658, *page* 206—*PAC Report* 1978-79)—

(iii) *Group head 'C—Security Measures'* (*Page* 120—*AA*) (*Paras* 659-660, *page* 206—*PAC Report* 1978-79)—

3088. The Committee did not make any observation on these paragraphs.

3089. *Grant No.* 87—*Ministry of Interior* (*Page* 120—*AA*) (*Paras* 655-656—*Page* 206—*PAC Report* 1978-79)—Audit was requested to report compliance to Committee's directive.

3090. *Grant No.* 89—*Civil Armed Forces* (*Page* 122—*AA*) (*Para* 652, *page* 207—*PAC Report* 1978-79)—The Committee had previously desired to know the purposes of supplementary grant, re-appropriation, surrender and saving, the date of carrying out this exercise and whether the same was undertaken with the concurrence of the Financial Adviser. The departmental representative replied that the relevant records were not readily available with them and promised that they would find out the facts and supply full details to the Committee. A member observed that explanations of the Ministry were not satisfactory. *The departmental representative was directed that a comprehensive explanation should be furnished to the Committee. The paragraph was, therefore, deferred.*

3091. *Group Head "D-Building and Communications"* (*Page* 122—*AA*) (*Paras* 663 *and* 664, *pages* 207-208—*PAC Report* 1978-79)—The Committee had observed that the explanation submitted by the Ministry, in compliance with the previous directives of the PAC, was not satisfactory. *The Committee, again directed that a tenable explanation in full detail be furnished to the Committee. As such, consideration of these paragraphs were deferred.*

3092. *Grant No.* 155—*Development Expenditure of Ministry of Interior* (*Page* 194-*AA*) (*Paras* 667—668, *page* 208—*PAC Report* 1978-79)—The Committee noted that the reconciliation of accounts between Audit and the Department had been carried out satisfactorily. These paragraphs were, therefore, treated as dropped.

(i) *Group head 'N-Public Health' and 'O-Agriculture'* (*Page* 194—*AA*) (*Paras* 669—673, *pages* 209-210,—*PAC Report* 1978-79)—

(ii) *Grant No.* 15-*Group head 'C—Frontier Constabulary and Militia'* (*Paras* 84—86, *pages* 34-35,—*PAC Report* 1973-74) (*Paras* 684—686, *pages* 211-212—*PAC Report* 1978-79)—

(iii) *Grant No.* 16 (*Paras* 86-87, *page* 34—*PAC Report* 1974-75) (*Paras* 691-692, *pages* 212-213, *PAC Report* 1978-79)—

3093. The Committee did not make any observation on these pagragraphs.

3094. *Outstanding Hostel rent amounting to Rs.* 0.6 *million* (*Para* 20, *page* 34-*AR*) (*Paras* 603—608, *pages* 192-193—*PAC Report* 1978-79)—The Committee had previously directed that, on the receipt of rent bills from the C.D.A., Audit should deduct the amount of arrears from the salaries of the officers concerned. The Ministry reported that the chances of recovery appeared to be remote and the Manager, Government Hostel had been directed to put up the case to the CDA Board for further orders.

3095. A member of the Committee enquired as to why such a situation was allowed to arise by not making the recoveries in time. The departmental representative submitted that the latest position was that all the outstanding amounts had been recovered.

3096. *The Committee directed that in that case, the recoveries of arrears of rent for the Government Hostel should be verified by Audit and a report submitted to the Committee.*

3097. *Outstanding Inspection Reports, Audit Notes, etc.* (*Para* 24, *page* 36—*AR*) (*Paras* 623-626, *pages* 196-197—*PAC Report* 1978-79)—The Committee had previously desired that all the ouststanding reports should be settled expeditiously. In compliance, the Ministry intimated that, out of 2,204 Audit Notes and 1,094 Objection Statements 1,775 Audit Notes and 690 objection statements were cleared, leaving a balance of 429 Audit Notes and 404 Objection Statements.

3098. A member of the Committee enquired as to what was the latest position of these Reports and whether the Department had fully cleared the old ones. The departmental representative confirmed that all the old Reports had been cleared. The same member further remarked that the completion of action on the Inspection Reports went only up to 1979-80 and the Inspection Reports for 1980-81 were still outstanding, which should be cleared before the Committee takes up the Ministry's accounts for the year 1981-82.

3099. *The Committee directed that the latest position about the Inspection Reports should be reported to the Committee.*

3100. *Recovery outstanding against contractors* (*Para* 631, *page* 198—*PAC Report* 1978-79)—It was previously agreed in respect of items (i) to (viii) of paragraph 631 at page 198 of the PAC Report 1978-79 that the CDA and Audit should meet and finalize action on the aforesaid items, wherever called for, by the 31st March, 1981. Only the paragraphs, proposed to be brought to the notice of the Government, might be brought up before the Committee.

3101. The Ministry explained that action for recoveries from the Contractors concerned was initiated through the Collectors concerned for realization as arrears of land revenue under section 49-A of the C.D.A. Ordinance. The Contractors had obtained stay orders from Courts against recovery proceedings. The cases were still sub-judice. A member observed that why no departmental action was initiated in such cases.

3102. *The Committee asked to be kept informed of the up-to-date position.*

AUDIT REPORT

Capital Development Authority

3103. *Non-recovery of advances amounting to Rs.* 77,724,856 (*Para* 120, *page* 94—*AR*)—Audit had pointed out that, in a Division of the Capital Development Authority, hundred per cent advance payments were allowed to suppliers

(subject to subsequent adjustment from their bills) for certain materials, during the period from 1st July, 1973 to 31st December, 1980, but an amount of Rs. 77,742,856 out of such advances was outstanding upto December, 1980.

3104. The Ministry stated that the up-to-date position, reported by the CDA, was that a sum of Rs. 45,051,009 stood cleared and verification by Audit was in progress. Audit maintained and confirmed that out of that amount the accounting of materials worth Rs. 41,126,778 had been verified by Audit, but the records, for the balance of Rs. 3,924,231, were not made available to Audit for verification

3105. Audit also emphasized that further progress towards the recovery of the balance amount of Rs. 32,691,847, outstanding for the previous four to ten years, should be reported in the PAC meeting.

3106. The Committee, however, decided to drop the paragraph subject to verification by Audit.

3107. *Non-recovery of Rs.* 11,951,490 *from Cement Corporation and irregular payment of Rs.* 1,614,258 *on account of freight charges of cement* (*Para* 121, *page* 94—*AR*)—As reported by Audit, an agreement for the supply of imported cement at the rate of Rs. 1,240 per ton, was signed between the State Cement Corporation and a Division of the Capital Development Authority in April, 1979. The rate included the cost of delivery of cement at the Central Stores of CDA, Islamabad and the Authority made advance payments of Rs. 25,236,827 to the Cement Corporation from April, 1979 to June, 1981, which included freight charges of Rs. 1,614,258 (paid to Railways) as well as carriage charges (paid to truck drivers) on behalf of the State Cement Corporation. Against the total payment made to the Corporation the cost of supplies amounted to Rs. 13,285,337 and the balance amount of Rs. 11,951,490 still remained outstanding against the Corporation. Not only was the payment of freight charges irregular (being against the provision of the agreement), but the liberal advance payments made for the procurement of cement also amounted to blocking of the Authority's capital.

3108. It was intimated by the Ministry that the claim of CDA, amounting to Rs. 8,303,528 had been accepted by State Cement Corporation, and cement worth Rs. 8,207,588 had been received and the balance was being reconciled.

3109. Keeping in view the above position, the Committee, decided to drop the paragraph subject to verification by Audit.

3110. *Infructuous expenditure of Rs.* 2,723,825 (*Para* 122, *page* 95—*AR*)—As pointed out by Audit, an expenditure of Rs. 2,723,825 was incurred by a Division of the CDA from June, 1973 to November, 1975 on the construction of accommodation for the officers and staff of Consulting Engineer, and Chief Resident

Engineer, WAPDA at Simly. The accommodation was, however, not allotted to the officers or staff concerned, and the Authority had to incur a further expenditure of Rs. 151,602 for providing accommodation to them at Rawalpindi and Islamabad from July, 1977 to June, 1979.

3111. Audit further stated that the expenditure incurred on the construction of accommodation was thus not utilised for the purpose for which it was incurred and the same was occupied by the contractors' labour.

3112. As the reply of the Ministry was accepted and verified by Audit, the paragraph was treated as dropped.

3113. *Loss of Rs.* 17,204,277 *due to un-metered supply of Sui Gas to residents of Government Quarters* (*Para* 123, *page* 95—*AR*)—Audit had pointed out that the CDA paid an amount of Rs. 27,915,947 to the Sui Gas Company for the bulk supply of Sui Gas from 1970-71 to 1980-81, against which an amount of Rs. 10,711,670 was recovered from the consumers at flat rates, resulting in a loss of Rs. 17,204,277 to the Authority.

3114. The department contended that the amount involved was neither an overpayment nor a loss. Since the construction of Government Quarters in Islamabad, no gas meters were installed and it was decided to supply gas to Government Quarters at flat rates, approved by the Government. In the absence of meters in the lower categories of houses, bulk supply was made by the Sui Northern Gas Company through their bulk meters at bulk supply rates. As the amounts of these bills used to be more than the actual recoveries made at the flat rates, approved by the Government, the payment of gas bills over and above the amounts realised from the allottees of the quarters was a subsidy on the supply of gas, for which funds were provided by the Government. The payment of subsidy could be eliminated only after gas meters were installed in all the quarters. This had been taken up by the CDA under a phased programme, according to availability of funds for the purpose.

3115. *The Committee directed the departmental representative that the losses/ subsidy due to un-metered supply of gas should be recovered from the Government, at the earliest possible date.*

3116. *Losses due to shortages, damages, mis-appropriations, thefts etc., of stores worth Rs.* 2,004,300 (*Para* 124, *pages* 96—191—*AR*)—Audit had pointed out that, during local audit, 41 cases of losses of stores were noticed in various formations of the Capital Development Authority. Reports were made, in each case, to the local authorities, but the action taken by them if any, to institute inquiries, to place the amounts under Suspense for watching recoveries, to make good or regularize the losses had not been intimated.

3117. The departmental representative informed the Committee that, out of 41 items, 22 had been recommended for settlement by Audit. Two problemtic items, which related to the Bengalis who vacated the quarters in 1971, had been taken up with the Board of Trustees, for assistance in recovering the money. If these two cases are finalised the whole lot will be cleared.

3118. After hearing the departmental representative, the Committee decided to drop the paragraph subject to verification by Audit.

3119. *Non-recovery of Rs. 41.2 million on account of cost material, Secured Advance/Empty cement bags, excess payments, Insurance claims, rent of plots/ shops lease of land etc. (Para 125, pages 101—110—AR)*—According to Audit, recoveries of Rs. 41,172,222 were found outstanding in various formations of Capital Development Authority. These were pointed out to the local authorities, but intimation of the progress made towards their recovery and the actions taken against those responsible was still awaited.

3120. Replying to a query, the departmental representative explained that there were 68 cases for which recoveries had to be made. Of these, 21 had been recommended by Audit for settlement. 82 per cent of the outstanding claims had been adjusted. In fact, the procedure was too old and the department had been following the same. However, the Authority was trying to revise the procedure and it was expected that the position would improve. The Chairman, CDA further explained the position of recovery as below—

11.7	million	.. ..	Recovered
1	million	.. ..	Written off
7.1	million	.. ..	Outstanding (to be recovered)

3121. A member of the Committee pointed out that some one should be responsible for minus bills etc., and desired that copies of the details be furnished to Audit and the Committee, giving full information about the action which the department was proposing to take to reduce such cases, as far as possible. The departmental representative promised that the CDA would supply up-to-date details of the recovery of outstanding items to Audit by the 30th September, 1984.

3122. After some discussion, *the Committee directed that the Authority should furnish a brief to Audit by September 30, 1984 about the new steps taken by them to effect improvements. The brief should, particularly, throw light on paragraph 125(9) Simply Dam Project (why another contract was given to the same contractor where same history was repeated) and some other important items.*

3123. *Non-adjustment of CDA Revenue Receipts amounting to Rs.* 1,508,664 *in the Revenue Accounts of CDA* [*Para* 126 (*i*), *page* 112—*AR*]—Audit had pointed out that this amount had been shown in the Schedule for recoveries on account of Royalty/Malkana. Since the recovery on account of Royalty/Malkana related to revenue, the same should have been credited to the Final Revenue Head.

3124. It was explained by the Department that decision to credit the amount to the Revenue Head had since been taken, in consultation with the Law Section of the Authority. The amount was accordingly being credited to the relevant head. The Committee accepted the above explanation and the paragraph was treated as dropped.

3125. *Excess expenditure of Rs.* 15,702,538 *on Self-Financing Scheme* [*Para* 126 (*ii*), *page* 112—*AR*]—It was explained by the Department that, with the exception of Mehran-8 (Sl. 1) and I-9 (Sl. 7), all the self-financing sectors were Model Villages, mainly meant for allotment to the dispossessed. The expenditure on development of the same was being met, initially, from the overall receipts of Self-Financed Sectors and it would stand ultimately adjusted on the receipt of instalments. The Department further added that recoveries of the cost of plots were to be made in easy instalments, but development had to be carried on as a continuous process.

3126. After discussion, *the Committee directed that a note should be furnished to the Committee about the total arrears due to be recovered and the amount actually recovered.*

3127. The examination of left over accounts in respect of Ministry of Interior was postponed to the following day, the 27th August, 1984.

3128. The Committee then adjourned to meet at 9.00 a.m. on Monday the 27th August, 1984.

M. A. HAQ,
Secretary.

Islamabad, the 9th September, 1985.

FEDERAL COUNCIL SECRETARIAT

Monday, the 27th August, 1984

Twentieth Sitting (PAC)

3129. The Public Accounts Committee re-assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue with the examination of the Accounts of Ministry of Interior for 1980-81. The following were present—

P.A.C.

(1) Syed Saieed Hasan, Member, Federal Council .. .. *Member (Acting Chairman)*

(2) Akhunzada Bahrawar Saeed, Member, Federal Council .. *Member*

(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member*

(4) Mr. Abdul Qadir, Former Chairman Railway Board .. *Member*

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

Federal Council Secretariat

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

(2) Ch. Abdul Qadir, Joint Secretary

(3) Mr. Muhammad Aslam, Deputy Secretary

(4) Syed Muhammad Ahmad, Assistant Secretary

Audit

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

(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)

(3) Mr. S. I. Shabbir, Deputy Auditor-General (Co-ord)

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

(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues

(6) Mr. Zaheeruddin Jeddy, Director General, (PEC)

(7) Mrs. S. N. Sheikh, Director General, Commercial Audit

(8) Mr. Iftikhar Ali Khan Raja, Director General, Audit and Accounts works

(9) Mr. M. Saleem Siddiqui, Director, Concurrent Audit (CDA)

Ministry of Finance

(1) Raja Raza Arshad, Deputy Secretary

(2) Mr. Saeedullah, F.A. (Interior)

(3) Mr. H.A. Niazi, F.A. (Communications)

MINISTRY OF INTERIOR

3130. The examination of the remaining Accounts pertaining to the Capital Development Authority under the Ministry of Interior, which was deferred on 26-8-1984 was taken up first by the Committee. The following departmental representatives were present—

(1) Mr. Mazhar Rafi, Additional Secretary

(2) Mr. Abdul Wahab, Joint Secretary

(3) Mr. Jan Nadir Khan, Chairman (CDA)

(4) Mr. Saghir Asad Hasan, FA/Member (CDA)

(5) Mr. Muhammad Izharul Haque, Director Accounts

3131. *Irregular expenditure of Rs.* 5,171,213 *on Deposit Works and its misclassification* [*Para* 126 (*iii*), *page* 113—*AR*]—Audit had reported that the Authority incurred an expenditure of Rs. 5,171,213 on deposit works, in excess of the deposits received for the works under execution. Despite the fact that the irregularity was being pointed out every year in the form of a Draft Paragraph, the Authority had not taken steps to stop the irregular practice. Besides, aforesaid expenditure of Rs. 5,171,213 was required to be booked to the Suspense Head " Misc. CDA Advances ". Expenditure in *minus* figure of Rs. 5,171,213 against each individual work, was exhibited in the account under Debt and Deposit head, which was in violation of codal provisions.

3132. Audit further reported that, according to rules, expenditure on deposit works was required to be limited to the amount of deposit received and the unspent balance should have been refunded to the Agencies concerned. In disregard of codal requirements, an amount of Rs. 7,698.018 was being retained by the Authority, although the works for which the deposits were received had been completed long ago. In the view of Audit, the retention of this unspent amount, which was being utilized for other deposit works, without any deposits against them, was irregular.

3133. Audit pointed out in their comments that the irregularity had been taken up separately in paragraph No. 131. Hence it may be deleted from here to avoid duplication. The Committee agreed with Audit and decided to discuss the irregularity while dicussing paragraph No. 131 for 1980-81.

3134. *Non-adjustment of* minus *balance amounting to Rs.* 5,257,075 [*Para* 126 (*iv*), *page* 113—*AR*]—It was noticed by Audit that a sum of Rs. 5,257,075 had been shown as *minus* balance under both " Depreciation " and Depreciation Reserve Fund. " The figures should have been shown as credit balance to

" Depreciation Reserve Fund " and debit balance under " Depreciation " Account, more so because the M.P.O. and Central Engineering Laboratories, were self-financing Units, as declared by the Authority. Audit further pointed out that, under paragraphs 264 and 265 of CDA Procedure Manual Part III, Proforma Accounts of the M.P.O. and the Central Engineering Laboratories were required to be maintained, but the same were not made available to Audit.

3135. The Department contended that the Accounts involved were not ' Depreciation ' and ' Depreciation Reserve Fund ' as presumed by Audit. The break-up of the consolidated amount, shown in the Accounts, was as under—

		Rs.
(i) Depreciation Fund		256,205.43
(ii) Reserve Fund	(—)	5,513,280.76
Total ..	(—)	5,257,075.33

3136. The Department contended that, as seen, the Depreciation Fund balance was not in *minus* and was quite in order. As for the " Reserve Fund ", it was stated that all the surpluses/shortfalls of the Central Engineering Laboratories and the M.P.O. were transferred to the Reserve Fund according to the CDA rules to be set off by future losses/surpluses. The *minus* balance of the Reserve Fund was to be ultimately wiped out, when the outstanding bills of Machinery Pool Organisation (M.P.O.), amounting to Rs. 17 million, were realised. Instructions had been issued for the deposit of such outstanding bills. The proforma Accounts of M.P.O. and the Central Engineering Laboratories had been prepared and were under submission to Audit.

3137. The departmental representative further elaborated that the accounts of the Authority were maintained on actual cash realisation. The amount of Rs. 17 million did not appear in the Accounts of their receipts. The working of the M.P.O. had shown some losses and these were transferred to the Authority's fund, temporarily. This *minus* balance was to be wiped out.

3138. There were two sections which were self-financing. Firstly, the Machinery Pool Organisation (M.P.O.) and, secondly, the Central Engineering Laboratories (C.E.L.) One had " Depreciation Reserve Fund " and the other " Reserve Fund ". When the Authority had received all the dues which were

receivable, this Rs. 17 million, which were outstandings, would be wiped out. A member of the Committee remarked that the Authority used to keep the cash account and spend more and the main wing of the Authority financed the expenditure.

3139. *The Committee observed that the wording of rules, allowing* " minus *reserve", may be considered to be possibly substituted by " Excesses of disbursement over receipts". The Committee further decided that the issue of " Reserve Fund" should be discussed and settled between Audit and the Department and a report submitted to the Committee. The paragraph was, therefore, deferred.*

3140. *Non-Remittance of receipts collected on behalf of Government into Government Accounts amounting to Rs.* 11,134,517 [*Para* 126 (v), *page* 114—AR]— It was reported by Audit that, during the course of scrutiny of the CDA compiled Accounts for 6/81 (Final), it was observed that certain receipts, amounting to Rs. 11,134,517 , were collected by the CDA formations during the year. Under the rules, such receipt should have been deposited into Government Accounts during the year of realisation. But this was not done which was irregular and also caused loss to the Government. The Authority explained that the remittance of Government receipts was a regular process, but some balance remained in hand at the close of the financial year. The balance also included the amount realised on account of rent of Government. Quarters in the occupation of CDA employees, about which Government decision was awaited. The departmental representative further intimated that the Authority used to charge only 5% of pay as rent from the employees. But the Government decided upon charge standard rent for those Government Quarters. A huge amount of unpaid rent on this basis had accumulated over the last twenty years, because no final decision could be arrived at.

3141. A member of the Committee remarked that the above explanation appeared to be misleading. The departmental representative submitted that the matter had been taken up with the Government. There were many CDA buildings in the occupation of Government Departments and the Authority had raised claims that they should also pay the standard rent for these buildings. It was recently decided that both of them should pay standard rents and a further decision would be taken whether the Government or the Authority, owed anything to the other.

3142. *The Committee directed that this should be cleared by December,* 1984 *and a report submitted to them. A copy of this paragraph should also be furnished to the Works Division and taken up, when their Accounts are examined by the Committee.*

3143. *Remittance of Rs.* 336,614 *in Excess of recoveries* [*Para* 126 (*iv*), *page* 114—AR]—Audit had pointed out that a scrutiny of the Consolidated Account for 6/81 (Final) had revealed that an amount of Rs. 336,614, on account of recoveries for G.P. Fund, Benevolent Fund (Officers and Staff) and Group Insurance Fund had been remitted to the concerned offices, in excess of the recoveries made from the officers and Staff.

3144. Audit further stated that the excess payment of Rs. 336,614 on these accounts was not all at understandable and reflected an in-accuracy in the accounts.

3145. The Department admitted that some recoveries were erroneously compiled to G. P. Fund. The recoveries and compilations from 1979-80 to 1980-81 had been verified and some excess remittance had been found. The position with regard to recoveries and remittances prior to 1979-80 was under verification.

3146. The departmental representative further informed the Committee that his had been reconciled. Thereupon, the Committee decided to drop the paragraph subject to verification by Audit.

3147. *Special Grants* [*Para* 126 (*vii*), page 115—AR]—Audit had reported that—

(a) during 1980-81, Special grants were released by the Federal Government to the CDA for executing Specific Works as detailed below—

	Rs.
(1) Repair and maintenance of Alfuqra Mosque ..	750,000
(2) Repair and maintenance of Roads	700,000
(3) Construction of additional room adjacent to the attestation branch in the Ministry of Foreign Affairs ..	350,000
Total ..	1,800,000

3148. The above grant of Rs. 1,800,000 had not been exhibited in the Abstract of CDA Accounts. Audit further stated that the Consolidated Account for the year 1980-81 neither showed any expenditure against the works nor were there any records to show that the above funds had not been utilized on works other than those for which they were sanctioned.

3149. The explanation furnished by the Department was examined by the Committee, who decided that the sub-paragraph may be dropped subject to verification by Audit.

(b) Audit had pointed out that, under the rules, Special grants received by the Authority from the Federal Government were lapsable at the end of the financial year. Instead of surrendering the amount of special grants, which were released for a specific purpose, the Authority carried over an amount of Rs. 4,726,707 from the financial year 1979-80 to the financial year 1980-81.

3150. It was contended by the Department that grants, made available to the CDA, did not lapse and became part of the CDA Fund under section 42 of CDA Ordinance. The authority carried over the unspent balance of the CDA Fund for utilization in the next financial year. The amounts of grant were spent for the purpose for which they were sanctioned and the provisions of G.F.R. 209 had been duly followed.

3151. A member of the Committee observed that, under the rules, instead of surrendering the amount, the Authority had carried over an amount of Rs. 4,726,707 from the financial year 1979-80 to the financial year 1980-81. The reply of the departmental representative to this aspect was not cogent. The departmental representative submitted that the amount had been deposited in the Consolidatd Fund. The same member further enquired whether the Special grant was also a part of the Consolidated Fund, to which the departmental representative replied in the affirmative. On this, the Audit representative intervened to say that, if it was a special grant, it was not at all advisable that the Department should have diverted it.

3152. After further discussion, the Committee decided that the sub-paragraph be treated as dropped subject to satisfaction of Audit.

(c) Audit had mentioned that *minus* figure of Rs. 1,000,000 was shown on the receipt side against the special grant (Capital), for which no details had been furnished in the Consolidated Account for 6/81 (Final).

3153. A member of the Committee asked for the reason for this omission. The departmental representative informed the committee that the Authority had since refunded the amount.

3154. In view of the above position, the Committee decided to drop the paragraphs subject to verification by Audit.

3155. *Excess expenditure incurred against Grand-in-aid (R) and other Receipt (R) [Para 126 (viii), page 115—AR]*—A Member of the Committee observed that there was an accumulated excess of Rs. 77.25 million and wanted to know the present position. The departmental representative stated that presently, Rs. 22.98 million lay in *minus* figures. The same member asked whether this excess of receipts over the last 3 years was in revenue ? The departmental representative replied in the negative. Audit representative remarked that the department

had spent a heavy amount of behalf of the Federal Government which had not yet been recovered. The difficulties in recovery may, therefore, be explained to the Committee. The departmental representative said that it was a very intricate problem, because there had been an element of accumulation in it.

3156. After discussion, *the Committee came to the conclusion that Audit should go into details and came back with recommendations for further deliberations.*

3157. *Non-recovery of Rs.* 1,082,895 *of Secured Advance and cost of material from contractor* (*Para* 127—*page* 116—*AR*)—In a Public Works Division of the Capital Development Authority, Secured Advances were granted liberally and material was issued to a contractor from December, 1971 to January, 1979 in excess of the requirements. The same had, however, not been recovered, when the contract was rescinded in January, 1979, after extending time-limit on several occasions from January, 1974 onwards. Consequently, the amount of Rs. 888,619 and Rs. 194,276 were recoverable from him against Secured Advance and cost of material. The irregularity was pointed out to the Division in July, 1979 and was also taken up with the Authority in October,1979. Recovery was promised from the contractor's final bill but, despite the lapse of more than two years, this had not been done as yet.

3158. The Department explained that adjustments of Rs. 537,751 against the Secured Advance of Rs. 888,618 and of Rs. 114,160 against the cost of material of Rs. 194,276 had since been effected, leaving a balance of Rs. 350,867 and Rs. 80,116 respectively or a total amount of Rs. 430,983. Besides, a running bill of the contractor was under preparation and Rs. 403,172 was due to him. The outstanding amounts could be adjusted against the dues, thus reducing the outstanding balance to Rs. 27,811 only. This clearance would, however, be possible only after a decision in the case, presently *sub-judice* in the Court.

3159. Audit reported in their comments that the adjustment of Rs. 651,911 (Rs. 537,751+Rs. 114,160) had been verified. Questioned as to whether the Court had taken any decision, the departmental representative replied in the negative.

3160. After discussion, *the Committee directed that full facts should be reported to Audit for verification, including the original value of work quantum of work done, payments made, secured advances remaining to be adjusted and how were the final adjustments effected ? The paragraph was, therefore, deferred.*

3161. *Non-recovery of hire charges on machinery Rs.* 698,219 (*para* 128, *page* 116—*AR*)—Audit had pointed out that in a Division of the Capital Development Authority, machinery of various types was issued to government

departments, private firms and individuals on hire basis, but recovery, amounting to Rs. 698,219 (pertaining to the period from 1964 to 1971), was not effected. The department explained that the amount actually worked out to Rs. 831,564 instead of Rs. 698,219 pointed out by Audit. Of this, Rs. 477,078 pertained to the Army and the PAF on account of hire charges of the machinery used by them during the 1965 and 1971 Wars. The question of payment was taken up with GHQ/ Ministry of Defence and Rs. 63,192 had since been paid by them.

3162. A case for the payment of the balance, amounting to Rs. 413,886, was taken up with the GHQ through Environment and Urban Affairs Division. Ministry of Defence did not, however, accept the claims and intimated that the hire charges, worked out by them, were in accordance with a uniform formula and no more payment would be made on this account. The matter was being pursued with the Ministry of Defence. Out of the amount of Rs. 354,486, outstanding against other formations/individuals, a further sum of Rs. 4,027 had been recovered, leaving a balance of Rs. 350,459. The matter was being pursued vigorously, to effect recovery.

3163. After examining the explanation of the department, the Committee decided to drop the paragraph from here as the matter was discussed in detail on 26-8-1984 against paragraph 125-Audit Report 1980-81.

3164. *Non-recovery of Mobilization Advance, Cost of Materials and Hire Charges of Machinery—Rs.* 543,500 (*Para* 129, *page*, 116—*AR*)—In a Division of the Capital Development Authority, a contractor failed to complete the work within the stipulated period, and his contract was rescinded. It was further decided that the remaining work be completed at his risk and cost. A sum of Rs. 889,571 (Mobilization Advance of Rs. 717,234, Interest on Mobilization Advance of Rs. 89,654, cost of cement issued to the contractor for Rs. 47,985 and hire charges of machinery Rs. 34,698) was outstanding against the defaulting contractor at the time of abrogation of the contract.

3165. The irregularity was brought to the notice of the department the January, 1981 and was also taken up through an advance para with the Ministry in September, 1981. Audit was intimated in October, 1981 that a sum of Rs. 345,973 (due to the contractor on account of the work done) would be adjusted against the outstanding amount, leaving a recoverable balance of Rs. 543,598. It was also reported that the Insurance Company (which furnished the insurance guarantee of Rs. 717,234 for Mobilization Advance in favour of the contractor), had been served with legal notice on the 20th September, 1981, for making payment, with compound interest within 15 days.

3166. The department explained that the work of construction of 10 Nos. F to I type houses for the Presidential Estate Colony at Islamabad was awarded

to M/s. Mir Aslam Khan and Sons in May, 1980, with the clear understanding that the work would be completed within 8 months. The contractor put forwarded the condition that the work would be completed within the stipulated period, provided that authority would pay to them mobilization advance @ Rs. 20% free of interest, instead of 10% interest bearing advance. The Board of the Capital Development Authority, keeping in view the urgency of work agreed to the aforesaid condition and subsequently Rs. 717,234 were paid to M/s. Mir Aslam Khan and Sons as mobilization advance, free of interest on the production of an irrevocable insurance guarantee from M/s. Pioneer Insurance Company, who undertook to pay to the Authority the guaranteed money without any question or referring the matter to any quarter.

3167. Unfortunately, the progress of the firm towards the execution of the work remained very discouraging and they could hardly execute 7.75% of the whole project. Several notices were issued to the contractor but to no effect. The Board of the Capital Development Authority was informed about the situation and, simultaneously, the Insurance Company was called upon to pay the Authority the guaranteed money. But the Insurance Company was found reluctant to pay the insured money to the CDA. Hence legal notices were served upon them through the Legal Adviser of CDA. The case was *sub-judice* in the Court and had not yet been finalised. On the other hand, the authority had already rescinded the contract of M/s. Mir Aslam Khan and Sons under clause 17 (c) and the balance work was being carried out at the risk and cost of the contractor.

3168. A member of the Committee reminded the departmental representative that this was the case contractor who had been previously removed and the department gave him a new contract again. The departmental representative conceded that there must be some collusion. The same member of the Committee observed that a proper inquiry should be held into in for suitable action.

3169. After further discussion, *the Committee decided that an Inquiry be held and completed by December, 1984 to see as to how was the same black-listed contractor awarded another contract by the Authority. A report about the action taken should be furnished to the Committee.*

3170. *Expenditure incurred on works in anticipation of technical sanction* (*Para* 130, *page* 117—*AR*)—Audit had pointed out in their comments on the departmental reply that estimates of all the Works had been technically sanctioned by the Department and verified by Audit.

3171. However, the Committee observed that the Authority must maintain a separate consolidated file of all Technical sanctions, for ready reference and for inspection by Audit, when needed. Thereafter, the paragraph was treated as dropped.

3172. *Expenditure incurred on depost works in excess of deposits received* (*Para* 131, *pages* 117-118—*AR*)—The departmental representative informed the Committee that this paragraph indicated the position of 17 deposit works against which expenditure was incurred in excess of the deposits received and one deposit work, where expenditure was incurred without any deposit for the period ending 30-6-1981. According to the accounts for the month of January, 1982, 14 works had excess expenditure on them. The net excess over deposit was Rs. 3,754,942 against the amount of Rs. 5,171,213. Efforts were being made to obtain funds from the respective agencies.

3173. A member of the Committee enquired as to why the works were splitted and who ordered the division of the works. The departmental representative replied that the Director General was fully competent to do so. Procedurally, unless the total money was deposited, work would not be started.

3174. After seeking certain clarifications, from the departmental representative, the Committee observed then action should always be taken according to the rules and decided to drop the paragraph.

3175. *Loss of Rs.* 503,473 *by retendering* (*Para* 132, *page* 118—*AR*)—According to Audit, in a division of the CDA, a contractor agreed in March, 1978 to complete the work within the stipulated period of 2 months at a total cost of Rs. 1,712,359. In May, 1978, the department decided to reduce the period of completion from two months to one and a half month, and, consequently, a portion of the work (estimated cost Rs. 797,630) was allotted to another agency at the same premium, as was offered to the original contractor. The latter completed the work allotted to him, but the former refused to execute the work due to its unjustified distribution. The suspended portion of the work was put to tender on the 29th January, 1979 *i. e.*, after eight months. The contractor, was allotted a portion of the work previously, happend to be the lowest in the competition and consequently, the work was allotted to him at a total cost of Rs. 1,530,468. The entire work in question thus got completed at a total cost of Rs. 2,215,832, involving a financial loss of Rs. 503,473 to the Authority.

3176. The department stated that the matter required to be investigated into for ascertaining the correct position. A member of the Committee enquired about the latest position. The departmental representative submitted that the inquiry had been completed. The officer concerned had been exonerated. The work as splitted into two parts in accordance with clauses 11 and 12 of the contract. The same member of the Committee desired to know as to who ordered the splitting of work in two parts. The departmental representative informed the Committee that this was done by the Director General, but the inquiry was held against a Director, who was not involved in the case. The member observed

that the explanation was not satisfactory and there should be a proper inquiry for it. The Audit representative pointed out that, according to the accepted practice, once a tender is advertised, it should be awarded to the lowest bidder.

3177. After further discussion, *the Committee came to the conclusion that, though the explanation was not quite satisfactory, nothing could be done under the circumstances as the Director General was not there. The paragraph was treated as dropped but the Department was cautioned to avoid recurrence of such irregularities in future.*

3178. *Infructuous expenditure of Rs.* 99,591 (*Para* 133, *page* 119—*AR*)—Audit had pointed out that a formation of the CDA paid a sum of Rs. 99,591 in 1976 to a firm of private architects, for designing a housing project (A, B, C, and D type flats for the Communications Security Staff). The design, prepared by the firm, was found technically defective, and the Member (Technical) of the Authority advised the adoption of the design, on the basis of which flats had already been constructed by the Authority. Subsequently, the housing scheme was dropped in September, 1979, resulting in a wasteful expenditure of Rs. 99,591, already incurred.

3179. The department explained that flats for the Communications Security Staff were to be constructed on behalf of the Cabinet Division and a Committee, headed by the Special Secretary, Cabinet Division was looking into the progress of the project. The Committee decided upon the appointment of M/s. Architect Commune for the designing of the flats. Accordingly, an agreement was entered into with the firm. A payment of Rs. 99,591 was made to the Architects Commune strictly in accordance with the agreement and in pursuance of approval by the Sub-Committee on 16-12-1976. Later, the Cabinet Division reviewed the housing project and expressed preference for designs, already approved by the CDA. It was then decided by them to dispense with the services of Architects Commune and to use the CDA drawings. Thereby, they saved Rs. 241,861, which would have become due to Architects Commune, had they continued with the preparation of further drawings and documents as per their agreement.

3180. It was the C.D.W.P. which decided to drop the housing portion of the project for the time being. The part payment of Rs. 99,591 to the firm was a contractual obligation and unavoidable. By their timely action, the Authority had, in fact, saved Rs. 241,861. Audit commented that the hiring of private architects who produced a defective design, in the presence of CDA's Directorate of Architecture, whose design was accepted later, was not justified.

3181. A member of the Committee remarked that the Cabinet Division should have given the explanation for this and not the Ministry of Interior.

3182. The Committee directed that CDA should advise its future clients not to engage private architects in the presence of the Authority's own architects. The paragraph was dropped.

3183. *Non-recovery of Rs.* 89,430 (*Para* 134, *page* 119—*AR*)—The reply given by the department for the irregularity of Rs. 39,650 had been verified by Audit. Formal write off sanction for Rs. 49,780 was awaited. The paragraph was treated as settled/dropped subject to verification by Audit.

3184. *Loss of Rs.* 150,500 *on account of payment for below specification material* (*Para* 135, *page* 120—*AR*)—A Division of the CDA paid Rs. 337,440 to a firm in July, 1979, for the first consignment of furniture, required for a Government Estate. Subsequently, in March, 1980, defective furniture worth Rs. 150,500 was rejected in consequence of inspection, and the firm was asked to refund the money, already paid. Audit emphasised that payment should have been made to the firm after proper inspection, as a departure from this procedure resulted in a loss of Rs. 150,500 to the Authority.

3185. Audit further pointed out that it was stated in the Ministry's reply that the furniture was rejected by the CMLA Secretariat and efforts were being made to recover the cost. No recovery of the cost of defective furniture had, however, been made during the last two years. Audit then stressed that, under the circumstances, the Authority should have recovered Rs. 150,500 from the firm and should take immediate action against those responsible for making payment, without an adequate inspection of the furniture.

3186. The Department explained that the contractors were asked to remove the rejected items but they did not collect the same. As payment of the rejected items had been made at only part rates (Rs. 150,500), instead of full agreed rates (Rs. 201,438) a less payment of Rs. 50,938 had been made to the contractors. Hence there was no loss to the CDA. The contractor had sought for a legal remedy and the matter was *sub-judice.*

3187. After discussion, *the Committee decided that immediate action should be taken to dispose of the material* i.e., *rejected items of furniture.*

3188. *The paragraph was, however, dropped subject to the above directive of the Committee.*

3189. *Non-recovery of Rs.* 64,039 *from contractors* (*Para* 136, *page* 120—*AR*)—The Committee was informed by the department that out of the balance recovery of Rs. 64,039, a recovery of Rs. 50,112 had since been made from the Security Deposits of the Contractor etc., and had been verified by Audit. Action for the recovery of the remaining amount of Rs. 13,927 was in process.

3190. A member of the Committee observed that the department should have held an inquiry against the person concerned and taken necessary action. This should in future, be done and intimated to Audit in due course when errors are glaring.

3191. *The Committee, however, decided to drop the paragraph subject to verification by Audit, who should also watch the action taken by the Department and, if necessary, report to the P.A.C.*

3192. *Loss of Rs. 45,402 due to short recovery of cost of material* (*Para 137, page 121—AR*).—Audit had reported that, in a Division of the CDA, material was issued to a contractor in excess of the actual requirements of the work contracted for in 1973-74. But the cost thereof was not recovered at the issue or market rate (whichever was more) as per the codal requirements, resulting in a loss of Rs. 55,402 to the Authority. The Department furnished the following facts:—

(i) A total quantity of 2,122 tons of cement was drawn and issued to the contractor against this work. According to the actual work done at the site, the consumption of cement was 2,068 tons. Allowing the permissible wastage, the total quantity of cement consumed worked out to 2,122 tons. Thus the question of issue of excess cement to the contractor did not arise. Full recovery on this account had already been made.

(ii) As regard the total quantity of 49 tons of steel, issued to the contractor for this work, it was stated that 43.01 tons, including wastage against binding, overlapping, short length of steel bars etc., was consumed. The remaining quantity of 6.2 tons was issued in excess of the actual requirements. Recovery for the cost of this material, amounting to Rs. 19,313.10 @ Rs. 3,110 (market rate of Rs. 5,000 less Rs. 1,890 per ton *i. e.*, agreement rate), was being effected from the final bill which was under pre-audit.

3193. A member of the Committee remarked that there was a loss of Rs. 55,402 due to short recovery of the cost of material and the department took ten years to find this out. The CDA should reconsider it. This point arose from the difference in prices. If the wastage rate was predetermined, then, of course, the matter ended there.

3194. In view of the position stated above, *the Committee decided that the CDA should go into all these cases again and satisfy Audit. The paragraph was, therefore, deferred.*

3195. *Loss of Rs.* 55,269 *due to short delivery of Cement* (*Para* 138, *page* 121—*AR*)—Since the recovery of Rs. 53,667 was verified by Audit and final action in respect of the balance amount of Rs. 1,602 only was awaited, the Committee decided to drop the paragraph subject to verification by Audit.

3196. *Overpayment of Rs.* 16,956 *to contractor* (*Para* 139, *page* 121—*AR*)—As the reply given by the department had been accepted by Audit, the paragraph was treated as settled.

3197. *Loss of Rs.* 29,939 *due to re-tendering of Work*—(*Para* 140, *page* 122—*AR*)—As the reply of the Ministry was found by Audit to be satisfactory, the Committee decided to drop the paragraph.

3198. *Loss due to allowing less rate of interest by a Bank on Short Term Deposit Account*(*Para* 141, *page* 122—*AR*)—A member of the Committee observed that this paragraph was settled with the Bank, as they had agreed, in principle Audit should, therefore, follow it up. The Audit representative pointed out that the Bank had not actually agreed. The Departmental representative informed the Committee that the Bank had no doubt declined to the concerned Directorate of CDA, when they had take it up. Now the department had again taken up and raised the level of contact. It was expected that it would be cleared within a few weeks. Thereupon, the Committee decided that the paragraph may be settled subject to verification by Audit.

3199. *Mis-appropriation of Cement worth Rs.* 20,000 (*Para* 142, *page* 123—*AR*)—According to Audit, in a Public Works Division of the CDA, 477 tons of cement was drawn from the departmental stores and was shown issued to a contractor in material-at-site account for a work commencing in May, 1976, and completed in April, 1979. The contractor objected to the recovery of 20 tons of cement, worth Rs. 20,000, at the time of finalisation of his accounts, claiming that the same was not received by him. Therefore, the final bill was passed in October, 1979, without recovering the cost of 20 tons of cement as per the Board's directive, resulting in a loss of Rs. 20,000 to the Authority.

3200. The departmental representative intimated that adjustment of the cost of 20 tons of cement had already been effected from the dues of the official concerned, which were lying with C.D.A. as he had left the service.

3201. Audit in their comments informed the Committee that recovery made by the Authority had been verified by them and recommended the paragraph for settlement.

3202. After discussion, the Committee directed that as the person concerned had disappeared no disciplinary action could be taken against him, but the recovery had already been made, so the paragraph was treated as settled.

3203. *Loss of Rs. 7,464 due to shortage of cement during distribution (Para 143, page 123—AR)*—The Committee was informed that the contractor was not traceable and, as such, no further action could be taken. He had, however, been black-listed. The paragraph was, therefore, treated by the Committee as dropped.

3204. *Outstanding Inspection Reports Audit Notes etc., (Para 144, page 123—AR)*—The Committee did not make any material observation in regard to this paragraph which was treated as dropped.

3205. *Loss of Rs. 34,800 due to non-receipt of fee (Para 145, page 124—AR)*—A member of the Committee enquired as to whether any inquiry had been held about this misappropriation ? The departmental representative submitted that an inquiry was held and 3 out of 4 officials found involved, were removed from service and one was censured under E and D Rules, 1973.

3206. In view of the above, *the Committee observed that, in case the amount could not be recovered, the same may be considered to be written off and Audit should follow up the action taken in this behalf.*

3207. *Irregularities in the accounts of Shrine Fund (Para 159, page 133—AR)*—Audit had pointed out the following irregularities—

(i) Rs. 14,500 were given to the Chief Editor of Monthly " Auqaf ", out of the Shrine Fund, for unknown purposes, of which Rs. 8,000 were refunded by him, leaving a balance of Rs. 6,500. No steps were taken to recover this amount,

(ii) Books worth Rs. 22,958 were purchased out of the Shrine Fund. No stock entries for the receipt of these books and their further distribution were found having been made.

3208. As regards (i) above, the departmental representative informed the Committee that, out of a balance of Rs. 6,500, a further sum of Rs. 5,067 had been recovered from the Chief Editor of Monthly " Auqaf " in instalments but he had declined to refund the balance of Rs. 1,433. The Committee decided that Audit should follow it up.

3209. As for (ii) above, it was stated by the departmental representative that the books were purchased by the Publication Cell of the Ministry of Religious Affairs and Minorities Affairs through its dealing officer, Mr. Miran Bukhsh, and were distributed by the Cell. The Ministry had mentioned that the Publication Cell, which purchased the books, worth Rs. 22,958 out of the Shrine Fund, used to function under the direct supervision of the then Minister for Religious Affairs. That Ministry further stated that neither the dealing officer, Mr. Miran Bukhsh, then incharge of the Cell was in service nor any records pertaining to

the purchase and distribution of the books in question were traceable in the Ministry.

3210. A member of the Committee asked the departmental representative as to which books were purchased ? The departmental representative submitted that he would check it up with the Ministry. The Member said that he suspected that either the books were not traceable or they were not purchased at all.

3211. In view of the above position, *the Committee decided that—*

(i) *The Ministry of Interior should give full facts of the case to Audit.*

(ii) *Writing off of the amount should be considered after exhausting all the avenues to recover the same.*

3212. *Non-conducting of internal check* (*Para* 187, *page* 150—*AR*)—Questioned as what was the latest position, the departmental representative submitted that a new system for internal audit had since been started. *The Committee then directed that the reports and records of the internal check should regularly be passed on to Audit.*

3213. *Delay in processing of G.P. Fund and Pension cases* (*Paras* 188 *and* 189, *Pages* 151 *and* 157—*AR*)—*The Committee took a serious view of the inordinate delay in the disposal of G.P. Fund and pension cases. Audit may report the causes of this delay for more than one year to the PAC.*

3214. *Points not discussed to be treated as settled*—The Committee did not make any observation on the other paragraphs/points (i) in the Appropriation Accounts etc., or the Audit reports thereon ; and (ii) in the compliance statement on the PAC's report for 1978-79. These would be deemed as settled, subject to such regularisation actions as mi ght be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad : *the 9th September,* 1985.

FEDERAL COUNCIL SECRETARIAT

Monday, the 27th August, 1984

3215. The Public Accounts Committee assembled in the State Bank Building, Islamabad at 09.00 am. on the 27th August, 1984, to continue the examination of the balance of Federal Accounts for 1980-81 and the Federal Accounts for 1981-82. Among others, it than examined the remaining accounts pertaining to the Ministry of Communications for 1980-81. The following were present—

P.A.C.

(1) Syed Saieed Hasan Member, Federal Council .. .. *Member (Acting Chairman)*
(2) Akhunzada Bahrawar Saeed, Member, Federal Council .. *Member*
(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council *Member*
(4) Mr. Abdul Qadir, Former Chairman, Railway Board .. *Member*
(5) Mr. Yusuf Bhai Mian, Chartered Accountant .. .. *Member*

Federal Council Secretariat

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

Audit

(1) Mr. Abdur Raouf, Auditor-General of Pakistan
(2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA)
(3) Mr. S.I. Shabir, Deputy Auditor-General (Co-ord)
(4) Mr. Khalid Rafique, Deputy Auditor-General (A&R)
(5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues
(6) Mr. Zaheeruddin Jaddy, Director General (PEC)
(7) Mrs. S. N. Sheikh, Director General, Commercial Audit
(8) Mr. S. T. Rehman, Director General of Audit, P T &T.
(9) Mr. M. Saleem Siddiqui, Director, Concurrent Audit (CDA)

Ministry of finance

(1) Raja Raza Arshad, Deputy Secretary
(2) Mr. Saeedullah, F.A. (Interior)
(3) Mr. R. A. Niazi, F.A. (Communications)

MINISTRY OF COMMUNICATIONS

3216. In its meeting, held on the 9th May, 1984, the Public Accounts committee had completed the examination of the Appropriation and Commercial Accounts of the Ministry of Communications for 1980-81, compliance report 1978-79 and Audit Reports thereon, of the Ministry of Communication, and Post Office Department and partly those pertaining to the Pakistan Telegraph and Telephone Department. The Committee, therefore, took up, for its examination the remaining Accounts of the latter and the Compliance statement of the Ministry for the year 1978-79. The following departmental representatives were present—

(1) Mr. F.K. Bandial, Secretary
(2) Mr. S. Ibrahim Shah, Deputy Secretary
(3) Brig. Mansoor-ul-Haq, D.G. (T&T)
(4) Rear Admiral A. Waliullah, Chairman (P.Q.A.)
(5) Mr. M. W. Rizvi, M. D. (C.T.I.)
(6) Mr. K. Ajmal Khan, M.D. (T.I.P.)
(7) Brig. Mazhar Hussain Kawish, D.G. (SCO).
(8) Mr. M. Khurshid, D.G (P.P.O)
(9) Rear Admiral A.W. Bhombal, Chairman (PNSC)
(10) Mr. N. H. Shah, G. M. (NRTC)

3217. *Reconciliation of Accounts with Audit*—A member of the Committee anquired as to whether the reconciliation of Demand No. 23, and 24 had been completed. The departmental representative submitted that the Accounts for the year 1981-82 had been reconciled, but the Accounts of Demand Nos. 170, 24 and 23 were being reconciled. *The Committee directed that all the outstanding reconciliation must be completed by the end of September*, 1984.

AUDIT REPORT (T & T)

3218. *Overpayment of Rs.* 69,981 *to a contractor* (*Para* 3.3. *page* 39—*AR—T&T*)—According to Audit, a contract was awarded to a contractor in the Development S-II Division, Hyderabad at 79% above the Pak. P.W.D. Schedule of Rates, 1973. But same items of work, included in the bill be quantities were treated as non-schedule items, though scheduled rates for thesse items were available with the result that contractor was paid exhorbitant rates for them. The irregularity was detected in May, 1979 and brought to the notice of the higher authorities in June, 1979, but no reply was received.

3219. The Ministry explained the disciplinary action, in the light of special Audit Report dated 25th April, 1979 against the officer at fault was in progress and the irregularity in question was included in that Report. A show cause notice,

proposing dismissal from the service, was also served upon him and his reply thereto was under consideration by the Establishment Division. Action regarding the loss of Government money would be taken on the finalization of disciplinary action.

3220. Audit pointed out that new disciplinary proceedings had been completed and the Officer concerned removed from service in August, 1983. the action regarding loss of Government funds should not be deferred.

3221. In view of the above, the Committee did not make any observation and the paragraph was treated as settled, subject to verification of write off loss by Audit.

3222. *Overpayment of Rs.* 20,647 *to a contractor by allowing higher than contract rate* (*Para* 3. 4, *pages* 39—40— *AR*—T&T)—The Divisional Engineer Carrier and Coaxial, Sargodha, overpaid Rs. 12,004 to a building contractor in June, 1974 by increasing the rate for 8,892 cft. of brick work to Rs. 569.60 per 100 cft from the agreed rate of Rs. 434.80 per 100 cft, adopted in the sanctioned estimate and specified in the contract agreement. A further over-payment of Rs. 8,643 was made by allowing him commission at 72% on the increased rate.

3223. The Ministry maintained that the payment was made for masonry work at 72% above the rate given against item Nos. 1 and 13 of the P.W.D. Schedule of 1968. Rs. 239.60 per 100 cft., assuming the rate of bricks at Rs. 70 per thousand at the Kiln.

3224. Audit maintained that the rate for the masonry work, stipulated with the contractor was 72% above the scheduled rate and the increase in the cost of brick or any other item was not relevant, Rs. 20,647 paid to the contractor over and above the contractual commitment should be recovered.

3225. A member remarked that, as Audit did not accept the justification given by the Department, there should be recovery and the taking of saction against the person who made the irregular payment of the contractor.

3226. The departmental representative submitted that, in this particular case there were 8 estimates, out of which increase in seven was within 10%, which was authorized by the General Manager on the basis that the masonry work was of reasonable standard. In the eighth one estimate the General Manager allowed more than 10% to the contractor and this was to be regularized. The departmental representaive also informed the committee that the said Officer was charge-sheeted for about 35 irregularities. The Department had filed a case in the Court, but it exonerated him completely. They were however, taking disciplinary action against him though he had retired in 1975.

3227. After discussion, the Committee directed that regularisation action should be processed and any such irregularity must be promptly dealt with in the future. Subject to verification of regularisation by Audit, the paragraph was dropped.

3228. *Overpayment of Rs.* 19,043 *to a contractor* (*Para* 3.5, *page* 40—*AR—T&T*)—According to Audit, in a contract the rate for the item "Providing and laying M. S. reinforcement" was Rs. 195.50 per cent, but payment was made at Rs. 301.15 per cent in November, 1974 by the Divisional Engineer Microwave Development-I, Islamabad, an overpayment of Rs. 19,043. When pointed out by Audit in April, 1976, the Divisional Engineer admitted the overpayment in March, 1977 but could not effect recovery.

3229. The Ministry stated that the over-payment, calculated by Audit against the contractor, was as under—

	Rs.
Returnable Security from the contractor	6,399.02
Over-payment made to the contractor	12,643.70
	19,042.72

3230. Actual overpayment thus amounted to Rs. 12,643.70, which had since been recovered from the contractor. Audit had also verified it. Audit commented that the recovery of the balance amount of Rs. 6,399 could not be verified due to non-supply of correct particulars.

3231. A member observed that there might be similar irregularities elsewhere. Audit should look into such cases and if people responsible are still serving, such cases should be reported to the Committee. After discussion, *the Committee directed that disciplinary action be taken against the defaulters involved in overpayment and the Committee informed about it. The paragraph was deferred.*

3232. *Loss of Rs.* 55,838 *by higher payment than contracted* (*Para* 3.6, *page* 40—*AR—T&T*)—The Divisional Engineer, Coaxial Cable Construction-II, Lahore entrusted the work of digging trenches to a contractor during 1973-74 in the rocky area around Attock Bridge on the Punjab side at Rs. 117 per 100 cft and towards the N.W.F.P. side at Rs. 126 per 100 cft. Due to delay in the execution of the work, it was re-entrusted at Rs. 85 per 100 cft to another contractor, who executed it and an amount of Rs. 121,862 became payable to him for 159,297 cft. Payment of Rs. 177,700 was however, actually made to the former contractor at the rates agreed with him in January, 1974 resulting in a loss of Rs. 55,838 to Government.

3233. Audit further reported that the irregularity was pointed out in October, 1974 but the Divisional Engineer, expressed his inability in January, 1982 to furnish any replay, as the relevent records had been taken away by the F.I.A., Peshawar for investigation.

3234. The Ministry explained that, in the absence of original records, still in the custody of the Special Judge (Central), Anti-Corruption, N.W.F.P. Peshawar, the department was not to a position to submit any comments. However, as advised by Audit, efforts were made to collect the relevant records. The office of the Special Judge gave it in writing that these documents were exhibited in the judicial files and, as such, could not be returned.

3235. Audit maintained that the loss was pointed out to the department in October, 1974 and the department did not even care to collect during all these nine years the copies of the records, given to the F.I.A.

3236. *The Committee directed that the records should be retrieved from the F.I.A., as early as possible for conducting departmental proceedings. The paragraph was deferred.*

3237. *Over-payment of Rs.* 1,291,061 *in Pay to the Telegraph and Telephone Staff* (*Para* 4. 1, *page* 41—*AR—T&T*)—An over-payment of Rs. 1,291,061 was made to officials in 53 Engineering Divisions by allowing pay at rates higher than those admissible, pay was fixed wrongly and payments made without verification.

3238. Explaining, the Ministry stated that recoveries, on account of overpayment due to wrong fixation of pay, were being made from the concerned staff in instalments, except only in few cases.

3239. The Audit representative informing the Committee that the department had intimated in June, 1983 that over-payments were being recovered. The departmental representative stated that, out of Rs. 1.2 million, Rs. 0.3 million had been recovered. On enquiry the Committee was informed that the overpayment was due to wrong calculations at the time of fixation of pay.

3240. The Committee directed that the recoveries of overpayment should be expedited and Audit was requested to watch the same. Subject thereto, the paragraph was dropped.

3241. *Payment of inadmissible house rent allowance and local compensatory allowance—Rs.* 43,418 (*Para* 4.2, *page* 41—AR—*T&T*)—The department intimated that recoveries from the staff concerned of over-paid House Rent and local Compensatory Allowance were to be made from the pay for March, 1982. The staff concerned refused to receive their pay, filed a petition in the Labour Court and obtained a stay order. The legal Adviser advised the Department not to make any deduction on this account till the case was decided by the Labour Court, Lahore.

3242. Audit commented that, according to the Department, the date of last hearing in the Labour Court was 26th February, 1983 but further progress was not intimated by the department. However, Rs. 1,325 had been recovered and verified by Audit. The Committee decided to drop the paragraph subject to verification of recoveries by Audit.

3243. *Payment of Rs.* 10,325 *as inadmissible daily allowance to staff under training* (*Para* 4.3, *page* 42—*AR—T&T*)—The department informed the Committee that out of the over-paid amount of Rs. 10,325, Rs. 4.750 had been recovered from the staff concerned up to September, 1982 and the balance was being recovered except Rs. 850 paid to Mr. Zaheer Ahmad who was deputed for maintenance of Teleprinter circuits and not on training. The Committee decided to drop the paragraph subject to verification of recoveries by Audit.

3244. *Irregular payment of Rs.* 8,764 *on account of daily allowance and mileage allowance* (*Para* 4.4, *Page* 42—*AR—T&T*)—In an Electrical Engineering Division Lahore, an irregular payment of Rs. 8,764 was made to the staff as daily allowance and road mileage and rail fares, in contravention of the provision of SR. 49 and SR. 76 (a) of F. Rs and S. Rs Volume—I, by allowing daily allowance as well as mileage allowance for travelling more than 32 Kilometers instead of allowing one of the two.

3245. After examining the comments of Audit on the reply of the Ministry, the Committee observed that the recovery of Rs. 8,205 had been made and verified by Audit. It was decided that the paragraph be dropped subject to further verification by Audit of the recovery of the balance of Rs. 559.

3246. *Payment of overtime of Rs.* 191,424 *to labour* (*Para* 5. 1, *page* 43—*AR—T&T*)—Audit had reported that the Divisional Engineer Coaxial Cable Construction-II, Lahore paid Rs. 191,424 as overtime to labour from August, 1974 to June, 1976 on simple receipts. The labour was engaged on overtime for 10 hours daily, in addition to their normal working of 8 hours paid on muster rolls. The progress of work done as a result of such engagement of labour was not indicated in the daily diaries of the work done, hence it was not admissible.

3247. The explanation offered by the Department not being satisfactory, *the Committee, after discussion, directed that—*

(i) *action should be taken against the officer(s) who approved the employment of labour and made payment ;*

(ii) *the Department should furnish a list of the officers against whom action was taken by them for committing irregularies ; and*

(iii) *Audit should watch and report back to the Committee.*

3248. *Irregular payment of Rs.* 149,234 *to Labour* (*Para* 5.2, *page* 43—*AR—T&T*) —A member of the Committee enquired if any senior officer did check whether payment to labour was actually made and remarked that, where possible, disciplinary action should be taken against the defaulter and, if recovery be not possible, proposals to regularize the overpayment or write it off should be processed by the Department, under intimation to Audit. However, subject to satisfaction of Audit the Committee decided to drop the paragraph, with the observation that such employment of casual labour should not be allowed in future, severe and prompt action to be taken if any one contravened this principle.

3249. *Irregular expenditure of Rs.* 14,697 *without proper records and details of work done* (*Para* 5.3, *page* 43—*AR—T&T*)—Audit had reported that, in the Telephone Division-I, Islamabad, Rs. 9,482 and Rs. 5,215 were irregularly paid by an attached officer and an Engineering Superivsor respectively to labour by obtaining signatures on plain papers, without maintaining proper records, as required under the rules. In both the cases, neither the details of work done were recorded nor was such information available in the Divisional Office.

3250. The Ministry stated that the payment was made in manuscript on plain paper due to non-availability of printed forms, but full particulars were noted. The nature of expenditure was, however, scrutinized and an amount of Rs. 4,057 was recovered from the officer concerned. The rest of the expenditure viz—Rs. 10,640 was valid and the details of the work done were also available in the records.

3251. After discussion, the Committee directed that the recovery as due should be made and disciplinary action taken against the defaulter particularly in view of the fact that even the department considered a part of the payment as irregular or fictitious ; subject to verification by Audit the paragraph was treated as settled.

3252. *Non-deduction of Income Tax of Rs.* 115,444 *from Suppliers/Contractors* (*Para* 6, *page* 44—*AR—T&T*)—Audit reported that the Department had not deducted tax at 3% from payment to contractor as required by law from 30-3-1972. The Ministry stated that, prior to 1-7-1980, income tax was not deducted but submitted yearly returns to the respective income tax officers, showing the total payments made to the contractors during a particular financial year. Audit contended that the mere submission of a return to the Income Tax Department was not sufficient.

2253. The Committee agreed with Audit and observed that, as the matter related to a Government requirement, the department must enforce it. The paragraph was then dropped.

3254. *Non-recovery of penality amounting to Rs.* 350,128 (*Para* 7, *page* 45—*AR—T&T*)—Audit had pointed out that penalities of Rs. 231,761 and Rs. 118,367 were imposed during 1974-75 on two contractors for non-completion of works on the contractual dates, but were not recovered.

3255. The department explained that the execution of the Karachi Rawalpindi Microwave System Tower foundation and erection work was awarded to M/s. PALCO and Nazir Ahmad and Sons, Lahore. Though the contractor was somewhat late in completing the work, the delay was considered beyond the contractor's control. Some delay was also attributable to the department's own lack of fulfilment of its obligations. So, it was considered a fit case for the condonation of the penalty, because the contractor did his best to measure upto the department's requirements.

3256. Audit pointed out in their comments that these two amounts of penalty were imposed during 1974-75 due to non-completion of work on due dates according to the agreement. Now the department had changed its stand by proposing condonation of penality. This deviation was not understood.

3257. In view of the above departmental explanation and the Audit comments thereon, *the Committee directed that the circumstances of condonation be looked into again and due action taken and reported upon to the PAC through Audit. The paragraph was deferred.*

3258. *Loss of Rs.* 80,029 *on more expensive work than sactioned* (*Para* 8, *page* 45—*AR—T&T*)—An estimate of Rs. 95,500 was submitted to the Director General, Telegraph and Telephone for its sanction of the work " construction of wall at Makli Thatta ". The estimate included a provision for using brick masonry and the work was to be executed by the P.W.D. The Director General sanctioned the estimates on the 15th November, 1977. The Divisional Engineer allotted the work himself of a contractor on the 29th March, 1976 without waiting for the sanction to the estimates, allotment of funds and calling for the tenders. The design of the wall was also changed from brick masonry to stone masonry, without any authority.

3259 The Ministry intimated that disciplinary action was in progress against the officer at fault for the irregularity. A show-cause notice against the penalty of dismissal was served upon him and his reply thereto was under consideration by the Establishment Division.

3260. Audit informed that Divisional Engineer concerned had been removed from service, the Committee, in view of the above decided to drop the paragraph.

3261. *Irregular payment of Customs Duty and Sales Tax (Rs. 750,358) (Para 9, page 46—AR—T&T)*—The explanation given by the department was accepted by the Committee and the paragraph was treated as dropped subject to the observation that necessary precautionary measures must be adopted so that such irregularities might not recur.

3262. *Non-adjustment of temporary advance of Rs. 307,294 (Para 10, page 46—AR—T&T)*—After examining the paragraph and the departmental explanation thereto, the Committee observed that the Secretary should look into the matter, the outstanding advances should be adjusted expeditiously and a report submitted to the PAC through Audit. The paragraph was deferred.

3263. *Dubious expenditure of Rs. 455,200 on the maintenance of Lines and Wires (Para 11.1, page 47—AR—T&T)*—Audit had reported that a Sub-Divisional office incurred cash expenditure of Rs. 455,200 during 1977-78 on the maintenance of Lines and Wires. This expenditure was not justified due to the following reasons—

(i) Only expenditure upto a maximum limit of Rs. 51,000 was permissible as per the standard prescribed in the Departmental Codes for the maintenance of Lines and Wires under his jurisdiction.

(ii) Interruption reports of faults, which were the only gauge to justify expenditure, were not maintained at all.

(iii) Only cash expenditure was incurred without utilising the corresponding quantities of stores except in rare cases and nominal quantities.

(iv) Expenditure was incurred without the allotment o f funds.

(v) The Divisional Engineer concerned, in his circular dated 18th September, 1978, observed that " Expenditure was merely on paper ".

3264. The irregularity was pointed out during a local audit in 1977-78 but no reply had been furnished so far. A thorough investigation, should therefore, be made and the doubtful expenditure be recovered from the officials found responsible.

3265. Not being fully satisfied with the departmental explanation, *the Committee observed that the case should be looked into again and a report giving full facts, should be furnished to the PAC. The paragraph was deferred.*

3266. *Doubtful expenditure of Rs. 286,108 (Para 11.2, page 47—AR—T&T)*—Provision for cash expenditure of Rs. 296,812 and stores utilization of Rs. 406,282 was made by the Divisional engineer, Phones (External), Lahore in preparing 180 estimates from the year 1968-69 to 1976-77. Work against all these estimates was shown as completed for cash expenditure only of Rs. 286,108 without any use of stores from stock and completion reports were accordingly released. This was not possible, because the works could not be completed without utilizing of stores.

3267. The department maintained that stores worth Rs. 492,232 were in fact utilized on 180 estimates and that particulars thereof were being collected and would be supplied to Audit for verification.

3268. After discussion, the Committee directed that a fuller report in support of the above explanation be furnished to Audit by the end of September, 1984 and, if Audit be not satisfied, it should come back to the PAC. Subject to the satisfaction of Audit, the paragraph was dropped.

3269. *Doubtful expenditure of Rs.* 20,147 *on first fitting of Subscribers offices* (*Para* 11.3, *page* 48—*AR—T&T*)—The Sub-Divisional Office, Telephone Sub-Division, West Samanabad, Lahore charged Rs. 21,610 for labour engaged on muster rolls from July, 1977 to March, 1978 for fixing 255,084 RFT of P.V.C. cable on 255,084 RFT of wooden battens. Against the above quantities, only 3,870 RFT of P.V.C. cable and 13,400 RFT of wooden battens were drawn from the stores. Hence the deployment of labour on allegedly fixing 251,214 RFT of P.V.C. cable and 241,684 RFT of wooden battens involved an extra expenditure of Rs. 20,147 to Government.

3270. The departmental representative having conceded that this was an irregularity for which the department would hold a full inquiry, the Committee directed that the report of the enquiry officer should furnish to Audit, who may follow it up and come back to the Committee, if necessary. Subject to the satisfaction of Audit, the paragraph was dropped.

3271. *Irregular expenditure of Rs.* 1,985,362 *on hiring of Vehicles and Tents* (*Para* 12.1, *page* 48—*AR—T&T*)—Audit had pointed out that the Coaxial Cable Construction-II Division, Lahore incurred an expenditure of Rs. 1,958,525 on hiring of Vehicles from April, 1973 to April, 1978 and Rs. 26,837 on hiring tents from December, 1973 to April, 1974. The expenditure so incurred was debited to two estimates. As no provision for such expenditure was sanctioned under these estimates the expenditure was irregular.

3272. In reply, the department explained that there was a provision of 19 vehicles for the transportation of materials including tools and tents etc. and for carrying and bringing back the workers and foreign consultants in connection with the gigantic construction work on the lying of Coaxial Cable. In addition, a provision also existed for the hiring of vehicles up to Rs. 101,500 and Rs. 193,200. Audit's objection that the expenditure on the hiring of vehicles amounted to Rs. 1,958,525, as against a total provision of Rs. 294,700 in the above two estimates was thus not without basis. The reason for this excess expenditure was that, against the provision of 19 vehicles, only 11 were supplied until December, 1975 although purchase orders were placed in 1971. Out of the 11 vehicles

received, 2 became unserviceable with use and two vehicles had to be transferred to the Maintenance Division concerned, for maintaining the completed sections of the Coaxial Cable System.

3273. Replying to a query as to what disciplinary action had been taken against those at fault, the departmental representative said that the expenditure, saved from non-purchase of vehicles, was utilized for hiring. We would provide exact figure.

3274. *The Committee having considered the matter in detail, finally decided that a comprehensive report with full facts be furnished to the Committee and the paragraph be deferred.*

3275. *Retrospective increase of Rs.* 264,140 *in building rent* (*Para* 12.2, *page* 49—*AR—T&T*)—Audit informed the Committee that after discussion with them the department had referred this case to the Law Division, who had held that the lease deed was in order. The Committee decided to drop the paragraph.

3276. *Unauthorized expenditure of Rs.* 252,373 *on purchase of Vehicles* (*Para* 12.3, *page* 49—*AR—T&T*)—Commenting on the department's reply Audit pointed out that the irregularity had been admitted by the department and the expenditure was still to be sanctioned. Disciplinary action could not be initiated, as the Director concerned had reportedly retired. *The Committee decided to defer the paragraph to give time to Audit to satisfy itself.*

3277. *Un-authorized expenditure of Rs.* 114,408 *on building works* (*Para* 12.4, *page* 49—*AR—T&T*)—After examining the departmental explanation and the Audit Comments thereon, the Committee decided that the paragraph be dropped subject to satisfaction of Audit and regularization of expenditure by the competent authority.

3278. *Irregular payment to unapproved contractors for water proofing—Rs.* 77,000 (*Para* 12.5, *page* 50—*AR—T&T*)—The Department informed the Committee that the concerned D.E. (Mr. F.A. Siddiqui) had expired and the Building Overseer, who had verified the work, had also left the Department. However, the estimates and bills verified by the Building Overseer, and duly approved by the D.E. (deceased), had been traced and were available. But it was not possible to take any disciplinary action in this case. Under the circumstances, the Committee dropped the paragraph.

3279. *Extra expenditure of Rs.* 65,318 *on replacement of distribution Points* (*Para* 12.6, *page* 50—*AR—T&T*)—The Committee decided to drop the paragraph subject to verification by Audit.

3280. *Unauthorized payment of Rs. 50,025 to a private contractor* (*Para* 12.7, *page* 50—*AR—T&T*)—The department explained that an estimate for Rs. 914,625 (including a lump-sum provision of Rs. 50,000 for replacement, shifting and fitting of existing electric wiring) for the installation of Air-conditioning unit, submitted by the G.M., WTR, Quetta was approved for Rs. 864,600 only. The lump-sum provision for the replacement work, in the absence of full details, was not included in the sanctioned amount. However, preparation of revised estimates on actual cost basis, though within the permissible limit of 10% of the sanctioned cost, was under process, for sanction. In view of the position stated, the Committee decided to drop the paragraph, subject to the production of the sanction letter to Audit.

3281. *Irregular expenditure of Rs. 34,467 on providing telecommunication facilities to Election Special Trains* (*Para* 12.8, *page* 51—*AR—T&T*)—Audit confirmed that the sanction for the work had been received and admitted by them and the utilization of erected lines had been verified. There upon, the Committee decided to drop the paragraph.

3282. *Unauthorized expenditure of Rs. 17,845 on Iftar Party in Hotel Intercontinental, Rawalpindi* (*Para* 12.9, *page* 51—*AR—T&T*)—After hearing in departmental representative, in Committee decided to drop the paragraph.

3283. *Outstanding telephone dues of 160 millions against Government/Semi Government Organisations* (*Para* 13.1, *page* 52—*AR—T&T*)—Commenting on the reply of the department, Audit pointed out that further recovery from the balance amount of Rs. 53,261,844 should have been intimated. Audit also maintained that the station-wise break-up of the recoveries of Rs. 106,456,131, called for in April, 1983 were required to be furnished, for audit verification. *The Committee therefore, deferred the paragraph for consideration with the subsequent report.*

3284. *Non-recovery of Revenue—Rs* 5,026,000 (*Para* 13.2, *page* 52—*AR—T&T*)—According to rules, telephones are to be disconnected on non-payment of telephone bills. But no such action was taken, though amounts aggregating to Rs. 5,026,000 was outstanding in May, 1981 against several private subscribers of Quetta. After going through the department's reply, *the Committee decided that this paragraph would also be considered with subsequent latest report.*

3285. *Loss of Rs. 3,273,000 due to irregular rebate on Telephone Bills* (*Para* 13.3, *pages* 52-53—*AR—T&T*)—Rebate on telephone bills, amounting to Rs. 3,273,000 was allowed during 1980-81 by the Telephone Revenue Office, Lahore, without adopting the prescribed procedure. Audit, therefore, advised the Department that all the cases of rebate may be reviewed in the light of the prescribed procedure and unjustifiable rebate should be redebited to the accounts of the respective subscribers.

3286. After seeing the explanation of the Department and Audit comments thereon, the Committee directed that, in future, the reasons for giving rebate must be duly recorded and the procedure, laid down in this behalf, followed strictly. Subject to the above observation the paragraph was dropped.

3287. *Un-authorized use of Government money by Commercial Bank* (*Para* 13:4, *page* 53—*AR—T&T*)—Audit had pointed out that telephone receipts, collected by the commerical bank, should be credited by local banks to the Department's accounts within 24 hours or within 72 hours from remote localities, as per the terms of contract with them, but this was not being done. The department responded that under the new contract with United Bank that in case of delay in depositing of amount, a penalty of 25 paisa per bill would be imposed. After discussion and on Audit expressing satisfaction the paragraph was treated as settled.

3288. *Loss of Revenues of Rs.* 22,069 *by passing free trunk calls from Telephone Exchanges* (*Para* 13.5, *page* 53—*AR—T&T*)—In Bahawalpur, some Operators of 4 Exchanges indulged in the malpractice of passing free trunk calls to other stations, causing a loss of Rs. 22,069 in revenue. The irregularity was detected, while pairing the outward and inward trunk call tickets in the Revenue Accounts Office, Rahim Yar Khan, in January, 1978.

3289. The department did not consider the short-charges as loss of revenue. It maintained that these charges, were in fact, detected during the course of pairing and were on account of variations in particulars of calls noted in the outward and their respective corresponding inward trunk call tickets, relating to the duration of calls, nature of calls and calls meant for a particular persons. Moreover, Rs. 15,772 had been realised from the subscribers concerned and the balance of Rs. 6,297 was under verification. In case any subscribers declined to pay, recovery would be effected from the Operators at fault.

3290. Audit confirmed recovery but wanted details of disciplinary action, if any. *The Committee directed that it should be informed of the disciplinary action taken. If no action was deemed necessary, the reasons therefore should be made known to it.*

3291. *Telephone Industries of Pakistan Limited, Haripur Hazara* (*Para* 4—6, *pages* 55—57—*AR—T&T*)—The company was established by the Federal Government, in collaboration with Siemens & Halske A.G. Germany for the production of Telecommunication Equipment and Exchange Installation work, besides Research and development and training of personnel. The main items of equipment produced were Telephone Instruments, equivalent Lines, NWD Channels, Trunk Exchange Position, Exchange Teleprinter Units and Typewriters. The Committee did not make any observation on the paragraph.

3292. *Overpayment of Rs. 4.3 millions (Para 7.1, page 57—AR—T&T)*—Audit felt that idle time, caused by shut downs due to breakage of tools and machinery and mechanical failures, could be reduced. Similarly, better management of stores procurement could minimize idle time caused for non-availability of spares. TIP had not mentioned the steps taken to improve these aspects of their working as idle time of 19% was high. After hearing the departmental representative the Committee decided to drop the paragraph.

3293. *Under statement of assets valuing Rs. 9.86 million Para 7.2, page 58—AR—T&T)*—Stocks of spares, costing Rs. 9.86 million accumulated over the year and available on 31st March, 1978, had not been exhibited in the balance sheet. And this became possible as the total expenditure incurred on the procurement of the spares was directly charged to the profit and loss Account, irrespective of their actual consumption. Audit felt that this practice was against the established accounting practice.

3294. The Department explained that since the beginning TIP, following Siemens practice had charged spares of machines and equipment to the Profit and Loss Account in the year in which they were purchased. Audit felt that the practice ought to be discountinued. After discussion, *the Committee directed that, in future the value of spares should be shown in the Balance Sheet, to which the departmental representative agreed.*

3295. *Loss of Rs. 5.11 million due to the misplacement of contact rivets of gold (Para 7.3, page 58—AT—T&T)*—Nearly 3.37 million imported contact rivets of gold were misplaced in TIP between July, 1966 and March, 1979 during the process of the assembly of test relays, causing a loss of Rs. 5,114,099, which Audit attributed to the negligence of the management in not exercising proper check over the issue of rivets from the stores to the shops and from the shops to the sales stores.

3296. The department stated that on rechecking the receipts, consumption and losses, it was found that there was a loss of 375,163 rivets, valuing Rs. 232,499 in the period of 1966 to 1979 and had already been accounted for in the books of Accounts of the relevant years, and approved by the Board. The Committee did not consider the loss unusual or unreasonable but felt that TIP should justify the quantum of loss to Audit.

3297. Audit further pointed out in their comments that the Management in their reply of June, 1984 have admitted the loss of 1,203,807 rivets costing Rs. 746,038 upto 1979. Action to write off this loss is yet to be taken by the Management.

3298. After hearing the departmental representative, *the Committee directed that the case should be reviewed and full facts should be furnished to the Committee. The consideration of the paragraph was deferred.*

3299. *Irregular payment of Rs.* 1,067,718 *on account of over-time Allowances* (*Para* 7.4, *pages* 58-59—*AR—T&T*)—After discussion and clarification by the departmental representative, the Committee decided to drop the paragraph.

3300. *Misplacement of raw material worth Rs.* 1,006,213 (*Para* 7.5, *page* 59—*AR—T&T*)—A member of the Committee observed that as the department had stated that, the shortage in this case was slightly higher than TIP's usual limit of variation. The departmental representative replied that the usual limit of shortage was about 4 to 5%.

3301. *The Committee directed that TIP should relook into the facts and furnish up-to-date authenticated figures to Audit, after which they will submit it to the Committee. The paragraph was deferred.*

3302. *Excess drawal of material costing Rs.* 261,805 (*Para* 7.6, *page* 59—*AR—T&T*)—Audit had verified the reply of the management from the records and found it to be correct. The Committee, therefore, decided to drop the paragraph.

3303. *Unauthorised expenditure of Rs.* 58,199 *on hiring a residential accommodation* (*Para* 7.7, *page* 59—*AR—T&T*)—Audit informed the Committee that the TIP had recently intimated that the excess expenditure had been sanctioned, and it was being verified. The Committee thereupon decided to drop the paragraph, subject to verification by Audit.

Mis-appropriation of contact rivets of gold worth Rs. 16,524 (*Para* 7.8, *page* 60—*AR—T&T*)—

Loss of Rs. 47,165 *due to payment of demurrage charges* (*Para* 7.9, *page* 60—*AR—T&T*)—

3304. The Committee noted that the loss had been written off but sanctions to this effect was still awaited by Audit. The paragraphs were dropped subject to the production of the sanctions.

3305. *National Radio Telecommunication Corporation Limited, Hazara—Working results* (*Items* 4, *page* 62—*AR—T&T*)—The company had an accumulated loss of Rs. 5,451,050 at the close of the year 1979-80. It was earning substantial interest on the Development Advance of Rs. 11.8 million, by keeping the amount on fixed deposit with its bankers. There was an inventory of Rs. 27,279,770, as on the 30th June, 1980 which appear to Audit as excessive and credit sales rose from Rs. 811,601 at the end of 1978-79 to Rs. 6,915,259. *The explanation of the department having been found to be unsatisfactory they were directed to furnish a comprehensive reply to the PAC through Audit, giving full particulars therein. The paragraph was, therefore, deferred.*

3306. *Working results* (*Items*, 6 *page* 62-*AR—T&T*)—Audit had reported that there was a sudden increase in the loss mainly due to from a provision for liquidated damages, amounting to Rs. 1,811,294. The department explained that this provision had to be made, as the amount was not refunded till the closing of the Accounts for 1979-80. However, the accumulated losses would be automatically curtailed after the refund of the liquidated Damages on the receipt of sanction for waiver from the Ministry of Defence. After discussion, the Committee decided to drop the paragraph subject to verification of the waiver by Audit.

3307. *Working results* [*Item* 6 (*d*), *page* 62—*AR-T&T*]—According to Audit, old and slow-moving stores, identified by the Company and valued at Rs. 7.05 million, were not found realizable at that value. The Ministry explained that the dead stock was mainly due to accumulation of old equipment etc. declared by the Army to be obsolete. A Committee was formed by the GHQ to look into the state of these stores and purchase all those, which could be utilized as spares. The remaining stores were to be disposed of as scrap. Provision for this had already been made in the accounts. The present balance of these stores had come down to Rs. 4.47 million as on 30-6-1982. Audit commented that the disposal of the remaining stores, being scrap and the amount realised therefrom should be intimated to them.

3308. A member asked as to what the company was going to do with the old equipment etc., which the Army had declared obsolete. The department said the Army had bought some for use as spares and Rs. 2.4 million had been realised. The balance valued at Rs. 4.8 million, was to be written off.

3309. After further discussion, the Committee decided that to drop the paragraph subject to verification by Audit.

3310. *Working results* [*Item* 7, *pages* 62-63—*AR—T&T*]—NRTC did not acknowledge the contingent liability of Rs. 300,000 on account of Worker's Children Education Cess at the close of 1979-80. Audit felt that the liquidity position of the Company was, generally weak. The department stated that the Company being 100% Government owned and dealing with Defence products only, the Children's Education Cess was not leviable on it, particularly as it provided schooling and education facilities to Worker's Children. In any case, the matter was subjudice. The Committee decided to drop the paragraph.

3311. *Financial Review* (*Para* 8, *page* 63—*AR—T&T*)—The committee did not make any observation on this paragraph.

3312. *Loss of Rs.* 16,348,085 *on sale of equipment below cost price* (*Para* 9, *page* 63—*AR—T&T*)—Audit had pointed out that 4781 Radio Wireless Sets and other equipment were supplied to various government departments during 1966—76 to 1977-78 at a sale price, which was much lower than the actual cost price. Resultantly, the corporation sustained a loss of Rs. 16,348,085.

3313. It was stated by the Department that the actual loss as worked out by the NRTC, had come to Rs. 93.74 million, out of which Rs. 6.59 million was recovered in the form of escalation in price during 1977-78. A clause existed in all the contracts entered into with the DP (Army), allowing 5% escalation in price on the submission of the Audited profit and Loss Account and the Balance Sheet, as the DP (Army) paid for 100% of the Foreign Exchange component and 50% of the local components of each contracts, in advance. The interest earned on these amounts, due to delay in the supply of stores by Foreign Suppliers (during which period this amount remained in the Banks in fixed or short-term Deposits) was also taken into consideration, while working out the loss. The net loss upto 1978-79 came to Rs. 2.527 million only, of which Rs. 0.667 million related to liquidated damages.

3314. Audit commented that the loss had been worked out on the 4781 Radio Wireless Sets, which had been sold below their cost pirce. Earning of profits on other item was hence not relevant to the issue. Details of the amount of escalation recovered on these particular sets may however, be intimated to Audit.

3315. After discussion, *the Committee directed that Audit should go into this matter with the Management of the NRTC and resolve it. The paragraph was deferred.*

Blockage of Stores worth Rs. 2,146,523 *due to improper procurement policy* (*Item* 10, *page* 63—*AR—T&T*)—

Infructuous expenditure of Rs. 152,832 *on the import of spot welding machine of wrong specification and expenditure of Rs.* 37,597 *on its modification* (*Item* 11, *page* 64—*AR—T&T*)—

Irregular payment of penalty charges Rs. 70,248 (*Para* 12, *page* 65—*AR—T&T*)— *Loss of Rs.* 60,335 *due to non-deduction of income tax from suppliers/contractors* (*Para* 13, *page* 65—*AR—T&T*)—

3316. After examining the explanation furnished by the department in respect of the above paragraphs the Committee decided to drop them, subject to verification by Audit.

3317. *Incurring of hotel and entertainment expenses of Rs.* 17,750 *beyond entitlement* (*Para* 14, *page* 66—*AR—T&T*)—From 1975-76 to 1978-79 a General Manager made frequent official tours to the sub-office of the Corporation, located in Karachi. The room rent charged in the hotel bills exceeded the prescribed limits of the special daily allowance. In addition, expenses on breakfast and meals, included in the hotel bills, were also charged to the Corporation. Audit felt that an irregular expenditure of Rs. 17,750 had thus been incurred during the period.

3318. The department explained that this case related to Mr. Fatehul-Azam (NPS-20), an officer of the T&T Department on deputation to the NRTC during 1975-76 to 1979, who was repatriated to his parent department on 8-5-1979. The audit paragraph was referred to the Director General, T&T who had ordered the recovery of the full amount from the officer in question.

3319. Questioned as to whether the department had started the recovery, the departmental representative replied in the affirmative.

3320. Thereupon, the Committee decided that Audit should verify the recovery and may come back to the PAC, if necessary. Subject to the satisfaction of Audit, the paragraph was dropped.

3321. *Overpayment of Rs.* 10,106 (*Para* 15, *page* 66—*AR—T&T*)—The NRTC purchased 539 LS7 loudspeakers for use in Radio Sets under a purchase order dated 7th November, 1974. The Inspection Department, *vide* its report dated the 28th May, 1975, accepted the store with 5% price reduction due to inferior quality. The Corporation, however, paid Rs. 202,125 on the 17th June, 1975 for the full value without 5% reduction, resulting in an overpayment of Rs. 10,186 to the firm. The department stated that the Accounts Officer, responsible for this overpayment, had since been dismissed from service and since the induction of new management *w.e.f.* 8th May, 1979, adequate measures had been adopted to guard against such irregularities. The Committee, therefore, decided to drop the paragraph.

Chapter IV

3322—*Telephone Revenue* (*Item* 4, *Page* 68—*AR—T&T*)—The amounts outstanding against defaulters, whose telephones were disconnected due to non-payment, are seldom realized. About Rs. 20 million, pertaining to such cases, were outstanding on 30th June, 1981 in the Telephone Region, Lahore alone. These cases were being pursued through the Courts, but recovery was not made, Audit felt, mainly because the persons concerned had left the premises where the telephone were installed and their whereabout were not known. The department explained that a provision for bad debts varying from 3 to 5% of the bills receivable, existed in every commercial organisation. The amount unrecovered in the T&T Department was about 1% of the amounts billed.

3323. Audit, however, maintained that the total outstanding on 30-6-1983 against disconnected telephones stood at Rs. 173 million. After discussion, *the Committee directed that the break-up of the public arrears as on* 30-6-1983 *and* 30-6-1984 *from private sector, region-wise, should be furnished to them so that Committee might know what happened in a year.*

3324.—*Telephone Revenue* (*Item* 5, *page* 68—*AR—T&T*)—The pairing of Inward and Outward Trunk Call Tickets by Concurrent Audit had revealed that Rs. 90,975 were short-charged in the Lahore Telephone Region above, during 1980-81 of which Rs. 11,221 were subsequently recovered. The balance of Rs. 79,754 had still to be recovered. The department stated that such charges are included in the computerized telephone bills as arrears and recovered from subscribers. If full details for the balance recoverable amount of Rs. 79,754 were made available by Audit, the recovery particulars could be ascertained from the S.A.O.T.R. Lahore and furnished to Audit. The Committee did not make any further observation and the paragraph was treated as settled.

Special Communication Organisation (*Para* 6, *page* 68—*AR—T&T*)—

Manufactures Suspense Accounts (*Para* 7, *page* (70—*AR—T&T*)—

Stores Suspense (*Para* 8, *Page* 70—*AR—T&T*)—

Delay in disposal of Inspection Reports [*Paras* 9, 10 *and* 11 (*a to e and g*), *page* 71—AR—*T&T*]—

3325. The Committee did not make any observation on the above paragraphs.

3326. *Delay in settlement of pension case—Para* 9 (*f*), *page* 76—*AR—T&T*)—A membr observed as to why justification for delay was not given by the department as it was fairly a large number. *The Committee directed that the position in future must improve.*

3327. *Internal check against irregularities* [*Item* (*h*)—*Para* 12, *page* 77—*AR—T&T*]—The Department stated that the internal check unit was created to check irregularities, waste, frauds and leakage of revenue, in accordance with Para 13 of the G.F.R. Vol-I. Internal Audit reports could be seen by the Inspection Audit Parties in the formation concerned. *The Committee directed the departmental representative to furnish copies of the Internal Audit reports to Audit.*

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORT ON THE ACCOUNT FOR 1978-79 WITH AUDIT COMMENTS THEREON—

3328. *Doubtful expenditure of Rs.* 59,000 *on building maintenance works* (*Para* 2, *page* 59—*AR—T&T*) (*Para* 748—753, *page* 226—PAC *Report* 1978-79)—The Committee had previously directed that suitable action be taken against those at fault. The department explained that the officer concerned had since submitted his explanation which was being processed. The Committee decided that Audit should follow it up. The paragraph was treated as dropped subject to verification by Audit and reporting back to the PAC, if necessary.

3329. *Irregular expenditure of Rs.* 203,029 *on hiring and furnishing an inspection quarter* (*Para* 5, *page* 60—*AR—T&T* (*paras* 759—763, *pages* 228-230—*PAC Report* 1978-79)—The Committee had previously directed that the expenditure should be regularised quickly by the department. The department informed the Committee that the case was still under process. Audit pointed out that the expenditure on this account which needed regularization had increased to Rs. 941,405 by February, 1984. Audit also felt that the continued retention of the inspection quarter at Rs. 300 per day was not economical, because upto February, 1984, it remained under occupation on an average of 96 days only during a year. The irregular expenditure may, therefore, be either regularized or recovery there of made from the officers responsible. The departmental representative informed the Committee that they had regularised the entire expenditure and the inspection quarter had been de-hired. The Committee decided that, as the explanation given by the department had been accepted by Audit, the paragraph may be treated as settled.

3330. *Overpayment of Rs.* 20,886 *to a contractor* (*Para* 6, *page* 60—*AR—T&T*) (*Paras* 764—767, *pages* 230-231 *PAC Report* 1978-79)—After examining the Audit comments, the Committee directed that full facts be furnished to Audit, who would report to the PAC, if necessary. Losses should be recovered and also disciplinary action taken against the defaulters. Subject to Audit satisfaction, the paragraph was dropped.

3331. *Payment of spurious T.A. claims amounting to Rs.* 22,066 (*Para* 10, *page* 62—*AR—T&T*) (*Paras* 775—778, *pages* 232-233—*PAC Report* 1978-79)—In compliance, the department explained that disciplinary action would be initiated against the Divisional Accountant, as the original records had been released by the F.I.A. Recoveries were also being regularly effected from the officials concerned. The Committee directed that recoveries should be expedited and disciplinary action against those found at fault should not be delayed. Subject to Audit satisfaction the paragraph was dropped.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES

3332. *Carrier Telephones Industries Limited, Islamabad* (*Pages* 84—125/*Per. Eval. Report-Vol*—III)—Agreeing with the Auditor General, the Management explained that, so far as production was concerned, the capacity utilisation of the Unit did decline from 76% in 1976-77 to 45% in 1981-82, but it improved subsequently to 80% in 1983-84. Two new products, *viz* pulse code modulation and digital voice frequency telegraph equipment had since been added to the range of the company's products. After discussing the overall performance of the CTI, the Committee observed that the Ministry should move Government to rule that all the Public Sector requirements of the items produced by the C.T.I., be procured from them, at the permissible price preference.

3333. *Points not discussed to be treated as settled*—The Committee did not make any observation on other points/paragraphs, concerning Appropriation and Commercial Accounts pertaining to the Ministry for 1980-81 and the Audit Reports thereon; the compliance to PAC's report for 1978-79, and the Performance Evaluation Report on Public Enterprises (Carrier Telephone Industries Limited) 1982. These would be deemed as settled, subject to such regularization action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad the 9th September, 1985.

ANNEXURE II

STATEMENTS Nos. 1—5

STATEMENT 1

(*See* Paragraph 11 on Page 4 of the Report)

SUMMARY OF RESULTS OF APPROPRIATION AUDIT

(Appropriation Accounts, 1980-81)

(*In Million of Rupees*)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Variation Excess (+) Saving (—)	Percentage
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Other Than Charged					
Expenditure met from Revenue :					
Civil	18,914.1	19,703.5	16,942.9	—2,760.6	0.14
Defence	14,031.8	15,236.1	15,261.3	+25.2	0.17
P. T & T	1,255.2	1,280.1	1,314.8	+34.7	2.71
Pak. Railways	3,227.0	3,409.8	3,309.1	—100.7	2.95
Total :	37,428.1	39,629.5	36,828.1	—2,801.4	7.07
Expenditure met from Capital :					
Civil	15,156.2	15,848.9	13,843.5	—2,005.4	12.65
Defence	—	—	—	—	—
P. T. & T	559.7	559.7	598.1	+38.4	6.86
Pak. Railways	753.2	753.2	698.8	—63.4	8.42
Total :	16,469.1	17,161.8	15,131.4	—2,030.4	11.83
Disbursement of Loans and Advances	6,825.6	7,082.6	4,643.0	—2,439.6	34.44
Total (Other than Charged)	60,722.8	63,873.9	56,602.5	7,271.4	11.38
Charged					
Expenditure met from Revenue :					
Civil	8,369.0	8,661.4	8,130.0	—531.4	6.14
P. T & T	119.7	120.7	139.2	+18.5	15.33
Pak. Railways	352.9	371.7	230.6	—141.1	37.96
Total :	8,841.6	9,153.8	8,499.8	—654.0	6.34

1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Expenditure met from Capital :					
Civil	0.1	0.7	0.6	—0.1	14.29
Disbursement of Loans and Advances	1,861.2	1,861.3	1,165.6	—695.7	73.38
Repayment of Debt ..	131,190.1	149,050.3	148,601.9	—448.4	0.30
Total :	133,051.4	150,912.3	149,768.1	—144.2	0.75
Total (Charged) ..	141,893.0	160,066.1	158,267.9	1,798.2	1.12
Total Expenditure met from Revenue	46,269.7	48,783.3	45,327.8	—3,455.5	7.08
Total Expenditure met from Capital	16,469.2	17,162.5	15,132.0	—2,030.5	11.83
Total Disbursement of Loans and Advances ..	8,686.8	8,943.9	5,808.6	—3,135.3	35.06
Total Repayment of Debt.	131,190.1	149,050.3	148,601.9	—448.4	0.30
GRAND TOTAL . :	202,615.8	223,940.0	214,870.3	9,069.7	4.05

STATEMENT 2

(*See* Paragraph 11 on Page 4 of the Report)

ANALYSIS OF SAVINGS AND EXCESSES BY MAIN DEPARTMENTS *I. E.*, CIVIL, DEFENCE, POSTS, T & T AND RAILWAYS

(*In Million of Rupees*)

1	Final Grant 2	Expenditure 3	Excess (+) Saving (—) 4	Percentage 5
	Rs.	Rs.	Rs.	
(a) As compared with Gross Grants including surrenders or withdrawals within the Grants/Appropriations :				
Civil	202,208.6	193,327.4	—8,881.2	4.39
Defence	15,236.1	15,261.3	+25.2	0.17
P. T & T	1,960.5	2,052.1	+91.6	4.67
Pak. Railways	4,534.8	4,229.5	—305.3	6.73
Total :	223,940.0	214,870.3	—9,069.7	4.05
(b) As compared with Net Grants excluding surrenders or withdrawals within the Grants/Appropriations :				
Civil	194,788.4	193.327.4	—1,461.0	0.75
Defence..	15,236.1	15,261.3	+25.2	0.17
P. T & T	1,947.2	2,052.1	+104.9	5.39
Pak. Railways	4,351.4	4,229.5	—121.9	2.80
Total :	216,323.1	214,870.3	—1,452.8	0.67

STATEMENT 3

(*See* Paragraph 11 on Page 4 of the Report)

ANALYSIS OF THE SAVINGS AND EXCESSES UNDER REVENUE, CAPITAL AND LOANS AND ADVANCES

(*In Million of Rupees*)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Excess (+) Saving (—)	Percentage
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Civil					
Expenditure met from Revenue :					
Authorised	18,914.1	19,703.5	16,942.9	—2,760.6	0.14
Charged	8,369.0	8,661.4	8,130.0	—531.4	6.14
Total :	27,283.1	28,364.9	25,072.9	—3,292.0	11.61
Expenditure met from Capital :					
Authorised	15,156.2	15,848.9	13,843.5	—2,005.4	12.65
Charged	0.1	0.7	0.6	—0.1	14.29
Total :	15,156.3	15,849.6	13,844.1	2,005.5	12.65
Disbursement of Loans and Advances :					
Authorised	6,825.6	7,082.6	4,643.0	—2,439.6	34.44
Charged	1,861.2	1,861.2	1,165.5	—695.7	73.38
Total :	8,686.8	8,943.8	5,808.5	— 3,135.3	35.06
Repayment of Debt :					
Charged	131,190.1	149,050.3	148,601.9	—448.4	0.30
Total Civil :	182,316.3	202,208.6	193,327.4	—8,881.2	4.39
Defence					
Expenditure met from Revenue :					
Authorised .. .	14,031.8	15,236.1	15,261.3	+25.2	0.17
Pakistan Post Office, Telegraph and Telephone Departments					
Expenditure met from Revenue :					
Authorised . .	1,255.2	1,280.1	1,314.8	+34.7	2.71
Charged . .	119.7	120.7	139.2	+18.5	15.33
Total :	1,374.9	1,400.8	1,454.0	+53.2	3.80

1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	
Expenditure met from Capital :					
Authorised	559.7	559.7	598.1	+38.4	6.86
Total (Pak. P T & T) ..	1,934.6	1,960.5	2,052.1	+91.6	4.67
Pakistan Railways					
Expenditure met from Revenue :					
Authorised	3,227.0	3,409.8	3,309.1	—100.7	2.95
Charged	352.9	371.7	230.6	—141.1	37.96
Total :	3,579.9	3,781.5	3,539.7	—241.8	6.39
Expenditure met from Capital :					
Authorised	753.2	753.2	689.8	—63.4	8.42
Total (Pak. Railway) ..	4,333.1	4,534.8	4,229.5	—305.3	6.73
GRAND TOTAL :	202,615.8	223,940.0	214,870.3	—9,069.7	4.05

STATEMENS No. 4

(See Paragraph 11 on Page 5 of the Report)

STATEMENT SHOWING EXECSSES OVER AUTHORISED GRANTS WHICH REQUIRE TO BE REGULARISED

Sl. No.	No. and Name of the Grant	Final Grant	Actual Expenditure	Excess
1	2	3	4	5
Civil		Rs.	Rs.	Rs.
1.	3—Disaster Relief and Rehabilitation ..	28,748,000	88,823,729	60,039,729
2.	9—Other Expenditure of Establishment Division	13,691,000	15,655,380	1,964,380
3.	16—Ministry of Commerce	44,771,000	44,787,462	13,462
4.	25—Culture, Sports and Youth Affairs Division	5,181,000	5,272,367	91,367
5.	29—Defence	86,677,000	162,256,780	75,579,780
6.	39—Pak Mint	15,447,000	15,585,658	138,658
7.	40—Superannuation Allowances and Pensions	85,784,000	213,549,343	127,765,343
8.	43—A Grants/and Subsidies to Non-Financial Institutions	—	—	338,479,00
9.	61—Ministry of Foreign Affairs ..	29,237,000	30,629,524	1,392,524
10.	62—Foreign Affairs	206,928,000	227,678,764	20,750,764
11.	63—Other Expenditure of Ministry of Foreign Affairs	118,470,000	124,249,348	5,779,348
12.	75—Other Expenditure of Works Division	768,000	773,479	5,479
13.	83—Information Services Abroad ..	14,828,000	19,876,993	48,993
14.	87—Passport Organisation	20,800,000	22,408,922	1,608,922
15.	88—Civil Armed Forces	645,523,000	656,964,791	11,441,791
16.	92—A-Islamabad Administration ..	20,000,000	32,616,793	12,616,793
17.	94—Other Expenditure of Labour Division	155,331,000	168,260,613	12,929,613
18.	98—Ministry of Local Government and Rural Development	4,974,000	5,006,201	32,201
19.	117—Frontier Regions	162,770,000	162,884,695	114,695
20.	119—Maintenance Allowances to Ex-Rulers	3,135,000	6,530,073	3,395,073

1	2	3	4	5
21.	124—Other Expenditure of Kashmir Affairs Northern Affairs Division	247,892,000	268,377,878	20,485,878
22.	126—Other Expenditure of Ministry of Water and Power	1,000,000	1,296,083	296,083
23.	128—Capital Outlay on Purchase of Fertilizer	4,451,754,000	4,726,991,706	275,237,706
24.	129—Capital Outlay on Miscellaneous Stores	1,911,000	2,244,435	333,435
25.	139—Development Expenditure of Establishment Division	2,000,000	4,454,252	2,454,252
26.	148—Development Expenditure of Economic Affairs Division	90,500,000	97,707,000	7,207,000
27.	150—Development Expenditure of Livestock Division	7,766,000	9,481,503	1,715,503
28.	156—Development Expenditure of Manpower and Overseas Pakistanis Division	12,108,000	19,153,642	7,045,642
29.	160—Development Expenditure of Statistics Division	25,553,000	27,713,151	2,160,151
30.	164—Development Expenditure of Federally Administered Tribal Areas	225,000,000	248,499,308	23,499,308
31.	165—Development Expenditure of Kashmir and Northern Affairs Division ..	144,000,000	154,620,173	10,620,173
32.	184—Capital Outlay on Pakistan Railways..	361,781,000	1,092,416,000	730,635,000
33.	187—Capital Outlay on Irrigation and Electricity	1,026,074,000	1,187,487,828	161,413,828
	Pakistan Post Office and Telegraph and Telephone			
34.	20—Pakistan Post Office Department ..	410,975,000	411,650,737	675,737
35.	21—Pakistan Telegraph and Telephone Department	869,155,000	903,111,956	33,956,956
36.	169—Capital Outlay on Pakistan Post Office Department	19,000,000	19,032,713	32,713
37.	170—Capital Outlay on Pakistan Telegraph and Telephone Department ..	540,677,000	579,085,748	38,408,748
	Defence			
38.	33—Defence Services	15,236,133,000	15,261,327,954	25,194,954
	Pakistan Railways			
39.	137—Other Capital Expenditure of Pakistan Railways	44,430,000	48,115,623	3,685,623

STATEMENT 5

(*See* Paragraph 11 on Page 5 of the Report)

STATEMENT SHOWING EXCESSES OVER CHARGED GRANTS/ APPROPRIATIONS WHICH REQUIRED TO BE REGULARISED

Sl. No.	No. and Name of Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess
1	2	3	4	5
Civil		**Rs.**	**Rs.**	**Rs.**
1.	40—Superannuation Allowances and Pensions	784,000	1,708,669	924,669
2.	—Servicing and Domestic Debt ..	2,816,523,000	3,200,237,150	383,714,150
3.	—Repayment of Domestic Debt ..	144,674,913,000	144,954,391,217	279,478,217
4.	—Supreme Court	5,363,000	5,379,034	16,034
Pakistan Post Office, Telegraph and Telephone				
5.	20—Pakistan Post Office Department	19,484,000	19,576,647	92,647
6.	21—Pakistan Telegraph and Telephone Department	101,200,000	119,674,108	18,474,108

APPENDIX " A "

D. O. LETTER OF SECRETARY FINANCE REGARDING SANCTION OF ADDITIONAL SUPPLEMENTARY GRANT

Appendix 'A'

(See Paragraph 9 of Annexure I).

SECRETARY.

D.O. No. 8060-F.S/81. 30*th June*, 1981.

MY DEAR FOREIGN SECRETARY,

The proposal contained in your Summary No. B-2/13/80, dated 25-6-1981 regarding sanction of additional supplementary grant of Rs. 1.49 crore has been carefully examined in the Finance Division in the light of the latest figures of actual expenditure received from the Chief Accounts Officer of the Ministry. A copy of the statement showing original grant, revised grant and actual expenditure upto 31-5-1981 prepared by the Chief Accounts Officer is enclosed herewith for ready reference. Approximate expenditure for the whole year can possibly be arrived at by adding average monthly expenditure to provide for the month of June, 1981. As for Demand No. 63, expenditure on sub-head " Delegations Abroad " has been reviewed where excess has been visualised. Actual expenditure under this sub-head upto 28th June, 1981 has been taken into account to assess the extent of excess over the budget grant.

2. Taking into account the figures of actual expenditure and the revised budgetary grant under Demand No. 62 and 63, the excess in expenditure is not likely to exceed the amount mentioned below :—

	Rs.
Demand No. 62	13,10,000
Demand No. 63	24,40,000
	37,50,000

Finance Division, therefore, agree to a supplementary grant of Rs. 3.750 million in addition to the supplementary grant already sanctioned.

3. I may take this opportunity of expressing our appreciation of the various efforts made by your Ministry to control expenditure during the current financial year. Finance Division have provided enhanced budgetary allocation to the

Ministry of Foreign Affairs for the year 1981-82 in order to enable the Ministry to meet its increasing obligations. I am confident that the Ministry would continue to make efforts which may ensure that expenditure is kept within budgetary allocation.

With regards,

Yours sincerely,

SD/-
H. U. BEG.

Mr. Riaz Piracha,
Secretary,
Ministry of Foreign Affairs,
Islamabad.

APPENDIX "B"

DECISION OF MINISTRY OF FOOD AND AGRICULTURE TAKEN BY THE ECONOMIC COORDINATION COMMITTEE

Appendix 'B'

(*See* Paragraph 1690 of Annexure I)

GOVERNMENT OF PAKISTAN

MINISTRY OF FOOD, AGRICULTURE AND RURAL DEVELOPMENT

Memo. No. CFG 8/B/11/73
Dated 13-12-1973.

MEETING OF THE ECONOMIC CO-ORDINATION COMMITTEE OF CABINET HELD ON TUESDAY THE 4TH DECEMBER, 1973, AT ISLAMABAD.

CASE No. CEC248/23/73. *Problems in the import of fertilizers.*

DECISION

I. The shipment of the balance quantity 82,500 M/tons of fertilizer should be extended upto the end of April, 1974.

II. The question of allowing provision of freight fluctuation clause in the contracts should be sorted out by the Special Assistant to the Prime Minister for Agriculture and Secretary-General, Finance & Economic Co-ordination.

SD/-
M. YAKUB,
Secretary.
14-12-1973.

APPENDIX "C"

MINISTRY OF FINANCE O. M. ON OPENING OF DEPOSIT ACCOUNT BY PAKISTAN MISSION ABROAD

(COPY)

Appendix 'C'

(*See* Paragraph 1733 of Annexure I)

No. 6(14)EF(B. I)/82

GOVERNMENT OF PAKISTAN

MINISTRY OF FINANCE

(External Finance Wing)

Islamabad, the 26-9-1982.

OFFICE MEMORANDUM

SUBJECT :—*Opening of Deposit Account by Pakistan Missions Abroad.*

The undersigned is directed to invite a reference to paragraphs 887 to 891 of the Report of the Public Accounts Committee on the accounts of Government of Pakistan for the year 1972-73. The matter in regard to the issue of instructions on keeping of idle funds lying with Pakistan Missions abroad in interest earning deposit accounts has been under consideration of this Ministry. Accordingly, it has been decided as under :—

(1) All funds lying with Pakistan Missions abroad which are not required to be disbursed within a period of one month shall be promptly repatriated to Pakistan.

(2) The funds retained for disbursement within a month shall be kept in short-term deposits earning commercial rate of interest which should be competitive.

(3) In case (2) is not feasible, the undisbursed amount shall be deposited in State Bank's Account with the Federal Reserve Bank, New York or in a Pakistan Bank abroad. If no Pakistani Bank exists, then the money shall be kept in a bank approved by the State Bank of Pakistan where the Mission is maintaining its imprest account.

(4) The interest earned on such deposits shall promptly be accounted for by the Mission concerned as receipt in their monthly cash accounts under the head " 1130-Interest—1138-Interest realised on Investments of cash balances ". Bank Statement/photo copy of the bank pass book in support of the credit shall also be appended with the case account to facilitate the Audit Checks.

2. It is further added that while making remittances to Pakistan Missions abroad for making purchases etc., it shall be ensured by the Ministries/Divisions/ Departments concerned that on the basis of accounts rendered by the Mission, it is established that existing balances are insufficient and the amount being remitted is required for immediate disbursement so that it does not lead to build-up of idle funds.

SD/-
(QAZI M. ALIMULLAH)
Joint Secretary to the Government of Pakistan.

Ministry of Food & Agriculture,
(Mr. Mohammad Mohsin, Joint Secretary).
Government of Pakistan,
Islamabad.

APPENDIX "D"

COMPARATIVE STATEMENT OF ASSETS/LIABILITIES AS APPEARING IN WPADC ACCOUNTS FOR 1971-72/ASO ACCOUNTS FOR 1972-73

Appendix 'D'

(*See* Paragraph 1795 of Annexure-I).

COMPARATIVE STATEMENT ASSETS/LIABILITIES (FERT) AS APPEARING IN WPADC ACCOUNTS FOR 1971-72/ASO ACCOUNTS FOR 1972-73

ASSET

Sl. No.	Description of Items		Amount appearing in WPADC Accounts	Amount appearing in ASO Accounts	Variations	Reason for variation
1	2		3	4	5	6
			Rs.		Rs.	
1.	Contigencies Accountable		1,312,166.20	1,312,166.20	—	
2.	Sundry Debtors Fertilizer		28,641,939.63	11,697,038.44	16,944,901.19	Most of the parties shown against different items either do not exist or do not respond. Hence Rs. 11,697,038.44 being amount of items actually existing has been taken by ASO.
	RSCC		23,685,298.84	—	23,685,298.84	Case is under hearing in the Court of Law, against R.S.C.C. as they defaulted in making Payments.
	PNO		3,222,286.15	3,078,009.59	144,276.56	Actual claims of WPADC have been accounted for by ASO after reconciliation with the Principal Agents concerned.
	Dawood		428,141.83	414,970.20	13,171.63 —	
	Jaffer Bros.		657,984.43		—	
	Allowance for Bed Debts ..		(—)1,503,750.68	657,984.43	(—)1,503,750.68 —	—
3.	Subsidy Receiveable :					
	Prov:	3,173,836.24				
	Cent:	2,709,801.13				
		5,883,637.37				
	Less Received in Advance	3,200,000.00	2,683,637.37	—	2,683,637.37	This amount was not paid to A.S.O.

1	2	3	4	5	6
		Rs.	Rs.	Rs.	
4.	Stock	30,597,585,00	25,425,646.59	5,171,938.41	Actual Ground Balances as on 1-7-72 have been taken over by A.S.O.
5.	Advances.				
	Fertilizer Incd	883,495.81	797,837.53	85,661.28	Actual Balances have been taken over by ASO.
	DDIS Karachi.	3,422,521.91	923,026.96	2,499,494.95	
6.	ASO Account Cash	10,100,000.00 52,423.51 91,541.04 914,409,28	10,100,000.00	—	—
	Cash transferred by WAPDA to ASO in 1972-73	1,058,373,83	1,058,373,83		
	Transferred to ASO Account No. 4246	11,436.79	11,436.79	—	—
	Transfer of balance of Account No. 17982	2,568.10	2,568.10	—	—
	Cash transferred to ASO	2,976,772.96 1,003,383.93 3,980,161.89 172.03	1,516,834.31 —	2,463,327.58 172.03	Cash Balance of Rs. 3,980,161,89 has been taken over which include ADC period Receipt collection of R s. 1,516,834.31 only. Balance amount represents ASO period receipt, collection.
	Stock	43,000,000.00	43,000,000,00	—	
	Recoveries	45,476.94 175.00	—		
	Despatch earning	1,132,265.02 1,177,916.96	1,371,428.74	193,511.78	Actual recoveries have been accounted for by ASO.

COMPARATIVE STATEMENT OF ASSETS/LIABILITIES (FERT) AS APPEARING IN WPADC ACCOUNTS FOR 1971-72/ASO ACCOUNT FOR 1972-73.

Liabilities

Sl. No.	Description of Items	Amount appearing in WPADC Accounts	Amount appear in ASO Accounts	Variations	Reason for Variation.
1	2	3	4	5	6
		Rs.		Rs.	
1.	Sundry Creditors under ASO Accounts..	34,318,353.20 637,365.58	1,959,083.86	32,996,634.92	Actual claim (Rs. 1,959,083.86) as received have been cleared by ASO after necessary verification and sanction of the competent authorities. Variation includes Rupees 31,998,463.36 on account of payments due to Central Government which could not be cleared uptill now for want of funds. Case is still under Correspondence with the Government.
2.	Security Deposits under ASO Accounts..	186,400.00 251,400.00	298,200.00	139,600.00 —	Actual securities work about to Rs. 298,200.00 only which have been refunded by ASO. Variation appears to be due to duplication of certain items.
3.	Interest payable on Government Loan..	271,956.50	—	271,956.50	No such claim receivd by A.S.O.
4.	Susponse Account (—)	1,665,879.05	—	(—)1,665,879.05	Represents amount of Fraud case of WAPDC. The case is still pending in the court of Law.
5.	Bill payable	1,208,592.38	—	1,208,592.38	Neither details provided by former WAPDC nor any claim received from the parties concerned.

1	2	3	4	5	6
		Rs.		Rs.	
6.	ASO OD Account :				
	24,600,000.00				
	19,109,446.46				
	27,353,659.98				
	31,755,680.66	102,818,787.10	102,818,787.10	—	—
7.	Outstanding Misc ; Liabilities :				
	Agency Commission Bank Charges ..	195,680.00	195,680.00	—	—
		102.20	103.75	1.55	Minor difference Actual charges paid by A.S.O.
	Pay, Allowance, Contingencies etc. :				
	140,968.40				
	12,816.23				
	4,812,80				
	158,597.43				
	D / D Items :				
	555.68				
	618.06				
	129.28				
	257.67				
	86.13				
	385.00 2,031.82	156,565.61	163,256.51	6,690.90	Actual claims received have been paid for by ASO after necessary verification.
	Freight Charges S.S. Kaptai	67,677.48	67,677.48	—	—

PCPPI—840/N.A.—15-12-1985—300.