



REPORT

OF THE

AD-HOC PUBLIC ACCOUNTS COMMITTEE

ON THE ACCOUNTS OF THE

FEDERAL GOVERNMENT OF PAKISTAN

FOR THE YEAR

1996-97

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NATIONAL ASSEMBLY SECRETARIAT  
ISLAMABAD

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## P R E F A C E

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In pursuance of the Proclamation of emergency of the fourteenth day of October, 1999 and the Provisional Constitutional Order No.1 of 1999, the Chief Executive of the Islamic Republic of Pakistan constituted Ad-hoc Public Accounts Committee vide Finance Division's Notification No.SRO.570(1)/2000 on 15th August, 2000 which was subsequently reinforced through the Chief Executive Order No.1 of 2001, dated 26th February, 2001. Under the Order, the Auditor General of Pakistan submits his reports relating to the Accounts of the Federation to the President of the Islamic Republic of Pakistan who causes such reports to be referred to the Chief Executive of the Islamic Republic of Pakistan and the Chief Executive refers the reports to the Ad-hoc Public Accounts Committee for detailed scrutiny and recommendations.

Among the functions, enshrined in the Chief Executive Order, the Ad-hoc Public Accounts Committee was to examine the accounts showing the appropriation of sums granted for the expenditure of the Federal Government, the annual finance accounts of the Government, the report of the Auditor General and such other matters as the Chief Executive may refer to it. The Committee was also to make arrangements for clearance of backlog of Audit Reports passed on to it as unfinished business of the defunct Committee and submit its reports for final approval to the Chief Executive within one year or within such extended period as the Chief Executive, on the request of the Chairman, may determine.

The incumbent Committee, as a result of planned and dedicated efforts, has been able to complete by the end of July, 2001, the examination of the Audit Reports for the year 1996-97 including review of the directives given by the previous Committees for compliance. To accelerate the pace of its deliberations on the Report, the Committee constituted different Sub-Committees and Inter-Departmental Committees enabling the National Assembly Secretariat to prepare the Report in hand (1996-97) timely. This is remarkable achievement of the Committee which deserves appreciation.

The drafting and publication of this report has been made possible as a result of the hectic efforts of Mr. Abdul Khaliq, Joint Secretary, Mr. Khaid Mahmood, Officer on Special Duty, Mr. Afzaal Ahmed, Section Officer, Mr. Shaukat Ali, Superintendent, Syed Sajjad Mohy Din Gillani, Assistant and other officials working for the Ad-hoc PAC.

The National Assembly Secretariat gratefully acknowledges the guidance and inspiration received from Mr. H. U. Beg, Chairman Ad-hoc PAC and Mr. Manzur Hussain, Auditor General of Pakistan in accomplishing the difficult task.



( MUHAMMAD IKRAM ARIF )  
Acting Secretary  
National Assembly Secretariat

Islamabad, the 1st October, 2001.

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## I N T R O D U C T I O N

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The Ad-hoc Public Accounts Committee was constituted by the Chief Executive under Finance Division O.M. No. F.2(3)-A0(B)/99 dated 19th August 2000, which was subsequently reinforced through the Chief Executive's Order No.1 of 2001 whereby the Committee consists of not less than twelve members. The competent authority initially appointed 11 members, of which Mr. S. R. Poonigar did not join and Mr. Abbas Khan resigned on his appointment as Provincial Minister to the Government of N.W.F.P. However, Syed Shaukat Hussain Kazmi was also appointed as member to the Committee subsequently. At present, following is the composition of the Committee.

1.	Mr. H.U.Beg	Chairman
2.	Lt.Gen.(Retd) Talat Masood	Member
3.	Mr. Ahadullah Akmal	Member
4.	Mr. Muzaffar Ahmed	Member
5.	Mr. M. Hassan Bhutto	Member
6.	Mr. Irtiza Hussain	Member
7.	Mr. Mujahid Eshai	Member
8.	S. M. Zafarullah	Member
9.	Syed Shaukat Hussain Kazmi	Member
10.	Dr. Waseem Azhar	Member

This Report of the Ad-hoc Public Accounts Committee (PAC) covers Auditor General's Reports for the financial year 1996-97. The Ad-hoc Committee inherited these Reports from the previous PAC as unfinished work (about 85%); it completed remaining work in ten months, well within the stipulated period of one year.

FUNCTIONS OF THE AD-HOC PUBLIC ACCOUNTS COMMITTEE.

- (1) Under the Chief Executive's Order No.1 the Committee was assigned to examine the accounts showing the appropriation of sums granted for the expenditure of the Government, the Annual Finance Accounts of the Government, the Reports of the Auditor-General and such other matters as the Chief Executive may refer to it.
- (2) Under the given charter the Ad-hoc Committee shall make arrangements for clearance of back-log of audit reports passed on to it as unfinished business of the defunct committee and shall submit its reports for final approval to the Chief Executive within one year or within such extended period as the Chief Executive, on the request of the Chairman, may determine.
- (3) In scrutinising the Appropriation and Other Accounts of the Government and the Reports of the Auditor General thereon it shall be the duty of the Committee to satisfy itself.
  - (a) that the moneys shown in the accounts as having been disbursed were legally available for, and applicable to the service or purpose to which they have been applied or charged.
  - (b) that the expenditure conforms to the authority which governs it; and
  - (c) that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by the Ministry of Finance.

- (4) It shall also be the duty of the Committee:-
- (a) to examine the statement of accounts showing the income and expenditure of state corporations, trading and manufacturing schemes, concerns and projects together with the balance sheets and statements of profit and loss accounts which the President may have required to be prepared or are prepared under the provisions of the statutory rules regulating the financing of a particular corporation trading or manufacturing scheme or concern or project and the report of the Auditor-General thereon;
  - (b) to examine the statement of accounts showing the income and expenditure of autonomous and semi-autonomous bodies, the audit of which may be conducted by the Auditor-General either under the directions of the President or under an Act of Majlis-e-Shoora (Parliament);
  - (c) to consider the report of the Auditor-General in cases where the President may have required him to conduct the audit or any receipts or to examine the accounts of stores and stocks.
- (5) If any money has been spent on any service during a financial year in excess of the authorized grants or appropriation, the committee shall examine with reference to the facts of each case the circumstances leading to such an excess and make such recommendation as it may deem fit.
- (6) The Committee shall examine the reports and submit its recommendations for final approval by the Chief Executive. The National Assembly Secretariat shall function as the Secretariat of the Committee and oversee the implementation of the recommendations approved by the Chief Executive.

GUIDING PRINCIPLES

- (1) To create a healthy and productive atmosphere for effective working of the Committee, following principles have been institutionalized by the Ad-hoc PAC.
  - (i) Representatives of the departments are expected to assist the Committee in performance of its duties in the real sense. They should help in detecting concealment of the irregularities and illegalities committed by the Government functionaries.
  - (ii) It is a joint responsibility of the Committee and Government functionaries to protect national interest.
  - (iii) Principal Accounting Officer (PAO) must ensure personal attendance in meetings of the Committee and PAC related communications must be given top priority.
  - (iv) Officers of all Ministries/Divisions appearing before the PAC must come fully prepared in order to promptly respond to the queries of the Committee.
  - (v) The PAOs must ensure timely submission of inquiry reports discussed in the meetings and directed by the Committee.
  - (vi) It has frequently happened that Ministries/ Divisions contest the figures printed in the Appropriation Accounts at the time of meetings. The Committee insisted that all such variations should be resolved by the Ministries/Divisions in consultation with Audit well before the Committee meetings.
  - (vii) The Federal Investigation Agency (FIA) must respond to the queries asked by the Committee within the given time-frame and must bring reforms in its administrative

behaviour for better dispensation of official business for qualitative change in the public affairs.

- (viii) The proceedings of the Ad-hoc PAC's meetings have been opened to the media to take the people of Pakistan into confidence on the issues involving accountability and public interest.

### MAJOR FINDINGS

- (i) The decisions of Ad-hoc Public Accounts Committee in its meetings resulted in unearthing cases of gross financial irregularities and misuse of power. Approximately a sum of Rs. 10499.949 million was ordered to be recovered from the concerned persons/departments/private organizations out of which Rs. 2657.975 million have actually been recovered so far. The progress of recovery of the balance is being monitored by the National Assembly Secretariat.
- (ii) The Committee observed that huge excesses and savings in the budgetary grants, without plausible reasoning, had become a routine in most of the Ministries and Divisions. The Committee directed the respective Principal Accounting Officers to take immediate and concerted measures to improve budgetary discipline; financial and economic structure of the national economy relies on good budgeting and strict financial control. The Committee feels that Budget Estimates must be prepared with utmost care and diligence. The Estimates must identify dependencies in respect of resources of financing-revenues, dividends, loans, proceeds from privatization. At present, there is a mismatch between the resources stream and the expenditure stream. Unless the two are matched it is impossible to achieve consistency and efficiency in the performance of the functionaries. A system of serious review of estimates must replace the existing system (which is a formality) to give effect to the dependencies which move out

of line with the assumptions made at the time of formulating the Budget Estimates. The present system of making quarterly releases may also be reviewed.

- (iii) The PAC observed a common tendency of huge savings in the development grants and found that these savings reflected poor performance of the executing agencies responsible for the development schemes; under the Development Grants, expenditure on office logistics, transport, etc. is, usually, incurred in the first instance and the actual development works are neglected for one reason or the other. Therefore, in several instances, the Committee directed the Ministries/Divisions to improve monitoring system and internal financial control to make the best use of available resources.
- (iv) The Committee observed several instances where the expenditures on transport, travelling expenses of the senior officers/Ministers, office equipments, office services like electricity and telephone bills chargeable to the ministerial budgetary allocations are booked to the accounts of subordinate Corporations/bodies. The Committee issued directives to stop such financial indiscipline and misuse of resources meant for Corporate purposes.
- (v) While discussing the Audit Report on the Ministry of Commerce, the Committee noticed, besides budgetary lapses, poor performance and financial mismanagement in the corporations of the Ministry; implementation of the Government's decisions on merger and liquidation of sick organizations were delayed unnecessarily, appropriate actions were not taken, in time, by the Management of Rice Export Corporation and Cotton Export Corporation to recover the amounts due from handling agents and the Government bodies. Unproductive export promotion initiatives like Export Market Development Centre in San Francisco and bad investment decisions etc. also put the public exchequer to a huge loss. The Committee expressed its

concern over the sorry state of affairs in the said organizations and issued several directives intending concerted measures to put the Ministry on the right track. In the cases of corruption, fraud, misuse of power or culpable negligence the Committee directed the Ministry to initiate accountability actions in the light of respective PAC's directives. The Committee also emphasized to implement the Cabinet's decision to merge RECP & CEC with TCP at the earliest.

- (vi) In the Ministry of Communications, the Committee found a number of cases of overpayment in NHA involving heavy amount of Rs. 548.716 million. Similarly, inclusion of other 15 cases of non-recovery and miscellaneous irregularities totalled the losses, caused to the national exchequer, to the tune of Rs. 2793.861 million.
- (vii) Examining the report pertaining to Ministry of Defence (including Civil Aviation Division), the Committee noticed that the Military Estate Office (MEO) Lahore acquired land measuring 46.36 acres in 1958 from Evacuee Property Trust Board (EPTB) under the Land Acquisition Act, 1984 for Firing Ranges. The mutation of property in the name of Defence was yet to be attested when some individuals managed to get the land mutated in their names after obtaining allotment orders from EPTB and later on sold it to Lahore Cantonment Cooperative Housing Society (LCCHS). The MEO Lahore received a nominal amount of Rs. 3.548 million from Housing Society in final settlement of the disputed land as against market value of Rs. 493.680 million which caused a loss of Rs. 490.132 million to the State.

The Committee also noticed that the PIA sustained net loss of Rs. 4795 million during the year 1996-97 as against net profit of Rs. 65 million earned during the year 1995-96.

- (viii) "Risk & Cost Expense" issue, like a chronic affliction, is pervasive through out the public works and supply contracts. Huge balances accumulated on account of "Risk & Cost Expense" in various Departments, indicated weakness in the Contract Management System and lack of vigilance on the part of respective office. The rates allowed in the substituted contract are usually much higher than the rates of original contracts that leads to exorbitant Risk & Cost Claims. Therefore, the system needs to be streamlined to remove such weaknesses. In the case of Defence Production Division, the Committee observed that more than Rs. 1148.00 million of the Government dues, on account of risk and cost expenses, stood recoverable from more than 1100 defaulting firms/suppliers by the year 1996-97. However, the Ministry informed that out of total amount of Rs. 1.0751 billion a sum of Rs. 0.0694 billion had been recovered upto 4.1.2001.
- (ix) While discussing, Ministry of Food, Agriculture and Livestock, the Committee noticed that the Ministry used to procure wheat through Embassy of Pakistan, Washington DC, USA till 1991-92. From 1992-93, the Ministry started purchasing wheat directly from foreign countries and suppliers through their local agents in Pakistan. During this period the Committee discovered several cases of losses to the tune of Rs. 779.485 million. These losses may be attributed to purchase of wheat at higher rates, award of freight contract on exorbitant rates and unwarranted payment of demurrage charges.
- (x) In the Ministry of Industries and Production, the Committee found several irregularities. For example, in Pakistan Steel, financial losses amounting to Rs. 1,200 million were found only in the area of "Sales"; Pakistan Steel paid Rs. 764.940 millions as discounts and commissions on sales from 1994-95 to 1996-97 which constituted 83% of the total sales. Reportedly these heavy discounts were allowed to favourite parties by the then Management. Similarly, Pakistan Steel sold its products to fake/bogus dealers allowing them exorbitant premiums.

- (xi) While discussing the issues of Ministry of Petroleum and Natural Resources, the Committee found, in the OGDC, the balance of stores & stock increased by 49.6% from Rs. 5533 million in 1994-95 to Rs. 8280 million in 1997-98. Inventories were procured without assessing actual requirement resulting in blockage of public funds in billions of rupees. In another case, Saindak Metals Ltd., was engaged in exploration and mining of copper deposits at Saindak, District Chagi, Balochistan. The revised PC-1 was approved by the ECNEC in February, 1995 at a total cost of Rs. 11.922 billion. The project was completed and handed over by the Chinese Contractor to Saindak Metals (Private) Limited on June 8, 1996. The Commercial production could not be started despite capital expenditure of around Rs. 13.7 billion.
- (xii) From the Annual Accounts of Ministry of Railways, the Committee noticed that Pakistan Railways had incurred an overdraft of Rs. 16.5 billion upto 10.04.1999. An amount exceeding Rs. 2 billion, contributed by the employees towards their G.P. Fund Accounts, had also been used by the Management to meet their ever-growing expenditure.
- (xiii) While examining the Report on the Central Board of Revenue, the Committee found, in 57 paras, Rs. 550.664 million recoverable as Tax Revenue. The CBR accepted Audit's observations but progress of recovery was not found satisfactory. A Case Study on "Mis-Reporting of Tax Collection" was also presented by the Audit before the PAC. Examining the instances of Mis-Reporting of Tax-Collection, the Committee commented that as a result of irresponsible conduct like mis-reporting of Tax Collection the taxation department has lost its credibility among the tax-payers.

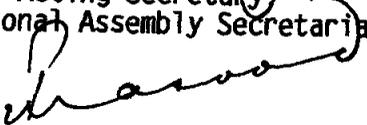
CONCLUDING RECOMMENDATIONS

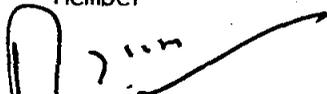
While submitting this Report to the President of Islamic Republic of Pakistan, the Committee finally recommends that:-

- (i) Suggestions, directives and recommendations made by the Committee in this Report and the Actionable Points be accepted; and
- (ii) Excess Budget Statement for the year 1996-97 be regularized in terms of provisions of the provisional constitutional order No.1 of 1999.

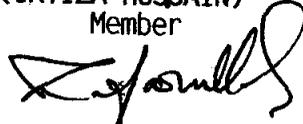
Finally, the Committee would like to express its thanks to the Auditor General, his Officers and Staff and the Officers and Staff of the Public Accounts Committee, National Assembly Secretariat for the help rendered by them to the Ad-hoc Public Accounts Committee in conducting its deliberations.

  
(MUHAMMAD IKRAM ARIF)  
Acting Secretary  
National Assembly Secretariat.

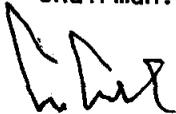
  
(LT. GEN. (RETD) TALAT MASOOD)  
Member

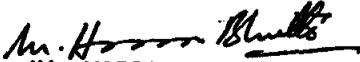
  
(MUZAFFAR AHMED)  
Member

  
(IRTIZA HUSSAIN)  
Member

  
(S. M. ZAFARULLAH)  
Member

  
(H.U. BEG)  
Chairman.

  
(AHADULLAH AKMAL)  
Member

  
(M. HASSAN BHUTTO)  
Member

(MUJAHID ESHAI)  
Member

  
(SYED SHAUKAT HUSSAIN KAZMI)  
Member

Islamabad, the 1st October, 2001.

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DETAILS OF EXCESS EXPENDITURE

FOR THE YEAR 1996-97

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## EXCESS BUDGET STATEMENT FOR THE YEAR 1998-97

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
1.	M/O Water & Power <u>19-02-1999</u>	136-Water & Power Division	80,194,000	14,924,000	95,118,000	94,881,845	4,168,121	The Committee Recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 4,168,121
2.	M/O Railways <u>20-04-1999</u>	114-Pakistan Railways	13,423,250	50,844	13,474,094	15,667,073	2,192,979	An IDC was formed on 20-04-1999, however, it was recommended for regularization by the PAC on 05-07-2001.	As per Finance Division, there is an excess of Rs 1,205,818,978 in the (charged) and Rs 377,342,950 in the (OTC) portion of the grant.
	-do-	191-Capital Outlay on Pakistan Railways	2,771,700	---	2,351,700	2,715,069	363,369	-do-	As per Finance Div., there is a saving of Rs 56,630,852 in the grant.
3.	Supreme Court of Pakistan <u>22-04-1999</u>	---Appropriation Supreme Court	42,916,000	5,066,000	47,982,000	48,255,670	273,670	The Committee recommended the Excess for regularization.	---
4.	M/O Communications <u>22-04-1999</u>	21-Department of Shipping Control & Mercantile Marine	14,580,000	---	14,580,000	12,696,168	223,336	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 223,336
5.	M/O Housing & Works <u>02-08-1999</u>	72-Housing & Works Div.	27,742,000	364,000	28,106,000	27,367,763	363,763	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 363,763
6.	M/O Education <u>03-08-1999</u>	37-Federal Govt. Educational Institutions in the Capital & Federal Areas.	549,821,000	2,000,000	551,821,000	554,215,508	2,394,508	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 363,763

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
7.	M/O Health 04-08-1999	70-Medical Services	1,022,360,000	33,769,000	1,056,129,000	1,043,189,073	8,569,073	The Committee directed Finance Div. to examine the issue, however, regularized on 05-07-2001	Due to surrender of excessive amount, grant closed into Excess of Rs 8,569,073
8.	M/O Petroleum & Natural Resources 10-08-1999	111-Other Expenditure of Petroleum & Natural Resources Div.	555,610,000	3,500,000	559,110,000	2,257,218,500	1,698,108,500	A Sub-Committee was formed on 10-08-1999 however, it was recommended for regularization by the PAC on 05-07-2001.	Due to surrender of excessive amount, Excess increased to Rs 1,709,608,500.
		189-Capital Outlay on Petroleum & Natural Resources	1,830,000,000	---	1,830,000,000	1,525,286,837	589,837	The Committee recommended the Excess for regularization.	Due to surrender of excessive amount, grant closed into Excess of Rs 589,837.
		110-Geological Survey	87,185,000	---	87,185,000	73,220,800	71,800	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 71,800
9.	M/O Foreign Affairs 11-09-1999	67-Foreign Affairs	1,947,303,000	98,082,000	2,045,385,000	2,121,813,053	76,428,053	-do-	---
10.	Pakistan Agricultural Research Council 29-09-2000	59-Agriculture Research	313,133,000	---	313,133,000	286,693,101	18,521	The Committee directed Audit to verify department's plea that funds were not released by the Finance Div. If their plea is found correct, grant may be considered settled.	Due to surrender of excessive amount, grant closed into Excess of Rs 18,521
11.	Establishment Division 30-09-2000	10-Other Expenditure of Establishment Division	174,309,000	---	174,309,000	178,581,405	4,272,405	The Committee recommended the Excess for regularization.	Due to surrender of excessive amount, Excess increased to Rs 8,054,571

S.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
12.	Economic Affairs Div. 13-10-2000	--Appropriation Servicing of Foreign Debt.	28,143,330,000	1,627,417,000	29,770,747,000	31,011,656,361	1,240,909,361	The Committee recommended the Excess for regularization.	
	-do-	54-Economic Affairs Div.	47,351,000	800,000	48,151,000	43,529,548	1,560,548	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 1,560,548
	-do-	155-Development Expenditure of Economic Affairs Div.	95,600,000	-----	95,600,000	95,392,000	1,222,000	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 1,222,000
	-do-	--Repayment of Short Term Foreign Credits.	40,343,444,000	11,286,823,000	51,630,267,000	49,707,106,484	1,187,648,294	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 1,187,648,294
	-do-	--Foreign Loans Repayment	44,794,203,000	8,170,081,000	52,964,284,000	52,347,049,831	3,349,728,611	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 3,349,728,611
13.	Central Board of Revenue 10-11-2000	49-Central Board of Revenue	88,159,000	72,800,000	160,959,000	174,808,517	13,949,517	-do-	Due to surrender of excessive amount, Excess increased to Rs 31,936,817
	-do-	52-Sales Tax	97,282,000	6,060,000	103,342,000	88,891,749	12,125,749	The PAC directed the PAO to examine the issue of the Excess and fix responsibility against concerned person(s) & report to Committee within 01 month.	Due to surrender of excessive amount, grant closed into Excess of Rs 12,125,749

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
	Central Board of Revenue 10-11-2000	53-Taxes on Income & Corporation Tax	943,793,000	10,000,000	953,793,000	787,369,328	25,360,853	The PAC directed the PAO to examine the issue of the Excess and fix responsibility against concerned person(s) & report to Committee within 01 month.	Due to surrender of excessive amount, grant closed into Excess of Rs 25,360,853
14	Aviation Division 13-01-2001	28-Aviation Div.	678,870,000	500,000	678,870,000	588,174,551	13,151,551	The PAC directed the PAO to examine the reasons of Excess, fix responsibility, take appropriate action, however, regularized the grant on 05-07-2001	Due to surrender of excessive amount, grant closed into Excess of Rs 13,151,551
	-do-	31-Metrology	130,460,000	1,275,000	131,735,000	117,472,369	1,057,369	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 1,057,369
	-do-	150-Development Expenditure of Aviation Div.	1,200,000	-----	1,200,000	5,256,000	4,056,000	The PAC directed the PAO to pin-point the person(s) responsible for the Excess, take action, however, regularized the grant on 05-07-2001	-----
15	M/O Food, Agriculture & Livestock 16-03-2001	61-Other Agricultural Services	52,385,000	-----	52,385,000	52,411,001	26,001	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, Excess increased to Rs 5,175,133
	-do-	157-Development Expenditure of Food & Agriculture	682,034,000	-----	682,034,000	492,300,175	149,734,319	The PAC ordered a joint inquiry by the Audit and Ministry to investigate the issue, fix responsibility, however, regularized the grant on 05-07-2001	Due to surrender of excessive amount, grant closed into Excess of Rs 149,734,319

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
16.	M/O Information & Media Development <u>14-04-2001</u>	86-Information Services Abroad	106,874,000	-----	106,874,000	136,739,784	29,865,784	The Committee recommended the Excess for regularization	-----
17.	M/O Defence <u>26 &amp; 27-04-2001</u>	29-Defence Div.	254,359,000	-----	254,359,000	249,768,169	2,669,669	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 2,669,669
	-do-	33-Federal Govt. Educational Institutions in Cantonments & Garrisons	497,218,000	100,000	497,318,000	455,645,091	5,490,091	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 5,490,091
	-do-	34-Defence Services (As per Audit)	131,992,046,000	-----	131,992,046,000	132,423,859,165	1,464,990,024	Not discussed by the PAC, however, it was regularized by the PAC on 05-07-2001	As per CGA U.O. No 190-COMP.1/3-110/99 dated 24-07-2001, Excess is Rs 1,464,990,024
	-do-	(As per Finance Division)	131,317,396,000	833,650,000	132,151,046,000	132,423,859,165	272,813,165	-do-	As per Finance Div. O.M.No.Dy.-872-AC(B)/2001, dated 22-09-2001, Excess is Rs 272,813,165
18.	Kashmir Affairs & Northern Affairs Div. <u>28-04-2001</u>	132-Kashmir Affairs & Northern Affairs Div.	89,186,000	1,000	89,186,000	87,567,937	16,187	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 16,187
	-do-	141-Capital Outlay on Purchases by Kashmir Affairs & Northern Affairs Div.	180,400,000	-----	180,400,000	180,804,349	404,349	-do-	-----

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
19.	States & Frontier Regions Div. 28-04-2001	124-States & Frontier Regions Div.	18,493,000	-----	18,493,000	15,151,827	187,827	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 187,827
	-do-	125-Frontier Regions	639,733,000	700,000	640,433,000	666,986,201	26,553,201	The PAC directed the PAO to take steps to improve budgetary control and investigate reasons for huge Excesses in the grant, fix responsibility, however, regularized the grant on 05-07-2001	-----
	-do-	128-Other Expenditure of Federally Administered Tribal Areas	1,264,276,000	1,271,000	1,265,547,000	1,386,375,822	120,828,822	-do-	-----
20.	President's Secretariat 14-05-2001	--Appropriation Staff-House-Hold & Allowance of the President	115,412,000	230,000	115,642,000	106,151,847	31,347	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 31,347
21.	Interior Division 14-05-2001	89-Interior Div.	55,645,000	100,000	55,745,000	47,055,434	553,434	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 553,434
	-do-	91-Passport Organization	111,798,000	-----	111,798,000	113,305,810	1,507,810	-do-	-----
	-do-	93-Pakistan Coast Guards	126,133,000	2,430,000	128,563,000	130,836,572	2,273,572	-do-	-----
	-do-	95-Registration Organization	224,775,000	21,900,000	246,675,000	254,535,673	7,860,673	-do-	-----

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
22.	M/O Finance <u>15-05-2001</u>	41-Finance Div.	142,454,000	18,533,000	160,987,000	159,988,620	7,596,620	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 7,596,620
-do-		47-Grants & Subsidies to Non-Financial Institutions	3,241,897,000	1,000	3,241,898,000	2,888,749,000	660,661,000	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 660,661,000
-do-		154-Development Expenditure of Finance Div.	4,973,994,000	8,000,000	4,981,994,000	4,909,627,971	2,507,134,971	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 2,507,134,971
-do-		185-Development Loans & Advances by the Federal Govt.(OTC)	18,046,144,000	700,785,000	18,746,929,000	17,907,189,682	4,456,304,838	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 4,456,304,838
-do-		--Appropriation Servicing of Domestic Debt.	113,146,792,000	2,641,517,000	115,788,309,000	126,736,504,002	10,948,195,002	-do-	-----
-do-		--Appropriation Repayment of Domestic Debt.	901,836,444,000	68,132,447,000	969,968,891,000	983,520,567,281	13,551,676,281	-do-	-----
-do-		--Appropriation Audit	731,736,000	768,000	732,504,000	706,151,745	32,154,745	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 32,154,745
23.	Chief Executive's Implementation & Inspection Commission <u>28-05-2001</u>	13-Prime Minister's Inspection Commission	13,926,000	-----	13,926,000	12,805,152	59,152	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 59,152

Sl.No.	Ministry/Division & Date of Meeting	No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations	Remarks
24.	Manpower Div. <u>30-05-2001</u>	105-Manpower & Overseas Pakistanis	141,505,000	2,000	141,507,000	138,745,376	3,057,376	The Committee recommended the Excess for regularization	Due to surrender of excessive amount, grant closed into Excess of Rs 3,057,376
25.	Planning & Development Div. <u>11-06-2001</u>	112-Planning & Development Div.	125,745,000	5,085,000	130,830,000	118,863,822	3,847,319	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 3,847,319
26.	M/O Environment, Local Govt. & Rural Development <u>12-06-2001</u>	106-Local Govt. & Rural Development	34,963,000	---	34,963,000	28,376,594	20,686	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 20,686
27.	Pakistan Atomic Energy Commission <u>12-06-2001</u>	179-Capital Outlay on Development of Atomic Energy	4,731,000,000	---	4,731,000,000	4,043,000,000	1,912,000,000	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 1,912,000,000
28.	Cabinet Division <u>12-06-2001</u>	5-Land Reforms	10,625,000	---	10,625,000	10,150,921	15,721	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 15,721
29.	Inter-Provincial Co-ordination Div. <u>12-06-2001</u>	3-Inter- Provincial Co-ordination	2,762,000	---	2,762,000	2,276,787	13,445	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 13,445
30.	M/O Social Welfare & Special Education <u>13-06-2001</u>	122-Special Education	106,967,000	52,500,000	159,467,000	149,824,029	1,693,029	-do-	Due to surrender of excessive amount, grant closed into Excess of Rs 1,693,029

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DETAILS OF EXCESS EXPENDITURE

FOR THE YEAR 1985-86 TO 1988-89

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## EXCESS BUDGET STATEMENT FOR THE YEARS 1985-86 TO 1988-89

Year	Ministry/Division	Demand/Grant	Excess	PAC directive	Position/Proposed Action	PAC Recommendations
1985-86	Finance Division	43--Grants in-aid and Misc. Adjustments between Federal & Provincial Govt. (OTC)	47,879,782	The Committee asked for full justification/details to be provided by the Ministry.	Figures reconciled. Excess may please be regularized; however, the remaining action may be pursued.	The Committee recommended the Excess for regularization on 5-07-2001.
-do-	-do-	---Servicing of Domestic Debts.	2,619,761,405	The grant was deferred till final reconciliation between AGPR & Finance.	Figures need reconciliation among AGPR & Finance, however, Excess may be regularized.	-do-
M/O Information & Broadcasting	81--Directorate of Publications Newsreels and Documentaries	80,164	Minutes show saving of Rs.149,413. The Committee while accepting the explanation for saving, emphasized the need for timely surrender.		Figures need reconciliation among AGPR, Ministry & Finance; however, Excess/ Saving may be regularized.	-do-
M/O Railways	109-Pakistan Railways	2,586,842	M/O Railways and Finance Division may submit a brief explanation for the excess.		Figures reconciled. Excess may please be regularized; however, the remaining action may be pursued.	-do-
M/O Communication	173-Capital Outlay of Pakistan Telegraph and Telephone Department	137,670,019	Department to reconcile their accounts with Audit and report		Figures need reconciliation among AGPR, Ministry & Finance; however, Excess may be regularized.	-do-
	175-Capital Outlay on Communication Works	67,607,188	Detailed explanation of FWO may be submitted before the Committee.		Figures reconciled. Excess may please be regularized; however, the remaining action may be pursued.	-do-

Year	Ministry/Division	Demand/Grant	Excess	PAC directive	Position/Proposed Action	PAC Recommendations
1986-87	M/O Petroleum & Natural Resources	188-Capital Outlay on Petroleum & Natural Resources	312,256,493	The Committee advised that the final figure against the grant be reconciled and a detailed explanation rendered for review of the Committee in the next meeting.	Figures need reconciliation among AGPR, Ministry & Finance; however, Excess may be regularized.	The Committee recommended the Excess for regularization on 5-07-2001
	Finance Division	---Repayment of Domestic Debt	14,432,360,550	Final recommendation on the excess against the appropriation was with held pending reconciliation of the actual.	Figures need reconciliation among AGPR, & Finance; however, Excess may be regularized.	-do-
1987-88	M/O Foreign Affairs	63--Foreign Affairs	28,599,000	The Committee advised that details justifying the supplementary grant and Excess expenditure be furnished to the Committee.	Figures need reconciliation among AGPR, Ministry & Finance; however, Excess may be regularized.	-do-
	M/O Health	66--Medical Services	1,039,575	The Ministry was advised to reconcile figures with Audit and report to PAC.	Figures need reconciliation among AGPR, Ministry & Finance; however, Excess may be regularized.	-do-
	Manpower & Overseas Pakistanis Division	102-Manpower & Overseas Pakistanis Division	4,113,981	The Committee asked the PAO to re-examine the reasons for Excess, take action against persons responsible and intimate to PAC.	Figures reconciled. Excess may please be regularized; however, the remaining action may be pursued.	-do-
	M/O Railways	112-Pakistan Railways	92,017,857	A Committee comprising Dr. Mehrboob-ur-Rehman, MNA and Syed Tasneem Nawaz Gardezi, MNA was constituted to examine the justification for the excess in detail.	Report was not finalized. Excess may please be regularized.	-do-
		190-Capital Outlay of Pakistan Railways	91,307,660			

Year	Ministry/Division	Demand/Grant	Excess	PAC directive	Position/Proposed Action	PAC Recommendations
	Kashmir Affairs & Northern Affairs Div.	127-Northern Areas	1,195,196	Minutes show saving of Rs.563,378. The Committee made no comments.	Figures need reconciliation among AGPR, Ministry & Finance; however, Excess/Saving may be regularized.	The Committee recommended the Excess for regularization on 05-07-2001
	M/O Communication	177-Capital Outlay on Pakistan Telegraph and Telephone Deptt.	1,198,458,316	The Committee directed the PAO to verify the balance in the store which was purchased in Excess requirement, take action against the defaulters and report to PAC within three months.	Figures reconciled. Excess may please be regularized; however, the remaining action may be pursued.	-do-
<u>1988-89</u>	M/O Railways	115-Pakistan Railways (Charged) (OTC)	22,498,209 6,062,603	The Committee advised Audit, Finance and M/O Railways to resolve the matter of continued Excess in the charged & OTC portions of the grant and to examine if this Excess may be controlled by increasing borrowing limit of the Railways.	Figures reconciled. Excess may please be regularized; however, the remaining action may be pursued.	-do-
	Establishment Division	8-Services Tribunal	01	The Committee made no observation on the Excess of one rupee in the grant which appeared due to rounding off of figures.	May be regularized.	-do-
	M/o Interior	93-Civil Armed Forces	28,993,051	An Inter-departmental Committee was formed to submit its report within three months.	Excess may be regularized as the IDC, in the Report, has recommended the same action with the proposal for the concerned department to be vigilant in future.	-do-

Year	Ministry/Division	Demand/Grant	Excess	PAC directive	Position/Proposed Action	PAC Recommendations
	M/O Interior	98--Federal Investigation Agency.	5,612,783	The Committee desired that comprehensive report be submitted regarding recruitment at all levels in FIA through Placement Bureau.	Figures reconciled. Excess may be regularized however, the remaining action may be pursued.	The Committee recommended the Excess for regularization on 05-07-2001.
	M/O Local Govt. & Rural Development	169-Development Expenditure of M/O Local Govt. & Rural Development	2,539,435,851	The Committee advised the Ministry to reconcile figures of the grant with AGPR & submit report to Committee.	Figures need reconciliation among AGPR, Ministry & Finance; however, Excess may be regularized.	-do-
	Special Education & Social Welfare Division.	73--Other Expenditure of Special Education	705,264	The Committee advised the Division to reconcile the figures with Audit.	-do-	-do-
	M/O Petroleum & Natural Resources	192-Capital Outlay on Petroleum & Natural Resources	103,686,803	The Committee deferred the grant with the direction to reconcile the expenditure with Audit.	-do-	-do-
	M/O Finance	39--Finance Division	14,761,716	A Sub-Committee was constituted for detailed scrutiny of these grants	The said Sub-Committee never met. However, similar work was assigned to another Committee under the Chairmanship of the Auditor-General of Pakistan. A draft report of this Committee is under study of the Members and recommendation will be finalized in due course of time; however, the excesses in the grants may be regularized.	-do-
		41--Superannuation Allowances and Pensions (OTC)	230,682,965	-do-		
		42--National Savings	275,450	-do-		
		46--Subsidies and Miscellaneous Expenditure	75,378,915	-do-		
		185-Development loans and Advances by Federal Govt. (Charged)	714,277,627	-do-		
		---Servicing of Domestic Debt (Charged)	6,237,540,792	-do-		-do-

Year	Ministry/Division	Demand/Grant	Excess	PAC directive	Positibi/Proposed Action	PAC Recommendations
	M/O Communications	21--Pakistan Telegraph & Telephone Department(OTC)	121,190,627	An Inter-departmental Committee was formed to submit its report within two months.	Excess may please regularized as Audit & Finance, in the Report, has proposed the same action.	The Committee recommended the Excess for regularization on 05-07-2001.
		22--Department of Shipping Control & Mercantile Marine	17,939	The Committee directed the Ministry that the excessive amount may be shown in the Excess Budget Statement.	As per Finance Division, there was a saving of Rs. 439,599. Figures need reconciliation among AGPR, Ministry & Finance; however, Excess/Saving may be regularized.	-do-
		148-Development Expenditure of M/O Communications	111,322,764	The Committee conveyed its displeasure on the poor performance of the Ministry's officials for mis-appropriation of accounts and irregularities.	Figures need reconciliation among AGPR, Ministry & Finance; however, Excess may be regularized.	-do-

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R E P O R T S

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## MINISTRY OF COMMERCE

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### 1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC) in a series of meetings held on 15th Feb, 5th April, 1999, 29th September, 13th & 14th October, 2000, 12th June & 4th July, 2001, took up, for its examination, the Appropriation Accounts and the Annual Audit Report for the year 1996-97 pertaining to the Ministry of Commerce. The Committee, while examining the Report, noticed several irregularities with respect to savings in the Grants, poor performance & financial mismanagement in the subordinate corporations and other bodies of the Ministry, extraordinary delays in the implementation of the Government's decisions on merger and liquidation of sick organizations, huge recoveries due from handling agents and the Government bodies, unproductive export promotion initiatives, unauthorized expenditure and bad investments decisions etc. The Committee expressed its concern over the sorry state of affairs in the said organizations and issued several directives intending concerted measures to put the Ministry on the right track. In the cases of corruption, fraud, misuse of power or culpable negligence the Committee directed the Ministry to initiate accountability actions in the light of respective Actionable Points.

The Report contained 67 paras, of which 14 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry. Audit pointed out recoveries amounting to Rs.102.178 million, out of which Rs.71.052 million had actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts. The PAC Secretariat shall watch the progress of recoveries and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different issues. Actionable Points based on the PAC's directives are given in Section-4. However, some major issues and the Committee's recommendations thereon are summarised in the following sections.

## 2. MAJOR ISSUES

### 2.1 BUDGETARY POSITION

Following statistics reflect upon the huge savings in the Budgetary Grants incurred by the Ministry.

Grant No.	Saving Rs(M)	% of F. Grant	Surrender Rs(M)	Net Saving Rs(M)
17	129.504	17	0.045	-129.459
18	159.543	18	19.826	-139.717
19	1.398	11	0.621	-0.777

### 2.2 RICE EXPORT CORPORATION OF PAKISTAN (RECP)

#### 2.2.1 SPECIAL AUDIT REPORT ON RECP (SAR-5)

The Audit Department conducted special audit for the period from 1994 to 1996 to examine the deteriorating financial position of the **Rice Export Corporation of Pakistan (RECP)**. Based on its findings, the Audit presented a Special Audit Report (SAR-5), alongwith the Annual Audit Report for the year 1996-97, for the perusal of the PAC.

The Corporation sustained heavy losses during the last seven years which accumulated to Rs 10 billion by 30 September 1996. The activities of the Corporation shrank during the last few years as a result of the Government policy to allow private sector to export rice. Due to heavy losses the Government decided in 1997 to merge RECP with the Trading Corporation of Pakistan.

#### > FINDINGS

The report contained cases which caused losses of Rs 17 billion to the public exchequer, including:



- > The PAC discussed the contents of the SAR in its meetings and issued appropriate directives which are given in section 4: Actionable Points.

#### 2.2.2 FINANCIAL RESULTS

During the years 1995-98 the administrative expenditure of RECP remained over and above the commission income. Resultantly, the Corporation (H.O) had suffered losses which accumulated to Rs 583 million as on June 30, 1998. Similarly, the Corporation had sustained accumulated losses to the tune of Rs 16,655 million on its operations by September 30, 1998.

#### 2.2.3 RECOVERIES OF RICE EXPORT CORPORATION OF PAKISTAN

- i. RECP has initiated legal action against certain handling agents for recoveries of shortages of rice and stores amounting to Rs 778 million and Rs 14 million respectively.
- ii. In another case a shortage valuing Rs 46 million was reported against M/s Island Trading Corporation.
- iii. The Corporation has at stake Rs 420 million in the shape of investment and advances to Pakistan National Produce Company & Doaba Rice Mills Ltd, whose assets have been sold by the Privatization Commission.

For recovery of shortages from handling agents, the PAC has already directed the Ministry to prepare cases, based on the facts, for reference to the NAB.

#### 2.3 COTTON EXPORT CORPORATION (CEC)

The Corporation was incorporated on Nov. 29, 1973 under Companies Act, wholly owned by the Government of Pakistan. The principal activity of the Corporation was to export locally produced raw cotton. The profitability of the CEC started diminishing and turned into losses since 1989-90. The year-wise position of losses during 1989-90 to 1996-97 is given below:

Year:	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Loss Rs(M):	91	200	661	692	98 475	613	448	

The losses were mainly due to managerial ineffectiveness, financial mismanagement, poor internal control system, non-availability of export surplus of cotton as well as increasing overheads despite reduced operational activity. The merger of CEC with Trading Corporation of Pakistan, decided in December 1996 by the Cabinet, has not been done so far.

#### 2.4 STATE LIFE INSURANCE CORPORATION (SLIC)

2.4.1 The PAC noticed deteriorating trend in the profitability of the SLIC from the year 1996 to 1998 which is reflected in the following statistics:

<u>Year</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
% of Expenses to Income	51	54	57	65
% of Expenses to Premium	87	96	103	121
Addition to Life Fund Rs (million)	5986	6295	5700	4526

In view of above-said position, the PAC directed the Ministry to take remedial measures to improve financial position of the Corporation.

#### 2.4.2 LOSS OF ASSETS

Recovery of the following amounts included in the assets of the State Life Insurance Corporation of Pakistan (SLIC) as on December 31, 1996 is doubtful.

- > Rs. 100 million included in investment on account of 5 million shares of Shon Refinery Limited, a closed project in private sector, presently under liquidation.

- > Rs.209.5 million paid by the Corporation to National Housing Authority (NHA) for purchase of one thousand plots in Islamabad New City Project. The project was abandoned by NHA in Nov. 1996.
- > The Ministry informed the Committee that Rs. 70.870 million had been recovered from M/s. Shon Refinery through Privatization Commission leaving balance of Rs. 29.130 million yet recoverable.

## 2.5 EXPORT CREDIT GUARANTEE SCHEME (ECGS)

The Scheme (ECGS) was established by the Government of Pakistan in 1962 for the purpose of providing cover against risk of non-realization of sale proceeds of goods exported on credit terms and to encourage banks to grant pre-shipment export finance by providing them with cover. The Scheme has been sustaining losses in its main business of export finance coverage and underwriting, for many years.

The PAC, in view of its failure in achieving the desired objectives and persistent loss situation, recommended for its closure in its meeting held on 17-10-1997.

The issue of Scheme's closure was again reviewed by the PAC in its meeting held on 29-9-2000. The Committee constituted a Sub-Committee to examine the issue, under the convenership of Mr. Ahadullah Akmal, Member Ad-hoc PAC. The Sub-Committee Report was considered by the Ad-hoc PAC in its meeting held on 4-7-2001 wherein it approved the recommendations of the Sub-Committee for implementation. The recommendations of the Sub-Committee have been incorporated in the Actionable Points dated 4.7.2001 (section 4). Merger/liquidation of ECGS is being considered by the Government.

## 2.6 IMPORT CASES: TRADING CORPORATION OF PAKISTAN - TCP LOSS OF RS.7.069 MILLION ON IMPORT OF RED CHILIES LOSS OF Rs. 1.400 MILLION ON SALE OF IMPORTED GINGER

Trading Corporation of Pakistan (TCP) imported 500 tons of red chilies through M/S Noor Enterprises, Karachi, in February 1995. Joint survey of

the consignment was conducted under the arrangement of TCP and the suppliers to determine the quality of the said item. After the survey, the TCP accepted a quantity of 272 M. tons of red chilies and rejected the remaining quantity. As a result, TCP suffered a loss of Rs.7.069 million due to delay in shipment/arrival, clearance of goods and payment of demurrage/detention charges.

TCP imported 80,000 kg of ginger @ Rs 32 per kg for Rs 2.560 million from China through Goodwill Enterprises Karachi. The commodity supplied was not found according to specifications. The consignment was accepted even though the terms of the contract allowed for rejection. The ginger was then auctioned for Rs 1.2 million resulting in a loss of Rs 1.4 million.

The Ministry informed the Committee that both the decisions were taken under the direction of the former Chairman TCP. The PAC recommended reference to NAB.

#### 2.7 LOSS OF US\$ 972,000 DUE TO UNAUTHORIZED OVERDRAFT

Export Market Development Centre (EMDC) was established in San Francisco in 1983 with a revolving fund of \$ 100,000. The Centre failed to achieve its objectives. It was decided to close it in June 1991 but payments of rent, telephone and allied charges continued to be made upto January, 1994. An amount of approximately \$ 650,000 was thus overdrawn. While approving the payment of 972,000 dollars including interest of \$322,000 on the overdrawn amount, the Board of Administrators of the Export Market Development Fund noted that the Display Centre at San-Francisco was not opened with the consultation or approval of the Export Promotion Bureau.

The Ministry informed the Committee that an inquiry was conducted by Mr. Javed Noel, the then Addl. Secretary Finance. Copy of the said inquiry report is not available with the Ministry; reportedly, he submitted this report to the then Federal Anti-corruption Committee.

The PAC directed the Ministry to arrange the said report from the M/o Finance and furnish it to the Audit/PAC. The Ministry was also directed to send the case to the NAB for investigation and necessary action (For detail, please see the Actionable Points - section 4).

#### 2.8. MIS-APPROPRIATION AMOUNTING TO 20,000 POUNDS STERLING

An amount of 20,000 pounds sterling was transferred by the Ministry of Commerce to Mr. Wajid Shamsul Hassan, the then High Commissioner U.K., for holding a seminar about Child and Bonded Labour. The seminar was reportedly held but the Ministry could not get the record regarding utilization of the fund, from the former High Commissioner. The Investigation Report of the FIA on this issue was sent to the Ministry of Foreign Affairs for necessary action in June, 2000.

### 3. RECOMMENDATIONS

- 3.1 To ensure better budgetary discipline, in future, the Ministry should improve its monitoring system, strengthen its internal financial control and promote awareness of the financial rules and budgetary guidelines among the staff.
- 3.2 The Ministry should refer all the relevant cases to the NAB within stipulated period in the light of PAC's directives in each case.
- 3.3 The Ministry should introduce an effective monitoring system for vigorous pursuance of the pending cases in various courts; for their earlier settlement/disposal, the Chief Justice(s) of the respective Supreme/High Court(s) should be approached through the M/o Law.
- 3.4 The PAO should implement the recommendations of the Sub-Committee of the PAC on the Export Credit Guarantee Scheme (ECGS).
- 3.5 The Ministry should implement the Cabinet's decision of December 1996 to merge RECP & CEC with TCP.

- 3.6 In view of deteriorating trend in the profitability of the State Life Insurance Corporation, the Ministry should take remedial measures to improve its financial position and business.
- 3.7 The State Life Insurance Corporation should invest its money in safe and sound institutions to secure the insurance funds.
- 3.8 The Ministry should take steps to ensure that the decisions taken by the TCP are based on corporate consideration and not on some outside pressures or interests.
4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETINGS HELD FROM FEBRUARY 15, APRIL 05, 1999, SEPTEMBER 29, OCTOBER 13 & 14, 2000 AND JUNE 12 & JULY 04, 2001

ACTIONABLE POINTS: MEETING ON 15-02-1999

SPECIAL AUDIT REPORT ON RICE EXPORT CORPORATION OF PAKISTAN 1994-96

- 4.1 i) LOSS OF RS 9.892 (M) DUE TO EXPORT OF RICE AT LOWER RATES (PARA B-1, PAGE 3-SAR)

Audit pointed out that RECP exported 921,232 Metric Tons(M/T) of Basmati and 2,421,732 M/T of other varieties of rice during the years 1990-91 to 1994-95. The average rates at which RECP exported the rice were considerably less than those charged by exporters in private sector for the same varieties of rice during the same period. The total effect of the differences in prices, worked out to US \$ 201.02 (M) equivalent to Rs 8040.80 (M). Similarly, loss of US \$ 44.08 (M) equivalent to Rs 1851.36 (M) was sustained on export of 367,299 M/T in 1995-96.

- ii) LOSS OF RS 1704.92 (M) DUE TO SHORTAGES (PARA B-3, PAGE 5-SAR)

Audit pointed out that as a result of stock taking carried out in August, 1996 by a firm of Chartered Accountants, 145,000 M/T rice,

valuing Rs 1705 (M) relating to 1988-89 to 1991-92, was found short in RECP godowns. Out of the total shortage, 130,558 M/T pertained to the handling agents and the remaining shortages of 14,442 M/T occurred under self handling scheme.

After hearing the Ministry's reply on the both above mentioned paras, the PAC referred the matters for examination to the Sub-Committee which was already constituted to examine the paras No.26, 27 & 28 (1993-94) of the RECP under the Convenership of Mian Muhammad Zaman, MNA and to report within 2 months.

#### 4.2. NON-RECOVERY OF RS 4202.018 (M) FROM DEFAULTER (PARA B-2, PAGE 4-SAR)

Audit pointed out that RECP did not recover Rs 4202.018 (M) from defaulting suppliers, buyers and handling agents for the period 1976 to 1995. The Management had filed 74 cases in courts for recovery at different periods of time. The cases were pending in the courts. The chances of recovery appeared to be remote.

The PAC conveyed its displeasure on the non-recovery of Rs.4202,018 (M) from defaulters, buyers and handling agents. The Committee constituted a Sub-Committee under the Convenership of Mr. Shabbir Ahmed Khan Chandio, MNA, Ch. Safdar Rehman, MNA and Mir Faridullah Khan Jamali, MNA to find out as to why and under what policy decision these advances were allowed to the defaulting suppliers, buyers and handling agents. Moreover, under what conditions these outstanding amounts accumulated to Rs.4202.018 (M) and report to the Committee within 02 months.

- 4.3 i) EXCESS EXPENDITURE OF RS.302 (M) ON PROCUREMENT AT HIGHER RATES (PARA B-5, PAGE-6-SAR).
- ii) LOSS OF RS.143.822 (M) DUE TO LOCAL SALE OF RICE (PARA B-6, PAGE-7-SAR)
- iii) LOSS OF RS.76.261 (M) IN SALE OF 500,000 M/T OF RICE (PARA-B-7 PAGE-8-SAR)

iv) LOSS OF RS.67.751 (M) DUE TO REDUCTION IN PRICE AFTER FINALIZATION OF CONTRACT (PARA B-8, PAGE-9-SAR)

On the presentation of above 04 paras, the PAC constituted a Sub-Committee under the Convenership of Mr. Adnan Aurangzeb, MNA and Mr. Faridullah Khan Jamali, MNA, representatives each from M/O Commerce, M/O Finance and the Audit to examine the issues and report to the Committee within 01 month.

4.4 LOSS OF RS.700 (M) DUE TO DAMAGE TO RICE BY RAIN (PARA-B-4, PAGE-6-SAR)

Audit pointed out that about 176,000 M/T of rice was damaged at Qasim Rice Godowns(QRG) of RECP due to heavy rains in the first week of July, 1994.

After briefing of the Audit Department on the issue, the PAC ordered the PAO to investigate the issue and find out the extent of damage, quantity of rice if procured beyond the requirements. The Committee also desired to know whether the precautionary measures were adopted during the storage of rice or not and report to the Committee within 02 months.

4.5 LOSS OF RS.51.575 (M) ON SALE OF GUNNY BAGS (PARA B-9-PAGE-9-SAR)

Audit pointed out that RECP sold 3,872,000 gunny bags @ 6.68 per bag to M/S Qayyum Enterprises, a handling agent of the Corporation under an agreement dated March 15, 1995 on single tender basis. They had purchased the bags @ Rs.20 per bag. Thus, the Corporation sustained a loss of Rs 51.575(M).

The PAC directed the PAO to pursue the case in the court of law and report to the Committee in next meeting.

- 4.6 i) (FRAUDULENT DRAWAL OF RS 11.539 (M) (PARA-B-11, PAGE 10-SAR)  
 ii) AVOIDABLE EXPENDITURE OF RS 2.368 (M) (PARA B-13, PAGE-11-SAR)

On presentation of the above 02 paras, the PAC directed the PAO to examine the matters, take necessary action and report to the Committee within 2 months.

ACTIONABLE POINTS: MEETING ON 05-04-1999  
APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1996-97)

- 4.7 i) GRANT NO.17-COMMERCE DIVISION (PAGE 81-AA)(SAVING OF RS 129,504,488)  
 ii) GRANT NO.18-EXPORT PROMOTION (PAGE 83-AA) (SAVING OF RS 159,543,193)  
 iii) GRANT NO.19-OTHER EXPENDITURE OF COMMERCE DIVISION (PAGE 84-AA)(SAVING OF RS 1,398,191)

On the presentation of above 03 Grants, the PAC conveyed its displeasure on the saving of Grants and regularized by directing the PAO to fix responsibility, take action against the responsible officer(s), why they did not surrender the amount in time and report to the Committee within 01 month.

AUDIT REPORT (CIVIL) (VOL-1-1996-97)

- 4.8 IRREGULAR EXPENDITURE OF RS 394,424/- ON PURCHASE OF STATIONERY BY SPLITTING UP THE PURCHASE ORDER (PARA 1, PAGE 20-AR)

Audit pointed out that the M/O Commerce during 1990-91 purchased stationery by splitting up purchase orders. The purpose was to avoid obtaining of NOC from Controller of Stationery and Forms Karachi and sanction of higher authority. Thus an expenditure of Rs 394,424 is held as irregular and unauthorized.

The PAC directed the PAO to get the said expenditure regularized from M/O Finance and report to the Committee within 01 month.

- 4.9 UN-AUTHORIZED AND IRREGULAR USE OF STAFF CAR BY A NON-ENTITLED OFFICER-NON RECOVERY OF RS 55,238 (PARA 2, PAGE 20-AR)

Audit pointed out that in National Tariff Commission under Ministry of Commerce a vehicle was misused by a non-entitled Deputy Director during 7-11-1990 to 1-1-1993 in contravention of Rule 2(x) of Staff Car Rules, 1980. The vehicle as per movement register covered 27619 K.M. Entries of

the movement registers substantiate that the vehicle was used exclusively for private purpose by the officer in violation of rule 2(x) of Staff Car Rules, 1980. The running of vehicle from meter reading 80777 to 95995 was also not recorded in the movement register.

After hearing the Ministry's reply, the PAC directed the PAO to recover Rs 55,238 from the concerned officer and report to the Committee within 02 months.

4.10 MISUSE OF GOVERNMENT VEHICLES BY NON-ENTITLED OFFICERS-NON RECOVERY OF RS 112,588 (PARA 3, PAGE-21-AR)

Audit pointed out that the M/o Commerce during 1990-91 provided vehicles to two non-entitled officers. The vehicles covered a distance of 43038 K.M. In first case, an additional vehicle was provided whereas officer was entitled for one vehicle as per para-2 of the Staff Car rules, 1980. It was also observed that in most cases time, name and designation of users, detail of journey and signature of users were not recorded in the movement register. In second case, private secretary to the Federal Minister used a vehicle for which he was not entitled.

The PAC showed its displeasure on the issue and directed the PAO to recover total amount of Rs 112,588 from the concerned person(s) and report to the Committee within 02 months.

4.11 IRREGULAR EXPENDITURE ON RENOVATION OF OFFICE BUILDING RS 143,476 (PARA 4, PAGE 21-AR)

Audit pointed out that Pakistan Packaging Institute, Karachi under M/o Commerce during 1992-95 spent Rs 143,476 on renovation of office building. Work was assigned to a private party without inviting tenders instead of doing it through PWD. Expenditure was split up-to avoid the sanction from higher authority. Advance payment was made to the contractor without approval of the higher authority.

After hearing the Ministry's reply, the PAC directed the PAO to send the case to M/o Finance for the regularization of expenditure and report to the Committee within 01 month.

4.12 i) IRREGULAR AND UN-AUTHORIZED UTILIZATION OF RS 2.167(M) (PARA 5, PAGE 22-AR)

Audit pointed out that Pakistan Packaging Institute Karachi under M/o Commerce, during 1992-95 instead of surrendering to the Government treasury, retained Rs 2.167 (M), the unspent balances at the end of respective financial years and utilized the same in subsequent periods. The action of the organization was not only a violation of financial rules but also a transgression of the parliament's mandate for the approval of the budget for a particular period. The expenditure out of these funds was irregular and unauthorized.

ii) UN-AUTHORIZED INVESTMENT OF RS 2.5 (M) (PARA 7, PAGE 23-AR)

Pakistan Packaging Institute Karachi under M/o Commerce during 1992-95 had invested Rs 2.5 (M) in term deposit certificates in National Bank of Pakistan without the approval from competent authority.

The PAC termed departmental actions with respect to both paras (5&7) as temporary embezzlement. The Committee directed the department to take action against the concerned person(s) who were involved in unauthorized utilization of funds and report to the Committee within 02 months.

4.13 IRREGULAR AND UNAUTHORIZED EXCESS PAYMENT OF RS 239,803 ON ACCOUNT OF HOUSE RENT AND CONVEYANCE ALLOWANCE. (PARA 6, PAGES 22-23-AR)

Audit pointed out that Pakistan Packaging Institute, Karachi under the administrative control of M/o Commerce during 1992-95 made an excess payment of Rs 239,803/- on account of house rent and conveyance allowance to its employees. The house rent was paid @ 45% of pay being drawn by each

employee instead of initial pay in a scale. Similarly, the rate for conveyance allowance was also enhanced from the prescribed by the Government. The expenditure was thus irregular and unauthorized.

After hearing the Ministry's reply, the PAC directed the PAO to take action against those who approved the unauthorized bills of house rent and conveyance allowance. The Committee further directed the department to recover the said amount from the concerned person(s) and report to the Committee within 02 months.

#### ACTIONABLE POINTS FOR 1988-89

#### 4.14 NON-RECOVERY/NON-ADJUSTMENT OF CONTINGENT ADVANCES AND T.A. ADVANCES AMOUNTING TO RS 530,672 (PARA 1, PAGE 38-AR-88-89) (ITEM 5-AP-93-94)

Audit pointed out that non-adjustment of contingent advances of Rs 127,600 and T.A/D.A. advances of Rs 403,072 to the Officers of Export Promotion Bureau, Karachi out of the Export Marketing Development Fund in 1986-87. These advances were not adjusted till March, 1990.

The PAC directed the PAO to recover the amount from the concerned officer(s) and report to the Committee within 03 months.

#### AUDIT REPORT (CIVIL) (VOL-I-1996-97)

- 4.15 i) MIS-APPROPRIATION AMOUNTING TO POUNDS STERLING 20,000 (RS 1,513,728) BY THE HIGH COMMISSION (PARA 8, PAGES 23-24-AR)
- ii) NON-PRODUCTION OF RECORD OF EMDF INVOLVING POUNDS STERLING 289,133 (RS 21,883,407)(PARA 9, PAGES 24-AR)
- iii) LOSS OF US \$ 1,643,886 (RS 56,644,078) CAUSED TO THE GOVERNMENT ON ACCOUNT OF OVER-DRAFTING FOR EXPORT MARKET DEVELOPMENT CENTRE (PARA 12, PAGE 25-AR)

On the presentation of above 03 paras, the PAC constituted a Sub-Committee under the Chairmanship of Mr. Hamza, MNA with its members Mr. Adnan Aurangzeb, MNA, Mr. Muhammad Suleman, Additional Secretary

(M/O Commerce), Deputy Accountant General (GA) and a representative of M/o Finance (BPS-21) to look into the matters and report to the Committee within 03 months.

4.16 WASTEFUL EXPENDITURE OF RS 511,278 INCURRED ON ACCOUNT OF A VACANT HOUSE (PARA 11, PAGE 35-AR)

Audit pointed out that Commercial Wing of Embassy of Pakistan Dhaka incurred TK 657,782 (Rs 511,278) on rent, utility charges and pay & allowance of a chowkidar of hired house which remained vacant from July, 1992 to January, 1994. This expenditure could have been saved if the building was dehiired timely.

The PAC showed its displeasure on the issue and directed the PAO to examine the matter, take action against the concerned person(s) and report to the Committee within 02 months.

The Committee further directed the department to get regularized the wasteful expenditures required from M/o Finance.

4.17 UN-AUTHORIZED EXPENDITURE OF RS 691,377 ON REIMBURSEMENT OF MEDICAL CHARGES (PARA 28, PAGE 94-AR)

Audit pointed out that the Commercial Wing to Pakistan High Commission London incurred an amount of Pounds Sterling 11,629.55 (Rs 691,377) on the treatment of an officer who underwent a plastic surgery during November, 1995 to March, 1996 against a budget allocation of Rs 40,000/-.

The PAC showed its displeasure on the issue and directed the PAO to recover the amount from the concerned officer, take action against the officer who approved the said expenditure and report to the Committee within 01 month.

ACTIONABLE POINTS MEETING HELD ON 29-09-2000

## (DEFERRED ACCOUNTS)

ACTIONABLE POINTS FOR THE YEAR 1996-97

- 4.18 i) GRANT NO. 17-COMMERCE DIVISION (PAGE 81-AA)(ITEM 1-AP-96-97).
- ii) GRANT NO. 18-EXPORT PROMOTION (PAGE 83-AA)(ITEM 1-AP-96-97).
- iii) GRANT NO. 19-OTHER EXPENDITURE OF COMMERCE DIVISION (PAGE 84-AA)(ITEM 1-AP-96-97).
- iv) IRREGULAR EXPENDITURE OF Rs. 394,424/- ON PURCHASE OF STATIONERY BY SPLITTING UP THE PURCHASE ORDER (PARA 1, PAGE-20-AR)(ITEM 2-AP-96-97).
- v) UN-AUTHORIZED AND IRREGULAR USE OF STAFF CAR BY NON-ENTITLED OFFICER NON-RECOVERY OF Rs. 55238/- (PARA 2, PAGE-20-AR)(ITEM 3-AP-96-97).
- vi) MISUSE OF GOVERNMENT VEHICLES BY NON-ENTITLED OFFICERS-NON RECOVERY OF Rs. 112,588 (PARA 3, PAGE-21-AR)(ITEM 4-AP-96-97).
- vii) IRREGULAR EXPENDITURE ON RENOVATION OF OFFICE BUILDING Rs. 143,476 (PARA 4, PAGE-21-AR)(ITEM 5-AP-96-97).
- viii) IRREGULAR AND UNAUTHORIZED UTILIZATION OF Rs. 2.147 MILLION (PARA 5, PAGE-22-AR)(ITEM 6(i)-AP-96-97).
- ix) IRREGULAR AND UNAUTHORIZED EXCESS PAYMENT OF Rs. 239,803/- ON ACCOUNT OF HOUSE RENT AND CONVEYANCE ALLOWANCE (PARA 6, PAGES-22-23-AR)(ITEM 7-AP-96-97).
- x) UNAUTHORIZED INVESTMENT OF Rs. 2.5 MILLION (PARA 7, PAGE-23-AR)(ITEM 6(ii)-AP-96-97).

ACTIONABLE POINTS FOR 1988-89

- xi) NON-RECOVERY/NON-ADJUSTMENT OF CONTINGENT ADVANCES AND TA ADVANCES AMOUNTING TO Rs. 530,672 (PARA 1, PAGE-38-AR)(ITEM 5-AP-93-94)(ITEM 8-AP-96-97).

On the presentation of above grants and paras, the Public Accounts Committee conveyed its displeasure on non-compliance of the PAC directives and to provide another opportunity and directed the Principal Accounting Officer to submit compliance report according to the PAC directives in the next meeting.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)COTTON EXPORT CORPORATION4.19 (PARA 19. PAGES-29-30-ARPSE).

Audit pointed out that Cotton Export Corporation was incorporated on Nov 29, 1973 as a private company under Companies Act, 1913 and wholly owned by the Government of Pakistan. The principal activity of the Corporation was to export and sell locally produced raw cotton in Pakistan. Accumulated losses amounted to Rs. 1814.352 million as on June 30, 1999.

The Public Accounts Committee conveyed its displeasure on continuous losses of the Corporation. The Committee was apprised that one of the Sub-Committees of the defunct PAC was examining the issues of the CEC but could not complete its findings before suspension of the National Assembly. A Sub-Committee comprising Mr. Mujahid Eshai (Member Ad-hoc PAC) representatives of M/o Commerce, Audit Department and M/o Finance was constituted to complete the unfinished work of the defunct Sub-Committee besides investigating the issue in hand and report to the PAC at the earliest.

COTTON TRADING CORPORATION4.20 i) (PARA 20-24-PAGES-31-32-ARPSE).

Audit pointed out that the company which had no business to conduct since 1976 could not be liquidated even after lapse of 24 years. Total assets of the company were Rs. 94 million as against total liabilities of Rs. 59 million. The case was discussed by the PAC on October 17, 1997. While expressing its displeasure over the affairs, PAC directed the management to expedite the liquidation process.

ii) (PARA 23, PAGE-32-ARPSE).

Audit pointed out that the management to justify the illegal increase in the remuneration of the liquidators in 1997.

On the presentation of above paras regarding Cotton Trading Corporation the Public Accounts Committee constituted a Sub-Committee comprising of Mr. Mujahid Ishai (Member Ad-hoc PAC), representatives of M/o Commerce, Audit Department and M/o Finance to look into the matter and report to the Committee at the earliest.

EXPORT CREDIT GUARANTEE SCHEME

4.21 (PARA 25, PAGE-33-ARPSE).

The Export Credits Guarantee Scheme was established by the Government of Pakistan in 1962 for the purpose of providing cover against risk of non-realization of sale proceeds of goods exported on credit terms and to encourage the banks to grant pre-shipment export finance by providing them with cover. The scheme has been sustaining losses of its main business of export finance coverage and underwriting for many years.

The Public Accounts Committee in its last meeting dated 17.10.1997 had shown its displeasure on the performance of the scheme and recommended for closure and transfer of staff to the surplus pool. It was told by the department that PAC's directive could not be implemented as closure of the scheme was not considered feasible.

The Public Accounts Committee constituted a Sub-Committee comprising Mr. Ahadullah Akmal, representatives of Ministry of Commerce, Audit Department and Ministry of Finance to look into the matter and report to the Committee at the earliest.

ACTIONABLE POINTS: MEETING ON 13 & 14-10-2000

SPECIAL AUDIT REPORT ON THE ACCOUNTS OF RICE EXPORT CORPORATION OF PAKISTAN 1994-96

RICE EXPORT CORPORATION OF PAKISTAN

4.23 LOSS OF RS.0.195 MILLION DUE TO FIRE (PARA B-14, PAGE 12-SAR(5))

Audit pointed out that a fire broke out at Qasim Rice Godown on May 14, 1995. Fire was controlled but RECP did not conduct any inquiry to

determine the losses caused by fire and fix responsibility. According to the information gathered by Audit, 15500 bags (serviceable/unserviceable) were lying in the area where fire broke out. The value of bardana stock reportedly burnt comes to Rs.0.195 million @ Rs.12.57 per bag. No FIR of fire incident was registered. In the absence of FIR, the chances of misappropriation of the stock could not be ruled out.

The management informed the Committee that an Inquiry Committee was constituted to investigate the matter. The Inquiry Committee came to the conclusion that the fire was accidental and might have been caused by burning cigarette, probably, thrown by any labourer. No one was found responsible for the loss.

After hearing the Ministry's point of view on the subject, the Public Accounts Committee settled the para in view of the case being very old. However, the Committee directed the Principal Accounting Officer to submit a report on current safety measures taken to safeguard the stocks to the PAC Secretariat within 15 days.

4.24 LOSS OF RS.1.923 MILLION DUE TO WAIVER OF LIQUIDATED DAMAGES (PARA B-15, PAGE 12(SAR-5))

Audit pointed out that RECP entered into an agreement on January 22, 1993 with M/s. Hamad-al-Feras & Sons, Saudi Arabia for export of 7000 metric tons of Basmati rice @ US\$20 per metric ton. The buyer requested to provide the entire quantity on May 9, 1993. However, they could manage shipment of only 2,000 metric tons within the period specified in the contract. RECP extended the validity period to August 31, 1993 without imposing liquidated damages. Again the buyer could lift only 2440 metric tons of rice, leaving a balance of 2560 metric tons. In spite of non-lifting of contract quantities the RECP did not impose liquidated damages of Rs.1.923 million.

The Ministry informed that as a goodwill gesture and in view of good relations with Saudi Arabia, the Board decided to waive off liquidated damages.

The Public Accounts Committee after hearing the Ministry's reply directed the Principal Accounting Officer to submit a comprehensive report, to the PAC within 15 days, on the issue, also containing information on the following points:-

- i) Provide the minutes of the meeting of the Board regarding waiving off the liquidated damages;
- ii) Provide a list of the members of Board of Directors at the time of decision taken.
- iii) Provide a list of the officers/officials who were re-employed in RECP or in its successor body after availing of the golden handshake scheme from the corporation within 15 days to the Committee.

4.25 UNNECESSARY EXPENDITURE OF RS.0.408 MILLION ON GUEST HOUSE (PARA B-17, PAGE 13-SAR-MR)

Audit pointed out that the Prime Minister's Secretariat, Islamabad, instructed the Corporation on March 09, 1995 to establish a RECP Rest House at Larkana to accommodate the officers who visited the area in connection with procurement of rice. Therefore, RECP purchased a plot measuring 9016 square feet on 99 years lease basis, for Rs.0.902 million. The possession of the plot was taken on September 19, 1995. It was also decided to hire a bungalow at monthly rent of Rs.17,000 to be utilized as rest house till the completion of rest house.

The Ministry informed the Committee that the department established the Rest House on the directive of the Prime Minister's Secretariat/Ministry of Commerce to accommodate the government functionaries and MNAs who used to come during Prime Minister's visit to Larkana, besides RECP officials.

After hearing the Ministry's reply the Public Accounts Committee directed the department to hand over the possession of the plot to the Government of Sindh and recover the paid amount at the earliest.

ACTIONABLE POINTS FOR 1996-97RICE EXPORT CORPORATION OF PAKISTAN4.26 LOSS OF RS.9892 MILLION DUE TO EXPORT OF RICE AT LOWER RATES  
(PARA B-1, PAGE 3, (SAR 5) (ITEM 1(I) -AP-96-97)

Audit pointed out that RECP exported 921,232 metric tons of Basmati and 2,421,732 metric tons of other varieties of rice during the years 1990-91 to 1994-95. The average rates at which RECP exported the rice were considerably less than those charged by exporters in private sector for the same varieties of rice during the same period. The total effect of the differences in prices was worked out to be US\$ 201.02 million equivalent to Rs.8040.80 million. Similarly loss of US\$ 44.08 million equivalent to Rs.1851.36 million was sustained on export of 367,299 M.tons in 1995-96.

After hearing the Ministry's reply, the Public Accounts Committee conveyed its displeasure on the issue. The Committee settled the para considering it an old case, however, specifically recorded that this decision should not be made precedent in other cases.

4.27 LOSS OF RS.1,704.92 MILLION DUE TO SHORTAGES  
(PARA B-3, PAGE 5(SAR-5) (ITEM 1(II)-AP-96-97)

Audit pointed out that as a result of stock taking carried out in August, 1996 by a firm of Chartered Accounts, 145,000 metric ton rice valuing Rs.1705 million was found short during 1988-89 to 1991-92 in RECP godowns. Out of total shortage, 130,558 metric tons pertained to the handling agents and the remaining 14,442 metric tons shortages occurred under self handling scheme.

Ministry informed the Public Accounts Committee that the matter is with the FIA for investigation. The Committee directed the FIA to complete its investigation within one month and report to PAC.

4.28 NON-RECOVERY OF RS.4.202 MILLION FROM DEFAULTERS  
(PARA B-2, PAGE 4 (SAR-5) (ITEM 2-AP-96-97))

Audit pointed out that RECP did not recover Rs.4202.018 million from defaulting suppliers, buyers and handling agents during 1976 to 1995. The management had filed 74 cases in courts for recovery at different periods of time and the cases were pending in the courts. The chances of recovery appeared to be remote.

The Public Accounts Committee directed the department to pursue the cases in the Court of law, prepare a progress report on the issue and submit in the next meeting.

- 4.29 i) EXCESS EXPENDITURE OF RS.302 MILLION ON PROCUREMENT AT HIGHER RATES  
PARA B-5, PAGE 6 (SAR-5) (ITEM 3(I)-AP-96-97)
- ii) LOSS OF RS.143.822 MILLION DUE TO LOCAL SALE OF RICE (PARA B-6, PAGE  
7)(SAR-5) (ITEM 3(II)-AP-96-97)
- iii) LOSS OF RS.76.261 MILLION IN SALE OF 500,000 METRIC TONS OF RICE  
(PARA B-7, PAGE-8)(SAR 5) (ITEM 3(III)-AP-96-97)
- iv) LOSS OF RS.67.751 MILLION DUE TO REDUCTION IN PRICE AFTER  
FINALIZATION OF CONTRACT (PARA B-8, PAGE 9)(SAR-5) (ITEM-3(IV)-AP-  
96-97)

The detailed scrutiny of the above four paras was assigned to a Sub-Committee by the defunct PAC which could not finalize its deliberations before the National Assembly ceased to function. To deal with these paras the Ad-hoc Public Accounts Committee constituted a special Committee comprising representatives of Audit Department and M/O Commerce with the direction to prepare a report on the above mentioned issues within 15 days for the perusal of the PAC.

4.30 LOSS OF RS.700 MILLION DUE TO DAMAGE TO RICE BY RAIN  
(PARA B-4, PAGE 6)(SAR-5)(ITEM 4-AP-96-97)

Audit pointed out that about 176,000 metric tons of rice was damaged at Qasim Rice Godowns (QRG) of RECP due to heavy rains in the first week of July, 1994. Due to rain fall the RECP sustained loss of Rs.700 million.

The Ministry informed the Committee that an inquiry was conducted by Joint Secretary. The Inquiry Officer did not make any body responsible for the losses.

The Public Accounts Committee observed that the inquiry was not conducted in the correct direction. The Committee directed the Principal Accounting Officer to pin point the concerned officers/officials responsible for the losses and take action against them under the law and report to the Committee within one month.

4.31 LOSS OF RS.51,575 MILLION ON SALE OF GUNNY BAGS  
(PARA B-9, PAGE 10)(SAR-5)(ITEM 5-AP-96-97)

Audit pointed out that RECP sold 3,872,000 gunny bags @ Rs.6.68 per bag to M/s. Qayyum Enterprises, handling agents of the Corporation under an agreement dated March 15, 1995 on single tender basis. They had purchased the bags @ Rs.20 per bag. Thus, the Corporation sustained a loss of Rs.51.575 million.

The Ministry informed the Committee that a criminal case was lodged against some officers of RECP by FIA.

The Public Accounts Committee directed the FIA to submit a report on the issue to the PAC's Secretariat within 15 days. Further to inculcate vigilance, responsibility and sense of propriety. The PAC directed the Audit department to prepare a comprehensive proforma which should help to watch Ministry's (department's) performance in pursuing court cases at various stages and circulate the same to all the Ministries to get desired information before the PAC meeting.

4.32 FRAUDULENT DRAWAL OF RS.11,539 MILLION  
(PARA B-11, PAGE 10)(SAR 5)(ITEM 6(I)-AP-96-97)

Audit pointed out that the Accounts Division of RECP in 1992 pointed out that 15 rice suppliers of Sindh presented 136 forged weight and quality certificates and obtained purchase invoices from the District Incharge

(Accounts), and drew payments from the nominated branches of bank. A total amount of Rs.11.54 million was drawn fraudulently. Audit is of the view that fraudulent withdrawal of Rs.11.54 million under forged certificates was not possible without involvement of concerned RECP officials as well as bank staff. No departmental inquiry was conducted by RECP to fix responsibility on the persons involved for the procedural lapses.

After hearing the Ministry's reply the Public Accounts Committee directed the Principal Accounting Officer to submit a comprehensive report on all aspects of the issue, especially the possibility of taking the case to the criminal court, within one month. The Committee also directed the PAO to examine whether the cases can be referred to the National Accountability Bureau (NAB) or not.

4.33 AVOIDABLE EXPENDITURE OF RS. 2.368 MILLION  
(PARA B-13, PAGE 11 (SAR 5) (ITEM 6(II)-AP-96-97)

Audit pointed out that RECP paid Rs.2.368 million to a private party as commission for export of rice in 1995-96. Audit was of the opinion that as export of rice was the primary function of RECP therefore exporting through private exporters on behalf of RECP was unjustified. Had they exported the rice directly, payment of Rs.2.368 million could have been avoided.

After hearing the Ministry's reply the Public Accounts Committee settled the para subject to verification by the Audit department.

PAKISTAN INSURANCE CORPORATION

4.34 PARA 33, PAGES 37-38-ARPSE)

Audit presented the profit/loss report on PIC. Audit explained that only 23.4% profit came from main business of the Corporation i.e. insurance while 76.7% is accounted for by investment income and other income during the year 1996.

The Ministry informed the Committee that profit from insurance business is equal to 100% of the paid-up capital of PIC.

The Public Accounts Committee directed the department to prepare a comprehensive report on latest position of profit/loss of the Corporation and report to the Committee within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

4.35 (PARA 51, PAGE 48-ARPSE)

Audit presented the latest working results of the Corporation for the year 1995-96. Audit explained that there is increasing trend in the expenses of SLIC which needs to be controlled.

After hearing the Ministry's reply the Public Accounts Committee settled the para. However, the Committee directed the PAO to prepare a report on increasing trend of the expenses and decreasing profits of the Corporation and report to the Committee within one month.

4.36 (PARA 57, PAGE 49-ARPSE)

Audit pointed out that realization/recovery of the following amounts included in the assets of the Corporation as on December 31, 1996 are doubtful.

- a. Rs.100 million included in investment on account of 5 million shares of shon refinery Limited, a closed project in private sector, presently under liquidation.
- b. Rs.209.5 million paid by the Corporation to National Housing Authority for purchase of one thousand plots in Islamabad New City Project. The project was abandoned by NHA in November, 1996.

The Ministry informed the Committee that Rs.70.870 million have been recovered from M/s Shon Refinery through Privatization Commission leaving balance of Rs.29.130 million. As regards investment with National Housing Authority (NHA) it has been intimated that State

Life made an agreement with NHA for the purchase of 1000 plots in Islamabad New City for Rs.628 million. As per agreement first two installments amounting to Rs.209.5 million were released during 1996. The Department is struggling hard to recover the outstanding amount from the NHA.

The Public Accounts Committee directed the Principal Accounting Officer to take the effective measures to recover the balance amount from the concerned departments and report to the Committee within one month.

4.37 IRREGULAR EXPENDITURE OF RS.77.663 MILLION ON ACCOUNT OF MEDICAL AND ALLIED FACILITIES TO FIELD FORCE (PARA 58, PAGE 50-ARPSE)

Audit pointed out that State Life Insurance Corporation Zonal office Lahore paid a sum of Rs.77.663 million on account of medical and other allied facilities to the field staff during the period from 1984 to 1993 in contravention of Insurance Rules of 1958.

The Ministry informed the Committee that the payments made are only a continuation of past practice.

The Public Accounts Committee after hearing the Ministry's arguments on various legal aspects concerning the admissibility of the medical allowance, directed PAO to reconcile the position with the Audit for settlement of the issue, if law permits.

4.38 FRAUDULENT WITHDRAWAL OF LOAN AMOUNTING TO RS.3.367 MILLION BY PREPARING FICTITIOUS DOCUMENTS (PARA 56 & 59, PAGES 49-50-ARPSE)

Audit pointed out that in State Life Insurance Corporation Zonal Office Multan, Mr. Khalid Jamil, sales Manager in collaboration with his brother Mr. Shahid Jamil, Sales Manager withdrew a sum of Rs.3.367 million fraudulently by preparing fictitious loan documents on behalf of six policy holders and by opening fictitious bank accounts in 1994-95. FIR was lodged against the officers but recovery was not effected from them.

The Ministry informed the Committee that the case against both the accused was in process in the Banking Court.

The Public Accounts Committee directed the department to co-ordinate with the FIA to get the latest progress/position of the case and report to the Committee within one month.

4.39 FRAUDULENT PAYMENT OF DEATH CLAIM OF RS.116,850 DUE TO PRESENTATION OF BOGUS DEATH CERTIFICATE (PARA 60, PAGES 51-52-ARPSE)

Audit pointed out that a widow received claim of Rs.116,850 in May, 1993 from State Life Multan on account of death of her husband by misrepresentation and fraud. The fraud was actuated in collaboration with one of the Sales Managers of the Corporation. The Corporation filed a criminal case against the widow in April, 1994 but later on withdrew it and filed a civil suit which is pending.

The Ministry replied that the case was reported to the Police on 30-4-1994 for recovery of fraudulent claim payment. However, later on as advised by the then Zonal Head and on the request of President, State Life Field Workers Association, Multan Zone, the case was withdrawn and a civil suit was filed in the court of senior civil judge, Multan titled as State Life vs Mst. Shamim Akhtar on 31-10-1994 for recovery of fraudulent claim which is still pending.

After hearing the Ministry's reply the Public Accounts Committee directed the department to recover the losses from the concerned sales manager of the corporation who was involved in the fraud. The Committee further directed the Principal Accounting Officer:-

- i) To examine whether the case can be filed as a criminal case again instead of a civil suit.
- ii) Fix responsibility against other officers/officials who were involved in fraudulent payment and report to the Committee within one month.

4.40 EMBEZZLEMENT OF CASH OF RS.556,675 BY THE NAIB QASID  
(PARA 61, PAGE 52-ARPSE)

Audit pointed out that in State Life Insurance Corporation Branch Office, Vehari the Cashier handed over an amount of Rs 631,675 on December 27, 1993 to Mr. Nazir Ahmed daily Naib Qasid for depositing in the bank account of the Corporation. The official instead of depositing the amount decamped with money. The case was registered with Police on December 28, 1993 and the accused was arrested. Amount of Rs 75,000 was recovered from him. The accused was released on bail by the Lahore High Court Multan Bench on October 24, 1994 and the balance amount of Rs 556,675 was still recoverable from him.

The Department informed the Committee that the case for cancellation of bail has been filed in January 1996 which is still pending. It was further stated that the disciplinary action has also been taken against the officials of the branch.

The Public Accounts Committee directed the department to pursue the case in the Court of law and fix responsibility for the loss and for delaying the action at various levels and report to PAC within 2 months.

TRADING CORPORATION OF PAKISTAN

4.41 (PARA-62, PAGE-53-ARPSE).

Audit presented the operational working results of the Corporation for the year 1995-96 to 1998-99. Audit explained that although operational activities of the TCP increased during the year 1996-97 yet it sustained net loss of Rs 27.905 million before tax. Audit further stated that due to persistent losses the accumulated losses amounted to Rs 252.121 million as on June 30, 1997 which were reduced to Rs 40.621 million by transferring Rs 211.500 million from General Reserve.

The Committee directed the PAO to examine the profit/loss position of the Corporation after the merger of RECP with TC, prepare a report on the financial health of the Corporation till June 30, 2000 and report to the Committee through the Audit in one month.

ACTIONABLE POINTS: MEETING ON 12-06-2001ACTIONABLE POINTS FOR 1996-97

- 4.42 i) GRANT NO. 17-COMMERCE DIVISION (PAGE 81-AA)  
(SAVINGS OF Rs. 129,504,488)(ITEM 1(I)-AP-96-97).
- ii) GRANT NO. 18-EXPORT PROMOTION (PAGE 83-AA)  
(SAVINGS OF Rs. 159,543,193)(ITEM 1(II)-AP-96-97).
- iii) GRANT NO. 19-OTHER EXPENDITURE OF COMMERCE DIVISION  
(PAGE 84-AA)(SAVINGS OF Rs. 1,398,191)(ITEM 1(III)-AP-96-97).

The Ad-hoc PAC had already discussed above mentioned three grants in its meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report according to the PAC's directive.

The Ministry informed the Committee that according to PAC's directive an inquiry was conducted, but no action could be taken because both the persons held responsible have died.

PAC DIRECTIVE

The PAC regularized the above noted grants; however, it directed the Audit to verify the facts stated by the Ministry.

- 4.43 IRREGULAR EXPENDITURE OF Rs. 394,424/- ON PURCHASE OF STATIONERY BY SPLITTING UP THE PURCHASE ORDER.  
(PARA 1, PAGE-20-AR-96-97)(ITEM 1(IV)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report on the previous Committee's decision in the next meeting.

The Ministry informed the Committee that the department had obtained the approval of the competent authority for the said purchases as desired in the PAC's directive.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.44 UNAUTHORIZED AND IRREGULAR USE OF STAFF CAR BY A NON-ENTITLED OFFICER, NON-RECOVERY OF Rs. 55,238/- (PARA 2, PAGE-20-AR-96-97)(ITEM 1(V)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report according to the previous PAC's decision in the next meeting.

The Ministry informed the Committee that an amount of Rs. 25,920 had been worked out as recoverable and the user has been directed to deposit the said amount in the public account.

PAC DIRECTIVE

The PAC directed the Ministry to write a letter to the AGPR to recover the amount from the user's salary.

4.45 MISUSE OF GOVERNMENT VEHICLES BY NON-ENTITLED OFFICERS-NON RECOVERY OF Rs. 112,288/- (PARA 3, PAGE-21-AR-96-97)(ITEM I(VI)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report in the light of previous PAC's directive in the next meeting.

The Ministry informed the Committee that the cars in question were provided for official use against proper requisitions and the movement register alongwith relevant requisitions are available with the department.

PAC DIRECTIVE

The PAC settled the para subject to verification, of stated facts, by the Audit.

4.46 IRREGULAR EXPENDITURE OF RENOVATION OF OFFICE BUILDING  
Rs. 143,476.  
(PARA 4, PAGE-21-AR-96-97)(ITEM I(VII)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report in the light of previous PAC's directive in the next meeting.

The Ministry informed the Committee that the case has been got regularized by the Finance Division.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.47 IRREGULAR AND UNAUTHORIZED UTILIZATION OF Rs. 2.167 MILLION.  
(PARA 5, PAGE-22-AR-96-97)(ITEM I(VIII)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report in the light of previous PAC's directive in the next meeting.

The Ministry informed the Committee that of the two persons held responsible for the unauthorized expenditure, one Mr. R.A. Jafri (Ex. MD) had died in 1997 and the other Mr. Shaukat Rizvi had retired in 1998; therefore, no action could be taken against them.

PAC DIRECTIVE

The PAC directed the PAO to re-examine the matter. It further directed that if someone else, other than Mr. Shaukat Rizvi, is also found guilty for the un-authorized utilization of the said amount, should be action taken against him and reported to the Committee within one month.

4.48 IRREGULAR AND UNAUTHORIZED EXCESS PAYMENT OF Rs. 239,803/- ON ACCOUNT OF HOUSE RENT AND CONVEYANCE ALLOWANCE. (PARA 6, PAGE-22-AR-96-97)(ITEM I(IX)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report in the light of previous PAC's directive in the next meeting.

The Ministry informed the Committee that out of total amount Rs. 128,838 have been recovered. Efforts are being made to recover the remaining amount.

PAC DIRECTIVE

The PAC directed the PAO to get the recovered amount (Rs 128,838) verified from the Audit and strenuous efforts be made to recover the remaining amount from the concerned employees under report to the Audit; however, stated recovery of Rs 16000 from the deceased employee may be exempted.

4.49 UNAUTHORIZED INVESTMENT OF Rs. 2.5 MILLION.  
(PARA 7, PAGE-23-AR-96-97)(ITEM I(X)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report in the light of previous PAC's directive in the next meeting.

The Ministry informed the Committee that Mr. R.A. Jafri, the person held responsible for the unauthorized investment, had died in 1997.

PAC DIRECTIVE

The Committee directed the PAO to re-examine the issue. If someone else, other than Mr. R.A. Jafri, is also found guilty for the unauthorized investment of the said amount, take action against him and report to the Committee within one month.

4.50 NON-RECOVERY/NON ADJUSTMENT OF CONTINGENT ADVANCES AND TA ADVANCES  
AMOUNTING TO Rs. 530,672/.  
(PARA 1, PAGE-38-AR-96-97)(ITEM I(XI)-AP-96-97).

The para had already been discussed in the Ad-hoc PAC's meeting held on 29.9.2000 wherein it conveyed its displeasure on non-compliance of the previous PAC's directive (5.4.1999) and directed the PAO to submit a compliance report in the light of previous PAC's directive in the next meeting.

The Ministry informed the Committee that Rs. 457,671 have been recovered/adjusted from 27 officers, while Rs. 73,001.55 are recoverable against deceased officers, therefore, cannot be recovered.

PAC DIRECTIVE

The PAC directed the PAO to get the recovered amount verified from the Audit and write-off the amount outstanding against deceased officers. However, the Committee settled the para.

4.51 MISAPPROPRIATION AMOUNTING TO POUNDS STERLING 20,000 (Rs 1,513,728) BY THE HIGH COMMISSIONER, (PARA 8, PAGE 23-AR-96-97)(ITEM 9(I)-AP-96-97).

The para was discussed in the previous PAC's meeting held on 5.4.1999. The PAC constituted a Sub-Committee for the examination of the case but it could not finalize its report due to suspension of the National Assembly.

The Ministry apprised the Committee that the said funds were transferred to Mr. Wajid Shamsul Hassan, the then High Commissioner U.K. by the Ministry of Commerce. The Seminar, for which funds were pooled, reportedly was held but when the ex-High Commissioner was approached to get the record, the Ministry of Commerce failed to get any information/record regarding the utilization of the fund. Investigation Report of the FIA on this issue was also sent to M.O. Foreign Affairs for necessary action, in June 2000.

PAC DIRECTIVE

The PAC directed the PAO to take-up the issue with Secretary Foreign Affairs at personal level and make arrangements to get the record of the case within 15 days and report to the Audit.

4.52 NON-PRODUCTION OF RECORD OF EMDF INVOLVING POUNDS STERLING 289,133 (Rs 21,883,407), (PARA 9, PAGE-24-AR-96-97)(ITEM 9(II)-AP-96-97).

Audit pointed out that the Commercial Wing of Pakistan High Commission, London, did not maintain the cash book and failed to produce detailed vouchers of expenditure of Pounds Sterling 289,133. The para was discussed in the PAC's meeting held on 5.4.1999. The Committee constituted a Sub-Committee to examine the matter but it could not finalize its report due to suspension of the National Assembly.

The Ministry informed the Committee that the said money was sent to the Pakistan High Commission, London, U.K. for routine expenditures.

PAC DIRECTIVE

The PAC directed the PAO to investigate the matter and produce the record for verification to the Audit within 15 days. If expenditure record/vouchers are not produced within given time, case may be considered for action under criminal law.

4.53 WASTEFUL EXPENDITURE OF Rs. 511,278 INCURRED ON ACCOUNT OF A VACANT HOUSE. (PARA 11, PAGE-25-AR-96-97)(ITEM 10-AP-96-97).

The para was discussed in the previous PAC's meeting held on 5.4.1999. The Committee conveyed its displeasure on the issue and directed the PAO to examine the para and take action against the concerned persons. The Committee also directed the department to get the wasteful expenditure regularized from the Ministry of Finance.

The Ministry informed the Committee that the case had been referred to the Ministry of Finance for regularization.

PAC DIRECTIVE

The PAC directed the PAO to get the expenditure regularized by the M.O. Finance at the earliest and settled the para.

4.54 LOSS OF US\$ 972,000 CAUSED TO THE GOVERNMENT ON ACCOUNT OF UNAUTHORIZED OVERDRAFT FOR EXPORT MARKET DEVELOPMENT CENTRE. (PARA 12, PAGE-25-AR-96-97)(ITEM 9(III)-AP-96-97).

Audit pointed out that Export Market Development Centre was established in San Francisco in 1983 with a revolving fund of \$ 100,000 . The Centre had failed to achieve its objectives. It was decided to close it in June 1991 but payments of rent, telephone and allied charges continued to be made up to January, 1994. A total of approximately \$ 650,000 were thus overdrawn. While approving the payment of 972,000 dollars including interest of \$ 322,000 on the overdrawn amount the Board of Administrators of the Export Market Development Fund noted that the Display Centre at San-Francisco was not opened with the consultation or approval of the Export Promotion Bureau.

The Ministry informed the Committee that an inquiry was conducted by Mr. Javed Noel, the then Addl. Secretary Finance. Copy of the said inquiry report is not available with the Ministry; reportedly, he submitted his report to the then Federal Anti corruption Committee.

PAC DIRECTIVE

The PAC directed the PAO to seek help from the Ministry of Finance to get a copy of the inquiry report and hand over it to the Audit/PAC Secretariat within 15 days. The Committee also directed the Ministry to send the case to National Accountability Bureau (NAB) for investigation and necessary action.

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ACTIONABLE POINTS: MEETING ON 04-07-2001  
(DEFERRED ACCOUNTS)

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

TRADING CORPORATION OF PAKISTAN (TCP)

4.55 (PARA 63-64-PAGES 53-54-ARPSE).

Audit pointed out that accounts of Trading Corporation of Pakistan showed Rs. 2457.01 million as the recoverable amount from different Companies/Suppliers at the close of the year 1996-97.

The Ministry apprised the Committee that the Corporation has recovered the said amount except the balance of Rs. 7 million which is outstanding due to pending cases in the court of law.

PAC DIRECTIVE

The PAC directed the PAO to make efforts to recover the outstanding amount from different Suppliers/Companies; attempts should also be made to settle the disputes with the concerned parties out of the courts, if possible.

4.56 LOSS OF Rs. 7.069 MILLION ON IMPORT OF RED CHILIES THROUGH M/S. NOOR-ENTERPRISES.  
(PARA 66, PAGE-55-ARPSE).

Audit pointed out that TCP imported 500 tons of red chilies through M/s. Noor Enterprises, Karachi, in February 1995. A quantity of 125 M.tons (being infected with fungus), was rejected during pre-shipment inspection. To determine the quality of supplies a joint survey of the consignment was carried out under the arrangement of TCP and the supplier. As a result of this joint survey, TCP accepted a quantity of 272 M.tons of red chilies and rejected the remaining quantity. The total loss suffered by TCP due to delay in shipment/arrival and clearance of goods and payment of demurrage/detention charges stood at Rs. 7.069 million.

The supplier also lodged a claim for Rs. 7 million on account of damages. The Ministry of Commerce appointed an Inquiry Officer who admitted the claim of the supplier of Rs. 1.44 million. TCP paid a sum of Rs. 1.5 million to the supplier in compliance with the recommendations of Inquiry Officer.

The Ministry informed the Committee that the decision to import the said chilies through M/S Noor Enterprises was taken by Mr. Nooruddin Ahmed, the then Chairman TCP. An inquiry was conducted regarding the said loss. According to the inquiry report no person was held responsible.

PAC DIRECTIVE

The PAC conveyed its displeasure on the issue and directed the PAO to prepare a case, based on the facts, for reference to the NAB to recover the public money and submit it to the PAC Secretariat within 15 days. The PAC Secretariat will send the case to the NAB in consultation with the Audit.

4.57 LOSS OF UK POUNDS STERLING 25,200 IN THE EXPORT OF MANGOES TO UK EQUIVALENT TO Rs. 1.663 MILLION.  
(PARA 67, PAGE-56-ARPSE).

Audit pointed out that TCP exported 88.727 Kgs mangoes to M/s. MST London in June/July 1996 valuing Pound Sterling 104,695. As per terms of contract the buyer was allowed 10 days credit in making payment after arrival of the consignment at London. TCP recovered pounds sterling 79,495 from the buyer leaving a balance of Pounds Sterling 25,200 equivalent to Pak Rs. 1.663 million. It was also noticed that the contract was approved by the Chairman in violation of the rules and regulations of TCP according to which only the Executive Committee of TCP was competent to approve such contract.

The Ministry informed the Committee that, by now, only 8005 Pounds Sterling are outstanding. The efforts are being made to recover this amount as well.

PAC DIRECTIVE

The PAC directed the PAO to make efforts to recover the outstanding amount from M/s MST, London. If recovery is not possible then measures be taken to write-off the said amount.

4.58 LOSS OF Rs. 1.4 MILLION DUE TO SALE OF GINGER BELOW THE IMPORTED COST PER KG.  
(PARA 68, PAGE-56-ARPSE).

Audit pointed out that TCP imported 80000 Kg ginger @ 32 per Kg. for Rs. 2.560 million from China through M/s Goodwill Enterprises, Karachi. The Commodity supplied was not found according to the specifications. The consignment was accepted even though the terms of the contract allowed for rejection. The ginger was then auctioned for Rs. 1.2 million resulting in a loss of Rs. 1.4 million.

The Ministry endorsed the Audit's contention regarding the loss and informed the Committee that the ginger was imported under the direction of the then Chairman TCP.

PAC DIRECTIVE

The PAC directed the PAO to examine the facts of the case to determine the ways & means, including fitness of the case for reference to the NAB, to recover the loss and report the PAC Secretariat within 15 days.

RICE EXPORT CORPORATION OF PAKISTAN (PVT) LIMITED4.59 (PARAS 37-38, PAGE-41-ARPSE).

Audit presented financial results of the Corporation for the years 1995-98. Audit informed the committee that the administrative expenditure of the Corporation remained over and above the commission income. Resultantly, the Corporation (H.O.) had suffered losses which accumulated to Rs. 583.425 million as on June 30, 1998. Similarly, the Corporation had sustained accumulated losses to the tune of Rs. 16,655 on its operations by September 30, 1998.

PAC DIRECTIVE

On presentation of the above paras regarding RECP, the PAC directed the PAO to provide the latest consolidated financial report, within 15 days, on the TCP providing the position of the assets and liabilities of the RECP taken over by the TCP.

4.60 (PARA 43, PAGE-43-ARPSE).

Audit pointed out that as reported by the external auditors in their report for the year ending Sept 30, 1996, stock of rice valuing Rs 3,582.938 million had not been physically counted by the Corporation, being stacked in an uncountable position. The value of stock as stated at the end of the year had been arrived at by accounting for their opening balances, purchases and sales made during the year.

The Ministry apprised the Committee that all the stocks were disposed of in time and there was no shortage/theft in the stocks.

PAC DIRECTIVE

The PAC directed the PAO to satisfy the Audit on the position of physical stocks and report to the Committee within one month.

4.61 (PARA 44, PAGE-43-ARPSE).

Audit pointed out that the Corporation has initiated legal action against certain handling agents for recovery of shortages of rice and stores amounting to Rs 778 million and Rs 14 million respectively. The recovery of the amount is dependent on the outcome of the litigation. Besides, the Corporation has at stake Rs 420 million in the shape of investment and advances to PNPCL and DRML. The assets of the Companies have been sold by the Government of Pakistan in the privatization process and the recovery of the Corporation's investment and the advances to these Companies is contingent upon the finalization of the amount by the Privatization Commission. The management, however, had made no provision in the financial statements against the possible losses arising from the above uncertainties.

The Ministry upheld the Audit's observations and informed the Committee that cases against different handling agents are under litigation.

PAC DIRECTIVE

The Committee directed the PAO to prepare the case, based on facts, for reference to the NAB to effect the said recovery/losses and send it to the PAC Secretariat within one month. The Secretariat will forward it to the NAB after consultation with the Audit.

4.62 (PARA 45, PAGE-43-ARPSE).

Audit pointed out that National Bank of Pakistan, FTC Branch, Karachi, had debited the respective account by Rs 10.69 million in respect of procurement of rice in prior years. RECP has not accounted for this liability due to lack of sufficient documents and had taken the matter with the bank.

The Ministry apprised the Committee that the said amount has been recovered and settled the issue with the NBP.

PAC DIRECTIVE

The Committee settled the para subject to verification, of the stated facts, by the Audit.

4.63 (PARA 46, PAGE-43-ARPSE).

Audit reported that the tax amounting to Rs. 75.240 million upto September 30, 1996 was payable to the income tax authorities. However, an amount of Rs. 169.739 million in respect of refunds etc. was deducted from the tax payable depicting a minus figure of Rs. 94.449 million under the caption taxation in the current liabilities. Since the re-assessment proceeding had not been finalized, such adjustment was not appropriate.

The Ministry informed the Committee that the said amount has been adjusted according to the proper procedure.

PAC DIRECTIVE

The Committee settled the para subject to verification, of the stated facts, by the Audit.

4.64 (PARA 48, PAGE-44-ARPSE).

Audit pointed out that Trade debtors, prepayments and other receivable which stood at Rs. 62.682 million as on Sept. 30, 1996 reduced to Rs. 46.417 million as on Sept. 30, 1997. But a provision for doubtful receivables amounting to Rs. 9.580 million was made in the accounts.

The Ministry apprised the Committee that the said amount pertained to a case which was under litigation. The Court has given its decision in favour of RECP.

PAC DIRECTIVE

The PAC directed the PAO to show the Court's decision to the Audit for verification and make efforts to get implemented the Court's decision.

4.65 LOSS OF Rs. 46.107 MILLION DUE TO SHORTAGE OF 14959.973 M.TON RICE.  
(PARA 49, PAGE-45-ARPSE).

Audit pointed out that RECP appointed M/S. Island Trading Corporation Limited as handling agent for rice crop 1988-89 at Landhi Godown in Jan, 1990. The period of contract was for two years. However, a considerable quantity of the rice crop could not be exported. The management extended the validity period of the contract for further one year i.e. upto Jan 6, 1993. On expiry of contract, physical verification was carried out and a quantity of 14959.973 M.ton of rice valuing Rs 46.107 million was found short.

The Ministry upheld the Audit's point of view and informed the Committee that on the basis of departmental evaluation of the loss a suit for recovery of Rs. 100.403 million was filed in the Court against the handling agent.

PAC DIRECTIVE

The Committee directed the PAO to prepare a case, based on facts, for reference to the NAB for recovery of the said amount and send it to the PAC Secretariat which will send it to the NAB in consultation with the Audit.

4.66 LOSS OF Rs. 120,549 DUE TO NON-RECOVERY OF DUES FROM A RETIRED OFFICER AND LOSS OF INTEREST AMOUNTING TO Rs. 31,159. (PARA 50, PAGE-46-ARPSE).

Audit pointed out that RECP hired a flat in Hamilton Court Complex at Clifton, Karachi, for its Ex-Director for a period of two years w.e.f. July, 1991. According to the house rent ceiling of the officer concerned advance rent of Rs. 175,440 @ Rs. 7,310 per month was paid to the owner for 2 years. However, the officer retired on March 15, 1992 and a sum of Rs. 120,549 was outstanding against him.

The Ministry informed the Committee that the legal case was filed against the owner who was the son of the Ex-Director. The court dismissed the case against which the Corporation has appealed in the court of District Judge. In response to a query, it was told that the approving authority had also expired.

PAC DIRECTIVE

The Committee observed that only one single person is not responsible for such a sanction; therefore, it directed the PAO to examine the case and fix responsibility for sanctioning advance rent for two years when the Ex-Director was retiring within nine months and report to the Committee within 15 days.

ACTIONABLE POINTS FOR 1996-97EXPORT CREDIT GUARANTEE SCHEME4.67 (PARA 25, PAGE-33-ARPSE)(ITEM 4-AP-96-97).

The previous PAC had recommended on (17.10.1997) for closure of the Scheme and surrender of staff to the surplus pool. The department did not implement the PAC's directive on the plea that closure of the scheme was not feasible.

The Actionable Point on the para was discussed in the Ad-hoc PAC meeting held on 29.9.2000. The Committee constituted a Sub-Committee to look into the matter. The Sub-Committee has submitted its report on 4.12.2000 with the following recommendations:

Ministry of Commerce has submitted a road map about the merger/liquidation of ECGS which is submitted for approval of the Government.

- > i) Issuance of Notification for abandoning of Export Credits Guarantee scheme by 31.12.2000 to amend the PIC Act, 1952 deleting the relevant provision through which the scheme of ECGS is governed and operated.
- ii) Closure of ECGS, Lahore Office and transfer back the officers and staff of PIC working in ECGS to the Corporation with immediate effect.
- iii) Audit of ECGS Accounts to be drawn up as at 31st December 2000.
- iv) Transfer of ECGS Assets and Liabilities:
  - i) Transfer of Cash at Banks to Finance Division, Government of Pakistan by depositing the same with the State Bank of Pakistan for credit to Federal Government Account, title and Account number of which may be intimated to PIC by Ministry of Commerce.
  - ii) Transfer of Investment held in the name of Export Credit Guarantee Scheme:

- a) Defence Saving Certificates.
  - b) Regular Income Certificates of National Savings.
  - c) N.I.T. Units
  - d) C.C.Is of Bankers Equity Ltd.
  - e) Short Term Deposit with NBP.
- > i) Settlement of Premium Deposits of the Exporters held by ECGS.
  - ii) Settlement of PIC/Exporters dues payable by ECGS.
  - > Transfer of cases under litigation as well as deposit with the Nazir, High Court of Sindh in the name of the Institution to whom future dealing of ECGS will be entrusted. (Name of the institution to be notified by PIC).
  - > Placing of ECGS, Karachi Office Officers and Staff (PIC's employees on payroll of ECGS) at the disposal of PIC, Establishment Deptt. for their posting as they are the employees of the Corporation.
  - > Furniture, Office Equipments and Car shall be surrendered and placed at the disposal of Ministry of Commerce for further distributed at its end.

#### PAC DIRECTIVE

The PAC approved the Sub-Committee report and directed the PAO to implement the recommendations of the Sub-Committee.

#### ACTIONABLE POINTS FOR 1993-94

##### COTTON EXPORT CORPORATION OF PAKISTAN

4.68 (PARAS 7, 9 & 11, PAGES-25-27-ARPSE)(ITEM-6-AP-93-94).

Audit pointed out that the working results of the CEC and CTC were discussed in the previous PAC's meeting held on 17.10.1997. Finding that the CEC had been sustaining losses since 1989-90, the Committee

constituted a Sub-Committee to investigate the causes of the losses and fix responsibility for the same. However, the Sub-Committee could not finalize its report due to suspension of the National Assembly.

PAC DIRECTIVE

The Committee, in view of the merger of the CEC with TCP, settled the paras.

COTTON TRADING CORPORATION

4.69 (PARA 10, PAGE-27-ARPSE)(ITEM-6-AP-93-94)

The previous PAC found (17.10.1997) that CTC ceased its operations in September 1977 but decision for its winding up was taken in November 1988; since then it has been under litigation. Rs. 7 million had been incurred upto 1995-96 as liquidation expenses. Delay in liquidation caused unnecessary blockage of funds/assets amounting to Rs 94 million upto June 30, 1996.

The Ministry informed the Committee that the decision for out of court settlement of pending legal cases was taken by the then chairman of the Corporation. The present position is that out of 103 pending cases 58 have been settled by the liquidator.

PAC DIRECTIVE

The PAC directed the PAO to examine all the pending cases and try to settle them, through the courts or outside the court, at the earliest and report to the Committee within two months.

RICE EXPORT CORPORATION

4.70 (PARA 26, PAGE-35-ARPSE)(ITEM-9-AP-93-94)

Audit pointed out that accumulated losses of RECP stood at to Rs. 273.857 million on September 30, 1995.

The para was discussed in the previous PAC meeting held on (17.10.1997) wherein it directed the M/o Commerce to wind-up the Corporation in view of the Govt. Programme.

The Ministry informed the Committee that the action was being taken for the merger of RECP & CEC into TCP.

#### PAC DIRECTIVE

The Committee settled the para due to merger of Corporation into TCP.

#### 4.71 (PARA 27, PAGE-35-ARPSE)(ITEM-10-AP-93-94).

While examining the Audit Report for the year 1993-94 pertaining to RECP, the previous PAC found that the Corporation had been sustaining continuous losses of Rs. 8360.34 million from 1991-94. The then PAC observed (17.10.1997) that the losses were mainly attributed to the selling of rice below the cost price. Besides this, mis-management, financial indiscipline and lack of internal control/check that led to shortages/embezzlements also contributed to the huge losses. The Committee also found that 200 persons were given employment through an order of the government.

The then PAC constituted a Sub-Committee to examine the matter. It also directed the Ministry that the officials who were involved in the financial mismanagement of the Corporation should not be allowed to retire under the Golden Hand Shake Scheme.

The Sub-Committee could not complete its report due to suspension/dissolution of the National Assembly; therefore, the case was reviewed by the incumbent Ad-hoc PAC.

The Ministry apprised the Committee that the Corporation has withheld the retirement benefits of the ex-employees against whom disciplinary/or court cases are pending.

PAC DIRECTIVE

The Committee directed the PAO to prepare the case, based on facts, for reference to the NAB for the recovery of losses from persons involved in embezzlement, shortages etc., and send it to the PAC Secretariat within 15 days who will forward it to the NAB in consultation with the Audit.

4.72 (PARA 28, PAGE-36-ARPSE)(ITEM-11-AP-93-94).

Audit pointed out that as a result of physical verification of stocks a shortage of 139,026.82 M.tons of Rice was found in RECP godown. Another shortage of 52827.50 M.tons was detected. Thus total shortage of rice valuing more than Rs. 1.0 billion was pointed out by the Chartered Accountants.

This para was discussed by the previous PAC (17.10.1997) and the Committee referred it to the Sub-Committee constituted for Para 27 (mentioned above).

The Ministry apprised the Committee that the case was investigated by the FIA and RECP filed suits against the respective agents. The Corporation forfeited the security and retention money of the handling agents.

PAC DIRECTIVE

The PAC directed the PAO to get the FIA's investigation report and take action in the light of its findings. Compliance report should be submitted to the PAC Secretariat within one month.

4.73 LOSS OF Rs. 35.469 MILLION ON SALE OF SUPERIOR BASMATI RICE TO PRIVATE PARTY DECLARING UNFIT/UN-EXPORTABLE.  
(PARA 31, PAGE-39-ARPSE)(ITEM-12-AP-93-94).

Audit pointed out that RECP sold 31,000 bags of superior basmati rice at throw away price declaring the rice unfit for export and sustained a loss of Rs. 35.469 million. The then PAC was told that the issue was under investigation of FIA.

The PAC directed (17.10.1997) the Ministry to approach FIA for its final report. The Committee also directed the department to take action against the responsible officials for the loss.

The Ministry, now, informed the Committee that an inquiry was constituted to investigate the loss. Investigation officer found no one responsible for the loss. The FIA also investigated the matter but due to lack of evidence the case was closed.

#### PAC DIRECTIVE

The PAC directed the PAO to examine the facts and certify if the sale of rice below market rates was a bonafide transaction and report to the Committee within one month.

#### 4.74 LOSS OF US\$ 82,344.53 EQUIVALENT TO PAK Rs. 1.783 MILLION ON ACCOUNT OF DEMURRAGE CHARGES. (PARA 32, PAGE-13-ARPSE)(ITEM-13-AP-93-94).

Audit pointed out that RECP shipped 25,000 M.tons to State Trading Corporation, Mauritius. The buyer lodged claim on RECP for US\$ 131,395 in October, 1989 on account of demurrage charges due to extraordinary delay in loading rice which was paid by RECP.

The para was discussed by the previous PAC in its meeting held on 17.10.1997 wherein the Ministry informed that the RECP did not pay any money to State Trading Corporation, Mauritius. The Committee directed the department to conduct an inquiry as to why the berth was not got in time, fix responsibility and take action.

The Ministry again contended that the Corporation did not pay anything to State Trading Corporation Mauritius on account of demurrage charges, therefore, no loss occurred on this account.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

ACTIONABLE POINTS FOR 1988-89COTTON EXPORT CORPORATION4.75 (PARA 23, PAGE-18-ARPSE)(ITEM-17-AP-93-94).

Audit pointed out that stock of 400 cotton bales were stolen for which FIR was lodged. The loss needed to be regularized.

The para was discussed by the previous PAC in its meeting held on 17.10.1997. The Committee was not satisfied with the explanation given by the Ministry and directed the PAO to re-examine the case and take possible action.

The Ministry, now, informed the Committee that civil suits were filed against the Transport Agency. In one case, court made the decision in favour of the Corporation. The second case is still under process in the Court of Law.

PAC DIRECTIVE

The PAC directed the PAO to recover the loss in the case decreed in favour of the Corporation and pursue the other case in the court of law vigorously.

4.76 (PARA 24, PAGE-18-ARPSE)(ITEM-18-AP-93-94).

Audit pointed out that loans amounting to Rs. 37.361 million outstanding against the ginning factories on June 30, 1989, excluding mark-up were not recovered by the CEC.

The para was discussed by the previous PAC in its meeting held on 17.10.1997. The Committee directed the department to issue the names of

the defaulters to the National Press and recover the outstanding amount within one month. The Committee further directed the PAO to take disciplinary action against concerned officials who were responsible for non-recovery of the outstanding amount in time.

The Ministry informed the Committee that out of Rs. 37.361 million the department has recovered Rs. 22 million and for Rs. 15.108 million the respective courts have issued decrees in favour of recovery.

#### PAC DIRECTIVE

The Committee directed the PAO to make efforts to recover the remaining balance from the concerned Ginning factories and report to the Committee within one month.

#### ACTIONABLE POINTS FOR 1986-87

#### TRADING CORPORATION OF PAKISTAN

#### 4.77 INFRACTUOUS EXPENDITURE ON THE ENGAGEMENT OF CONSULTANT Rs. 0.825 MILLION. (PARA 6, PAGE-26-ARPSE)(ITEM-22-AP-93-94).

The Audit pointed out that the Corporation unnecessarily spent Rs. 0.825 million on engagement of a consultant.

The para was discussed by the previous PAC in its meeting held on 17.10.1997. The PAC directed the PAO to investigate the issue and report to the Committee within one month.

The Ministry apprised the Committee that a civil suit has been filed against M/s Pathfinder for recovery of the amount.

#### PAC DIRECTIVE

The PAC directed the PAO to pursue the case in the court and try to make the recovery at the earliest.

## MINISTRY OF INDUSTRIES & PRODUCTION

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### 1. OVERVIEW

The Public Accounts Committee (PAC), in a series of meetings held on February 17, 1999, April 6&7, 1999, May 5, 1999, followed by a meetings held by Ad-hoc PAC on 30th September, 26th-28th October, 2000 and 27th February, 15th March, and 13th April 2001 took up, for examination, the Appropriation Accounts & the Annual Report for the year 1996-97 pertaining to the Ministry of Industries & Production. The Committee while examining the Report found several irregularities regarding savings in the budgetary Grants, extraordinary discounts and commissions in the sale deals, unjustified spot purchases, exorbitant reduction in sale prices, irregular payments, short recoveries of Receivables, favouritism to the contractors, mismanagement of the corporate assets, slow speed in privatizing industrial units under its various corporations, etc. Besides this, a large number of cases of corruption, fraud and embezzlement were pointed out in the Report. The Committee took serious notice of gross violation of the respective rules and procedures, misuse of power and mismanagement causing heavy losses to the national exchequer and made its recommendations for over-all improvement of the Corporations concerned. It also issued directives to take punitive actions in cases where corruption, mis-use of power or culpable negligence could be established.

The Audit Report contained 316 paras, of which 193 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry/respective Corporations. The Audit also pointed out recoveries amounting to Rs.277.227 million, out of which Rs.67.042 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit fixed in each case. The PAC Secretariat will watch the progress of the recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different matters. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues found in the Corporations/Units and the Committee's recommendations thereon are summarised in the following sections:-

## 2. MAJOR ISSUES

### 2.1 PAKISTAN STEEL MILLS CORPORATION LIMITED

2.1.1 The Audit Department conducted a special audit of Pakistan Steel Mills Corporation for the period from 1994 to 1997. The findings of the Audit Team were compiled in a "Special Audit Report" (SAR-9) which was initially put up before the previous PAC in its meeting held on 17.9.1999. It also came under discussion in the subsequent meetings of the previous PAC/Ad-hoc PAC.

- > The Special Audit Report contained 54 audit observations which surfaced financial losses of Rs 4.630 million caused to the public exchequer on account of irregular expenditure, imprudent sale policies, production inefficiencies, financial mismanagement, corruption, frauds and embezzlements, etc committed in several cases.

Financial losses amounting to Rs 1.200 million were found only in the area of "Sales"; Pakistan Steel paid Rs.764.940 million as discounts and commissions on sales from 1994-95 to 1996-97 which constituted 83.% of the total sales. Reportedly, these heavy discounts were allowed to favourite parties by the then Management.

- > Similarly, Pakistan Steel sold its products to fake/bogus dealers allowing them exorbitant premiums. It was later revealed that Ex-Chairman of Pakistan Steel Mills, in collaboration with other officers, sold the products to fake dealers, knowingly accepting the fictitious documents on "parchi system". In this way, the government sustained a loss of around Rs.175.000 million.

- > Pakistan Steel sustained a loss of Rs 1.635 million because of irregular and unjustified purchases of different items. In many cases spot purchases were made by the Management without any urgency or justification as deliveries were made by the suppliers after three to six months from the dates of issue of spot purchase orders. A detailed report on spot purchases revealed that purchase orders were issued in violation of existing procurement policy and the respective rules. As per said Report, during three years 1995-97, spot purchases of Rs.52.208 million were made by the Management.

Similarly, in several other cases, serious financial irregularities and mismanagement caused the public exchequer a loss of Rs.1794.749 million. The Special Audit Report is replete with the instances of mismanagement and violations of respective rules committed by the top Management of Pakistan Steel Mills causing losses to the public exchequer in billion of rupees. In a case, PSM paid Rs.413.560 million as financial charges due to delay in retirement of import documents. The Management tried to justify its action under the pretext that the liquidity position of the Pakistan Steel was not satisfactory in 1996-97 due to which heavy financial burden was borne.

Most of the financial irregularities in sales, purchases, discounts and cases of mismanagement as well as misuse of powers and corruption were generally attributed to Mr. Usman Farooqi as those pertained to the period of his Chairmanship. The Committee, however, viewed that although the former Chairman was the major culprit yet such large scale corruption by him was not possible without involvement of other senior officers of PSM and supervisory officers in the M/o Industries and Production.

The Committee was informed that several cases of embezzlement, fraud etc. are under investigation with FIA and NAB; 158 notices for recoveries had been issued and 29 departmental inquiries were in progress.

2.1.2 FIA INQUIRY REPORT REGARDING 15 AUDIT PARAS PERTAINING TO PAKISTAN STEEL MILLS

The PAC, in its meeting held on 30.9.2001, referred the following 15 cases of gross negligence, misuse of powers, fraud, etc. involving financial loss to the public exchequer, of an amount exceeding Rs 2375 million, to FIA for investigation.

- i) HEAVY DISCOUNT AND COMMISSION OF Rs. 764.940 MILLION ON SALES. (PARA 1.1, PAGE-6-SAR-9)(ITEM-1-AP-96-97).
- ii) LOSS OF Rs. 175 MILLION DUE TO SALE ON FICTITIOUS DOCUMENTS. (PARA 1.2, PAGE-9-SAR-9)(ITEM-2-AP-96-97).
- iii) LOSS OF Rs. 80.336 MILLION ON SALE OF C.R. END CUTS. (PARA 1.3, PAGE-10-SAR-9)(ITEM 3-AP-96-97).
- iv) LOSS OF Rs. 37.748 MILLION DUE TO SALE OF BILLETS AT REDUCED PRICES. (PARA 1.5, PAGE 11-SAR-9).
- v) LOSS OF Rs. 10.182 MILLION ON SALE OF AMMONIUM SULPHATE AT LOWER RATES. (PARA 1.8, PAGE 13-SAR-9).
- vi) LOSS OF Rs. 10.155 MILLION DUE TO UNDUE FAVOUR TO DEALERS (PARA 1.9, PAGE 13-SAR-9).
- vii) LOSS OF Rs. 5.372 MILLION ON RELEASE OF IMPROPER PIG IRON (PARA 1.10, PAGE 15-SAR-9).
- viii) LOSS OF Rs. 534.101 MILLION ON IRREGULAR AND IMPROPER PURCHASE OF DIFFERENT ITEMS. (PARA 2.1, PAGE 16-SAR-9).
- ix) LOSS OF Rs. 391.880 MILLION DUE TO IMPORT AT HIGHER PRICE (PARA 2.2, PAGE 17-SAR-9).
- x) LOSS OF Rs. 203.380 MILLION ON IMPORT OF PIG IRON. (PARA 2.3, PAGE 18-SAR-9).
- xi) LOSS OF Rs. 51.960 MILLION DUE TO PURCHASE AT EXORBITANT PRICES. (PARA 2.7, PAGE 21-SAR-9).
- xii) UNDUE FAVOUR TO A CONTRACTOR BY MAKING ADVANCE PAYMENT OF Rs. 40 MILLION. (PARA 2.8, PAGE 22-SAR-9).
- xiii) LOSS OF Rs. 34.332 MILLION DUE TO INSTALLATION OF DEFECTIVE AND INCOMPLETE SOFTWARE. (PARA 2.9, PAGE 22-SAR-9).

- xiv) LOSS OF Rs. 28.275 MILLION DUE TO PROCUREMENT AT EXTRA ORDINARY RATES.  
(PARA 2.10, PAGE 23-SAR-9).
- xv) LOSS OF Rs. 9.567 MILLION DUE TO PURCHASE OF RICE HUSK AT HIGH PRICES.  
(PARA 2.11, PAGE 25-SAR-9).

FIA presented its interim report, on the actions taken so far for the perusal of the Committee in its meeting held on 26.3.2001. According to the report furnished by the FIA, out of 15 cases, 01 case (Para-1.1) was under inquiry, 06 cases (Paras-1.2, 1.3, 1.5, 1.9, 2.7 & 2.9) had been filed in the Court of Law which are under trial. Investigation for the remaining 08 cases (Para No. 1.8, 1.10, 2.1, 2.2, 2.3, 2.8, 2.10 & 2.11) had not been carried out due to non-provision of relevant record to FIA by Pakistan Steel.

The Committee made following directive on the findings of the FIA's Report:-

"In view of the report presented by the FIA, the Committee directed the FIA to expedite the inquiry related to Para 1.1. Pakistan Steel Mills was directed to furnish relevant record with respect to paras 1.8,1.10,2.1,2.2,2.3,2.8,2.10 & 2.11 to FIA to enable them to complete their inquiry. Regarding 6 cases pertaining to paras 1.2,1.3,1.5,1.9,2.7 & 2.9, PAC directed the Ministry to seek the help of Ministry of Law to expedite their trial in the Court of Law. The Committee also directed the Ministry to consider settlement of the cases out of the court (where it is feasible) with the help of the National Accountability Bureau (NAB), as early as possible and report to the PAC Secretariat".

### 2.1.3 WORKING RESULTS OF PAKISTAN STEEL MILLS

Besides Special Audit Report (SAR-9) on Pakistan Steel Mills, the Regular Audit Report, on the Ministry's Accounts, also contained some paras on the

affairs of PSM. This Report provided the working results of the Corporation for the years 1995-96 to 1998-99. As per statistics given in the Report, Pakistan Steel Mills sustained accumulated losses to the tune of Rs 8185 million as on June 30, 1999. The PAC constituted a Sub-Committee comprising Mr. Irtiza Hussain Member Ad-hoc PAC (Convener), Mr. Mujahid Eshai and Mr. S.M. Zafarullah, Members Ad-hoc PAC to examine the balance sheet items, profit trends, future plans for expansion and improvement and tariff structure of Pakistan Steel Mills. The Sub-Committee has furnished its report which will be placed before the PAC for necessary perusal.

## 2.2 STATE ENGINEERING CORPORATION (PVT) LIMITED

The Corporation earned profit of Rs 93.247 million during the year 1993-94 whereas it sustained losses of Rs 181.006, Rs 462.219 and Rs.107.170 million during 1994-95 to 1996-97 respectively. The profit/loss position of the State Engineering Corporation (SEC) and its units, for the succeeding years, remained very disappointing as accumulated losses of the SEC and its units went up to Rs 5826.329 million by June 30, 1999.

The Ministry informed the Committee that the SEC is presently managing six companies out of which Pakistan Machine Tool Factory and ENAR Petrotech Services Ltd. are in profit and as such do not require restructuring. However, restructuring of Heavy Mechanical Complex (HMC) has already been completed in the light of recommendations of High powered Committee constituted by the Government. HMC and Heavy Electrical Complex (HEC) were expected to be profitable in the next year. The restructuring plan of the PECO has since been submitted to Privatization Commission (PC). Attempts were made by the PC to privatize the Companies but could not succeed. The Board of Investment has now offered HEC to Chinese Investors.

## 2.3 GHEE CORPORATION OF PAKISTAN (PVT) LIMITED

The Audit reported that the Corporation earned profit only upto 1992-93 and over the subsequent years it gradually went into huge losses which culminated

to the tune of Rs. 175.758 million in 1996-97; during this year the Corporation could not recover even the direct cost of inputs. However, the Audit suggested early disposal of the Corporation and its units by privatizing them to avoid further losses.

The Ministry informed that the administrative expenditure of the Corporation has already decreased from Rs.30 to 4 million. The major obstacle in the sale of its Units is their negative worth and therefore, Privatization Commission (PC) has considered their sale in the shape of assets and not as ongoing concerns.

#### 2.4 UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED

The Corporation was initially set up to provide items of daily consumption at comparatively cheaper prices through its outlets. It remained in profit till 1994. However, the company sustained a loss of Rs.19.021 million in 1995-96 and Rs.99.493 million in 1996-97. This loss situation continued even in the subsequent years which made the financial position of the Corporation unsustainable. The Corporation's current liabilities exceeded its current assets by Rs.1023 million; losses accumulated to Rs 919 million and its equity turned negative by Rs.799 million upto June 30, 1999. Previous PAC constituted a Sub-Committee to investigate the deteriorating position of the Corporation. Report of the Sub Committee was brought to the notice of the PAC wherein 33 cases of serious financial irregularities, frauds and embezzlements had been identified. The PAO informed the Committee that most of the cases contained in the Report were already under investigation of FIA/NAB.

### 3. RECOMMENDATIONS

#### 3.1 WITH REFERENCE TO MAJOR 15 PSM'S CASES INVOLVING FINANCIAL LOSS OF EXCEEDING RS 2375 MILLION

The Committee directed the FIA to expedite the inquiry related to Para 1.1. Pakistan Steel Mills was directed to furnish relevant record with respect to paras 1.8, 1.10, 2.1, 2.2, 2.3, 2.8, 2.10 & 2.11 to FIA to

enable them to complete their inquiry. Regarding 6 cases pertaining to paras 1.2, 1.3, 1.5, 1.9, 2.7 & 2.9, PAC directed the Ministry to seek the help of Ministry of Law to expedite their trial in the Court of Law. The Committee also directed the Ministry to consider settlement of the cases out of the court (where it is feasible) with the help of the National Accountability Bureau (NAB), as early as possible and report to the PAC Secretariat.

3.2 To improve its budgetary discipline, the Ministry should monitor financial transactions in different Corporations, under its control, on monthly basis. It should also submit a report to the PAC regarding actions taken to improve the budget monitoring system in the Ministry.

3.3 REFERENCE: UNJUSTIFIED SPOT PURCHASES OF RS 52.208 MILLION.

The Ministry should examine the reasons/circumstances leading to large scale spot purchases in PSM in violation of procurement rules and procedures approved by the Government and prepare procurement plan in advance to ensure compliance of respective procurement rules and procedures in future.

3.4 REFERENCE: STATE ENGINEERING CORPORATION (SEC) AND ITS UNITS.

The Ministry should privatize all units of SEC which are showing out-right losses and the rest be made viable through restructuring and taking appropriate measures. The Ministry should also prepare a comprehensive report on restructuring (with details on various options) of SEC & its Units and submit it to the PAC within two months.

3.5 REFERENCE: HYDROCRACKER PROJECT UNDER PERAC

The Ministry should refer the issue to ECNEC for review of the decision and fix responsibility for the delay, mismanagement of the Project and financial loss to the public exchequer.

3.6. REFERENCE: LOSS OF RS 426 MILLION DUE TO SHORTAGE OF PIG IRON & BILLETS

The Ministry should take effective measures to ensure regular stock taking to avoid inventory losses in future. The Management should submit to the Committee a report on shortages of stocks for the last 15 years with the underlying reasons.

3.7 REFERENCE: UNNECESSARY PAYMENT OF FINANCIAL CHARGES OF RS 413.560 MILLION BY PSM (DUE TO DELAY IN RETIREMENT OF IMPORT DOCUMENTS).

The Committee considered it a case of financial mismanagement and directed the Management to prepare cash flow statement on regular basis for monitoring financial resources.

3.8 REFERENCE: PSM: PAYMENT OF RS 884 MILLION FOR COST OF FREEHOLD LAND OF 18,928 ACRES AS AGAINST TITLE TRANSFER OF ONLY 9661 ACRES

The Corporation should make all possible efforts to get the title of the remaining land transferred in its name at the earliest and steps taken and progress made in this respect may be reported to the PAC within 2 months.

3.9 REFERENCE: PSM: NON-RECOVERY/NON-ADJUSTMENT OF SHORTAGES OF RAW MATERIAL AND FINISHED GOODS VALUING RS 56.243 MILLION.

The PSM should furnish a comprehensive report to the Committee/Audit on the shortages, comparing them with the admissible level of shrinkage/shortage ratio as per generally accepted standards worldwide.

3.10 REFERENCE: PSM: PARAS 112, 113, 114: LOSS OF RS 64 MILLION ON ACCOUNT OF REDUCTION/ADJUSTMENT OF PRICES.

- > The PAC felt the need to streamline the price reduction policy with a view to ensure that price adjustment is based on corporate decisions and not to serve vested interest or to conceal operational inefficiencies.
- > The Committee also directed the Ministry to prepare a report on the import/export tariffs having adverse effects, if any, on the sale prices of the PSM products and take up the matter with Ministry of Commerce and CBR for rationalization of tariff structure.

3.11 REFERENCE: PSM: PARA 116: WASTEFUL EXPENDITURE OF RS 3.720 MILLION ON ACCOUNT OF ESTABLISHMENT OF ZONAL SALE DEPOT AT MANKIALA RAILWAY STATION, WHICH COULD NOT PRODUCE DESIRED RESULTS:

The Committee observed that the establishment of Zonal Sale Depot on the basis of political instead of corporate considerations was an imprudent policy of the Management. The Committee asserted that the public servants should not comply with the political orders if these are against the national or organizational interests.

3.12 REFERENCE: THE CASES PENDING IN DIFFERENT COURTS OF LAW

The Ministry should pursue the cases vigorously and approach the respective Chief Justices of the Supreme Court/High Court(s) through the M/o Law for early disposal of the subjudiced cases.

3.13 REFERENCE: UTILITY STORES CORPORATION

The Ministry should take all possible steps to make the Corporation a profit Centre. It should examine the 33 cases identified in the Sub-Committee report; besides pursuance of the pending cases with FIA/NAB, it should also take all necessary actions in the light of findings of the Sub-Committee Report.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETINGS HELD ON FEBRUARY 17, APRIL 06 & 07, MAY 24, 1999 AND SEPTEMBER 30, OCTOBER 26-28, 2000, FEBRUARY 26 & 27, MARCH 15 AND APRIL 13, 2001

ACTIONABLE POINTS: MEETING ON 17.02.1999

(PRODUCTION WING)

SPECIAL AUDIT REPORT ON PAKISTAN STEEL MILLS CORPORATION FOR THE PERIOD 1994-97

- 4.1 i) IRREGULARITIES OF RS 1200(M) IN SALES CASES(PARA 1, PAGE 6-SAR)  
 ii) HEAVY DISCOUNT AND COMMISSION OF Rs 764.940 (M) ON SALES.

Audit pointed out that Pakistan Steel paid Rs 764,960 (M) as

discount and commission on sales from 1994-95 to 1996-97. It was noticed that the discount allowed in six main products (which constituted 83% of the total sales) increased by 6 times in 1995-96 and 11 times in 1996-97 when compared to 1994-95. The sales during the same period; however, decreased by 21% and 14%. The sales policy was revised in Sept., 1994 and March, 1996. Heavy discounts were allowed to favourite parties. Prime quality product was sold at discount on spot sales, declaring it as slow moving items.

4.2 LOSS OF RS 175 (M) DUE TO SALE ON FICTITIOUS DOCUMENTS (PARA 1.2, PAGE 9-SAR)

Audit pointed out that Pakistan Steel sold 403,132 M/T steel products in 1994-95 to fake/bogus dealers on "Parchi/ System" which caused estimated loss of Rs 175 (M). The case file was not produced to Audit stating that it was with FIA, FIR No 1/97 dated 11-1-97 was also registered by police in this case.

On the presentation of the Special Audit Report on Pakistan Steel Mills Ltd., for 1994-97, the PAC conveyed its displeasure on the general affairs of the Pakistan Steel Mills Ltd/M/o Industries & Production. The Committee observed that most of the financial irregularities and sales, purchases, discounts and cases of mis-management as well as misuses of powers pertained to the period of Mr. Usman Farooqi, Ex-Chairman Pakistan Steel Mills. The Committee had viewed that such large scale corruption by the Ex-Chairman was not possible without the involvement of other senior officers of Pakistan Steel Mills Corporation and M/o Production & Industries. The PAC directed the FIA to complete its inquiries regarding the said period and provide all information on the matters to the committee in its next meeting.

4.3 LOSS OF RS 80.336 (M) ON SALE OF C.R END CUTS (PARA 1.3, PAGE 10-SAR)

Audit pointed out that Pakistan Steel sold 13,672 M/T C.R end cuts in 1995-96 to 03 parties at sales price below the manufacturing cost and sustained loss of Rs 80.336 (M). When asked for comments by Audit in May 1998, the management provided no justification for the same.

The Departmental representatives informed the Committee that the internal inquiry is at final stages. Seven officers were found responsible for the same, including Ex-Acting Chairman and two Directors. The then Director Marketing was found guilty of negligence and was censured by the competent authority. He has since retired from Pakistan Steel. FIR has been lodged and the challan has also been submitted to the court.

The Chairman Pakistan Steel Mills assured the Committee that pending inquiries will be completed within two months. The Director FIA also assured the Committee to provide all the information on different cases regarding the recovery in shortest period of time.

Meeting concluded earlier with following observations:

- i) The Committee conveyed displeasure on the general performance, lack of preparedness and it was desired that PAO himself should attend invariably.
- ii) FIA was directed to come in the next meeting with all the related record and proper preparation.
- iii) FIA was also directed to cooperate with Nawab Salahuddin Abbasi, MNA who is already probing Pakistan Steel Mills affairs with reference to the Audit Report 1993-94.
- iv) Chairman Pakistan Steel Mills was directed to take all the necessary actions regarding pending inquiries well before 02 months.
- v) The Accounts of Pakistan Steel Mills (deferred: SAR-9, Audit Paras) will again be discussed in the next meeting after 02 months.

ACTIONABLE POINTS: MEETINGS ON 06-04-1999 & 07-04-1999

(PRODUCTION WING)

#### 4.4 AUDIT REPORT (VOL-X-D) PUBLIC SECTOR ENTERPRISES 1996-97

At the outset Auditor General pointed out various instances of mismanagement of Corporate Assets and lapses in the privatization of Units under different Corporation. He proposed to bring such deplorable conditions before the Prime Minister in the shape of a summary through PAC which was supported by the PAC-members. A summary in this regard has been received from the Auditor General of Pakistan.

EXPERT ADVISORY CELL4.5 (PARA 4, PAGE 12-ARPSE)

Audit pointed out that the legal status of the cell has not been determined during last twenty years. During the financial year 1996-97 the Expert Advisory Cell earned Rs 7.785 (M).

The PAC directed the Ministry to control the administrative expenditure of the Expert Advisory Cell, in future.

4.6 (PARA 5, PAGE 12-ARPSE)

Audit pointed out that EAC incurred Rs 3.267 (M) and Rs 4.275 (M) during 1995-96 and 1996-97 on the maintenance of State Enterprises Complex and Rest House, while 2/3 area of the buildings was under occupation of the privatization Commission since 1991. The 66% maintenance charges were required to be recovered from P.C. Nothing was paid by them. Ministry intimated that Prime Minister constituted a Committee under the Chairmanship of Minister for Industries and Production to resolve the issue. Final outcome was awaited.

The PAC directed the PAO to expedite the matter to resolve the issue.

4.7 (PARA 7, PAGE 12-ARPSE)

Audit pointed out that an amount of Rs 18.617 (M) stands recoverable from Pakistan Steel Mills, SCCP, SEC and PERAC.

Ministry informed the Committee that the amounts from PERAC and SEC have been received and Pakistan Steel Mills & SCCP are being pursued.

The PAC directed the Ministry to take the affective steps for the remaining recovery from Pakistan Steel Mills and SCCP.

PAKISTAN INSTITUTE OF MANAGEMENT4.8 (PARAS 10-11, PAGE 14-ARPSE)

Audit pointed out that the Institute has accumulated loss of Rs 5.006 (M) as on June 30, 1995. The Accounts for the year 1995-96 onwards have not been made available to Audit, thus latest working results are not known.

The Ministry informed the PAC that sudden demise of Account Officer caused delay in finalization of accounts for the year 1995-96 and 1996-97.

The PAC after analyzing the working results of the institute for 1993-94 and 1994-95, observed that Pakistan Institute of Management is not really our Institute of Management but Institute of mis-management.

The Ministry assured the Committee that the Organization will provide its accounts for the year of 1995-96 and 1996-97 to Audit within 02 months.

FEDERAL CHEMICAL AND CERAMICS CORPORATION (PVT) LIMITED4.9 (PARAS 13-15, PAGES 15-16-ARPSE)

Audit pointed out that the Corporation controlled only one unit i.e. Ravi Rayon Limited, which is closed since July, 1997. Ravi Rayon Limited has accumulated loss of Rs 634.602 (M\_) as on June 30, 1997. The administrative expenses of FCCL were Rs 29.742 (M) during 1997-98.

The Committee was apprised that the case was submitted to Prime Minister for re-conditioning of the project. The Committee directed to expedite the decision on re-conditioning or privatization as made by the competent authority.

4.10 (PARAS 17, 20, 22, 25, 27, 29, 33 & 41, PAGES 19-35-ARPSE)

Audit pointed out that the Corporation is a private limited company wholly owned by the Government. It had six operating units and one marketing company (NFML) under its control. Besides, it had a Technical Training Centre and a Fertilizer Research and Development Institute which has now

been changed to NFC Institute of Engineering & Fertilizer Research (Pvt) Ltd. The Institute has started four years degree programme in Chemical Engineering from May, 1998. Audit further informed the Committee that Hazara Phosphate, Lyallpur Chemicals and Pak-American have been sustaining losses despite receipt of subsidy.

During the discussion on the above paras the PAC directed that Hazara Phosphate Fertilizer Co., should use local raw material. The management of the Hazara Phosphate Fertilizer Co., assured the Committee that the local raw material will be utilized to the maximum during the operation of the company.

#### NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LIMITED

##### 4.11 (PARA 19, PAGE 20-ARPSE)

Audit pointed out that NFC contributed towards equity and long terms loan amounting to Rs 6.033 (M) and Rs 16.033 (M) respectively, in State Enterprises Display Centre (Pvt) Limited for construction of its building in 1989. The said building has now been transferred to Civic Centre Company in January, 1995. Neither, any return on investment was received nor the loans were recovered.

The PAC directed the Corporation to get all the relevant information from M/O Commerce and provide to the Audit for examination and report to the Committee within 02 months.

#### PAK-AMERICAN FERTILIZERS LIMITED

##### 4.12 IRREGULAR PAYMENT OF RS 0.148 (M) ON ACCOUNT OF COST OF LIVING ALLOWANCE TO LABOUR CONTRACTOR (PARA 38, PAGE 32-ARPSE)

Audit pointed out that according to SRO-758(1)/93, dated August 30, 1993, the cost of living allowance @ Rs 100 per month was granted to each employee working in the private sector, corporation and autonomous or semi autonomous bodies whose terms and conditions of employment were negotiable through Collective Bargaining Agents (CBA). The Company paid irregular payment of Rs 0.148 (M) to Labour Contractor on that account though he was not covered under the aforesaid notification.

The PAC conveyed its displeasure on the issue and directed the Corporation to send the case to M/O Finance for the regularization of payment and report to the Committee within 02 months.

4.13 UN-JUSTIFIED EXPENDITURE OF RS 1.052 (M) ON TEMPORARY POSTING OF DEPUTY MANAGER AT KARACHI (PARA 40, PAGE 33-ARPSE)

Audit pointed out that Pak-American Fertilizer Limited, Iskanderabad, posted Deputy Manager at Karachi on temporary basis in August, 1995. During his stay at Karachi from August, 1995 to April, 1997 the officer received Rs 1.052 (M) as TA/DA, hotel charges and site allowance and performed duty at Iskanderabad for one or two days for justification of site allowance @ Rs 2,156 per month which was received by him along with his pay which is irregular and unjustified.

The Committee was apprised that the concerned officer had been dismissed and the authority approving the case had retired.

The PAC showed its displeasure on the issue and directed the PAO to conduct detailed inquiry on the case and ascertain to refer it to the Ehtasab Commission under report to the PAC.

PAK-ARAB FERTILIZER (PVT) LIMITED

4.14 (PARA 44, PAGE 36-ARPSE)

Audit pointed out that Octroi Receivable from KMC was Rs 11.143 (M) on 30th June, 1997 as against Rs 8.424 (M) in the previous year. The amount could not be recovered by the company so far.

The Ministry informed the PAC that the issue was taken up with the Chief Secretary Sindh. The Chief Secretary Sindh issued the directives for the payment of said amount. KMC still did not act as directed by the Chief Secretary. The PAC directed the Ministry to take up the case for the recovery with Governor Sindh and report to the Committee.

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

## (INDUSTRIES WING)

4.15 OVERALL SAVING/EXCESS RELATING TO MINISTRY OF INDUSTRIES FOR THE YEAR 1996-97

- i) GRANT NO.78-INDUSTRIES WING (PAGE 255-AA)
- ii) GRANT NO.79-INDUSTRIES (PAGE 256-AA)
- iii) GRANT NO.80-DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES (PAGE 257-AA)
- iv) GRANT NO.81-OTHER EXPENDITURE OF INDUSTRIES WING (PAGE 258-AA)
- v) GRANT NO.140-CAPITAL OUTLAY ON MISCELLANEOUS STORES (PAGE 258-AA)
- vi) GRANT NO.162-DEVELOPMENT EXPENDITURE OF INDUSTRIES WING (PAGE 262-AA)

On the presentation of above mentioned grants the PAC directed the PAO to examine the reasons for huge savings and non-surrender of savings in time. The Committee further observed that such budgetary indiscipline has been continuing since 1994-95 and reasons on this account should also be furnished in the report. PAO to submit the report to the Committee within 02 months.

In view of the seriousness of the issues the Committee further directed the M/O Finance to submit its comprehensive report on the steps that can be taken to improve the budgetary and financial discipline, within 02 months.

The Committee also observed, several sub-ordinate organizations have been established under the Ministry which are financed by the public funds and these organizations instead of promoting their basic objectives become source of misuse of national resources and availing of individual interests at the cost of public funds. Huge amounts are diverted from the budgetary allocations towards the other accounts which not only defeat the parliamentary control over national money but also provide interest earnings to the sub-ordinate bodies, which camouflage the actual performance of the organization concerned, the Committee also desired Finance Division to reflect upon these aspects in its above said report.

- 4.16 i) GRANT NO.140-CAPITAL OUTLAY ON MISCELLANEOUS STORES, SAVING OF RS 666.731 (PAGE 262-AA)

ACTIONABLE POINTS FOR 1993-94

- ii) INFRACTUOUS ADMINISTRATIVE EXPENDITURE OF RS 2.852 (M) (PARA 9, PAGE 156-AR)(ITEM 2-AP-93-94)

Audit pointed out that the State Trading Scheme for purchase and sale of Dipcars is handled by Disposal Wings of the Department of supplies at Islamabad and Karachi. During 1991-92 and 1992-93 a total administrative expenditure of Rs 2.852 (M) was incurred on the establishment of the Disposal Wings at Islamabad and Karachi. A review of the two wings revealed that out of 32 cars only 15 cars were sold during 1991-92 and 1992-93. Further during these two years 29 more cars were purchased. No car was deposited of during 1992-93 by Islamabad Wing. Some of the cars remained with the Department for 11 months while other stayed for 24 months. Their value deteriorated due to prolonged parking in the open. Prolonged storage also caused un-necessary expenditure on maintenance besides decline in value which is un-justified.

On the presentation of Grant No.140 & Para 9, the PAC directed the PAO to reconcile the issues with the CBR within 01 month under intimation to PAC Secretariat.

- 4.17 GRANT NO.162-DEVELOPMENT EXPENDITURE OF INDUSTRIES (PAGE 262-AA) SAVING OF RS 3.068.000.

The PAC directed the PAO to examine the issue of total saving of the said grant and report to the Committee within 01 month.

AUDIT REPORT (CIVIL) (VOL-1-1996-97)4.18 RECOVERY OF RS 203,948 DUE TO PAYMENT TELEPHONE BILLS OVER AND ABOVE THE PRESCRIBED CEILING (PARA 1, PAGE 100-AR)

Audit pointed out that during 1983-84 to 1993-96, the Textile Commissioner, Karachi under M/O Industries failed to keep the expenditure on telephone calls within the prescribed ceiling. Expenditure of Rs 203,948 was incurred in excess during this period.

After hearing the departmental reply, the PAC settled the para subject to verification by the Audit.

ACTIONABLE POINTS FOR 1993-944.19 IRREGULAR AND UN-AUTHORIZED PAYMENT OF RS 150,328 AS CONVEYANCE ALLOWANCES (PARA 154-AR)(ITEM 10-AP-93-94)

The PAC was informed that an Inter-Departmental Committee was constituted to review the matter. The IDC recommended the para for settlement subject to recovery of overpayment of conveyance allowance.

The Committee directed the Department to recover the said amount from the concerned officers within 02 months.

4.20. NON-RECOVERY OF RS 2.24 (M) FROM THE DIFFERENT FIRMS (PARA 10, PAGE 156-AA)(ITEM 3-AP-93-94)

Audit pointed out that an amount of Rs 2.24 (M) is outstanding against the various defaulting firms since long. Effective steps were not taken to recover the outstanding amount.

After hearing the Ministry's reply, the PAC directed the Department to take all possible measures to recover the said amount from the concerned firms and concerned officers and report to the Committee within 02 months.

4.21 LOSS DUE TO NON-IMPOSITION OF LIQUIDATED DAMAGES OF RS 0.385 (M) FOR BELATED SUPPLIES (PARA 11, PAGE 157-AR)(ITEM 4-AP-93-94)

Audit pointed out that a firm obtained 100% payment of Rs 2,800,000 on account of purchase of stores on the basis of receipt certificate dated 30-06-1991 recorded on the receipt portion of the Inspection Note by the consignee that full quantity of contracted stores have been received. After four months thereafter the consignee/indenter reported that full quantity of the stores (160 M/T of mentho-line) was not supplied by firm and requested to persuade the firm to supply the balance quantity and also asked to penalize the firm. Later on, the indenter confirmed that supply was completed by the firm after 8 months and demanded imposition of liquidated damages. The Department with-held the security deposit amounting to Rs 22,400 and black listed the firm but did not impose liquidated damages amounting to Rs 385,000 for belated supplies of stores. Action of the Department not to impose the liquidated damages is irregular/un-justified and against the financial interest of the Government.

The PAC directed the Department to take possible measures to recover the Rs 0.385 (M) and black list the contractor and report to the Committee within 02 months.

4.22 LOSS OF RS 0.1382 (M) UNDUE FAVOUR TO THE CONTRACTOR DUE TO PURCHASE OF VEHICLES NOT ACCORDING TO THE SPECIFICATION (PARA 12, PAGE 158-AR)(ITEM 5-AP-93-94)

Audit pointed out that a contract was awarded for supply of Two Nos. of new un-used latest model imported Suzuki Vitara Jeep (JXI) 1600 CC in March, 1993 at cost of Rs 1,424,000. Out of the two, one valuing Rs 700,000 was manufactured in 1989 and cleared from customs in May, 1989. As such this jeep can not be treated as latest model. Moreover, price difference of Rs 0.1382 (M) between a 3 years old jeep and jeep of 1992 model is on a very high side.

After detailed discussion the PAC directed the PAO to take action under E&D Rules within 01 month, against the person concerned (Competent Authority) who acquitted the two officers and imposed the penalty of "censure" on Mr. Riaz Baloch, Assistant Director and recover the loss of Rs 0.1382 (M) and report to the Committee within 02 months.

AUDIT REPORT (VOL-X) PUBLIC SECTOR ENTERPRISE 1996-97

- 4.23 GHEE CORPORATION OF PAKISTAN  
(PARAS 144, 146, 149, 152, 155, 158, 160, 164, 165, 170, 171 & 172, PAGES 122-141-ARPSE)

The PAC conveyed its displeasure on the huge losses of the Ghee Corporation of Pakistan and directed the Ministry to provide the year-wise data regarding the losses of the Corporation, earnings, profits and names of the Heads of each project since, 1994. The Committee referred the issue, for further examination to a Committee which was already constituted under the Chairmanship of Ch. Muhammad Berjees Tahir, MNA and report to the Committee within 02 months. The Committee also inducted Mr. Adnan Aurangzeb, MNA as a PAC Member in the said Committee.

- 4.24 BURMA OIL MILLS LIMITED  
(PARA 156, PAGE 128-ARPSE)

Audit pointed out that amounts of Rs 2.3 (M) and Rs 1 (M) have been shown receivable on account of advance tax and sales tax, respectively but the matter has not yet been finalized despite lapse of considerable time.

The PAC directed the PAO to take up the issue with the Chairman CBR to settle the issues and report to the Committee within 02 months.

- 4.25 EXPECTED LOSS OF RS 3.625 (M) DUE TO UN-NECESSARY PURCHASE OF TIN PLATES  
(PARA 157, PAGE 130-ARPSE)

Audit pointed out that Burma Oil Company procured 110 tons of tin plate in 1992-93 valuing Rs 3.625 (M) for their tin fabrication unit. Since, the unit had already been closed due to high manufacturing cost, there was no consumption of the huge quantity procured in 1992-93. Tin plates had become rusty in the last five years and were still lying un-used.

The PAC directed the PAO to investigate the whole case with a view to fix responsibility for un-necessary purchase of tin plates take action and report to the Committee within 01 month.

EM OIL MILLS LIMITED

4.26 IRREGULAR PAYMENT OF RS 0.102 (M) ON ACCOUNT OF GROUP INSURANCE FOR OFFICERS/EXECUTIVES (PARA 159, PAGE 133-ARPSE)

Audit pointed out that EM Oil Mills paid Rs 102,231 on account of premium for Group Insurance of its officers/ executives during the year 1990-93. The same should have been paid by the officers/executives themselves. The M/O Industries also asked the management in April, 1997 to stop further payment and obtain ex-post facto approval of the competent authority to regularize the expenditure already incurred. But no action was taken.

The PAC directed the Ministry to get the irregular payment regularized from M/O Finance within 01 month.

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ACTIONABLE POINTS: MEETING HELD ON 24-05-1999

(DEFERRED ACCOUNTS)

4.27 SPECIAL AUDIT REPORT ON PAKISTAN STEEL MILLS CORPORATION LIMITED FOR 1994-97

Audit pointed out that the special audit of Pakistan Steel Mills Corporation for the period from 1994 to 1997 was conducted as per order of the Prime Minister of Pakistan, conveyed to the Auditor General of Pakistan verbally, by an Audit team of Director General Commercial Audit & Evaluation (South), Karachi in March, 1998.

The report contained 54 paras/cases of serious irregularities in sale of products, irregularities in purchase of material, procedural lapses and mismanagement involving funds of Rs.4630 (M).

The Departmental representative informed the PAC that in the past all decisions regarding Pakistan Steel Mills were decided at Prime Minister House. Currently, 14 cases of embezzlement have been referred to Ehtasab Bureau, 158 notices for recoveries have been issued, 29 departmental inquiries are in progress and 9 FIRs have been lodged against the officials of Pakistan Steel Mills. The Committee directed the PAO to examine the special Audit Report on Pakistan Steel Mills Corporation, involving losses of the Mills and fix responsibility on the officers at fault and submit its report to the PAC and Audit Department within 02 months.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-D-1996-97)

SINDH ENGINEERING (PVT) LIMITED

4.28 (PARA 64, PAGE 47-ARPSE)

Audit pointed out that trade debts stood at Rs 40.6 (M) as on June 30, 1997 out of which Rs 2.15 (M) were considered doubtful. The Ministry intimated that doubtful debts included Rs 18.444 (M) receivable from Automobile Corporation of Pakistan (ACP) and New Dawn Autos, the cases were under litigation in the Court of Law.

The PAC after hearing the Ministry's reply on said para directed the PAO to take all possible measures to recover the outstanding amount and report to the Committee within 02 months.

4.29 (PARA 65, PAGE 47-ARPSE)

Audit pointed out non-recovery of Rs 3.313 (M) by the Company from Aiwan-e-Iqbal Authority, Lahore on account of supply and installation of OTIS Passengers lifts. The Department informed the Committee that Rs 0.412 (M) were recovered from the Authority and Rs 2.901 (M) would be recovered.

The PAC directed the PAO to resolve the issue with the concerned Department and report to the Committee within 03 months.

PAKISTAN INSTITUTE DEVELOPMENT CORPORATION (PVT) LIMITED4.30 (PARA 73, PAGE 53-ARPSE)

Audit pointed out that the investment of Rs 169.742 (M) made by Corporation in subsidiaries and associated companies did not reflect the real value of the investment. The management while noting the Audit observation did not intimate the real value of the investment on the date of Balance Sheet which needs to be done.

The PAC directed the departmental representative to explain the show real picture of the issue according to the requirement of the Audit within 02 months.

BELA ENGINEERS LIMITED4.31 LOSS OF RS 523,786 ON SALE OF OLD ITEMS BY IGNORING HIGHEST BIDDERS (PARA 77, PAGE 55-ARPSE)

Audit pointed out that Bela Engineering Ltd. sustained loss of Rs 523,786 on sale of old items by ignoring highest bidders. The Ministry intimated that items were disposed of after negotiations with three parties at a negotiate price of Rs 758,572 against the highest offer of Rs 662,786. It has, however, not been intimated as to why negotiations were carried out with three parties and the items were not sold to the highest bidder. The names of three parties and the rates quoted by them have also not been indicated.

The PAC directed the PAO to prepare a complete facts-based summary on the issue and report to the Committee within 02 months.

4.32 LOSS OF RS 76,146 DUE TO IMPOSITION OF FINE FOR BREACH OF CREDIT CEILING (PARA 78, PAGE 55-ARPSE)

Audit pointed out that Bela Engineers Ltd, received debit note dated Sept. 16, 1991 for Rs 76,146 from Habib Bank Ltd. on account of fine imposed by the State Bank of Pakistan for breach of credit ceiling of Rs 35.750 (M).

The PAC directed the Department to take up the issue at the appropriate level and recover the loss and report to the Committee within 02 months.

ACTIONABLE POINTS: MEETING ON 30-09-2000

ACTIONABLE POINTS FOR 1996-97

PAKISTAN STEEL MILLS CORPORATION LIMITED

- 4.33 i) HEAVY DISCOUNT AND COMMISSION OF Rs. 764.940 MILLION ON SALES (PARA 1.1, PAGE-6-SAR-9)(ITEM-1-AP-96-97).
- ii) LOSS OF Rs. 175 MILLION DUE TO SALE ON FICTITIOUS DOCUMENTS (PARA 1.2, PAGE-9-SAR)(ITEM-2-AP-96-97).
- iii) LOSS OF Rs. 80.336 MILLION ON SALE OF C.R. END CUTS (PARA 1.3, PAGE-10-SAR-9)(ITEM 3-AP-3-AP-96-97).

SPECIAL AUDIT REPORT ON PAKISTAN STEEL MILLS CORPORATION LIMITED FOR 1994-97

- 4.34 i) LOSS OF Rs. 37.748 MILLION DUE TO SALE OF BILLETS ON REDUCED PRICES (PARA 1.5, PAGE 11-SAR-9).
- ii) LOSS OF Rs. 10.182 MILLION ON SALE OF AMMONIUM SULPHATE AT LOWER RATES (PARA 1.8, PAGE 13-SAR-9).
- iii) LOSS OF Rs. 10.155 MILLION DUE TO UNDUE FAVOUR TO DEALERS (PARA 1.9, PAGE 13-SAR-9).
- iv) LOSS OF Rs. 5.372 MILLION ON RESALE OF IMPORTED PIG IRON (PARA 1.10, PAGE 15-SAR-9).
- v) LOSS OF Rs. 534.101 MILLION ON IRREGULAR AND IMPROPER PURCHASE OF DIFFERENT ITEMS (PARA 2.1, PAGE 16-SAR-9).
- vi) LOSS OF Rs. 391.880 MILLION DUE TO IMPORT AT HIGHER PRICE (PARA 2.2, PAGE 17-SAR-9).
- vii) LOSS OF Rs. 203.380 MILLION ON IMPORT OF PIG IRON (PARA 2.3, PAGE 18-SAR-9).
- viii) LOSS OF Rs. 51.960 MILLION DUE TO PURCHASE AT EXORBITANT PRICES (PARA 2.7, PAGE 21-SAR-9).
- ix) UNDUE FAVOUR TO A CONTRACTOR BY MAKING ADVANCE PAYMENT OF Rs. 40 MILLION (PARA 2.8, PAGE 22-SAR-9).

- x) LOSS OF Rs. 34.332 MILLION DUE TO INSTALLATION OF DEFECTIVE AND INCOMPLETE SOFTWARE (PARA 2.9, PAGE 22-SAR-9).
- xi) LOSS OF Rs. 28.275 MILLION DUE TO PROCUREMENT AT EXTRA ORDINARY RATES (PARA 2.10, PAGE 23-SAR-9).
- xii) LOSS OF Rs. 9.567 MILLION DUE TO PURCHASE OF RICE HUSK AT HIGH PRICES (PARA 2.11, PAGE 25-SAR-9).

On the presentation of above mentioned 15 paras, the Public Accounts Committee referred all the matters mentioned in these paras to the Federal Investigation Agency (FIA) for investigation. The Committee also directed the FIA to complete its investigation within 15 days and report to the PAC.

During the discussion on the issues the PAC also recommended to examine the need to establish an audit committee under the Board of Chairman Pakistan Steel Mills to oversee different sale & purchase deals and other related issues.

4.35 LOSS OF Rs 60.530 MILLION DUE TO SALE OF BILLETS AT REDUCED RATES (PARA 1.4, PAGE 10-SAR-9).

Audit pointed out that Pakistan Steel sold 25,300 metric tons M.S. Billets to various suppliers for Rs. 92.500 million in July/August, 1996 below the listed price and sustained loss of Rs. 60.053 million.

The Department informed the Committee that the sale deal was approved by the then Chairman. The Department also informed that detailed inquiry is under-process.

The Public Accounts Committee pended the para directing the department to complete the inquiry within shortest period of time and ensure its submission in the next committee meeting.

4.36 ABNORMAL INCREASE IN SALE OF REJECTED MATERIAL IN 1995-96 (PARA 1.11, PAGE 15-SAR-9).

Audit pointed out that a review of record by Audit pertaining to sale of rejected material by Pakistan Steel revealed as under:

1994-95	39,485 metric tons
1995-96	63,346 metric tons
1996-97	27,210 metric tons

The management was asked to comment upon the abnormal increase in sale of rejected material in 1995-96, the possibility of sale of good quality material as rejected material, the maximum rate of rejection allowed in production and per ton cost of rejected material.

The management informed the committee that there was no prescribed ratio of rejected goods during the process.

After hearing the departmental point of view on the issue the Public Accounts Committee settled the para subject to verification by the Audit Department.

4.37 BLOCKAGE OF Rs. 135.344 MILLION DUE TO IRREGULAR AND UNNECESSARY PROCUREMENT (PARA 2.4, PAGE 18-SAR-9).

Audit pointed out that Pakistan Steel placed an order for procurement of a bailing press from Germany for Rs. 135.344 million in Jan. 1996, after getting approval from the Chairman and subsequently ratified by the Board of Directors. The equipment was received by March, 1997. It could not, however, be installed so far resulting in blockage of capital of over Rs. 135 million.

The Department informed the committee that the equipment could not be installed due to non arrival of the foreign expert.

The Public Accounts Committee directed the Principal Accounting Officer to conduct a comprehensive inquiry on the issue and submit a report to PAC within 15 days.

4.38 BLOCKAGE OF FUNDS TO THE EXTENT OF Rs. 123.461 MILLION DUE TO UNNECESSARY PROCUREMENT (PARA 2.5, PAGE 20-SAR-9).

Audit pointed out that auditors carried out an analysis of the procurement, consumption and inventory of three ores by Pakistan Steel Mills during the three years ending 1996-97. It was noticed that these

ores were procured in excess of requirement each year which resulted in blockage of funds to the extent of Rs. 123.461 million.

The Department informed the Committee that procurement of iron ore was made as per production requirement and there was no un-necessary procurement.

The Public Accounts Committee directed the Department to reconcile the issue with the Audit Department and report to the Committee within 15 days.

4.39 UNJUSTIFIED SPOT PURCHASES OF Rs. 52.208 MILLION  
(PARA 2.6, PAGE 20-SAR-9).

Audit pointed out that Pakistan Steel made the following spot purchases during last three years.

Year	Amount (Rs in Million)
1994-95	13.551
1995-96	12.139
1996-97	26.518
	-----
	52.208
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A detailed examination of list of spot purchase revealed that purchase orders were issued in violation of existing policy and rules according to which purchases of over Rs. 15,000 were to be made by inviting tenders.

The Public Accounts Committee directed the Principal Accounting Officer to examine the circumstances/reasons leading to such large scale spot purchases and submit a report to the PAC in the next meeting and prepare procurement plan in advance to ensure compliance of procurement rules and procedures in future.

4.40 LOSS OF Rs. 10 MILLION DUE TO NON-ACCEPTANCE OF LOWER OFFER (PARA 2.12. PAGE 25-SAR-9).

Audit pointed out that Pakistan Steel placed order and procured a Shrink Wrapping Machine for Rs. 31.190 million from a supplier in June, 1996. An offer from another party was available for supply of the same machine with the management in which Pakistan Steel could save Rs. 10 million. The lower offer was ignored despite the orders of the Director (Procurement) to consider the same. Pakistan Steel thus sustained loss of Rs. 10 million.

The Department informed the Committee that an investigation was carried out on the issue. According to the investigation it was concluded that no financial loss has been incurred.

After hearing the Ministry's reply the Public Accounts Committee settled the para subject to verification by the Audit.

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ACTIONABLE POINTS: MEETING ON 26-10-2000 TO 28-10-2000

AUDIT REPORT PUBLIC SECTOR ENTERPRISES(VOL-X-D-1996-97)

4.41 STATE ENGINEERING CORPORATION(PVT) LIMITED (SEC)

- i) (PARAS 163, 167, 171, 172, 181 PAGES 107-117-ARPSE).
- ii) (PARAS 182-183, PAGES 116-117-ARPSE).
- iii) PAKISTAN MACHINE TOOL FACTORY (PVT) LIMITED (PARA 191, PAGE 123-ARPSE).

PAC DIRECTIVE

After hearing the Ministry's detailed reply on profit/loss position of the Corporation and other units mentioned in the above paras, the PAC directed the Department that Units showing out-right losses should be privatized and the rest be

made viable through restructuring and taking appropriate measures. The Committee further directed the PAO to prepare a comprehensive report on restructuring (with details on various feasible options) of State Engineering Corporation & its Units and submit it to the PAC within two months.

4.42 IRREGULAR EXPENDITURE OF RS. 132,578 ON BEHALF OF MINISTRY CONCERNED (PARA 166, PAGE 109-ARPSE).

PAC DIRECTIVE

The Committee directed the Department to reconcile the issue with the Audit department within 15 days and report to the Committee.

HEAVY ELECTRICAL COMPLEX (PVT) LIMITED

4.43 (PARA 169, PAGE 110-ARPSE).

PAC DIRECTIVE

The PAC settled the para with the direction to reconcile the issue with the Audit.

4.44 (PARA 170, PAGE 111-ARPSE).

PAC DIRECTIVE

After hearing the Ministry's reply on the issue, the Committee directed the PAO to provide facts on the matter to Audit Department and if the audit is satisfied, the para may be considered settled.

HEAVY MECHANICAL COMPLEX TAXILA.4.45 (PARA 173-174, PAGE 113-ARPSE).PAC DIRECTIVE

After hearing the Ministry's reply on the subject the Committee directed the Audit to verify whether the procedure was according to the law and accepted norms or not. However, if the audit feels satisfied, the issue may be considered settled.

4.46 (PARA 177, PAGE 113-ARPSE).PAC DIRECTIVE

The Committee directed the Audit Department to verify whether due procedure was adopted in working out and declaring the said amount as doubtful debt, and also, that sufficient efforts were made for recovery of the balances before declaring them doubtful. However, if the audit feels satisfied, the issue may be considered settled.

4.47 EXTRA EXPENDITURE OF RS. 0.118 MILLION (DM 7.290) DUE TO NON-FINALIZING THE CASE WITHIN THE VALIDITY PERIOD (PARA 179, PAGE 114-ARPSE).PAC DIRECTIVE

The PAC settled the para subject to verification of facts of the case by the Audit Department establishing genuine reason for the delay and that the rate was still lower than the second offer.

4.48 UN-AUTHORIZED/IRREGULAR PAYMENT OF RS.504.026 ON EX-PAKISTAN VISIT OF MINISTER (PARA-180, PAGE 115-ARPSE).PAC DIRECTIVE

The PAC settled the issue subject to verification by the Audit, that the rent was for business consideration and that the permission of competent authority was obtained.

PAKISTAN ENGINEERING COMPANY LIMITED

- 4.49 NON-RECOVERY OF UN-JUSTIFIED ADVANCE OF RS.152,500 CAUSING LOSS OF INTEREST INCOME OF RS.106,750 (PARA 187, PAGE 120-ARPSE).

PAC DIRECTIVE

The PAC settled the para. However, the committee directed the PAO to improve the advance payment system by ensuring that proper guarantees are taken to secure the Advances/loans in future.

STATE PETROLEUM REFINING AND PETROCHEMICAL CORPORATION (PVT) LIMITED (PERAC).

- 4.50 (PARA 198, PAGE 129-ARPSE).

PAC DIRECTIVE

The PAC directed the Department to explain the facts in detail to the Audit Department, if Audit is satisfied, the para may be considered settled.

- 4.51 (PARA 199, PAGE 130-ARPSE).

PAC DIRECTIVE

The PAC after hearing the Ministry's reply settled the para. However, the Committee directed the Department to provide the required documents and record to the Audit Department, within one month, for their satisfaction on the reasonableness of the deal and verification of the fact that no interest was chargeable on the advance.

ENAR PETROTECH SERVICES (PVT) LIMITED.4.52 (PARAS 204 & 205, PAGE 131-ARPSE).PAC DIRECTIVE

The PAC after hearing the Ministry's reply settled the paras. However, the Committee directed the Ministry to prepare a report regarding the management's working efficiency & its expenditures and submit the same to the Committee within one month.

NATIONAL CRESCENT PETROLEUM LIMITED.4.53 (PARAS 206 TO 211, PAGES 132-134-ARPSE).PAC DIRECTIVE

Draft Report of the Sub-Committee of the defunct PAC on PERAC with reference to its Hydrocracker Project, which could not be approved/signed by the defunct Committee because of suspension of the National Assembly, was presented before the Committee and findings of the Draft Report were reviewed. The Committee directed the Ministry to refer the issue to Executive Committee of National Economic Council(ECNEC) for review of the decision and fix responsibility for the delay, mis-management of the project and financial loss to the public exchequer.

ACTIONABLE POINTS FOR 1996-97EXPERT ADVISORY CELL4.54 i) (PARA 4, PAGE 12-ARPSE)(ITEM 2-AP-96-97).ACTIONABLE POINTS FOR 1993-94EXPERT ADVISORY CELL.ii) (PARAS 4-5, PAGE 16-ARPSE)(ITEM 19-AP-93-94).

PAC DIRECTIVE

The PAC settled the above mentioned paras. However, the Committee directed the Department to prepare a report on the organizational setup of the EAC and various feasible options to make the organization financially viable. This report is to be submitted within a month.

ACTIONABLE POINTS FOR 1996-97EXPERT ADVISORY CELL

4.55 (PARA 5, PAGE 12-ARPSE)(ITEM 3-AP-96-97).

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit Department.

FEDERAL CHEMICAL AND CERAMICS CORPORATION (PVT) LIMITED.

4.56 (PARAS 13-15, PAGES 15-16-ARPSE)(ITEM 6-AP-96-97).

PAC DIRECTIVE

The PAC settled the paras, however, directed the Department to expedite the privatization/liquidation of the unit and report to the Audit.

NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT) LIMITED

4.57 (PARAS 17, 20, 22, 25, 27, 29, 33 & 41, PAGES 19, 21, 22, 24, 25, 28, 30 & 35-ARPSE)(ITEM 7-AP-96-97).

PAC DIRECTIVE

The PAC after hearing the Ministry's reply directed the Department to prepare a comprehensive report on National Fertilizer Corporation of Pakistan(Pvt) Limited and all its Units giving details on the issues inherited and measures taken by the present management to improve the operations and results of the Corporation and send the same to PAC within one month.

4.58 (PARA 19, PAGE 20-ARPSE)(ITEM 8-AP-96-97).

PAC DIRECTIVE

The PAC directed the Secretary General Finance to help in settling the issue by extending his services as arbitrator, between the contending parties so that the issue may be resolved without resorting to the court.

PAK-AMERICAN FERTILIZER (PVT) LIMITED.

4.59 IRREGULAR PAYMENT OF RS.0.148 MILLION ON ACCOUNT OF COST OF LIVING ALLOWANCE TO LABOUR CONTRACTOR (PARA 38, PAGE 32-ARPSE)(ITEM 9-AP-96-97).

PAC DIRECTIVE

The PAC settled the para subject to approval of Ministry of Finance for the regularization of payment.

4.60 UN-JUSTIFIED EXPENDITURE OF RS.1.052 MILLION ON TEMPORARY POSTING OF DEPUTY MANAGER AT KARACHI (PARA 40, PAGE 33-ARPSE)(ITEM 10-AP-96-97).

PAC DIRECTIVE

The PAC directed the Department to provide respective rules and related facts to the Audit for verification. If the Audit is satisfied that the said arrangement caused no extra financial burden and it was under essential need, the para may be considered settled.

PAK-ARAB FERTILIZER (PVT) LIMITED

4.61 (PARA 44, PAGE 36-ARPSE)(ITEM 11-AP-96-97).

PAC DIRECTIVE

The PAC directed the Department to expedite the recovery of the balance amount and report to the Committee.

SINDH ENGINEERING (PVT) LIMITED4.62 (PARA 64, PAGE 47-ARPSE)(ITEM 1-AP-96-97).PAC DIRECTIVE

The PAC directed the PAO to examine the issue, fix responsibility for the loss and take action against the concerned officers/officials. The Committee further directed the Department to take up the issue with the National Accountability Bureau for recovery.

4.63 (PARA 65, PAGE 47-ARPSE)(ITEM 2-AP-96-97).PAC DIRECTIVE

The PAC directed the PAO to refer the case to FIA for investigation and report to PAC within one month, it was further directed that the appeal pending in the Court of Law should also be pursued vigorously.

BELA ENGINEERING LIMITED4.64 LOSS OF RS. 76,146 DUE TO IMPOSITION OF FINE FOR BREACH OF CREDIT CEILING (PARA 78, PAGE 55-ARPSE)(ITEM 5-AP-96-97).PAC DIRECTIVE

The PAC settled the para subject to verification of the facts by the Audit.

LARKANA SUGAR MILL4.65 i) LOSS OF RS. 126,637 DUE TO EXCESS CONSUMPTION OF COTTON BAGS (PARA 109, PAGE-73-ARPSE)(ITEM 20-AP-93-94).SPINNING MACHINERY COMPANYii) WASTEFUL EXPENDITURE OF RS. 1.812 MILLION DUE TO CANCELLATION OF ORDERS BY THE PURCHASER (PARA 231, PAGE-132-ARPSE)(ITEM 30-AP-93-94).

- iii) WASTEFUL EXPENDITURE OF RS. 1.529 MILLION ON MANUFACTURING THE PARTS ON VERBAL ORDERS (PARA 232, PAGE-132-133-ARPSE)(ITEM 31-AP-93-94).

PAC DIRECTIVE

On the presentation of above three paras by the Audit, the PAC settled the respective issues subject to verification by the Audit Department.

STATE CEMENT CORPORATION OF PAKISTAN (PVT) LIMITED

- 4.66 LOSS OF INTEREST OF RS. 11.250 MILLION DUE TO PURCHASE AND RESALE OF LAND VALUING RS. 18.750 MILLION (PARA 159, PAGE 98-ARPSE)(ITEM 29-AP-93-94).

PAC DIRECTIVE

The PAC directed the Ministry to furnish the inquiry report on purchase price of the land and copy of the said agreement to the Audit for examination and report to PAC.

SPECIAL AUDIT REPORT PAKISTAN STEEL MILLS CORPORATION LIMITED FOR 1994-97

- 4.67 LOSS OF RS. 5.508 MILLION DUE TO UNDUE FAVOUR TO THE SUPPLIER (PARA 2.13, PAGE 26-SAR).

PAC DIRECTIVE

The PAC directed the Department to initiate a fresh inquiry on the subject and submit its report to the Committee within three weeks. The Committee also directed the Department to examine different issues regarding quality & marketing of the products. The inquiry should be fair and comprehensive, not concentrating responsibility on one single person.

- 4.68 LOSS OF RS. 4.896 MILLION DUE TO PROCUREMENT OF CRANE RAIL AT HIGH RATES (PARA 2.14, PAGE 27-SAR).

PAC DIRECTIVE

The Committee directed the PAO to ensure full recovery of the amount from the pending bills of M/s Mercury, as stated by the departmental

representative and examine the issue, fix responsibility on the persons who were responsible for finalizing the deal ignoring the lowest rates offered. The Ministry will submit a report, in this respect, to the Committee within one month.

4.69 LOSS OF RS.2.022 MILLION DUE TO PROCUREMENT AT HIGH PRICES  
(PARA 2.15, PAGE 28-SAR).

PAC DIRECTIVE

The PAC was not satisfied with the explanation given by the Department on the issue. The Committee directed the PAO to examine the issue, with special reference to the usage in private sector and feed back on durability within one month and report to the Committee.

4.70 LOSS OF RS.1.009 MILLION DUE TO SPOT PURCHASE  
(PARA 2.16, PAGE 28-SAR).

PAC DIRECTIVE

After hearing the Ministry's reply the PAC directed the PAO to examine the issue with reference to urgency of the need and appropriateness of procedure adopted and report to the Committee within 15 days.

4.71 LOSS OF RS.6.7 MILLION DUE TO IRREGULAR PROCUREMENT OF CRAWLER LOADING  
SHOVEL  
(PARA 2.17, PAGE 29-SAR).

PAC DIRECTIVE

The PAC directed the PAO to examine the matter, with reference to the statement that the variant rates pertain to two different indents/tenders and how far the rate difference was justified. The report to be submitted to the Committee within one month.

- 4.72 i) SERIOUS FINANCIAL IRREGULARITIES INVOLVING RS. 781.749 MILLION (PARA 3, PAGE 30-SAR).
- ii) LOSS OF RS. 426.308 MILLION DUE TO SHORTAGE OF PIG IRON AND BILLETS (PARA 3.1, PAGE 30-SAR).

PAC DIRECTIVE

The PAC was not satisfied with the explanation given by the Department on the subject. The Committee observed that such a loss could not occur without connivance of the respective staff. The Committee directed the PAO to take effective measures for regular stock taking to avoid the losses in future. The Committee also directed the Department to submit a report on shortages of stocks for the last 15 years with the underlying reasons, the Committee also desired the latest stock report for its perusal within a month.

- 4.73 UNDUE PAYMENT OF RS. 186.763 MILLION AS ESCALATION CHARGES (PARA 3.2, PAGE 31-SAR).

PAC DIRECTIVE

The PAC directed the Department to provide the facts on the issue to Audit Department. If the Audit is satisfied, the para may be considered settled.

- 4.74 UNJUSTIFIED PAYMENT OF RS. 107.423 MILLION OVER AND ABOVE THE CONTRACT (PARA 3.3, PAGE 31-SAR).

PAC DIRECTIVE

The PAC felt that the Board was responsible for allowing the payment and directed the PAO to examine the issue, fix responsibility for unjustified payment and subsequent write off thereof, and report to the Committee within one month.

4.75 INFRACTUOUS INVESTMENT OF RS.2.040 MILLION  
(PARA 3.7, PAGE 35-SAR).

PAC DIRECTIVE

The PAC settled the para. However, the Committee conveyed its displeasure on the bad investment decision and warned the Department to be careful in future.

4.76 UNNECESSARY PAYMENT OF FINANCIAL CHARGES OF RS.413.560 MILLION (PARA 4.1,  
PAGE 36-SAR).

PAC DIRECTIVE

After hearing the Ministry's reply the PAC directed the Department to provide L/C wise details to the Audit Department. The Committee considered it a case of mismanagement and directed to prepare cash flow statement on regular basis for monitoring financial resources, in future.

4.77 LOSS OF Rs. 186.459 MILLION DUE TO NON-UTILIZATION OF SELF GENERATED  
ELECTRICITY  
(PARA 4.2, PAGE 37-SAR).

PAC DIRECTIVE

The PAC after hearing the Ministry's reply settled the para. However, the Committee directed the department to provide the facts and figures to Audit department for verification.

4.78 EXPECTED LOSS OF Rs. 248.576 MILLION DUE TO REJECTION OF GALVANIZED STEEL  
PRODUCTS (PARA 4.3, PAGE 38-SAR).

PAC DIRECTIVE

The PAC settled the para. However, the Committee directed the Department to inform the Audit about the measures taken by the Department for the safety of the products.

- 4.79 SHORTAGE OF RAW MATERIAL VALUING Rs. 52,279 MILLION (PARA 4.4 PAGE 38-SAR).

PAC DIRECTIVE

The PAC observed that the Audit is not given due response on valid observations. The Ministry should not come up with wavering replies in PAC. The Committee directed the PAO to hold DAC to examine the issue and report to the Committee within one month.

- 4.80 i) BLOCKAGE OF Rs. 33 MILLION DUE TO DAMAGE TO MATERIAL IN FIRE ACCIDENT AND NON-SETTLEMENT OF INSURANCE CLAIM (PARA 4.5, PAGE 39-SAR).
- ii) NON-UTILIZATION OF PRESIDENTIAL GRANT OF Rs. 10 MILLION FOR WELFARE OF EMPLOYEES (PARA 4.8, PAGE 40-SAR).
- iii) PAYMENT OF Rs. 9.194 MILLION AS PENALTIES AND ADDITIONAL TAXES DUE TO DELAY (PARA 4.9, PAGE 41-SAR).
- iv) IRREGULAR CUSTODY OF Rs. 7.371 MILLION (PARA 4.10, PAGE 41-SAR).

PAC DIRECTIVE

On the presentation of above four paras, the PAC settled the paras subject to verification of facts by the Audit Department.

- 4.81 LOSS OF Rs. 27.600 MILLION DUE TO PREMATURE ENCASHMENT OF FEDERAL INVESTMENT BONDS (PARA 4.6, PAGE 39-SAR).

PAC DIRECTIVE

The PAC directed the Department to reconcile the issue with Audit Department, especially on the point that if, alternatively, some loan had been availed it would have been costlier and that the action taken was relatively economical and report to the Committee within 15 days.

4.82 OVERPAYMENT OF Rs. 11.994 MILLION  
(PARA 4.7, PAGE 40-SAR).

PAC DIRECTIVE

The PAC directed the Ministry to submit its inquiry report, fix responsibility and take action against the concerned person(s) who were responsible for the over-payment.

4.83 LOSS OF Rs. 4.582 MILLION DUE TO PAYMENT OF FINE ON BEHALF OF SUPPLIER  
(PARA 4.11, PAGE 42-SAR).

PAC DIRECTIVE

The PAC settled the para. However, the Committee directed the Department to take up the issue with M/s. BHP Minerals, Hong Kong, with legal notice and inform the Audit department accordingly.

ACTIONABLE POINTS: MEETING ON 26 & 27-02-2001

(PRODUCTION WING)  
(DEFERRED ACCOUNTS)

SPECIAL AUDIT REPORT PAKISTAN STEEL MILLS FOR THE YEAR 1994-97 (SAR-9)

4.83 FIA INQUIRY REPORT REGARDING 15 AUDIT PARAS PERTAINING TO PAKISTAN STEEL MILLS

- a) HEAVY DISCOUNT AND COMMISSION OF Rs. 764.940 MILLION ON SALES.  
(PARA 1.1, PAGE-6-SAR-9)(ITEM-1-AP-96-97).
- b) LOSS OF Rs. 175 MILLION DUE TO SALE ON FICTITIOUS DOCUMENTS.  
(PARA 1.2, PAGE-9-SAR-9)(ITEM-2-AP-96-97).
- c) LOSS OF Rs. 80.336 MILLION ON SALE OF C.R. END CUTS.  
(PARA 1.3, PAGE-10-SAR-9)(ITEM 3-AP-96-97).
- d) LOSS OF Rs. 37.748 MILLION DUE TO SALE OF BILLETS ON REDUCED PRICES.  
(PARA 1.5, PAGE 11-SAR-9).
- e) LOSS OF Rs. 10.182 MILLION ON SALE OF AMMONIUM SULPHATE AT LOWER RATES.  
(PARA 1.8, PAGE 13-SAR-9).
- f) LOSS OF Rs. 10.155 MILLION DUE TO UNDUE FAVOUR TO DEALERS (PARA 1.9,  
PAGE 13-SAR-9).

- g) LOSS OF Rs. 5.372 MILLION ON RELEASE OF IMPROPER PIG IRON (PARA 1.10, PAGE 15-SAR-9).
- h) LOSS OF Rs. 534.101 MILLION ON IRREGULAR AND IMPROPER PURCHASE OF DIFFERENT ITEMS. (PARA 2.1, PAGE 16-SAR-9).
- i) LOSS OF Rs. 391.880 MILLION DUE TO IMPORT AT HIGHER PRICE (PARA 2.2, PAGE 17-SAR-9).
- j) LOSS OF Rs. 203.380 MILLION ON IMPORT OF PIG IRON. (PARA 2.3, PAGE 18-SAR-9).
- k) LOSS OF Rs. 51.960 MILLION DUE TO PURCHASE AT EXORBITANT PRICES. (PARA 2.7, PAGE 21-SAR-9).
- l) UNDUE FAVOUR TO A CONTRACTOR BY MAKING ADVANCE PAYMENT OF Rs. 40 MILLION. (PARA 2.8, PAGE 22-SAR-9).
- m) LOSS OF Rs. 34.332 MILLION DUE TO INSTALLATION OF DEFECTIVE AND INCOMPLETE SOFTWARE. (PARA 2.9, PAGE 22-SAR-9).
- n) LOSS OF Rs. 28.275 MILLION DUE TO PROCUREMENT AT EXTRA ORDINARY RATES. (PARA 2.10, PAGE 23-SAR-9).
- o) LOSS OF Rs. 9.567 MILLION DUE TO PURCHASE OF RICE HUSK AT HIGH PRICES. (PARA 2.11, PAGE 25-SAR-9).

Audit reported that above mentioned 15 cases involved gross negligence, mis-use of powers, fraud etc. These issues were discussed in the PAC's meeting held on 30.9.2000 and the Committee referred these paras to FIA for investigation.

FIA presented its interim report on the actions taken so far for the perusal of the Committee. According to the report furnished by the FIA, out of 15 cases, 01 case (Para-1.1) was under enquiry, 06 cases (Paras-1.2, 1.3, 1.5, 1.9, 2.7 & 2.9) had been filed in the Court of Law which are under trial. Investigation for the remaining 08 cases (Para No. 1.8, 1.10, 2.1, 2.2, 2.3, 2.8, 2.10 & 2.11) had not been carried out due to non-provision of relevant record to FIA by Pakistan Steel.

PAC DIRECTIVE

In view of the report presented by the FIA, the Committee directed the FIA to expedite the inquiry related to Para 1.1. Pakistan Steel Mills was directed to furnish relevant record with respect to paras 1.8,1.10,2.1,2.2,2.3,2.8,2.10 & 2.11 to FIA to enable them to complete their inquiry. Regarding 6 cases pertaining to paras 1.2,1.3,1.5,1.9,2.7 & 2.9, PAC directed the Ministry to seek the help of Ministry of Law to expedite their trial in the court of law. The Committee also directed the Ministry to consider settlement of the cases out of the court (where it is feasible) with the help of the National Accountability Bureau (NAB), as early as possible and report to the PAC Secretariat.

SPECIAL AUDIT REPORT ON PAKISTAN STEEL MILLS CORPORATION LTD. FOR THE PERIOD 1994-97(SAR-9)4.84 LOSS OF Rs. 1.296 MILLION DUE TO SHORT RECEIPT OF SPARE PARTS (PARA 4.14, PAGE 43-SAR)

Audit pointed out that the Pakistan Steel Mills issued a purchase order in September 1995 to M/s. Muhammad Ahmed & Co. for supply of 05 Temperature Measuring Instruments at a total cost of Rs. 17.61 million. The consignment was received in April 1996. The user department, however, intimated in June 1996 that the instruments were received without their sensors valuing Rs. 1.396 million.

The Department admitted the fact that the said loss occurred due to non-receipt of sensors with the instruments as a result of wrong certification by the inspection staff. After a departmental enquiry the persons responsible for the loss had already been penalized.

PAC DIRECTIVE

The Committee directed the Department to take, besides the departmental action that had already been taken, appropriate steps to recover the loss from the supplier as the non-receipt of sensors had been proved as a result of departmental inquiry.

4.85 IRREGULAR REINSTATEMENT OF TERMINATED/DISMISSED EMPLOYEES.  
(PARA 5.2, PAGE 46-SAR).

Audit pointed out that Pakistan Steel had dismissed about 1,700 employees (both officers and workers) during the period January 1992 to August 1994 on various charges. The management constituted a Reinstatement Review Committee to examine the cases of the affected employees. The management reinstated 638 employees, on the basis of the recommendations of the Committee, out of 1,270 cases.

In order to examine some of the reinstatement cases, Audit requisitioned the list of reinstated employees on May 5, 1998. The management responded on May 8, 1998 that no such list was available with them. When the Audit referred to the discussion held in the Board meetings of November 21, 1994 and March 1, 1995 on the subject, the management provided the list on June 30, 1998 but the relevant record was not provided for examination.

PAC DIRECTIVE

The Committee directed the Department to provide the record related to re-instated employees to the Audit without further delay, for examination of the facts. The Audit will submit its findings before the PAC.

4.86 UNNECESSARY APPOINTMENT OF MEDIA CONSULTANTS.  
(PARA 5.3, PAGE 46-SAR).

Audit pointed out that Pakistan Steel appointed six persons as media consultants from March 1995 to November 1996 at varying rates of remuneration and other benefits. There was obviously no need to appoint them as there was no specific work to be done by them. No record was available to indicate the work done by them during this period. No approval of the Board of Directors was obtained for their appointment. The remuneration paid to them and expenditure incurred on providing other benefits thus became infructuous.

The Department informed the Committee that the appointments of media consultants were made on political ground with the approval of Ex-Acting Chairman Pakistan Steel who already stood dismissed in other cases, therefore, any further action is not feasible at this stage.

PAC DIRECTIVE

The Committee settled the para subject to verification of the facts stated by the Department.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-D-1996-97)

PAKISTAN STEEL MILLS CORPORATION LIMITED

4.87 (PARAS 94-96, PAGE 66-67-ARPSE-96-97).

The Audit presented the working results of the Pakistan Steel Mills for the years 1995-96 to 1998-99. According to the Audit Report, the accumulated losses of the Corporation increased to Rs. 8185 million as on June 30, 1999.

PAC DIRECTIVE

After detailed discussion on the working results of the Corporation, the Committee constituted a Sub-Committee comprising on Mr. Irtiza Hussain, Member Ad-hoc PAC (convener), Mr. Mujahid Eshai, Member Ad-hoc PAC, Mr. S.M. Zafarullah, Member Ad-hoc PAC, representatives of Audit Department, Ministry of Industries & Production and Ministry of Finance to examine the balance sheet items, profit trends, future plans for expansion and improvements and tariff structure of the Pakistan Steel Mills. The Sub-Committee will submit its report within two months.

4.88 (PARA 99, PAGE-68-ARPSE).

Audit pointed out that an amount of Rs. 294.186 million was recoverable from the allottees of Gulshan-e-Hadeed project who are employees of the Corporation in respect of various amounts claimed by Association of

Builders and Developers (ABAD). It was expected by the management that the amount would not be recovered from the allottees, therefore, a provision of Rs. 200 million was made in the Accounts.

The ministry intimated that a committee was constituted to give recommendations to resolve the dispute of HBFC loans to allottees and to consider the escalation charges paid by Pakistan Steel. On the basis of recommendations of the Committee the Board decided that the employees were not responsible for the escalation charges and an amount of Rs. 600 million was written off, by the Board, on 6.12.1999, aggregating the total loss to Rs. 800 million to the Pakistan Steel Mills on this account.

#### PAC DIRECTIVE

The Committee directed the Audit Department to investigate the issue and report to PAC within two months. The Committee further directed that the Pak. Steel Mills should not have any administrative role in the affairs of Gulshan-e-Hadeed Project. A Housing Society (under the respective laws) should be formed to deal with the affairs of Phase-1, 11, 111 of Gulshan-e-Hadeed Project. No maintenance cost, directly or indirectly, should be incurred for the project from PSM funds, in future.

#### 4.89 (PARA 100, PAGE-68-ARPSE).

Audit had pointed out that an amount of Rs. 884 million represented the cost of freehold land and improvements as on June 30, 1997 owned by the corporation. The total area of aforesaid land was approximately 18,928 acres, but the land measuring only 9661 acres has been transferred in the name of the corporation. The transfer of title of remaining area of land has not yet taken place due to disagreement with concerned authorities/private owners of land.

The Ministry intimated that Pakistan Steel is in constant touch with the Government of Sindh to get the remaining land mutated. However, some private land owners have approached the courts, as they feel that the compensation of land given to them was not adequate.

PAC DIRECTIVE

The Committee directed the Department to make all possible efforts to get the title of the land transferred in its name at the earliest and report to the Committee on the steps taken and progress made within two months.

4.90 (PARA 101, PAGE-68-ARPSE).

Audit pointed out that a total of Rs. 23.934 million was paid to the contractors in 1996-97 in excess of the bills submitted.

The departmental representative informed the Committee that efforts are being made to recover the excess payment from the contractor(s). The Department assured the Committee that the excess payment will be recovered well before 30th June 2001.

PAC DIRECTIVE

After hearing the Ministry's reply on the matter, the Committee settled the para subject to verification of the facts by the Audit.

4.91 (PARA 102, PAGE-68-ARPSE).

Audit pointed out that stock of Finished Goods and by-products increased from Rs. 2900.303 million as on June 1996 to Rs. 4534.351 million as on June 1997, reflecting the poor sales management.

The Ministry intimated that during 1997-98 sales policy was liberalized and prices were rationalized. Credit was also extended to dealers to clear huge stocks of inventory. Resultantly, the stock of finished products decreased from Rs. 4534.351 million to Rs. 4169.437 million in 1997-98. As stated in the meeting these stocks were reduced to Rs. 3688 by 1.1.2001.

PAC DIRECTIVE

The Committee settled the para directing the Department to provide the latest statistics of the stock to the Audit.

4.92 NON-RECOVERY/NON-ADJUSTMENT OF SHORTAGE OF RAW MATERIAL AND FINISHED GOODS VALUING Rs. 56.243 MILLION. (PARA 108-PAGE-70-ARPSE).

Audit pointed out that physical verification of material and finished goods of Pakistan Steel carried out on June 3, 1992 revealed shortages valuing Rs. 556.516 million. Of these shortages an amount of Rs. 210.673 million (Rs. 184.938+25.735) was adjusted with the approval of the Board while shortages of Rs. 289.600 and Rs. 56.243 million were adjusted without approval of the Board.

The management contended that the amount of Rs. 56.243 million was not due to shortages, but a difference of amount on account of certain adjustments which were subsequently detected.

PAC DIRECTIVE

The Committee was not satisfied with the shrinkage ratio that the Department contended to justify the shortages pointed out in the para and directed the Department to furnish a comprehensive report on the shortages (comparing with the admissibility of shrinkage/shortage ratio under the generally accepted standards worldwide) to the Audit for examination and report to the PAC.

ACTIONABLE POINTS FOR 1993-94

4.93 SCANDALOUS PURCHASE OF BALL BEARING AMOUNTING OVER Rs. 500 M (PARA 135, PAGE 32-ARPSE)(ITEM 21-AP-93-94).

Audit pointed out that Pakistan Steel Mills purchased ball bearings amounting to over Rs. 500 million in excess of the requirement and at

higher rates for CRM Section during 1991-92. Repeat orders for certain specifications of ball bearings were placed on the same day or day after the original purchase was made and at the rate four and five times higher than the actual price.

The para was discussed in the defunct PAC meeting held on 12.2.1998. The Committee constituted a Sub-Committee to examine the case. The Sub-Committee could not finalize its report due to suspension of the National Assembly.

The findings brought about by the Sub-Committee in its unsigned/unapproved report were presented before the Committee for necessary perusal. The Department, responding to the findings of the report, briefed that actions had already been initiated against person(s) held responsible in the report.

#### PAC DIRECTIVE

The Committee directed the Department to prepare a detailed report on the actions taken so far, with reference to the findings of the Sub-Committee and deferred the para so as to discuss it in its next meeting with the latest position of the case.

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#### ACTIONABLE POINTS: MEETINGS ON 15-3-2001

(INDUSTRIES WING)  
(DEFERRED ACCOUNTS)

#### ACTIONABLE POINTS FOR 1996-97

- 4.94 i) GRANT NO. 78-INDUSTRIES (PAGE 255-AA)(ITEM 12(i)-AP-96-97).  
 ii) GRANT NO. 79-INDUSTRIES (PAGE 256-AA)(ITEM 12(ii)-AP-96-97).  
 iii) GRANT NO. 80-DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES (PAGE 257-AA)(ITEM 12(iii)-AP-96-97).

- iv) GRANT NO. 81-OTHER EXPENDITURE OF INDUSTRIES WING (PAGE 258-AA)(ITEM 12(iv)-AP-96-97).
- v) GRANT NO. 140-CAPITAL OUTLAY OF MISCELLANEOUS STORES (PAGE 258-AA)(ITEM 12(v)-AP-96-97).
- vi) GRANT NO. 162-DEVELOPMENT EXPENDITURE OF INDUSTRIES (PAGE 262-AA)(ITEM 12(vi)-AP-96-97).

PAC DIRECTIVE

On the presentation of above six grants, the Committee settled all the issues mentioned in the audit observations. However, the Committee directed the PAO to monitor financial transactions in the different departments of the Ministry on monthly basis. The Committee also desired to prepare a report regarding the actions taken by the Ministry to improve the budget monitoring system and submit it to the Committee within one month.

ACTIONABLE POINTS FOR 1993-94

- 4.95 IRREGULAR AND UNAUTHORIZED PAYMENT OF Rs. 150,328/- AS CONVEYANCE ALLOWANCE.  
(PARA 6, PAGE-154-AR-93-94)(ITEM 19-AP-93-94).

Audit pointed out that the officers/staff of National College of Textile Engineering Faisalabad were paid Rs. 150,328/- as conveyance allowance, though they were residing within the office precinct, during August 1989 to June 1993. After the objection was issued the Department itself worked out further recovery amounting to Rs. 273,810/- upto September, 1997.

The para was discussed in defunct PAC on 7.4.99 and the PAC directed the department to recover the said amount from the concerned officers/staff.

The Department informed the Committee that Rs. 289,790 had been recovered from the concerned officers/staff. Recovery of the balance amount of Rs. 1,30,000 is under process.

PAC DIRECTIVE

After hearing the Ministry's reply, the Committee settled the para, subject to verification by the Audit, with condition to recover the balance amount.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-D-1996-97)PAKISTAN STEEL MILLS CORPORATION LIMITED.

- 4.96 DEPRIVATION OF INCOME AMOUNTING TO Rs. 49.014 MILLION DUE TO FAILURE IN EXECUTION OF JOB.  
(PARA 109, PAGE-70-ARPSE-96-97).

Audit pointed out that Pakistan Steel signed two sales contracts with Messers, Techno Experts and Consultants, Peshawar in May, 1993 for supply of 5000 M.ton cold formed channels valuing Rs. 49.014 million, 10% down payment amounting to Rs. 4.901 million was received from the party. The management failed to execute the job and refunded the down payment to the party on the pretext of other contractual commitments.

The Chairman PSM admitted that the reply given by the previous management was a cover-up story. The facts transpired from the case led to believe it a fraud case; the decision appeared to be taken with malafide intention as it was based on neither production department's request nor on the advice of the Zonal office. With these facts he requested PAC to get the case re-investigated.

PAC DIRECTIVE

After hearing the elaborate statement of the Chairman PSM, the PAC directed the PAO to investigate the matter in detail and submit the report to the Committee within one month.

4.97 IRREGULAR/FRAUDULENT PURCHASE OF LEVEL INDICATORS AT HIGH RATE RESULTING IN A LOSS OF Rs. 28.139 MILLION. (PARA 111, PAGE-72-ARPSE)-96-97).

Audit pointed out that Pakistan Steel purchased five level indicators from M/s. Universal Industrial Corporation in June 1996 @ Rs. 5.655 million per indicator on single tender basis. The said indicators were previously purchased in August 1989 @ Rs. 16,292 per indicator. Thus Pakistan Steel sustained a loss of Rs. 28.275 million due to procurement at extra ordinary high rates.

The Committee was informed that the investigation of the case has been completed by the FIA and now it has been taken up by the National Accountability Bureau(NAB).

PAC DIRECTIVE

The Committee deferred the para till the outcome of the NAB's investigation.

- 4.98 i) LOSS OF Rs. 24.926 MILLION DUE TO UNJUSTIFIED REDUCTION IN SELLING PRICES OF COBBLED AND M.S. PLATES. (PARA 112, PAGE-73-ARPSE-96-97).
- ii) LOSS OF Rs. 22.030 MILLION DUE TO SALE OF G.R.SLAG AT LOWER PRICE. (PARA 113, PAGE-74-ARPSE-96-97).
- iii) LOSS OF Rs. 17.097 MILLION DUE TO SALE OF H.R. CHANNEL AT THE RATE MUCH BELOW THE UNIT COST OF SALES. (PARA 114, PAGE-75-ARPSE-96-97).

The above three paras regarding unjustified reduction in sale prices were presented by the Audit contending that the said price reductions were not based on business decision while the Management defended that the price reduction decisions were made by a Committee, to get rid of slow moving products, keeping in view inventory position, local competition, changes in the international rates etc.

PAC DIRECTIVE

The PAC felt the need to streamline the price reduction policy in a way to ensure that price adjustments should be based on Corporate decisions and not to serve vested interests or to conceal operational inefficiencies. To examine the matter in detail, the Committee constituted a Sub-Committee comprising Lt.Gen.(R) Talat Masood, Member Ad-hoc PAC, (convener), Mr. Hassan Bhutto, Member Ad-hoc PAC and representatives of M/O Industries & Production, Finance Division & Audit Department. The Sub-Committee will submit its report within two months. The Committee also directed the Ministry to prepare a report on the import/export tariffs having adverse effects, if any, on the sale prices of the PSM products and take up the matter with Ministry of Commerce and CBR for rationalization of tariff structure.

4.99 WASTEFUL EXPENDITURE OF Rs. 3.720 MILLION INCURRED ON ACQUIRING OF LAND FROM PAKISTAN RAILWAYS.  
(PARA 116, PAGE-77-ARPSE-96-97).

Audit pointed out that Pakistan Steel acquired 28.297 Kanals of land from Pakistan Railways near Mankiala Railway Station at an annual rental of Rs. 127,337 on the advice of the then Minister of Production in April, 1990. The land was procured for establishment of the Zonal Sales Depot (North) which was to be inaugurated by the then Prime Minister on May 6, 1990. The management incurred a sum of Rs. 3.211 million on the development of land in addition to lease money amounting to Rs. 0.509 million paid to Pakistan Railways for the period from April 4, 1990 to April 3, 1993. The depot remained operational for only one year from May 6, 1990 to May 10, 1991. Thus, incurrence of huge expenditure of Rs. 3.720 million was treated as wasteful.

The Committee was apprised that the decision was a political one taken on the directive of the then Minister of State for Production. With the exit of the respective Government the decision had to be reversed that caused the said loss.

PAC DIRECTIVE

The Committee observed that the establishment of Sales Depot, on the basis of political instead of Corporate considerations, was an imprudent policy of the management, therefore, the responsibility of the loss rests on the respective Minister and the Management for issuing politically motivated directive and implementing thereof respectively. The Committee asserted that the public servants should not comply with the political orders if they are against the national or organizational interests. However, the Committee directed the PAC Secretariat to refer the case to National Accountability Bureau (NAB) for investigation and necessary action.

4.100 LOSS OF Rs. 3.515 MILLION ON ACCOUNT OF IRREGULAR PAYMENT TO EMPLOYEES FOR TREATMENT ABROAD.  
(PARA 117, PAGES-77-ARPSE-96-97).

Audit pointed out that Pakistan Steel granted huge advances of Rs. 2.945 million to four employees in 1991-92 for medical treatment abroad. In addition, Rs. 0.570 million were spent in connection with air travel of attendants. The employees were required to submit the account of the entire amount of Rs. 3.515 million for adjustment on their return from abroad. They, however, failed to do so.

The management informed the Committee that the services of two employees were terminated in this case, however, no recovery could be made from them. In the cases of other two employees recovery is being made @ Rs. 2,500 & Rs. 2,000 per month.

PAC DIRECTIVE

The Committee directed the PAO to fix responsibility and take action against person(s) responsible for the said loss. The Committee also directed the Department to take all possible measures to recover the outstanding amount and report to the Committee within one month.

4.101 LOSS OF Rs. 2.056 MILLION DUE TO FAVOURITISM EXTENDED TO A SUPPLIER IN A PURCHASE DEAL.  
(PARA 118, PAGE 79-ARPSE-96-97).

Audit reported that Pakistan Steel placed a purchase order on M/s. Mercury Garment Industries (MGT) on June 30, 1991 for supply of 355 M.tons Chrome Magensite Bricks @ \$ 608.26 per M.ton. Total value of the order was Rs. 5.279 million and the delivery was to be completed by the end of September 1991. The supplier failed to supply the material by due date and the management decided to cancel the order.

Pakistan Steel then contacted M/s. Dolu, the second lowest bidder. M/s. Dolu agreed to supply 355 M.tons material @ \$ 510 per M.ton. Pakistan steel accordingly placed an order on them on Dec 11, 1991. The total value of order was Rs. 4.502 million. The material was supplied by March, 1992.

MGT however supplied 96 M.tons material on March 29, 1992 and 259 M.tons on May 12, 1992. The supply of 96 M.tons was rejected by the Inspection Department being sub-standard. But it was accepted again on August 9, 1994.

PAC DIRECTIVE

The Committee concluded that the Pakistan Steel suffered a loss of Rs. 2.056 million, in this deal, on account of purchase of material from M/s Mercury Garment Industries at higher rates, waiving off the LDs and acceptance of sub-standard material and directed the PAC Secretariat to refer the case to National Accountability Bureau (NAB) for necessary action and recovery.

4.102 LOSS OF Rs. 1.357 MILLION ON ACCOUNT OF UNDUE FAVOUR TO AN ADVOCATE.  
(PARA 119, PAGE 81-ARPSE-96-97).

Audit reported that Pakistan Steel paid Rs. 1.357 million (50% fee) to Mr. A. Samad for defending 1234 cases filed by the workers in the Labour Court in 1992. Remaining fee of Rs. 1.357 million was to be paid on final

disposal of the cases. The cases were however subsequently withdrawn from Mr. A. Samad on the instructions of the then Chairman and handed over to another advocate. Mr. Samad filed a case against Pakistan Steel for recovery of his outstanding fee.

The ministry intimated that the officer responsible for the said loss had been terminated from service. The matter is now in the court of law for final decision.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee deferred the para till the decision of the court.

4.103 IRREGULAR AND UN-REALISTIC EXPENDITURE OF Rs. 1.271 MILLION INCURRED ON RENOVATION AND FURNISHING AND UNDUE FAVOUR TO PARTY. (PARA 120, PAGE 82-ARPSF-96-97).

Audit pointed out that Pakistan Steel Mill (Zonal Sales Office Lahore) awarded a job of renovation and furnishing of guest house and Zonal Office on single quotation basis to M/s Decor & Design at a total cost of Rs. 1.155 million on Oct. 15, 1993 without entering into a formal agreement. The party was granted 100% advance. In addition, a sum of Rs. 45,527 was also paid to the party on account of consultancy fee. Thus the expenditure of Rs. 1.271 million was considered irregular and un-realistic.

The Ministry admitted the irregularity and stated that responsibility has already been fixed against the person responsible. Copy of the inquiry report was handed over to the Audit on the direction of the PAC.

PAC DIRECTIVE

The Committee directed the Ministry to take action, in the light of inquiry, against person(s) responsible for incurring irregular expenditure and report to PAC Secretariat within one month.

4.104 LOSS OF Rs. 1.074 MILLION DUE TO FAVOURITISM IN AWARD OF TRANSPORTATION CONTRACT.  
(PARA 122, PAGE-84-ARPSE-96-97).

Audit pointed out that Pakistan Steel Mills invited press tender for hiring of ten number Toyota/Hino Coasters for one year in January 1991. Four offers were received. M/s Akbar Transport Bus Service quoted the lowest rate of Rs. 19,800 per coaster per month. The second lowest was M/s Naeem Trading Company who quoted Rs. 24,955 per coaster. But the contract was not awarded to both the bidders due to the reasons that the first lowest party offered to provide only four coasters while the second lowest did not submit the income tax exemption certificate. The contract was awarded to M/s Bunnair Transport, the third lowest, @ Rs. 28,750 per coaster, per month, despite the fact that the said party had also not produced income tax exemption certificate. Thus due to undue favouritism, the corporation suffered a loss of Rs. 1.074 million.

The Department admitted that the contract was awarded at exorbitant rates by doing favouritism and reported to the PAC that four persons had been held responsible in this case.

PAC DIRECTIVE

The PAC directed the PAO to submit a report on the actions taken against the persons responsible for the irregular deal to PAC Secretariat within one month. Names of officers responsible belonging to the Federal Services, alongwith details of charges framed against them, may be furnished to the PAC Secretariat for onward transmission to the Establishment Division for necessary action.

4.105 LOSS OF Rs. 1.034 MILLION DUE TO GRANT OF IRREGULAR ADVANCE TO THE EMPLOYEES.  
(PARA 123, PAGE-85-ARPSE-96-97).

Audit pointed out that Pakistan Steel Mills Corporation during 1990-91 granted medical advance of Rs. 0.120 million and Rs. 0.704 million to an

Assistant Manager and Junior Assistant respectively without observing the proper procedure. In addition, an amount of Rs. 0.209 million was given to the Assistant Manager on account of house purchase and HBFC advances.

The advances were mis-utilized by them. They also failed to render the accounts for adjustment. Subsequently both the employees were dismissed from service in July 1992 and March 1992 respectively. However, advances outstanding against them were not recovered.

The management informed the Committee that their dues had been stopped for adjustment of the outstanding amounts and measures were being taken to recover the said amount from the guarantors.

#### PAC DIRECTIVE

The Committee directed the Department to recover the said balances from the concerned employees /guarantors and report the progress to the Committee within one month. The Committee further directed to take action against the person(s) responsible for allowing the irregular advances.

- 4.106 i) LOSS OF Rs. 374,250 DUE TO UNNECESSARY DELAY IN AVAILING OFFER OF THE SECOND LOWEST BIDDER.  
(PARA 126(i), PAGE 87-ARPSE-96-97).
- ii) NON-RECOVERY OF RISK PURCHASE AMOUNTING TO Rs. 514,250 FROM THE PARTY FAILED TO SUPPLY THE ITEM.  
(PARA 126(ii) PAGE-87-ARPSE-96-97).

Audit pointed out that Pakistan Steel sustained a loss of Rs. 374,250 on account of purchase of 500 meter cable in July 1992 from the third lowest bidder. The first lowest bidder violated the terms of the purchase order by asking for extension in the delivery period while the validity of offer of the second bidder had expired due to delay in taking decision by the management.

The management also failed to recover Rs. 514,250 from the first lowest bidder on account of risk purchase.

PAC DIRECTIVE

On the presentation of the para, the Committee directed the PAO to investigate the issues mentioned in the audit observations and take necessary action in the light of the investigation and report to the Committee within one month.

4.107 LOSS OF Rs. 0.296 MILLION DUE TO SLACKNESS IN FINALIZATION OF PURCHASE DEAL.  
(PARA 127, PAGE-89-ARPSE-96-97).

Pakistan Steel sustained a loss of Rs. 0.296 million in April 1992 on account of procurement of Valves due to expiry of the validity period of the 1st lowest bidder. The rates charged by the 2nd bidder were not only higher, but he also supplied sub-standard Valves valuing Rs. 0.130 million which were accepted by the management without inspection. The supplier was asked in May 1994 to replace the same which he refused for obvious reasons.

The Ministry informed the Committee that the investigation had been completed and fixing of responsibility was under process.

PAC DIRECTIVE

The Committee directed the PAO to complete the action within one month and report to the Committee.

ACTIONABLE POINTS FOR 1993-94

4.108 SCANDALOUS PURCHASE OF BALL BEARING AMOUNTING OVER Rs. 500 MILLION.  
(PARA 135, PAGE-82-ARPSE-93-94)(ITEM-21-AP-93-94).

Audit pointed out that Pakistan Steel Mills purchased ball bearing amounting to over Rs. 500 million in excess of the requirement and at higher rates for CRM Section during 1991-92. Repeat orders for certain specifications of ball bearings were placed on the same day or a day after the original purchase was made and at the rate four and five times higher than the actual price.

The para was discussed in the defunct PAC meeting held on 12.2.1998. The Committee constituted a Sub-Committee to examine the case. The Sub-Committee could not finalize its report due to suspension of the National Assembly. The findings brought about by the Sub-Committee in its unsigned report were presented before the Ad-hoc PAC in its meeting held on 27.2.2001 for necessary perusal. The Committee directed the Department to prepare a detailed report on the actions taken so far with reference to the findings of the Sub-Committee and deferred the para so as to discuss it in its next meeting.

In this meeting, the Ministry stated that a departmental inquiry was held to investigate the matter but none of the original four copies of the enquiry report were available in the record, however, One photocopy of the report has now been traced.

#### PAC DIRECTIVE

The Committee directed the Department to provide all the relevant record to FIA for investigation of the case. The Committee desired that FIA should complete its investigation within one month and report to the PAC Secretariat accordingly.

#### 4.109 DOUBTFUL RECOVERY OF Rs. 32.487 MILLION FROM EX-EMPLOYEES. (PARA 137, PAGE 83-ARPSE-93-95 (ITEM-23-AP-93-94).

Audit pointed out that in Pakistan Steel Rs. 32.487 million were outstanding, as on 31.5.1993, against the ex-employees on account of advances for house building, festival, TA/DA, salary, transport etc. The chances of recovery of such a huge amount were remote.

The para was discussed in the defunct PAC meeting held on 12.2.1998. The Committee directed the PAO to examine the case, and recover the outstanding amount within three months. The Committee further instructed the management to take action against the officers who were responsible for the losses.

The Ministry apprised the Committee that an amount of Rs. 14.175 million (Rs. 10.353m + Rs.3.822m) had been recovered so far. The remaining outstanding amount, Rs. 18.312 million (Rs.32.487m - Rs.14.175m), included a balance of Rs. 9.500 million against subjudice cases. It was reported before the Committee that the dues of the employees to the tune of Rs. 28 million were available with the Corporation to cover the outstanding advances, therefore, the Chairman PSM made explicit commitment to recover the outstanding balances at the earliest.

PAC DIRECTIVE

The Committee directed the Department to provide all the facts, regarding the recovered amount, the subjudice amount and the steps being taken to recover the outstanding advances, to the Audit for verification. Para may be treated as settled subject to verification of facts by the Audit.

ACTIONABLE POINTS: MEETING ON 13-04-2001

(PRODUCTION DIVISION)

ACTIONABLE POINTS FOR 1996-97

STATE ENGINEERING CORPORATION (PVT) LIMITED

4.110 (PARAS 163, 167, 171, 172, 181, 182 & 183-PAGES 107-117-ARPSE)(ITEM-1(i-ii-AP-96-97)).

The Audit apprised the Committee on the financial position of State Engineering Corporation and its units for the year 1995-96 to 1997-98. Accumulated losses of the Corporation and its units stood at Rs.5826.329 Million as on June 30, 1999. The PAC, in its meeting held on 26-10-2000, directed the Department that the Units showing out-right losses should be privatized and rest be made viable through restructuring and taking appropriate measures. The Committee further directed the PAO to prepare a comprehensive report on restructuring of State Engineering Corporation and its units.

The Ministry informed the Committee that the SEC is presently managing six companies. Out of which PMTF and ENAR Petrotech are in profit and as such do not require restructuring. Restructuring of HMC has already been done in the light of recommendations of high powered committee constituted by the Government. HMC and HEC will be profitable in the next year. The restructuring plan of PECO has since been submitted to privatization commission. HEC and SMC are also on the privatization list. Attempts were made by the Privatization Commission, in the past, to privatize these Companies but their efforts could not succeed. The Board of Investment has now offered HEC to Chinese investors.

PAC DIRECTIVE

The PAO briefed the Committee that a "Policy Package" is under preparation to improve the financial health of the Public Sector Corporations and other business concerns. The Committee showed its concern on the financial bankruptcy of the engineering units in Public Sector and desired that a copy of the "Policy Package" be supplied to PAC when it is finalized.

4.111 IRREGULAR EXPENDITURE OF Rs. 132,578 ON BEHALF OF MINISTRY CONCERNED. (PARA 166, PAGE-109-ARPSE)(ITEM 2-AP-96-97).

Audit pointed out that the PAC, in its meeting held on 26-10-2000, directed the Department to reconcile the issue with the Audit Department within 15 days.

The Ministry informed the Committee that the Audit has verified the position on 17-01-2001.

PAC DIRECTIVE

The PAC observed that all such expenses, not belonging to subordinate Corporations, should be picked up by the Government. In this para, also, the payment was made on the order of the Government. Therefore, the said expenditure should be borne by the Ministry and refund be made to the Corporation.

HEAVY ELECTRICAL COMPLEX (PVT) LIMITED4.112 (PARA 169, PAGE-110-ARPSE)(ITEM 3-AP-96-97).

The Ministry informed the Committee that the Supreme Court had appointed a panel of arbitrators to settle the dispute.

PAC DIRECTIVE

The PAC directed the Department to expedite resolution of the case through arbitration as decided by the Supreme Court and report to PAC.

4.113 (PARA 177, PAGE-113-ARPSE)(ITEM 6-AP-96-97).

Audit pointed out that in the selling and distribution expenses amounting to Rs 19.560 Million, an amount of Rs 4.592 Million was provided on account of bad and doubtful debts. The previous PAC had directed the Audit to verify whether due procedure was adopted in working out and declaring the said amount as doubtful debts and also see that sufficient efforts were made for recovery of balances before declaring them doubtful.

The Ministry informed that Audit has examined the record and the efforts made by HMC for the recovery of bad debts of Rs 4.592 Million. The Ministry contended that these charges were late delivery charges and not recoverables; therefore, there is hardly any chance of their recovery.

PAC DIRECTIVE

The PAC directed the Department to get it regularized from the Ministry of Finance.

4.114 UN-AUTHORIZED/IRREGULAR PAYMENT OF Rs. 504,026 ON EX-PAKISTAN VISIT OF MINISTER.  
(PARA 180, PAGE-115-ARPSE)(ITEM 8-AP-96-97).

Audit pointed out that HMC Taxila paid Rs 504,026 as TA/DA on Ex-Pakistan visits of Minister and Other Senior officials of the Ministry of

Production during 1991-92. The PAC in its meeting held on 26-10-2000 settled the issue subject to verification by the Audit that the payment was for business consideration and that the permission of the competent authority was obtained.

The Ministry informed that the Audit had verified the facts.

PAC DIRECTIVE

The PAC settled the para with the direction to be careful in future. The PAC also directed the Ministry to follow the respective rules, in future.

ACTIONABLE POINTS FOR 1993-94

4.115 WASTEFUL EXPENDITURE OF Rs. 1.529 MILLION ON MANUFACTURING OF PARTS ON VERBAL ORDERS.  
(PARA 232-PAGE-132-ARPSE)(ITEM 31-AP-93-94).

Audit pointed out that the PAC in its meeting held on 26-10-2000 settled the issue subject to verification by Audit. The Management did not produce documentary evidence in support of their contention.

The Ministry informed the Committee that Audit team visited HMC and has examined the relevant record.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

(INDUSTRIES WING)

ACTIONABLE POINTS FOR 1993-94

4.116 INFRACTUOUS ADMINISTRATIVE EXPENDITURE OF Rs. 2.285 MILLION.  
(PARA 9, PAGE-156-AR)(ITEM 2-AP-93-94)(ITEM 16(ii)-AP-96-97).

Audit pointed out that the PAC in its meeting held on 07-04-1999 directed the PAO to reconcile the issue with the CBR within one month.

The Ministry informed the Committee that the system has now been streamlined through CBR and expenditure on Administration is under control.

PAC DIRECTIVE

The Committee observed that since the Disposal Wing was not functioning, the administrative expenses were not justified. The PAC directed the Ministry to satisfy the Audit on reduction of expenditure after shifting the job to CBR. If Audit is satisfied the para may be treated as settled.

4.117 NON-RECOVERY OF Rs. 2.24 MILLION FROM THE DIFFERENT FIRMS.  
(PARA 10, PAGE-156-AR)(ITEM 3-AP-93-94)(ITEM 20-AP-96-97).

Audit pointed out that the PAC, in its meeting held on 07-04-1999, directed the Department to take all possible measures to recover the said amount from the firms and officers concerned.

The Ministry intimated that an amount of Rs.364,450 has been written off with concurrence of FA. Organization. The amount of Rs.5,20,326 was re-evaluated in the light of Law Division's advice, according to which only Rs.1133/- were recoverable from the firm, which stands adjusted from the security deposit of the firm. Two recovery cases for Rs 8,22,525 and Rs 1,21,906 are pending in the Court of Law. Recovery of 241,761 has been deleted by Audit as being not related to the Department of Supplies. Regarding recovery of Rs.1,69,582, related to old cases (1981-91), steps are being taken for reconciliation/recovery.

PAC DIRECTIVE

The PAC directed the PAO to pursue the cases vigorously and approach the Chief Justices of the Supreme Court/High Court(s) through Ministry of Law for early disposal of the cases.

4.118 LOSS DUE TO NON-IMPOSITION OF LIQUIDATED DAMAGES OF Rs. 0.38 MILLION FOR BELATED SUPPLIES.  
 (PARA 11, PAGE-157-AR)(ITEM 4-AP-93-94)(ITEM 21-AP-96-97).

Audit pointed out that the PAC in its meeting held on 7.4.1999 had directed the Department to take all possible measures to recover Rs. 0.385 million, black-list the contractor and report to the Committee within two months.

The Ministry informed the Committee that the firm, namely M/s Agricides (Pvt) Ltd. Karachi, had already been black-listed by the Department of Supplies. Part recovery of Rs. 75,000 has been made. The recovery of balance amount of Rs. 3,45,000 is under process.

PAC DIRECTIVE

The PAC directed the Department to recover the remaining amount and report to the Committee.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

UTILITY STORES CORPORATION (H.O.)

- 4.119 i) (PARA 138, PAGE-119-ARPSE)(AR-VOL-X-1996-97).  
 ii) (PARAS 119-123, PAGES-109-111-ARPSE)(ITEM 6-AP-93-94).

The Audit apprised the Committee that the USC sustained net losses of Rs 477 million and Rs 315 million during 1997-98 and 1998-99 respectively registering an increase of 1078% and 712% over the year 1996-97. The Corporation's current liabilities exceeded its current assets by Rs 1023 million, accumulated losses amounted to Rs 919 million and its equity turned negative by Rs 799 million upto June 30, 1999. Report of the Sub-Committee (not final) was also brought to the notice of the PAC wherein 33 cases of serious irregularities, frauds and embezzlements had been identified. The PAO responded that most of the cases contained in the report were already under investigation of FIA/NAB.

PAC DIRECTIVE

The PAC directed the PAO to take all possible steps to make the Corporation a profit centre, examine the 33 cases identified in the Sub-Committee report and besides pursuance of pending cases with FIA/NAB, take all necessary actions in the light of the findings of the Sub-Committee's report and furnish compliance report to the Committee within one month.

4.120 (PARA 139, PAGE-120-ARPSE).

Audit pointed out that the capital work in progress, comprising civil works at Sargodha, Peshawar and Hyderabad, stood at Rs. 41.878 million. None of the civil works has been completed despite incurrence of substantial expenditure.

The Ministry informed the Committee that construction work at Sargodha & Peshawar had been completed. Whereas civil work at Hyderabad was left incomplete as a consequence of Prime Minister Inspection team's inquiry. Now, as per PMIC's instructions, the Engineering Council is examining the cases.

PAC DIRECTIVE

The PAC directed the Department to settle the issue as early as possible and report to the PAC.

4.121 (PARA 140, PAGE-120-ARPSE).

Audit pointed out that the recoverable amount from the store incharges increased from Rs. 31.177 million as on June 30, 1996 to Rs. 40.797 million as on June 30, 1997. This recoverable amount represents the cost of stores found short and the amount embezzled by the Store Incharges but the management failed to effect the recovery from the employees concerned.

The Ministry informed that the disciplinary as well as recovery action against the defaulters had been initiated. Out of Rs. 40.797 million, Rs. 15.85 million has been recovered and 42 cases involving recovery of Rs.20.128 million are subjudice in the Court of Law.

PAC DIRECTIVE

The PAC directed the Department to pursue the cases in the Court of Law; recover the amount and take disciplinary action against the person(s) responsible and report to the Audit/PAC. The PAC further inquired from the Department, as to what action had been taken to improve the internal control system of the corporation?

4.122 (PARA 141, PAGE-120-ARPSE).

Audit pointed out that the miscellaneous receivables increased to Rs. 31.123 million in the year under review as compared to Rs. 19.035 million in 1995-96. The amount was arrived at after making provision for doubtful receivables of Rs. 1.459 million.

The Ministry informed that out of Rs. 31.123 million an amount of Rs. 18.00 million had been recovered. For the recovery of balance amount matter is being actively followed. A case for doubtful recovery of Rs. 1.459 million is in the Court of Law.

PAC DIRECTIVE

The PAC directed the Department to pursue the case in the Court of Law and recover the balance amount as early as possible.

4.123 (PARA 142, PAGE-120-ARPSE).

Audit pointed out that stocks to the extent of Rs. 50.256 million have been shown as damaged and provision to this effect made in the accounts under the head stocks and stores.

The Ministry informed the Committee that the FIR has been lodged against the official(s) responsible for the loss.

PAC DIRECTIVE

The PAC directed the Department to take departmental action against the persons responsible, besides the action already being taken through FIA and report to the PAC within one month.

4.124 NON-RECOVERY OF Rs.224,852 ON ACCOUNT OF BENEFITS OF VSS FROM THE EMPLOYEES OF THE CORPORATION.  
(PARA 143, PAGE-121-ARPSE).

Audit pointed out that Mr. Saleem Zafar Khanzada who served as Manager in GCP from Nov. 1977 to March, 1993 in pay scale equivalent to BPS-18, was subsequently absorbed in USC on March 29, 1993, vide Ministry of Productions order dated February 28, 1993. The GCP had paid a sum of Rs. 224,825 to the said officer as VSS benefits which were required to be deposited in terms of decision contained in the Ministry of Production Letter dated Sep. 16, 1993. On October 28, 1994, Ministry of Industries advised the USC to recover the VSS benefits from the officer concerned.

The Ministry informed the Committee that due to lack of educational qualification and failure to deposit the VSS benefit the services of the officer were terminated on March 21, 1997. The officer filed a court petition before the High Court and court disposed off the petition instructing USC to release salary arrears accordingly.

PAC DIRECTIVE

The PAC directed the Department that the facts of the employment of the officer should be provided to Audit/PAC. However, recovery portion has been settled in the light of the court decision.

ACTIONABLE POINTS FOR 1996-97GHEE CORPORATION OF PAKISTAN

- 4.125 i) (PARAS 144,149,152,155,158,160,164,165,170,171 & 172, PAGE-122-144-ARPSE)(ITEM 23-AP-96-97).
- ii) (PARAS 124,128,131,135,137,142,147,153,157 & 164-PAGES 112-133-ARPSE)(ITEM 7-AP-93-94).

Audit pointed out that the previous PAC had constituted a Sub-Committee to examine various issues pertaining to the GCP but the Sub-Committee could not finalize its report before suspension.

The Ministry informed that the administrative expenditure of the Corporation has decreased from Rs. 30 to 4 million and the remaining Units would be privatized as soon as possible. Major hurdle in the sale of these units is their negative worth. Therefore, Privatization Commission has considered their sale in the shape of assets and not as going concerns.

PAC DIRECTIVE

The PAC directed the PAO to monitor the expenditure on regular basis and sell all the Units within shortest period of time. The PAC further directed the Department to provide a detailed financial report for the year 1996-97.

- 4.126 EXPECTED LOSS OF Rs. 3.625 MILLION DUE TO UN-NECESSARY PURCHASE OF TIN PLATES.  
(PARA 157, PAGE-130-ARPSE)(ITEM 25-AP-96-97).

Audit pointed out that the PAC, in its meeting held on 7.4.1999, had directed the PAO to investigate the whole case with a view to fix responsibility for un-necessary purchase of tin plates, take action and report to the Committee within one month.

The Ministry informed the Committee that the inquiry committee has completed its report.

PAC DIRECTIVE

The PAC directed the Ministry to provide inquiry report and details of action taken to the Audit. If Audit finds that the action taken is satisfactory the para will be settled.

4.127 (PARA 125, PAGE-125-ARPSE)(ITEM 8-AP-93-94).

Audit pointed out that as a result of physical verification of stock of edible oil, a shortage of 3971 M.Tons valuing Rs. 60.686 million was detected. The case against M/s Cosmopolitan Development Company Ltd. was stated to be in the Court of Law.

The case was examined by the previous PAC on 24.7.1997 and the Department was directed to submit the latest position of the court case to the PAC within one month.

The Ministry informed the Committee that M/s Cosmopolitan Development Company has requested GCP for out of court settlement. However, at present, the case is also under pursuance of NAB.

PAC DIRECTIVE

The PAC directed the Ministry to pursue the case for earlier recovery of the public money.

**CABINET DIVISION  
(CAPITAL DEVELOPMENT AUTHORITY)**

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1. **OVERVIEW**

The Public Accounts Committee (PAC), in its meetings held on February 18, September 7, 1999 and June 12, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Cabinet Division. Examining this Report, the Committee noticed several cases of huge savings, infructuous expenditure, over-payments, unauthorized allotment of abandoned properties and persistent loss position in Printing Corporation of Pakistan (PCP) under the Cabinet Division.

The Audit Report contained 74 paras, of which 16 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the desired actions having been taken by the Ministry/respective departments. The Audit also pointed out recoveries amounting to Rs.59.344 million, out of which an amount of Rs.20.744 million has actually been recovered. The Committee directed the Ministry to take steps for the recovery of the remaining amounts. The PAC Secretariat will watch the progress of recovery. The recovery position and implementation of its directives will be reviewed by the Committee in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view-points on different issues. Actionable Points based on the PAC's directives are given in Section-4. However, some major issues and the Committee's recommendations thereon are summarised in the following sections.

2. **MAJOR ISSUES**

2.1 **SAVINGS AND EXCESSES IN THE GRANTS**

All the Grants of the Ministry closed with huge savings; Following table reveals the extent of budgetary lapses.

Grant No.	Subject	Savings Rs(M)	%	Surrenders Rs(M)	Net Saving(-) Excess(+) Rs(m)
1.	Cabinet Div.	31.949	73	30.721	-1.228
2.	-do-	270.208	27	266.579	-3.629
3.	Inter Provincial Coordination	0.485	18	0.499	+0.014
4.	ERC	31.193	24	4.549	-26.644
5.	Land Reforms	0.474	04	0.490	+0.016
6.	Other Exp.	322.667	68	16.334	-306.333
12.	BOI	163.445	74	163.237	-0.208
16.	Stationary & Printing	29.072	31	22.180	-6.892
142.	Capital Outlay Land Reforms	1.180	100	1.180	Nil
145.	Dev. Exp.	132.037	89	Nil	-132.037
180.	Capital Outlay on works	12.410	02	12.410	Nil
181.	Capital Outlay on New Fed. Cap.	893.647	41	Nil	-893.647

The PAC observed that such huge savings in different grants indicated absence of proper system, at the Ministry level, to monitor the flow of expenditure vis-a-vis the allocations in the grants. Therefore, the Committee directed the Ministry to improve the monitoring and reconciliation system to avoid budgetary indiscipline, in future. The laid-down budgetary procedures should be followed strictly and supervisory level should be raised from Section Officer to a senior responsible officer.

## 2.2 CONSTRUCTION OF POLO GROUND AND STABLE SHEDS IN PRIME MINISTER'S HOUSE

The Capital Development Authority (CDA) constructed Polo Ground and Stable Sheds in the precincts of Prime Minister's House by converting a piece of land measuring about 20 acres. The Project was completed at a cost of Rs.52.297 million in November 1996. The Project was started on the verbal orders of the VVIP (PM House) without any feasibility study, justification or approval of the PC-I. Furthermore, the work was commenced without administrative approval, drawing/design, estimate, invitation of open tender through advertisement in the Press.

## 2.3 OVER PAYMENT OF RS.27.14 Million

The CDA paid Rs 27.814 million to a Contractor on account of escalation of labour charges in the construction work of Prime Minister's Secretariat, Islamabad. The Audit contended that the payment was neither covered under the provisions of the agreement nor in line with the Pakistan Minimum Wages Act, xx of 1969 (amended from time to time) resulting over-payment of Rs.27,814,051 at the first instance which had been subsequently increased to Rs 59.852 million.

The Committee constituted an Inter-Departmental Committee (IDC) comprising representatives of M/O Finance, Cabinet Division/CDA and Audit Department to examine the issue. The IDC has submitted its report which is yet to be considered by the PAC.

## 2.4 INFRACTUOUS EXPENDITURES

The Special Project Cell under Cabinet Division was established during 1992-94 for promotion and development of recreation and tourist facilities in the Country. An amount of Rs.13.302 million was allocated for the said project. The Project authority spent Rs.7.343 million till the project was abolished in September, 1993. There was no achievement of the Special

Project Cell and as such it was of no utility. The PAC observed that establishment of this Project under the Cabinet Division was a bad decision as it was the subject of the Ministry of Tourism. The Committee directed the Ministry not to venture such projects which are not within its domain of activities, in future.

## 2.5 UNAUTHORIZED ALLOTMENT OF ABANDONED PROPERTIES.

During 1987-96, the Abandoned Properties Organization (APO) under Cabinet Division, disposed of, by way of sale, allotment or release, 48 housing units, 6 shops and 295 plots to various influential individuals or organizations like CDA and PWD despite the restriction under Section 3 of the APO Act 1975. The prices charged for the said properties were much below the market prices.

The Ministry apprised the Committee that the said properties were released under respective judicial orders by the competent authority after adopting due course of law. However, 6 plots were re-allotted by the CDA (1981-82) to influential individuals under the orders of the then President (Gen.Ziaul Haq) on the reserve price which was much less than market price. The Committee conveyed its displeasure over the allotment of 6 plots to influential people on the orders of the then President against the provisions of the APO Act 1975, incurring huge loss to the APO. It termed it a case of favouritism.

## 2.6 MIS-MANAGEMENT IN THE PCP

The PAC, while examining the accounts of the Printing Corporation of Pakistan, noticed three major problems inflicted on the Corporation i.e

over-staffing, under-utilization of its capacity and financial mis-management. These factors have caused the Corporation to bear accumulated losses of Rs.328.850 million till June 30, 1996. Financial mis-management of the Corporation is reflected by the huge balances of Rs.195.790 million and Rs. 229.309 million outstanding on account of Trade Debtors and Receivables (including loans, advances, deposits and prepayments) respectively, as on June 30, 1997. Most of these amounts are recoverable from the Government Departments. The PAC held Management of the Corporation responsible for this mismanagement which may lead the Corporation to financial collapse. With this perspective the Committee directed the Principal Accounting Officer to review the affairs of the PCP to reduce its expenditure, check over-staffing, and to increase its capacity utilization and take measures to effect recovery of its Receivables to make it a profit centre.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should improve monitoring and reconciliation of expenditures against allocations in various grants to avoid budgetary indiscipline. Besides ensuring better accounting through computerization, the laid down budgetary procedures and financial rules/guidelines should strictly be followed and supervisory level should be raised from Section Officer to a senior officer.
- 3.2 With reference to the Construction of Polo Ground and stable sheds in the Prime Minister House, the PAC observed that CDA, under the Cabinet Division (then), spent a huge amount money on the unproductive project which was against the public interest. The Committee directed that the officers should take stand against the unlawful orders of the Ministers/competent authority. On the directive of the PAC, the Cabinet Division has

already issued instructions, in this respect, to all the Secretaries and Heads of Departments (copy annexed).

- 3.3 The Ministry should review the affairs of the PCP to reduce its expenditure, check overstaffing, increase its capacity utilization and should take measures to expedite recovery of its Receivables so as to make it a profit centre.
- 3.4 Development of recreation and tourist facility should be the function of the Ministry of Tourism and not of the Cabinet Division. It should not adventure on such projects which are not within its domain, in future.
- 3.5 In the context of un-authorized allotment of abandoned Properties, the Committee observed that the allotment of such six plots by the former President to influential persons at below-the-market price was a case of favouritism at the cost of public interest and advised the Cabinet Division to check such practice in future.

4. SOME ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON FEBRUARY 18, SEPTEMBER 7, 1999 AND JUNE 12, 2001

ACTIONABLE POINTS: MEETING ON 18-02-1999

CABINET DIVISION

4.1 SPECIAL AUDIT REPORT ON CONSTRUCTION OF POLO GROUNDS AND STABLE SHEDS IN PRIME MINISTER'S HOUSE, ISLAMABAD

Audit pointed out that Capital Development Authority(CDA) constructed Polo Ground/Stable Sheds and other allied structure in premises of P.M. House by converting a vast green area, about 20 acres. The project started in November, 1993. The work was completed at a cost of Rs 52.297 million upto November, 1996. The Audit further stated that the project was started on the verbal orders of the VVIP (PM House) without any feasibility study, assessment/justification of need fulfillment of procedural and financial rules. The following irregularities were committed:

- i) The work was not provided in the original plan of the P.M. House in 1980. In 1993, this work was arbitrarily included and the work was started without codal formalities.
- ii) Islamabad Capital Territory Municipal bye-Laws 1968 were violated.
- iii) Neither PC-1 was got approved by the CDWP before commencement of work nor anticipatory approval of the project was obtained.
- iv) The work was commenced without administrative approval, drawings & design, estimate, approval of NIT, invitation of open tender through advertisement in the Press, execution of proper contract agreement and provision of requisite funds.
- v) Repeated revisions in the estimates were made on verbal instructions causing several times rise in the cost of construction.
- vi) The CDWP accorded ex-post facto approval as a fait accompli.

The Principal Accounting Officer informed the Committee that Capital Development Authority (CDA) was just an executing agency and the work was done on the orders of the then competent authority.

The Committee directed the Department that in future such violation of rules should not be repeated. The Officers should take stand against the unlawful orders of the competent authority. The Committee also observed that the Department spent the money on the un-productive project which was against the interest of public ex-chequer.

The Public Accounts Committee constituted a Sub-Committee under the Chairmanship of Syed Zafar Ali Shah, MNA, Nawab Salahuddin Abbasi, MNA and Mr. Shabbir Ahmed Khan Chandio, MNA and the representatives of Cabinet Division, Ministry of Finance and Audit Department (Syed Nasrul Karim A. Ghazanavi: DG/GA) to investigate the whole affairs of the Polo Ground and Stable Sheds in the Prime Minister's House and report to the Committee within two months.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1996-97)CAPITAL DEVELOPMENT AUTHORITY4.2 OVERPAYMENT OF RS 27,814,051. (PARA A-1.1. PAGE 25-ARCW)

Audit pointed out that the authority failed to justify the payment made on account of escalation on labour in the construction work of Prime Minister's Secretariat Islamabad with reference to provision in the agreement as well as Pakistan Minimum Wages Act, XX of 1969 amended from time to time resulting in overpayment of Rs 27,814,051 initially and which subsequently increased to Rs 59.852 million upto 43rd running bill paid vide voucher No.10, dated 21-8-1997.

The Public Accounts Committee felt that the Audit could not link the decision of the wage committee which was also represented by FA/DFA and Director Audit/Accounts CDA and also the decision taken by Mr. Muhammad Usman, Deputy Auditor General(GA) in the similar case of the Supreme Court Building. In view of above, an Inter Departmental Committee was constituted comprising Mr. Muhammad Iqbal Hussain, FA (Ministry of Finance) and representatives of Cabinet Division/CDA and Audit Department (Convener) to examine the issue accordingly and report to the Committee within one month.

4.3 i) OVERPAYMENT OF RS 52,104. (PARA A-III.2. PAGE 27-ARCW)

Audit pointed out that payment for an extra item providing and fixing starter AST-30 for 30 H.P-Motor etc. was paid in June, 1995. No payment was due because 30 H.P-Motor was installed by an other contractor.

ii) LOSS OF RS 234.821 MILLION. (PARA C-III.1. PAGE 32-ARCW)

Audit pointed out that lowest tendered offer dated 1.2.1996 for Rs 411.503 million was not accepted and tender for Rs 646.25 million was accepted in second call on turn key basis on 7.2.1996. This resulted in loss of Rs 234.821 million (Convention Centre).

iii) LOSS/NON-RECOVERY OF RS 19,389,750. (PARA C-IV.1. PAGE 34-ARCW)

Audit pointed out that interest free mobilization advance was given to a contractor against the canons of financial propriety resulting in loss of Rs 19.389 million. (Convention Centre).

iv) LOSS OF RS 287,114. (PARA C-VI.2. PAGE 35-ARCW)

Audit pointed out that a commercial plot was allotted through auction in April. In November, 1992, the size and premium was enhanced without any reasons. The allottee failed to deposit the dues upto January, 1993. No action under clause 9.14 and 33 of allotment terms and conditions of auction was initiated regarding cancellation of allotment, resumption of possession and forfeiture of 10 % of deposited amount instead the delayed payment charges and other dues amounting to Rs 287,114 were waived off by the Chairman without any competency.

The PAC desired that Hon. Member, Syed Zafar Ali Shah may examine whether estate matters should be routed through Member Finance or not.

v) FICTITIOUS PAYMENT OF RS 700,000. (PARA D-IV.2. PAGE 43-ARCW)

Audit pointed out that advance payment of Rs 700,000 was made to consultant without detailed measurement in MB regarding work done. No adjustment thereof was made.

After hearing the Ministry's reply on the above five mentioned paras, the Public Accounts Committee referred the matters for further examination to the Sub-Committee which was already constituted to examine the Special Audit Report on construction of Polo Ground and Stable Sheds at Prime Minister's House, Islamabad and report to the Committee within two months.

4.4 OVERPAYMENT OF RS 146,545. (PARA A-II.1. PAGE 26-ARCW)

Audit pointed out that Electric M.V. Lamps were purchased through contractors at higher rates @ Rs 864.50 and Rs 229.50 P. No. whereas purchase committee of the authority purchased these items at lower rates of Rs 530 and Rs 189.50 P.No. in same period. This resulted in over payment of Rs 146,545.

The Public Accounts Committee directed the Principal Accounting Officer to take all steps to recover the overpayment of Rs 146,545 and take action against the concerned officer(s) who did not recover the said amount in time and report to the Committee within two months.

4.5 OVERPAYMENT OF RS 236,162. (PARA A-III.1. PAGE 27-ARCW)

Audit pointed out that separate payment for an item wise compaction, leveling, watering mixing by mechanical means was made although compaction of earth required for the work was included in another BOQ item No.1. This resulted in overpayment of Rs 236,162.

The Public Accounts Committee after hearing the Ministry's reply directed the Principal Accounting Officer to examine the facts and report to the PAC within one month, the PAC will examine the Para, in the light of PAO's report in the next meeting.

4.6 i) NON-RECOVERY OF RS 407,970. (PARA B-I.I. PAGE 29-ARCW)

ii) NON-RECOVERY OF RS 95,645. (PARA B-II.1. PAGE 30-ARCW)

The Public Accounts Committee settled the above two paras subject to verification by the Audit Department.

4.7 UNDUE BENEFIT WORTH RS 9,694,895. (PARA C-V.1. PAGE 34-ARCW)

The Chairman CDA reported on the issue that Rs 5 million have been recovered and no payment will be made to the contractor till the full recovery of the outstanding amount and position will be reported to PAC in next meeting.

4.8 NON-RECOVERY OF RS 8,242,234. (PARA C-VI.1, PAGE 35-ARCW)

The Chairman CDA reported on the issue that only Rs 8 lac remained to be recovered which would be recovered within one month.

✓ 4.9 LOSS OF RS 44,211,357. (PARA C-II.1, PAGE 31-ARCW)

Audit pointed out that substandard M.S. pipe was procured by the authority which resulted in loss of Rs 44,211,357. The Department did not provide the relevant record for examination.

The Public Accounts Committee directed the Principal Accounting Officer to provide all the required information/documents to the Audit Department for re-examination of the issue.

4.10 LOSS OF RS 651,937. (PARA C-III.2, PAGE 33-ARCW)

Audit pointed out that the Authority failed to accept lowest offers of Rs 1,302,00 within the validity period for purchase of two Hino Buses, high offers were subsequently accepted for Rs 1,515,00 and Rs 1,491,140 causing loss of Rs 651,937.

The Public Accounts Committee directed the Principal Accounting Officer to examine the matter and take necessary action against the officer(s) concerned who were responsible for the loss, recover the said amount and report to the Committee within two months.

4.11 LOSS OF RS 326,080. (PARA C-III.3, PAGE 32-ARCW)

Audit pointed out that the authority rejected two times lowest tender rates which were 5% below and 9% above the estimated cost and awarded work @ 99.63% above the estimated cost on the basis of tenders rates for third time resulting in loss of Rs 326,080.

The Public Accounts Committee directed the Principal Accounting Officer to examine the matter and take necessary action against the officer(s) concerned who were responsible for the loss, recover the said amount and report to the Committee within two months.

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**ACTIONABLE POINTS: MEETING ON 07-09-1999**  
**(CAPITAL ADMINISTRATION & DEVELOPMENT DIVISION)**

**AUDIT REPORT (CIVIL) (VOL-I-1996-97)**

4.12 IRREGULAR LOCAL PURCHASE OF MEDICINES WORTH RS 1,801,764 FOR OFFICIALS OF I.C.T. AND M/O INTERIOR (PARA 1, PAGE-102-AR)

Audit pointed out that in District Health Office Islamabad a sum of Rs 6,419,515 was provided during the years 1994-95, 1995-96 and 1996-97 for purchase of medicines for 03 Rural Health Centers (RHU's), 13 Basic health Units (BHU's) and 01 Rural dispensary. A comparative study of year wise expenditure showed that an amount of Rs 1,801,764 was spent on local purchase of medicines in these three years for the officials of ICT and non-entitled persons whereas as per NIS, the money was demanded exclusively for the population of rural areas. It was further observed that administration of I.C.T. had issued instructions to the DHO vide letter No.9(40)-DW/88, dated 20th April, 1995 to issue emergency medicines to the officials of ICT administration which were considered irregular.

The PAC conveyed its displeasure on the issue. The Committee raised different questions such as why the huge amount was spent on local purchase of medicines for non-entitled persons and what action had been taken against the responsible persons etc. The Committee directed the PAO to examine the issue fix responsibility and take action against the concerned person(s) and report to the Committee within 02 months.

AUDIT REPORT (CIVIL WORKS)(VOL-II-1996-97)4.13 LOSS OF RS 139,000 (PARA C-VIII.1, PAGE 37-ARCW)

Audit pointed out that rent of khokhas/kiosks were not recovered from the allottees. Allottees of Khokhas/Kiosks were made without open bidding and cancelled frequently without any adequate grounds. This resulted in loss of Rs 139,000 from May to December, 1995.

After hearing the Department's reply, the Committee settled the para. However, the Committee directed the PAO to frame the rules and regulations for the allotment of khokhas/kiosks on merit and check the misuse of discretion and report to the Committee within 02 months.

4.14 LOSS OF RS 454,215 (PARA C-IX.1, PAGE-37-ARCW)

Audit pointed out that 20.620 M/T steel and 20 M/T Cement was issued to contractor sharply after award of work in May, 1995 without actual requirement of site. The material remained unconsumed even after the stipulated date of completion of work i.e. 22-8-1995. No recovery was made.

The Department informed the Committee that full recovery has been made. The PAC directed the PAO to get the recovery verified by the Audit (stated to be verified by local Audit office), fix responsibility and take action against those who issued the excess material and report to the Committee within 01 month.

4.15 LOSS OF RS 402,165 (PARA C-X.1, PAGE 38-ARCW)

Audit pointed out that Contract for sale of 7000 Nos Empty Tar Drums (ETD) was awarded to a contractor in June, 1994. 2682 Nos ETD were lifted from store by the contractor un-authorizedly during September, 1994 to January, 1995 with the connivance of the store keeper/ without deposit of cost of ETD. This resulted in loss of Rs 402,165.

The CDA informed the Committee that the contractor has been blacklisted and security deposit forfeited and storekeeper has been dismissed from service. So far as the recovery of the amount is concerned, efforts are being made to recover the same from the contractor. After hearing the department's point of view on the issue, the Committee directed the PAO to take action against the other officer(s) besides the Sub-Engineer concerned who were responsible for the said loss and take effective measure to recover the public money under report to PAC within 02 months.

4.16 BLOCKADE OF GOVERNMENT MONEY RS 22,592,917 (PARA D-I.1, PAGE 39-ARCW)

Audit pointed out that stores/material worth Rs 22.59(M) was purchased during 1970-71, 1976, 1979, 1981, 1982, 1983, 1985, 1986, 1987, 1988, 1989, 1991 without actual requirement lying unconsumed, since long and resulted in blockade of Government resources.

The PAC directed the department to reconcile the material quantities with the Audit record and sell the material in the open auction (as stated by the Chairman CDA) which is not required by the department and report to the Committee within 03 months.

4.17 BLOCKADE OF GOVERNMENT MONEY WORTH RS 15,300,325 DUE TO UN-NECESSARY PURCHASE OF SPARE PARTS (PARA D-I.2, PAGE 40-ARCW)

Audit pointed out that spare parts of machinery and other stores worth Rs 15,300,325 were purchased from 1971 to 1990 without assessing actual requirements. In this way, the department blocked the government money.

The PAC directed the department to reconcile the quantities of material with the Audit record and dispose off the material in the open auction (as stated by the Chairman CDA) which is not required by the department and report to the Committee within 03 months.

4.18 (i) UNDUE BENEFIT OF RS 28,801,641 TO THE OFFICERS THROUGH IRREGULAR ALLOTMENT OF RESIDENTIAL PLOTS (PARA D-II.1, PAGE 40-ARCW)

(ii) IRREGULAR PURCHASE OF RS 1,200,000 (PARA D-III.1, PAGE 41-ARCW)

On the presentation of above 02 paras, the PAC constituted an Inter-Departmental Committee(IDC) comprising representatives each from Law Division, M/o Finance, CDA and Audit Department to investigate the issues and report to the Committee within 02 months.

4.19 IRREGULAR PURCHASE WORTH RS 709,860 (PARA D-III.2, PAGE 41-ARCW)

Audit pointed out that Chemical Compound in driblets for internal boiler water treatment was purchased by splitting supply/work orders (70 Nos) through a contractor during January to July, 1995. No estimate was technically sanctioned. Competitive tenders were not invited to achieve economical rate or enter into rate running contract. Accountal/consumption of purchased material was also not on record.

After hearing the Ministry's reply, the PAC directed the Audit department to verify the facts of the issue and report to the Committee within 01 month.

4.20 INFRACTUOUS EXPENDITURE OF RS 2,323,300 (PARA D-V-1, PAGE 43-ARCW)

Audit pointed out that annual repair/maintenance and painting of entire building was got carried out twice. First time through contractor and second time through departmental labour. This resulted in infructuous expenditure of Rs 2,323,300.

The PAC directed the PAO to examine the issue, recover the infructuous expenditure and take action against the defaulters and report to the Committee within 02 months.

4.21 PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF NEW SUPREME COURT BUILDING AT ISLAMABAD (CHAPTER-I, PAGE 3 TO 17-ARCW)

On the presentation of the performance Audit Report on construction of New Supreme Court Building, the PAC constituted an Inter-Departmental Committee(IDC) comprising Mr. Abdul Waheed Khan, DG Audit, Mr. Abdul Ghani Sami, FA(M/O Finance) and Mr. Islam Wazir, Member Engineering(CDA) to examine the Performance Audit Report and report to the Committee within 03 months.

ACTIONABLE POINTS FOR 1993-94

4.22 REPORT OF THE INTER-DEPARTMENTAL COMMITTEE(IDC) REGARDING (PARAS A-I.2 TO A-I.3 AND A-II.1 TO A-II.9, PAGES 50-54-ARCW) (ITEM 6-AP-993-94)

The PAC on the presentation of the IDC Report directed the PAO to take action in the light of IDC Report and report to the Committee within 03 months (copy of the IDC Report for perusal of CDA enclosed).

- 4.23 (i) NON-RECOVERY OF RENT RS 1,150,786 (PARA B-II.1, PAGE 59-ARCW)(ITEM 8-AP-92-93)
- (ii) NON-RECOVERY OF RENT RS I, 196,078 (PARA B-II.2, PAGE 59-ARCW)(ITEM 9-AP-93-94)
- (iii) NON-RECOVERY OF RENT RS. 187,520 (PARA B-II.3, PAGE 59-ARCW)(ITEM 10-AP-93-94)

On presentation of above 03 paras, the departmental representative informed the Committee that the recovery regarding B-II.3 has completed and the recovery regarding B-II.1 and B-II.2 is under process. The Committee directed the department to get the recovery verified (Rs 1,826,923) and recover the balance amount (Rs 707,361) and report to the Committee within 02 months.

- 4.24 i) NON-RECOVERY OF RS 16,723,288 (PARA B-III.1, PAGE 61-ARCW) (ITEM 12-AP-93-94)
- (ii) NON-RECOVERY OF RS 921,955 (PARA B-III.2, PAGE 61-ARCW)(ITEM 12-AP-93-94)

(iii) NON-RECOVERY OF RS 8,994,862 (PARA B-III.3, PAGE 61-ARCW)(ITEM 13-AP-93-94)

(iv) NON-RECOVERY OF RS 2,778,940 (PARA B-III.4, PAGE 61-ARCW)(ITEM 13-AP-93-94)

The Authority reported that Rs 6.30 (M) has been recovered/verified out of Rs 29.419 (M) reported in the above 04 paras.

The PAC after hearing the departmental reply directed the PAO to recover the balance amount (Rs 23.12 (M) and report to the Committee within 02 months.

4.25 i) NON-RECOVERY OF RS 3,239,420 (PARA B-IV.1, PAGE 61-ARCW) (ITEM 13-AP-93-94)

(ii) NON-RECOVERY OF RS 1,004,442 (PARA B-IV.2, PAGE 63-ARCW)(ITEM 13-AP-93-94)

(iii) NON-RECOVERY OF RS 1,933,840 (PARA B-IV.3, PAGE 63-ARCW)(ITEM 13-AP-93-94)

The PAC directed the department to reconcile the figures with the Audit, with respect to the above 03 paras, expedite recovery and report to the Committee within 02 months.

4.26 NON-RECOVERY OF RS 206,840 (PARA B-V.3, PAGE 64-ARCW)(ITEM 15-AP-93-94)

Audit pointed out that the Cement valuing Rs 206,840 was issued to the contractor in April, 1993. The work was abandoned but the cost of cement was not recovered.

The Department informed the Committee that an amount of Rs 174,591 has been adjusted. Balance recovery is under process.

The PAC directed the PAO to get the recovery verified by Audit and recover the balance amount and report to the Committee within 02 months.

4.27 REPORT OF AN INTER-DEPARTMENT COMMITTEE(IDC) REGARDING PARAS C-I.1, C-II.1 AND C-III.1, D.I.1 & D.1.2, PAGE 65-ARCW) (ITEM 16-AP-93-94)

On the paras C-I.1, C-II.1 & D.I.1, the IDC has held CDA responsible, whereas in case of C-III.1, the IDC held no one responsible. On the presentation of above IDC-Report, the PAC directed the PAO to take action in the light of IDC-Report and report to the Committee within 02 months. (Copy of the IDC Report enclosed for CDA perusal).

4.28 REPORT OF AN INTER-DEPARTMENTAL COMMITTEE(IDC) REGARDING PARAS C-IV.1, C-V.1 & C-VI.1, PAGE 66-67 ARCW)(ITEM 17-AP-93-94)

On paras C-V.1 & C-VI.1, the IDC upheld the viewpoint of Audit and accepted view point of CDA whereas in case of Para C-IV.1, the IDC accepted the Audit point of view.

On the presentation of above IDC-Report, the PAC directed the PAO to take action in the light of IDC-Report under intimation to PAC within 02 months (Copy of the IDC Report enclosed for CDA perusal).

4.29 LOSS DUE TO EXCESSIVE MEASUREMENT RS 123,150 (PARA C-IX.1, PAGE 68-ARCW)

Audit pointed out that M.S pipe of various sizes was issued/replaced in excess of that actually dismantled at site. The PAC directed for verification and recovery.

The PAC directed the department to reconcile the issue with Audit and report to the Committee within 02 months.

4.30 REPORT OF AN INTER-DEPARTMENTAL COMMITTEE(IDC) REGARDING PARAS D-I.1 & D-I.2, PAGE 69-ARCW) (ITEM 19-AP-93-94)

The PAC on presentation of the IDC Report, directed the PAO to take action in the light of IDC Report and report to the Committee within 03 months.

4.31 BLOCKADE OF GOVERNMENT MONEY OF RS 1,767,143 (PARA D-II.1, PAGE 70-ARCW)(ITEM 20-AP-93-94)

Audit pointed out that the authority procured material during 1990 which was not consumed. The PAC directed on 16-9-1999 to conduct physical verification of items of stores.

The PAC directed the department to reconcile the figures with Audit and sell the material (in excess of need) in open auction and report to the Committee within 03 months.

4.32 EXPENDITURE INCURRED ON DEPOSIT WORKS IN EXCESS OF DEPOSIT RS 29,501 (PARA D-IV.1-PAGE 70-ARCW) - 1993-94

Audit pointed out that the authority under took before PAC that in future bridge financing shall not be carried out and accelerated efforts shall be made for recovery on account of excess over deposit from client department. Progress of recovery made by department is still awaited.

The PAC directed the department to reconcile the figures with Audit Department, examine the issue, take appropriate action and report to the Committee within 02 months.

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ACTIONABLE POINTS: MEETING ON 12-06-2001

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

On presentation of Appropriation Accounts of the Cabinet Division, the PAC observed that huge savings in different grants indicate absence of proper monitoring system. The Committee directed the PAO to improve the monitoring and reconciliation system to avoid huge savings/excesses in the grants of the Division in future. The laid down budgetary procedures should be followed strictly by adopting computer aided system and the supervisory level should be raised from a section officer to a senior responsible officer. However, the PAC regularized the savings in various grants under the Cabinet Division.

ACTIONABLE POINTS FOR 1993-944.2 GRANT NO.4-EMERGENCY RELIEF AND REPATRIATION CELL,  
(PAGE 44-AA)(ITEM 2-AP-93-94).

The matter had already been investigated by the previous PAC. The Report of the Committee, duly approved by the competent authority, was sent to the Cabinet Division for implementation on 15.12.2000.

The PAO informed the Committee that the Report has been referred to National Accountability Bureau (NAB) for further investigation and necessary action.

PAC DIRECTIVE

The PAC directed the PAO to watch the progress of the case and inform the Committee accordingly.

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)4.3 SUSPECTED MISAPPROPRIATION OF Rs. 3.009 MILLION ON ACCOUNT OF PRINTING  
MATERIAL.  
(PARA 1, PAGE-13-AR-96-97)

Audit pointed out that Cabinet Division incurred an expenditure of Rs. 3.009 million on printing of invitation cards, telephone directories, Eid Cards, visiting cards etc. from time to time. Such expenditure was banned during the period 1993-95.

The Ministry apprised the Committee that the printing work was carried out according to the specific demands of various offices. Supply of official telephone directories to various Ministries/Divisions is mandatory. Eid Cards were not printed during 1992-95. All these works were got done from the Printing Corporation with the approval of the competent authority.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.4 INFRACTUOUS EXPENDITURE OF Rs. 7.343 MILLION INCURRED ON SPECIAL PROJECT CELL.  
(PARA 2, PAGE-13-AR-96-97).

Audit pointed out that Special Project Cell under Cabinet Division was established during 1992-94 for promotion and development of recreation and tourist facilities in the country. An amount of Rs 13.302 million was allocated for the project. The project authorities spent Rs 7.343 million till the project was abolished in September, 1993. There was no achievement of the Special Project Cell.

The Ministry informed the Committee that Special Cell was established under the instructions of the then Prime Minister. Later on, the Cell was transferred to the Tourism Division.

PAC DIRECTIVE

The PAC conveyed its displeasure observing it was a bad decision; development of recreation and tourist facilities should be the function of the Tourism Division and not of the Cabinet Division. However, the Committee settled the para.

4.5 SAVINGS IN EXPENDITURE WORTH Rs. 334,653 NOT SURRENDERED TO GOVERNMENT.  
(PARA 3, PAGE-14-AR-96-97).

Audit pointed out that during 1992-93 the Federal Land Commission under Cabinet Division failed to surrender the savings of Rs 334,653.

The Ministry informed the Committee that the said amount was not surrendered in time because the Provincial Chief Land Commissioners did not surrender their savings in time.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

- 4.6 A) UNAUTHORIZED ALLOTMENT OF ABANDONED PROPERTIES.  
 B) UNDUE FAVOUR TO THE BUYERS OF ABANDONED PROPERTIES.  
(PARA 4, PAGE-14-AR-96-97).

Audit pointed out that during 1987-96, the Abandoned Properties Organization under Cabinet Division despite the restriction under Section 3 of the APO Act 1975, disposed of by way of sale, allotment or release, 48 housing units, 6 shops and 295 plots to various influential individuals, or organizations like CDA and PWD. The prices charged for the disposed off properties were much below the market price.

The Ministry apprised the Committee that 48 Housing Units, 4 shops and 289 plots were released under respective judicial orders by the competent authority after due course of law; however, six plots were re-allotted by the CDA (1981-82) to influential individuals under the orders of the then President (Gen. Ziaul-Haq) on the reserve price which was much less than market price.

PAC DIRECTIVE

The PAC conveyed its displeasure on the allotment of six plots to influential persons on the orders of the then President against the provisions of the APO Act 1975 incurring huge loss to the Abandoned Property Organization.

- 4.7 IRREGULAR PAYMENT OF Rs. 10 MILLION AS CONTRIBUTION FROM APO TOWARDS PRIME MINISTER FLOOD RELIEF FUND.  
(PARA 5, PAGE-15-AR-96-97).

The Abandoned Property Organization under the Cabinet Division, in August 1995, made a contribution of Rs. 10 million towards Prime Minister's Flood

Relief Fund without approval of the Board of Trustees as required under its Act. Since the payment was for purposes other than those specified in the APO's Act, it was held irregular and unauthorized.

The Ministry informed the Committee that under the instructions of Mr. Saleem Siddiqui, Addl. Secretary/Chairman Abandoned Property Organization, Cabinet Division, the said amount has been refunded to APO's Account.

PAC DIRECTIVE

The PAC appreciated the efforts made by Mr. Saleem Siddiqui Addl. Secretary/Chairman APO, to effect the refund of irregular payment of Rs. 10 million to the credit of APO's Account and settled the para.

4.8 UNSUPPORTED AND UNJUSTIFIED PAYMENT OF Rs 1,781,354/- FOR REPAIRS ETC OF APO HOUSES.  
(PARA 6, PAGE-15-AR-96-97).

Audit pointed out that during 1989-94, the abandoned Property Organization (APO), paid Rs 1,781,354/- to CDA and PWD as advance for repair etc. of its houses. Neither completion reports nor adjustment accounts were available in the record.

The Ministry informed the Committee that the said accounts are available now and have been submitted to the Audit.

PAC DIRECTIVE

The PAC directed the Audit to verify the accounts submitted by the Ministry and report to the Committee.

4.9 UNNECESSARY RETENTION OF GOVERNMENT MONEY AMOUNTING TO Rs. 12,307 MILLION.  
(PARA 7, PAGE-16-AR-96-97).

Audit pointed out that the SUPARCO, under the administrative control of Cabinet Division, has charged a sum of Rs. 12,307,401/- on account of sale

proceeds of satellite pictures of weather during the years 1988-93 but the receipts, in this respect, were not deposited/credited to the Government Account as the said amount was kept in a branch of National Bank of Pakistan in violation of para-7(1) of FTR Vol-1.

The Ministry apprised the Committee that the SUPARCO, under para 12(2) of its Ordinance-1981, may open its account with a scheduled bank and keep the said receipts in it.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

ACTIONABLE POINTS FOR 1993-94

4.10 UTILIZATION AND RESULTS OF HUGE RELEASES OF Rs. 245.469 MILLION NOT KNOWN. (PARA 1, PAGE-13-AR-93-94)(ITEM 3-AP-93-94).

The para was discussed in the previous PAC's meeting (16.9.1997). The Committee directed the Cabinet Division to write to the Provinces to send expenditure statements to the Audit for verification.

The Ministry informed the Committee that IPCC has directed the Provinces to submit expenditure statements.

PAC DIRECTIVE

The PAC directed the PAO to take up the matter with respective Chief Secretaries to get the expenditure statements from the Provincial, AJK, N.A. and FATA Governments at the earliest. The Committee also directed the Ministry to streamline the distribution system of various relief funds among the Provinces, AJK, N.A. and FATA; improve monitoring of their utilization; devise transparent accounting procedure thereof and report to the Committee within one month.

4.11 LOSS OF Rs. 200,000 ON ACCOUNT OF THEFT OF STAFF CAR,  
(PARA 6, PAGE-15-AR-93-94)(ITEM 5-AP-93-94).

The para was discussed in the previous PAC's meeting held on 16.9.97. The Committee directed the Department to pursue the case.

The Ministry informed the Committee that the matter was pursued with the Police but after reporting by the Police that the said cars are untraceable, the loss of Rs. 200,000 was written off by the competent authority.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X)-1996-97

PRINTING CORPORATION OF PAKISTAN (PVT) LIMITED

4.12 (PARA 5 & 11, PAGE-208-2-ARPSE).

Audit presented the working results for the years 1995-96 to 1998-99 that showed the accumulated losses of Rs. 328.850 million as on June 30 1996. PCP earned a profit of Rs. 35.078 million during the year 1996-97 due to extraordinary work completed for Election Commission; however, the financial position in the subsequent years further deteriorated.

The Ministry apprised the Committee that the losses occurred in the Corporation due to over-staffing and under utilization of the services.

PAC DIRECTIVE

The PAC directed the PAO to review the affairs of the PCP to reduce its expenditure; check overstaffing and increase its capacity utilization so as to make it a profit centre and report to the Committee within one month.

4.13 (PARA 6 & 7, PAGE-21-ARPSE).

Audit pointed out that General Provident Fund amounting to Rs 6.00 million, outstanding on June 30, 1997, was not invested by the management as required under section 227 of the Companies Ordinance, 1984.

The Ministry informed the Committee that due to shortage of funds it was not possible for the Corporation to invest the said amount.

PAC DIRECTIVE

The PAC did not accept the explanation given by the Department and directed the PAO to examine the issue, fix responsibility and take action if someone is found guilty. A report should be submitted to the Committee within one month.

4.14 i) (PARA 9, PAGE-21-ARPSE).

Audit pointed out that Trade Debtors, at the close of year 1996-97, stood at Rs. 195.790 million.

The Ministry informed the Committee that out of Rs. 195.790 million an amount of 26.041 million was written off by the competent authority. Rs 113.963 million have so far been recovered; however, the remaining balance consists of either very old or disputed cases.

ii) (PARA 10, PAGE-21-ARPSE).

Audit pointed out that loans, advances, deposits, prepayment and other receivables at the close of year 1996-97 increased to Rs. 229.309 million from Rs. 168.691 million in 1995-96. Included therein are amounts of Rs. 418,959 and Rs. 256,458 lying unrecovered/unadjusted against the National Book Foundation and Pak. PWD.

The Ministry informed the Committee that the recovery of amount outstanding against PWD is under process. However, the PCP Board has written-off the outstanding amount against National Book Foundation.

PAC DIRECTIVE

On presentation of above two paras the Committee directed the PAO to get the recovered amounts verified from the Audit, take measures to recover the recoverable amounts from concerned organizations/departments and write off the balances whose recovery is not possible and report to the PAC within one month.

DEPUTY CONTROLLER STATIONERY AND FORMS

4.15 (PARA 12, PAGE-22-ARPSE).

Audit pointed out that the proforma accounts prepared by Deputy Controller Stationery and Forms have been examined. The figures under heads of accounts like Government Capital, Adjustment, Withdrawal from and Remittance into Treasury and Depreciation are wrongly recorded in the financial statements. Thus the financial accounts prepared by the Institution do not reflect the true and fair picture of the financial position of the entity.

PAC DIRECTIVE

The Committee directed the PAO to improve the Management and Accounting System of the Institution by assigning the job to some competent officer and report to the PAC within one month.

4.16 (PARA 14, PAGE-22-ARPSE).

Audit pointed out that Sundry debtors remained at Rs 4.480 million on June 30, 1996 as well as on June 30, 1995 showing no positive change in the accounts. Major amounts pertained to the years 1976-77 to 1991-92.

The Ministry apprised the Committee that total amount of Rs 100.835 million was outstanding against the PPO and PTCL; Rs 49.145 million have so far been recovered and efforts are being made to recover the balance of Rs 51.690 million.

PAC DIRECTIVE

The PAC directed the PAO to recover the outstanding amount (Rs. 51.6 million) from PPO and PTCL and report to the Committee within one month.

GOVERNMENT STATIONERY FORMS AND PUBLICATION DEPARTMENT, ISLAMABAD

4.17 (PARA 16, PAGE-23-ARPSE).

Audit pointed out that establishment expenditure and other expenses increased from Rs 1.519 million to Rs. 1.800 million within one year (1995-96) registering increase of 18.50%.

The Ministry apprised the Committee that the major reasons for the increase in establishment and other expenses were grant of annual increments, selection grades, move-overs (as per rules) and constant increases in utility bills.

PAC DIRECTIVE

The PAC directed the PAO to reduce the expenditure of the Department. However, the Committee settled the para subject to verification, of the stated facts, by the Audit.

**MINISTRY OF WATER & POWER**

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**1. OVERVIEW**

The Public Accounts Committee (PAC), in its meetings held on 19-20th February, 8-9th April, 26th May and 9th September 1999 took up, for its examination, the Appropriation Accounts and Annual Audit Report, for the year 1996-97 pertaining to Ministry of Water and Power. The Committee noticed a number of irregularities with respect to huge saving in the Development Grant (No. 176), Power Purchase Agreement (PPA) with HUBCO, 300 Mega Watt Combined Cycle Thermal Power Units Guddu, Inventory Management System, undue favour to firms/suppliers, etc. These issues were raised before the Committee by the Auditor General of Pakistan with reference to the Audit Report (1996-97) in the meeting where the Ministry was given opportunity to present its view point on each case. As a result of detailed discussion on the respective issues, the Committee issued a number of directives to improve the overall affairs of the Ministry, these also include directives to the PAO intending accountability actions against persons held responsible for misuse of power, corruption, culpable negligence etc., on the case to case basis.

The Audit Report contained 188 paras, of which 110 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Authority. The Audit pointed out recoveries of Rs 37.235 million, out of which Rs 0.056 million have actually been recovered. The Committee directed the Ministry to recover the remaining amounts. Progress of the recoveries and implementation of its directives will be reviewed by the Committee in its future sessions.

The Audit was also directed to verify the facts stated by the Executive in support of their view points on different cases. Actionable points based on the PAC's directives are given in Section-4. Some important issues and the Committee's recommendations thereon are summarized in the following sections.

## 2. MAJOR ISSUES

### 2.1 SAVING IN GRANT NO. 176/DEVELOPMENT EXPENDITURE

73.39% saving, in Grant No. 176 of the Ministry which was meant for Development Schemes, was critically observed by the PAC. The Committee observed that such huge saving in the Development Grant reflects poor performance of the executing agency responsible for the development schemes; under the Development Grants, expenditure on office logistics, transport, etc. is, usually, incurred in the first instance and the actual development works are neglected for one reason or the other. Therefore, the Committee directed the Authority to improve monitoring system and internal financial control to make the best use of available resources.

### 2.2 SPECIAL AUDIT REPORT ON POWER PURCHASE AGREEMENT WITH HUBCO

In order to overcome the acute problem of power shortage, the Government issued a policy statement in November, 1985, inviting private sector to install thermal/hydel power stations. In such an exercise XENEL of Saudi Arabia and Hawker Siddley Power Engineering Ltd. of U.K. (HSPE) were issued a "Letter of Intent" in April, 1988 to install one 1200 MW power station. As per requirement of the "Letter of Intent", a company named Hub Power Company Ltd. (HUBCO) was incorporated in Pakistan in August, 1991. An agreement for supply and purchase of power (PPA) was executed between HUBCO & WAPDA on August 03, 1992.

To examine the financial and operational impact of the PPA, the Audit Department organized a special audit. Findings of this exercise were compiled in the shape of a Special Audit Report (SAR 7). This Report was presented before the PAC in its meeting held on 19.2.99. The HUBCO Company was also given opportunity to explain its position before the Committee on 8.4.1999.

Summary of the findings on the Power Purchase Agreement (PPA) is given below.

- i. The Company failed in adhering to the timetable and other requirements given in the "Letter of Intent" and the agreement. One major failure of the company lay in non-achievement of financial closing in time, which resulted in delay in finalization of the contract leading to increased costs.
- ii. As per "Letter of Intent", after loan repayment the plant was to be transferred to the Government at a notional cost equal to rupee one. But, the implementation agreement made no mention of the transfer of property rights, meaning thereby that the complex would remain the property of the company.
- iii. The fact that sponsors like British Electric International were also members of the construction consortium, apparently contributed to the abnormal increase in the cost of the project.
- iv. BEI/NP, a sponsor company, was not only appointed as consultant of the project but being a member of the construction consortium supplied equipment costing US \$ 36.108(M) against all norms of fair business practice. They were also appointed as the operation and maintenance contractors and were paid Rs 1093.53 (M) per annum on this account.
- v. In accordance with the "Energy Policy", the project was supposed to be cost-competitive with similar projects undertaken by WAPDA, after allowing for difference in the cost of finance. The PPA was amended to make it open-ended, allowing the Company to make it a cost plus profit agreement. The Company exploited this amendment in such a manner that it transferred all its wastage and inefficiencies to WAPDA through price adjustment policy.
- vi. The Capital cost of the Complex was determined at US \$ 823 (M) as per the "Letter of Intent". A possible increase in cost, not exceeding US \$ 34 (M) was also foreseen. Due to change in the basis of the project cost, it went up to US \$ 1637 (M). The increase

included development cost prior to financial closing, HUBCO's costs prior to financial closing, increase in construction cost, increase in interest during construction and guarantee reserve accounts.

- vii. The Company incurred US \$ 10 (M) on account of penalty to the construction contractors for delayed payment of mobilization advance. A sum of US \$ 13.627 (M) was granted to the Company, by allowing Rs 0.002/Kwh throughout the life of the Complex. Thus WAPDA was penalized for the Company's failure and the Company gained US \$ 3.627 (M) even on its own fault.

### 2.3 SPECIAL AUDIT REPORT ON ADDITIONAL 300 MEGA WATT COMBINED CYCLE THERMAL POWER UNITS GUDDU

- > WAPDA undertook the 300 Mega Watt Combined Cycle Power Project at Guddu to bridge the gap between increasing demand and supply of electricity. The project was installed during 1987-1994 at a capital investment of Rs 7.324 billion.
- > The Department of the Auditor General of Pakistan undertook special audit of the project to see how far the objectives were achieved. The auditors reviewed planning, implementation and performance of the project. The findings of the special audit are given below.

#### > FINDINGS

1. Non-sustainability of the project.
2. Excess expenditure of Rs 414 million due to exaggerated economic feasibility.
3. Injudicious expenditure of Rs 1,010 million.
4. Non-disclosure of complete facts to the ECNEC.
5. Outdated technology.
6. Appointment of consultants without open competition.
7. Non-recovery of liquidated damages amounting to Rs 40.107 million and DM 35.626 million.

The Public Accounts Committee directed the Principal Accounting Officer to examine the matter and take necessary action against the officer(s) concerned who were responsible for the loss, recover the said amount and report to the Committee within two months.

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**ACTIONABLE POINTS: MEETING ON 07-09-1999**  
**(CAPITAL ADMINISTRATION & DEVELOPMENT DIVISION)**

**AUDIT REPORT (CIVIL) (VOL-I-1996-97)**

4.12 IRREGULAR LOCAL PURCHASE OF MEDICINES WORTH RS 1,801,764 FOR OFFICIALS OF I.C.T. AND M/O INTERIOR (PARA 1, PAGE-102-AR)

Audit pointed out that in District Health Office Islamabad a sum of Rs 6,419,515 was provided during the years 1994-95, 1995-96 and 1996-97 for purchase of medicines for 03 Rural Health Centers (RHU's), 13 Basic health Units (BHU's) and 01 Rural dispensary. A comparative study of year wise expenditure showed that an amount of Rs 1,801,764 was spent on local purchase of medicines in these three years for the officials of ICT and non-entitled persons whereas as per NIS, the money was demanded exclusively for the population of rural areas. It was further observed that administration of I.C.T. had issued instructions to the DHO vide letter No.9(40)-DW/88, dated 20th April, 1995 to issue emergency medicines to the officials of ICT administration which were considered irregular.

The PAC conveyed its displeasure on the issue. The Committee raised different questions such as why the huge amount was spent on local purchase of medicines for non-entitled persons and what action had been taken against the responsible persons etc. The Committee directed the PAO to examine the issue fix responsibility and take action against the concerned person(s) and report to the Committee within 02 months.

AUDIT REPORT (CIVIL WORKS)(VOL-II-1996-97)4.13 LOSS OF RS 139,000 (PARA C-VIII.1, PAGE 37-ARCW)

Audit pointed out that rent of khokhas/kiosks were not recovered from the allottees. Allottees of Khokhas/Kiosks were made without open bidding and cancelled frequently without any adequate grounds. This resulted in loss of Rs 139,000 from May to December, 1995.

After hearing the Department's reply, the Committee settled the para. However, the Committee directed the PAO to frame the rules and regulations for the allotment of khokhas/kiosks on merit and check the misuse of discretion and report to the Committee within 02 months.

4.14 LOSS OF RS 454,215 (PARA C-IX.1, PAGE-37-ARCW)

Audit pointed out that 20.620 M/T steel and 20 M/T Cement was issued to contractor sharply after award of work in May, 1995 without actual requirement of site. The material remained unconsumed even after the stipulated date of completion of work i.e. 22-8-1995. No recovery was made.

The Department informed the Committee that full recovery has been made. The PAC directed the PAO to get the recovery verified by the Audit (stated to be verified by local Audit office), fix responsibility and take action against those who issued the excess material and report to the Committee within 01 month.

4.15 LOSS OF RS 402,165 (PARA C-X.1, PAGE 38-ARCW)

Audit pointed out that Contract for sale of 7000 Nos Empty Tar Drums (ETD) was awarded to a contractor in June, 1994. 2682 Nos ETD were lifted from store by the contractor un-authorizedly during September, 1994 to January, 1995 with the connivance of the store keeper/ without deposit of cost of ETD. This resulted in loss of Rs 402,165.

The CDA informed the Committee that the contractor has been blacklisted and security deposit forfeited and storekeeper has been dismissed from service. So far as the recovery of the amount is concerned, efforts are being made to recover the same from the contractor. After hearing the department's point of view on the issue, the Committee directed the PAO to take action against the other officer(s) besides the Sub-Engineer concerned who were responsible for the said loss and take effective measure to recover the public money under report to PAC within 02 months.

4.16 BLOCKADE OF GOVERNMENT MONEY RS 22,592,917 (PARA D-I.1, PAGE 39-ARCW)

Audit pointed out that stores/material worth Rs 22.59(M) was purchased during 1970-71, 1976, 1979, 1981, 1982, 1983, 1985, 1986, 1987, 1988, 1989, 1991 without actual requirement lying unconsumed, since long and resulted in blockade of Government resources.

The PAC directed the department to reconcile the material quantities with the Audit record and sell the material in the open auction (as stated by the Chairman CDA) which is not required by the department and report to the Committee within 03 months.

4.17 BLOCKADE OF GOVERNMENT MONEY WORTH RS 15,300,325 DUE TO UN-NECESSARY PURCHASE OF SPARE PARTS (PARA D-I.2, PAGE 40-ARCW)

Audit pointed out that spare parts of machinery and other stores worth Rs 15,300,325 were purchased from 1971 to 1990 without assessing actual requirements. In this way, the department blocked the government money.

The PAC directed the department to reconcile the quantities of material with the Audit record and dispose off the material in the open auction (as stated by the Chairman CDA) which is not required by the department and report to the Committee within 03 months.

4.18 (i) UNDUE BENEFIT OF RS 28,801,641 TO THE OFFICERS THROUGH IRREGULAR ALLOTMENT OF RESIDENTIAL PLOTS (PARA D-II.1, PAGE 40-ARCW)

(ii) IRREGULAR PURCHASE OF RS 1,200,000 (PARA D-III.1, PAGE 41-ARCW)

On the presentation of above 02 paras, the PAC constituted an Inter-Departmental Committee(IDC) comprising representatives each from Law Division, M/o Finance, CDA and Audit Department to investigate the issues and report to the Committee within 02 months.

4.19 IRREGULAR PURCHASE WORTH RS 709,860 (PARA D-III.2, PAGE 41-ARCW)

Audit pointed out that Chemical Compound in driblets for internal boiler water treatment was purchased by splitting supply/work orders (70 Nos) through a contractor during January to July, 1995. No estimate was technically sanctioned. Competitive tenders were not invited to achieve economical rate or enter into rate running contract. Accountal/consumption of purchased material was also not on record.

After hearing the Ministry's reply, the PAC directed the Audit department to verify the facts of the issue and report to the Committee within 01 month.

4.20 INFRACTUOUS EXPENDITURE OF RS 2,323,300 (PARA D-V-1, PAGE 43-ARCW)

Audit pointed out that annual repair/maintenance and painting of entire building was got carried out twice. First time through contractor and second time through departmental labour. This resulted in infructuous expenditure of Rs 2,323,300.

The PAC directed the PAO to examine the issue, recover the infructuous expenditure and take action against the defaulters and report to the Committee within 02 months.

4.21 PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF NEW SUPREME COURT BUILDING AT ISLAMABAD (CHAPTER-I, PAGE 3 TO 17-ARCW)

On the presentation of the performance Audit Report on construction of New Supreme Court Building, the PAC constituted an Inter-Departmental Committee(IDC) comprising Mr. Abdul Waheed Khan, DG Audit, Mr. Abdul Ghani Sami, FA(M/O Finance) and Mr. Islam Wazir, Member Engineering(CDA) to examine the Performance Audit Report and report to the Committee within 03 months.

ACTIONABLE POINTS FOR 1993-94

4.22 REPORT OF THE INTER-DEPARTMENTAL COMMITTEE(IDC) REGARDING (PARAS A-I.2 TO A-I.3 AND A-II.1 TO A-II.9, PAGES 50-54-ARCW) (ITEM 6-AP-993-94)

The PAC on the presentation of the IDC Report directed the PAO to take action in the light of IDC Report and report to the Committee within 03 months (copy of the IDC Report for perusal of CDA enclosed).

- 4.23 (i) NON-RECOVERY OF RENT RS 1,150,786 (PARA B-II.1, PAGE 59-ARCW)(ITEM 8-AP-92-93)
- (ii) NON-RECOVERY OF RENT RS I, 196,078 (PARA B-II.2, PAGE 59-ARCW)(ITEM 9-AP-93-94)
- (iii) NON-RECOVERY OF RENT RS. 187,520 (PARA B-II.3, PAGE 59-ARCW)(ITEM 10-AP-93-94)

On presentation of above 03 paras, the departmental representative informed the Committee that the recovery regarding B-II.3 has completed and the recovery regarding B-II.1 and B-II.2 is under process. The Committee directed the department to get the recovery verified (Rs 1,826,923) and recover the balance amount (Rs 707,361) and report to the Committee within 02 months.

- 4.24 i) NON-RECOVERY OF RS 16,723,288 (PARA B-III.1, PAGE 61-ARCW) (ITEM 12-AP-93-94)
- (ii) NON-RECOVERY OF RS 921,955 (PARA B-III.2, PAGE 61-ARCW)(ITEM 12-AP-93-94)

(iii) NON-RECOVERY OF RS 8,994,862 (PARA B-III.3, PAGE 61-ARCW)(ITEM 13-AP-93-94)

(iv) NON-RECOVERY OF RS 2,778,940 (PARA B-III.4, PAGE 61-ARCW)(ITEM 13-AP-93-94)

The Authority reported that Rs 6.30 (M) has been recovered/verified out of Rs 29.419 (M) reported in the above 04 paras.

The PAC after hearing the departmental reply directed the PAO to recover the balance amount (Rs 23.12 (M) and report to the Committee within 02 months.

4.25 i) NON-RECOVERY OF RS 3,239,420 (PARA B-IV.1, PAGE 61-ARCW) (ITEM 13-AP-93-94)

(ii) NON-RECOVERY OF RS 1,004,442 (PARA B-IV.2, PAGE 63-ARCW)(ITEM 13-AP-93-94)

(iii) NON-RECOVERY OF RS 1,933,840 (PARA B-IV.3, PAGE 63-ARCW)(ITEM 13-AP-93-94)

The PAC directed the department to reconcile the figures with the Audit, with respect to the above 03 paras, expedite recovery and report to the Committee within 02 months.

4.26 NON-RECOVERY OF RS 206,840 (PARA B-V.3, PAGE 64-ARCW)(ITEM 15-AP-93-94)

Audit pointed out that the Cement valuing Rs 206,840 was issued to the contractor in April, 1993. The work was abandoned but the cost of cement was not recovered.

The Department informed the Committee that an amount of Rs 174,591 has been adjusted. Balance recovery is under process.

The PAC directed the PAO to get the recovery verified by Audit and recover the balance amount and report to the Committee within 02 months.

4.27 REPORT OF AN INTER-DEPARTMENT COMMITTEE(IDC) REGARDING PARAS C-I.1, C-II.1 AND C-III.1, D.I.1 & D.1.2, PAGE 65-ARCW) (ITEM 16-AP-93-94)

On the paras C-I.1, C-II.1 & D.I.1, the IDC has held CDA responsible, whereas in case of C-III.1, the IDC held no one responsible. On the presentation of above IDC-Report, the PAC directed the PAO to take action in the light of IDC-Report and report to the Committee within 02 months. (Copy of the IDC Report enclosed for CDA perusal).

4.28 REPORT OF AN INTER-DEPARTMENTAL COMMITTEE(IDC) REGARDING PARAS C-IV.1, C-V.1 & C-VI.1, PAGE 66-67 ARCW)(ITEM 17-AP-93-94)

On paras C-V.1 & C-VI.1, the IDC upheld the viewpoint of Audit and accepted view point of CDA whereas in case of Para C-IV.1, the IDC accepted the Audit point of view.

On the presentation of above IDC-Report, the PAC directed the PAO to take action in the light of IDC-Report under intimation to PAC within 02 months (Copy of the IDC Report enclosed for CDA perusal).

4.29 LOSS DUE TO EXCESSIVE MEASUREMENT RS 123,150 (PARA C-IX.1, PAGE 68-ARCW)

Audit pointed out that M.S pipe of various sizes was issued/replaced in excess of that actually dismantled at site. The PAC directed for verification and recovery.

The PAC directed the department to reconcile the issue with Audit and report to the Committee within 02 months.

4.30 REPORT OF AN INTER-DEPARTMENTAL COMMITTEE(IDC) REGARDING PARAS D-I.1 & D-I.2, PAGE 69-ARCW) (ITEM 19-AP-93-94)

The PAC on presentation of the IDC Report, directed the PAO to take action in the light of IDC Report and report to the Committee within 03 months.

4.31 BLOCKADE OF GOVERNMENT MONEY OF RS 1,767,143 (PARA D-II.1, PAGE 70-ARCW)(ITEM 20-AP-93-94)

Audit pointed out that the authority procured material during 1990 which was not consumed. The PAC directed on 16-9-1999 to conduct physical verification of items of stores.

The PAC directed the department to reconcile the figures with Audit and sell the material (in excess of need) in open auction and report to the Committee within 03 months.

4.32 EXPENDITURE INCURRED ON DEPOSIT WORKS IN EXCESS OF DEPOSIT RS 29,501 (PARA D-IV.1-PAGE 70-ARCW) - 1993-94

Audit pointed out that the authority under took before PAC that in future bridge financing shall not be carried out and accelerated efforts shall be made for recovery on account of excess over deposit from client department. Progress of recovery made by department is still awaited.

The PAC directed the department to reconcile the figures with Audit Department, examine the issue, take appropriate action and report to the Committee within 02 months.

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ACTIONABLE POINTS: MEETING ON 12-06-2001

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

On presentation of Appropriation Accounts of the Cabinet Division, the PAC observed that huge savings in different grants indicate absence of proper monitoring system. The Committee directed the PAO to improve the monitoring and reconciliation system to avoid huge savings/excesses in the grants of the Division in future. The laid down budgetary procedures should be followed strictly by adopting computer aided system and the supervisory level should be raised from a section officer to a senior responsible officer. However, the PAC regularized the savings in various grants under the Cabinet Division.

ACTIONABLE POINTS FOR 1993-944.2 GRANT NO.4-EMERGENCY RELIEF AND REPATRIATION CELL,  
(PAGE 44-AA)(ITEM 2-AP-93-94).

The matter had already been investigated by the previous PAC. The Report of the Committee, duly approved by the competent authority, was sent to the Cabinet Division for implementation on 15.12.2000.

The PAO informed the Committee that the Report has been referred to National Accountability Bureau (NAB) for further investigation and necessary action.

PAC DIRECTIVE

The PAC directed the PAO to watch the progress of the case and inform the Committee accordingly.

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)4.3 SUSPECTED MISAPPROPRIATION OF Rs. 3.009 MILLION ON ACCOUNT OF PRINTING  
MATERIAL.  
(PARA 1, PAGE-13-AR-96-97)

Audit pointed out that Cabinet Division incurred an expenditure of Rs. 3.009 million on printing of invitation cards, telephone directories, Eid Cards, visiting cards etc. from time to time. Such expenditure was banned during the period 1993-95.

The Ministry apprised the Committee that the printing work was carried out according to the specific demands of various offices. Supply of official telephone directories to various Ministries/Divisions is mandatory. Eid Cards were not printed during 1992-95. All these works were got done from the Printing Corporation with the approval of the competent authority.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.4 INFRACTUOUS EXPENDITURE OF Rs. 7.343 MILLION INCURRED ON SPECIAL PROJECT CELL.  
(PARA 2, PAGE-13-AR-96-97).

Audit pointed out that Special Project Cell under Cabinet Division was established during 1992-94 for promotion and development of recreation and tourist facilities in the country. An amount of Rs 13.302 million was allocated for the project. The project authorities spent Rs 7.343 million till the project was abolished in September, 1993. There was no achievement of the Special Project Cell.

The Ministry informed the Committee that Special Cell was established under the instructions of the then Prime Minister. Later on, the Cell was transferred to the Tourism Division.

PAC DIRECTIVE

The PAC conveyed its displeasure observing it was a bad decision; development of recreation and tourist facilities should be the function of the Tourism Division and not of the Cabinet Division. However, the Committee settled the para.

4.5 SAVINGS IN EXPENDITURE WORTH Rs. 334,653 NOT SURRENDERED TO GOVERNMENT.  
(PARA 3, PAGE-14-AR-96-97).

Audit pointed out that during 1992-93 the Federal Land Commission under Cabinet Division failed to surrender the savings of Rs 334,653.

The Ministry informed the Committee that the said amount was not surrendered in time because the Provincial Chief Land Commissioners did not surrender their savings in time.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

- 4.6 A) UNAUTHORIZED ALLOTMENT OF ABANDONED PROPERTIES.  
 B) UNDUE FAVOUR TO THE BUYERS OF ABANDONED PROPERTIES.  
(PARA 4, PAGE-14-AR-96-97).

Audit pointed out that during 1987-96, the Abandoned Properties Organization under Cabinet Division despite the restriction under Section 3 of the APO Act 1975, disposed of by way of sale, allotment or release, 48 housing units, 6 shops and 295 plots to various influential individuals, or organizations like CDA and PWD. The prices charged for the disposed off properties were much below the market price.

The Ministry apprised the Committee that 48 Housing Units, 4 shops and 289 plots were released under respective judicial orders by the competent authority after due course of law; however, six plots were re-allotted by the CDA (1981-82) to influential individuals under the orders of the then President (Gen. Ziaul-Haq) on the reserve price which was much less than market price.

PAC DIRECTIVE

The PAC conveyed its displeasure on the allotment of six plots to influential persons on the orders of the then President against the provisions of the APO Act 1975 incurring huge loss to the Abandoned Property Organization.

- 4.7 IRREGULAR PAYMENT OF Rs. 10 MILLION AS CONTRIBUTION FROM APO TOWARDS PRIME MINISTER FLOOD RELIEF FUND.  
(PARA 5, PAGE-15-AR-96-97).

The Abandoned Property Organization under the Cabinet Division, in August 1995, made a contribution of Rs. 10 million towards Prime Minister's Flood

Relief Fund without approval of the Board of Trustees as required under its Act. Since the payment was for purposes other than those specified in the APO's Act, it was held irregular and unauthorized.

The Ministry informed the Committee that under the instructions of Mr. Saleem Siddiqui, Addl. Secretary/Chairman Abandoned Property Organization, Cabinet Division, the said amount has been refunded to APO's Account.

PAC DIRECTIVE

The PAC appreciated the efforts made by Mr. Saleem Siddiqui Addl. Secretary/Chairman APO, to effect the refund of irregular payment of Rs. 10 million to the credit of APO's Account and settled the para.

4.8 UNSUPPORTED AND UNJUSTIFIED PAYMENT OF Rs 1,781,354/- FOR REPAIRS ETC OF APO HOUSES.  
(PARA 6, PAGE-15-AR-96-97).

Audit pointed out that during 1989-94, the abandoned Property Organization (APO), paid Rs 1,781,354/- to CDA and PWD as advance for repair etc. of its houses. Neither completion reports nor adjustment accounts were available in the record.

The Ministry informed the Committee that the said accounts are available now and have been submitted to the Audit.

PAC DIRECTIVE

The PAC directed the Audit to verify the accounts submitted by the Ministry and report to the Committee.

4.9 UNNECESSARY RETENTION OF GOVERNMENT MONEY AMOUNTING TO Rs. 12,307 MILLION.  
(PARA 7, PAGE-16-AR-96-97).

Audit pointed out that the SUPARCO, under the administrative control of Cabinet Division, has charged a sum of Rs. 12,307,401/- on account of sale

proceeds of satellite pictures of weather during the years 1988-93 but the receipts, in this respect, were not deposited/credited to the Government Account as the said amount was kept in a branch of National Bank of Pakistan in violation of para-7(1) of FTR Vol-1.

The Ministry apprised the Committee that the SUPARCO, under para 12(2) of its Ordinance-1981, may open its account with a scheduled bank and keep the said receipts in it.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

ACTIONABLE POINTS FOR 1993-94

4.10 UTILIZATION AND RESULTS OF HUGE RELEASES OF Rs. 245.469 MILLION NOT KNOWN. (PARA 1, PAGE-13-AR-93-94)(ITEM 3-AP-93-94).

The para was discussed in the previous PAC's meeting (16.9.1997). The Committee directed the Cabinet Division to write to the Provinces to send expenditure statements to the Audit for verification.

The Ministry informed the Committee that IPCC has directed the Provinces to submit expenditure statements.

PAC DIRECTIVE

The PAC directed the PAO to take up the matter with respective Chief Secretaries to get the expenditure statements from the Provincial, AJK, N.A. and FATA Governments at the earliest. The Committee also directed the Ministry to streamline the distribution system of various relief funds among the Provinces, AJK, N.A. and FATA; improve monitoring of their utilization; devise transparent accounting procedure thereof and report to the Committee within one month.

4.11 LOSS OF Rs. 200,000 ON ACCOUNT OF THEFT OF STAFF CAR.  
(PARA 6, PAGE-15-AR-93-94)(ITEM 5-AP-93-94).

The para was discussed in the previous PAC's meeting held on 16.9.97. The Committee directed the Department to pursue the case.

The Ministry informed the Committee that the matter was pursued with the Police but after reporting by the Police that the said cars are untraceable, the loss of Rs. 200,000 was written off by the competent authority.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X)-1996-97

PRINTING CORPORATION OF PAKISTAN (PVT) LIMITED

4.12 (PARA 5 & 11, PAGE-208-2-ARPSE).

Audit presented the working results for the years 1995-96 to 1998-99 that showed the accumulated losses of Rs. 328.850 million as on June 30 1996. PCP earned a profit of Rs. 35.078 million during the year 1996-97 due to extraordinary work completed for Election Commission; however, the financial position in the subsequent years further deteriorated.

The Ministry apprised the Committee that the losses occurred in the Corporation due to over-staffing and under utilization of the services.

PAC DIRECTIVE

The PAC directed the PAO to review the affairs of the PCP to reduce its expenditure; check overstaffing and increase its capacity utilization so as to make it a profit centre and report to the Committee within one month.

4.13 (PARA 6 & 7, PAGE-21-ARPSE).

Audit pointed out that General Provident Fund amounting to Rs 6.00 million, outstanding on June 30, 1997, was not invested by the management as required under section 227 of the Companies Ordinance, 1984.

The Ministry informed the Committee that due to shortage of funds it was not possible for the Corporation to invest the said amount.

PAC DIRECTIVE

The PAC did not accept the explanation given by the Department and directed the PAO to examine the issue, fix responsibility and take action if someone is found guilty. A report should be submitted to the Committee within one month.

4.14 i) (PARA 9, PAGE-21-ARPSE).

Audit pointed out that Trade Debtors, at the close of year 1996-97, stood at Rs. 195.790 million.

The Ministry informed the Committee that out of Rs. 195.790 million an amount of 26.041 million was written off by the competent authority. Rs 113.963 million have so far been recovered; however, the remaining balance consists of either very old or disputed cases.

ii) (PARA 10, PAGE-21-ARPSE).

Audit pointed out that loans, advances, deposits, prepayment and other receivables at the close of year 1996-97 increased to Rs. 229.309 million from Rs. 168.691 million in 1995-96. Included therein are amounts of Rs. 418,959 and Rs. 256,458 lying unrecovered/unadjusted against the National Book Foundation and Pak. PWD.

The Ministry informed the Committee that the recovery of amount outstanding against PWD is under process. However, the PCP Board has written-off the outstanding amount against National Book Foundation.

PAC DIRECTIVE

On presentation of above two paras the Committee directed the PAO to get the recovered amounts verified from the Audit, take measures to recover the recoverable amounts from concerned organizations/departments and write off the balances whose recovery is not possible and report to the PAC within one month.

DEPUTY CONTROLLER STATIONERY AND FORMS

4.15 (PARA 12, PAGE-22-ARPSE).

Audit pointed out that the proforma accounts prepared by Deputy Controller Stationery and Forms have been examined. The figures under heads of accounts like Government Capital, Adjustment, Withdrawal from and Remittance into Treasury and Depreciation are wrongly recorded in the financial statements. Thus the financial accounts prepared by the Institution do not reflect the true and fair picture of the financial position of the entity.

PAC DIRECTIVE

The Committee directed the PAO to improve the Management and Accounting System of the Institution by assigning the job to some competent officer and report to the PAC within one month.

4.16 (PARA 14, PAGE-22-ARPSE).

Audit pointed out that Sundry debtors remained at Rs 4.480 million on June 30, 1996 as well as on June 30, 1995 showing no positive change in the accounts. Major amounts pertained to the years 1976-77 to 1991-92.

The Ministry apprised the Committee that total amount of Rs 100.835 million was outstanding against the PPO and PTCL; Rs 49.145 million have so far been recovered and efforts are being made to recover the balance of Rs 51.690 million.

PAC DIRECTIVE

The PAC directed the PAO to recover the outstanding amount (Rs. 51.6 million) from PPO and PTCL and report to the Committee within one month.

GOVERNMENT STATIONERY FORMS AND PUBLICATION DEPARTMENT, ISLAMABAD

4.17 (PARA 16, PAGE-23-ARPSE).

Audit pointed out that establishment expenditure and other expenses increased from Rs 1.519 million to Rs. 1.800 million within one year (1995-96) registering increase of 18.50%.

The Ministry apprised the Committee that the major reasons for the increase in establishment and other expenses were grant of annual increments, selection grades, move-overs (as per rules) and constant increases in utility bills.

PAC DIRECTIVE

The PAC directed the PAO to reduce the expenditure of the Department. However, the Committee settled the para subject to verification, of the stated facts, by the Audit.

**MINISTRY OF WATER & POWER**

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**1. OVERVIEW**

The Public Accounts Committee (PAC), in its meetings held on 19-20th February, 8-9th April, 26th May and 9th September 1999 took up, for its examination, the Appropriation Accounts and Annual Audit Report, for the year 1996-97 pertaining to Ministry of Water and Power. The Committee noticed a number of irregularities with respect to huge saving in the Development Grant (No. 176), Power Purchase Agreement (PPA) with HUBCO, 300 Mega Watt Combined Cycle Thermal Power Units Guddu, Inventory Management System, undue favour to firms/suppliers, etc. These issues were raised before the Committee by the Auditor General of Pakistan with reference to the Audit Report (1996-97) in the meeting where the Ministry was given opportunity to present its view point on each case. As a result of detailed discussion on the respective issues, the Committee issued a number of directives to improve the overall affairs of the Ministry, these also include directives to the PAO intending accountability actions against persons held responsible for misuse of power, corruption, culpable negligence etc., on the case to case basis.

The Audit Report contained 188 paras, of which 110 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Authority. The Audit pointed out recoveries of Rs 37.235 million, out of which Rs 0.056 million have actually been recovered. The Committee directed the Ministry to recover the remaining amounts. Progress of the recoveries and implementation of its directives will be reviewed by the Committee in its future sessions.

The Audit was also directed to verify the facts stated by the Executive in support of their view points on different cases. Actionable points based on the PAC's directives are given in Section-4. Some important issues and the Committee's recommendations thereon are summarized in the following sections.

## 2. MAJOR ISSUES

### 2.1 SAVING IN GRANT NO. 176/DEVELOPMENT EXPENDITURE

73.39% saving, in Grant No. 176 of the Ministry which was meant for Development Schemes, was critically observed by the PAC. The Committee observed that such huge saving in the Development Grant reflects poor performance of the executing agency responsible for the development schemes; under the Development Grants, expenditure on office logistics, transport, etc. is, usually, incurred in the first instance and the actual development works are neglected for one reason or the other. Therefore, the Committee directed the Authority to improve monitoring system and internal financial control to make the best use of available resources.

### 2.2 SPECIAL AUDIT REPORT ON POWER PURCHASE AGREEMENT WITH HUBCO

In order to overcome the acute problem of power shortage, the Government issued a policy statement in November, 1985, inviting private sector to install thermal/hydel power stations. In such an exercise XENEL of Saudi Arabia and Hawker Siddley Power Engineering Ltd. of U.K. (HSPE) were issued a "Letter of Intent" in April, 1988 to install one 1200 MW power station. As per requirement of the "Letter of Intent", a company named Hub Power Company Ltd. (HUBCO) was incorporated in Pakistan in August, 1991. An agreement for supply and purchase of power (PPA) was executed between HUBCO & WAPDA on August 03, 1992.

To examine the financial and operational impact of the PPA, the Audit Department organized a special audit. Findings of this exercise were compiled in the shape of a Special Audit Report (SAR 7). This Report was presented before the PAC in its meeting held on 19.2.99. The HUBCO Company was also given opportunity to explain its position before the Committee on 8.4.1999.

Summary of the findings on the Power Purchase Agreement (PPA) is given below.

- i. The Company failed in adhering to the timetable and other requirements given in the "Letter of Intent" and the agreement. One major failure of the company lay in non-achievement of financial closing in time, which resulted in delay in finalization of the contract leading to increased costs.
- ii. As per "Letter of Intent", after loan repayment the plant was to be transferred to the Government at a notional cost equal to rupee one. But, the implementation agreement made no mention of the transfer of property rights, meaning thereby that the complex would remain the property of the company.
- iii. The fact that sponsors like British Electric International were also members of the construction consortium, apparently contributed to the abnormal increase in the cost of the project.
- iv. BEI/NP, a sponsor company, was not only appointed as consultant of the project but being a member of the construction consortium supplied equipment costing US \$ 36.108(M) against all norms of fair business practice. They were also appointed as the operation and maintenance contractors and were paid Rs 1093.53 (M) per annum on this account.
- v. In accordance with the "Energy Policy", the project was supposed to be cost-competitive with similar projects undertaken by WAPDA, after allowing for difference in the cost of finance. The PPA was amended to make it open-ended, allowing the Company to make it a cost plus profit agreement. The Company exploited this amendment in such a manner that it transferred all its wastage and inefficiencies to WAPDA through price adjustment policy.
- vi. The Capital cost of the Complex was determined at US \$ 823 (M) as per the "Letter of Intent". A possible increase in cost, not exceeding US \$ 34 (M) was also foreseen. Due to change in the basis of the project cost, it went up to US \$ 1637 (M). The increase

included development cost prior to financial closing, HUBCO's costs prior to financial closing, increase in construction cost, increase in interest during construction and guarantee reserve accounts.

- vii. The Company incurred US \$ 10 (M) on account of penalty to the construction contractors for delayed payment of mobilization advance. A sum of US \$ 13.627 (M) was granted to the Company, by allowing Rs 0.002/Kwh throughout the life of the Complex. Thus WAPDA was penalized for the Company's failure and the Company gained US \$ 3.627 (M) even on its own fault.

### 2.3 SPECIAL AUDIT REPORT ON ADDITIONAL 300 MEGA WATT COMBINED CYCLE THERMAL POWER UNITS GUDDU

- > WAPDA undertook the 300 Mega Watt Combined Cycle Power Project at Guddu to bridge the gap between increasing demand and supply of electricity. The project was installed during 1987-1994 at a capital investment of Rs 7.324 billion.
- > The Department of the Auditor General of Pakistan undertook special audit of the project to see how far the objectives were achieved. The auditors reviewed planning, implementation and performance of the project. The findings of the special audit are given below.
- > FINDINGS
  1. Non-sustainability of the project.
  2. Excess expenditure of Rs 414 million due to exaggerated economic feasibility.
  3. Injudicious expenditure of Rs 1,010 million.
  4. Non-disclosure of complete facts to the ECNEC.
  5. Outdated technology.
  6. Appointment of consultants without open competition.
  7. Non-recovery of liquidated damages amounting to Rs 40.107 million and DM 35.626 million.

The Report was discussed in the PAC's meeting held on 8th April, 1999. The Ministry apprised the Committee that a departmental Committee is looking into the whole affairs of the project. It will present its findings within one month. The PAC deferred the issue till the finalization of the departmental inquiry report.

#### 2.4 SPECIAL AUDIT REPORT ON INVENTORY CONTROL IN WAPDA REGIONAL STORE SHALAMAR LAHORE

In 1992, WAPDA brought out a new Computerized Store Inventory System (CSIS) to replace the manual system. The objectives of the new system (CSIS) were to:

- i. Provide overall view of computerized stores inventory system.
- ii. Establish procedures for various types of stores transactions.
- iii. Provide detailed instructions to prepare various store transactions.

It was envisaged that CSIS would regulate the flow of stores, provide a check on unnecessary procurement and make the specified stores available to the consumption units at appropriate quantity, price and on time.

There are eight Area Electricity Boards (AEBs) throughout Pakistan. Each AEB has at least one Regional Store and 2 to 12 field stores. The field stores meet the demands from divisions and sub-divisions.

The Audit Department conducted a special audit of Regional Store Shalamar, Lahore in June 1998 to evaluate the new system (CSIS) and to see if it had successfully achieved the objectives. Findings of the special audit are given below.

#### > FINDINGS

The system was very fast and accurate in providing information on daily, fortnightly, quarterly basis for timely action with regard to procurement, issue and status of all types of material. However, some specific

observations were as follows:

1. Excessive purchase of stores valuing Rs 879.174 million.
2. Unserviceable/scrap material valuing Rs 10.425 million lying in the Regional Stores of Area Electricity Boards without any ultimate disposal.
3. Abnormal difference between issue rates of the same item in different Regional Stores of Area Electricity Boards.
4. Unauthorized issue of steel structures leading to extra expenditure of Rs 12.7 million.

#### 2.5 UNJUSTIFIED PAYMENT OF TELEPHONE BILLS.

The NESPAK paid telephone bills to PTC amounting to Rs 434,578 pertaining to administrative Ministry (M/O Water & Power) during the year 1994-95 on the ground that the funds were not available with the Ministry to discharge its liability. The Ministry paid unjustified payment from the NESPAK's account.

The PAC directed the Ministry to return the said amount to NESPAK and take action against the concerned officers who were responsible for this illegal action.

#### 2.6 FAILURE OF PROJECT

A project regarding Central Thermal Training Academy in Lahore failed due to defective planning. It was prepared on the presumption that foreign aid alongwith expertise will be available but no such arrangements could be made and Wapda commenced the project with its own resources without prior approval/consent of ECNEC. After incurring an expenditure of Rs 23.607 (M), the Authority decided to shelve the project.

#### 2.7 NON-MAINTENANCE OF RECORD

The procedure for rural electrification under OECF/IBRD loan provides that the Sub-divisional officer (C) would take over the completed villages from

the contractor and record measurement (EMB) of such completed villages and also complete the Form A-90 for submission to the Project Director(Construction). The accounts of Project Director (Construction), WAPDA Faisalabad, disclosed that neither EMB relating to the villages completed by the contractor at Rs 274.267 (M) was recorded, nor the Form A-90 was completed by the respective officials. In the absence of basic record, the consumption of material remained doubtful.

#### 2.8 LOSS DUE TO ACCEPTANCE OF SUB-STANDARD MATERIAL.

P.C. Poles valuing Rs 132.130 (M) were purchased from a private P.C. Pole Plant but the poles were found crumbling under pressure and the manufacturer had used three steel wires instead of four. Similarly, other electrical material valuing Rs 0.643 (M), supplied by various firms was also found defective and sub-standard/below specification. Due to acceptance of defective/sub-standard material, the Authority was put to a loss of Rs 132.773(M).

### 3. RECOMMENDATIONS

- 3.1 In the context of 73.39% saving in the Development Grant (176) the PAC observed that under the Development Grants, usually, expenditure on office logistics, transport, etc. is incurred in the first instance and the actual development works are neglected for one reason or the other. Therefore, the Committee directed the Authority to improve monitoring system and internal financial control to make best use of the available resources.
- 3.2 The Public Accounts Committee conveyed its displeasure over the irregularities, lapses and omissions in the construction of combined cycle project at GUDDU power station. The Committee observed that the Ministry and WAPDA had overlooked their institutional role. The Committee ordered that the report of the Auditor General's office be sent to ECNEC, M/O Water and Power and Planning Division to examine the details of the Combined Cycle Project.

- 3.3 The Authority should follow respective rules and regulations to effect recoveries etc; however, if the respective rules are not effective, it should make new rules with the consultation of Ministries of Law and Finance.
- 3.4 The Ministry should return to the NESPAK its money spent for the payment of Ministry's telephone bills and take action against the concerned officers who were responsible for this illegal action.
- 3.5 The Authority should pursue the case regarding loss of Rs 3.2 million on purchase of four crane mounted trucks with FIA for earlier investigation.
- 3.6 The Ministry should recover the outstanding amounts from different contractors/firms as directed by the Committee in individual paras.
- 3.7 WAPDA should follow the laid down procedure for rural electrification; EMB and Form A-90 should be duly completed. The Ministry should take positive measures to improve the procedures and rules to avoid lapse in future.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETINGS HELD ON FEBRUARY 19 & 20, APRIL 08 & 09, MAY 26 AND SEPTEMBER 08, 1999

ACTIONABLE POINTS: MEETING ON 19-02-1999 & 20-02-1999

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1996-97)

4.1 DEVELOPMENT EXPENDITURE OF WATER AND POWER (GRANT NO.176, PAGE 417-AA)

Audit pointed out that an amount of Rs 1,084,000,000 was however, surrendered leaving net saving of Rs 641,534,193. Remaining saving should also have been surrendered.

After hearing the Ministry's reply, the PAC directed the PAO to get all required information from the Government of Punjab, settle the issue with the Audit and report to the committee within 15 days.

AUDIT REPORT (CIVIL) (VOL-I-1996-97)

- 4.2 (i) IRREGULAR EXPENDITURE TO AVOID LAPSE AND FUNDS RS 1.644 (M) (PARA 1, PAGE-142-AR)

AUDIT REPORT (CIVIL WORKS) (VOL-II-1996-97)

- (ii) MIS-APPROPRIATION OF MATERIAL WORTH RS 262,000 (PARA A-II.1, PAGE 154-ARCW)

The PAC settled the paras subject to verification by the Audit.

AUDIT REPORT PUBLIC SECTOR ENTERPRISE (VOL-X-D-1996-97)

- 4.3 UNJUSTIFIED PAYMENT OF TELEPHONE BILLS AMOUNTING TO RS 434,575 (PARA 264, PAGE 200-ARPSE)

Audit pointed out that NESPAK paid telephone bills to PTC amounting to Rs 434,578 pertaining to administrative Ministry (M/O Water & Power) during the year 1994-95 on the grounds that the funds were not available with the Ministry to discharge its liability.

The PAC observed that M/O Water & Power made unjustified payment from the NESPAK's account. The Committee directed the Ministry to return the said amount to NESPAK and take action against the concerned officers who were responsible for this illegal action.

NATIONAL TUBEWELL CONSTRUCTION CORPORATION

- 4.4 IRREGULAR PURCHASE OF MATERIAL RS 381,429 (PARA A-I.1, PAGE 153-ARCW)

Audit pointed out that the Corporation purchased fiberglass valuing Rs 381,429 without inviting tenders resulting irregular purchase.

The PAC directed the department to reconcile the issue with the Audit and report to the Committee within 01 month.

ACTIONABLE POINTS FOR 1985-86NATIONAL TUBEWELL CONSTRUCTION CORPORATION4.5 BLOCKAGE OF FUNDS IN PURCHASE OF MINI-DRAGER RS 7,033 (M) (PARA 9.7, PAGE 99-AR (WAPDA)(ITEM 5-AP-85-86)(ITEM 3-AP-88-89)(ITEM 6(iv) AP-93-94)

Audit pointed out that a mini-drager was purchased for Rs 6.781 (M) in June, 1985 and an expenditure of Rs 0.252 (M) incurred on its repair and transportation. The purchase was without requirement.

The para was discussed in the PAC meetings dated February 18, 1988 and November 19, 1995. The PAC directed the Ministry in its meeting dated November 19, 1995 to fix the responsibility for un-necessary purchase besides disposal of the mini-drager.

The PAC conveyed its displeasure for not implementing PAC's previous directives. The PAO assured the Committee that the decision of the PAC will be implemented. The Committee directed the PAO to take all possible steps to recover the loss from the concerned officers/officials, take action against the culprits and report within 02 months.

4.6 SPECIAL AUDIT REPORT ON INVENTORY CONTROL IN WAPDA REGIONAL STORE SHALAMAR, LAHORE

In 1992, WAPDA brought out a new Computerized Store Inventory System (CSIS) to replace the Manual System.

Audit observed that despite a fast and accurate system, WAPDA could not purchase, store and maintain the stores in an efficient, effective and economical manner.

After hearing the departmental reply, the PAC advised the departmental representatives to take all effective steps to create fair business culture in the department. Further, the Committee directed the PAO to furnish its reply on Inventory Control in WAPDA Regional Store Shalamar, Lahore within 10 month.

#### 4.7 SPECIAL AUDIT REPORT ON POWER PURCHASE AGREEMENT WITH HUBCO

In order to overcome the acute problem of power shortage, the Government issued a policy statement in November, 1985, inviting private sector to install thermal/hydel power stations. In such an exercise XENEL of Saudi Arabia and Hawker Siddley Power Engineering Ltd. of U.K. (HSPE) were issued a "Letter of Intent" in April, 1988 to install one 1200 MW power station. As per requirement of the "Letter of Intent", a company named Hub Power Company Ltd. (HUBCO) was incorporated in Pakistan in August, 1991. An agreement for supply and purchase of power was executed between HUBCO & WAPDA on August 03, 1992.

#### FINDINGS

The study revealed the PPA to be full of concessions and irregularities resulting in padded up outlandish capital cost. Some of the concessions bestowed upon the company and irregularities committed were as follows:

- i) The Company failed to adhere to timetable and other requirements given in the "Letter of Intent" and "Implementation Agreement". One major failure of the company lay in non-achievement of financial closing in time, which resulted in delay in finalization of the contract, leading to increased costs.
- ii) As per "Letter of Intent", after loan repayment, the plant was to be transferred to the Government at a national cost equal to rupee one. But, the "Implementation Agreement" made no mention of the transfer of property rights, meaning thereby that the complex would remain the property of the company.
- iii) The fact that sponsors like BEI were also members of the construction consortium, apparently contributed to the abnormal increase in the cost of the project. BEI/NP, a sponsor company, was not only appointed as consultant of the project but being a member of the construction consortium supplied equipment costing US \$ 36.108(M) against all norms of fair business practice. They were also appointed as the operation and maintenance contractors and were paid Rs 1093.53 (M) per annum on this account.
- iv) In accordance with the "Energy Policy", the project was supposed to be cost-competitive with similar projects undertaken by WAPDA, after allowing for difference in the cost of finance. The PPA was amended to make it open-ended, allowing the Company to make it a cost plus

profit agreement. The Company exploited this amendment in such a manner that it transferred all its wastage and inefficiencies to WAPDA through price adjustment.

- v) The Capital cost of the Complex was determined at US \$ 823 (M) as per the "Letter of Intent". A possible increase in cost, not exceeding US \$ 34 (M) was also foreseen. Due to change in the basis of the project cost, it went up to US \$ 1637 (M). The increase included development cost prior to financial closing, Hubco costs prior to financial closing, increase in construction cost, increase in interest during construction and guarantee reserve accounts.
- vi) The Company incurred US \$ 10 (M) on account of penalty to the construction contractors for delayed payment of mobilization advance. A sum of US \$ 13.627 (M) was granted to the Company, by allowing Rs 0.002/Kwh throughout the life of the Complex. Thus WAPDA was penalized for the Company's failure and the Company gained US \$ 3.627 (M) even on its own fault.

The PAC after hearing the departmental views on the Power Purchase Agreement with HUBCO directed the PAO to furnish the comprehensive report on the Agreement with special reference to findings made by the Audit in the Special Report and other related information with regard to the IPPs to the PAC within 15 days so that a complete review be undertaken by the Committee and responsibility be fixed.

ACTIONABLE POINTS: MEETINGS ON 08-04-1999 & 09-04-1999

#### 4.8 SPECIAL AUDIT REPORT ON POWER PURCHASE AGREEMENT WITH HUBCO (ITEM 1)

The Audit Department presented Special Audit Report on Power Purchase Agreement with Hubco. The Audit Department informed the committee that delay of over six years in achieving financial closing was due to the inefficiency of Hubco which was irregularly condoned by the Ministry. The facts relating to British Electricity International/National Power mentioned in the Special Audit Report and its contribution towards increase in the cost of the project has not been refuted by the Ministry. The action taken against the officials allowing the British Electricity International and National Power to assume the lead role in Hubco and its appointment as consultant and member of the construction consortium needs to be examined. The audit further stated that findings of the report are

agreed to by the Ministry and they have already lodged an FIR against the persons responsible for the amendment, and converting the project into cost plus profit tariff.

The representative of Hubco Company briefed the committee on different issues raised in the Special Report. He informed the Committee that sufficient cause exists for the government of Pakistan to have additional audit of the Company's accounts since its inception through independent Chartered Accountants or through a team of its representatives in terms of clause 26 of the Implementation Agreement. Representation of the Audit Department in the proposed team will make the assignment more meaningful. The team may verify the validity of the base case assumptions of the Financial Model.

The PAC after hearing the representatives of Audit Department and Hubco Company constituted a Sub-Committee under the Chairmanship of Mian Muhammad Zaman, MNA, Mr. Adnan Aurangzeb, MNA and Senior representatives (BPS-21) of M/O Water and Power, Ministry of Finance and the Audit Department for further examination of the issues within 03 months and report to the Committee.

#### 4.9 SPECIAL AUDIT REPORT ON CENTRAL THERMAL TRAINING ACADEMY PROJECT LAHORE (ITEM (2))

Audit Presented a Special Report on Central Thermal Training Academy Project, Lahore. The Audit informed the Committee that project failed due to defective planning. It was prepared on the presumption that foreign aid alongwith expertise will be available but no such arrangements could be made and Wapda commenced the project with its own resources without prior approval/consent of ECNEC. The Audit briefed the Committee that after incurring an expenditure of Rs 23.607 (M), the Authority decided to shelve the project.

The Ministry agreed with the Audit observations and assured the Committee that action will be taken against the persons found responsible and will be intimated to the Committee within 01 month.

4.10 SPECIAL AUDIT REPORT ON ADDITIONAL 300 MEGA WATT COMBINED CYCLE THERMAL POWER UNITS, GUDDU (ITEM (3))

On presentation of a Special Audit Report on Additional 300 Mega Watt Combined Cycle Thermal Power Project, Guddu, by the Audit, the department informed the PAC that a committee was constituted to look into the whole affairs of the project. The said Committee will present its findings within 01 month. The Committee deferred the issue till the finalization of the departmental inquiry report.

ACTIONABLE POINTS FOR 1993-94

4.11 LOSS DUE TO SUPPLY OF CONTAMINATED FURNACE OIL BY M/s PAKISTAN STATE OIL RS 285.829 (M) (PARA 1, PAGE 11-AR-WAPDA) (ITEM 4-AP-93-94)

Audit pointed out an inter-departmental committee comprising representatives from the M/O Finance, Auditor General of Pakistan and M/O Water and Power was formed by the PAC to examine the matter and report to the Committee.

The PAC was not satisfied with the IDC's report and conveyed displeasure on the performance of IDC's members. So, the Committee constituted an other IDC comprising senior representatives of M/O Water and Power (BPS-21), Audit Department (BPS-21), M/o Petroleum & Natural Resources (BPS-21) and M/O Finance(BPS-21) to examine the issue and report to the Committee within 01 month. The Committee also directed the Audit Department to get the report from Prime Minister's Inspection Commission on the issue.

4.12 LOSS DUE TO SHORT RECEIPT OF FURNACE OIL RS 17.619 (M) (PARA 3, PAGE 12-AR-WAPDA) (ITEM 5-AP-93-94)

Audit pointed out that the subject loss was sustained by WAPDA at the hands of Pakistan State Oil and Pakistan Railway.

The PAC directed the PAO to examine the issue and report the Committee within 01 month.

4.13 LOSS ON ACCOUNT OF UNDUE FAVOUR TO A FIRM. RS 14.439 (M) (PARA 4, PAGE 13-AR-WAPDA) (ITEM 6-AP-93-94)

Audit pointed out that the subject loss was sustained by WAPDA in purchase of 85000 HT/LT structure.

On the presentation of the para the PAC conveyed its displeasure for not taking action according to previous PAC directives. The PAO promised to re-examine the issue and take immediate action against persons responsible for the loss and for ignoring the PAC directives and report to the Committee within 01 month.

4.14 AVOIDABLE EXPENDITURE ON COMMITMENT CHARGES RS 8.527 (M) (PARA 6, PAGE 15-AR-WAPDA) (ITEM 7-AP-93-94)

Audit pointed out that the subject avoidable expenditure was made on the principal amount of the loan not drawn from time to time. These commitment charges could have been avoided had WAPDA arranged to draw the amount of loan in time.

The PAC directed the PAO to examine the issue of commitment charges and report to the Committee within 01 month. The Department was also directed to inform the how much wapda has paid commitment charges till now, with year-wise breakup.

- 4.15 i) SHORT-RECOVERY OF CAPITAL COST RS 3.046 (M) (PARA 8, PAGE 16-AR-WAPDA) (ITEM 8-AP-93-94)
- ii) FICTITIOUS PAYMENT TO A PETROL SUPPLIER RS 2.205 (M) (PARA 9, PAGE 19-AR-WAPDA) (ITEM 9-AP-93-94)
- iii) LOSS DUE TO ELECTRIFICATION OF VILLAGES WITH FICTITIOUS NAMES RS 1.611 (M) (PARA 10, PAGE 20-AR-WAPDA) (ITEM 10-AP-93-94)
- iv) LOSS OF RS 19.559 (M) DUE TO NON IMPLEMENTATION OF EQUIPMENT REMOVAL ORDERS (PARA 14, PAGE 22-AR-WAPDA) (ITEM 12-AP-9394)
- v) LOSS DUE TO INCORRECT CREDIT OF DISMANTLED TRANSFORMERS RS 954.790 (PARA 18, PAGE 28-AR-WAPDA) (ITEM 14-AP-93-94)

vi) NON-ACCOUNTAL OF MATERIAL RS 1352.314. (PARA 19(i), PAGE 29-AR-WAPDA) (ITEM 15-AP-93-94)

vii) EXCESS EXPENDITURE ON DEPOSIT WORKS RS 1.009 (M) (PARA 24, PAGES 31-32-AR-WAPDA) (ITEM 1-AP-93-94)

ACTIONABLE POINTS FOR 1988-89

viii) EXCESS PAYMENT OF RS 2,593 (M) TO CONTRACTORS. (PARA 5, PAGES 94-96-AR-WAPDA) (ITEM 6-AP-88-89) (ITEM 5-AP-93-94)

On the presentation of above eight paras the PAC conveyed its displeasure on the matters and settled the paras subject to verification by the Audit. The PAC directed the Audit Department to carry out verification at the earliest.

4.16 IRREGULAR REFUND OF LIQUIDATED DAMAGES RS 4.594 (M) (PARA 11, PAGE 20-AR-WAPDA) (ITEM 11-AP-93-94)

Audit pointed out that WAPDA irregularly refunded liquidated damages amounting to Rs 4.594 (M), which were recovered due to late supply of transformers against purchase order No.4137 dated May 02, 1984. The supply of material was completed in March, 1986 as against schedule date of September 30, 1984.

The PAO supported the Audit's point of view and assured the Committee to take action against the responsible person(s) and report to the Committee within 02 months.

4.17 NON-RECOVERY OF LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF A WORK RS 16.480 (M) (PARA 16, PAGE 27-AR-WAPDA) (ITEM 13-AP-93-94)

Audit pointed out that the subject non-recovery related to a contractor who was awarded work in a drainage project.

After hearing the Ministry's reply, the PAC directed the PAO to take action against the concerned person(s), who did not recover the liquidated damages and report to the Committee within 01 month.

- 4.18 i) NON-ACCOUNTAL OF MATERIAL RS 2,511,041 (PARA 19(ii), (PAGE 29-AR-WAPDA) (ITEM 16-AP-93-94)
- ii) UN-KNOWN WHEREABOUTS OF TRANSFORMERS RS 1,667 (M) (PARA 20, PAGE 29-AR-WAPDA) (ITEM 17-P-93-94)

On the presentation of above paras, the PAO assured the PAC to settle the issue with Audit Department within 7 days.

AUDIT REPORT (WAPDA) (VOL-VII-1996-97)

- 4.19 NON-MAINTENANCE OF RECORD FOR WORKS AMOUNTING TO RS 274,267 (M) (PARA 1, PAGE 9-AR-WAPDA)

Audit pointed out that the procedure for rural electrification under OECF/IBRD loan provides that the Sub-divisional officer(c) would take over the completed villages from contractor and record measurement (EMB) of such complete villages and also complete Form A-90 for submission to the Project Director(Construction). The accounts of Project Director (Construction), WAPDA Faisalabad, disclosed that neither EMB relating to villages completed by the contractor, amounting to Rs 274,267 (M) was recorded, nor the Form A-90 was completed by the concerned officials. In the absence of basic record, the consumption of material remained doubtful.

The PAC directed the M/O Water and Power to take positive measures to improve the procedures and rules to avoid objected lapses in future.

- 4.20 LOSS DUE TO ACCEPTANCE OF SUB-STANDARD MATERIAL VALUING RS 132,773 (M) (PARA 2, PAGE 9-AR-WAPDA)

Audit pointed out that an amount of Rs 360,650 No.H.T./L.T. P.C. Poles valuing Rs 132,130 (M) were purchased from a private P.C. Pole Plant but the poles were found crumbling under pressure and the manufacturer had used three steel wires instead of four. Similarly, other electrical material valuing Rs 0.643 (M), supplied by various firms was also found defective and sub-standard/below specification. Due to acceptance of defective/sub-standard/below material, the authority was put to a loss of Rs 132,773(M).

The PAO assured the PAC that he will examine the matter and will also take required action against the concerned person(s) under the Rules.

4.21 INADMISSIBLE PAYMENT OF RS 48.466 (M) ON ACCOUNT OF EXTRA COST ALLOWED OVER AND ABOVE THE AGREED LUMP SUM AMOUNT OF WATER SUPPLY SYSTEM (PARA 3, PAGE 10-AR-WAPDA)

Audit pointed out that contrary to contract provisions, WAPDA made an inadmissible payment to the contractor on account of additional civil works for the bridge type in take structure through variation order under another contract on Main Civil Works. Under the relevant provision, the contractor was obliged to design and install alternative in take equipment without any extra cost to the Employer, in case the "Fish Type" water in take head did not ensure clean and steady water supply.

The PAC after hearing the Ministry's reply, settled the para subject to verification by the Audit.

4.22 WASTEFUL EXPENDITURE OF RS 41.62 (M) DUE TO BAD PLANNING (PARA 4, PAGE 11-AR-WAPDA)

Audit pointed out that the accounts of Operation Division, WAPDA, Sheikhpura for the period from July, 1995 to June, 1996 indicated that Sheikhpura and Muridkay Divisions were selected as Model Division level-11 and approval for additional posts of said divisions was accorded by Member Power in November, 1986. This system did not prove fruitful and it was decided in January, 1994 to revert to the old system. Creation of Model Divisions re-organization system and ultimately reversion to old system resulted in wasteful expenditure of Rs 41.62 (M), which needed investigation.

The Department informed the PAC that the programme was introduced by the higher command for better service to consumers.

The Committee directed the M/O Finance to verify whether the said amount was grant or aid within 01 month and report to the PAC.

ACTIONABLE POINTS: MEETING ON 26-05-1999  
(DEFERRED ACCOUNTS)

4.23 ENQUIRY REPORT ON THE 300/415 MW COMBINED CYCLE PROJECT GUDDU

Audit pointed out that the project was approved by ECNEC for 300 MW but the scope was increased to 415 MW. Which authority or person took this decision to increase the scope and was such a decision a competent decision?

WAPDA's project are reflected in the ADP. Where the amount representing increase in costs on 300 MW Combined Cycle Project allocated in the ADP with the approval of (i) M/O Water and Power (ii) M/O Finance and (iii) the Planning and Development Division? What are the details of allocation of the funds in the ADP year-wise for the project?

What is WAPDA's position on the items of expenditure listed at serial No.(i) to (ii) at pages 3 to 5 of the inquiry report. Which authority or persons took the decision for the additional expenditure on these items costing Rs 1430.40 (M) and were such decisions competent?

Which authority or persons took the decision for the amendments and variations costing Rs 476 (M) and were such decisions competent?

According to the ranking of tenders, the tendered offer of M/s Siemens was determined as the lowest cost as it envisaged the cost of Rs 18465/MW which was the lowest cost/KW of electricity. With the increase in the cost of the project to Rs 7323.86 (M) what had been the cost of electricity per MW and did on this basis M/s. Siemen's offer remain the lowest.

When does M/O Water and Power plan to resubmit the PC-1 to ECNEC alongwith the inquiry report and after deducting the cost of unrelated items and omitting Rs 178.112 (M) mentioned in recommendation (i) of the inquiry report. How and where will the amount recommended for the above adjustment be finally allocated?

The PAC conveyed its displeasure over the irregularities, lapses and omissions in the construction of combined cycle project at GUDDU power station. The Committee observed that M/O Water and Power, planning Division and WAPDA had overlooked their institutional role. The Committee ordered that the report of the Auditor General office be sent to ECNEC, WAPDA, M/O Water and Power and Planning Division to examine the details of the combined cycle project. The Committee further directed that the persons responsible for the irregularities be identified and report be submitted to PAC within 02 months.

AUDIT REPORT (WAPDA) (VOL-VII-1996-97)

4.24 PERFORMANCE AUDIT REPORT ON GRID SYSTEM CONSTRUCTION CIRCLE LAHORE (PAGES 75-104-AR-WAPDA)

(COST OVER RUN-5)

The Audit pointed out that there have been a cost over run of 25% to 317% for the works completed, over the cost of PC-1. The department admitted that delay in release of material from bonded warehouses due to funds constraints caused delay in execution of work. The department also admitted that incurrence of overhead charges finally increased the over all cost of project.

The PAC after hearing the departmental representative directed the department to provide the detailed information regarding the cost over run of the project within 02 months to the Audit.

4.25 INSTALLATION OF SUB-STANDARD EQUIPMENTS IN GIRD STATIONS AND TRANSMISSION LINES

Audit pointed out that about 90% of the material needed for erection of transmission lines and grids was purchased by Chief Engineer(STG) with interest bearing loans. Although the foreign loans were utilized in full for procuring the above material yet the said material/electrical equipments when put to operation failed to work and some time caused heavy

damage to grid stations and transmission lines which badly disrupted the supply of electricity. WAPDA had to bear heavy losses on account of damages of sub standard material and had to incur expenditure of crore of rupees on their replacement. The department informed the PAC that an enquiry is under process on the issue.

After hearing the Ministry's reply, the PAC directed the department to complete the enquiry in the shortest period of time and submit its report to the Committee within 02 months.

4.26 SPECIAL STUDY REPORT ON EQUIPMENT HANDED OVER TO MAIN CONTRACTOR OF FOURTH DRAINAGE PROJECT FAISALABAD (L.R.R.P)(PAGES 105-156-AR-WAPDA)

After hearing the Audit's and Department's viewpoints on study report on equipment the PAC directed the department to complete its inquiry report within 02 months, take action in light of the report and inform the Committee.

4.27 OVERPAYMENT OF RS 7,457,405 ON ACCOUNT OF EXCAVATION OF CANAL (PARA 5, PAGE 12-AR-WAPDA)

Audit pointed out that in Pat Feeder Canal Project the subject over payment was made to contractor at the rate of Rs 57.45 + Rs 57.61 per cubic metre applicable for under-water excavation of canal instead of Rs 47.87 & Rs 48.01 per cubic metre applicable for above-water excavation even during the annual closure period of canal i.e. April, 1995 and April, 1996.

The PAC directed the PAO to examine the facts of the issue and report to the Committee within 01 month.

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ACTIONABLE POINTS: MEETING ON 08-09-1999

AUDIT REPORT WATER & POWER DEVELOPMENT AUTHORITY (VOL-VII-1996-97)

4.28 i) SHORT-RECOVERY OF CAPITAL COST AMOUNTING TO Rs 8,054,085 (PARA 13, PAGE 20-AR-WAPDA).

- ii) LOSS OF Rs 3,341,200 DUE TO BURNING OF 11 NO. FEEDERS (PARA 14, PAGE 21-AR-WAPDA).
- iii) NON-RECOVERY OF COST OF DAMAGED TRANSFORMERS/EQUIPMENT FROM INDEPENDENT CONSUMERS Rs 11,618,115 (PARA 15(A), PAGE 22-AR-WAPDA).
- iv) LOSS OF Rs 11,606,805 DUE TO DAMAGE OF TRANSFORMERS etc. (PARA 15(B), PAGE 24-AR-WAPDA).
- v) NON-RETURN OF TRANSFORMERS DAMAGED DURING WARRANTY PERIOD BY THE MANUFACTURERS Rs 13,507,827 (PARA 15(C), PAGE 26-AR-WAPDA).
- vi) LOSS OF Rs 10,180,876 DUE TO TRANSFORMERS DAMAGED DURING WARRANTY PERIOD (PARA 15(D), PAGE 27-AR-WAPDA).
- vii) IRREGULAR PURCHASE OF TURBINE OIL AMOUNTING TO Rs 3,137,389 (PARA 16, PAGE 28-AR-WAPDA).
- viii) UN-AUTHORIZED EXTENSION OF LOAD BY INDUSTRIAL CONSUMERS NON-RECOVERY OF SECURITY DEPOSITS Rs 15,885,873 (PARA 20, PAGE 31-AR-WAPDA).
- ix) LOSS OF Rs 741,142 DUE TO PAYMENT OF DEMURRAE CHARGES (PARA 22, PAGE 32-AR-WAPDA).
- x) NON-ACCOUNTAL OF MATERIAL VALUING Rs 13,645,056 (PARA 23, PAGE 33-AR-WAPDA).
- xi) LOSS OF Rs 21,914,828 DUE TO NON-FINALIZATION OF INSURANCE CLAIMS (PARA 24, PAGE 34-AR-WAPDA).
- xii) LOSS OF Rs 4,486,456 DUE TO NON RETURN OF DISMANTLED MATERIAL (PARA 28, PAGE 36-AR-WAPDA).
- xiii) NON-RECOVERY OF Rs 6,886,129 ON ACCOUNT OF EXCESS EXPENDITURE ON DEPOSIT WORKS (PARA 33, PAGE 39-AR-WAPDA).
- xiv) NON-RECOVERY OF INSTALLATION/ENERGY CHARGES OF TEMPORARY CONNECTION Rs 900,883 (PARA 34, PAGE 40-AR-WAPDA).
- xv) IRREGULAR EXPENDITURE OF Rs 850,769 DUE TO EXCESSIVE ESTIMATES (PARA 35, PAGE 41-AR-WAPDA).
- xvi) MIS-USE OF MATERIAL FUNDS FOR Rs 5,636,835 (PARA 38, PAGE 43-AR-WAPDA).
- xvii) IRREGULAR EXPENDITURE OF Rs 710,527 ON THE WORK OF SUPPLY OF POWER TO VILLAGE LANGA (PARA 40, PAGE 44-AR-WAPDA).
- xviii) LOSS OF Rs 626,578 DUE TO SUSPECTED PILFERAGE OF DISTRIBUTION TRANSFORMERS (PARA 44, PAGE 46-AR-WAPDA).

- xix) EXTRA EXPENDITURE OF Rs 380,000 DUE TO PROCUREMENT OF STEEL STRUCTURES AT EXORBITANT RATES (PARA 47, PAGE 48-AR-WAPDA).
- xx) DOUBTFUL EXPENDITURE OF Rs 955,162 ON REPAIR AND MAINTENANCE OF VEHICLES (PARA 50, PAGE-50-AR-WAPDA).
- xxi) LOSS OF Rs 46,169 DUE TO MISSING ELECTRICAL EQUIPMENTS/ MATERIAL (PARA 51, PAGE-50-AR-WAPDA).
- xxii) LOSS DUE TO MIS-USE/THEFT OF CASH/MATERIAL VALUING Rs 1,607,796 (PARA 52, PAGE 51-AR-WAPDA).
- xxiii) BLOCKING UP OF AUTHORITY'S FUNDS FOR Rs 33,712,619 (PARA 54, PAGE-54-AR-WAPDA).
- xxiv) LOSS OF Rs 360,743 DUE TO NON-RECOVERY OF SUI GAS CHARGES (PARA 58, PAGE 56-AR-WAPDA).
- xxv) LOSS OF Rs 313,754 DUE TO IRREGULAR INVESTMENT (PARA 59, PAGE 57-AR-WAPDA).
- xxvi) UN-AUTHORIZED RETENTION OF VEHICLE BY MUKHTIAR KAR KASHMORE AND IRREGULAR EXPENDITURE OF Rs 294,956 ON POL ETC (PARA 60, PAGE 57-AR-WAPDA).
- xxvii) NON-DISPOSAL OF UNSERVICEABLE TRANSFORMERS VALUING Rs 248,040 (PARA 64, PAGE 60-AR-WAPDA).
- xxviii) LOSS OF Rs 182,000 DUE TO DAMAGE OF TRANSFORMERS BY AN ACCIDENT (PARA 70, PAGE-63-AR-WAPDA).
- xxix) IRREGULAR EXPENDITURE OF Rs 172,872 (PARA 72, PAGE 64-AR-WAPDA).
- xxx) NON-RECOVERY OF Rs 162,260 OF TEMPORARY ADVANCES FROM OFFICERS/OFFICIALS SINCE 1981-82 (PARA 74, PAGE 65-AR-WAPDA).
- xxxi) IRREGULAR DRAWAL OF NEW 200 KVA TRANSFORMERS AGAINST DAMAGED ONE VALUING Rs 116,310 (PARA 76, PAGE 66-AR-WAPDA).
- xxxii) SHORTAGE OF MATERIAL WORTH Rs 1,390,656 (PARA 82, PAGE 69-AR-WAPDA).
- xxxiii) NON-RECOVERY OF DETECTION BILL Rs 2,154,415 (PARA 83, PAGE 69-AR-WAPDA).
- xxxiv) NON-RECOVERY OF Rs 585,070 ENERGY CHARGES FROM CONSUMERS (PARA 84, PAGE-70-AR-WAPDA).
- xxxv) NON-RECOVERY OF Rs 186,502 ON ACCOUNT OF FIXED CHARGES (PARA 85, PAGE 71-AR-WAPDA).

xxxvi) LOSS OF Rs 193,102 DUE TO DAMAGE OF TRANSFORMERS DURING WARRANTY PERIOD AND NON-RECOVERY OF COST OF BURNT/DAMAGED TRANSFORMERS Rs 96,551 (PARA 86, PAGE 72-AR-WAPDA).

xxxvii) UN-DUE FAVOUR TO CONSUMER RESULTING IN A LOSS OF Rs 61,804 (PARA 89, PAGE 73-AR-WAPDA).

On the presentation of above thirty 37 paras by the Audit, the PAC settled the paras subject to verification by the Audit.

4.29 LOSS OF Rs. 8,725,000 DUE TO CANCELLATION OF PURCHASE ORDER (PARA 6, PAGE 13-AR-WAPDA).

Audit pointed out that a purchase order for supply of 100,000 single Phase meters was placed on a firm on February 19, 1990. A clause IB(b)(v) was inserted in the said purchase order which required transfer of technology. However, the purchase order was cancelled in May, 1992 without any financial repercussions on other side. Due to this cancellation of the purchase order, WAPDA had to bear extra expenditure of Rs 8,725,000 to meet with the requirement from the subsequent purchases at higher rates.

The PAC conveyed its displeasure on the issue and directed the PAO to examine the matter, fix responsibility, take action against the concerned person(s), ensure recovery of loss and report to the Committee within 03 months.

4.30 LOSS OF Rs. 21,399 (M) DUE TO THEFT OF MATERIAL (PARA 7, PAGE 13-AR-WAPDA).

Audit pointed out that WAPDA suffered a loss of Rs 21,399 (M) due to theft of material.

The PAC directed the Audit to verify the recovery and report to the Committee within 01 month. The Committee also directed the department to expedite the recovery of remaining amount.

4.31 EXCESS PAYMENT OF Rs 5.276 (M) IN REFUND OF RETENTION MONEY (PARA 9, PAGE 18-AR-WAPDA).

Audit pointed out that, in Lower Rechna Project, remaining retention money was to be refunded to the contractor @ one half on issue of substantial completion certificate and the balance one half on the expiry of the maintenance period. The retention money was withheld from the contractor's claims in rupees. At the time of refund 52.84% of the amount was paid in US Dollars at current exchange rate which resulted in excess payment of Rs 5.276 (M) to the contractor.

The PAC directed the PAO to inquire into the matter of excess-payment without any delay and report to the Committee within 01 month.

4.32 IRREGULAR PAYMENT OF UN-ATTRACTIVE AREA ALLOWANCE Rs 4.976(M) (PARA 10, PAGE 19-AR-WAPDA).

Audit pointed out that an un-attractive Area Allowance @ Rs. 75 P.M. was paid w.e.f. 1st May, 1977 to the employees of the T&G Division, Quetta in addition to the Hill Allowance admissible at Quetta. The authority did not sanction any un-attractive Allowance for Quetta station. As such the payment on this account amounting to Rs 4.976 (M) made upto January, 1997 was irregular.

The PAC directed the department to reconcile recovery figures with audit, recover the balance amount and report to the Committee within 02 months.

4.33 LOSS OF Rs 3.2 (M) ON PURCHASE OF FOUR NUMBER CRANE MOUNTED TRUCKS (PARA 17, PAGE 28-AR-WAPDA).

Audit pointed out that in G.S.C. Project Rawalpindi, four trucks were purchased at a cost of Rs 5.346 (M). The supplier was asked through another purchase order for Rs 3.2 (M) to fit cranes on these trucks. The delivery period was mentioned in the purchase order "as early as possible". The supplier taking advantage of the vague term of delivery period delivered the trucks after 4 years. Thus, Rs 5.346 (M) advanced to the supplier remained blocked for four years. The cranes fixed on the

trucks also did not work and the WAPDA staff removed these cranes and the trucks were used as ordinary loaders. The expenditure of Rs 3.2 (M) incurred on crane had thus gone waste.

The PAC directed the Department to pursue the case with FIA.

- 4.34 i) UN-PRODUCTIVE CAPITAL INVESTMENT OF Rs 1.424 (M) RESULTING IN LOSS OF Rs 4.484 (M) (PARA 18, PAGE 29-AR-WAPDA).
- ii) NON-RECOVERY OF COST OF 11 KV PANELS FROM INDUSTRIAL CONSUMERS Rs 1.366 (M) (PARA 21, PAGE 32-AR-WAPDA).
- iii) LOSS DUE TO RUNNING OF CONNECTIONS SHOWN IN THE RECORD AS DISCONNECTED Rs 2,063,492 (PARA 25, PAGE 35-AR-WAPDA).
- iv) IRREGULAR DEDUCTION OF BANK CHARGES Rs 1,221,567 (PARA 30, PAGE 38-AR-WAPDA).
- v) EXCESS PAYMENT OF BANK CHARGES Rs 108,784 (PARA 78, PAGE 67-AR-WAPDA).
- vi) LOSS DUE TO IRREGULAR WRITE-OFF OF BAD DEBTS Rs 637,774 (PARA 43, PAGE 46-AR-WAPDA).
- vii) LOSS OF Rs 390,291 DUE TO SPLITTING UP OF CIVIL WORK (PARA 48, PAGE 49-AR-WAPDA).
- viii) UN-DUE FAVOUR TO AN INDUSTRIAL CONSUMER Rs 102,000 AND UN-KNOWN WHEREABOUTS OF 100 KVA TRANSFORMERS VALUING Rs 68,000 (PARA 88, PAGE 73-AR-WAPDA).

On the presentation of above 08 paras the PAC settled the paras subject to verification by the Audit. However, the Committee also directed the PAO with reference to Para-43 to take action against the persons who provided wrong information to the Committee.

- 4.35 LOSS OF Rs 802,187 DUE TO IMPOSITION OF PENALTY FOR LATE CLEARANCE OF MATERIAL (PARA 37, PAGE 42-AR-WAPDA).

Audit pointed out that the accounts of Pasni Thermal Power Station WAPDA disclosed that bonded material reached on July 26, 1992 at bonded warehouse, Sukkur. The material was to be got cleared within 3 months. In spite of the fact that the CBR extended the ware housing period twice

upto June 30, 1993 and November 30, 1993 WAPDA failed to get the material released even by the extended date and was finally released on February 6, 1995. Due to late clearance, WAPDA had to pay warehousing surcharge and penal surcharge amounting to Rs 802,187 which was a loss to the Authority.

The PAC directed the Department to examine the case fix responsibility take action and recover the loss from the person(s) concerned and report to the Committee within six weeks.

4.36 IRREGULAR REFUND DUE TO BOGUS METER READING Rs 640,169 (PARA 42, PAGE 45-AR-WAPDA).

Audit pointed out that the meter readers initially billed bogus reading and subsequently on receipt of complaints from the consumers, heavy refunds were allowed. The bogus reading was billed to cover the line losses/theft of energy, which resulted in loss to the Authority. The number of refund cases was very large. In 14 cases refund of Rs 640,149 was allowed.

The PAC directed the Department to take action against the meter supervisors for negligence and report to the Committee within 02 months.

4.37 LOSS OF Rs 548,555 ON IRREGULAR RE-IMBURSEMENT OF OCTROI CHARGES (PARA 45, PAGE 47-AR-WAPDA).

Audit pointed out that three purchase orders were placed on different firms during November, 1991 to June, 1992 for supply of conductors. The purchase orders were on (FCS) basis. The prices fixed were firm and final with the condition that any further increase in sales tax and excise duty, if not exempted, would be payable by WAPDA. Subsequently, unauthorized amendments for re-imburement of octroi charges of Rs 548,555 were made. This action was irregular being contrary to the condition of the purchase orders. The irregularity was pointed out in February, 1993.

The PAC directed the PAO to examine the matter, fix responsibility, take action against the concerned person(s) and report to the Committee within 01 month.

4.38 NON-RECOVERY OF Rs 916,805 FROM INDUSTRIAL CONSUMERS (PARA 55, PAGE 55-AR-WAPDA).

Audit pointed out that the accounts of Project Director Construction (Operation) WAPDA Islamabad for the period 1989-92 shared that 26% departmental charges amounting to Rs 829,660 and expenditure of Rs 87,145 in excess of amount deposited by the five industrial consumers were not recovered. This resulted in non-recovery of Rs 916,805 (Rs 829,660 + Rs 87,145) which was brought to the notice of the concerned authorities in September, 1992.

The PAC after hearing the Ministry's reply, directed the PAO that, if WAPDA considers appropriate, it should make the rules to wave off 26% departmental charges, under specific conditions i.e where the transformers and other electrical material are provided to private consumers. The Committee, however, directed to recover 26% departmental charges and report to the Committee within 02 months.

4.39 LOSS OF US \$ 15440 (Rs 293,600) DUE TO NEGLIGENCE OF WAPDA (PARA 61, PAGE 58-AR-WAPDA).

Audit pointed out that a 25 MVA auxiliary power transformer was purchased for GTPS Guddu unit No. 4 from a foreign company. The transformer was commissioned in the presence of the representative of the company, but the transformer tripped on differential protection which ultimately required change of bushing CT. Resultantly, a new purchase order of US \$ 12090 for CT bushing was placed on the firm. Therefore, WAPDA had to suffer a loss of US \$ 15540 (12090 + 3350 additional cost of modification of CT ratio) for not providing required ratio of Cts in the original purchase order.

The PAC directed the Department to examine the matter, fix responsibility and take action against the concerned person(s) and report to the Committee within 01 month.

4.40 LOSS OF Rs 292,500 DUE TO NON-RECOVERY OF RENTAL CHARGES OF DIESEL GENERATING SETS (PARA 62, PAGE 59-AR-WAPDA).

Audit pointed out that Diesel Generating sets were used for 117 days by different consumers at different places but their rental charges amounting

to Rs 292,500 (2500 x 117) were not recovered from the respective consumers. Besides, transportation charges were also recoverable but these were also not recovered.

The PAC directed the Department to investigate on case to case basis, recover the amount from the private parties under the rules. If the rules are not effective, steps be taken to improve them and report to the Committee within 02 months.

4.41 EXTRA EXPENDITURE OF Rs 273,600 DUE TO USE OF CONDUCTOR OF HIGHER VALUE (PARA 63, PAGE 59-AR-WAPDA).

Audit pointed out that the project authorities in violation of the Standard Design Instructions WAPDA, used 30400 meters Dog conductor of higher capacity and value instead of ACSR Rabbit conductor actually required on "SOP to village CHAKKI" which resulted in extra expenditure of Rs 273,600. The project authorities during discussion of Inspection Report stated that there was instructions from Member (POWER) for use of DOG conductor instead of ACSR Rabbit Conductor. No such instructions were shown to Audit. The irregularity was brought to the notice of the Project Authorities in September, 1992. Authority is advised to investigate the case and fix responsibility for the extra expenditure.

The PAC directed the PAO to examine the issue and report to the Committee within 02 months.

4.42 UN-DUE FAVOUR TO AN INDUSTRIAL CONSUMER LOSS OF Rs 202,400 (PARA 67, PAGE 61-AR-WAPDA).

Audit pointed out that the accounts of 4th circle Lahore for the year 1993-94 showed that an industrial consumer applied for an 335.827 K.W. industrial connection in Kasur district. The consumer requested that a 630 K.V. transformer which was installed at a cold storage owned by him, situated at G.T. Road Baghbanpura Lahore be shifted to Kasur and installed against the new connection. The General Manager (CS) WAPDA, in contravention to the orders of the Authority, allowed the shifting of the transformer which resulted in a loss of Rs 202,400.

The PAC showed its displeasure on the issue and directed the PAO to follow respective rules and regulations. However, if the rules are not effective, make the new rules with the consultation of M/O Law and M/O Finance on the subject and report to the Committee within one 02 months.

4.43 LOSS OF Rs. 195,000 DUE TO LEAKAGE OF TRANSFORMER OIL (PARA 69, PAGE 12-AR-WAPDA).

Audit pointed out that oil of Power transformer installed at 132 K.V. Sub Station New Sialkot started leaking. The concerned authorities reported the matter to higher authorities in April, 1993 but the leakage of transformer oil could not be repaired. Due to slackness of the higher authorities 6500 K.G. transformer oil was wasted which resulted in a loss of Rs 195,000 to the Authority. The matter was brought up to the notice of the Authority in January, 1995, for fixing responsibility on the persons at fault for making recovery of loss.

The PAC directed the PAO to examine the matter and report to the Committee within 01 month.

4.44 NON-RECOVERY OF REST HOUSE CHARGES FROM A PRIVATE PERSON Rs 123,300 (PARA 75, PAGE 65-AR-WAPDA).

Audit pointed out that an officer of State Bank of Pakistan stayed in WAPDA Rest House from February, 1992 to October, 1992 on fictitious reservation in the name of WAPDA officer. The Authority was put to a loss of Rs 123,300 for un-authorized occupation of rest house in collaboration with WAPDA staff. The matter was reported to the Authority in March, 1993 but neither the amount was recovered from the person concerned nor any action was taken against the persons responsible for the irregularity. The Authority is advised to take immediate steps to recover the amount.

The PAC directed the PAO to take action against the officers/officials held responsible and recover the due amount from the user of the Rest House and report to the Committee within one month.

## MINISTRY OF RAILWAYS

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### 1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meetings held on 20th, 21st, April, 1999, 25th May, 5th August, 1999 and 15th May, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Railways. The Committee noticed a number of serious irregularities with respect to expenditures incurred against budgetary allocations, alarming financial position, poor land management, mis-management of Railways' Assets, purchases of materials, theft and pilferage of Railways' goods, etc. As a result of discussion on these issues, the PAC made several recommendations to restore the deteriorating conditions of Pakistan Railways. It also directed punitive actions where someone was found responsible for some loss to the public exchequer or held guilty of corruption, misuse of power or negligence.

The Report contained 172 paras, of which 68 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry. The Audit also pointed out recoveries amounting to Rs. 1240.199 million, in various cases, out of which Rs. 51.722 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit stipulated in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view-points on different matters. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarised in the following sections.

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

Allocation of Funds for Pakistan Railways, for the year 1996-97, was made by the Federal Government under Grant No.114 (Revenue Expenditure) and Grant No.191 (capital outlay) for the Rs 13,474.094 million and 2351.700 million respectively. Against these grants, the actual expenditure increased by Rs 2,192.979 million and Rs 363.369 million respectively.

In view of alarming situation of excess expenditure in both the Grants, the PAC constituted an Inter-Departmental Committee to look into the underlying factors responsible for the excess expenditure and to recommend remedial measures to correct the budgetary position in future. The IDC was also asked to suggest action against the officers concerned. The Report of the IDC is yet awaited.

### 2.2 ALARMING FINANCIAL POSITION

The PAC, in its meeting dated April 20-21, 1999, noticed that Pakistan Railways had incurred an overdraft of Rs 16.5 billion upto 10.04.1999. An amount exceeding Rs 2 billion, contributed by the employees towards their G.P. Fund Accounts, had also been used by the Management to meet their ever growing expenditure. Even today (17.8.2001) the overdraft balance stands at Rs 20 billion (inclusive of Rs 4 billion limit of ways and means).

In the PAC's meeting held on 15.5.2001, the PAO apprised the Committee of the measures taken to improve Railway's services, reduce expenditure and correct budgetary indiscipline. As stated by the Ministry, pay-roll had been reduced by 35000 employees, pension payments to ghost pensioners had been stopped, etc. The Audit, however, showed its reservations on the claims made by the Executive and apprehended that the Railways would still face a deficit of about Rs 5 billion during the financial year (2000-2001).

### 2.3 LAND MANAGEMENT IN PAKISTAN RAILWAYS

The Audit conducted a special audit of the railways land for analyzing the reasons of excessive encroachments, non-realization of rental charges from authorized and un-authorized occupants and non-preserving the title on the land. Findings of the special audit were issued with the Annual Audit Report 1996-97 as Special Audit Report on Land Management in Pakistan Railways (SAR-14).

- > A brief account of the land owned by Pakistan Railways will help appreciate the findings of the Report (SAR).

In March 1998, Pakistan Railways owned 159,490 acres of land spread all over the country. Out of this, 124,490 acres were under operational use. Pakistan railways had leased 4,716 acres for commercial use, while 4,590 acres were under encroachment (1,091 acres kachi abadis and 3,499 acres other than kachi abadis), leaving a balance of 25,694 acres of land as surplus.

- > Findings of the Report are summarized below:

- i) Non-authentication and non-demarcation of railway land.
- ii) Unauthorized construction on prohibited areas and access roads to railway stations.
- iii) Accumulation of Rs 882.081 million as rent.
- iv) Non-imposition of penalties on illegal transfer of commercial plots.
- v) Allotment of Khokha shops and illegal occupation on adjoining lands.
- vi) Non-disposal of surplus land.
- vii) Allotment of residential plots without public amenities.
- viii) Multiple allotment of plots in housing societies.

Each finding of the Report was examined by the PAC in its meetings held on April 20-21, 1999. Actionable Points, based on the Committee's directives, with respect to the audit findings are given in section 4.

#### 2.4 RECURRING IRREGULARITIES

The Auditor General of Pakistan brought to the notice of PAC, in its meeting held on 25.5.1999, some recurring irregularities in the Pakistan Railways which required attention of the Top Management. These are listed below:

- > Pilferage of Railways Material.  
(The amount keep increasing every year).
- > Irregularities in procurement of ballast.  
(This is also an item which appears in every Audit Report).
- > Splitting of expenditure to avoid sanction of higher authorities.
- > Chronic amount appearing in Bills Receivables.
- > Incurrence of expenditure without proper sanction.
- > Defective Inventory Control System resulting in excessive purchases.
- > Enhancement in quantities after opening of tenders.
- > Irregular/fictitious payment of Over-time Allowance.

The PAC endorsed the findings of the Auditor General of Pakistan and directed the PAO to make active efforts to check these irregularities in future and improve the operational performance of the Railways in the shortest period of time.

#### 2.5 PILFERAGE OF RAILWAY MATERIAL

Theft/pilferage of Railway material has become part of Railway culture; it is not an exception based on a few instances, rather it has been growing over the period of time. Financial loss caused by the pilferage of

fittings and equipments of coaches and wagons was recorded at Rs 26.676 million in 1992-93, Rs 23.766 million in 1993-94 and Rs 37.357 million in 1994-95. Feeling the gravity of the issue, the PAC directed the PAO to take strong measures to control the pilferage causing huge losses to the Railways and demanded compliance report within 3 months.

#### 2.6 IRREGULAR PURCHASE OF MEDICINES

The DMO/Lahore was authorized to make local purchase of medicines upto Rs. 18,000 per month. Deviating from instructions of CMO, he made local purchase of medicine valuing Rs. 18.593 million during the year 1995-96 and 1996-97 by splitting up indent to avoid sanction of the competent authority. Had the medicine been purchased from approved suppliers of the Ministry of Health, Rs 1.859 million representing 10% discount could have been saved.

The Department informed the Committee that after the inquiry against the accused, a criminal case had been registered while two Divisional Accounts Officers had been charge-sheeted.

#### 2.7 IRREGULAR AND UNECONOMICAL PURCHASES

The Divisional Superintendent, Lahore, purchased various items, each valuing more than Rs.10,000 (with a total value of Rs.3,654,862), during July to December, 1995 on quotation basis instead of calling tenders as required under the rules.

#### 2.8 FRAUDULENT WITHDRAWAL OF G.P. FUND

The pay orders for G.P. Fund advances in favour of various employees were passed. In 29 cases out of these, the employees neither gave applications nor received the payment but were fictiously shown to have been paid Rs 4,06,417/-.

The Ministry informed the Committee that officials responsible in the cases had been removed/forcibly retired from service. A criminal case was also filed with Railway Police Station and the matter is still under investigation. The Committee directed the PAO to make all possible efforts to recover the outstanding amount from the officials/officers responsible.

## 2.9 RAILWAY CONSTRUCTION PAKISTAN LTD. (RAILCOP).

The RAILCOP, a subsidiary of Pakistan Railways, was established in 1980. Its objective was to secure construction and engineering business in Pakistan and abroad. Audit observed that, during the year 1996-97, its contract expenses of Rs.18.321 million in the major projects were higher than its contract receipts of Rs.13.147 million. Thus excess expenditure of Rs.5.173 million on contract works reflected poor management and improper planning. While analyzing financial results of the company for the year under review, Audit observed that the retained earnings have been kept at 154% of the working capital and 186% of the paid-up capital. Audit stressed that accumulation of retained earnings (Rs 185.737 million) be reviewed by the management and the same should be transferred to Railways to ease its financial constraints. Audit observed that Rs 224.129 million kept in bank should be utilized for boosting up the company's business instead of blocking the capital. RAILCOP is surviving mainly on interest earned on profits made earlier rather than on securing new construction and engineering business in Pakistan and abroad.

The Ministry apprised the Committee that the RAILCOP is a public limited company. It has paid an amount of Rs 14.2 million to Pakistan Railways in the shape of cash dividend till 1997. To finance its expanding activities it needed huge capital; therefore, a substantial balance was kept in "Retained Earnings Account." During 1996-97 RAILCOP sustained a loss from its projects but in the subsequent years, the position has been improved. The surplus amount has been invested to earn profit/interest. The Ministry also informed that, very recently, the Company has got a project of SRL. 8.72 million in Saudi Arabia.

The PAC observed that, under the Company Law, accumulated profits should not exceed the balance of paid-up capital and huge balance of retained earnings should be distributed in the shape of cash dividend to help the Pakistan Railways reduce its deficit and overdraft. Keeping the surplus funds in the bank to earn interest is not a profitable option, rather it should be properly utilized for the promotion of business. The Committee directed the Ministry to monitor the company's performance and financial discipline on permanent footing and submit a comprehensive report, on the general and financial affairs of the company, to the PAC Secretariat in one month.

### 3. RECOMMENDATIONS

#### 3.1 REFERENCE: EXCESSES IN GRANT NO.114 AND GRANT NO.191 (DEV)

The Ministry should improve its monitoring and accounting systems, strengthen internal financial control and promote awareness of budgetary/financial rules and procedures to discipline its expenditure according to the allocations in the Grants.

3.2 Railways' alarming financial situation warrants massive restructuring of its assets, business strategies, operations, human resource management etc. Policies and decisions should be based on corporate approach and market needs. Data Management, improved accounting system, internal financial control should ensure efficiency, transparency and economy in the system. At this juncture, the system also needs a substantial financial assistance from outside.

3.3 The Railways should improve its Accounting System, by introducing computerization and adopting generally accepted accounting standards, to meet the requirements of Market Economy/Business culture.

3.4 The meetings of the Railways Board should be held twice a month for smooth and efficient working of the system.

- 3.5 The Ministry should make a list of the court cases and approach the respective Chief Justices of the Supreme/High Court, through M/o Law, for early decisions of the cases.
- 3.6 Railways' Management should take strong measures to protect its assets and stop pilferage of its materials.
- 3.7 Pakistan Railways should take effective measures to retrieve its encroached properties, manage complete demarcation of its lands and ensure recovery of outstanding rents of its Land & Buildings.
- 3.8 Pakistan Railways should take remedial measures against recurring irregularities mentioned in section 2.4 to improve its operational performance.
- 3.9 The PAC observed that, under the Company Law, accumulated profits should not exceed the balance of paid-up capital and, therefore, huge balance of retained earnings lying in the books of Railways subsidiary, namely Railway Construction Pakistan Limited (Rail Cop) should be distributed in the shape of cash dividend to help the Pakistan Railways reduce its deficit and overdraft. Keeping the surplus funds in the bank by the subsidiary to earn interest is not a profitable option, rather it should be properly utilized for the promotion of business. The Committee directed the Ministry to monitor the subsidiary company's performance and financial discipline on permanent footing and submit a comprehensive report, on the general and financial affairs of the company, to the PAC Secretariat in each month.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON APRIL 20 & 21, MAY 25, AUGUST 5, 1999 AND MAY 15, 2001

ACTIONABLE POINTS: MEETING ON 20-04-1999 & 21-04-1999

4.1 ALARMING FINANCIAL POSITION OF RAILWAYS

The Audit informed the PAC that the Railways earnings upto 10:4:1999 have registered a decline for over 152 crores as compared to budgeted figures.

In the last meeting of the PAC held in October, 1998, the Secretary/Chairman had given an assurance that not only 70 crore shortfall would be made good but additional income would also be generated. The situation; unfortunately, is entirely different with the figure of shortfall in earning reaching 152 crores. It is perhaps for the first time in the history of the Railways that even last years' earning figures have not been achieved.

The Audit further informed the Committee that the overdraft of the Railways is now Rs 16.5 (B), a jump of Rs 04 (B) in 09 months. This also is unprecedented. The GPF balances of employees which are over 2 billion, have also been used by the Railways to meet their ever growing expenditures. While explaining the rise in the overdraft, this fact is not reflected in any of their statements.

All this indicate a very loose financial control in Railways with Divisional Officers incurring expenditure beyond budget provision even on non-mandatory expenditure like payment to contractors for orders placed.

The PAC conveyed its displeasure on the general bad financial health of the Railways. The Committee issued the following directives to M/o Railways and the Auditor-General of Pakistan for necessary action:

- i) The meeting of the Railways Board should be held twice a month for the smooth working of the Department.
- ii) The Railways should improve its accounting system to meet with the requirements of marketing economy/business culture.
- iii) Auditor-General of Pakistan with the help of M/o Finance and M/o Railways should prepare a summary for the Finance Minister on financial affairs of Pakistan Railways, identifying shortfalls due to operational failures and fiscal anomalies and recommending steps for the improvement of financial position of the Railways. The Committee also observed that at present, the books don't reflect detailed reasons of shortfalls and therefore need improvement.

SPECIAL AUDIT REPORT ON LAND MANAGEMENT IN PAKISTAN RAILWAYS 1996-974.2 FINDINGS (PARA 1, PAGE 4-SAR-96-97)

Audit pointed out that out of 5000 land plans for 159490 acres of land 3013 plans for 113951 acres could be got authenticated from revenue department till 1969. Thereafter, no progress was made. 1987 land plans prepared thereafter could not be got authenticated. Most of the railways land could not be demarcated till December, 1997. Railways land relating to NWFP could not be got authenticated. Transferring of land in favour of Pakistan Railways measuring 58344 area relating to Punjab province is still subjudice. Similarly, 12091 acres of land in Baluchistan could also not be transferred to the Railways.

The Department informed the PAC that out of total land plans, 3930 for 121480 acres of land have been got authenticated and the remaining 960 have not yet been got finally approved despite that these plans were signed by the concerned Patwaris. Work regarding demarcation of land is in progress in respect of Baluchistan, Punjab & NWFP provinces. The case regarding transferring of "in possession" land in Punjab province is still in Court of Law.

The PAO assured the Committee that the Department will complete the demarcation of land within 03 months.

4.3 UN-AUTHORIZED CONSTRUCTION ON PROHIBITED AREA AND ACCESS ROADS TO RAILWAYS STATIONS (PARA 2, PAGE 5-SAR-96-97)

Audit pointed out that out of total 25694 acres surplus land, 1106 acres was under encroachment till 1986 which has now become 6005 acres by June, 1997. It constitutes 23% of the total surplus land. Civil Engineering Department of Pakistan Railways and Railways Magistrate could not retrieve the encroached land due to non-cooperation of civil authorities i.e. Police Department and District Administration etc. 30 to 100 feet from both sides of the railways track is prohibited area and no construction is

allowed thereon. But multi-storied buildings were erected even in prohibited areas all over the country. Land could not be retrieved despite instructions of the Railways Board and Minister for Railways in 1991 from un-authorized occupants within the radius of 03 KM from stations.

The Railways administration accepted the observations in principle and informed the PAC that suitable action is being taken up to get the encroached land vacated from the un-authorized occupants by adopting suitable measures.

The PAC directed the Department to construct the pillars around the Railways' land avoid further encroachment within 03 months.

4.4 ACCUMULATION OF RS 882.081 (M) AS RENT (PARA 3, PAGE 6-SAR-96-97)

Audit pointed out that Railways administration leased out 5000 acres of land to Govt. Departments, Corporations and private bodies till 1991-92. Thereafter, no further land was given due to imposition of ban. Resultantly, Rs 882.081 (M) have accumulated against the occupants as rent in December, 1997, due to various reasons, such as non-execution of proper agreements or execution of defective agreements and not preserving the title of the land.

The Audit also informed the Committee that the authorized occupants in Quetta Division have stated in an interview that they were paying rent regularly but no receipts thereof were being issued to them.

After hearing the Ministry's reply, the PAC directed the Ministry to take immediate steps to expedite recovery of the long outstanding rent amounts and also directed Finance Division to help the M/o Railways in this respect.

The PAO informed the Committee that investigation is under process regarding un-authorized occupation and collection of rents without acknowledgement in Quetta Division. The Department will submit its inquiry report to the Committee within 01 month.

4.5 NON-IMPOSITION OF PENALTIES ON ILLEGAL TRANSFER OF COMMERCIAL PLOTS (PARA 4, PAGE 7-SAR-96-97)

Audit pointed that the Railways administration imposed penalties in December, 1996, on the occupants of Railways land for transferring it illegally, which ranged from Rs. 20000/- to Rs. 100000/-. No penalties are being recovered.

After hearing the Ministry's reply, the Committee directed the Department to reconcile the issue with the Audit.

4.6 ALLOTMENT OF KHOKHA SHOPS AND ILLEGAL OCCUPATION ON ADJOINING PLOTS (PARA 5, PAGE 8-SAR-96-97)

Audit pointed out that 10x10=100 sq. feet for khokha shops were allotted to the retired railways employees in order to provide them job opportunities. These were not transferable except to widows of the deceased occupants. In contravention of the aforesaid policy, 80% plots were transferred to others. The situation is prevailing all over the country.

The PAC directed the PAO to take the measures to retrieve Railways land from the encroachers and report to the Committee within 02 months.

4.7 MULTIPLE ALLOTMENT OF PLOTS IN HOUSING SOCIETIES (PARA 8, PAGE 9-SAR-96-97)

Audit pointed out that 453 plots were allotted to 184 officers of Grade 17 & above in contravention of the by-laws.

The PAC directed the Department to enforce the by-laws while allotting the plots to the employees. The Committee further directed the Department to take immediate action against remaining 137 officers holding multiple plots violating the rules and regulations within 02 months. The Committee showed its displeasure for delaying action in this regard.

APPROPRIATION ACCOUNTS (PAKISTAN RAILWAYS)(VOL-III-1996-97)

- 4.8 i) GRANT NO. 114-PAKISTAN RAILWAYS CHARGED AUTHORIZED (PAGE 10-AA-PR)
- ii) GRANT NO. 191-CAPITAL OUTLAY OF PAKISTAN RAILWAYS OTHER THAN CHARGED (PAGE 12-AA-PR)

The PAC; on the above 02 Grants, constituted an Inter-departmental Committee(IDC) comprising representatives each from M/o Finance, Railways and Audit Department to look into the matter and propose the action against the officers concerned and report to the Committee within 02 months.

ACTIONABLE POINTS FOR 1993-94

- 4.9 LOSS OF RS. 558,000/- DUE TO UN-AUTHORIZED SALE OF PLOTS (PARA 7.3, PAGE 76-AR-RAILWAYS)

Audit pointed out that previously, the PAC had directed that the triangle shaped Railways land be auctioned as commercial plots. The plots in question have not been sold as yet.

The PAC referred the issue; for examination, to the Sub-committee already constituted to examine the irregular sale of Railways land at Vehari under the Convenership of Syed Zafar Ali Shah, MNA.

- 4.10 LOSS OF RS 23.280 (M) DUE TO SHORTAGE OF 2473 M/TONS OF SCRAP STEEL RAILS (PARA 7.5, PAGE 78-AR-RAILWAYS)

The PAC settled the above para subject to verification by the Audit.

- 4.11 LOSS OF RS 0.926 (M) DUE TO PURCHASE OF SUB-STANDARD CREOSOTE OIL (PARA 7.8, PAGE 81-AR-RAILWAYS)

Audit pointed out that Mr. Masood Ashraf Siddique, Ex-AC&M, who had accepted the sub-standard material and certified that it was according to specification, has been dismissed from service. The Firm's security money viz Rs. 53240/- and Rs. 102932/- which was withheld, has been forfeited. The Firm M/s Behzad Associates has also been black listed.

The Committee directed the PAO to take steps to recover the balance amount and report within 02 months.

4.12 WASTEFUL EXPENDITURE OF RS 20.876 (M) ON THE COMPUTERIZATION OF RESERVATION OFFICES OF PAKISTAN RAILWAYS (PARA 7.10, PAGE 84-AR-RAILWAYS) (ITEM 5-AP-93-94)

Audit pointed out that previously, the PAC directed the Department to examine the case. The Department informed the Committee that the bank guarantee was released on receipt of equipment. The project was; however, investigated as a result of which 02 Railways officers M/S Muhammad Munir Khan, Sr. Programmer and Ehsanul Haq, Director MIS have been censured.

The Committee directed the Audit to examine the inquiry report of the Department and ascertain whether the punishment given to the staff responsible commensurated with the findings and that the action taken was adequate and report within 01 month.

4.13 LOSS OF RS 1.934 (M) ON PURCHASE OF SUB-STANDARD BELTING RUBBER CANVAS (PARA 7.12, PAGE 86-AR-RAILWAYS)

The Committee settled the above para subject to verification by the Audit.

4.14 UN-ECONOMICAL PROCUREMENT OF 23(5+18) DIESEL ELECTRIC LOCOMOTIVES (PARA 7.13, PAGE 86-AR-RAILWAYS)(ITEM 6-AP-93-94)

Audit pointed out that an IDC was constituted to review the para and finalize its report within 01 month.

The PAC directed that the IDC should submit its report within 01 month.

4.15 IRREGULARITIES OF RS. 229695/- ON PURCHASE OF FURNITURE (PARA 7.14, PAGE 88-AR-RAILWAYS)(ITEM 7-AP-93-94)

Audit pointed out that previously, the PAC had directed the Department to hold an inquiry on the issue.

The Department informed the Committee that the inquiry is under process.

The Committee directed the PAO to complete the inquiry and report in 01 month.

4.16 IRREGULARITIES COMMITTED IN THE PROCUREMENT OF STONE BALLAST COSTING RS 2.190 (M) (PARA 7.15, PAGE 89-AR-RAILWAYS)(ITEM 8-AP-93-94)

Audit pointed out that the PAC had directed the PAO to examine the case and take action.

The Department informed the Committee that the case was examined and found that no fraudulent payment has been made.

The PAC directed the Audit to examine the report of PAO and report to the Committee within 01 month.

4.17 UN-JUSTIFIED EXCESSIVE PURCHASE OF SUI GAS APPLIANCES RESULTING IN BLOCKAGE OF CAPITAL AMOUNTING TO RS. 156510/- (PARA 7.16, PAGE 90-AR-RAILWAYS)(ITEM 9-AP-93-94)

Audit pointed out that previously, the PAC had directed the PAO to examine the issue and take action under E&D rules against the officials concerned.

The Department informed the Committee that all the persons concerned have either expired or retired.

The Committee directed the Department to furnish the report on the issue to the Audit so as to enable them to report within 02 months.

4.18 i) PROCUREMENT OF TRACK CRANE-WASTEFUL EXPENDITURE OF RS 1.659(M)(PARA 7.18, PAGE 92-AR-RAILWAYS)(ITEM 10-AP-93-94)

ii) LOSS OF RS 20.912 (M) DUE TO INJUDICIOUS DECISION (PARA 7.20, PAGE 94-AR-RAILWAYS)(ITEM 11-AP-93-94)

On the above two issues the PAC directed the Department to finalize the reports and submit to Audit within 07 days.

4.19 IRREGULAR PROCUREMENT OF BALLAST COSTING RS 1,892,663 (PARA 7.21, PAGE 95-AR-RAILWAYS)(ITEM 12-AP-93-94)

Audit pointed out that the PAC had directed the PAO to examine the case, take action against officials concerned within 02 months.

The Department informed the Committee that irregularity was regularized by sanction of estimate.

The PAC directed the Audit Department to examine the issue date-wise and give comprehensive report within 01 month.

4.20 FRAUDULENT EVALUATION OF TENDERS RESULTING IN ADDITIONAL EXPENDITURE OF RS 8.5 (M) (PARA 7.24, PAGE 97-AR-RAILWAYS)(ITEM 13-AP-93-94)

Audit pointed out that PAC had directed the Ministry to inquire the matter and fix responsibility within 03 months.

After hearing Ministry's reply, the Committee observed that the Department deliberately delayed to implement the orders of the PAC. The Committee directed the Department to implement its previous directive within one week and report to the Audit for verification and communication to PAC's. Explanation needs to be called for escaping PAC directive.

AUDIT REPORT [VOL-VI(B)] (PAKISTAN RAILWAYS-1996-97)

- 4.21 i) PERFORMANCE AUDIT REPORT ON THE MODIFICATION OF 84 JAPANESE TRAILERS TO ENHANCE THE SEATING CAPACITY, (PAGE 43-AR-RAILWAYS)
- ii) PERFORMANCE AUDIT REPORT ON RECOMMISSIONING OF 90 EXCESSIVELY DAMAGED CARRIAGES (PAGE 97-AR-RAILWAYS)

On the presentation of above mentioned performance Audit Reports the Public Accounts Committee constituted an Inter-Departmental Committee comprising representative of Planning Division, Ministry of Finance, Audit Department and Ministry of Railways to review the issues and report to the Committee within two months.

4.22 PERFORMANCE AUDIT REPORT ON THE PROJECT OF PROCUREMENT OF 18 D.E. LOCOMOTIVES (PAGE 141-AR-RAILWAYS)

On the presentation of the performance Audit Report of 18 D.E. Locomotives, the Public Accounts Committee constituted a Sub-Committee under the Chairmanship of Nawab Salahuddin Abbasi, MNA Mr. Adnan Aurangzeb, MNA and representatives of Ministry of Finance, Ministry of Railways and Audit Department to look into the matter and report to the Committee within three months.

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ACTIONABLE POINTS: MEETING ON 25-05-1999

4.23 RECURRING IRREGULARITIES IN PAKISTAN RAILWAYS

Auditor General of Pakistan informed the Committee that every year there are certain types of irregularities involving huge amounts in Pakistan Railways. It is regretted to point out that such irregularities continue to occur and amounts involved keep on increasing as compared to previous years. This clearly shows lack of proper Internal Controls. There is also a post of Chief Internal Auditor in the Railways and this department needs to be strengthened.

The irregularities noticed every year are as follows:-

- a) Pilferage of Railway Material.  
(The amount keep on increasing every year).
- b) Irregularities in procurement of ballast.  
(This is also an item which appears in every Audit Report).
- c) Splitting of expenditure to avoid sanction of higher authorities.
- d) Chronic amount appearing in bills receivable.
- e) Incurrence of expenditure without proper sanction.
- f) Defective Inventory Control System resulting in excessive purchases.
- g) Enhancement in quantities after opening of tenders.

- h) Payment of excess amount to Custom and failure to get refund in time.
- i) Irregular/fictitious payment of Over-time Allowance.

The PAC endorsed the opinion of the Auditor-General of Pakistan and stressed that the Committee is interested to resolve the problems and difficulties of the Pakistan Railways. The Committee directed the PAO to make active efforts to minimize the losses and improve the operational performance of the Department in the shortest period of time.

#### ACTIONABLE POINTS 1993-94

4.24 GROSS IRREGULARITIES IN CONSERVANCY CONTRACT FOR REMOVING RUBBISH AND NIGHT SOIL FROM RAILWAY COLONIES AND STATION PREMISES, (PARA 7.33, PAGE 105-AR-RAILWAYS)(ITEM 3-AP-1993-94)

The PAO, M/o Railways was directed to inquire the matter again, inform the Audit and report to the PAC. The Railway administration informed that the officers at fault have been charge sheeted. Action in this case is in progress.

The PAC directed the Department to provide the inquiry report and a copy of charge sheet framed to the Audit and PAC within 01 month.

4.25 INCURRENCE OF IRREGULAR EXPENDITURE OF RS 689,407 DUE TO SPLITTING UP A WORK(PARA 7.37, PAGE 109-RAILWAYS)(ITEM 4-AP-93-94)

The PAO, M/o Railways was directed by the PAC to examine the case, charge-sheet the Divisional Superintendent, Rawalpindi and report. Railways Administration has intimated that charge sheets have been issued to the two Ex. Division Superintendent/Rawalpindi on 19-4-99. The action taken against the officers responsible has not been intimated so far.

The PAC directed the PAO to expedite the action against the officers(s) concerned and inform the Committee within 01 month.

4.26 INCURRENCE OF EXPENDITURE OF RS 3,815,452 WITHOUT SANCTION OF THE COMPETENT AUTHORITY(PARA 7.39, PAGE 110-AR-RAILWAYS)(ITEM 6-AP-93-94)

The PAC directed the PAO, M/o Railways to examine the expenditure, verify the work, fix the responsibility for negligence and report. The Railway Administration intimated that the Committee had concluded that the two works i.e. extension of Island passenger platform and construction of Dock-end passenger platform were undertaken on the basis of the urgency certificate given by the General Manager and a detailed estimate thereof.

The PAC constituted an Inter-Departmental Committee(IDC) comprising Mr. Naqi Mohsin, DG Audit(Railways), Lahore, Mr. Ansar Hussain Shamsi, JS(CF)(M/o Finance), Mr. Hafeezullah Khan, Chief Engineer(Railways) to examine the matter and report to the Committee within 01 month.

4.27 NON-REALIZATION OF RENT AMOUNTING TO RS 437,221 (M) DUE TO IMPROPER MAINTENANCE OF LAND RECORD (PARA 7.46, PAGE 115-AR-RAILWAYS) (ITEM 1-AP-93-94)

The PAC directed the Department to fix responsibility and take action against persons held responsible. The Department was also directed to take up the issue with Chief Minister, Punjab.

The Railways administration informed that the case has been referred to Chief Secretary Government of Punjab, NWFP and Sindh to recover the amount involved.

The PAC directed the Department to expedite the matter to recover the said amount and report to the Committee within 02 months.

4.28 EXCESS ISSUE OF RAW MATERIAL WORTH RS 0.551 (M) FOR MANUFACTURE OF RCC TWIN BLOCK SLEEPERS BY W.M/CSF KOTRI DURING 1993-94 (PARA 7.64, PAGE 132-AR-RAILWAYS)(ITEM 7-AP-93-94)

The departmental representative assured the Committee to recover the balance amount of Rs 282778 within 02 months. The Committee agreed with the decision of the Railway Administration.

The Ministry informed the Committee that an amount of Rs 90,200/- has been recovered from the concerned persons. However, the concerned employees filed a suit in Service Tribunal Karachi. The case is still subjudice.

The PAC directed the Department to pursue the case in Court of Law actively and report to the Committee within 02 months.

4.29 LOSS OF RS 39.572 (M) DUE TO DEFICIENCIES OF ELECTRICAL ITEMS IN COACHING STOCK(PARA 7.66, PAGE 133-AR-RAILWAYS)(ITEM 8-AP-93-94)

The PAC directed the Railways administration to take necessary measures to control the theft and report to the Committee within 01 month.

- \* The Railways administration informed the Committee that entire amount of deficiency can not be attributed to theft.
- \* Deficiency quantum-wise mostly pertains to the pilferage of cables.
- \* Inspector General of Railways has now increased the strength of the preventive Railways police on important maintenance depots/yards.

The PAC directed the Department to take all possible measures to control the theft in the Department and report to the Committee within 02 months.

4.30 REFURBISHMENT OF RAILWAY COACHES AND CLOSE CIRCUIT TELEVISION SYSTEM AT STATIONS (CHAPTER NO.8, PAGE 259-AR-RAILWAYS)(ITEM 4-AP-93-94)

The PAC was not satisfied with the explanation given by the Ministry, took serious notice and formed an Inter-departmental Committee(IDC) comprising a nominee each from Audit, Finance and M/o Railways to examine the issue and report to the PAC within 02 months.

The Railways Administration informed the Committee that the IDC has finalized its report and directed the Railway Administration to fix responsibility for pilferage/theft of Public Address System valuing Rs 2.146 (M).

The PAC directed the PAO to fix the responsibility against the officers concerned in light of the IDC report and report to the Committee within 01 month.

4.31 PRIVATIZATION OF LAHORE-FAISALABAD-NAROWAL, CHAKAMRU SECTION (CHAPTER 5, PAGE 159-AR-RAILWAYS)(ITEM 3-AP-93-94)

The Committee directed the M/o Railways to process the case in the Court of Law against the contractor to recover an amount of Rs 0.479 (M) and report to PAC. The Committee also directed the Department to file the case with Accountability Cell against the then General Manager and recover the amount from the contractor. The Audit also reported to the Committee that an amount of Rs 3.369 (M) (Income Tax) is outstanding against the contractor.

The Department informed the Committee that the contractor has deposited Rs 0.479 (M) which represented the outstanding dues. The Department further stated that regarding the amount of Rs 3.369 (M) (Income Tax), the contractor has filed a suit in the Court of Law.

The PAC directed the Department to pursue the case in the Court of Law vigorously to protect the interests of Pakistan Railways and ensure action against officers responsible as previously directed by the PAC.

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4.32 LOSS OF RS 97.800 (M) DUE TO PILFERAGE OF RAILWAY MATERIAL (PARA 7(A)(1), PAGE 81-AR-RAILWAYS)

Audit pointed out that the fittings and equipments of coaches and wagons were stolen causing huge losses to Railway Administration in 1992-93; Rs 26.676(M), 1993-94; Rs 23.766 (M) and 1994-95; Rs 37.357 (M).

After hearing the Ministry's reply, the PAC directed the PAO to take strong measures to control the pilferage causing huge losses to the Department and report to the Committee within 03 months.

4.33 LOSS OF RS 3.017 (M) ON ACCOUNT OF DEMURRAGE & INSURANCE CHARGES (PARA 79(A)(2), PAGE 81-AR-RAILWAYS)

Audit pointed out that two "Self driven combined, lifting, levelling, lining and tamping machines for plain track (Domestic Type 08-32)" were imported in July, 1996. The Custom Examination of the Machines could not be got executed due to non-handling over of keys by the local agent. Due to this, payment of Rs 3.017 (M) had to be made on account of demurrage and insurance charges which were required to be recovered from the Firm.

The PAC directed the PAO to conduct the inquiry on the loss of Rs 3.017 (M) and report to the Committee and Audit Department within 02 months.

4.34 MISAPPROPRIATION OF STONE BALLAST COSTING RS 2.166 (M) (PARA 7(A)(3), PAGE 82-AR-RAILWAYS)

Audit pointed out that a quantity of 189719 cft stone ballast valuing Rs 2.166 (M) was shown as unloaded by a PWI during November, 1995 to November, 1996 at such kilometers which were not included in the proposal showing requirements of ballast to recoup shortages. This indicated that the ballast was not unloaded/issued to the aforesaid kilometers and was misappropriated.

The PAC directed the PAO to examine the issue and take appropriate measures to stop the mis-appropriation and report to the Committee within 02 months.

4.35 FICTITIOUS/UNJUSTIFIED PAYMENT OF OVERTIME ALLOWANCE AMOUNTING TO RS 727000 (PARA 7(A)(9), PAGE 85-AR-RAILWAYS)

Audit pointed out that the workers of Railway workshop, whenever required to be deployed on any work outside their workshop premises, are booked on a document called "Loco-70" indicating time of their departure/ return, details of work done etc. The workers of certain shops of workshop Division were shown as booked on "Loco-70" fictitiously and were paid overtime allowance of Rs 727,346 during the period from January, 1995 to December, 1996.

The PAC constituted an Inter-Departmental Committee(IDC) under the Convenership of Mr. Ansar Hussain Shamshi, JS(M/O Finance), Mr. Naqi Mohsin, DG Audit(Railways), Lahore and Mr. Anwar Masood, Director Project(Railways) to examine the matter and report to the Committee within 02 months.

4.36 MISAPPROPRIATION OF MATERIAL WORTH RS 210000 (PARA 7(A)(11), PAGE 86-AR-RAILWAYS)

Audit pointed out that 10000 K.g. S.M. Round valuing Rs 210,000 shown as issued by the Inspector of Bridges, Court Yard, Jehlum to the Inspector of Stores, Bridge workshops, Jehlum. The material was not accounted for by the consignee and appears to have been misappropriated.

The Ministry informed the Committee that an inquiry Committee probed into the matter and the material was actually utilized on bonafide Railway works.

The PAC settled the para subject to verification by the Audit.

4.37 BOGUS PAYMENT OF RS 142000 ON A SPECIAL REPAIR (PARA 7(A) (14), PAGE 88-AR-RAILWAYS)

Audit pointed out that an amount of Rs 142000 was paid to a contractor on account of special repairs to pucca platform in "Lathi" ground in headquarters office, Lahore executed from March to May, 1996. The site verification conducted by the Audit in September, 1996 revealed that there was no such structure at the site, proving thereby that bogus payment was made.

The Ministry informed the Committee that before commencement of the work in question, the wooden stairs located in the main building of headquarter office collapsed and the contractor was asked to repair those keeping in view the urgency. The contractor was paid for the repair of the wooden stairs.

The PAC directed the Department to regularize the payment of Rs 142000 on a special repair from the competent authority.

4.38 MIS-APPROPRIATION OF GOVERNMENT MONEY AMOUNTING TO RS 137000 (PARA 7(A)(16), PAGE 89-AR-RAILWAYS)

Audit pointed out that the sale proceeds of tickets, valuing Rs 129,394 were mis-appropriated by the staff of a Railway station during the period from November, 1995 to May, 1997. Furthermore, debits of Rs 7462/- shown in the balance sheet of the station for January, 1996 were also not remitted.

The Ministry informed the Committee that the culprit has deposited Rs 56,979/- and criminal case has been registered against him. The Committee directed the Department to suspend the culprit immediately, take action against him under E&D rules and enhance the matter of recovery adequately to recover the loss with reasonable period. The Committee also directed the PAO to take action against supervisory officer of the culprit and report to the Committee within 02 months.

4.39 WASTEFUL EXPENDITURE OF RS 1.173 (M) ON THE REPLACEMENT OF AN ABANDONED TUBEWELL (PARA 7(B)(3), PAGE 94-AR-RAILWAYS)

Audit pointed out that an amount of Rs 1,173,043 was incurred on a work purporting to achieve a discharge of 22500 gallons water per hour from a tubewell. But, the said objective could not be achieved, resulting in wasteful expenditure of Rs 1.173 (M).

The PAC directed the PAO to examine the issue in detail and report to the Committee within 02 months.

ACTIONABLE POINTS: MEETING HELD ON 05-08-1999AUDIT REPORT PAKISTAN RAILWAYS(VOL-VI(A)-1996-97)

- 4.40 i) (PARA 7(a)(3), PAGE 82-AR-RAILWAYS).  
ii) (PARA 7(a)(5), PAGE 83-AR-RAILWAYS).  
iii) (PARA 7(a)(8), PAGE 85-AR-RAILWAYS)  
iv) (PARA 7(a)(10), PAGE 86-AR-RAILWAYS).  
v) (PARA 7(a)(13), PAGE 87-AR-RAILWAYS).  
vi) (PARA 7(b)(1), PAGE 93-AR-RAILWAYS).  
vii) (PARA 7(b)(5), PAGE 95-AR-RAILWAYS).  
viii) (PARA 7(c)(1), PAGE 99-AR-RAILWAYS).  
ix) (PARA 7(c)(4), PAGE 101-AR-RAILWAYS).  
x) (PARA 7(d)(1), PAGE 107-AR-RAILWAYS).  
xi) (PARA 7(d)(4), PAGE 110-AR-RAILWAYS).  
xii) (PARA 7(d)(5), PAGE 110-AR-RAILWAYS)  
xiii) (PARA 7(d)(7), PAGE 112-AR-RAILWAYS).  
xiv) (PARA 7(d)(8), PAGE 112-AR-RAILWAYS).  
xv) (PARA 7(e)(2), PAGE 117-AR-RAILWAYS).  
xvi) (PARA 7(e)(5), PAGE 118-AR-RAILWAYS).  
xvii) (PARA 7(e)(6), PAGE 119-AR-RAILWAYS).  
xviii) (PARA 7(e)(9), PAGE 120-AR-RAILWAYS).  
xix) (PARA 7(e)(12), PAGE 122-AR-RAILWAYS).  
xx) (PARA 7(e)(20), PAGE 127-AR-RAILWAYS).  
xxi) (PARA 7(f)(3), PAGE 132-AR-RAILWAYS)  
xxii) (PARA 7(g)(1), PAGE 137-AR-RAILWAYS).  
xxiii) (PARA 7(g)(2), PAGE 30-AR-RAILWAYS).  
xxiv) (PARA 7(g)(5), PAGE 30-AR-RAILWAYS).  
xxv) (PARA 4.7), PAGE 31-AR-RAILWAYS).  
xxvi) (PARA 4.8), PAGE 30-AR-RAILWAYS).  
xxvii) (PARA 4.9), PAGE 31-AR-RAILWAYS).  
xxviii) (PARA 4.11), PAGE 31-AR-RAILWAYS).  
xxix) (PARA 4.13), PAGE 32-AR-RAILWAYS).  
xxx) (PARA 4.14), PAGE 33-AR-RAILWAYS)  
xxxi) (PARA 4.19), PAGE 34-AR-RAILWAYS).

xxxii)(PARA 4.20, PAGE 35-AR-RAILWAYS).  
 xxxiii)(PARA 4.22, PAGE 35-AR-RAILWAYS).  
 xxxiv)(PARA 4.25, PAGE 36-AR-RAILWAYS).  
 xxxv)(PARA 4.26, PAGE 36-AR-RAILWAYS).  
 xxxvi)(PARA 4.28, PAGE 37-AR-RAILWAYS).  
 xxxvii)(PARA 4.31, PAGE 38-AR-RAILWAYS).

On the presentation of above thirty seven paras by the Audit Department, the Public Accounts Committee deferred the paras till the next meeting of the Committee.

4.41 BLOCKING OF Rs. 2.035 MILLION DUE TO UNNECESSARY PROCUREMENT OF MATERIAL (PARA 7(c)(5), PAGE-102-AR-RAILWAYS)

Audit pointed out that 15 items of different description of material valuing Rs. 2,034,546 were lying stocked in Main Store Depot, Carriage Factory, Islamabad for the last 3 to 7 years. The procurement of material was un-necessary causing blockage of Rs. 2.035 million.

The Public Accounts Committee directed the Principal Accounting Officer to determine the retention of the material. If the said material is not required by the Department then it may be sold in the open market and report to the Committee within two months.

4.42 IRREGULAR AND UN-ECONOMICAL PURCHASE OF MATERIAL VALUING Rs. 3.655 MILLION (PARA 7(d)(2), PAGE-107-AR-RAILWAYS).

Audit pointed out that Divisional Superintendent, Lahore purchased various items each valuing more than Rs. 10,000 (with a total value of Rs. 3,654,862) during July to December, 1995 on quotation basis instead of limited tender basis as required under the Rules/Procedure which rendered the entire purchase as irregular as well as un-economical.

The Public Accounts Committee directed the Principal Accounting Officer to examine the issue on merit and report to the Committee within two months.

- 4.43 i) NON-REALIZATION OF RAILWAY DUES AMOUNTING TO Rs. 224.326 MILLION (PARA 7(e)(I), PAGE-117-AR-RAILWAYS)
- ii) OVERPAYMENT OF Rs. 28.160 MILLION TO CUSTOM DEPARTMENT (PARA 7(e)(13), PAGE-123-AR-RAILWAYS)

On the presentation of above two paras the Public Accounts Committee directed the Principal Accounting Officer to make special efforts for reconciliation jointly with custom and be got verified by the Audit.

- 4.44 i) NON-REALIZATION OF LEASE CHARGES OF Rs. 424,000 (PARA 7(e)7, PAGE 136-AR-RAILWAYS)
- ii) LOSS OF Rs. 3.835 MILLION DUE TO APPLICATION OF INCORRECT CLASSIFICATION OF DIESEL OIL (PARA 7(e)14, PAGE-144-AR-RAILWAYS).

On the presentation of above two paras the Public Accounts Committee settled the paras subject to verification by the Audit Department.

- 4.45 LOSS OF Rs. 1.063 MILLION DUE TO NON-AWARDING OF CONTRACTS OF CYCLES/MOTOR CYCLES STAND TO HIGHEST BIDDERS (PARA 7(e)(17), PAGE-125-AR-RAILWAYS).

Audit pointed out that Cycle/Motor cycle stand at Lahore station was allotted to the Highest bidder of Rs. 8,95,000 in May 1995. The contractor was asked to deposit the offered bid money in lump sum. The contractor informed that he is ready to deposit the said amount with certain conditions. But the Railway Administration terminated his contract, by forfeiting the earnest money of Rs. 50,000/- and awarded the contract to the previous contractor who was allowed to deposit bid money of only Rs. 2,85,000 through monthly installments. Had the request of the first contractor been considered, the Railway Administration could have earned Rs. 560,000/-.

The Public Accounts Committee constituted an Inter-Departmental Committee under the Convenership of Dr. Aleem Mahmood Addl. Secretary (M/o Finance, Expenditure), a nominee from Audit Department and nominee from Ministry of Railways to examine the issue and report to the Committee within two months.

4.46 LOSS OF Rs. 534,000 DUE TO LESS RECOVERY OF HOUSE RENT ALLOWANCE (PARA 7(e)(21), PAGE-127-AR-RAILWAYS)

Audit pointed out that 55% running allowance paid to running staff is required to be considered as part of the pay for the purpose of 5% recovery of house rent allowance. The Railway administration failed to include the above running allowance while deducting house rent allowance, resulting in short recovery of Rs. 5,33,602/- during the period from June, 1994 to March, 1996.

4.47 IRREGULAR PAYMENT OF Rs. 1.386 MILLION ON WAGES AND OVERTIME OF STAFF SHOWN AS BOOKED ON VIGILANCE DUTIES(PARA 7(f)(2), PAGE-131-AR-RAILWAYS)

Audit pointed out that in contradiction to the rules for the workshop workers, the workers (average 32 workers per day) of carriage and wagon shops, Hyderabad were shown as booked for vigilance (security duties) and were thus paid overtime allowance. Despite fullfledged availability of Railway Police, the said duty is not justified. In addition neither the attendance register was maintained nor the duty points allocated. No gate-passes were issued to them (to leave the premises) and no supervision is recorded during their duty.

The Public Accounts Committee conveyed its displeasure on the issue and directed the Department that duties of each class of workers should be streamlined and duties of workers of any class should not assigned to other when staff in the original class is available. Principle Accounting Officer was directed to ensure that such practice may be lead to providing benefit to the workers at the cost of public exchequer.

4.48 UN-AUTHORIZED UTILIZATION OF RAILWAY RECEIPTS AMOUNTING TO Rs. 185,000 TOWARDS EXPENDITURE (PARA 7(G)(4), PAGE-136-AR-RAILWAYS)

Audit pointed that in addition to usual rental charges of Rs 100 per hour, repair and maintenance charges @ Rs 50 per trip were levied on the booking of Railway buses for private use. This mode of collection of funds and its subsequent utilization was not permissible under the rules. A sum of Rs 184,900 was collected and utilized un-authorizedly during the period from the January, 1994 and May, 1997.

The Public Accounts Committee referred the issue to the Finance Division for comprehensive examination.

4.49 IRREGULAR PURCHASE OF MEDICINES WORTH Rs. 1,85,92,735 (PARA 4.1, PAGE-28-AR-RAILWAYS)

Audit pointed out that DMO/Lahore was authorized to make local purchase of medicines upto Rs 18,000 per month. Deviating from instructions of CMO, he made local purchase of medicine valuing Rs 18.593 million during the year 1995-96 and 1996-97 (Rs 5.323 million+Rs 13.270 million) by splitting up indent to avoid sanction of the competent authority. Had the medicine been purchased from approved suppliers of Ministry of Health, Rs 1.859 million (at 10% discount) could have been saved.

The Department informed the Committee that after the inquiry against the accused a criminal case has been registered while two Divisional Accounts Officers have been charge-sheeted.

The Public Accounts Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to take all possible measures to recover the losses from the culprits and report to the Committee within three months. The Committee also directed the Department to pursue the case in the court of law.

4.50 LOSS OF Rs. 18.685 MILLION ON ACCOUNT OF UN-JUSTIFIED EXPENDITURE RANGING FROM Rs. 3,89,900 TO Rs. 4,76,150 PER MONTH ON POLISHING OF TILES ON LAHORE RAILWAY STATION (PARA 4.2, PAGE-28-AR-RAILWAYS)

Audit pointed out that the Divisional Medical Officer, Lahore, without any directives from Engineering Department, executed a contract with a contractor for polishing the mosaic tiles fitted at platform No. 2, 4 & 5 and an amount of Rs. 3,80,900/- to Rs. 4,76,150/- per month was paid to him. The payment on account of polishing of tiles was not only unjustified but also infructuous, causing a loss of Rs. 1,86,85,234/- to Railway upto August, 1997.

The Department informed the Committee that the mosaic tiles were fixed on different stations (Karachi, Quetta, Rawalpindi, Multan) on verbal orders of Syed Naseer Ahmed, Ex-Chairman Railways.

The Public Accounts Committee expressed its dis-satisfaction on the issue. The Committee directed the Principal Accounting Officer to investigate the matter and submit a report thereon alongwith its details of the expenditures incurred on polishing of tiles at different stations to the PAC within one month. After receiving the details the Committee will decide to send the issue to Prime Minister for necessary action.

4.51 IRREGULAR EXPENDITURE OF Rs. 2,96,773 WITHOUT PREPARING PROPER DETAILED ESTIMATE (PARA 4.4, PAGE-29-AR-RAILWAYS)

Audit pointed out that an amount of Rs. 2,96,773 was paid to a contractor on account of repair of bungalow and extension of platform No. 2 without preparing any detailed estimate and obtaining sanction of competent authority.

The Public Accounts Committee directed the Principal Accounting Officer to examine the issue and take action against the responsible for carrying out the work without preparing detailed estimate and report to the Committee within one month.

ACTIONABLE POINTS: MEETING ON 15-05-2001  
(DEFERRED ACCOUNTS)

- 4.52 At the outset of the meeting, the Secretary, Pakistan Railways, briefed the Public Accounts Committee regarding the initiatives taken by the present Management to improve the Railways' services, reduce expenditure and strengthen budgetary discipline. With the reduction of thirty five thousand employees in a couple of years, approximately ninety five thousand employees are left on the pay roll of Pakistan Railways. Similarly a substantial number of ghost pensioners has been identified and their payments have been stopped. Pakistan Railways is recovering from

sickness; several measures are being taken to improve efficiency of the system and passengers' services by refurbishing the passenger trains, buying new wagons, upgrading tracks, importing locomotives, computerizing various operations etc.

The Audit pointed out that the Ministry has not reduced the employees of the Railways to the extent they have claimed; however, they have abolished sanctioned posts as and when they fell vacant by virtue of retirement (Attrition policy). Pakistan Railways would still face deficit of about Rs. 5 billion during the current F/Y against the deficit of Rs 6 billion during the last year even after earning total amount of Rs. 11.2 billion against Rs. 9.7 billion last year. On the basis of given facts, it was, however, appreciated that the Railways is showing signs of improvement.

After detailed discussion on financial health and general affairs of Pakistan Railways, the Public Accounts Committee felt need for verification of stated facts and detailed examination of certain issues and directed the Audit to carry out special audit of Pakistan Railways including following areas:

- i) Initiatives taken for restructuring of Pakistan Railways to improve its profitability and efficiency.
- ii) Privatization of Railway's Schools, Hospitals and Golf Club.
- iii) Sale of Land.
- iv) Establishment of CNG Stations.
- v) Entrusting ticketing business to PRACs withdrawing it from private agencies.
- vi) Interest on old GP Fund.

AUDIT REPORT PAKISTAN RAILWAYS (VOL-VI(A)-1996-97)4.53 FRAUDULENT WITHDRAWAL OF RS.4,06,417/-(3,59,217 + 47,200) FROM G.P.F. ACCOUNTS. (PARA 4.27, PAGE 37-RAR)

Audit pointed out that pay orders for G.P. Fund advances in favour of various employees were passed. In 29 cases out of these, the employees neither gave applications nor received the payment.

The Ministry informed the Committee that officials responsible in the cases have been removed/compulsory retired from service. A criminal case has been also registered at Railway Police Station for which matter is still under investigation. An amount of Rs.49000 has been recovered from the defaulters.

PAC DIRECTIVE

The Committee directed the Ministry to make all possible efforts to recover the outstanding amount from the officer/official(s) responsible. The Committee also directed the PAO to make a list of the court cases and approach the Chief Justices (Supreme/High Courts) through M/O Law for early decisions.

4.54 NON-REALIZATION OF RENTAL CHARGES AMOUNTING TO RS.458,000/- . (PARA 7(e)(6), PAGE 119-RAR)

Audit pointed out that at Kamalia Railway Station one lessee of 46.28 acres land had encroached an additional land measuring 27.08 acres illegally. He neither vacated the encroached land nor made the payment of occupancy charges, resulting in non-realization of rental charges of Rs.458,000/- .

The Ministry informed the Committee that 27.08 acres land had been got vacated and an amount of Rs 288,175 has been deposited by the lessee. As to the Railways' orders for vacation of 46.28 acres land and realization of remaining dues, the lessee has obtained stay order from the Court of Law. The Department has filed an appeal against the stay order.

PAC DIRECTIVE

The Committee directed the Department to pursue the case in the Court of Law vigorously.

4.55 LOSS OF RS.109,340 DUE TO NEGLIGENCE OF THE RAILWAY ADMINISTRATION.  
(PARA 7(b)(5), PAGE 95-RAR)

Audit pointed out that 16 compressors, repaired by a firm, were not tested within reasonable time. Later on, repairs were declared defective by the Railways and the work order was cancelled by withholding cost of repairs and the work was got done from another Firm. The aggrieved Firm lodged a case in the Court of Law. The court decided the case in favour of the Firm on the plea that checking of the compressors after a long time of their receipt showed slackness of the Railway administration and ordered to pay the cost of the repairs amounting to Rs.108,000. Therefore, the Railway administration had to sustain a loss of Rs.109,340/-.

The Ministry apprised the Committee that the Railways filed an appeal against the decision of the Civil Judge, Lahore in the court of Additional District Judge, Lahore which was dismissed. Later on, the Litigation Branch found the case unfit for filing a further appeal in the High Court.

PAC DIRECTIVE

The Committee directed the Ministry to investigate the issue regarding the loss due to negligence of the respective office, fix responsibility and take action against the persons(s) concerned and report to the PAC within one month.

4.56 BOGUS PAYMENT OF RS.576,000 WITHOUT ACTUAL PROCUREMENT OF BALLAST.  
(PARA 7(a)(5), PAGE 83-RAR)

Audit pointed out that 96,835 cft stone ballast supplied by a contractor was accounted for by the Ballast Inspector, Malakwal in June, 1995. No work was carried out during July, while AEN/Malakwal inspected the site

on July 24, 1995 and pointed out that no stack of ballast was available at site. This indicated that the ballast was not actually supplied by the contractor resulting in fraudulent payment of Rs. 576,168.

The Ministry apprised the committee that an inquiry was carried out to investigate the issue. The inquiry confirmed that the payment was not bogus.

PAC DIRECTIVE

The Committee settled the para with the direction to satisfy the Audit.

4.57 NON-REALIZATION OF RAILWAY DUES AMOUNTING TO RS.1.989 MILLION.  
(PARA 7(e)(2), PAGE 117-RAR)

Audit pointed out that level crossing No.15-A on Landhi-Jumma Goth Section was constructed as a deposit work on the request of Karachi Development Authority and opened for traffic on February 11, 1976. Later on, the KDA refused to make the payment of Railway dues amounting to Rs.1,099,981 which are still outstanding.

The Ministry apprised the Committee that this matter is being taken up with the DG/KDA and Add. Chief Secretary Sindh. Notices are also being issued for closure of level crossings where rental payments are not being made.

PAC DIRECTIVE

The Committee directed the Department to take up the issue with the Federal Government Adjuster for recovery of Railway's dues from the KDA/KMC if the efforts being made with the provincial government or KDA do not turn fruitful.

4.58 LOSS OF RS.14,64,104/- DUE TO ESCALATION CLAIM TO A CONTRACTOR.  
(PARA 4.9, PAGE 31-RAR)

Audit pointed out that an amount of Rs.14,64,104/- was paid to a contractor as escalation claim for which there was no clause in the agreement.

The Ministry informed that the escalation claim was granted by Escalation Committee comprising Chief Engineer/S & C and FA & CAO.

PAC DIRECTIVE

The Committee directed the Department to provide a copy of the recommendations of the Escalation Committee to Audit, if Audit is satisfied, the para may be treated as settled.

4.59 LOSS OF RS.11,03,580 DUE TO LESS CHARGING OF COST OF BALLAST STONE.  
(PARA 4.7, PAGE 30-RAR)

Audit pointed out that the transportation charges of 71,500 cft stone ballast were not recovered from a Firm for which siding was constructed.

The Ministry informed the Committee that Audit has worked out freight on the basis of transportation by road. Since the ballast was transported through rail, the recovery of Railway freight at public rates worked out to Rs.598290. A sum of Rs 149,698 has so far been recovered.

PAC DIRECTIVE

The Committee directed the Department to recover the balance amount immediately and report to the Committee within one month.

4.60 INFRACTUOUS EXPENDITURE OF RS.109,000.  
(PARA 7(q)(5), PAGE 137-RAR)

Audit pointed out that an engine of a bulldozer was got repaired from a contractor at a total cost of Rs. 109,000 in March, 1996. The bulldozer became unserviceable in half an hour after it was put into operation. No benefit could be achieved from the money spent and Rs.108,700 had gone waste.

The Ministry admitted that the bulldozer ceased functioning after half an hour but that was got repaired without much expenditure and since then it is in working position; therefore, the money spent had not gone waste.

PAC DIRECTIVE

The PAC settled the para subject to verification, of stated facts, by the Audit.

4.61 LOSS OF RS.84,000 ON A DEPOSIT WORK AND TAMPERING WITH RECORD TO CONCEAL THE LOSS. (PARA 7(e)(12), PAGE 122-RAR)

Audit pointed out that a level crossing on Golra Sharif-Basal section was constructed as a deposit work for National Highway Authority and they deposited an amount of Rs.1,237,152. The estimated cost of the work was Rs.1,321,389. An amount of Rs.89,237 was to be realized from the sponsoring agency. Instead of recovering the amount, the figures were altered so as to read the deposited amount as Rs.1,321,389 in an attempt to conceal the loss.

The Ministry informed the Committee that the work had been completed at a cost of Rs.938,290 only and the balance amount of Rs.318,862 has been adjusted against the maintenance charges.

PAC DIRECTIVE

The PAC settled the para subject to verification, of stated facts, by Audit.

4.63 MIS-APPROPRIATION OF MATERIAL VALUING RS.638,000/-.  
(PARA 7(a)(10), PAGE 86-RAR)

Audit pointed out that Inspector of Works/Development, Lahore dispatched certain Railway material to Inspector of Works-4, Lahore in July, 1995. The Issue Note was verified by the consignee by recording that the material has been taken on relevant ledgers. The examination of ledgers of Inspector of Works-4 by Audit revealed that the material was actually not taken on books and thus misappropriated.

The Ministry informed the Committee that there was no mis-appropriation of the material. Issue note was verified by the inspector of works-4, Lahore but the material was not accounted for in the Consumable and Petty Account.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

4.64 SHORTAGE OF MATERIAL WORTH RS.1.063 MILLION IN THE STORES OF ENGINEERING SUBORDINATES. (PARA 7(a)(8), PAGE 85-RAR)

Audit pointed out that Railway material valuing Rs.1.063 million was found short by the Stock Verifiers in the stores of Permanent Way Inspectors, Okara and Kasur in June, 1995 but no action was taken to fix responsibility for the shortage.

The Ministry informed the Committee that the stock sheets have been finalized within the same year.

PAC DIRECTIVE

The Committee directed the Audit to verify that the stock sheets were adjusted in the same year or not. If Audit is satisfied the para may be treated as settled.

4.65 LOSS OF RS.508,000 DUE TO THEFT OF PERMANENT WAY MATERIAL.  
(PARA 7(a)(13), PAGE 87-RAR)

Audit pointed out that Permanent Way material amounting to Rs.269,422 and Rs.239,029 was stolen from the section of Permanent Way Inspectors, Qila Sheikhpura and Peshawar respectively. Loss of stores was not reported to Headquarters.

The Ministry informed the Committee that the loss would be written off shortly.

PAC DIRECTIVE

The Committee directed the Department to get the loss written off from the competent authority and report to the PAC within one month.

4.66 i) UN-NECESSARY PROCUREMENT OF MATERIAL VALUING RS.26.786 MILLION RESULTING IN BLOCKING OF CAPITAL. (PARA 7(c)(1), PAGE 99-RAR)

Audit objected that wooden sleepers and bridge/crossing timbers valuing Rs 26.786 million were lying unutilized since 1982.

The Ministry apprised the Committee that material valuing Rs 22.646 has been issued. However, material valuing Rs 4.140 is under a dispute and the case is pending in the Sindh High Court.

ii) LOSS OF RS.5.178 MILLION DUE TO BURNT MATERIAL.  
(PARA 7(q)(1), PAGE 135-RAR)

The Audit recommended the para for settlement subject to verification of write-off statement.

iii) BLOCKING OF MATERIAL VALUING RS.3.982 MILLION.  
(PARA 7(c)(4), PAGE 101-RAR)

The Ministry informed that the scrap material had been dispatched to stores and semi serviceable material had been used by different Permanent Way Inspectors. As a result of this statement the Audit

recommended the para for settlement subject to verification of reported facts.

PAC DIRECTIVE

The Committee settled the above said three paras subject to verification, of stated facts, by the Audit.

RAILWAY CONSTRUCTION PAKISTAN LIMITED (RAILCOP)

4.67 (Para 6 b(1), page 69-RAR)

Audit pointed out that the RAILCOP, a subsidiary of Pakistan Railways, was established in 1980. Its objective was to secure construction and engineering business in Pakistan and abroad. Audit observed that, during the year 1996-97, its contract expenses of Rs.18.321 million in the major projects were higher than its contract receipts of Rs.13.147 million. Thus excess expenditure of Rs.5.173 million on contract works reflected poor management and improper planning. While analyzing financial results of the company for the year under review, Audit observed that the retained earnings have been kept at 154% of the working capital and 186% of the paid-up capital. Audit stressed that accumulation of retained earnings (Rs 185.737 million) be reviewed by the management and the same should be transferred to Railways to ease its financial constraints. Audit observed that Rs 224.129 million kept in bank should be utilized for boosting up the company's business instead of blocking the capital. RAILCOP is surviving mainly on interest earned on profits made earlier rather than securing new construction and engineering business in Pakistan and abroad.

The Ministry apprised the Committee that the RAILCOP is a public limited company. It has paid an amount of Rs 14.2 million to Pakistan Railways in the shape of cash dividend till 1997. To finance its expanding activities it needed huge capital; therefore, a substantial balance was kept in "Retained Earnings Account." During 1996-97 RAILCOP sustained a loss from its projects but in the subsequent years the position has been reversed. The surplus amount has been invested to earn profit/interest. The Ministry

also informed that, very recently, the Company has got a project of SRL. 8.72 million in Saudia Arabia.

PAC DIRECTIVE

The PAC observed that, under the Company Law, accumulated profits should not exceed the balance of paid-up capital and huge balance of retained earnings should be distributed in the shape of cash dividend to help the Pakistan Railways reduce its deficit and overdraft. Keeping the surplus funds in the bank to earn interest is not a profitable option, rather it should be properly utilized for the promotion of business. The Committee directed the Ministry to monitor the company's performance and financial discipline on permanent footing and submit a comprehensive report, on the general and financial affairs of the company, to the PAC Secretariat in one month.

**MINISTRY OF COMMUNICATIONS**

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**1. OVERVIEW**

The Public Accounts Committee (PAC), in its meetings held on 22nd & 23rd April, 27th May and 6th & 7th August 1999, 27th & 28th November and 23rd December, 2000, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to Ministry of Communications. The Committee, while examining the Report, noticed several cases of budgetary indiscipline, financial irregularities and non-realization of public money i.e overpayments to suppliers/contractors due to excessive rates allowed in National Highways Authority (NHA), unjustified and irregular expenditures in Pakistan Post Office Department (PPOD), non submission of accounts by the Port Qasim Authority (PQA), unauthorized/excess expenditure in Gawadar Fish Harbour -Cum-Mini Port Project and deteriorating state of profit in Pakistan National Shipping Corporation (PNSC), etc. The PAC took serious notice of the said irregularities and issued appropriate directives to the Ministry for the improvement of financial discipline in the Ministry and in the organizations under its jurisdiction.

The Audit Report for the year 1996-97 contained 170 paras, of which 37 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or required actions having been taken by the Ministry/concerned departments. The Audit pointed out recoveries amounting to Rs.274.866 million, out of which Rs.79.988 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit given in each case. The PAC Secretariat will watch the progress of recoveries and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their viewpoints on different issues. Actionable Points based on the PAC's directives are given in Section-4. However, some major issues and the Committee's recommendations thereon are summarised in the following sections:-

2. MAJOR ISSUES2.1 BUDGETARY INDISCIPLINE

Position of Savings and Excesses in various Grants of the Ministry is given in the following table.

<u>Grant No.</u>	<u>Saving Rs(M)</u>	<u>%</u>	<u>Surrender Rs(M)</u>	<u>Net Saving(-) Excess(+) Rs(M)</u>
20	7.037	18	5.492	-1.545
21	1.884	13	2.107	+0.223
22	19.888	82	10.177	-9.711
23	568.579	40	8.880	-559.699
147	162.705	87	90.505	-72.200
Dev.				
182 Capital	74.314	81	0.010	-74.304
183 Capital	61.276	58	25.000	-36.276

The given statistics reveal weak control of the Ministry over its financial and budgetary affairs. To ensure better budgetary discipline, the Committee directed the PAO to improve monitoring system and strengthen internal financial control in the Ministry and in its subordinate organizations.

In cases of huge savings in the Development Grants of various Ministries/Divisions, the Committee has been observing, time and again, that such savings reflected poor performance of the executing agencies responsible for the development schemes under respective grants; expenditure on the office logistics, transport, etc. is hurriedly made in the first instance but the development work is delayed over the years for one reason or the other.

## 2.2 OVERPAYMENTS OF HEAVY AMOUNTS IN NATIONAL HIGHWAYS AUTHORITY.

- > National Highway Authority (NHA) was setup under National Highway Authority Act, 1991. The main objective of the Authority was to plan, promote and implement programmes for construction, development operation, repair and maintenance of National Highways and strategic roads particularly assigned to it by the Federal/Provincial Governments or other agency concerned.
- > The Audit identified 30 cases of overpayment in NHA involving heavy amounts of Rs. 548.716 million. Similarly, inclusion of other 15 cases of non-recovery and miscellaneous irregularities made the aggregate losses, caused to the national exchequer, to Rs. 2793.861 million.
- > Details of these irregularities and PAC's directives, in this respect, are given in section 4 (Actionable Points). However, two points deserving serious notice of the Government are mentioned here.
  - \* The Authority was conceived as self-earning agency, but that could not be materialized as yet.
  - \* The Authority has not framed its own rules/procedure; it is running its affairs on the basis of interim procedure in shape of circulars etc.

## 2.3 PAKISTAN POST OFFICE DEPARTMENT LOSS DUE TO NON-REALIZATION OF RS. 40.953 MILLION

- > Record of General Post Office, Islamabad revealed that an amount of Rs. 677.405 million was paid by the Department to Mustehkeens on behalf of "Amin Baitulmal" from August, 1992 to June, 1994. An aggregate debit of Rs. 690.953 million, on account of total amount paid plus agency commission @ 2% was raised against the "Amin Baitulmal", of which an amount of Rs.650 million could only be realized. Thus the Department failed to realize its legitimate remaining dues of Rs. 40.953 million.

- > The PAC directed the Finance Division to verify the claims from the Pakistan Baitulmal, if the position stated by the Department is correct then the legitimate amount may be paid directly from the Baitulmal's funds to the Post Office Department.

2.4 EXCESS/UNAUTHORIZED EXPENDITURE IN GAWADAR FISH HARBOUR-CUM-MINI PORT PROJECT.

The project was started by the Government of Baluchistan in 1967 which was taken over by the Federal Government in 1976. The Revised PC-I was approved by the ECNEC in 1993 with the revised estimated cost of Rs 1623.673 million whereby the Project was scheduled to be completed in 1997. More than Rs 2 billion have been incurred upto December 31, 1997 but the Project has not yet been completed as pointed out by the Audit. The PAO contended, in the meeting, that the accumulated expenditure was Rs 1.5 billion and not Rs 2 billion.

The PAC directed the PAO to submit a comprehensive report on the issue by providing details of expenditure, sources of financing and fix responsibility for the unauthorized expenditure.

2.5 PAKISTAN NATIONAL SHIPPING CORPORATION (PNSC)

- > Comparative Financial Results for the years 1995-96 to 1998-99 are given below; the figures reflect deteriorating financial position of the corporation.

( Rs in million )

	1998-99	1997-98	1996-97	1995-96
1. Operating revenue	3710.787	4597.215	7761.518	6962.004
2. Operating expenses	3585.364	4393.437	7493.025	6902.996
3. Operating profit/(loss)	125.423	203.778	268.493	59.008
4. Profit/(loss) before taxation	(129.990)	125.390	187.009	44.076
5. Profit after taxation	(116.173)	101.811	71.599	39.152
6. Accumulated profit/(loss)	(469.250)	(353.077)	(454.888)	(526.487)

- > The Corporation earned pre-tax profit of Rs 187.009 million in 1996-97 and Rs 125.390 million in 1997-98. However, the Corporation could not maintain its profitability as it sustained a loss of Rs 129.990 million in 1998-99. The accumulated losses rose to Rs 469.250 million in 1998-99 which has eroded 36.94% of the equity of Rs 1270.219 million.
- > The following may be among the factors responsible for deteriorating financial position of the PNSC.
  - \* Percentage of Doubtful Debts to the Receivables increased from 43% in 1996-97 to 49% in 1997-98; these ratios indicate unsatisfactory position regarding recovery of Receivables.
  - \* From 1992-93 to 1996-97 Corporation's own vessels reduced from 22 to 15 while dependence on chartered vessels tripled in the same period; profit margin on the operations of chartered vessels has reduced due to competitive foreign market, inflation etc.
  - \* Percentage of expenditure to revenue grew from 75 to 96 during the said period.
  - \* Fleet expenses and crew expenses which were Rs 31 million and Rs 14 million respectively in 1995-96 increased to Rs 46 million and Rs 20.4 million respectively in 1996-97.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should improve monitoring system, strengthen internal financial control, and promote awareness of respective rules/guidelines among the concerned staff of the Ministry and subordinate bodies to improve budgetary discipline.
- 3.2 NHA should frame its own rules and procedures to ensure consistency and transparency in its operations.

- 3.3 The Finance Division should verify the claims raised by Pakistan Post Office Department against Pakistan Baitulmal; if the claims are proved legitimate, the amount of the claims may be paid to the PPOD from the Baitulmal's funds directly.
- 3.4 The Ministry should examine the deteriorating performance of PNSC as a national issue and report to the PAC reflecting on financial position and recoverability of the Receivables.
- 3.5 The Pakistan Post Office Department should take effective measures to strengthen its internal financial control system to check financial irregularities in future.
- 3.6 PPOD should take up the issue with the supplier/manufacturer if necessary modifications could be made in the Postal Data Markers to make them useable.
- 3.7 The Ministry should monitor that all its subordinate departments/organizations pursue their recovery and other cases in the respective courts vigorously for early decision.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON APRIL 22 & 23, MAY 27, AUGUST 6 & 7, 1999, NOVEMBER 27 & 28 AND DECEMBER 23, 2000

ACTIONABLE POINTS: MEETING ON 22-04-1999 & 23-4-1999

4.1 DEPARTMENTAL BRIEFS/REPLIES ABOUT APPROPRIATION ACCOUNTS/GRANTS TO BE CONSIDERED BY THE PAC

The representatives of Accountant General Pakistan Revenues (AGPR) informed the Committee that recently the National Assembly Secretariat issued the programme to examine the Accounts of M/O Communications. The Department's briefs have been received a day before the PAC meeting. Thus, AGPR office did not have sufficient time to look into the departmental view point and reconcile it for presentation of the PAC.

The PAC conveyed its displeasure on the issue. The PAO assured the Committee that delay will not happen next time.

APPROPRIATION ACCOUNTS (CIVIL) (VOL-1-1996-97)

- 4.2 i) GRANT NO.23-OTHER EXPENDITURE OF MINISTRY OF COMMUNICATIONS (PAGE 92-AA) SAVING OF RS 568,579,022.
- ii) GRANT NO.147-DEVELOPMENT EXPENDITURE OF MINISTRY OF COMMUNICATION (PAGE 93-AA) SAVING OF RS 162,704,763.

On the presentation of above 02 grants, the PAC directed the M/O Finance to examine the matters of said grants and submit a report, how to improve the financial control system in future and report to the Committee within 01 month.

AUDIT REPORT TELECOMMUNICATION SECTOR (VOL-IX-1996-97)

NATIONAL TELECOMMUNICATION CORPORATION

- 4.3 PARA 3.3, PAGE-25-AR-TS).

The PAC settled the above para subject to verification by the Audit.

- 4.4 LOSS DUE TO THEFT OF THREE VEHICLES RS 565,000 (PARAS 3.5 & 3.6, PAGE 26-AR-TS)

Audit pointed out that two vehicles one Suzuki No.IDE-9184 and one Suzuki Van RIN-8302 were stolen from the residences of two officers in April, 1996 and December, 1996, respectively. The third vehicle Suzuki Khyber No.IDG.6708-1000-C.C was parked at the residence of the officer who himself drove it to hospital for medical treatment from where it was stolen in December, 1996. The vehicles were stolen after office hours and the theft did not occur during any official duty.

The PAO assured the PAC to take all possible measures to recover the vehicles.

4.5 UN-AUTHORIZED AND IRREGULAR EXPENDITURE ON THE LOCAL PURCHASE RS 218,556 (PARA 3.12, PAGE 29-AR-TS)

Audit pointed out that the Divisional Engineer Microwave Maintenance Division, Multan incurred an expenditure of Rs 218,556 during August and December, 1994 on the local purchase of 02 Air-conditioners and 02 photo-copiers without inviting open tenders. The expenditure of Rs 46,566 on the purchase of Air-conditioners was wrongly charged to the head pure Maintenance of Assets instead of its capitalization.

The PAC observed that the Department did not take the action which was required against the officer concerned who violated the rules. The PAO assured the Committee to take disciplinary action within 02 months.

TELEPHONE INDUSTRIES OF PAKISTAN

4.6 PARA 5.1, PAGE 45-AR-TS)

Audit pointed out that the accounts for the period ended 31st March, 1997 were not furnished by M/s Telephones Industries of Pakistan (TIP) for Audit scrutiny despite pursuance by Audit.

The Management informed the PAC that according to the instructions contained in the PTCL Headquarter's letter No.ACO.10-1/97 (PT) dated 13-11-1997, M/S TIP is a subsidiary of PTCL. Its accounts, like those of PTCL, are therefore, not required to be audited by the Auditor General of Pakistan vide clause 38(3) of the Telecommunication Re-organization Act, 1996.

The Committee directed the department to take up the matter with M/O Law for clarification of the issue.

4.7 LOSS DUE TO OUTSTANDING CLAIMS/SHARING UNITS RS 72.756(M) (PARA 5.5, PAGE 46-AR-TS)

Audit pointed out that the records of Telephone Industries of Pakistan disclosed that an amount of Rs 131.286 (m) was lying outstanding against different parties on account of Air-conditioning installation claims, sharing units and sales at the close of June, 1996. A sum of Rs 58.530 (m) was recovered.

The PAC directed the PAO to take the positive measures to recover the outstanding amount from different parties/firms and report to the Committee within 02 months.

4.8 LOSS DUE TO FRAUDULENT WITHDRAWAL OF CASH RS 8,522,768 (PARA 5.6, PAGE 46-AR-TS)

Audit pointed out that two Senior Accountants of Telephone Industries of Pakistan embezzled a total sum of Rs 8,522,768 in cash by charging fictitious cash vouchers during the years 1989 to 1994.

The PAC directed the PAO to examine the matter and report to the Committee within 02 months.

4.9 LOSS DUE TO DUMPED MATERIAL RS 5,088 (M) (PARA 5.7, PAGE 47-AR-TS)

Audit pointed out that Telephone Industries Pakistan imported palladium strips used in E.M.T. exchanges in 1990. The purchases were made from abroad for the future demands of Pakistan Telecommunication Corporation. Since, November, 1993 Pakistan Telecommunication Corporation stopped the ordering of E.M.T. equipment which resulted in dumping of material worth Rs 5,088,060.

After hearing Ministry's reply, the PAC settled the para, subject to verification by the Audit.

4.10 LOSS DUE TO NON-RECOVERY OF SALE OF TYPEWRITERS RS 4,683 (M) (PARA 5.8, PAGES 47-48-AR-TS)

Audit pointed out that at the close of October, 1996 an amount of Rs 5,154,485 was lying outstanding against different parties on account of sale of typewriters, out of which a sum of Rs 471,630 was recovered upto December, 1997.

The PAC directed the PAO to recover the outstanding amount and reconcile the matter with Audit Department. The Committee further directed the department to blacklist the firms & persons concerned within one month and also inform their credentials to other Ministries/Divisions. The PAO assured to act in avoidance with the Committee's direction.

NATIONAL RADIO TELECOMMUNICATION CORPORATION4.11 NON-DEDUCTION OF INCOME TAX AT SOURCES RS 112.763 (PARA 6.6, PAGE 71-AR-TS)

The PAC settled the para and directed the Department to be careful in future.

4.12 NON-RECEIPT OF SHORT/DEFECTIVE STORES RS 4.55 (M) (PARA 6.7, PAGES 71-72-AR-TS)

Audit pointed out that in National Radio Communication Corporation, Haripur Hazara stores worth Rs 4,554,521 were received short/defective from the various foreign suppliers during 1994-95.

The PAO assured the PAC that effective preshipment inspection would be ensured and measures would be taken for proper supply of stores in future.

CARRIER TELEPHONE INDUSTRIES4.13 (PARA 7.3 TO 7.5, PAGE 94-AR-TS)

Audit pointed out that Accounts for the years 1996 and 1997 indicate that sales proceeds of Rs 981.220 (M) during 1996 decreased to Rs 731.827 (M) in 1997. This shows a heavy decrease of Rs 249.393 (M) which works out to 25.41%. Such heavy decrease in sale proceeds indicates a fast deterioration in business.

The PAO informed the PAC that a committee has been established comprising departmental/private companies' representatives to review the situation and PAC will be informed about the facts within 02 months.

ACTIONABLE POINTS 1993-944.14 NON-RECEIPT OF STORES WORTH RS 26 655 (M) (PARA 1.4, PAGE 19-20-AR-PTC) (ITEM 17(ii)-AP-93-94)

The PAC directed the Department to reconcile the issue with Audit Department within 03 days.

- 4.15 GROSS/MISUSE OF LARGE FLEET OF 155 VEHICLES CONSUMING RS 7.87 (M) ON P.O.L. REPAIR & MAINTENANCE (PARA 1.5, PAGE 20-21-AR-PTC) (ITEM 17(iii)-AP-93-94)

The PAC directed the PAO to examine the issue and report to the Committee within two weeks.

- 4.16 LOSS DUE TO NON-RECOVERY OF TELEPHONE DUES OUTSTANDING AGAINST CLOSED CONNECTIONS IN ISLAMABAD TELECOMMUNICATION REGION RS 120.675 (M) (PARA 2.1, PAGE 26-AR-PTC) (ITEM 18-AP-93-94)

The Ministry informed the Committee that Rs 30 (M) have been recovered and Rs 39 million are still outstanding.

The PAC directed the PAO to recover the outstanding amount as early as possible.

- 4.17 LEAKAGE OF REVENUE IN BADAMI BAGH TELEPHONE EXCHANGE, LAHORE RS 66.42 (M) (PARA 2.2, PAGES 26-27-AR-PTC) (ITEM 19-AP-93-94)

The Department informed the PAC that matter is under investigation for the last one year. No progress has been made so far. The PAC directed the PAO to complete the investigation, take action and report to the Committee within 02 months.

- 4.18 OUTSTANDING TELEPHONE DUES AGAINST FINALLY CLOSED TELEPHONES RS 23.827 (M) IN GENERAL MANAGER LTR, LAHORE (PARA 2.3, PAGE 28-AR-PTC) (ITEM 20-AP-93-94)

The Ministry informed the PAC that 33% of outstanding amount has been recovered. The Committee directed the PAO to take effective measures to recover the outstanding amount and report to the Committee within 02 months.

- 4.19 IRREGULAR REBATE OF RS 100,026 IN GENERAL MANAGER ITR, (PARA 2.10, PAGES 31-32-AR-PTC) (ITEM 22-AP-93-94)

The PAC directed the PAO to take all measures to recover the outstanding amount and report to the committee within 02 months.

- 4.20 i) NON-REALIZATION OF THE COST OF CONTRIBUTION WORKS RS 12.507 (M) IN GENERAL MANAGER DEVELOPMENT CENTRAL, LAHORE, (PARA 6.1, PAGE 37-AR-PTC)(ITEM 23(i)-AP-93-94)
- ii) SHORT REALIZATION OF COST OF CONTRIBUTION WORKS RS 1,039,259 IN GENERAL MANAGER DEVELOPMENT (CENTRAL) LAHORE, (PARA 6.2, PAGES 37-38-AR-PTC)(ITEM 23(ii)-AP-93-94)
- iii) NON-RECOVERY OF COST OF CONTRIBUTION WORKS RS 214,096 IN GENERAL MANAGER (DEVELOPMENT) NORTH, ISLAMABAD, (PARA 6.3, PAGE 38-AR-PTC)(ITEM 23(iii)-AP-93-94)

The PAC directed the Department to reconcile the issues with Audit and report to the Committee within 01 month.

- 4.21 i) LOSS DUE TO THEFT OF COPPER WIRE RS 4.852 (M) (PARA 8.1, PAGES 42-43-AR-PTC)(ITEM 24(i)-AP-93-94)
- ii) THEFT OF COPPER WIRE IN A UNIT OF CTR RS 2.455 (M), (PARA 8.2, PAGE 43-AR-PTC)(ITEM 24(ii)-AP-93-94)

On the presentation of above 02 paras the PAC showed its displeasure and directed the PAO to improve the procedure and take necessary measures, for future, to stop the said practice and report to the Committee within 01 month.

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ACTIONABLE POINTS: MEETING ON 27-05-1999

AUDIT REPORT (CIVIL WORKS)(VOL-II-1996-97)

NATIONAL HIGHWAY AUTHORITY

- 4.22 i) OVERPAYMENT OF RS. 186,585,900 (PARA A-I.1, PAGE 51-ARCW)
- ii) OVERPAYMENT OF RS. 134,351,900 (PARA A-I.2, PAGE 52-ARCW)
- iii) OVERPAYMENT OF RS. 82,993,313 (PARA A-I.3, PAGE 52-ARCW)
- iv) OVERPAYMENT OF RS. 22,558,900 (PARA A-I.4, PAGE 53-ARCW)
- v) OVERPAYMENT OF RS. 9,828,490 (PARA A-I.5, PAGE 53-ARCW)
- vi) OVERPAYMENT OF RS. 3,787,428 (PARA A-I.6, PAGE 54-ARCW)

vii) OVERPAYMENT OF RS. 1,515,700 (PARA A-I.7, PAGE 54-ARCW)

viii) EXCESS PAYMENT OF RS 69,707,600(PARA-A-II.1, PAGE 58-ARCW)

On the presentation of above 08 paras, the PAC constituted a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA, Kunwar Khalid Yunus, MNA, Mr. Abdul Waheed Khan, DG Audit(Works), Mr. Farooq Hasan Gilani, FA(Communications), Mr. Ashraf Hayat, JS(Communications) and Syed Najmul Hasan, Member Highways(NHA) to review the issues and report to the Committee within 03 months.

4.23 i) IRREGULAR PAYMENT OF RS 1,617,300(PARA A-I.8, PAGE 54-ARCW)

ii) IRREGULAR PAYMENT OF RS 917,910(PARA A-I.9, PAGE 55-ARCW)

On the presentation of above 08 paras regarding irregular payments, the PAC directed the PAO to examine the matter and report to the Committee within 01 month.

4.24 OVERPAYMENT OF RS 645,342 (PARA A-I.10, PAGE 55-ARCW)

Audit pointed out that rate for an item of work reflective paint 10 cm wide @ Rs 54.37 per meter was paid against the BOQ rate of Rs 45.26. This resulted in over payment of Rs 645,342.

The PAC directed the PAO to take measures to recover the overpayment of Rs 645,342 and report within 02 months.

4.25 i) OVERPAYMENT OF RS 326,358(PARA A-I.11, PAGE 56-ARCW)

Audit pointed that rates of traffic signboards were paid higher than the agreement rates. This resulted in overpayment of Rs 326,358.

ii) OVERPAYMENT OF RS 186,775 (PARA A-I.12, PAGE 56-ARCW)

Audit pointed out that higher rate of Rs 1800 pm for an item SP 8a confirmatory boring was paid although that item was available in BOQ for Rs 1025 pm. This resulted in overpayment of Rs 186,775.

The PAC directed the PAO to examine the above 02 paras and report within 01 month.

4.26 OVERPAYMENT OF RS 245,120(PARA A-I,13, PAGE 57-ARCW)

Audit pointed out that measurement for earthwork excavation in common material was carried out but paid for as excavation in rock material. This resulted in overpayment of Rs 245,120.

The PAC after hearing the Ministry's reply on the issue directed the PAO to provide the required record for detailed examination to AG Office. The Committee also directed to take action against officer(s) concerned who did not provide the record in the past and report within 01 month.

4.27 OVERPAYMENT OF RS 99,936 (PARA A-I,14, PAGE 57-ARCW)

Audit pointed out that a quantity of 249.84 M3 was twice measured; firstly, for excavation of earth in common material and secondly, as excavation in rock material. This resulted in overpayment of Rs 99,936.

The PAC directed the PAO to recover the overpayment, provide the record to AG Office for further examination and take action against person(s) who did not provide the record at the first instance and report within 02 months.

4.28 OVERPAYMENT OF RS 372,400 (PARA A-II,2, PAGE 58-ARCW)

Audit pointed out that the escalation on cement was paid incorrectly by taking the base rate less than and current rate higher than the market rate. This resulted in overpayment of Rs 372,400.

The PAC directed the PAO to recover the overpayment and take action against the person(s) who paid the said amount and also who pressurized for the payment and report to the Committee within 02 months.

4.29 OVERPAYMENT OF RS 15,637,285 (PARA A-III.1, PAGE 59-ARCW)

Audit pointed out that payment of Rs 20,761,085/- was made to the contractor against the approved cost of Rs 5,123,800/- for filling of ponds etc. This resulted in overpayment of Rs 15,637,285/-.

The PAC directed the PAO to examine the matter, fix responsibility for the overpayment and recover the said amount and report to the Committee within 02 months.

4.30 OVERPAYMENT OF RS 2,326,756 (PARA A-III.3, PAGE 60-ARCW)

Audit pointed out that consultancy fee for 06 months on account of maintenance period was paid to the consultant in violation of clause 2.2.3 of the agreement. This resulted in overpayment of Rs 2,326,756.

The PAC directed the PAO to examine the matter, fix responsibility, take action against the person(s) at fault and report to the Committee within 02 months.

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ACTIONABLE POINTS: MEETING ON 06-08-1999

AUDIT REPORT CIVIL WORKS (VOL II-1996-97)

NATIONAL HIGHWAY AUTHORITY

4.31 EXCESS PAYMENT OF Rs. 1.1315 MILLION (PARA A-III.4-PAGE-60-ARCW).

Audit pointed out that US\$ 2,872,751.51 were paid to a contractor for the provision of contract agreement of US \$ 2,668,943.31 equivalent to Pak. Rs 68.4 million. This resulted in overpayment of US \$ 203,808.30 equivalent to Rs 1,315,705.

The PAC constituted an Inter-Departmental Committee comprising Mr. Shoukat Usman, Joint Secretary (Ministry of Communications), Mr. Abdul Waheed Khan, D.G. (Audit Department), Syed Farooq Hassan Gillani F.A. (Finance Division) and a nominee of Planning Division to investigate the issue and report to the Committee within 01 month.

- 4.32 i) OVERPAYMENT OF Rs. 360,000 (PARA A-III.6, PAGE-61-ARCW).  
 ii) LOSS DUE TO MISAPPROPRIATION OF TOLL TAX ON BRIDGE Rs. 2,497,764 (PARA C-1.2, PAGE-68-ARCW).

On the presentation of above 02 paras, the PAC directed the PAO to examine the issue, take action against the persons responsible and report to the Committee within 02 months.

- 4.33 i) OVERPAYMENT OF Rs 359,206.00 (PARA A-IV.1, PAGE-62-ARCW).  
 ii) OVERPAYMENT OF Rs 1,635,542 (PARA A-V.1, PAGE-63-ARCW).  
 iii) LESS RECOVERY OF INCOME TAX OF Rs 9,601,323 (PARA B-I.1, PAGE-65-ARCW).  
 iv) UNDUE FINANCIAL BENEFIT TO CONTRACTORS Rs 1,531,000 (PARA C-VI.1, PAGE-70-ARCW).

On the presentation of above four paras, the PAC settled the paras subject to verification by the Audit.

- 4.34 OVERPAYMENT OF Rs. 323,145.00 (PARA A-IV.2, PAGE-63-ARCW).

Audit pointed out that width of shoulder of road embankment was measured/paid for 2 meter against the provision of 1.5 meter as per X-section.

The PAC directed the department to take steps to recover the overpayment and report to the Committee within 02 months.

- 4.35 (LOSS OF Rs. 7.978 (M) (PARA C-I.1, PAGE-67-ARCW).

Audit pointed out that contract awarded to a contractor at a fortnight payment of Rs 625,021 plus 5% Income Tax Rs 31,251. For collection of toll tax on bridge Haro Distt: Attock was rescinded. NHA collected the tax itself for six months w.e.f. 12.2.1997 to 12.8.1997 for Rs 10,872 per day against the said contractor's daily collection for Rs 154,689 (43,751 + 5% Income Tax + 25% contractor's overhead). NHA's collection was 403% below the contractor's daily collection, which resulted in loss of Rs 7.978 (M).

The PAC conveyed its displeasure on the issue and directed the PAO to take disciplinary action against the persons responsible and take effective measures to recover the loss and report to the Committee within 02 months.

- 4.36 i) LOSS OF Rs 2190.856 (M) (PARA C-II.1, PAGE-68-ARCW).  
 ii) (LOSS OF Rs 8,351,331 DUE TO NON-DEDUCTION OF REBATE (PARA C-IV.1, PAGE-69-ARCW).

On the presentation of above 02 paras the PAC referred the matter to a Sub-Committee which was already constituted in the last meeting of Ministry of Communications (NHA) under the chairmanship of Nawab Salahuddin Abbasi, MNA, Kanwar Khalid Younis, MNA, Mr. Abdul Waheed Khan, Director General Audit (Works), Mr. Farooq Hassan Gillani, Financial Adviser, (M/o Communications), Mr. Ashraf Hayat, Joint Secretary (M/o Communications) and Syed Najmul Hassan, Member Highway (NHA) to review the issues and report to the Committee within 03 months.

- 4.37 (LOSS OF Rs. 16,726,900 (PARA C-III.1-PAGE-69-ARCW).

Audit pointed out that assets worth Rs 16,726,900 were purchased through contractor and charged to the project. But proper accounts were not available with the Department. This resulted in a loss.

The PAC directed the department to provide the complete record to Audit department for examination within 4 weeks and report to the Committee.

- 4.38 i) (LOSS OF Rs. 6.00 (M) DUE TO NON-RECOVERY OF DISMANTLED MATERIAL (PARA C-V.1, PAGE-70-ARCW).  
 ii) (LOSS OF Rs. 132,510.00 (PARA C-VIII.1, PAGE-71-ARCW).

On the presentation of above two paras, the PAC directed the PAO to examine the issues, fix responsibility and take action to recover the loss and report to the Committee within 02 months.

ACTIONABLE POINTS: MEETING ON 07-08-1999AUDIT REPORT PAKISTAN POST OFFICE DEPARTMENT (VOL VIII-1996-97)PAKISTAN POST OFFICE DEPARTMENT

- 4.39 i) (PARA 1.11, PAGE 22-AR-PPOD)  
ii) (PARA 1.12, PAGE 23-AR-PPOD)  
iii) (PARA 1.13, PAGE 23-AR-PPOD)  
iv) (PARA 2.2, PAGE 25-AR-PPOD)  
v) (PARA 3.1, PAGE 27-AR-PPOD)  
vi) (PARA 3.2, PAGE 27-AR-PPOD)  
vii) (PARA 3.5, PAGE 29-AR-PPOD)  
viii) (PARA 3.9, PAGE 31-AR-PPOD)  
ix) (PARA 3.15, PAGE 35-AR-PPOD)  
x) (PARA 3.19, PAGE 38-AR-PPOD)  
xi) (PARA 3.21, PAGE 39-AR-PPOD)  
xii) (PARA 3.24, PAGE 41-AR-PPOD)  
xiii) (PARA 3.28, PAGE 43-AR-PPOD)  
xiv) (PARA 3.29, PAGE 43-AR-PPOD)  
xv) (PARA 3.32, PAGE 45-AR-PPOD)  
xvi) (PARA 3.34, PAGE 46-AR-PPOD)  
xvii) (PARA 3.35, PAGE 46-AR-PPOD)  
xviii) (PARA 4.1, PAGE 49-AR-PPOD)  
xix) (PARA 4.2, PAGE 49-AR-PPOD)  
xx) (PARA 4.3, PAGE 50-AR-PPOD)  
xxi) (PARA 6.1, PAGE 57-AR-PPOD)

On the presentation of above paras. the PAC constituted an Inter-Departmental Committee comprising the representatives of Audit, M/O Communications and M/O Finance to examine the matters and report to the Committee within 03 months.

4.59 NON-RECOVERY OF CONSULTANCY CHARGES DRAWN TWICE \$ 12,538 (RS. 501,520 (PARA 6.21, PAGE 67-AR-PPOD)

Audit pointed out that an Officer of postal group was nominated and approved for taking up foreign appointment as Universal Postal Union's (UPU) consultant in consultancy mission sponsored by the Universal Postal Union at Tanzania. The duration of appointment was from 7th March, 1996 to 5th June, 1996. During consultancy period the nominee was entitled to received monthly salary @ U.S. \$ 4175.25 and the daily subsistence allowance @ U.S. \$ 85. The UNDP office Tanzania paid a sum of \$ 12,537.94 twice to the nominee due to over-sight. The nominee was asked by the Universal Postal Union management to refund the amount but he refused to do so. the Universal Postal Union referred the case to the Pakistan Post Office Authorities.

The PAC conveyed its displeasure and directed the PAO to recover the outstanding amount from the person concerned. The PAO assured the Committee that the action will be taken to recover the overpayment from the person concerned and appropriate disciplinary action will be completed within six weeks, under report to the Committee.

APPROPRIATION ACCOUNTS (POST OFFICE DEPARTMENT) (VOL-X-1996-97)

4.60 AUDIT CERTIFICATE PAGE-13-AA-PPOD)

Audit pointed out that the status of Pakistan Postal Services Corporation was reverted back as Post Office Department with effect from 5-7-1996. The Department should have obtained supplementary budget grant but this was not done. The budget Grants incorporated in these Accounts, therefore, did not stand authenticated and included in the Schedule of Authorized Expenditure. Thus entire expenditure incurred during 1996-97 was unauthorized.

After hearing the Ministry's reply the PAC constituted a Sub-Committee under the Chairmanship of Syed Zafar Ali Shah, MNA, a nominee from M/O Communications, a nominee from Audit and a nominee from Finance Division to look into the matter, to determine whether PPO or Finance Division was responsible for the said gross negligence and fix responsibility accordingly and report to the Committee within one month.

AUDIT REPORT (PAKISTAN POST OFFICE DEPARTMENT)(VOL-VIII-1996-97)

4.61 LOSS DUE TO NON-REALIZATION OF RS.40.953 MILLION  
(PARA 1.1, PAGE 17-AA-PPOD).

Audit pointed out that records of General Post Office, Islamabad revealed that an amount of Rs 677.405 (M) was paid by the formation to Mustehkeens on behalf of "Amin Baitulmal" from August, 1992 to June, 1994. Debit for the total amount of Rs 690.953 including commission @ 2% of agency function was raised against the "Amin Baitulmal" of which an amount of Rs 650 (M) only could be realized. Thus, the Department failed to realize its legitimate dues of Rs.40.953 million.

The Ministry informed the Committee that Pakistan Baitulmal has been approached, who has promised to pay postal dues after release of funds by Federal Government.

The PAC directed the Finance Division to verify the claims from the Pakistan Baitulmal, if the position stated by the department is correct then the legitimate amount may be paid directly from the Baitulmal's funds to Post Office Department.

4.62 FRAUD, LOSS & DEFALCATION CASES RS 11.336 (M)  
(PARA 1.2, 1.4, 1.5 PAGES 17-19-AR-PPOD)

Audit pointed out that 32 cases of fraud, loss and defalcation are reported in these paras. These cases pertained to the period from 1977 to 1997. The Ministry informed the Committee that recovery of Rs 2.168 million in 12 cases has been made.

The PAC conveyed its displeasure on the issues and directed the PAO to take effective steps to recover the money and fix responsibility for negligence and report to the Committee within 03 months.

- 4.63 i) LOSS DUE TO AWARD OF WORK AT HIGHER RATES RS.502.526  
(PARA 1.7, PAGE 20-AR-PPOD)
- ii) IRREGULAR EXPENDITURE ON EMPLOYMENT OF CONTINGENT PAID STAFF AND TO  
OUTSIDERS ENGAGED AS PORTERS RS 10.324 (M)  
(PARA 3.3, 3.17 & 3.23, PAGES 28-40-AR-PPOD)

On the presentation of above four paras, the PAC directed the FA, M/O Communications to examine the matters and report to the Committee within 2 months.

- 4.64 UN-AUTHORIZED EXPENDITURE ON PURCHASE OF BAGS-RS 8.4 (M)  
(PARA 3.4, PAGE 28-AR-PPOD)

Audit pointed out that Postmaster General Mail Sorting and Transportation, Rawalpindi incurred an expenditure of Rs 8.4 (M) during 1995-96 on the purchase of polythene and poly proplene bags. The expenditure was treated as un-authorized and irregular.

The PAC directed the Department to examine the case and get the expenditure regularized by the Finance Division and submitted to Audit for verification.

- 4.65 POSTPONEMENT OF BENEFITS ENVISAGED IN PROJECTED WORKS (RS 12.120 (M))  
(PARA 6.6, PAGES 59-60-AR-PPOD)

Audit pointed out that two projects were approved at a cost of Rs 13.380(M) for acquisition of land and construction of Air Mail Transit Office at Karachi Airport and "Extension of Karachi GPO building for mechanized sorting office". The execution of both the works was entrusted to the Pak. PWD and Rs 12.120 (M) were deposited with them during the period from June, 1991 to 1996. Physical progress of both the works till July, 1996 was zero. The Department neither took effective administrative steps to ensure timely execution of work nor stopped advancing payments to the Public Works Department. The general public was deprived of the benefits contemplated in these projects.

The PAO stated that earlier there were difficulties in acquiring land at Airport, therefore, decision was taken to shift the proposed project from Airport to Shakra-e-Faisal which caused delay. The PAO assured the Committee that the work at the project will be started within one month which was also endorsed by DG/Pak-PWD.

4.66 FAILURE TO CONSTRUCT BUILDING DESPITE RELEASE FUNDS RS 414,000  
(PARA 6.23, PAGE 69-AR-PPOD)

Audit pointed out that the work "Acquisition of land and construction of Post Office building and Postmaster's residence at Naukot", was entrusted to the Pak. PWD and Rs 414,000 were placed at their disposal in May, 1987. The Public Works Department failed to complete the work in time. Even in June, 1996 the building was incomplete as it was without plaster, windows, gates and other allied fittings. The Pak. PWD demanded additional funds to complete the remaining work. Despite promise, no further progress was reported.

The PAC directed the Department to reconcile the issue with the PWD within 15 days and report to the Committee.

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ACTIONABLE POINTS: MEETINGS ON 27-11-2000 & 28-11-2000

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

- 4.67 During the discussion on the accounts of Pakistan Post Office (M/O Communications), the PAC observed that bureaucracy is not well trained to run the affairs of Corporations under the culture of market economy. Only those officers should be deputed to public corporations who have experience, educational qualifications, skill and knowledge to work in the culture of market economy.

LIGHT HOUSES AND LIGHT SHIPS DEPARTMENT4.68 (PARA-70, PAGE 61-ARPSE)PAC DIRECTIVE

The PAC conveyed its displeasure to the Department for non-compilation of accounts for the last ten years from 1988-1989 to 1998-99 and considered it a case of culpable negligence. The PAC directed the department to examine the matter and take action against persons responsible for not preparing the accounts in time and report to the Committee in one month. The PAO promised to submit detailed position on the submission of accounts to the Audit by December 12, 2000.

PORT QASIM AUTHORITY4.69 (PARA-70, PAGE 61-ARPSE)PAC DIRECTIVE

The PAC took serious notice of the fact that the Authority had failed to compile and submit its accounts, for the period of three years from 1996-97 to 1998-99, to the Audit in time. The Committee directed the PAO to submit a report on up-dated financial and operational health of PQA, time-scheduling for compilation/submission of accounts and conduct of the Chartered Accountancy Firm which is alleged to have committed misconduct.

GAWADAR FISH HARBOUR-CUM-MINI PORT PROJECT4.70 (PARA-70, PAGE 61-ARPSE)PAC DIRECTIVE

The PAO apprised the Committee that the accumulated expenditure was Rs 1.5 billion and not Rs 2 billion as pointed out by the Audit. It was confirmed by the representative of Planning Division that

excess/un-authorized expenditure was made. The Committee directed the PAO to submit a comprehensive report on the issue within 15 days, providing details of expenditure/sources of financing and fix responsibility for the un-authorized expenditure. The PAO was also directed to ensure submission of accounts, for the years 1976-77 to 1998-99, to the Audit at the earliest and fix responsibility on the delay.

GAWADAR FISH HARBOUR-CUM-MINI PORT PROJECT

- 4.71 LOSS OF Rs 0.592 MILLION DUE TO SHORT RECOVERY OF DREDGING CHARGES (PARA-72, PAGE 62-ARPSE).

PAC DIRECTIVE

The Department apprised that the dispute was settled with the contractor by a departmental Committee. The PAC directed to furnish copy of the report to the Audit and settled the para subject to verification by the Audit.

NATIONAL TANKER COMPANY (PVT) LIMITED

- 4.72 (PARA 74, PAGE 62-ARPSE)

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue by involving the Chairman CBR and Secretary Finance, instead of taking up the matter in the court. The PAO promised to take steps in this respect.

PAKISTAN NATIONAL SHIPPING CORPORATION

- 4.73 i) (PARA-75, PAGE 65-ARPSE).  
 ii) (PARA-76, PAGE 66-ARPSE).  
 iii) (PARA-77, PAGE 66-ARPSE).  
 iv) (PARA-79, PAGE 67-ARPSE).

ACTIONABLE POINTS FOR 1993-94

- v) (PARA-65, PAGES-52-54-ARPSE-93-94)(ITEM 1-AP-93-94).

PAC DIRECTIVE

On presentation of the above five paras regarding Pakistan National Shipping Corporation, the PAC took serious notice of the fact that the deteriorating profitability had caused erosion of 37% of the paid-up capital and that the corporation is inflicted with alarmingly high ratio of doubtful receivables (49%). The Committee directed the PAO to examine the matter as a national issue and report to the PAC within one month reflecting on the financial position (sector-wise), recoverability of the receivables (based on aging analysis) and actions taken on the other points raised by the Audit.

- 4.74 (PARA 78, PAGE 67-ARPSE)

PAC DIRECTIVE

The Committee directed the Department to provide the latest position of recovery of the remaining amount and outcome of the dispute pending before the Directorate of Ports and Shippings, to the Audit within one month.

- 4.75 (PARA-68, PAGES 55-56-ARPSE-93-94)(ITEM 2-AP-93-94).

PAC DIRECTIVE

After hearing the Ministry's reply on previous PAC's directive (18.02.1998), the Committee directed the Department to submit updated position regarding the issue to the Audit within one month. The PAC will take action on receipt of updated position verified by the Audit.

- 4.76 LOSS OF Rs. 971,017 ON CHARTERING MV SEA BULK.  
(PARA 69, PAGES 57-60-ARPSE-93-94)(ITEM 3-AP-93-94)

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit of the narrated facts that the action had been taken against the then Chairman as a result of investigation by the Ministry of Communication.

AUDIT REPORT PAKISTAN POST OFFICE DEPARTMENT (VOL-VIII-1996-97)

- 4.77 i) UN-AUTHORIZED EXPENDITURE ON THE PURCHASE OF DURABLE GOODS-Rs 2.733 MILLION. (PARA 3.8, PAGE 31-AR-PPO).
- ii) IRREGULAR EXPENDITURE OF Rs 1.654 MILLION. (PARA 3.10, PAGE 32-AR-PPO).
- iii) IRREGULAR EXPENDITURE ON THE PURCHASE OF VEHICLES Rs.4.637 MILLION. (PARAS 3.11, 3.13, 3.14, 3.26 & 3.27, PAGES 33,34,35 & 42-AR-PPO).
- iv) UN-AUTHORIZED PAYMENT OF RISK ALLOWANCE AND MAIL SORTING ALLOWANCE Rs.700,092. (PARA 3.20, PAGES-38-39-AR-PPO).

PAC DIRECTIVE

On presentation of the above four paras by the Audit, the PAC observed that PPOD had no control on its internal financial system. The department should take effective steps to strengthen internal control system to check financial irregularities in future. The Committee directed the PAO to examine the issues mentioned in the above audit observations, fix responsibility and take action against the person(s) responsible for the said irregularities under intimation to the Audit and PAC Secretariat within two months.

- 4.78 WASTEFUL EXPENDITURE ON EMPLOYMENT OF CONSULTANT Rs 531,000.  
(PARA 3.22, PAGES 39-40-AR-PPO).

PAC DIRECTIVE

The Department contended that some of the recommendations of the consultancy were implemented leaving others unattended which were involving financial or practical implications. Therefore, the Audit's observation that the consultancy went totally wasted is not correct. The Committee directed the PAO to prepare a report on the implementation of the recommendations and furnish it to the Audit for verification of facts.

- 4.79 IRREGULAR USE OF VEHICLE BY A POLITICIAN AND EXPENDITURE OF Rs 286,268. (PARA 3.30, PAGE 44-AR-PPO).

PAC DIRECTIVE

The PAC enquired whether the usage of vehicle by the Parliamentary Secretary was over and above his entitlement and which Ministry was responsible to provide him this facility under the rules. The Committee directed the PAO to submit a report (on the said para) within 10 days under intimation to the PAC.

- 4.80 UN-AUTHORIZED EXPENDITURE ON TELEPHONE CALLS IN EXCESS OF PRESCRIBED CEILING Rs 74,648. (PARA 3.33, PAGES 45-46-AR-PPO).

PAC DIRECTIVE

The Committee directed the Department to recover the un-authorized expenditure from the officers concerned, satisfy the Audit and report to the Committee.

- 4.81 NON-RECOVERY OF SHARE OF EXPENDITURE FROM PAKISTAN TELECOMMUNICATION COMPANY LIMITED Rs 14.906 MILLION. (PARA 6.5, PAGE 59-AR-PPO).

PAC DIRECTIVE

The Committee directed the PAO to take up the issue with the Chairman PTCL for recovery of the amount pointed out in the para. The PAO promised to take up the issue at his level and report to the PAC accordingly.

4.82 BLOCKING OF PUBLIC MONEY Rs. 8,937,024. (PARA 6.8. PAGE 61-AR-PPO).PAC DIRECTIVE

Admitting the irregularity the Department confirmed that the Markers were lying un-used till date. The PAC observed it an act of culpable negligence and directed to fix responsibility for the loss. The Committee further directed the Department to take up the issue with the supplier/manufacturer if necessary modifications could be made in the Postal Data Markers to make them useable and report to the PAC within two months.

4.83 DOUBTFUL PAYMENT OF Rs. 8,177,130 TO THE CANVASSERS. (PARA 6.9. PAGES 61-62-AR-PPO).PAC DIRECTIVE

On the statement by the Department that the required information is complete now, the PAC directed the Department to provide the updated required record/information to the Audit. The para may be considered settled subject to satisfaction/verification by the Audit.

4.84 OUTSTANDING EMERGENT ADVANCES Rs 8.104 MILLION. (PARAS 6.12, 6.14, 6.15 & 6.18, PAGES 63, 64, 65 & 66-AR-PPO).PAC DIRECTIVE

The Committee directed the Department to get the recoveries (Rs 5.575 million) verified from the Audit, reconcile the facts in the light of mentioned inquiry report and submit a report to the PAC accordingly.

4.85 NON-RECOVERY OF PENALTY CHARGES FOR DELAYED SUPPLY FROM POST OFFICE FOUNDATION-Rs 1.614 MILLION. (PARAS 6.16 & 6.17, PAGES 65-66-AR-PPO).

PAC DIRECTIVE

After hearing the Ministry's reply on the audit observations, the Committee directed the Department to satisfy the Audit regarding reasons for condoning the penalty. If the Audit is satisfied, the para may be considered settled.

- 4.86 i) UNDER STATEMENT OF ASSETS-Rs 597,981.  
(PARA 6.19, PAGES 66-67-AR-PPO)
- ii) BLOCKING OF PUBLIC MONEY Rs 525,520.  
(PARA 6.20, PAGE 67-AR-PPO)

PAC DIRECTIVE

The PAC settled both the paras, subject to verification by the Audit.

- 4.87 NON-RECOVERY OF 5% RENT CHARGES Rs 115,922.  
(PARA 6.25, PAGE 70-AR-PPO).

PAC DIRECTIVE

The PAC directed the Department to pursue the cases in the Court of Law vigorously for early decision. The Committee also desired to provide the list of other such cases to PAC Secretariat.

SPECIAL STUDY REPORT ON THE CLEARANCE OF CHEQUES AND THEIR IMPACT ON THE SAVING BANK AND SPECIAL SAVING ACCOUNTS

- 4.88 (PARA 1.1 TO 3.1, PAGES 75 TO 81-AR-1996-97)

PAC DIRECTIVE

On the Ministry's reply that all the cheques under objection have been cleared and no loss occurred to the Department, the PAC settled the issues subject to verification by the Audit. The Committee also directed the PAO to examine the similar issues, as mentioned in the Special Study Report, with reference to other cities and report to the Committee.

ACTIONABLE POINTS FOR 1996-97POSITION OF 21 PARAS WHICH WERE EXAMINED BY THE INTER-DEPARTMENTAL COMMITTEE CONSTITUTED BY THE PUBLIC ACCOUNTS COMMITTEE ON 07.08.1999

- 4.89 (PARAS NO. 1.11,1.12,1.13,2.2, 3.1, 3.5, 3.9, 3.15, 3.19, 3.21, 3.24, 3.28, 3.29, 3.32, 3.34, 3.35, 4.1, 4.2, 4.3 & 6.1, PAGES NO. 22, 23, 23, 25, 27, 27, 27, 29, 31, 35, 38, 38, 41, 43, 43, 45, 46, 46, 49, 49, 50 & 57-AR-PPO-96-97)(ITEM 1-AP-96-97).

PAC DIRECTIVE

The PAC was apprised that the IDC had prepared its minutes in its meeting held on 23.9.2000 and had sent them to the members for signature. The PAC deferred these paras with the direction to present the IDC report in the next meeting.

- 4.90 NON-RECOVERY OF CONSULTANCY CHARGES DRAWN TWICE \$ 12.538 (Rs 501,520), (PARA 6.21, PAGE-67-AR-PPO-96-97)(ITEM 2-AP-96-97).

PAC DIRECTIVE

The Department informed the Committee that the officer involved in this case was under suspension, the inquiry would be complete in two weeks and the officer was likely to be dismissed. The Committee directed the PAO, besides the action being taken by the Department, to effect the recovery of the objected amount and refer the case to the NAB.

- 4.91 LOSS DUE TO NON-REALIZATION OF Rs 40.953 MILLION FROM BAITULMAL, (PARA 1.1, PAGE 17-AR-PPO-96-97)(ITEM 4-AP-96-96).

PAC DIRECTIVE

The Committee directed the Department to take up the issue with M/O Finance, resolve the matter in the light of PAC's previous directive and report to the Committee.

- 4.92 FRAUD, LOSS AND DEFALCATION CASES Rs 11.336 MILLION.  
(PARAS 1.2, 1.4 & 1.5, PAGES 17 TO 19-AR-PPO-96-97)(ITEM 5-AP-96-97).

PAC DIRECTIVE

The PAC was not satisfied with the reply and deferred the paras with the direction to the PAO to reconcile the figures, prepare details of recoveries made and outstanding balances and present the up-dated position in the next meeting (7.12.2000).

- 4.93 i) LOSS DUE TO AWARD OF WORK AT HIGHER RATES Rs 502.526.  
 ii) IRREGULAR EXPENDITURE ON EMPLOYMENT OF CONTINGENT PAID STAFF AND TO ENGAGE OUTSIDER AS PORTER Rs 10.324 MILLION (PARAS 1.7, 3.3, 3.17 & 3.23-AR-PPO-96-97)(ITEM 6-AP-96-97).

PAC DIRECTIVE

The PAO promised to take action against the person(s) responsible in the light of the report of Financial Advisor (Communications) dated 16.10.2000. The Committee deferred the para till the next meeting (7.12.2000).

- 4.94 UNAUTHORIZED EXPENDITURE ON PURCHASE OF BAGS Rs 8.4 MILLION (PARA 3.4, PAGE 28-AR-PPO-96-97)(ITEM 8-AP-96-97).

PAC DIRECTIVE

On presentation of the above para, the Committee observed that due attention was not being paid to financial discipline and directed the PAO to restore sanctity of the budget. The PAO promised to approach M/O Finance to resolve the matter. The PAC deferred the para to watch the progress in the next meeting.

- 4.95 POSTPONEMENT OF BENEFITS ENVISAGED IN PROJECTED WORKS Rs 12.120 MILLION.  
(PARA 6.6, PAGES 59-60-AR-PPO-96-97)(ITEM 9-AP-96-97).

PAC DIRECTIVE

The Committee directed the Department to submit a report to the Audit on completion of the project for necessary verification.

- 4.96 FAILURE TO CONSTRUCT BUILDING DESPITE RELEASE OF FUNDS Rs 414,000. (PARA 6.23, PAGE 69-AR-PPO-96-97)(ITEM 10-AP-96-97).

PAC DIRECTIVE

The PAO promised to provide compliance report to the Audit. The Committee settled the para subject to verification by the Audit.

- 4.97 NON-AUTHENTICATION OF GRANT RESULTING UNAUTHORIZED EXPENDITURE (AUDIT CERTIFICATE) (PAGE 31-AA-PPO-96-97)(ITEM 3-AP-96-97).

PAC DIRECTIVE

On this para, the defunct PAC had constituted a Sub-Committee, in its meeting held on 7.8.1999, to look into the matter, determine whether PPO or Finance Division was responsible for the said gross negligence and fix responsibility accordingly. No meeting of the said Sub-Committee was held. On presentation of this position, the Committee requested Mr. Muzaffar Ahmed, Member Ad-hoc PAC to review the above mentioned audit observation and report to the Committee in the next meeting.

ACTIONABLE POINTS FOR 1993-94

- 4.98 NON-COMPILATION OF ACCOUNTS (NOTE 2) (PAGE 11-AR-PPO-93-94) (ITEM 9-AP-93-94).

PAC DIRECTIVE

The Committee directed the Department to compile and submit the said accounts for audit within 15 days. If the Audit is satisfied on the subject, the issue may be considered settled.

- 4.99 MISAPPROPRIATION OF MONEY BY ISSUING BOGUS MONEY ORDER RECEIPTS - Rs 23,115. (PARA 1.5, PAGE 21-AR-PPO-93-94)(ITEM 10-AP-93-94).

PAC DIRECTIVE

The departmental contention, that the record had been got verified, was not confirmed by the Audit. Therefore, the Committee directed the PAO to submit verified position in the next meeting.

- 4.100 BLOCKING OF CAPITAL FUNDS Rs. 3228 MILLION. (PARA 2.1, PAGES 21-22-AR-PPO-93-94)(ITEM 11-AP-93-94).

PAC DIRECTIVE

The Committee directed the Department to submit a report, as desired in the previous PAC's directive (7.8.99) alongwith the progress of action taken so far, to the Audit. The Committee deferred the issue till the next meeting.

- 4.101 FAILURE TO CONSTRUCT RESIDENTIAL QUARTERS DESPITE RELEASE OF FUNDS Rs. 2.558 MILLION. (PARA 2.2, PAGES 22-23-AR-PPO-93-94)(ITEM 12-AP-93-94).

PAC DIRECTIVE

The PAC directed the PAO to submit a report, on the actions taken by the Ministry on the issue, to the Audit for necessary verification.

- 4.102 (PARAS 3.1, 3.2, 3.3 & 3.4, PAGES 23-24-AR-PPO-93-94)(ITEM 13-AP-93-94).

- i) UNDER-STATEMENT OF ASSETS-Rs. 650,160
- ii) UNDER-STATEMENT OF ASSETS-Rs. 338,797
- iii) UNDER-STATEMENT OF ASSETS-Rs. 97,687
- iv) UNDER-STATEMENT OF ASSETS-Rs. 86,465

PAC DIRECTIVE

The Committee directed the Department to submit a report on the actions taken on the previous PAC's directive; however, settled the above paras subject to verification by the Audit.

- 4.103 IRREGULAR EMPLOYMENT OF DAILY WAGES STAFF Rs. 299,635 IN POSTMASTER GENERAL SOUTHERN PUNJAB, LAHORE.  
(PARA 4.3, PAGE 26-AR-PPO-96-97)(ITEM 14-AP-93-94).

PAC DIRECTIVE

After hearing the Ministry's reply, the PAC directed the Department to take up the matter with M/o Finance and resolve the issue under intimation to the PAC Secretariat.

- 4.104 i) LOSS OF REVENUE DUE TO NON-RENEWAL OF BRLs/CBRLs IN POSTMASTER GENERAL, NWFP, PESHAWAR Rs 1,029,140.  
(PARA 1.2, PAGE 19-AR-PPO)(ITEM 15-AP-93-94).
- ii) OPERATIONAL LOSS OF FAX SERVICE Rs 28,980.  
(PARA 1.4, PAGE 20-AR-PPO-93-94)(ITEM 15-AP-93-94).
- iii) NON-VERIFICATION OF CONSOLIDATED TREASURY/POSTAL RECEIPTS Rs 38.256 MILLION.  
(PARA 4.1, PAGE 24-AR-PPO-96-97)(ITEM 15-AP-93-94).
- iv) DECLINING TREND IN VOLUME OF SERVICE PROVIDED TO PUBLIC IN SOUTHERN PUNJAB POSTAL CIRCLE.  
(PARA 7, PAGE 29-AR-PPO-96-97)(ITEM 15-AP-93-94).

PAC DIRECTIVE

The Ad-hoc PAC was apprised that the defunct PAC constituted an IDC to look into the matters of above mentioned paras. The Committee, on the recommendation of the Audit, settled the para 4.1. However, the Committee directed the Department to finalize the IDC report on paras 1.2, 1.4 and 7 above and report to the Committee within 10 days.

COMPLIANCE OF ACTIONABLE POINTS FOR THE YEAR 1996-97, 1993-94 & 1987-88

NATIONAL HIGHWAY AUTHORITY (NHA)

- 4.105 i) OVERPAYMENT OF Rs. 186.586 MILLION.  
(PARA A-I.1, PAGE 51-AR-96-97).
- ii) OVERPAYMENT OF Rs. 134.352 MILLION.  
(PARA A-I.2, PAGE 52-AR-96-97).
- iii) OVERPAYMENT OF Rs. 82.993 MILLION.  
(PARA A-I.3, PAGE 52-AR-96-97).

- iv) OVERPAYMENT OF Rs. 22.559 MILLION.  
(PARA A-I.4, PAGE 53-AR-96-97).
- v) OVERPAYMENT OF Rs. 9.828 MILLION.  
(PARA A-I.5, PAGE 53-AR-96-97).
- vi) OVERPAYMENT OF Rs. 3.787 MILLION.  
(PARA A-I.6, PAGE 54-AR-96-97).
- vii) OVERPAYMENT OF Rs. 1.516 MILLION.  
(PARA A-I.7, PAGE 54-AR-96-97).
- viii) EXCESS PAYMENT OF Rs. 69.708 MILLION.  
(PARA A-II.1, PAGE 58-AR-96-97).
- ix) IRREGULAR EXPENDITURE OF Rs. 1.609 BILLIONS.  
(PARA C-II.1, PAGE 68-AR-96-97).
- x) LOSS OF Rs. 8.351 MILLION.  
(PARA C-IV.1, PAGE 58-AR-96-97).

PAC DIRECTIVE

The previous PAC constituted a Sub-Committee to review the above enlisted ten paras. The Sub-Committee, in its first meeting held on 12.8.99, appointed an IDC to prepare a fact finding report on the issues involved. The second meeting was scheduled to be held on 13.10.99 but could not be held due to suspension of the National Assembly. The IDC could not complete its report even to date. The PAC deferred these paras and directed the PAO to complete the report and present detailed replies to the PAC in the next meeting.

- 4.106 OVERPAYMENT OF Rs. 15.637 MILLION.  
(PARA A-III.1, PAGE 59-AR-96-97).

PAC DIRECTIVE

The Committee directed the Department to brief the Audit on the details of the case and actions taken so far. The para will be discussed in the next meeting in the light of verified facts.

- 4.107 i) OVERPAYMENT OF Rs. 1.617 MILLION (PARA A-I.8. PAGE 54-AR-96-97).  
 ii) OVERPAYMENT OF Rs. 0.918 MILLION (PARA A-I.9. PAGE 55-AR-96-97).

PAC DIRECTIVE

On the above mentioned paras, the PAC was not satisfied with the reply of the Department. The Committee directed the PAO to furnish a detailed report, based on technical and financial analysis on the matters under objection, to the Audit. If the Audit is not satisfied, then the Department should get technical certification from some neutral body like NESPAK, on the issues and report to the Committee within one month.

- 4.108 i) OVERPAYMENT OF Rs. 0.645 MILLION.  
(PARA A-I.10. PAGE 55-AR-96-97).  
 ii) OVERPAYMENT OF Rs. 0.372 MILLION.  
(PARA A-II.2. PAGE 58-AR-96-97).  
 iii) OVERPAYMENT OF Rs. 0.323 MILLION.  
(PARA A-IV.2. PAGE 63-AR-96-97).  
 iv) LOSS OF Rs. 0.132 MILLION.  
(PARA C-VIII.1. PAGE 71-AR-96-97).

PAC DIRECTIVE

The Committee settled the above mentioned paras subject to verification by the Audit.

- 4.109 OVERPAYMENT OF Rs 2.327 MILLION (ENHANCED OVER PAYMENT TO  
Rs 11.413 MILLION UP TO DATE (PARA A-III.3. PAGE 60-AR-96-97)

PAC DIRECTIVE

The Department contended that the full payment was made to the consultant after completion of contractual obligation. Consultancy period was extended because the project completion period was enhanced by the competent authority. Therefore, no overpayment was made. The PAC directed the PAO to provide the up-dated information to the Audit. If the Audit is satisfied, the matter may be considered settled.

4.101 EXCESS PAYMENT OF Rs 1.316 MILLION. (PARA A-III.4, PAGE 60-AR-96-97).PAC DIRECTIVE

The defunct PAC had constituted an IDC to investigate the issue. The PAC examined the IDC report and directed the PAO to take action in the light of IDC's recommendations and report to the PAC accordingly.

4.102 OVERPAYMENT OF Rs 0.360 MILLION.  
(PARA A-III.6, PAGE 61-AR-96-97).PAC DIRECTIVE

The Committee deferred the para and directed the PAO to examine the matter of overpayment and report to the PAC in its next meeting.

4.103 LOSS OF Rs 7.978 MILLION.  
(PARA C-I.1, PAGE 67-AR-96-97).PAC DIRECTIVE

The department apprised the Committee that an inquiry is under process on the subject. The Committee directed the PAO to finalize the inquiry at the earliest and pass on its findings to the Audit and the PAC Secretariat.

4.104 NON-ACCOUNTAL OF Rs 16.727 MILLION.  
(PARA C-III.1, PAGE 69-AR-96-97).PAC DIRECTIVE

The Committee up-held the defunct PAC's decision on the para and directed the Department to provide the original record, for verification, to the Audit.

4.105 LOSS OF Rs 6.00 MILLION DUE TO NON-RECOVERY OF DISMANTLED MATERIAL. (PARA C-V.1, PAGE 70-AR-96-97).

PAC DIRECTIVE

The Department contended that it was an understanding with the contractors in pre-tender meetings that no salvage value on account of dismantled material would be recovered. On this explanation, the Committee directed the Department to provide the required documents (especially the rate analysis and minutes of the said meetings) for verification, to the Audit. If the Audit is satisfied the matter may be considered settled.

- 4.106 i) OVERPAYMENT OF Rs 1.635 MILLION. (PARA A-V.1, PAGE 63-AR-96-97).
- ii) LESS RECOVERY OF INCOME TAX Rs 9.601 MILLION. (PARA B-I.1, PAGE 65-AR-96-97).
- iii) UNDUE FINANCIAL BENEFIT TO THE CONTRACTOR. Rs 1.531 MILLION. (PARA C-VI.1, PAGE 70-AR-96-97).

PAC DIRECTIVE

The committee settled the above three paras subject to verification by the Audit.

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ACTIONABLE POINTS: MEETING ON 23-12-2000

4.107 DEFERRED PARAS FOR 1996-97 (10)

- i) OVERPAYMENT OF RS.186.586 MILLION (PARA A-I.1, PAGE 51-ARCW-96-97)
- ii) OVERPAYMENT OF RS.134.352 MILLION (PARA A-I.2, PAGE 52-ARCW-96-97)
- iii) OVERPAYMENT OF RS.82.993 MILLION (PARA A-I.3, PAGE 52-ARCW-96-97)

- iv) OVERPAYMENT OF RS.22.559 MILLION  
(PARA A-I.4, PAGE 53-ARCW-96-97)
- v) OVERPAYMENT OF RS.9.828 MILLION  
(PARA A-I.5, PAGE 53-ARCW-96-97)
- vi) OVERPAYMENT OF RS.3.787 MILLION  
(PARA A-I.6, PAGE 54-ARCW)
- vii) OVERPAYMENT OF RS.1.516 MILLION  
(PARA A-I.7, PAGE 54-ARCW-96-97)
- viii) EXCESS PAYMENT OF RS.69.708 MILLION  
(PARA A-II.1, PAGE 58-ARCW-96-97)
- ix) IRREGULAR EXPENDITURE OF RS.1.609 BILLIONS  
(PARA C-II.1, PAGE 68-ARCW-96-97)
- x) LOSS OF RS.8.351 MILLION  
(PARA C-IV.1, PAGE 58-ARCW-96-97)

The previous PAC constituted a Sub-Committee to review the above enlisted ten paras. The Sub-Committee, in its first meeting held on 12.8.99, appointed an IDC to prepare a fact finding report on the issues involved. The second meeting was scheduled to be held on 13.10.99 but could not be held due to suspension of the National Assembly. The IDC could not complete its report. The Ad-hoc PAC deferred these paras in its last meeting and directed the PAO to complete the report and present detailed replies to the PAC in the next meeting.

#### PAC DIRECTIVE

Position was explained by the Department on these paras, in the current meeting. In most of the cases approval was obtained from the Executive Board of NHA instead of M.O. Finance or the Planning Division and the revised PC-1 was not got approved. The Committee was not satisfied with the explanation made by the Department. So, to examine these cases in detail, a Sub-Committee was constituted comprising Lt. Gen. (R) Talat Masood, Member Ad-hoc PAC (Convener), Mr. S. M.

Zafarullah, Member Ad-hoc PAC, Mr. M. Hassan Bhutto, Member Ad-hoc PAC, Mr. Wazir Ahmed Qureshi, Director General Audit (Works), Mr. Muhammad Raziq, F. A. (Communications), M/O Finance, Mr. Ashraf M. Hayat, Joint Secretary, M/O Communications and Syed Najum-ul-Hasan, Member (Operations).

#### 4.108 ACTIONABLE POINTS FOR 1993-94 (28 Paras)

While examining the accounts of Ministry of Communications relating to NHA on 18.2.1998 and 3.12.1998, PAC constituted an IDC in respect of following 28 paras. On the production of IDC report before the Ad-hoc PAC, the Committee felt that desired actions had not been taken by the Department. Moreover, the Department contended that in certain paras there was dissenting note of the departmental representative which was not brought before the Committee.

#### PAC DIRECTIVE

To examine the progress of actions required to be taken in the light of IDC's report and the controversy of the dissenting note, these paras (28) were also assigned to the above mentioned Sub-Committee.

The Committee also directed the Sub-Committee to review these audit observations, pin-point the officers concerned who were responsible for not processing the recovery cases in the light of IDC's findings, take action under the directives of the previous Committee, finalize its report and submit to the Committee at the earliest.

- i) EXCESS PAYMENT OF RS.1,549 MILLION  
(PARA A-III.1, PAGE 92-ARCW-93-94)
- ii) OVERPAYMENT OF RS.7,811 MILLION  
(PARA A-III.3, PAGE 93-ARCW-93-94)
- iii) OVERPAYMENT OF RS.4,795 MILLION  
(PARA A-IV.1, PAGE 95-ARCW-93-94)

- iv) OVERPAYMENT OF RS.5.089 MILLION  
(PARA A-IV.2, PAGE 96-ARCW-93-94)
- v) EXCESS PAYMENT OF RS.7.967 MILLION  
(PARA A-IV.5, PAGE 97-ARCW-93-94)
- vi) OVERPAYMENT OF RS.0.945 MILLION  
(PARA A-V.14, PAGE 104-ARCW-93-94)
- vii) EXCESS PAYMENT OF RS.0.234 MILLION  
(PARA A-VI.5, PAGE 107-ARCW-93-94)
- viii) OVERPAYMENT OF RS.1.206 MILLION  
(PARA A-VII.5, PAGE 109-ARCW-93-94)
- ix) OVERPAYMENT OF RS.2.350 MILLION  
(PARA A-VII.7, PAGE 110-ARCW-93-94)
- x) EXCESS PAYMENT OF RS.1.866 MILLION  
(PARA A-VII.10, PAGE 111-ARCW-93-94)
- xi) OVERPAYMENT OF RS.0.706 MILLION  
(PARA A-VIII.4, PAGE 113-ARCW-93-94)
- xii) EXCESS PAYMENT OF RS.5.133 MILLION  
(PARA A-VIII.15, PAGE 116-ARCW-93-94)
- xiii) EXCESS PAYMENT OF RS.0.070 MILLION  
(PARA A-VIII.16, PAGE 117-ARCW-93-94)
- xiv) EXCESS PAYMENT OF RS.4.121 MILLION  
(PARA A-VIII.17, PAGE 117-ARCW-93-94)
- xv) EXCESS PAYMENT OF RS.6.255 MILLION  
(PARA A-VIII.18, PAGE 118-AR)
- xvi) EXCESS PAYMENT OF RS.4.211 MILLION  
(PARA A-VIII.19, PAGE 118-ARCW-93-94)
- xvii) OVERPAYMENT OF RS.0.123 MILLION  
(PARA A-VIII.29, PAGE 123-ARCW-93-94)
- xviii) EXCESS PAYMENT OF RS.0.804 MILLION  
(PARA A-VIII.32, PAGE 124-ARCW-93-94)
- xix) EXCESS PAYMENT OF RS. .0136 MILLION  
(PARA A-IX.1, PAGE 124-ARCW-93-94)
- xx) NON-RECOVERY OF RS.0.698 MILLION  
(PARA B-II.2, PAGE 128-ARCW-93-94)

- xxi) LOSS OF RS.0.231 MILLION  
(PARA C-III.1, PAGE 131-ARCW-93-94)
- xxii) LOSS OF RS.0.076 MILLION  
(PARA C-V.1, PAGE 131-ARCW-93-94)
- xxiii) OVERPAYMENT OF RS.15.959 MILLION  
(PARA A-VI.1, PAGE 106-ARCW-93-94)
- xxiv) OVERPAYMENT OF RS.0.201 MILLION  
(PARA A-VIII.8, PAGE 114-ARCW-93-94)
- xxv) EXCESS PAYMENT OF RS.0.408 MILLION  
(PARA A-VIII.9, PAGE 114-ARCW-93-94)
- xxvi) OVERPAYMENT OF RS.0.299 MILLION  
(PARA A-VIII.28, PAGE 122-ARCW-93-94)
- xxvii) LOSS OF RS.0.561 MILLION  
(PARA C-IV.1, PAGE 131-ARCW-93-94)
- xviii) LOSS OF RS.0.066 MILLION  
(PARA C-VI.1, PAGE 132-ARCW-93-94)

#### 4.109 OTHER PARAS (6) ASSIGNED TO THE SUB-COMMITTEE

Following 6 paras involved verification/examination of the related facts, therefore, these were also assigned to the Sub-Committee, mentioned above.

- i) OVERPAYMENT OF RS.3.750 MILLION  
(PARA A-VIII.23, PAGE 120-AR)
- ii) NON-RECOVERY INCLUDING INTEREST OF RS.1.939 MILLION  
(PARA B-I.5, PAGE 127-AR)
- iii) NON-RECOVERY OF RS.1.371 MILLION  
(PARA B-IV.1, PAGE 128-AR)
- iv) IRREGULAR EXPENDITURE OF RS.1.210 MILLION  
(PARAS D-I.1 & D-I.2, PAGE 134-ARCW-93-94)
- v) MOBILIZATION ADVANCE OF RS.379.365 MILLION  
(PARA D-II.1, PAGE 134-ARCW-93-94)
- vi) UNJUSTIFIED PAYMENT OF RS.0.240 MILLION  
(PARA D-III.1, PAGE 135-ARCW-93-94)

4.110 50-PARAS REFERRED BY PAC FOR VERIFICATION/SVD CASES

Previous PAC dropped 5 paras (Sr. 46-50) subject to verification by the Audit and in the other 45 paras the Department was directed to get its position reconciled with the Audit, in each case. The verification report was furnished to the PAC Secretariat on 23.10.1998 which was presented before the PAC for perusal.

- i) OVERPAYMENT OF RS.0.239(M)  
(PARA A-III.5, PAGE 93-ARCW)(ITEM 4-AP-93-94)
- ii) OVERPAYMENT DUE TO INCORRECT RATE OF RS.0.175(M)  
(PARA A-III.7, PAGE 94-ARCW)(ITEM 4-AP-93-94)
- iii) EXCESS PAYMENT OF RS.0.065(M)  
(PARA A-III.8, PAGE 94-ARCW)(ITEM 4-AP-93-94)
- iv) EXCESS PAYMENT OF RS.0.559(M)  
(PARA A-IV.3, PAGE 96-ARCW)(ITEM 4-AP-93-94)
- v) EXCESS PAYMENT OF RS.0.183(M)  
(PARA A-IV.4, PAGE 96-ARCW)(ITEM 4-AP-93-94)
- vi) OVER PAYMENT OF RS.1.584(M)  
(PARA A-IV.7, PAGE 97-ARCW)(ITEM 4-AP-93-94)
- vii) OVERPAYMENT OF RS.0.074(M)  
(PARA A-IV.8, PAGE 98-ARCW)(ITEM 4-AP-93-94)
- viii) OVERPAYMENT OF RS.0.241(M)  
(PARA A-IV.10, PAGE 98-ARCW)(ITEM 4-AP-93-94)
- ix) OVERPAYMENT OF RS.0.344(M)  
(PARA A-IV.11, PAGE 99-ARCW)(ITEM 4-AP-93-94)
- x) OVERPAYMENT OF RS.36.547(M)  
(PARA A-V.1, PAGE 99-ARCW)(ITEM 4-AP-93-94)
- xi) OVERPAYMENT OF RS.60.802(M)  
(PARA A-V.2, PAGE 100-ARCW)(ITEM 4-AP-93-94)
- xii) OVERPAYMENT OF RS.0.470(M)  
(PARA A-V.3, PAGE 100-ARCW)(ITEM 4-AP-93-94)
- xiii) EXCESS PAYMENT OF RS.0.067(M)  
(PARA A-V.5, PAGE 101-ARCW)(ITEM 4-AP-93-94)
- xiv) OVERPAYMENT OF RS.8.557(M)  
(PARA A-V.6, PAGE 101-ARCW)(ITEM 4-AP-93-94)

- xv) OVERPAYMENT OF RS. 0.105(M)  
(PARA A-V.8, PAGE 102-ARCW)(ITEM 4-AP-93-94)
- xvi) OVERPAYMENT OF RS. 0.178(M)  
(PARA A-V.15, PAGE 104-ARCW)(ITEM 4-AP-93-94)
- xvii) EXCESS PAYMENT OF RS. 0.187(M)  
(PARA A-V.16, PAGE 104-ARCW)(ITEM 4-AP-93-94)
- xviii) OVERPAYMENT OF RS. 0.106(M)  
(PARA A-V.18, PAGE 105-ARCW)(ITEM 4-AP-93-94)
- xix) OVERPAYMENT OF RS. 1.534(M)  
(PARA A-VI.2, PAGE 106-ARCW)(ITEM 4-AP-93-94)
- xx) OVERPAYMENT OF RS. 1.293(M)  
(PARA A-VI.3, PAGE 106-ARCW)(ITEM 4-AP-93-94)
- xxi) OVERPAYMENT OF RS. 0.683(M)  
(PARA A-VI.4, PAGE 107-ARCW)(ITEM 4-AP-93-94)
- xxii) EXCESS PAYMENT OF RS. 0.201(M)  
(PARA A-VI.6, PAGE 108-ARCW)(ITEM 4-AP-93-94)
- xxiii) OVERPAYMENT OF RS. 1.539(M)  
(PARA A-VII.1, PAGE 108-ARCW)(ITEM 4-AP-93-94)
- xxiv) OVERPAYMENT OF RS. 1.573(M)  
(PARA A-VII.2, PAGE 108-ARCW)(ITEM 4-AP-93-94)
- xxv) OVERPAYMENT OF RS. 0.848(M)  
(PARA A-VII.3, PAGE 109-ARCW)(ITEM 4-AP-93-94)
- xxvi) OVERPAYMENT OF RS. 10.764(M)  
(PARA A-VII.4, PAGE 109-ARCW)(ITEM 4-AP-93-94)
- xxvii) OVERPAYMENT OF RS. 0.208(M)  
(PARA A-VII.8, PAGE 110-ARCW)(ITEM 4-AP-93-94)
- xxviii) EXCESS PAYMENT OF RS. 0.101(M)  
(PARA A-VII.9, PAGE 111-ARCW)(ITEM 4-AP-93-94)
- xxix) OVERPAYMENT OF RS. 1.477(M)  
(PARA A-VIII.3, PAGE 112-ARCW)(ITEM 4-AP-93-94)
- xxx) OVERPAYMENT OF RS. 3.706(M)  
(PARA A-VIII.5, PAGE 113-ARCW)(ITEM 4-AP-93-94)
- xxxi) EXCESS PAYMENT OF RS. 0.216(M)  
(PARA A-VIII.7, PAGE 114-ARCW)(ITEM 4-AP-93-94)

- xxxii) EXCESS PAYMENT OF RS.3.797(M)  
(PARA A-VIII.10, PAGE 115-ARCW)(ITEM 4-AP-93-94)
- xxxiii) EXCESS PAYMENT OF RS.0.103(M)  
(PARA A-VIII.11, PAGE 115-ARCW)(ITEM 4-AP-93-94)
- xxxiv) EXCESS PAYMENT OF RS.0.057(M)  
(PARA A-VIII.13, PAGE 116-ARCW)(ITEM 4-AP-93-94)
- xxxv) EXCESS PAYMENT OF RS.3.316(M)  
(PARA A-VIII.14, PAGE 116-ARCW)(ITEM 4-AP-93-94)
- xxxvi) EXCESS PAYMENT OF RS.3.669(M)  
(PARA A-VIII.21, PAGE 119-ARCW)(ITEM 4-AP-93-94)
- xxxvii) EXCESS PAYMENT OF RS.0.081(M)  
(PARA A-VIII.25, PAGE 121-ARCW)(ITEM 4-AP-93-94)
- xxxviii) EXCESS PAYMENT OF RS.0.077(M)  
(PARA A-VIII.26, PAGE 121-ARCW)(ITEM 4-AP-93-94)
- xxxix) EXCESS PAYMENT OF RS.0.073(M)  
(PARA A-VIII.27, PAGE 122-ARCW)(ITEM 4-AP-93-94)
- xl) OVERPAYMENT OF RS.0.191(M)  
(PARA A-X.1, PAGE 125-ARCW)(ITEM 4-AP-93-94)
- xli) SHORT RECOVERY OF MOBILIZATION ADVANCE OF RS.86.026(M)  
(PARA B-I.2, PAGE 126-ARCW)(ITEM 4-AP-93-94)
- xlii) NON RECOVERY OF MOBILIZATION ADVANCE + INTEREST OF RS.26.749(M)  
(PARA B-I.3, PAGE 126-ARCW)(ITEM 4-AP-93-94)
- xliii) NON RECOVERY OF RS.1.109(M)  
(PARA B-I.4, PAGE 127-ARCW)(ITEM 4-AP-93-94)
- xliv) NON RECOVERY OF RS.0.872(M)  
(PARA B-III.1, PAGE 128-ARCW)(ITEM 4-AP-93-94)
- xlv) LOSS OF RS.0.685(M)  
(PARA C-I.1, PAGE 129-ARCW)(ITEM 4-AP-93-94)
- xlvi) EXCESS PAYMENT OF RS.0.376(M)  
(PARA A-III.6, PAGE 94-ARCW)(ITEM 8-AP-93-94)
- xlvii) OVERPAYMENT OF RS.2.981(M)  
(PARA A-III.9, PAGE 95-ARCW)(ITEM 8-AP-93-94)
- xlviii) OVERPAYMENT OF RS.1.753(M)  
(PARA A-V.12, PAGE 103-ARCW)(ITEM 8-AP-93-94)

xlix) OVERPAYMENT OF RS. 7.475(M)  
(PARA A-VIII-1, PAGE 112-ARCW)(ITEM 8-AP-93-94)

1) OVERPAYMENT OF RS. 3.662(M)  
(PARA A-VIII-2, PAGE 112-ARCW)(ITEM 8-AP-93-94)

PAC DIRECTIVE

On the presentation of the verification report on the above mentioned 50 paras by the Audit, the Principal Accounting Officer endorsed the opinion of the Audit Department that due attention on different audit observations was not given by the Department. The Committee conveyed its displeasure for non compliance on different audit objections. The Committee directed the Principal Accounting Officer to examine the audit objections, provide the required record for the verification of facts, reconcile the disputes with the audit within 15 days, take appropriate action, where so required, and report to the PAC accordingly.

4.111 EXCESS PAYMENT OF RS. 3.677 MILLION  
(PARA A-III.2, PAGE 92-ARCW-93-94)

Audit pointed out that 12517.384 M3 stone was dumped\_loose through trucks and paid @ Rs 470 per M3 at the finished item rate instead of the payable reduced rate of Rs. 293.75 per M3. Moreover, deduction for voids for the loose dumped stone @ 25% was not made. This resulted in excess payment of Rs. 3.677 (M).

Audit Department apprised the Committee that the previous PAC settled the para subject to verification.

PAC DIRECTIVE

The Committee, after hearing the Ministry's reply on the para, directed the Department to recover the excess amount from the contractor. However, the Committee also directed the PAO to take action against the officer concerned who made excess payment and report to PAC within one month.

4.112 OVERPAYMENT OF RS. 0.496 MILLION  
(PARA A-III.4, PAGE 93-AR)

Audit pointed out that against the bid cost of Rs. 36.520 million the work was awarded at negotiated cost of Rs. 34.839 million. As such the rebate @ 4.608997% was required to be deducted. The authority however deducted this rebate at the lower rate @ 3%. This resulted overpayment of Rs. 0.496 million.

The defunct PAC directed the PAO to recover the excess payment and take action against the officer concerned who was responsible for said payment within two months.

The Principal Accounting Officer apprised the Committee that the Department has already recovered the overpayment under the instructions of previous PAC. As regards the officer responsible for the excess payment, he has resigned from the service.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.113 EXCESS PAYMENT OF RS. 0.773 MILLION  
(PARA A-III.10, PAGE 95-AR)

Audit pointed out that payment for premium was made at higher rates than that provided in the Agreement without any authority for the item of work "Triple Surface Treatment". This resulted in excess payment of Rs. 0.773 million in January 1993.

The defunct PAC directed the Department for Ex-post-facto approval of the Finance Division, and report to the Committee within one month.

In compliance with previous PAC's directives the case was submitted to M/o Communications for ex-post facto approval of the Finance Division. The Finance Division has approved the case.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.114 OVERPAYMENT OF RS.0.426 MILLION  
(PARA A-V.10, PAGE 102-AR)

Audit pointed out that during execution of a work under the Peoples Works Program in Khanewal district initially recorded the lead from Sikhawali quarry to the site of work as 145 miles but subsequently increased to 190 miles while updating the measurements. This resulted in overpayment of Rs. 0.426 million to the contractor.

The authority admitted the recovery and promised to effect it shortly. PAC directed that disciplinary action be taken against the Deputy Director concerned, who was involved in the change of lead from 145 K.M. to 190 K.M.

PAC DIRECTIVE

After hearing the Ministry's reply on the Audit observation, the Committee directed the Principal Accounting Officer to recover the balance amount and report to the Committee within one month.

4.115 EXCESS PAYMENT OF RS.4.606 MILLION  
(PARA A-VII.6, PAGE 110-AR)

Audit pointed out that the quantities of Asphalt Wearing Course were measured (4.3 to 7 CM) in excess of those admissible (3 CM) as per X-Section approved in the Technical Estimate/Contract. This resulted in excess payment of Rs. 4.606 million in December 1992 and January 1994.

The defunct PAC directed the PAO to examine the matter and report to the Committee within one month.

PAC DIRECTIVE

The Principal Accounting Officer apprised the Committee regarding latest position of the excess payment. The committee settled the audit para. However, the Committee directed the Department that procedure under the law, must be followed while dealing with the contractors in future.

4.116 LOSS OF RS. 2.157 MILLION  
(PARA C-II.1. PAGE 130-AR)

Audit pointed out that completion period for a work of constructing a bridge was reduced from 2 years to 550 days, to be calculated from the start of work on 8.9.1991. The work was thus to be completed by 8.3.1993 but was shown to have been completed on 31st March 1993. Due to this variation, the contractor was allowed to collect toll tax as compensation/bonus from March 1993 to May 1993 which was not covered under the terms and conditions of the contract thus depriving the Authority of the revenue of toll Rs. 2.094 million plus 3% advance income tax of Rs. 0.061 million to Government. Moreover, the defective quality of triple surface treatment on the work was got rectified at an additional expenditure of Rs. 0.063 million. In aggregate, this resulted in a loss of Rs. 2.157 million in October 1993 to Government.

The defunct PAC conveyed its displeasure on the issue and directed the PAO to examine the case, fix responsibility against the officer(s) concerned and suggest measures to recover the said amount within one month.

PAC DIRECTIVE

The Committee conveyed its displeasure for not implementing the PAC's decision and directed the Department to provide all the required documents on the subject, including agreement regarding the collection of toll tax as compensation/bonus, to the Audit for the examination of the issue, implement the directive of the previous PAC and submit a report within one month.

## MINISTRY OF HOUSING AND WORKS

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### 1. OVERVIEW

The Public Accounts Committee (PAC), in its meetings held on 2nd August, 1999 and 30th and 31st May, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Housing & Works. Examining the Report, the Committee noticed several irregularities with respect to mismanagement of grants and non-recovery of rents in the Estate Office System, overstaffing and large number of work-charged employees in PWD, overpayments in allowing escalations and higher premiums, non-recovery of risk and cost expenses, etc. While examining these issues the Committee issued several directives (Actionable Points), depending on the nature of irregularity in each case, to the Ministry intending corrective measures. In cases of corruption, misuse of power or culpable negligence the Committee directed the Ministry to initiate accountability actions against the persons held responsible.

The Audit Report contained 104 paras, of which 23 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry. The Audit pointed out recoveries amounting to Rs.92.688 million, out of which Rs. 27.724 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit fixed in each case. The PAC Secretariat will watch the progress of recoveries and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their viewpoints on different issues. Actionable Points based on the PAC's directives are given in Section-4. However, some major issues and the Committee's recommendations thereon are summarised in the following sections.

## 2. MAJOR ISSUES

### 2.1 OBSERVATIONS BY THE AUDITOR GENERAL OF PAKISTAN

- > The Auditor General of Pakistan apprised the PAC, in its meeting held on 2.8.1999, of the sorry state of affairs of the Estate Office System and poor performance of the Works Department. Besides, the mismanagement of the grants given to the Estate Offices, failure of the system to recover government dues, on account of rent of buildings provided to various users, are the evidences which reflect the inefficiency and negligence on the part of respective officers/officials. Detail of the amounts recoverable in this respect is given in section 2.4.
- > Pak PWD had 4007 regular employees on its roll during 1996-97. Parallel organizations like NHA or FWO have been created to perform the development works; and entities like CDA have assumed the role of Construction Organizations; there is, obviously, a need for coordinated top-level decision making to save national resources which go waste by overlapping of activities or under-utilization of men and material.
- > One of the most unrealistic burdens the PWD is afflicted with is the burden of work-charged employees; during 1996-97, Rs 217 million were spent on work-charged employees against the budget allotment of Rs 182 million. Due to improper utilization of work-charged employees and their overall mismanagement over the years, the organization has wasted the resources heavily.
- > On the Auditor General's remarks on the Works Division, the PAC issued following directives to the Ministry for compliance:-
  - i) Get vacated the un-authorized Government Buildings/Residences from illegal occupants. The Department may take up the issue, for help, with the Inspector General of Police Islamabad, Ministry of Interior or Prime Minister.

- ii) The Department has earned bad name in the public due to its poor performance. The Department should take comprehensive steps to correct the Department/Ministry's image in the public.
- iii) The Ministry should review all the recovery cases pertaining to the year 1996-97, with the help of Audit Department, within 2 to 3 months and effective steps should be taken to recover the public money.
- iv) Well-defined policy, approved by the competent authority, needs to be adopted for allotment of Government residences to non-entitled persons and recovery of standard rent should be ensured without exception.

2.2 OVERPAYMENT BY UNDUE FAVOUR TO A CONTRACTOR  
RS.28.863 MILLION BY ALLOWING ESCALATION @ 55% & 65%

> Two contracts were executed by the Ministry of Housing & Works and Special Education & Social Welfare Division through M/s National Construction Limited (NCL) with the completion period upto February 1990. Escalation charges @ 65% and 55% were paid to the contractor in 1995 in violation of the respective rules and terms of the contract. This undue favour to the Contractor caused an overpayment of Rs. 28.863 million.

> RS 1.367 BY ALLOWING 6.87% PREMIUM.

A work was awarded on 8% rebate on the estimated cost as per quoted rate of the Contractor but the payments were made by allowing premium @ 6.87% upto May, 1995. It resulted into an overpayment of Rs 1.367 million.

> The PAC constituted a Sub-Committee to examine these issues. Scrutiny has been completed by the Sub-Committee; the Report in this respect will be submitted to the PAC for approval in the next session.

### 2.3 NON-RECOVERY OF RISK & COST EXPENSES

- > Audit pointed out that the Department rescinded two contracts; one in December, 1983 and the other in April, 1988. The left-over works of original contractors costing Rs.4.458 million were got completed on risk and cost basis but Rs.3.772 million were not recovered from the defaulting contractors (Para C-IV-I).
- > The department rescinded a work under clause 15(9) of the agreement instead of rescinding the work at risk & cost. The left-over work costing Rs 14.965 million was awarded to another contractor at a higher cost of Rs 28.362 million causing a loss to the Government of Rs 13.397 million (Para C-111-1).

### 2.4 NON RECOVERY OF RENT BY THE ESTATE OFFICES

#### 2.4.1 STANDARD RENT

13 paras involving recovery amounting to Rs 4.301 million, on account of standard rent recoverable by the Estate Offices, were discussed in the previous PAC's meeting dated 2nd August, 1999. Total amount recoverable as standard rent from non-entitled persons, accommodated in Government residences, accumulated to Rs 9.061 million by the year 1996-97. However, the Ministry informed the Committee in the meeting that the Department had recovered Rs 1.775 million against the amount pointed out by the Audit.

#### 2.4.2 ROOMS RENT OF FEDERAL LODGES

- > The Department failed to recover Rs 4.878 million on account of rent charges of rooms provided to various Senators/MPAs/MNAs/Government officers at QASR-E-NAZ, Karachi. (Para A.1.1).
- > An amount of 1.239 million was recoverable from various Parliamentarians and Government officers on account of rent of rooms of different Federal Lodges.

- > The Committee directed the PAO to take all possible steps to recover the outstanding amounts from the Senators/MNAs/MPAs/Government officers. The Department should refer the cases to the NAB for recovery of the said dues where response is not positive. A list of 10 major defaulters was presented to the PAC in which the Committee directed the Ministry to refer them to the NAB. This list is reproduced below.
- > The Committee also directed the Ministry to revise the rent charges of the Qasre-Naz and improve its Customer services.

STATEMENT SHOWING THE NAMES OF MAJOR DEFAULTERS ON ACCOUNT OF  
PAYMENT OF ROOM RENT OF FEDERAL LODGES/HOSTELS AND FAMILY SUITES

S.No.	Name of Parliamentarian/ Government Officer	Designation	Name of lodge	Amount outstanding
<u>Quetta:</u>				
1.	Mr. Sabir Ali Baloch	Ex-MPA Balochistan	Federal Lodge I	Rs 5,50,833.00
<u>Islamabad:</u>				
2.	Syed Ijlal Haider Hussain	Ex-Chief Secretary, A.J.K	Federal Lodge II	Rs.2,62,207.00
<u>Karachi:</u>				
3.	Mir Mehran Khan Bajrani	Ex-MNA	Qasr-e-Naz	Rs.2,94,570.00
4.	D.C South Karachi		Qasr-e-Naz	Rs.3,36,260.00
<u>Lahore:</u>				
5.	Malik Muhammad Ali	Ex-Senator	Chamba House	Rs 2,63,828.00
6.	Ch. Akhtar Ali	Ex-MNA	Chamba House	Rs2,50,030.00
7.	Abdul Qadir Shaheen	Ex-MPA	Chamba House	Rs.3,46,365.00
8.	Farakh Altaf	Adv. To CM Punjab	Chamba House	Rs.2,53,450.00
9.	Imran Khurashid	Project Director People Program Lahore	Chamba House	Rs.3,04,595.00
10.	Masood Warraich	Excise Inspector Punjab	Chamba House	Rs.3,62,910.00

### 3. RECOMMENDATIONS

- 3.1 The PAO should take all possible steps to recover the outstanding amounts from the Senators/MNAs/Government Officers. The Department should refer the cases to the NAB for recovery of the outstanding dues where response is not positive. The PAC also directed the Ministry to refer the 10 major default cases, enlisted in section 2.4, to the NAB for recovery.
- 3.2 The Composite Schedule Rates (CSR) should be revised more frequently to minimize discretionary elements in the acceptance of rates. Giving due consideration to the geographic conditions, the schedule of rates should be so framed as to make them uniform and applicable throughout Pakistan. To achieve this objective, the Committee directed the PAO to introduce a system to review the Schedule of Rates twice a year with the co-ordination of concerned Federal/Provincial agencies.
- 3.3 The Ministry should evolve a system of integrated planning for different civic services with the coordination of concerned departments/agencies to ensure quality & economy and to minimize inconvenience at later stage.
- 3.4 The Ministry should take steps to get vacated the Government Buildings/Residences from illegal occupants.
- 3.5 The Department should take effective steps to correct the Department/Ministry's image in the public.
- 3.6 The PAO should devise a well-defined policy for allotment of Government residences to non-entitled persons ensuring recovery of standard rent without exception.
- 3.7 The Department should pursue the pending cases in the court of law vigorously for final decision.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETINGS HELD ON AUGUST 2, 1999 AND MAY 30 & 31, 2001.

ACTIONABLE POINTS: MEETING ON 02-08-1999  
APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1996-97)

4.1 GRANT NO.72-HOUSING AND WORKS DIVISION (PAGE 247-AA)

Audit pointed out that the grant closed with a saving of Rs 738,237 which works out to 2.62 % of the final grant. An excessive amount of Rs 1,102,000 was; however, surrendered converting the grant to be closed with excess of Rs 363,763.

The PAC conveyed its displeasure on the said grant and directed the Department to be careful in future and settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1996-97)

4.2 NON-ATTENDANCE OF AUDIT OBSERVATIONS FROM 1978-1995 (PARA 1, PAGE 95-AR)

Audit pointed out that in M/o Housing & Works, 94 paras are outstanding since 1978-79 but no compliance has been shown to Audit inspite of instructions/directives by the M/o Finance and the PAC on the subject. M/o Finance vide O.M. dated 4-12-1984 directed all the Ministries/Divisions to finalize the outstanding paras by sending complete and final replies to Audit authorities within a period of six months. It was further stated that if an Audit Inspection Report is not attended to substantially within a period of six months or is kept pending for more than a year without proper justification, it should be treated as an act of gross negligence rendering the defaulting officials liable to disciplinary action under E&D Rules.

The PAC directed the PAO to review the matter and report to the Committee within 01 month. The PAO assured the Committee to review all the issues within the specific period of time.

4.3 NON-PRODUCTION OF RECORD OF DISCRETIONARY GRANT OF FEDERAL MINISTER FOR HOUSING & WORKS (PARA 2, PAGE 95-AR)

Audit pointed out that in accordance with Para 17 of GFR (Vol-I), M/o Housing & Works was asked to provide necessary record pertaining to the above cited discretionary grant for scrutiny while the local office did not provide the same. Similar observations were also raised in previous audit and Inspection Reports but no response was given in this regard. This is a clear violation of the above cited rule and renders the defaulters liable to disciplinary action under E&D rules.

The PAC directed the PAO to provide required record and information to the Audit Department for examination, take action against the person(s) concerned who were responsible for not providing the said record to the Audit and report to the Committee within 03 months. The Committee also directed the Audit to conduct a comprehensive study regarding discretionary grants of different Ministers/and others since 1985.

4.4 FAILURE OF HOUSING SCHEMES-LOSS TO GOVERNMENT AMOUNTING TO RS 285.5 (M) (PARA 3, PAGE 95-AR)

Audit pointed out that in National Housing Authority(NHA) under M/o Housing & Works, two separate housing schemes were launched in 1987, for the shelterless and mustahkeen-i-Zakat to be financed from Special Development Fund and Zakat Fund. From the Special Development Fund, 9644 houses were completed and 2616 distributed. From Zakat Fund, 22962 units were constructed and 18781 distributed. This showed a big gap between the complete and handed over units causing a loss of Rs 285.5 (M) to the Government.

On the presentation of above para, the PAC constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA, Mr. Mehtab Naqvi, DG Audit(Works), Mr. Alam Zeb, Joint Engineering Adviser (Works), Mr. Hamid Alvi, FA (Works) and a representative of Planning Division to look into the matter, especially the causes of failure of the Scheme and recommendations on further utilization of the flats and report to the Committee within 03 months. The Convener was authorized to coopt any other officer of any Ministry for convenience.

4.5 NON-UTILIZATION AND IRREGULAR INVESTMENT OF RS.100 MILLION (PARA 4, PAGE 96-AR)

Audit pointed out that in the National Housing Authority(NHA) under M/o Housing & Works, a Special Grant of Rs 100 (M) was provided in October, 1992 to provide shelter to the shelterless people. Out of this amount, Rs 90 (M) were credited in the PLA at Federal Treasury, Islamabad and Rs 10 (M) at Federal Treasury, Karachi. The funds were not utilized for the given purpose. PLA being lapseable, the unspent amounts, unless specifically allowed by the Government, should have been surrendered at the close of financial year.

The Committee felt concern for not taking timely action by the Finance Division and leaving it to be taken up by the PAC and conveyed its displeasure to the Ministry for this serious irregularity and constituted an Inter-departmental Committee(IDC) comprising the representatives each from M/o Finance, Housing & Works and the Audit to investigate the matter within 01 month. The Committee further directed the PAC Secretariat to take up the issue with the Prime Minister of Pakistan in the light of IDC report.

ACTIONABLE POINTS FOR 1993-94

4.6 (PARA 114-116-ARPSE-PAGE 271-ARPSE-93-94)(ITEM 15-AP-93-94)

Audit pointed out that the equity of Rs 100 (M) of National Construction Ltd. (NCL) had converted into negative due to continuous losses. Heavy markup on borrowings and blockade of funds receivables were the main cause of continuous losses. It was then decided by the Economy Commission in September, 1993 to close the company. The Cabinet; however, decided that "NCL would operate as a purely commercial concern on its own without any financial assistance from Government".

Since then, some improvement was noted in the working results of the company; bills and claims of Rs 217.193 (M) were still outstanding against public sector organizations in October, 1996.

The PAC constituted an Inter-departmental Committee(IDC) on January 22,1998 to examine the problems being faced by the NCL and suggest remedial measures. The IDC has not yet finalized its report. The PAC directed the IDC to complete its report within 01 month. However, the Committee also directed M/o Finance to help the NCL for the recovery of its outstanding bills and claims against different public sector organizations.

GENERAL OBSERVATIONS BY AUDITOR GENERAL OF PAKISTAN ON WORKS DIVISION

- 4.7 i) The Auditor General of Pakistan informed the Committee that the Estate Offices were granted Rs 789.60 (M) during 1996-97. The Committee has already discussed the management of the grant. The Audit Report that we have before us does not give a very satisfactory picture about the working of the Estate Office System. The most serious issue emerging from the report is the failure of the system to recover government dues. Whenever government accommodation is provided to non-entitled persons, standard rent has to be recovered. Failure to recover the rent as per rules has resulted in outstanding recoveries of almost Rs 4.2 (M). The Islamabad Estate Office alone failed to recover Rs 3.8 (M) as standard rent during the period under report.
- ii) The total outstanding recoveries/overpayment which Audit has pointed out in the report are Rs 9.361 (M). The cases taken as a whole do paint a picture of indifference towards protecting the public interest.
- iii) At the macro level, PWD presents a different set of problems which are equally serious. During the year under report, the government spent Rs 629.390 (M) on maintaining the organization of PWD. The total ADP allocation which was spent through the Department was only Rs 108.079 (M).

- iv) Despite the fact, that Pak. PWD had 4007 regular employees roll during 1996-97 parallel organizations like the NHA or FWO have been created and organizations like the CDA have assumed the role of construction organizations. There is obviously a need for coordinated top-level decision making to relieve the undue burdens on the development process which has slowed down appreciably over the years. It is further stated that one of the biggest and most unaffordable burden which the organization is carrying is the cost of work charged employees, on whom Rs 216.997 (M) were spent against the budget allotment of Rs 181.962 (M) during 1996-97. Thus Rs 35.035 (M) were over spent by mismanaging the work charged employees over the years, the organization has wasted the resources heavily.

After hearing the Ministry's reply on the Auditor-General's remarks regarding the Works Division, the PAC issued following directives to the PAO of the Ministry for compliance:

- i) Get vacated the un-authorized government building/ residences from illegal occupants. The Department may take up the issue for help with the Inspector General of Police Islamabad, M/o Interior or Prime Minister.
- ii) The Department has earned bad name in the public due to its poor performance. The Department should take comprehensive steps to correct the Department/Ministry's image in the public.
- iii) The Ministry should review all the recovery cases pertaining to the year 1996-97 with the help of Audit within 2 to 3 months and effective steps be taken to recover the public money.
- iv) Well-defined policy approved by the competent authority needs to be adopted for allotment to non-entitled persons and recovery of standard rent should be ensured without exception.

AUDIT REPORT CIVIL WORKS (VOL-II-1996-97)ESTATE OFFICES4.8 OVERPAYMENT OF RS. 1,088,136 DUE TO HIGHER RATES (PARA A-I.1, PAGE 97-ARCW)

Audit pointed out that Estate Office, Lahore paid rent of hired house at the rates higher than the admissible rates assessed by the Assessment Board. This resulted in overpayment of Rs. 1,088,136.

After hearing Ministry's reply, the PAC settled the para subject to verification by the Audit.

4.90 OVER PAYMENT OF RENT RS. 72,644 DUE TO WRONG CALCULATION AND DOUBLE PAYMENT PARA A-II.1, PAGE 98-ARCW)

Audit pointed out that Estate Office, Islamabad paid excessive rent to the owners due to wrong calculations and double payment. This resulted in overpayment of Rs 72,644.

The PAC directed the PAO to recover the outstanding amount and report to the Committee within 02 months.

- 4.10 i) NON-RECOVERY OF STANDARD RENT RS. 1,166,469 (PARA B-I.1, PAGE 99-ARCW)
- ii) NON-RECOVERY OF STANDARD RENT AMOUNTING TO RS. 903,516 (PARA B-I.2, PAGE 99-ARCW)
- iii) NON-RECOVERY OF RENT RS. 711,240 (PARA B-I.3, PAGE 99-ARCW)
- iv) LOSS OF RS. 421,836 (PARA B-I.4, PAGE 100-ARCW)
- v) NON-RECOVERY OF RS. 210,976 (PARA B-I.5, PAGE 100-ARCW)
- vi) NON-RECOVERY OF RS. 159,215 (PARA B-I.6, PAGE 100-ARCW)
- vii) NON-RECOVERY OF GOVERNMENT DUES RS. 153,949 (PARA B-I.7, PAGE 101-ARCW)
- viii) NON-RECOVERY OF RS. 106,339 (PARA B-I.8, PAGE 101-ARCW)

- ix) NON-RECOVERY OF RS. 106,184 (PARA B-I.9, PAGE 101-ARCW)
- x) NON-RECOVERY OF RS. 105,206 (PARA B-I.10, PAGE 102-ARCW)
- xi) NON-RECOVERY OF RS. 93,915 (PARA B-I.11, PAGE 102-ARCW)
- xii) NON-RECOVERY OF RS. 53,000 (PARA B-I.12, PAGE 102-ARCW)
- xiii) NON-RECOVERY OF 5% RENT RS. 109,540 (PARA B-IV.1-105-ARCW)

On the presentation of above 13 paras, the PAC directed the Audit and M/o Finance to review the issues, make their recommendations and report to the Committee within 03 months.

- 4.11 i) NON-RECOVERY OF RS. 119,200 (PARA B-II.1, PAGE 103-ARCW)
- ii) NON-RECOVERY OF RS. 67,500 (PARA B-II.2, PAGE 103-ARCW)
- iii) NON-RECOVERY OF RS. 52,700 (PARA B-II.3, PAGE 103-ARCW)
- iv) NON-RECOVERY OF RS. 52,538 (PARA B-II.4, PAGE 104-ARCW)
- v) NON-RECOVERY OF RS. 1,393,336 DUE TO NON PROVISION OF UTILITIES IN HIRED BUILDING (PARA B-V.1, PAGE 105-ARCW)

The PAC settled the above 05 paras subject to verification by the Audit.

4.12 NON-RECOVERY OF RS. 741,870 RENT OF SHOPS (PARA B-III.1-PAGE-104-ARCW)

Audit pointed out that Estate Office, Lahore did not recover rent of various shops from the allottees in violations of terms of lease deeds. This resulted in non-recovery of Rs 741,870.

The PAC directed the PAO to recover the remaining amount and report to the Committee within 03 months.

ACTIONABLE POINTS: MEETING ON 30-05-2001 & 31-05-2001ACTIONABLE POINTS FOR 1996-974.13. NON-ATTENDANCE OF AUDIT OBSERVATIONS.  
(PARA 1, PAGE-95-AR-96-97)(ITEM 2-AP-96-97).

Audit pointed out that, in Ministry of Housing & Works, ninety four paras had been outstanding since 1978-95 but no compliance was shown to Audit inspite of instructions/directives by the Ministry of Finance and PAC on the subject.

The issues were discussed in the PAC's meeting held on 2.8.1999. The Committee directed the PAO to review the matters and report to the Committee within one month.

The Ministry informed the Committee that, on its request, the Audit had supplied the details of outstanding paras and, now, the department is paying full attention to settle the matters.

PAC DIRECTIVE

The Committee directed the Audit to verify the compliance of the paras as stated by the department and report to the PAC.

4.13 i) FAILURE OF HOUSING SCHEMES: LOSS TO GOVERNMENT AMOUNTING TO Rs. 285.5 MILLION.  
(PARA 3, PAGE-95-AR-96-97)(ITEM 4-AP-96-97).

The para was discussed in the defunct PAC's meeting held on 2.8.1999. The Committee constituted a Sub-Committee to look into the matter, especially the causes of failure of the schemes.

The Sub-Committee could not finalize its report due to suspension of the National Assembly.

- ii) NON-UTILIZATION AND IRREGULAR INVESTMENT OF Rs. 100 MILLION.  
(PARA 4, PAGE-96-AR-96-97)(ITEM 5-AP-96-97).

Audit pointed out that the para 4 was discussed in the defunct PAC's meeting held on 2.8.1999. The Committee constituted an IDC to investigate the matter. The report of the IDC has not been received so far. The para was reviewed by the incumbent PAC. The Ministry could not satisfy the Committee on the refund or utilization of Rs 100 million which were initially kept in the PLA at Federal Treasury Islamabad (Rs 90 million) and Federal Treasury Karachi (Rs 10 million) in October, 1992.

PAC DIRECTIVE

On the presentation of above mentioned two paras (3+4), by the Audit, the PAC constituted a Sub-Committee comprising Mr. Hassan Bhutto, Member Ad-hoc PAC (convener), Mr. S.M. Zafarullh, Member Ad-hoc PAC and representatives of the Audit Department, M/o Finance and M/o Housing & Works to examine the matters and report to the Committee within six weeks.

AUDIT REPORT (CIVIL WORKS)(VOL-11-1996-97) PWD

- 4.14 i) OVERPAYMENT OF Rs. 0.104 MILLION.  
(PARA A-II-6, PAGE-118-ARCW-96-97).
- ii) OVERPAYMENT OF Rs. 0.448 MILLION.  
(PARA A-IV-3, PAGE-120-ARCW-96-97).
- iii) OVERPAYMENT OF Rs. 0.085 MILLION.  
(PARA A-VI-2, PAGE-123-ARCW-96-97).
- iv) OVERPAYMENT OF Rs. 0.085 MILLION.  
(PARA A-VI-3, PAGE-123-ARCW-96-97).
- v) OVERPAYMENT OF Rs. 0.056 MILLION.  
(PARA A-VI-4, PAGE-123-ARCW-96-97).
- vi) OVERPAYMENT OF Rs. 0.075 MILLION.  
(PARA A-VIII-1, PAGE-124-ARCW-96-97).

- vii) NON-RECOVERY OF DISMANTLED MATERIAL.  
(PARA B-III-2, PAGE-129-ARCW-96-97).
- viii) NON-RECOVERY OF EXCESS MATERIAL ISSUED Rs. 0.095 MILLION.  
(PARA B-IV-1, PAGE-129-ARCW-96-97).
- ix) LOSS DUE TO NON FORFEITURE OF SECURITY Rs. 0.184 MILLION.  
(PARA C-V-1, PAGE-138-ARCW-AR-96-97).

PAC DIRECTIVE

On the recommendation of the Audit, the Committee settled all the above nine paras subject to verification of recovery/regularization by the Audit.

- 4.15 i) OVERPAYMENT DUE TO HIGHER RATES Rs. 331,051.  
(PARA A-II-2, PAGE-116-ARCW-96-97).
- ii) OVERPAYMENT DUE TO HIGHER RATES Rs. 104,348.  
(PARA A-II-5, PAGE-117-ARCW-96-97).
- iii) OVERPAYMENT DUE TO HIGHER RATES Rs. 65,542.  
(PARA A-II-7, PAGE-118-ARCW-96-97).
- iv) OVERPAYMENT DUE TO INCREASED RATE Rs. 60,283.  
(PARA A-II-8, PAGE-118-ARCW-96-97).
- v) OVERPAYMENT DUE TO HIGHER RATES Rs. 208,125.  
(PARA A-III-1, PAGE-119-ARCW-96-97).
- vi) OVERPAYMENT DUE TO EXCESS QUANTITIES Rs. 9,869,716.  
(PARA A-IV-1, PAGE-119-ARCW-96-97).
- vii) OVERPAYMENT DUE TO EXCESS QUANTITY Rs. 623,062.  
(PARA A-IV-2, PAGE-120-ARCW-96-97).
- viii) OVERPAYMENT DUE TO EXCESS QUANTITY Rs. 328,137.  
(PARA A-IV-4, PAGE-121-ARCW-96-97).
- ix) OVERPAYMENT DUE TO EXCESS QUANTITY Rs. 250,435.  
(PARA A-IV-5, PAGE-121-ARCW-96-97).
- x) OVERPAYMENT DUE TO EXCESS MEASUREMENT Rs. 172,131.  
(PARA A-V-1, PAGE-122-ARCW-96-97).
- xi) OVERPAYMENT DUE TO EXCESS QUANTITIES Rs. 165,837.  
(PARA A-VI-1, PAGE-122-ARCW-96-97).

- xii) OVERPAYMENT DUE TO NON DEDUCTION OF ROAD CRUST  
Rs. 64,545.  
(PARA A-IX-1, PAGE-125-ARCW-96-97).
- xiii) DOUBLE PAYMENT DUE TO RE-MEASUREMENT Rs. 622,828.  
(PARA A-X-1, PAGE-125-ARCW-96-97).
- xiv) OVERPAYMENT DUE TO INCORRECT CALCULATION Rs. 176,576.  
(PARA A-XI-1, PAGE-126-ARCW-96-97).
- xv) NON-RECOVERY OF INTEREST ON M/ADVANCE Rs. 402,819.  
(PARA B-II-1, PAGE-127-ARCW-96-97).
- xvi) NON-RECOVERY OF INTEREST ON M/ADVANCE Rs. 349,179.  
(PARA B-II-2, PAGE 128-ARCW-96-97).
- xvii) NON-RECOVERY OF INTEREST ON M/ADVANCE Rs. 181,139.  
(PARA B-II-3, PAGE 128-ARCW-96-97).
- xviii) NON-RECOVERY OF DISMANTLED MATERIAL Rs. 99,287.  
(PARA B-III-1, PAGE 128-ARCW-96-97).
- xix) (SHORT RECOVERY OF INCOME TAX Rs. 59,271.  
(PARA B-VI-1, PAGE 130-ARCW-96-97).
- xx) (SHORT RECOVERY OF MATERIAL Rs. 55,582.  
(PARA B-VII-2, PAGE-131-ARCW-96-97).
- xxi) (LOSS DUE TO AWARD OF WORK AT HIGHER RATES Rs. 122,737  
(PARA C-I-6, PAGE-134-ARCW-96-97).
- xxii) (LOSS DUE TO NON-RECOVERY OF STAMP DUTY Rs. 115,646.  
(PARA C-IX-1, PAGE-140-ARCW-96-97).
- xxiii) (UNAUTHORIZED PAYMENT/EXCESS EXPENDITURE Rs. 3,363,038  
(PARA D-I-1, PAGE-141-ARCW-96-97).

Audit pointed out that above mentioned 23 paras require verification of the record.

#### PAC DIRECTIVE

The Committee directed the Department to provide the record/information regarding above mentioned 23 paras for the verification of the facts. If Audit is satisfied, these paras may be treated as settled.

4.16 OVERPAYMENT OF Rs. 28.863 MILLION DUE TO IRREGULAR CHANGE IN CONTRACT AGREEMENT.  
(PARA A-I-1, PAGE-115-ARCW-96-97).

Audit pointed out that two contracts were awarded by the Ministry of Housing & Works and Special Education & Social Welfare Division through M/S National Construction Ltd. Escalation @ 65% and 55% was paid to the contractor in 1995 on the works which were stipulated to be completed in Feb. 1990. Audit stated that in the two cases procedure was violated and contractor was unduly favoured causing an overpayment of Rs 28.863 million.

The representatives of the Ministry of Housing & Works and Special Education & Social Welfare Division apprised the Committee that National Construction Ltd (NCL) was selected in the third tender call as the previous two calls were cancelled being conditional. In the third call also, both contesting firms offered conditional bids; however, NCL withdrew condition from its offer. Here, Audit maintained that both the firms had withdrawn their conditions. The Ministry further contended that the rates in any case, had to be revised due to delay in construction period caused by budgetary constraints. Of the two choices i.e. to call fresh tender or revision of rates, the later was considered more economical.

PAC DIRECTIVE

The PAC constituted a Sub-Committee comprising Lt.Gen(R) Talat Masood, Member Ad-hoc PAC (Convener) Mr. Muzaffar Ahmed, Member Ad-hoc PAC and representatives of the Auditor General, Finance Division and M/o Housing & Works to investigate the case and submit its findings to the Committee within one month.

4.17 OVERPAYMENT OF Rs. 1.367 MILLION DUE TO ALLOWING HIGHER RATES.  
(PARA A-II-1, PAGE-116-ARCW-96-97).

Audit pointed out that a work was awarded on 8% rebate on the estimated cost as per quoted rate of the contractor but the payments were made by allowing premium @ 6.87% upto May, 1995. This resulted in an overpayment of Rs. 1.367 million.

The Ministry apprised the Committee that the payments were made to the contractor in accordance with the contract agreement and no undue financial benefit was allowed.

PAC DIRECTIVE

The Committee referred the para to the Sub-Committee, constituted to examine the para A-I-1.

4.18 OVERPAYMENT OF Rs. 0.175 MILLION.  
(PARA A-II-4, PAGE-117-ARCW-96-97).

Audit pointed out that the Department did not make deduction @ 50% in the rate of carriage admissible to a carrier, under the Schedule of Rates, plying empty partly or wholly on return journey to and from the source to destination. This resulted in an overpayment of Rs 0.175 million.

The Ministry informed the Committee that the agreement of carriage contract was for carriage of cement from source to destination. The carriage rate was paid to the contractor only for the single journey. No overpayment was made.

PAC DIRECTIVE

The Committee directed the PAO to satisfy the Audit that payment was made to the contractor only for single journey, if Audit is satisfied, the para may be treated as settled.

4.19 OVERPAYMENT OF Rs. 0.097 MILLION DUE TO INADMISSIBLE ITEMS OF WORK AS PER PROVISION OF TECHNICALLY SANCTIONED ESTIMATE/BOQ. (PARA A-VII-1, PAGE-124-ARCW-96-97).

Audit pointed out that a Division made payment to a contractor for supplying earth from outside source within an area of 5 miles without any provision in the estimate technically sanctioned by the competent authority. This resulted in overpayment of Rs 0.097.

The Department apprised the Committee that the payment was made after the approval of Suptd. Engineer. So, the question of overpayment does not arise.

PAC DIRECTIVE

The PAC was not satisfied with the explanation given by the Department and directed the PAO to take ex post-facto approval from the competent authority and get it verified from the Audit to settle the para.

4.20 NON-RECOVERY OF Rs. 1.239 MILLION ON ACCOUNT OF RENT OF FEDERAL LODGES. (PARA B-I-1, PAGE-127-ARCW-96-97).

Audit pointed out that an amount of Rs 1.239 million was recoverable from various Parliamentarians and Officers on account of rent of rooms of different Federal Lodges.

The Ministry informed the Committee that efforts were being made to recover the outstanding amounts from the Parliamentarians and officers. The cases involving heavy amounts are being considered for reference to the NAB.

PAC DIRECTIVE

The Committee directed the PAO to take all possible measures to recover the outstanding amounts; however, if the Ministry fails to recover the said outstanding amounts the cases may be referred to NAB for recovery.

4.21 NON-RECOVERY OF Rs. 0.895 MILLION.  
(PARA B-V-1, PAGE-130-ARCW-96-97).

Audit pointed out that the Department failed to recover secured advance of Rs. 403,642 and cost of cement and steel Rs. 491,374 from a contractor whose contract was rescinded under clause 3(c) in May, 1995. This resulted in non-recovery of Rs. 0.895 million.

The Ministry informed the Committee that issue is subjudice in the Court of Law.

PAC DIRECTIVE

The Committee directed the Department to pursue the case in the Court of Law vigorously.

4.22 SHORT-RECOVERY OF Rs. 0.799 MILLION.  
(PARA B-VII-1, PAGE-131-ARCW-96-97).

Audit pointed out that Pak. PWD issued steel in excess of quantities admissible/provided in the contract of the contractor. This resulted in non-recovery of Rs. 0.799 million.

The Ministry informed the Committee that the excess quantity of steel was used due to enhancement of the work awarded to the contractor with the approval of competent authority.

PAC DIRECTIVE

The Committee referred the issue to the Sub-Committee, which was constituted on the paras 3&4, to examine the issue and report to the Committee within six weeks.

4.23 LOSS OF Rs. 6.875 MILLION.  
(PARA C-I-1, PAGE-132-ARCW-96-97).

Audit pointed out that the Department awarded a work at a rate which was 73.90% above the scheduled rates instead of awarding to the first lowest whose rate was 49.90% above the scheduled rates. This resulted in loss of Rs. 6.875 million.

The Ministry informed the Committee that the concerned Chief Engineer, Mr. Muhammad Naeem Tareen, was dismissed from the service due to the said loss. Now, the case is with NAB and the department is paying full attention to recover the loss.

PAC DIRECTIVE

The Committee directed the PAO to give the latest position of the action taken by the NAB to recover the loss to the Audit within 15 days.

4.24 LOSS OF Rs. 4.527 MILLION DUE TO HIGHER RATE OF PREMIUM.  
(PARA C-I-2, PAGE-133-ARCW-96-97).

Audit pointed out that the department awarded a group of works to a contractor with premium @ 48.60% above the estimated cost whereas remaining two groups were awarded to other two contractors with premium @ 76.80% above. This resulted in loss to Government worth Rs 4.527 million.

The Ministry admitted the audit findings and informed the Committee that, for this loss also, the Chief Engineer, Mr. Muhammad Naeem Tareen, was responsible.

PAC DIRECTIVE

The Committee directed the PAO to give the latest position regarding the recovery of the loss to the Audit within 15 days.

4.25 LOSS OF Rs. 2,517 MILLION.  
(PARA C-I-3, PAGE-133-ARCW-96-97)

Audit pointed out that the Department awarded a work, in April 1992, in four packages to different contractors @ 84.45% above the schedule of rates/estimated cost. The accounts of contractors were finalized without assigning adequate reasons. The balance works were awarded in December, 1994 to contractors in four groups at the rates of 145%, 126%, 148.10% and 151% above CSR. The Department failed to allot the works at a uniform premium despite the fact that all the tenders were invited and accepted in December, 1994 and nature of all the works was the same. This resulted in a loss of Rs. 2.517 million.

The Ministry informed the Committee that the said contracts were closed due to inadequate funds in 1992 and the action was taken in the light of legal adviser's advice. In the next F/Y it was decided to complete maximum flats within available funds. So fresh tenders were invited and the work was allotted according to prescribed procedure.

PAC DIRECTIVE

The PAC observed that the Composite Schedule Rates (CSR) should be revised more frequently to minimize discretionary elements in the acceptance of rates. Giving due consideration to the geographic conditions the schedule of rates should be so framed as to make them uniform and applicable throughout Pakistan. To achieve this objective, the Committee directed the PAO to introduce a system to review the Schedule of Rates twice a year with the co-ordination of concerned Federal/Provincial agencies. On the specific issue contained in the para C.I.3 the Committee directed the PAO to provide copy of the legal adviser's advice and comparative statement of schedule rates of 1982 and 1991 to the Audit for verification.

4.26 LOSS OF Rs. 0.943 MILLION.  
(PARA C-I-4, PAGE-134-ARCW-96-97).

Audit pointed out that a Division of the Department put the government to a loss of Rs. 0.943 million due to non-awarding of a work to the first lowest bidder.

The PAO agreed to the audit observation and recommended the case for inquiry.

PAC DIRECTIVE

The Committee directed the PAO to investigate the matter and report to the PAC within one month.

4.27 LOSS OF Rs. 0.240 MILLION DUE TO HIGHER RATES.  
(PARA C-I-5, PAGE-134-ARCW-96-97).

Audit pointed out that the Department purchased two Diesel Engine Generating Sets in June 1996 at higher rates by disregarding the lowest bid and changing the specification through negotiation process. This resulted in loss of Rs. 0.240 million.

The Ministry informed the Committee that according to the approved PC-I the generator of Siemens make (100KVA) was to be purchased; therefore, the lowest bid offered for a generating set of SDMO make was rejected.

PAC DIRECTIVE

The PAC observed that make or proprietorship is not usually specified in the PC-I and directed the PAO to investigate reasons to ignore the lowest bid and report to the PAC within one month.

4.28 LOSS OF Rs. 0.294 MILLION DUE TO PURCHASE OF CEMENT AT HIGHER RATES.  
(PARA C-1-7, PAGE-153-ARCW-96-97).

Audit pointed out that the Department purchased the cement at rates higher than the prevailing market rates. This resulted in loss of Rs. 0.294 million to the Government.

The Ministry informed the Committee that the cement was supplied to the contractor by the Department according to the contract by procuring from the open market through competitive bidding.

PAC DIRECTIVE

The Committee directed the Ministry to provide the record regarding the open bidding, non-allocation of quota through State Cement Corporation and decision on the quality of cement provided by the nationalized factories to the Audit for the verification and report to the PAC within one month.

4.29 LOSS OF Rs. 0.946 MILLION DUE TO NON-OPERATION OF PENAL CLAUSE OF AGREEMENT ORIGINAL CONTRACT.  
(PARAS C-II-1, A-IV-6, PAGE 121-ARCW-96-97).

Audit pointed out that the Department failed to get the work completed from a contractor. The work was awarded to another contractor. This resulted in loss of Rs 0.946 million.

The Ministry informed the Committee that construction work of a ground tank etc. was approved under Tameer-e-Wattan Programme. Later on, due to dissolution of National Assembly and shortage of funds the work was suspended. The remaining work was awarded to M/s Great Pakistan Contractors according to PWD's schedule of rates.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee directed the PAO to certify the facts of the case that the work was suspended due to non-availability of funds, political change/intervention and that neither the Contractor was at fault nor the original contract was finalized on his request. If the PAO is satisfied with the stated facts the para may be treated as settled. However, the Committee also directed the PAO to evolve a system of integrated planning for different civic services (supply of gas, electricity, sewerage, water supply etc.) with the coordination of concerned departments/agencies to ensure quality and economy and to minimize inconvenience at later stages.

4.30 LOSS OF Rs. 13.397 MILLION.  
(PARA C-III-1, PAGE-136-ARCW-96-97).

Audit pointed out that the Department rescinded a work under clause 15(9) of the agreement instead of rescinding the work at risk and cost. The left over work costing Rs. 14.965 million was awarded to another contractor at a higher cost of Rs. 28,361,586. Thus Government was put to a loss of Rs. 13.397 million.

PAC DIRECTIVE

On the presentation of the para C-III-1, by the Audit, the Committee referred the para for investigation of the facts of the case to the Sub-Committee already constituted to examine the para A-I-1.

4.31 LOSS OF Rs. 3.772 MILLION.  
(PARA C-IV-1, PAGE-137-ARCW-96-97).

Audit pointed out that the department rescinded two contracts i.e. one in December 1983 and other in April, 1988. The left over works of original contractors costing Rs. 4,458,105 were got completed on risk and cost basis. Accordingly the amount of risk and cost of Rs. 3.772 million was not recovered from the defaulting contractors.

The Ministry apprised the Committee that the work, regarding construction of E-type quarters for Federal Government Employees, was awarded to M/s Rahim Baksh & Sons and M/s Hamid & Co. Both the contractors failed to complete the work. Subsequently, the incomplete work was awarded to M/s Qazi Construction Ltd. One of the original contractors, M/s Rahim Baksh & Sons, from whom recovery on account of Risk & Cost was to be effected, has since expired and the other contractor, M/s Hamid & Co. has filed a suit in the High Court Peshawar against the Department.

PAC DIRECTIVE

The Committee directed the PAO to investigate the issue, fix responsibility and take action against the concerned officer(s) for delaying action against the defaulters. The department should also examine whether recovery can be effected against the assets of the Contractors by referring the case to NAB.

4.32 LOSS OF Rs. 0.50 MILLION DUE TO NON-RECEIPT OF PURCHASED FURNITURE FROM A MEMBER OF NATIONAL ASSEMBLY.  
(PARA C-VI-1, PAGE-138-ARCW-96-97)

Audit pointed out that a Division of the Department purchased furniture and electronic articles valuing Rs 0.5 million out of the funds of peoples works programme and thereafter handed over to a Member National Assembly for his office. These articles were neither received back nor were taken on proper accounts record.

The Ministry informed the Committee that the articles were purchased according to the rules laid down in CPWA Code. A letter has already been issued to the concerned suspended MNA, Mr. Yazdar Kakabad to return the articles.

PAC DIRECTIVE

The Committee directed the PAO to close the said office due to suspension of his membership of the National Assembly and take back all the articles which are being used by him. If there are some other alike cases, similar action may please be taken there as well.

4.33 LOSS OF Rs. 0.156 MILLION.  
(PARA C-VIII-1. PAGE-139-ARCW-96-97).

Audit pointed out that the Department spent a sum of Rs. 0.156 million on repair and maintenance of a private building hired by the Estate Office. This resulted in loss of Rs.0.156 million to the Government.

The Ministry informed the Committee that the repair work was done on the direction of the then Secretary, M/o Local Government and Rural Development.

PAC DIRECTIVE

The PAC considered it a bad decision and directed the PAO to inquire into the matter whether the decision was made to extend undue favour to some one, fix responsibility, take appropriate action against the persons responsible and report to the PAC within one month.

4.34 IRREGULAR PAYMENT OF Rs. 6.137 MILLION.  
(PARA D-II-1. PAGE-141-ARCW-96-97).

Audit pointed out that the Department awarded a work costing Rs. 6.137 million without calling tenders to a contractor as additional work. Thus the Government was deprived of the benefits of competitive rates causing a loss of Rs. 6.137 million.

The Ministry informed the Committee that the work was executed according to the rules provided in the PPWD Code.

PAC DIRECTIVE

Despite the detailed discussion, the matter could not be resolved. The PAC constituted an IDC comprising the representatives of the M/o Housing & Works, Finance Division and the Audit (Convener to be decided by the PAO) to examine the matter and report to the Committee within one month.

4.35 UN-AUTHORIZED PAYMENT OF Rs. 1.008 MILLION.  
(PARA D-III-1, PAGE-142-ARCW-96-97).

Audit pointed out that the Department made huge payment on account of work charged staff in the presence of regular staff. This resulted in an unauthorized payment of Rs. 1.008 million.

The Ministry informed the Committee that most of the staff was regular, taken from different Divisions. Their salaries/allowances were charged to the programme (Peoples Works) as they had been exclusively working there. Some additional staff was hired to keep watch on the progress and quality of work which was also covered under the rules.

PAC DIRECTIVE

The Committee directed the PAO to examine that the payment of salary/allowances was not made twice to the staff, and seek advice from the Finance whether charge of this expenditure to the Peoples Works Programme's Fund was regular or not. If this charge is found irregular, get it regularized from the competent authority. If Audit is satisfied on these two points, the para may be treated as settled.

4.36 FICTITIOUS PAYMENT OF Rs. 0.114 MILLION.  
(PARA D-IV-1, PAGE-176-ARCW-96-97).

Audit pointed out that the Department paid a contractor for providing/laying 1-1/2 inch of consolidated thickness of asphalt concrete without making earthen embankment, laying of sub base, and base course although these items were provided in the technically sanctioned estimate and contract. This resulted in fictitious payment of Rs. 0.114 million to a contractor.

The Ministry informed the Committee that the person responsible for the said fictitious payment had died.

PAC DIRECTIVE

The Committee directed the Audit to verify the stated fact. If it is true the para may be treated as settled.

FEDERAL LODGE (QASRE-NAZ)4.37 NON-RECOVERY OF ROOM RENT Rs. 4.878 MILLION.  
(PARA A-I-1, PAGE-147-ARCW-96-97).

Audit pointed out that the Department failed to recover rent charges of rooms provided to various Senators/MPAs/MNAs/Government Officers at Karachi. This resulted in non-recovery of Rs. 4.878 million.

The Ministry informed the Committee that the efforts made to effect recoveries from the defaulters remained fruitless. However, only Rs. 208,227 could be recovered so far.

PAC DIRECTIVE

The Committee directed the PAO to take all possible steps to recover the outstanding amounts from the Senators/MNAs/MPAs/Government officers; the Department should refer the cases to the NAB for recovery of the said dues where response is not positive. The Committee also directed the PAO to revise rent charges of the Qasre-Naz and improve its customer services.

4.38 LOSS OF Rs. 0.761 MILLION DUE TO RECOVERY OF TELEPHONE CHARGES AT LESSER RATE.  
(PARA B-II-1, PAGE-180-ARCW-96-97).

Audit pointed out that, in the case of Qasre-Naz, telephone charges were recovered less than the expenditure incurred on payment of telephone bills of the rooms/suits. This resulted in loss of Rs. 0.761 million.

The Ministry informed the Committee that recovery of Rs. 29729 has been made. The Department is working hard to recover the balance amount.

PAC DIRECTIVE

The Committee directed the PAO to recover the balance amount within two months and report to the PAC.

ACTIONABLE POINTS FOR 1996-97ESTATE OFFICE

- 4.39 OVERPAYMENT OF RENT DUE TO WRONG CALCULATION AND DOUBLE PAYMENT Rs. 72,644.  
(PARA A-II-1, PAGE-98-AP-96-97)(ITEM 9-AP-96-97).

Audit pointed out that the Department had reported recovery/adjustment of Rs. 62,783 and had regularized Rs. 4500. The reported recovery/regularization has not been got verified from Audit.

PAC DIRECTIVE

The Committee directed the PAO to recover the balance amount and also get the record verified from the Audit.

- 4.40 NON-RECOVERY OF SHOP RENT Rs. 741,870  
(PARA B-III-1, PAGE-104-AP-96-97)(ITEM 12-AP-96-97).

Audit pointed out that no response had been received from the Department regarding recovery of the shops' rent pursuant to this para. The defunct PAC, in its meeting dated 2.8.1999, directed the Department to recover the outstanding rent of the shops.

The Ministry informed the Committee that the Department is making progress to recover the rent from the lessees.

PAC DIRECTIVE

The Committee directed the Department to recover the balance amount from the lessees and get the verified from the Audit. The Committee also directed the PAO to sell the shops as early as possible.

- 4.41 i) NON-RECOVERY OF STANDARD RENT, Rs. 1,166,469.  
(PARA B-I-1, PAGE-99-ARCW)(ITEM 10(i)-AP-96-97).
- ii) NON-RECOVERY OF STANDARD RENT, Rs. 903,516.  
(PARA B-I-2, PAGE-99-ARCW)(ITEM 10(ii)-AP-96-97).
- iii) NON-RECOVERY OF RENT, Rs. 711,204.  
(PARA B-I-3, PAGE-99-ARCW)(ITEM 10(iii)-AP-96-97).
- iv) LOSS OF Rs. 421,836.  
(PARA B-I-4, PAGE-100-ARCW)(ITEM 10(iv)-AP-96-97).
- v) NON-RECOVERY OF Rs. 210,976.  
(PARA B-I-5, PAGE-100-ARCW)(ITEM 10(v)-AP-96-97).
- vi) NON-RECOVERY OF Rs. 159,215.  
(PARA B-I-6, PAGE-100-ARCW)(ITEM 10(vi)-AP-96-97).
- vii) NON-RECOVERY OF GOVERNMENT DUES Rs. 153,949.  
(PARA B-I-7, PAGE-101-ARCW)(ITEM 10(vii)-AP-96-97).
- viii) NON-RECOVERY OF Rs. 106,339.  
(PARA B-I-8, PAGE 101-ARCW)(ITEM 10(viii)-AP-96-97).
- ix) NON-RECOVERY OF Rs. 106,184.  
(PARA B-I-9, PAGE 101-ARCW)(ITEM 10(ix)-AP-96-97).
- x) NON-RECOVERY OF Rs. 105,206.  
(PARA B-I-10, PAGE-102-ARCW)(ITEM 10(x)-AP-96-97).
- xi) NON-RECOVERY OF Rs. 93,915.  
(PARA B-I-11, PAGE-102-ARCW)(ITEM 10(xi)-AP-96-97).
- xii) NON-RECOVERY OF Rs. 53,000.  
(PARA B-I-12, PAGE-102-ARCW)(ITEM 10(xii)-AP-96-97).
- xiii) NON-RECOVERY OF 5% RENT Rs. 109,540.  
(PARA B-IV-1, PAGE-105-ARCW)(ITEM 10(xiii)-AP-96-97).

Audit pointed out that above mentioned 13 paras were discussed in the defunct PAC's meeting dated 2.8.1999. The Committee referred these paras to Audit and M/o Finance to review the issues.

These paras were also discussed in PAC's meeting held on 9.4.2001. It was decided in the PAC's meeting that the Estate Office will provide the list of defaulters to Audit for taking up the recovery with AGPR/AGs. Currently a list has been received from Estate Office and is under process for recovery in the AGPR.

The Ministry informed the Committee that the Department had recovered Rs. 1,775,294 so far.

PAC DIRECTIVE

The Committee appreciated the arrangement of recovery through AGPR/AGs and directed the PAO to get the record verified besides effecting the balance recovery and report to the PAC within one month.

- 4.42 i) OVERPAYMENT OF Rs. 1,088,136.  
(PARA A-I-1, PAGE-97-ARCW)(ITEM 8-AP-96-97).
- ii) NON-RECOVERY OF Rs. 119,200.  
(PARA B-II-1, PAGE-103-ARCW)(ITEM 11(i)-AP-96-97).
- iii) NON-RECOVERY OF Rs. 67,500.  
(PARA B-II-2, PAGE-103-ARCW)(ITEM 11(ii)-AP-96-97).
- iv) NON-RECOVERY OF Rs. 52,700.  
(PARA B-II-3, PAGE-104-ARCW)(ITEM 11(iii)-AP-96-97).
- v) NON-RECOVERY OF Rs. 52,538.  
(PARA B-II-4, PAGE-104-ARCW)(ITEM 11(iv)-AP-96-97).
- vi) NON-RECOVERY OF Rs. 1,391,336.  
(PARA B-V-1, PAGE-105-ARCW)(ITEM 11(v)-AP-96-97).

PAC DIRECTIVE

On the presentation of above six paras by the Audit, the Committee settled all the paras subject to verification by the Audit.

ACTIONABLE POINTS FOR 1993-94

PAKISTAN WORKS DEPARTMENT

- 4.43. i) EXCESS PAYMENT OF Rs. 0.355(M).  
(PARA A-III-2, PAGE-181-ARCW)(ITEM 2(i)-AP-93-94).
- ii) (OVERPAYMENT OF Rs. 0.662 (M).  
(PARA A-III-3, PAGE-181-ARCW)(ITEM 2(ii)-AP-93-94).

- iii) LOSS OF Rs. 0.722 (M).  
(PARA C-I-1, PAGE-185-ARCW)(ITEM 2(iii)-AP-93-94).
- iv) LOSS OF Rs. 0.876 (M).  
(PARA C-I-2, PAGE-186-ARCW)(ITEM 2(iv)-AP-93-94).
- v) MIS-APPROPRIATION OF Rs. 0.566 (M).  
(PARA D-III-1, PAGE-191-ARCW)(ITEM 5-AP-93-94).

These five paras were discussed in the previous PAC's meeting held on 22.1.1998. The Committee referred these paras to an IDC for detailed examination. The IDC submitted its report on 5.12.1998.

#### PAC DIRECTIVE

The Committee directed the PAO to take action in the light of IDC report and report to the Committee within one month.

- 4.44
- i) EXCESS PAYMENT OF Rs. 0.437 MILLION.  
(PARA A-I-1, PAGE-179-ARCW)(ITEM 8(i)-AP-93-94).
  - ii) EXCESS PAYMENT OF Rs. 311,849.  
(PARA A-II-1, PAGE-179-ARCW)(ITEM 8(ii)-AP-93-94).
  - iii) EXCESS PAYMENT OF Rs. 72,149.  
(PARA A-II-3, PAGE-180-ARCW)(ITEM 8(iv)-AP-93-94).
  - iv) EXCESS PAYMENT OF Rs. 0.125 MILLION.  
(PARA A-II-2, PAGE-180-ARCW)(ITEM 8(iii)-AP-93-94).
  - v) DOUBLE PAYMENT OF Rs. 0.066 MILLION.  
(PARA A-IV-1, PAGE-182-ARCW)(ITEM 8(v)-AP-93-94).
  - vi) NON-RECOVERY OF Rs. 921,348.  
(PARA B-I-1, PAGE-183-ARCW)(ITEM 8(vi)-AP-93-94).
  - vii) NON-RECOVERY OF Rs. 0.112 MILLION.  
(PARA B-I-2, PAGE-183-ARCW)(ITEM 8(vii)-AP-93-94).
  - viii) NON-RECOVERY OF Rs. 0.288 MILLION.  
(PARA B-III-1, PAGE-184-ARCW)(ITEM 8(viii)-AP-93-94).
  - ix) INFRACTUOUS EXPENDITURE OF Rs. 0.398 MILLION.  
(PARA C-IV-1, PAGE-188-ARCW)(ITEM 8(ix)-AP-93-94).
  - x) NON-CREDITING OF GOVERNMENT REVENUE Rs. 2.111 MILLION.  
(PARA D-II-1, PAGE-190-ARCW)(ITEM 8(x)-AP-93-94).

- xi) NON-CREDITING OF GOVERNMENT REVENUE Rs. 0.290 MILLION.  
(PARA D-II-2, PAGE-191-ARCW)(ITEM 8(xi)-AP-93-94)..
- xii) EXCESS OVER DEPOSIT OF Rs. 30.963.  
(PARA D-VI-1, PAGE-193-ARCW)(ITEM 8(xii)-AP-93-94).

PAC DIRECTIVE

On presentation of above mentioned 12 paras regarding excess payments/double payments/non-recoveries, the Committee directed the PAO to get the reported recoveries verified from Audit and make efforts to effect the balance recovery at the earliest.

- 4.45 i) LOSS OF Rs. 0.237 MILLION.  
(PARA C-III-1, PAGE-187-ARCW)(ITEM 3(i)-AP-93-94).
- ii) LOSS OF Rs. 0.093 MILLION.  
(PARA C-III-2, PAGE-188-ARCW)(ITEM 3(ii)-AP-93-94).

Audit pointed out that both the above mentioned paras were discussed in the PAC's meeting held on 22.1.1998. The Committee directed the PAO to examine the cases and fix responsibility, take action and report to the Committee.

The Ministry informed the Committee that the matters were examined by the competent authority and no person was held responsible for the said losses.

PAC DIRECTIVE

The Committee directed the PAO to provide a copy of the investigation report, in both the cases, to the PAC/Audit within 15 days.

- 4.46 UNAUTHORIZED PAYMENT OF Rs. 6.224 MILLION.  
(PARA C-V-1, PAGE-189-ARCW)(ITEM 3(iii)-AP-93-94).

The para was examined by the previous PAC. The Committee directed the PAO to examine the case, fix responsibility and take action.

The Ministry informed the Committee that the issue was investigated which revealed that no unauthorized payment was made in this case. The construction of flats was actually started in April 1991 due to inability of CDA to make available the site before the said month.

PAC DIRECTIVE

The Committee directed the PAO to provide a copy of the investigation report on the issue to the PAC/Audit within 15 days.

4.47 UNAUTHORIZED PAYMENT OF Rs. 0.134 MILLION.  
(PARA D-1-1, PAGE-190-ARCW)(ITEM 3(iv)-AP-93-94).

Audit pointed out that the matter was examined by the previous PAC in its meeting held on 22.1.1998. The Committee was not satisfied with the explanation given by the Ministry on unjustified payment. The Committee directed the PAO to examine the case, fix responsibility and take action.

The Ministry apprised the Committee that in the light of PAC's directive the issue was investigated. The officer responsible was charge-sheeted but exonerated later on due to non-availability of evidence.

PAC DIRECTIVE

The Committee directed the PAO to examine the stated facts and report to the PAC within one month.

4.48 UNJUSTIFIED PAYMENT OF Rs. 0.184 MILLION.  
(PARA D-1-2, PAGE-190-ARCW)(ITEM 4-AP-93-94).

Audit pointed out that an item of earth work provided in the agreement as 200 cft was enhanced and paid for 91309.56 cft. This abnormal increase without provision in the agreement resulted in an unjustified payment of Rs.0.184 million.

The Ministry informed the Committee that the issue was investigated in the light of previous PAC's directive. The disciplinary action has been initiated against the concerned Executive Engineer.

PAC DIRECTIVE

The Committee directed the PAO to complete the process of disciplinary action against the culprit and report to the PAC within one month.

4.49 LOSS OF Rs. 0.273 MILLION.  
(PARA D-IV-1, PAGE-192-ARCW)(ITEM 6-AP-93-94).

Audit pointed out that T&P articles supplied to the residences of Prime Minister of Caretaker Government at Lahore and Rajanpur were not taken back after termination of Caretaker Government. This resulted in loss of Rs. 0.273 million.

The Ministry informed the Committee that despite its best efforts through local administration, the T&P articles could not be taken back because of the non co-operation of Ex-Prime Minister, Mr. Balakh Sher Mazari.

PAC DIRECTIVE

The Committee directed the PAO to take up the issue, for retrieval of T&P articles, on phone personally with Ex-Prime Minister. If Ex-Prime Minister refuses to return the said articles then refer the case to NAB for settlement.

4.40 EXCESS OVER ALLOTMENT OF Rs. 14.647 MILLION.  
(PARA D-V-1, PAGE-192-ARCW)(ITEM 7-AP-93-94).

Audit pointed out that the Department incurred an expenditure of Rs. 14.647 million in excess of the allotment on Tameer-e-Wattan programme by violating the financial rules.

The Ministry informed the Committee that in the light of previous PAC's directive the person responsible for the excess expenditure had been dismissed from service. The Ministry of Finance has already regularized the said amount.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.41 OVERPAYMENT OF Rs. 0.556 MILLION.  
(PARA A-I-2, PAGE-164-AR-93-94).

Audit pointed out that Estate office Islamabad revised the rent of a commercial building which was not permissible under clause-8 of the lease agreement. This resulted in overpayment of Rs. 556,082.

The Ministry informed the Committee that the Department had recovered the said amount.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.42 NON-RECOVERY OF Rs. 2.932 MILLION.  
(PARA B-I-2, PAGE-167-ARCW)(ITEM 4-AP-93-94).

Audit pointed out that Estate Office Rawalpindi did not recover regular deduction @ 5% from the persons residing in Government owned/hired/requisitioned houses. This resulted in non-recovery of Rs. 2,932,251.

The Ministry informed the Committee that the recoveries had been received and posted in the relevant rent cards.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.43 NON-RECOVERY OF Rs. 1.880 MILLION.  
(PARA B-I-3, PAGE-167-ARCW)(ITEM 8-AP-93-94).

The para was discussed in the PAC's meeting held on 22.1.1998. The Committee directed the PAO to recover the amount from the persons concerned.

The Ministry informed the Committee that income tax (5% withholding tax) stand deducted against 20 owners out of 25. The CBR is not co-operating with the Estate Office for the recovery of tax in the remaining 5 cases.

PAC DIRECTIVE

The Committee directed the PAO to take up the issue with the Chairman CBR to seek his help to effect the recovery in the remaining cases through respective income tax offices and report to the PAC within one month.

4.44 NON-RECOVERY OF Rs. 0.051 MILLION.  
(PARA B-I-5, PAGE-167-ARCW)(ITEM 11-AP-93-94).

Audit pointed out that a sum of Rs. 0.051 million was recoverable from the allottees of Government houses.

The Ministry apprised the Committee that an amount of Rs. 48597 stands recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification of the stated recovery and directed the PAO to recover the balance amount at the earliest.

4.45 NON-RECOVERY OF Rs. 0.092 MILLION.  
(PARA B-II-3, PAGE-168-ARCW)(ITEM 13-AP-93-94).

Audit pointed out that Estate Office Lahore did not recover the standard rent of Rs. 0.092 from allottees of Government residential accommodation pertaining to the period 1987 to 1990.

The Ministry informed the Committee that a sum of Rs. 42214 had been recovered from the allottees.

PAC DIRECTIVE

The Committee directed the PAO to recover the balance amount from the persons concerned and report to the PAC.

4.46 NON-RECOVERY OF Rs. 0.119 MILLION.  
(PARA B-II-8, PAGE-170-ARCW)(ITEM 1(iv)-AP-93-94).

Audit pointed out that Estate Office Lahore did not recover standard rent from the employees of T&T Department. This resulted in non-recovery of Rs. 0.119 million.

The Ministry informed the Committee that the Department had taken action against the concerned AEO, Lahore, who did not submit the compliance report on the previous PAC's directives regarding non-recovery.

PAC DIRECTIVE

The Committee directed the PAO to seek the help of 'payment office' to recover the said amount from the employees' salaries and report to the PAC within one month.

4.47 NON-RECOVERY OF Rs. 0.271 MILLION.  
(PARA B-II-10, PAGE-170-ARCW)(ITEM 1(vi)-AP-93-94).

Audit pointed out that Estate Office Lahore did not recover standard rent from employees of different departments. This resulted in non-recovery of Rs. 0.271 million.

The Ministry informed the Committee that in the light of order of the Wafaqi Mohtasib the competent authority accepted the recoveries on the basis of nominal rent. Therefore, the recovery of Rs. 202,395 has been made by the Estate office.

PAC DIRECTIVE

The Committee directed the PAO to take steps for the recovery of the balance amount from the government employees concerned and get the amounts recovered verified from the Audit.

- 4.48 i) NON-RECOVERY OF Rs. 0.079 MILLION.  
(PARA B-II-11, PAGE-170-ARCW)(ITEM 1(vii)-AP-93-94).
- ii) NON-RECOVERY OF Rs. 0.052 MILLION.  
(PARA B-II-12, PAGE-170-ARCW)(ITEM 1(viii)-AP-93-94).
- iii) NON-RECOVERY OF Rs. 0.249 MILLION.  
(PARA B-II-14, PAGE-171-ARCW)(ITEM 1(ix)-AP-93-94).
- iv) NON-RECOVERY OF Rs. 0.600 MILLION.  
(PARA B-III-1, PAGE-172-ARCW)(ITEM 1(xi)-AP-93-94).

PAC DIRECTIVE

On presentation of the above mentioned four paras (Actionable Points: 1993-94) regarding different recoveries pointed out by the Audit, the Committee directed the PAO to take action in the light of defunct PAC's directives and report the progress to the Committee within one month.

- 4.49 i) FAILURE OF HOUSING SCHEMES: LOSS TO GOVERNMENT AMOUNTING TO Rs. 285.5 MILLION.  
(PARA 3, PAGE-95-AR-96-97)(ITEM 4-AP-96-97).

The para was discussed in the defunct PAC's meeting held on 2.8.1999. The Committee constituted a Sub-Committee to look into the matter, especially the causes of failure of the schemes.

The Sub-Committee could not finalize its report due to suspension of the National Assembly.

ii) NON-UTILIZATION AND IRREGULAR INVESTMENT OF Rs. 100 MILLION,  
(PARA 4, PAGE-96-AR-96-97)(ITEM 5-AP-96-97).

Audit pointed out that the para 4 was discussed in the defunct PAC's meeting held on 2.8.1999. The Committee constituted an IDC to investigate the matter. The report of the IDC has not been received so far. The para was reviewed by the incumbent PAC. The Ministry could not satisfy the Committee on the refund or utilization of Rs 100 million which were initially kept in the PLA at Federal Treasury Islamabad (Rs 90 million) and Federal Treasury Karachi (Rs 10 million) in October, 1992.

PAC DIRECTIVE

On the presentation of above mentioned two paras (3+4), by the Audit, the PAC constituted a Sub-Committee comprising of Mr. Hassan Bhutto, Member Ad-hoc PAC (convener), Mr. S.M. Zafarullh, Member Ad-hoc PAC and representatives of the Audit Department, M/o Finance and M/o Housing & Works to examine the matters and report to the Committee within six weeks.

4.49 SHORT-RECOVERY OF Rs. 0.799 MILLION,  
(PARA B-VII-1, PAGE-131-ARCW-96-97).

Audit pointed out that Pak. PWD issued excessive quantities of steel than admissible/provided in the contract agreement of the contractor. This resulted in non-recovery of Rs. 0.799 million.

The Ministry informed the Committee that the excess quantity of steel was used due to enhancement of the work awarded to the contractor with the approval of competent authority.

PAC DIRECTIVE

The Committee referred the issue to the Sub-Committee, which was constituted on the paras 3&4, to examine the issue and report to the Committee within six weeks.

**MINISTRY OF EDUCATION**

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**1. OVERVIEW**

The Public Accounts Committee (PAC), in its meeting held on August 3, 1999, took up for its examination the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Ministry of Education. The Committee noticed a number of serious irregularities pertaining to the Ministry regarding huge savings, non-obtaining of utilization reports against grants released to various Educational Institutions and un-authorized retention of public funds by National Education Equipment Centre, Lahore. These financial lapses indicate lack of awareness of financial rules and sanctity of budgetary discipline on the part of quarter concerned; however, in certain cases, intentional violation of rules can not also be over-ruled. 53% saving (Grant 152), arrears of utilization reports for funds released amounting to Rs. 6193.404 million and retention of lapseable funds for their utilization in the subsequent years reflect either ignorance or culpable negligence of the respective staff.

The Audit Report for the year 1996-97 contained 28 paras, of which 09 paras were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the actions having been taken by the Ministry. The Committee has directed the Ministry to effect recovery of Rs.34.782 million. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different matters. Actionable Points based on the Committee's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarised in the following sections:-

## 2. MAJOR ISSUES

### 2.1 SAVINGS IN THE GRANTS.

Huge savings were pointed out by the Audit in various grants of the Ministry. In Grant No. 36 saving of Rs. 59,651,652 was found while Under Grant No. 152, the saving was Rs. 868,214,328. The Committee noticed that the two grants closed with 6% and 53% savings respectively, these savings were not surrendered in time and in both the cases the Department took supplementary grants as well huge saving in the Development Grant (152) reflects negative performance in the execution of development schemes. The Committee, on both the grants, constituted an Inter-Departmental Committee (IDC) to look into the matter, fix the responsibility, suggest the action against the concerned officer(s).

### 2.2 NON-SUBMISSION OF UTILIZATION REPORTS AGAINST GRANTS RELEASED FOR Rs. 6193.404 MILLION. (Accumulated balance by the year 1996-97)

The Ministry of Education releases grants to various Educational Institutions, each year, to finance their academic expenditures. These Institutions are required to submit utilization reports against these grants alongwith the payment vouchers. Utilization Reports, supported by proper payment vouchers, authenticate the appropriateness of expenditure; absence of documentary evidence may lead to believe misappropriation, non-observance of general standards of transparency, economy, propriety and proper accounting. Therefore, the Committee observed pendency of the utilization reports is not desirable and should be obtained from Recipient Organization to furnish to the Audit for scrutiny.

### 2.3 IRREGULAR DRAWL FROM DEVELOPMENT GRANT FOR NON DEVELOPMENT FUNCTION.

In Federal Directorate of Education under Ministry of Education there is an irregular practice of drawing loan from Development Grants for non-development subjects for which provisions are already available in regular budget allocations. During 1992-93, & 1993-94, Rs. 439,218 were drawn irregularly violating the General Financial Rules. The Finance Division

also commented that the act was a criminal negligence.

In another case, the Federal Directorate of Education transferred Rs. 9.884 million from Development Fund to various institutions for Development Schemes. As Audit pointed out, these funds were kept in the Commercial Banks for long period in violation of Para 7 of GFR(Vol-I).

#### 2.4 UN-NECESSARY RETENTION OF GOVERNMENT MONEY.

In National Education Equipment Centre, Lahore, a sum of Rs. 7,926,687 was retained despite the close of two financial years i.e. 1994-95 and 1995-96. As per General Financial Rules the unspent balance on 30th June should be surrendered to Government immediately.

Similarly, in another case, an amount of Rs. 13,064,115 of the lapseable grant was retained by an Institute under the Ministry at the close of the year and that amount was spent in the subsequent years. Under the rules, all the savings in the Developmental/Non-Developmental Grants are to be surrendered before the close of the respective financial year.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should improve its data management and monitoring systems to ensure better budgetary discipline. Reasons for savings in Development Grants should be investigated to assess performance of the executing agencies of the development schemes.
- 3.2 Financial Rules and Budgetary Guidelines issued by the Ministry of Finance should be circulated among the institutional Heads to provide them awareness in this respect.
- 3.3 Sanctity of the Utilization Reports (against funds released to various educational institutions) need to be understood. These should be obtained in due course of time and submitted to the Audit for scrutiny.

- 3.4 Retention of funds at the close of the financial year and their utilization in the subsequent years is irregular and against the financial rules; the Ministry should take steps to stop this practice.
- 3.5 Transfer of developmental funds to non-developmental account or depositing of such funds in the commercial banks is violation of financial rules; therefore, this practice should be stopped henceforth.
4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON AUGUST 03, 1999

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1996-97)

- 4.1 i) GRANT NO. 36-EDUCATION (PAGE 126-AA).

Audit pointed out saving of Rs. 59,651,652. The Department also received supplementary grant of Rs. 39,000,000. The Department did not surrender the saving timely. In view of huge saving the supplementary grant was un-necessary.

- ii) GRANT NO. 152-DEVELOPMENT EXPENDITURE OF MINISTRY OF EDUCATION (PAGE 128-AA)

Audit pointed out the savings of Rs. 868,214,328. The Department also received supplementary grant of Rs. 39,359,000. Due to huge saving the supplementary grant was un-necessary.

The Public Accounts Committee on both the grants constituted an Inter-Departmental Committee under the convenership of Mr. Khursheed Ahmed AGPR with other members being Mr. Naveed Hassan FA, (Finance Division) and Mr. Iftikhar Ahmed, Joint Secretary (M/o Education), to look into the matters, fix the responsibility, suggest the action against the concerned officer(s) and report to the Committee within one month.

AUDIT REPORT (CIVIL) (VOL-1-1996-97)

- 4.2 i) NON-OBTAINING OF UTILIZATION REPORTS AGAINST GRANTS RELEASED RS. 6193.404 MILLION (PARA 1, PAGE-30-AR)

ii) IRREGULAR RETENTION OF LAPSEABLE GRANT FOR UTILIZATION DURING SUBSEQUENT YEAR (Rs.13,064,115)(PARA 11, PAGE-36-AR)

On the presentation of above two paras, the Public Accounts Committee settled the para subject to verification by the Audit Department.

4.3 NON-REFUND OF UNSPENT BALANCE FROM DEVELOPMENT SCHEME OF RS.9,884,304 (PARA 2, PAGE-30-AR).

Audit pointed out that in the Federal Directorate of Education funds transferred to the heads of various institutions for developments subjects, are kept by them in the Commercial Banks for long period in violation of Para-7 of GFR Vol-I where as they are required to be utilized on the subjects for which they were required. Interest is also being earned on these deposits. The Ministry informed the Public Accounts Committee that Heads of Institutions have been warned to utilize funds timely and not to deposit them in commercial banks.

The Public Accounts Committee directed the Principal Accounting Officer to close all the accounts which were opened against the rules and regulations and report to the Committee within two months.

4.4 IRREGULAR DRAWAL OF Rs. 493, 218 FROM DEVELOPMENT GRANT FOR NON DEVELOPMENT FUNCTION (PARA 3, PAGE-31-AR)

Audit pointed out that in Federal Directorate of Education under Ministry of Education there is an irregular practice of drawing loan from Development Grants for non-development subjects for which provisions are already available in regular budget allocations. During 1992-93, 1993-94 Rs.439,218 were drawn irregularly violating the order contained in Para 12, of the GFR(Vol-I) and clause 4 Para 5 of Ministry of Finance O.M.No.F-1(5)/R-12/80 dated March 13, 1981. The Finance Division commented that the act was a criminal negligence.

The Public Accounts Committee directed the Principal Accounting Officer to examine the issue, take disciplinary action against the person(s) responsible and report to the Committee within two months.

- 4.5 i) UNAUTHORIZED AND EXCESS EXPENDITURE OF Rs. 19.148 MILLION ON INTERNATIONAL CONFERENCE-1995 (PARA 4, PAGE-31-AR)
- ii) IRREGULAR/UNAUTHORIZED EXPENDITURE OF Rs. 700,950 ON ACCOUNT OF BACKDROP AND DISPLAY CHARGES (PARA 5, PAGE-32-AR)
- iii) IRREGULAR PAYMENT OF Rs. 12 MILLION ON ACCOUNT OF AIR TICKETING (PARA 6, PAGE-33-AR)
- iv) IRREGULAR PAYMENT OF Rs. 3.2 MILLION ON ACCOUNT OF BOARDING AND LODGING (PARA 7, PAGE-33-AR)

After hearing the Ministry's reply on the above mentioned issues the Public Accounts Committee directed the FIA/Ehtasab Bureau to complete its investigation at the earliest.

The Committee also directed the Principal Accounting Officer to take all possible measures to expedite the cases and recover the amounts from parties to whom payments were made on fictitious receipts and report within three months.

- 4.6 NON-DEDUCTION OF BENEVOLENT FUND AND GROUP INSURANCE FROM THE EMPLOYEES OF THE INSTITUTE ONLY TWO YEARS RECOVERY AMOUNTING TO Rs.87,581 (PARA 9, PAGE-35-AR)

Audit pointed out that in Government Polytechnic Institute for Women, Islamabad under Ministry of Education, deduction on account of Benevolent Fund and Group Insurance from the salaries of officers were not being made. This is clear disregard of the Benevolent Fund & Group Insurance Rules, 197. The amount of recovery for the two years under reference i.e. 1993-94 and 1994-95 comes to Rs.87,581. The Principal Accounting Officer informed the Committee that the case has been referred to in the Establishment Division for declaring all such bodies as autonomous.

The Public Accounts Committee after hearing the Departmental point of view on the issue directed the Ministry that necessary measures may please be taken to have the relevant notification issued and get expedited the respective legislation in the light of the decision of the Supreme Court of Pakistan. The Principal Accounting Officer assured to implement the

directive of the Committee.

4.7 THEFT OF COLLEGE BUS WORTH Rs.1.3 MILLION (APPROX) DUE TO LAPSE ON THE PART OF THE COLLEGE AUTHORITIES (PARA 10, PAGE-35-AR)

Audit pointed out that in the Polytechnic Institute for Women, Islamabad under the Ministry of Education, a Hino Bus No. IDF-1829 purchased in October 1992 was stolen on 21-2-1996 from the Institution's compound. Although the FIR was lodged with the Police and Ministry of Education and Excise and Taxation Officers were informed about the incident no progress could be made in tracing and recovering the vehicle.

The Public Accounts Committee showed its displeasure on the issue and directed the Principal Accounts Officer to take action against the responsible of theft of the bus.

4.8 UN-NECESSARY RETENTION OF GOVERNMENT MONEY AMOUNTING TO Rs. 7,926,687 (PARA 12, PAGE-36-AR)

Audit points out that in National Education Equipment Centre, Lahore under the administrative control of Ministry of Education Islamabad, a sum of Rs.7,926,687 was retained despite the close of two financial years i.e 1994-95 and 1995-96. As per Para-95-96 of GFR Vol-I the unspent balance of 30th June should be surrendered to Government immediately. But in disregard to this rule a huge sum was un-authorisedly retained by the Department.

The Public Accounts Committee directed the Principal Accounting Officer to send the case to Ministry of Finance to review and advise on the issue and report to the Committee within two months.

4.9 IRREGULAR PAYMENT OF MEDICAL ALLOWANCE Rs.269,568 (PARA 13), PAGE-37-AR).

Audit pointed out that in National Centre of Excellence in Geology, University of Peshawar, the employees in BPS-1 to 11 were being paid

Medical Allowance at rates over and above the rate of Rs. 50/- P.M. prescribed by the Government. Similarly, whereas the employees in BPS-16 and above, besides availing free indoor treatment facilities were being paid medical allowance @ Rs.270/- Pm which was unauthorized and irregular. During 7/91 to 6/94 the total excess payment made on this account was Rs.269,568.

The Public Accounts Committee directed the Principal Accounting Officer to send the case to Ministry of Finance for settlement and report to the Committee within three months.

4.10 TEMPORARY MISAPPROPRIATION OF Rs.81,000 AND NON-RECOVERY OF INCOME TAX (PARA 14, PAGE-37-AR).

Audit pointed out that in National Centre of Excellence in Geology, University of Peshawar, Rs.81,000 the sale proceeds of an auctioned Government vehicle amounting to Rs 81000 were invested in Term Deposit Certificates instead of crediting into revenue head of the Government. Income Tax @ 5% valuing Rs.4050 was also not recovered from the buyer.

The Public Accounts Committee directed the Principal Accounting Officer that issue may be referred to Ministry of Finance and Audit Department for verification and report to the Committee within two months.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

NATIONAL BOOK FOUNDATION

4.11 (PARA 110, PAGE 93-ARPSE).

Audit pointed out that increase in stock-in-trade resulted in blockage of capital which should have been avoided by boosting up sales of the Foundation.

After hearing the Ministry's reply the Public Accounts Committee settled the para subject to verification by the Audit Department.

4.12 (PARA 111, PAGE-93-ARPSE)

Audit pointed out that unpaid interest on Government loan of Rs. 10 million sanctioned @ 8.25% per annum rose to Rs.15.191 million in the year 1995-96. No interest has since been paid. It has been intimated by the Foundation that they would request the Government to convert the loan alongwith accumulated interest into equity.

The Public Accounts Committee directed the Principal Accounting Officer to refer the case to the Ministry of Finance for settlement and report to the Committee within two months.

4.13 (PARA 113, PAGE-93-ARPSE).

Audit pointed out that "Advances, Prepayments and Other Receivables" increased from Rs. 0.772 million in the year 1994-95 to Rs. 1.892 million at the end of the year 1995-96. A provision of Rs. 0.240 million has been made for doubtful recoveries.

The Public Accounts Committee directed the Principal Accounting Officer to take up the case with the Board of Governors to condone Rs. 0.240 million and report to the Committee within two months.

ACTIONABLE POINTS 1993-94

4.14 MIS-APPROPRIATION OF GOVERNMENT MONEY RS 0.068 (M) (PARA 19, PAGES 31-32-AR)(ITEM-II (iii) 1993-94)

Audit pointed out that the National Book Council (merged with National Book Foundation w.e.f. July 1, 1994) had established a Reader's Club in 1985, on membership fee @ Rs.10 which was increased to Rs 50 w.e.f. January, 1990. The total receipt collected during 1987 to 1992 was Rs

457,433. An amount of Rs 389,276 was deposited and the balance amount of Rs 68,157 was found misappropriated.

The PAC directed the PAO to take disciplinary action against the responsible officers under the rules and regulations and report to the Committee within 02 months.

**MINISTRY OF HEALTH**

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**1. OVERVIEW**

The Public Accounts Committee (PAC), in its meetings held on 4th August, 1999 & 14th April, 2001, took up, for its examination, the Appropriation Accounts and the Annual Audit Report for the year 1996-97 pertaining to the Ministry of Health. As a result of detailed scrutiny of the audit material, the Committee found a number of irregularities regarding budgetary lapses, releases of funds to the Provinces, heavy expenditure on local purchase of medicines, un-authorized retention of public funds etc. The Committee issued several directives on the reported issues to improve the affairs of the Ministry and of the bodies working under its control. Where the Committee held a public servant responsible for a loss to the state or for misuse of power, it directed the Ministry to initiate accountability action against him/her.

The Report contained 32 paras and audit comments on four Grants, of which 7 paras were settled and the savings/excesses in the Grants were regularized by the Committee on the basis of clarifications given by the PAO or the desired actions having been taken by the Ministry. The Audit had pointed out recoveries amounting to Rs.51.477 million in various cases examined by the PAC, out of which Rs.0.207 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit given in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view-points on different matters. Actionable Points based on the Ad-hoc PAC directives are given in the Section-4. However, some major issues and the Committee's recommendations thereon are summarized in the following sections.

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

Ministry's weak control over its Budgetary Grants was noticed by the PAC, as a serious lapse, in its meeting held on 4.8.1999. The budgetary mismanagement can be viewed from the following statistics.

Grant No.	Suppl. Grant RS(M)	Savings RS(M)	% of F. Grant	Surrenders Rs(M)	Net Saving(-) Excess(+) Rs(M)
69	0.151	28.531	32	2.503	-26.028
70	33.769	12.940	01	21.509	+08.569
71	0.119	11.386	15	3.546	-07.930
160	385.575	1374.155	39	875.200	-498.955

Three discrepancies were especially pointed out to the Ministry, by the Committee for taking corrective measures in future. Firstly, huge savings indicate inadequacy of accounting and reconciliation system. Secondly, supplementary grants are sought without monitoring the flow of expenditure and exact future needs. Thirdly, the supervisory level lacks competence and responsibility.

### 2.2 HEAVY EXPENDITURE ON LOCAL PURCHASE OF MEDICINE

In Federal Government Services Hospital (FGSH), Islamabad, heavy expenditure of Rs.41.173 million was incurred on account of local purchase of medicines during the year 1993-95; 75% of the this amount was spent on the purchase of medicines for a small dispensary, housed in the Parliament House, Islamabad. Most of the medicines were purchased without proper prescription slips by any Medical Officer. The PAC, in its meeting held on 4.8.1999, directed the Ministry to provide detailed record of the said expenditure. The issue was reviewed by the Ad-hoc PAC as Actionable Point on 14.4.2001 whereby the Committee directed the Ministry to frame recommendations to stop excessive misuse of medicines and to report within 15 days.

### 2.3 IRREGULAR RELEASES TO PROVINCES

National Institute of Health (NIH) incurred an expenditure of Rs.18.845 million under a project named as National Aids Prevention and Goiter Control Programme in 1994-95. The project was approved by the ECNEC at a cost of Rs .774.350 million for the period 1993-94 to 1996-97 subject to condition that separate PC-I will be prepared and got approved for each province.

The Management kept on releasing the payments to the Provinces amounting to Rs 18.845 million upto 1994-95 without getting approval of PCIs for the Provinces and obtaining the audited accounts or adjusted statements from the Provinces for the expenditure made out of these releases. However, the Ministry confirmed in the Meeting that separate federal and provincial PCIs had been got approved.

### 2.4 UN-AUTHORIZED RETENTION OF PUBLIC FUND

National Institute of Health withdrew an amount of Rs 34 million from its PLA Account on 5th June and 5th July 1993 and invested it in a Commercial Bank whereas this amount was required to be surrendered to the Government on 30.6.1993 under Para 7 of GFR Vol-I.

Similarly, the departmental receipts and sale proceeds of vaccines etc. were deposited in a current bank account and the withdrawals were made out of it for spending on different purposes.

## 3. RECOMMENDATIONS

- 3.1 To overcome the budgetary indiscipline mentioned in section 2.1, the Ministry should improve accounting, monitoring and reconciliation processes. Internal financial control should be strengthened and awareness of financial/budgetary regulations should be promoted. The Committee also directed the Ministry to borrow a competent officer from the Accounts Group and appoint him as Director Finance to manage the budgetary and financial affairs of the PIMS.

- 3.2 The PAC directed the Ministry to frame a set of recommendations to stop misuse of medicines, in future.
- 3.3 With reference to National Aids Preventions and Goiter Control Programme, the Ministry informed the Committee that at that time Goiter Programme had been delinked from HIV Programme to give greater emphasis on HIV control initiatives. The PAC directed the Ministry to give a report to the Committee on the measures taken to control HIV and the progress achieved, on this account, so far.
- 3.4 Surrender of the unspent public fund before the close of the financial year is a statutory obligation of each administrative unit. Similarly, the revenue realized on account of Federal Government is the Public (Revenue) Receipts and, under Article 78 of the Constitution, forms part of the Federal Consolidated Fund; therefore, its direct use to meet any department expenditure is un-authorized. The Ministry should ensure compliance with these legal provisions in letter and spirit.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON AUGUST 04, 1999 AND APRIL 14, 2001

ACTIONABLE POINTS: MEETING ON 04.08.1999

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1996-97)

4.1 GRANT NO.69-HEALTH DIVISION (PAGE 237-AA)

Audit pointed out that the grant closed with a saving of Rs 28,531,068 which works out to 31.86 percent of the final grant. An amount of Rs 2,503,00 was, however, surrendered leaving net savings of Rs 26,028,068. The remaining saving should also have been surrendered.

After hearing the Ministry's reply the PAC regularized the grant. However, the Committee directed the PAO to take effective measures to avoid such savings in future.

4.2 GRANT NO.70-MEDICAL SERVICES (PAGE 238-AA)

Audit pointed out that the grant closed with a saving of Rs 12,939,927 which work out to 1.22 percent of the final grant. An excessive amount of Rs 21,509,000 was, however surrendered converting the grant to be closed with excess of Rs 8,569,073.

The PAC directed the Finance Division to examine the issue, identify persons responsible and report to the Committee within 01 month. The Committee also directed the Auditor General of Pakistan to send a competent officer from the Audit Department to PIMS on deputation for the smooth working of the PIMS.

ACTIONABLE POINTS FOR 1993-94

4.3 GRANT NO.68-MEDICAL SERVICES (PAGE 196-AA)(ITEM 1-AP-93-94)

Audit pointed out that the grant was closed with an excess of Rs 27,815,780 which was required to be regularized by the PAC. The excess was explained by the department before the PAC in the meeting held on 26-07-1997 as due to non-accountal of a supplementary grants of Rs 48,308,000 which was sanctioned in May/June, 1994 but not included in the supplementary schedule of authorized expenditure.

The PAC regularized the grant subject to verification by the Audit.

During the discussion of different grants of M/o Health the committee observed that financial discipline has to be maintained at all levels. The delays in release in different grants by the M/O Finance and non-surrender of un-utilized balances of concerned ministries or the root-cause for restraining the development in the country.

AUDIT REPORT VOL-X PUBLIC SECTOR ENTERPRISES 1996-974.4 (PARA 129, PAGE 107-ARPSE)

Audit pointed out that the management of National Institute of Health did not submit their audited accounts for the year 1996-97 by the prescribed date of January 15, 1998. The Ministry informed that the accounts for the year 1996-97 have been completed.

The PAC directed the Department to provide its accounts to Audit department immediately for examination and report to the Committee.

AUDIT REPORT (CIVIL)(VOL-1-1996-97)4.5 HEAVY EXPENDITURE OF RS 41,173,558 AT THE PARLIAMENT HOUSE DISPENSARY ON ACCOUNT OF LOCAL PURCHASE OF MEDICINES DURING 1993-95 (PARA 1, PAGE 80-AR)

Audit pointed out that in Federal Government Services Hospital, Islamabad under M/O Health a heavy expenditure of Rs 41.173 (M) was incurred on account of local purchase of medicines without proper prescription slips of any Medical Officer. Analysis of expenditure during 1994-95 revealed that out of the total expenditure of Rs 28.531 (M), purchase of Rs 21.938 (M) pertained to Parliament House dispensary and only Rs 6.6 (M) were utilized at FGSH Islamabad which means that above 75% of local purchase of medicines was for a small dispensary as compared to the main big hospital. The matter requires examination and justification.

The PAC directed the Audit department to provide the required record/information on the issue to the PAC for its perusal in the next meeting of M/O Health.

4.6 ITEMS WORTH RS 48.583 (M) NOT TAKEN ON RECORD (PARA 2, PAGE 80-AR)

Audit pointed out that National Institute of Health under M/O Health during 1994-95 made payment of Rs 48.583 (M) for purchase of 4200 vaccine carriers and 30 (M) syringes. Neither certificates of quality and quantity were obtained nor material was examined, counted and taken on stock as required under Para-148 of GFR Vol-I. Rule S379 of FTR prohibits any payment in the absence of aforesaid certificates.

The PAC directed the Department to examine the issue, fix responsibility and take action against the person(s) concerned who were responsible for the irregularity of not taking material on stock and failing to obtain the requisite certificates under the rules and report to the Committee within 02 months. PAO promised to inquire and fix responsibility.

4.7 IRREGULAR INVESTMENT IN A COMMERCIAL BANK OUT OF PERSONAL LEDGER ACCOUNT RS 34 (M) (PARA 3, PAGE 81-AR)

Audit pointed out that National Institute of Health under M/O Health withdrew an amount of Rs 34.00 (M) out of PLA on 5th June and 5th July, 1993, respectively, invested it in Allied Bank Satellite Town, Rawalpindi in contravention of Para 7 of GFR Vol-I. The stated balance of PLA was required to be surrendered to Government on 30-06-1993 but Rs 9.999 (M) were deposited in a Commercial Bank and Rs 25 (M) were invested in Term Deposit Receipts at a rate of 13% and 9% per annum, respectively. Similarly, the departmental receipts and sale proceeds of vaccines etc. were also deposited in a current bank account with ABL and drawals were made out of it for spending on different purpose.

The PAC after hearing the Ministry's reply directed the Department to make the fool-proof system/rules with the approval of the competent authority to control the said irregularities, in future and report to the Committee within 03 months.

AUDIT REPORT (VOL-I)(CIVIL 1996-97)4.8 UN-AUTHORIZED OUTSTANDING MEDICAL LIABILITIES ON MEDICAL TREATMENT ABROAD POUNDS STERLING 348,958.00 (RS 26,411,375) (PARA 23, PAGE 91-AR)

Audit pointed out that in PAHIC London, liabilities to the extent of Pounds Sterling 348,958.00 relating to the various patients who received treatment from the Cromwell Hospital on the authority of guarantee letters issued by the Medical Counsellor were lying outstanding against the Mission. In case of non-clearance of liabilities, the hospital authorities might go into litigation which will create embarrassing situation for the Mission and may carry bad name to the country also. The irregularity was pointed out in May, 1997.

The PAC directed the PAO to investigate the case, fix responsibility, take disciplinary action against authorizing/ issuing officers of the guarantee letters determine the circumstances under which facilities were allowed and effect recoveries from un-authorized beneficiaries and report to the Committee within 01 month. The PAC also directed to produce PM's directive dated 18-07-1995 (stated by Additional Secretary) and report of the Committee which visited UK/USA to investigate the issue.

4.9 IRREGULAR EXPENDITURE ON MEDICAL TREATMENT US \$ 20,000 (RS 700,000) (PARA 24, PAGES 91-92-AR)

Audit pointed out that in PAHIC London, an amount of US \$ 20,000 (Rs 700,000) was sanctioned for medical treatment abroad in respect of Mr. Ghulam Mustafa Jatoi, Member, National Assembly (MNA). The amount was specifically sanctioned for the settlement of hospital bills. All expenses outside the hospital were to be borne by the patient himself. It was, however, noticed that a cheque bearing No.D629305 dated 24-01-1996 amounting to US \$ 20,000 was issued infavour of MNA instead of making payment to the hospital, in violation of government instructions contained in M/O Health's letter No.F.8-9/90-MF.1, dated 15-11-1996. No relevant bills of hospital were held on record. The irregularity was pointed out in May, 1997. The Ministry is required to submit adjustment account of the payment.

The PAC directed the department to get the record from Mr. Ghulam Mustafa Jatoi, MNA and submit the adjustment accounts of the payment and report to the Committee within 01 month.

- 4.10. i) UNSPENT BALANCES ON ACCOUNT OF MEDICAL TREATMENT ABROAD LYING UN-ADJUSTED POUNDS STERLING 284,346 (RS 21,521,125) (PARA 25, PAGE 92-AR)
- ii) EXPENDITURE INCURRED OVER AND ABOVE THE PERMISSIBLE LIMITED OF MEDICAL TREATMENT ABROAD POUNDS STERLING 218,963.00 (RS 16,572,521)(PAGE 26, PAGE 93-AR)

On the presentation of above 02 paras, the PAC directed the Finance Division to provide the comprehensive information on both the issues, recommend the action against the person(s) responsible and report to the Committee within 01 month.

- 4.11 UN-AUTHORIZED EXPENDITURE ON MEDICAL TREATMENT POUNDS STERLING 115,585 (RS 8,748,213) (PARA 27, PAGE 93-AR)

Audit pointed out that in PAHIC London an amount of 115,585 was paid to the Cromwell Hospital London on account of medical charges for the treatment given to the six patients. Figures of payment were later reconciled with the mission and corrected as Pounds Sterling 116,395.66. The expenditure was held irregular as the payments against the patients were made out of the unspent balances over and above the approved amounts and without obtaining proper sanction of the M/O Health/Prime Minister.

The PAC directed PAO to recover the un-authorized expenditure from the persons concerned. The Committee also directed to fix responsibility, take action against the persons responsible who made the payments without obtaining the proper sanction from the M/O Health/Prime Minister and report to the Committee within 03 months.

ACTIONABLE POINTS: MEETING ON 14.04.2001ACTIONABLE POINTS FOR 1996-974.12 GRANT NO. 70-MEDICAL SERVICES (PAGE 238-AA)(ITEM 2-AP-96-97).

Audit pointed out that the previous PAC had directed the Finance Division to examine the issue, identify person(s) responsible for the budgetary indiscipline and report to the Committee within one month.

The Committee also asked the Auditor General of Pakistan to send a competent officer from the Audit Department to PIMS on deputation for smooth working of the PIMS.

The Ministry informed the Committee that the office of the Auditor-General of Pakistan nominated a BPS-19 officer of the Accounts Group for posting as Director (Finance) in the PIMS. The Secretary Health was requested to obtain the approval of Establishment Division for deputation of the officer. The matter regarding creation of post of Director Finance in PIMS is still in progress.

PAC DIRECTIVE

The PAC directed the Ministry to comply with the previous PAC's directive and manage to create a post of BPS-19 for Director Finance (to get a skilled officer from Pakistan Audit Department on deputation).

AUDIT REPORT (CIVIL)(VOL-1-1996-97)4.13 IRREGULAR RELEASE OF Rs. 18.845 MILLION TO PROVINCES FOR NATIONAL AIDS PREVENTION AND GOITER GOITER PROGRAM.  
(PARA 4, PAGE-81-AR).

Audit pointed out that NIH incurred an expenditure of Rs. 18.845 million during 1994-95 on a project named National Aids Prevention and Goiter

Control Programme. The project was approved by the ECNEC at a cost of Rs. 774.350 million for the period 1993-94 to 1996-97, subject to condition that separate PC-1 will be prepared and got approved for each province. But contrary to the prescribed provision, the management kept on releasing the payment to the provinces amounting to Rs. 18.845 million upto 1994-95. Neither audited accounts nor adjusted statement was obtained and furnished to Audit, thus the expenditure was held as irregular and un-authorized.

The Ministry informed the Committee that ECNEC approved the project at a cost of Rs. 744.350 million initially for three years, from 1994-95 to 1996-97, which has been extended upto 2003 and Rs. 18.585 million were transferred to the Provinces/AJK and KANA during the F/Y 1994-95 fulfilling the condition III of ECNEC's decision. Therefore, the question for fixing responsibility does not arise.

The Committee was also apprised that, now, separate federal and provincial PC-1s have been got approved. Responding to a question, the Committee was told that presently goiter has been delinked from HIV.

#### PAC DIRECTIVE

The Committee settled the para; however, directed to furnish a report on the measures taken to control HIV and progress achieved so far, to the PAC.

- 4.14 i) IRREGULAR EXPENDITURE OF Rs. 450,050/- ON PURCHASE OF SPARE PARTS FOR DIALYSIS MACHINES.  
(PARA 5, PAGE-82-AR).
- ii) MISUSE OF Rs. 5.450 MILLION ON PURCHASES FOR WHICH GRANT WAS NOT SANCTIONED.  
(PARA 6, PAGE-82-AR).

The above two paras, relate to purchases of equipment/spare parts for dialysis. Besides irregularities in charging of expenditure to proper heads of accounts, discussion led to believe chances of misappropriation of funds as well. The Ministry could not satisfy the Committee and the Audit on the purchase/replacement of spare

parts for dialysis Machines for want of technical report and record to verify the need assessment.

PAC DIRECTIVE

The PAC directed the PAO to submit a detailed report on the present status of the project, maintain the accounts ensuring allocation of expenditure to proper heads of accounts and provide the Audit with required documents in support of payments made for various purchases. The Committee also directed the Audit Department to carry out performance Audit of NIH and submit report to the PAC in this respect.

4.15 RECOVERY OF Rs. 278,086 ON ACCOUNT OF MISUSE OF GOVERNMENT VEHICLES.  
(PARA 7, PAGE-83-AR).

Audit pointed out that NIH provided government vehicles for the use of different officers of the controlling ministry in violation of rule-II of staff car rules 1980.

The Ministry informed the Committee that one car was given to Cabinet Division for the use of Parliamentary Secretary of Health, and other was given to D.G. Health for official use.

PAC DIRECTIVE

The PAC directed the Department to satisfy the Audit that D.G. Health had only one car, as per his entitlement. As far the liability on account of car used by the Parliamentary Secretary is concerned that may be transferred to the Cabinet Division.

4.16 MISAPPROPRIATION OF Rs. 1.905 MILLION.  
(PARA 8, PAGE-83-AR).

Audit pointed out that during 1993-94, NIH paid Rs 1.905 million to different agencies on account of pay and allowances of field staff engaged

under Goiter Control Programme. No record was available regarding employment of staff and their job description on the basis of which such amounts were released. Neither any pay roll nor adjustment account was found on record.

The Ministry informed the Committee that as per PC-1, Ministry of Health was responsible for the project and respective provincial Directors Health Services were responsible for Co-ordination, operation and maintenance of the project. The cost of PC-1 also included the pay & allowances of the personnel. The NIH was responsible for the re-imbusement of the pay & allowances to the field staff engaged by the concerned Directors Health Services.

PAC DIRECTIVE

The PAC directed the Department to furnish all the required record to the Audit for verification; however, the para was settled subject to verification.

4.17 EMBEZZLEMENT OF Rs. 74,163/- UNAUTHORIZED EXPENDITURE OF Rs. 288,317/- OUT OF Rs. 362,480/- CASH RECEIVED BY THE TRANSPORT SECTION OF PIMS. (PARA 9, PAGE-84-AR).

Audit pointed out that PIMS collected Rs. 362,480 in cash as pick and drop charges from its employees. The amount so collected was never deposited into Government account. From this fund Rs 288,317 and Rs 52140 were spent on repair of Hospital ambulance and car under DG's use respectively.

PAC DIRECTIVE

The PAC directed the Ministry to furnish the record to the Audit for verification and investigate whether the D.G. Health was using one or more than one cars.

4.18 RECOVERY OF Rs. 125,312/- ON ACCOUNT OF IRREGULAR APPOINTMENT OF A HOME SISTER.  
(PARA 10, PAGE-84-AR).

Audit pointed out that, in PIMS, a home sister (B-14) was appointed on contract basis on 22.11.1990 without a sanctioned post and requisite qualification. Thus the appointment against home sister was just to extend undue favour that resulted in an unauthorized payment of Rs. 125,312 on account of pay and allowances during 22.11.1990 to 20.4.1994. Although her contract was cancelled on 20.4.1994 when pointed out by Audit, yet recovery of the amount paid has not been made so far.

The Ministry contended that the home sister was appointed on contract basis after completion of all procedural formalities against the available post with the approval of Board of Governors.

PAC DIRECTIVE

The PAC observed that it looked like a case of favouritism. However, the Committee settled the para subject to verification by the Audit of facts presented by the Ministry.

4.19 NON-RECOVERY ON ACCOUNT OF EXCESS TELEPHONE CALLS Rs. 358,299/-.  
(PARA 11, PAGE-85-AR).

Audit pointed out that NICVD Karachi paid Rs. 358,299 on account of excess calls on official telephones beyond the ceiling fixed by the Cabinet Division. Neither any condonation nor recovery from the users was made on this account.

The Ministry informed the Committee that recovery on account of excess telephone calls for the period 1990-93 has been made in full from the salary of the officials concerned, but no ceiling was imposed on the office telephones of the Executive Director, Administrative Executive and store officer due to nature of their duties.

PAC DIRECTIVE

The PAC directed the Ministry to get the recovery verified by the Audit and cases relating to Executive Director, Administrative Executive and Store Officer may be referred to the Ministry of Finance for condonation under report to the Committee.

4.20 IRREGULAR AND SUSPICIOUS PURCHASE OF FOOD/MESS ITEMS Rs. 3.707 MILLION.  
(PARA 12, PAGE-85-AR).

Audit pointed out that NICVD Karachi, during 1990-93, purchased mess items amounting to Rs. 3.707 million without fulfilling codal requirements.

The Ministry informed the Committee that due to law & order situation in the city all purchases were made on emergency basis. Proper record could not be maintained by the mess staff as they were off and on absent because of transport strikes and curfew in larger area of the city during 1990-93.

PAC DIRECTIVE

The PAC directed the PAO to investigate the facts and submit a report to the Committee. It further directed the Department that sanctity of rules should be respected in future.

4.21 IRREGULAR EXPENDITURE OF PLUMBING WORK Rs. 525,241/-.  
(PARA 13, PAGE-86-AR).

Audit pointed out that NICVD Karachi, in June 1991, made payment of Rs. 525,241 to a contractor named M/s Progressive Method Pvt. Ltd. for renovation of plumbing work without observing the codal requirements.

The Ministry informed the Committee that the tender was invited for renovation of plumbing system through press. Formal contract was signed with the contractor. Completion certificate was also obtained from the supervising architect.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.22 UN-ECONOMICAL PURCHASE WITHOUT INVITING TENDERS Rs.19.825 MILLION,  
(PARA 14, PAGE-86-AR).

Audit pointed out that the NICVD Karachi, during 1990-93, purchased surgical items and laboratory equipments worth Rs.19,825,180 without inviting tenders through press.

The Ministry contended that NICVD Karachi is not a government organization rather an autonomous body with its own Board of Governors headed by Minister of Health as Chairman. It has the authority to purchase equipment, medicines and surgical supplies etc. Moreover, the items purchased were proprietary items.

PAC DIRECTIVE

The PAC directed the PAO to inquire that the purchases were made at competitive rates and furnish the relevant record to Audit for verification of the facts.

4.23 IRREGULAR EXPENDITURE ON POL/MAINTENANCE OF VEHICLES Rs. 561,812/-,  
(PARA 15, PAGE-87-AR).

Audit pointed out that during 1990-93, NICVD Karachi, spent Rs. 561,812 on purchase of POL diesel and repair and maintenance of vehicles but failed to maintain and produce, for audit verification, the movement registers and log books of the vehicles. Non maintenance of the movements and repairs record is a clear violation of staff car rules-1980. In the absence of record pertaining to the movement and maintenance of vehicles, the expenditure is irregular and un-authentic.

The Ministry informed the Committee that NICVD Karachi, was originally a private NGO and run by the Board of Trustees. Hence, the government rules & regulations were not in practice.

PAC DIRECTIVE

The PAC directed the department to follow the rules in future; however the para was settled.

4.24 LOSS DUE TO PURCHASE OF MEDICAL EQUIPMENTS AT HIGHER PRICE US\$ 171,470/-.  
(PARA 17, PAGE-88-AR).

Audit pointed out that during 1990-93, NICVD Karachi purchased blood oxygenater @ US\$ 34,000 per hundred sets from Hong Kong based supplier and ignored the lower price of US\$ 15,504 quoted by Brazilian firm for the same equipment. Resultantly, a loss of US\$ 171,470 was caused to the exchequer for the total purchases.

The Ministry informed the Committee that the contracted rate was US\$ 340 each C&F (sea) Karachi, and it takes 4-6 months to arrive in Karachi by sea after placement of order. Since goods were required urgently, ACP Hong Kong air lifted the consignment saving US\$ 10,000 in air freight to this institution.

PAC DIRECTIVE

The PAC directed the Department to provide full information and settled the para subject to verification by the Audit.

4.25 IRREGULAR PURCHASE OF MEDICINES WORTH Rs. 2.994 MILLION.  
(PARA 18, PAGE-88-AR).

Audit pointed out that during 1990-93, NICVD Karachi purchased medicines for Rs. 2,993,871 which were not included in the list of medicines approved by the M/o Health. The expenditure included local purchase of Rs. 673,867 without inviting open tenders. Local purchases were made at 5% discount on retail price by ignoring an offer of 6% discount, causing a loss of Rs 6,739. The locally purchased medicines were not accounted for anywhere.

The Ministry informed the Committee that the list of medicines approved by the Ministry of Health did not cover all medicines specialized to Cardiac disorders. The medicines are procured from direct sources at 10% to 15% below the retail prices. Therefore, the system is not only efficient but also very competitive.

PAC DIRECTIVE

The PAC directed the Department to provide the relevant documents to Audit for verification of facts presented by the Ministry.

- 4.26 i) IRREGULAR EXPENDITURE ON PURCHASE, REPAIR AND MAINTENANCE OF DURABLE GOODS BY SANCTION SPLIT UP--Rs.1.158 MILLION.  
(PARA 19, PAGE-89-AR).
- ii) IRREGULAR PURCHASE OF DURABLE GOODS BY SPLITTING UP THE TRANSACTIONS-Rs. 1.917 MILLION.  
(PARA 20, PAGE-89-AR).
- iii) UNAUTHORIZED EXPENDITURE ON PURCHASE OF DURABLE GOODS AGAINST THE DIRECTIVES OF M/O FINANCE Rs. 5.559 MILLION.  
(PARA 21, PAGE-90-AR).
- iv) PURCHASE OF STORES WITHOUT OPEN TENDERS Rs.1.884 MILLION.  
(PARA 22, PAGE-91-AR).

PAC DIRECTIVE

On the presentation of above four paras, the PAC directed the PAO to examine that the transactions were bonafide and submit his findings to the Audit. The PAC also advised the Ministry to follow the rules and if strict pursuance of rules is felt difficult, in view of peculiar conditions, special dispensation may be sought from the Finance Division for the institutions like NICVD, PIMS etc.

ACTIONABLE POINTS FOR THE YEAR 1996-97

4.17 HEAVY EXPENDITURE OF Rs. 41,173,558/- AT THE PARLIAMENT HOUSE DISPENSARY ON ACCOUNT OF LOCAL PURCHASE OF MEDICINES DURING 1993-95. (PARA 1, PAGE-80-AR)(ITEM 5-AP-96-97).

Audit pointed out that the PAC in its meeting held on 4.8.1999, directed the Audit Department to provide the requisite record/information on the issue to the PAC for its perusal in the next meeting of M/o Health.

The Ministry informed the Committee that the requisite record/information, as called for by the PAC, has already been sent to the National Assembly Secretariat (PAC) on 13.11.1999.

PAC DIRECTIVE

The record, regarding misuse of medicines by the Parliamentarians, was considered by the Ad-hoc PAC and the Committee directed the Department to examine the issue and submit a report to the PAC within 15 days with recommendations to stop excessive misuse of medicines in future.

4.28 ITEMS WORTH Rs. 48.583 MILLION NOT TAKEN ON RECORD. (PARA 2, PAGE-80-AR)(ITEM 6-AP-96-97).

Audit pointed out that the PAC in its meeting held on 4.8.1999 directed the Department to examine the issue, fix responsibility and take action against the person(s) concerned who were responsible for the irregularity of not taking material on stocks and recording the requisite certificates under the rules and report to the Committee.

The Ministry informed the Committee that the issue was examined by a Committee of senior officers who verified the stock entries in the ledger.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.29. IRREGULAR INVESTMENT IN A COMMERCIAL BANK OUT OF PERSONAL LEDGER ACCOUNT  
Rs. 34 MILLION.  
(PARA 3, PAGE-81-AR)(ITEM 7-AP-96-97).

Audit pointed out that the PAC, in its meeting held on 4.8.1999, directed the Department to make foolproof system/rules, with the approval of competent authority, to control the said irregularity in future.

The Ministry informed the Committee that the revenue receipts of NIH are being utilized as working capital and cater for the budgetary needs. Being an autonomous body the institute had never been in a position to save tangible amounts and invest. The Investment Advisory Committee (NIH) recommended that the amount over and above the budgetary needs should be invested.

PAC DIRECTIVE

The PAC directed the Department to adopt a check and balance system and get it verified from the Audit.

ACTIONABLE POINTS FOR 1993-94

4.30 NON-DEDUCTION OF 5% ON ACCOUNT OF HOUSE RENT FROM THE EMPLOYEES AMOUNTING  
TO Rs. 734,000.  
(PARA 5, PAGE-145-AR)(ITEM 4-AP-93-94).

Audit pointed out that PIMS has not recovered Rs.734,000 on account of 5% standard rent from the employees. The PAC in its meeting held on 26.7.1997 directed the department to recover the outstanding amount.

The Ministry informed the Committee that the PIMS had started recovery of outstanding amount w.e.f. 1.10.1997 and by now the outstanding amount has been recovered.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

- 4.31 RECOVERY OF Rs. 61,620 ON ACCOUNT OF IRREGULAR USE OF A VEHICLE BY NON-AUTHORIZED OFFICER.  
(PARA 13, PAGE-149-AR)(ITEM 6-AP-93-94).

Audit pointed out that, in the PAC meeting held on 26.7.1997, the Ministry intimated that the car was provided to the then Minister of Health. The PAC directed the department to recover the amount from the Ex-Minister Syed Tasneem Gardezi.

The Ministry informed the Committee that the former Minister of Health has denied the misuse of the said vehicle.

PAC DIRECTIVE

The PAC directed the department to take-up the matter with the Finance Division for regularization of the expenditure, if the use of vehicle was for official purpose, as contended by the Ministry.

- 4.31 IRREGULAR EXPENDITURE OF Rs. 52,144 INCURRED ON REPAIRS OF A VEHICLE NOT ON THE STRENGTH OF THE INSTITUTE.  
(PARA 14, PAGE-149-AR)(ITEM 7-AP-93-94).

Audit pointed out that in the PAC meeting held on 26.7.1997, the Committee directed the department to recover the amount.

The Ministry informed the Committee that the vehicle was on the pool of M/o Health. As the expenditure was incurred in good faith, so the request has been made to Finance Division for ex-post facto approval for regularization of the expenditure which was not agreed by the Finance Division.

PAC DIRECTIVE

The PAC directed the department to implement the previous PAC's directive.

ACTIONABLE POINTS FOR THE YEAR 1988-89

4.32 NON-UTILIZATION OF CENTRAL RESEARCH FUND Rs. 27,224,648/- (PARA 1, PAGE-62-63-AR)(ITEM 9-AP-93-94).

Audit pointed out that the PAC in its meeting held on 26.7.1997, constituted an IDC to sort out the matter and report to the PAC.

The Ministry informed the Committee that the recommendations of the IDC report will be implemented and accounting procedure will be improved and progress report will be submitted to the PAC within 10 days.

PAC DIRECTIVE

The PAC directed the Ministry to streamline the system and report to the Committee within ten days.

4.33 RECOVERY OF OUTSTANDING TESTING FEE AMOUNTING TO Rs. 2,674,039/- FROM DIFFERENT AGENCIES. (PARA 3, PAGE-63-AR)(ITEM 8-AP-93-94).

Audit pointed out that the PAC, in its meeting held on 26.7.1997, constituted an IDC to sort out the issue and suggest recommendations within two months.

The Ministry informed the Committee that the Baluchistan Government has since deposited Rs. 25,133 from its share leaving a balance of Rs. 32,123 where as Sindh Government has taken up the case with Finance Division for waive-off.

PAC DIRECTIVE

The PAC directed the department to take steps to settle the issue with Sindh Government as soon as possible.

ACTIONABLE POINTS FOR THE YEAR 1996-97

4.34 UN-AUTHORIZED OUTSTANDING MEDICAL LIABILITIES ON MEDICAL TREATMENT ABROAD POUNDS STERLING 348,958 (Rs. 26,411,375), (PARA 23, PAGE-91-AR)(ITEM 8-AP-96-97).

Audit pointed out that PAC, in its meeting held on 4.8.1999, directed the PAO to investigate the case, fix responsibility, take disciplinary action against authorizing/issuing officers the guarantee letters, determine the circumstances under which facilities were allowed and effect recoveries from un-authorized beneficiaries. The Committee also directed to produce PM Directive dated 18.7.1995 and report of the Committee which visited UK/USA to investigate the issue.

The Ministry informed the PAC that, based on the recommendations of Inquiry Committee constituted by the Prime Minister in 1995, the Prime Minister directed to adjust the amount of Pounds Sterling 186,290.48 outstanding against 4 Provincial Governments, Wapda and UBL through Federal Adjuster and effect recoveries of Pounds Sterling 162,688.01 against 5 private citizens through the respective Deputy Commissioners or from the former medical officer Pakistan High Commission London who issued un-authorized letters of guarantee.

PAC DIRECTIVE

The Committee directed the Department that the para may be treated as settled subject to certification by the Ministry that Cromwell Hospital is not asking Government of Pakistan, presently, for any money on account of treatment provided by it to the private citizens of Pakistani origin.

- 4.35 i) EXPENDITURE INCURRED OVER AND ABOVE THE PERMISSIBLE LIMIT OF MEDICAL TREATMENT ABROAD POUNDS STERLING 218963 (Rs. 16,572,529). (PARA 26, PAGE-92-AR)(ITEM 10(ii)-AP-96-97).
- ii) UN-AUTHORIZED EXPENDITURE ON MEDICAL TREATMENT POUNDS STERLING 115,585. (PARA 27, PAGE-93-AR)(ITEM 10(ii)-AP-96-97).

Audit pointed out that the PAC, in its meeting held on 4.8.1999, directed Finance Division to provide comprehensive information on the issue, recommend action against the persons responsible and report to the Committee within one month.

Retention of un-authorized money by the Pakistan Mission led to these payments, therefore, the matter was referred to FD to check this double irregularity.

The Ministry informed the Committee that action was to be taken by the Ministry of Finance on the directive of PAC.

#### PAC DIRECTIVE

On the presentation of above two paras, the PAC referred the issues to Ministry of Finance for examination and regularization if rules permit.

## MINISTRY OF PETROLEUM AND NATURAL RESOURCES

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### 1. OVERVIEW

The Public Accounts Committee (PAC), in its meetings held on 10th Sept, 1999, 28th & 29th May, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Petroleum and Natural Resources. The Committee noticed a number of serious irregularities with respect to budgetary lapses, financial mismanagement in the Corporations/ Companies under the administrative control of the Ministry and inter-organizational disputed claims, etc. As a result of detailed discussion on these matters, the Committee issued its directives, based on the nature of irregularity and required action in each audit para, to the Ministry for necessary compliance.

The Report contained 99 paras, of which 48 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the corrective actions already taken by the Ministry. The Audit pointed out recoveries amounting to Rs 1240.199 million in various cases out of which Rs.51.722 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit stipulated in each case. The PAC Secretariat will watch the progress of recoveries and the Committee will review the recovery position and implementation of given directives in its future sessions.

The directives of the PAC, already issued to the Ministry, are being reproduced in Section-4 as Actionable Points. However, some important issues alongwith Committee's recommendations thereon are summarized in the following sections:-

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

Ministry's Grant No.111 closed with an excess expenditure of Rs 1698.108 million. An amount of Rs 11.500 was surrendered which further increased this excess to Rs 1709.608 million.

On the other hand, Ministry's Grant No.190 closed with a huge saving of Rs 105.860 million which works out to be 80% of the Grant. However, the Ministry surrendered an amount of Rs 23.866 million leaving net saving of Rs 81.994 million.

The Committee observed that the reported budgetary lapses indicated absence of a proper system to monitor and collate the expenditure figures vis-a-vis the allocations of the respective Grants. They also showed weak internal financial control and lack of awareness of the budgetary rules and procedures. Feeling the gravity of the situation, the previous PAC constituted a Sub-Committee to investigate the underlying factors of the budgetary indiscipline. The Sub-Committee could not complete its report due to suspension/dissolution of the National Assembly. However, the present Committee regularized the Grants with the recommendation given in section 3.1.

### 2.2 SUI SOUTHERN GAS COMPANY LTD. (SSGC)

The Audit presented a Special Audit Report (SAR No.6 for the years 1993-96) on the affairs of Sui Southern Gas Company Ltd. (SSGC). The PAC's directives on the audit observations contained in the Special Audit Report are given in section-4 (Actionable Points). Two major issues are briefly stated here.

#### 2.2.1 BLOCKAGE OF Rs 189.279 MILLION

SSGC imported PE pipes and fittings during the years 1995-97 without

keeping in view its consumption and requirements. Resultantly material valuing Rs 189.279 million was lying unused in November, 1997.

### 2.2.2 LOSS OF RS.40.238 MILLION

The SSGC placed a trial order on October 12, 1995 on M/s Multiple for supply of 400,000 meter line pipe of different dia valuing Rs.39.205 million, the firm being the lowest bidder. M/s Multiple failed to supply any quantity within stipulated time or even within extended period. The Company then invited fresh quotation in March 1996 and had to procure the items at higher rates resulting in a loss of Rs.40.215 million; no penalty could be imposed by invoking risk & cost clause of the contract against the defaulting supplier.

## 2.3 OIL AND GAS DEVELOPMENT CORPORATION (OGDC)

### 2.3.1 TRADE DEBTS & RECEIVABLES

- > Trade Debts of the OGDC increased to Rs 8,298 million by June 30, 1997 as against Rs 3987 million at the close of previous financial year. They further increased to Rs 9989.850 million as on June 30, 2000.
- > Loans, Advances, Deposits, Prepayments and other Receivables, of the Corporation, stood at Rs 2616 million as on June 30, 1997 which increased to Rs 3939 million by June 30, 2000. The Ministry apprised the Committee that the said balances include the cases involving recovery of Rs 625 million which are pending with the courts/taxation authorities.

2.3.2 In the OGDC, the balance of stores & stock increased by 49.6% from Rs 5533 million in 1994-95 to Rs 8280 million in 1997-98 which indicates that huge inventories were procured without assessing actual requirement, resulting in blockage of public funds in billions of rupees.

The Ministry apprised the Committee that OGDC's Management had improved the inventory control system; besides the improvement in accounting and computing systems, the level of inventory stocks had been brought down in the light of production requirements.

## 2.4 PAKISTAN STATE OIL COMPANY LTD (PSO)

### 2.4.1 TRADE DEBTS

The trade debts of the PSO increased by 252.7% from Rs 3,077 million in 1995-96 to Rs 10,853 million in 1996-97. Included in the trade debts of 1996-97 were Receivables of Rs 4,134 million, Rs 3911 million and Rs 2,808 million from WAPDA, KESC and other debtors respectively. The Ministry apprised the Committee that the PSO had even approached the Chief Executive to effect recoveries from WAPDA and KESC.

2.4.2 The value of stock of products in the pipeline against PARCO increased upto Rs 8780 million during 1998-99 against the balance of Rs 767 million in 1993. PARCO has claimed the losses upto the limit of 0.125% on mixed basis but the PSO has disputed such claims maintaining that it was technically not maintainable to have losses of such a magnitude in the stock transported through pipelines.

### 2.4.3 NON-RECOVERY OF COST AND DEVELOPMENT CHARGES

The PSO spent Rs.211.894 million upto 1991 on laying down a 34 km pipeline from Lalpir to Kot Addu Power Station to connect the WAPDA's Power Plant with the Oil installation. The entire cost of the pipeline plus 10% overhead charges were payable by WAPDA to PSO. The WAPDA paid only 99.140 million upto 1994. The outstanding balance of Rs.193.440 million was yet recoverable from WAPDA.

The Management informed the Committee that a further amount of Rs 95 million had been recovered from WAPDA; however, reason for delay in recovery is the dispute between PSO and WAPDA on the admissibility of certain overheads and salaries of the staff.

- > The PAC showed its serious concern over the huge value of stock of products held up in the pipeline and dispute on losses between PSO and PARCO and directed the Ministry to resolve the dispute between the two bodies and take measures to reduce the level of stock of products in the pipeline.

## 2.5 SANDAK METALS LTD.

Audit pointed out that the Company was engaged in exploration and mining of copper deposits at Saindak, District Chagi, Blochistan. The revised PC-I was approved by ECNEC in February, 1995 at a total cost of Rs.11,922 million. The project was completed and handed over by the Chinese Contractor to Saindak Metals (Private) Limited on June 8, 1996. The commercial production could not be started as yet despite capital expenditure of around Rs.13.7 billion.

The Principal Accounting Officer apprised the Committee that an MOU had been signed with the Chinese Government to lease out the project to China. The liabilities of the company have been assumed by the Government of Pakistan. The Chinese will invest 39 million dollars for rehabilitation of the project, besides payment of annual rent of 0.500 million dollars. They will be permitted to repatriate 50% of the cash surplus; however, after retrieval of 39 million dollars by the Chinese Government, the further revenues will be re-invested in the Project.

The PAO informed the Committee that on the directive of the Cabinet Division, an inquiry was held whereby inefficiency on the part of Management was proved. In the light of this inquiry, cases against some Officers/Officials of the Company have been referred to FIA.

## 2.6 SUI NORTHERN GAS PIPELINES LTD. (SNGPL)

### 2.6.1 DOUBTFUL DEBTS

There was an abnormal increase (355%) in the provision for doubtful debts from Rs 122.452 million in the previous year to Rs 556.783 million on June 30, 1997. However, the Management informed the Committee that an amount of Rs 38 million had been recovered from Dandot Cement.

### 2.6.2 BLOCKAGE OF FUNDS

In the SNGPL, the stock of stores and spares increased by 10.7% from Rs.501.163 million at June 30, 1996 to Rs.555.116 million at June 30, 1997. Since the company is paying heavy financial charges on its loans & credit facilities every year, the blockage of funds, of such magnitude, in the stock of stores and spares is not advisable.

### 2.6.3 PAYMENT OF OVERTIME

SNGPL paid an amount of Rs 451 million on account of overtime to its employees during 1992-93 and 1994-95. The ratio of overtime payment to basic salary even exceeded 140% in certain cases. The PAO admitted to the excessive ratio and stated that the ratio had been brought down to 50%.

### 2.7 NATIONAL REFINERY LTD.

- > Short-term loans and running finance balances stood at Rs 3001 million as on June 30, 1997 against Rs 1130 million on June 30, 1996. The borrowings became necessary due to non-realization of dues from the Government.
- > On the other hand, total debts outstanding as on June 30, 1997 stood at Rs 4927 million of which Rs 4897 million were considered good, whereas Rs 29.81 million as doubtful.

### 2.8 LOSS DUE TO NON OBSERVANCE OF PRESCRIBED PROCEDURE

Audit pointed out that due to non-observance of the prescribed procedure by the Company, a sum of Rs 98.315 million became irrecoverable from defaulting consumers as on June 30, 1995.

The Management apprised the Committee that the real value of the security deposits obtained from the consumers is eroded with the rising prices. Therefore, the dues of the defaulting consumers are hardly compensated by the forfeiture of the security deposits.

### 3. RECOMMENDATIONS

3.1 The Ministry should introduce appropriate monitoring systems to ensure financial control and strict adherence to the budgetary guidelines and financial rules.

3.2 The Organizations under the Ministry of Petroleum & Natural Resources are suffering from financial mismanagement. On the one hand they are carrying huge financial liabilities and on the other hand trade debts, prepayments and receivables, in billions of rupees, are recoverable from various public/private bodies and individuals.

The Ministry should persuade its subordinate organizations to improve their financial management by proceeding on the following lines:

- > Aging analysis of trade debts, loans, deposits, prepayments and receivables should be carried out periodically and over-estimated or irrecoverable claims should be corrected/written off to assess the exact position of the recoverable assets.
- > Meetings should be held at the appropriate level, with the Government bodies like WAPDA, KESC or corporate/private sector bodies like PSO, PARCO etc. and with the individual trade debtors as well to resolve their outstanding issues and ease out the recovery process. All efforts should be made to avoid litigation.
- > Proper monitoring systems should be installed to provide timely information on cost-benefit analysis and cash flow position etc. for taking corrective action where necessary and thereby ensuring efficient utilization of available resources.

3.3 The Ministry should persuade its subordinate organizations to take necessary steps for the improvement of inventory management; inventory should be classified into fast/slow moving and dead items to provide guideline for future procurement decisions.

- 3.4 The Ministry should approach the Chief Justice(s) of the respective Supreme/High Court(s), through M/o Law, to expedite disposal of the subjudice cases.
  - 3.5 The Ministry should review the cost plus arrangement introduced for pricing of products in various Corporations/Companies under its jurisdiction, as it usually leads to liberal increases in the costs.
  - 3.6 If the dispute on payment of development charges between PSO and WAPDA, on account of Construction of pipeline from Lalpir to Kot Addu, is not resolved at organizational level, the Secretaries Finance, Petroleum and Chairman WAPDA should jointly look into the matter for resolving it.
  - 3.7 Huge payment of overtime to the SNGPL staff is a permanent financial burden on the Company which should take measures to reduce and rationalize such payments in future.
  - 3.8 The Ministry should resolve the dispute between PSO and PARCO on the point of pipeline loss-ratio and should take measures to reduce the level of stock (of PSO) of products in the pipeline.
4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON SEPTEMBER, 10, 1999 TO MAY 28 & 29, 2001

ACTIONABLE POINTS: MEETING ON 10.09.1999

APPROPRIATION ACCOUNTS (CIVIL) (VOL 1-1996-97)

- 4.1 GRANT NO. 111-OTHER EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES DIVISION (PAGE-336-AA).

Audit pointed out that the grant closed with an excess of Rs 1,698,108,500 which works out to 303.71 percent of the final grant. The excess is required to be regularized. Also the department surrendered an amount of Rs 11,500,000 increasing the excess to Rs 1,709,608,500. The excess is required to be explained by the department.

After hearing the Ministry's reply, the PAC constituted a Sub-Committee under the chairmanship of Mr. Adnan Aurangzeb MNA, a nominee from Audit Department, a nominee from Petroleum and Natural Resources and a nominee from M/O Finance to look into the matter and report to the Committee within 15 days.

APPROPRIATION ACCOUNTS GEOLOGICAL SURVEY OF PAKISTAN (VOL-IX-1996-97)

4.2 GRANT NO.190-GEOLOGICAL SURVEY OF PAKISTAN (PAGE 8-AA-GSP).

Audit pointed out that the grant closed with a saving of Rs 105,859,639.00 which works out to 79.75% of the grant. The department surrendered an amount of Rs 23,866,000/- leaving net saving of Rs 81,993,639. The remaining saving should also have been surrendered.

The PAC directed the department to reconcile the issue with M/O Finance and the Audit department and report to the Committee within 01 month.

SPECIAL AUDIT REPORT ON SUI SOUTHERN GAS COMPANY LTD (1993-96)

4.3 EXCESS EXPENDITURE OF Rs. 2.706 (M) ON CONSTRUCTION OF SPORTS STADIUM AT SHAH DAD KOT (PARA 1, PAGE-4-SAR).

Audit pointed out that SSGC started the construction of sport stadium at Shahdad Kot in 1994 in compliance to the verbal orders of Prime Minister. Land measuring 6.27 acres was provided by the Commissioner of Larkana free of cost. The company spent Rs 9.53 (M) against the estimated cost of Rs 7.5 (M) and completed the project in Oct. 1996. The work was outside the scope of normal work assigned to a gas company. No formal written orders were received from the competent authority, and the construction work was also awarded on single tender basis.

The PAC showed its displeasure over the construction of sport stadium by the company from its revenue and directed the PAO to examine the issue fix responsibility, take action against the concerned person(s) who over

stepped his authority, even someone of them is not in service; and report to the Committee within 01 month. The Committee also directed the Federal Government of Pakistan to pay the said expenditure to Sui Southern Gas Company.

4.4 IRREGULAR EXPENDITURE OF Rs. 1.319 (M) ON INSTALLATION OF E-MAIL SYSTEM AT PRIME MINISTER'S SECRETARIAT (PARA 2, PAGE-5-SAR).

Audit pointed out that SSGC paid Rs. 1.319 (M) being 50% of the cost of installation of E-Mail system at PM Secretariat in October, 1994. The remaining 50% was paid by PSO. The expenditure was considered irregular.

The PAC conveyed its displeasure on the issue and directed the PAO to examine the matter, fix responsibility, take action and report to the Committee within 02 months. The Committee also directed the Federal Government of Pakistan to pay the said expenditure to SSGC and PSO.

4.5 LOSS OF Rs. 7.5 (M) IN DISPOSAL OF SCRAP OF GAS METERS/REGULATORS (PARA 3, PAGE-7-SAR).

Audit pointed out that SSGC sold 78175 kg of gas meters scrap to a party (Mr. Mumtaz Ali Bound) @ Rs. 4 per Kg on May 28, 1995. The sale was made on the directives of PM Secretariat and the Ministry of P&NR without inviting tenders through press or public auction. The scrap containing over 90% aluminum could fetch higher price if proper procedure was adopted. Thus, the Company sustained estimated loss of Rs. 7.5 (M) in the disposal of scrap.

The PAC directed the PAO to examine the matter in the light of Audit objections and report to the Committee within 02 months.

4.6 BLOCKAGE OF Rs. 189.279 (M) (PARA 4.1, PAGE-7-SAR).

Audit pointed out that SSGC imported PE pipes and fittings during 1995. Similar, material was also procured during subsequent years 1996 and 1997 without keeping in view its consumption. Resultantly, material valuing Rs 189,279 (M) was lying unused with management as on November, 1997. Thus, substantial funds was blocked for indefinite period.

The PAC directed the PAO to examine the issue in the light of Audit objections and report to the Committee within 01 month.

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ACTIONABLE POINTS: MEETING ON 28 & 29-05-2001

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-C-1996-97)

OIL AND GAS DEVELOPMENT CORPORATION

4.7 (PARA 16, PAGE 14-ARPSE)

Audit pointed out that trade debts as on June 30, 1997 increased by 108% to Rs.8,298 million as against Rs.3,987 million at the close of previous year. They further increased to Rs.9989.850 million as on June 30, 2000.

The Ministry informed the Committee that the arrangement has been made for 100% recovery/adjustment.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

4.8 (PARA 17, PAGE 14-ARPSE)

Audit pointed out that loan, advances, deposits, pre-payments and other receivables stood at Rs 2616.477 million as on June 30, 1997 which increased by 50.5% to Rs.3939.149 million as on June 30, 2000.

The Ministry informed the Committee that out of Rs 2.6 billion, the cases involving recovery of Rs 625 million are yet pending with the courts/ taxation authorities. The Ministry also informed that they are trying to settle these cases as soon as possible.

PAC DIRECTIVE

The PAC directed the PAO to carry out "aging analysis" of the outstanding receivables, hold meetings with CBR and other debtors for outside court settlements to expedite recovery/settlement process and save expenses on litigation.

4.9 (PARA 18, PAGE 14-ARPSE)

Audit pointed out that the balance of stores & stock had increased by 49.6% from Rs 5533.212 million in 1994-95 to Rs. 8279.725 million in 1997-98 which indicated that huge inventories were procured without actual requirement resulting in blockage of public funds in billions of rupees.

The Ministry informed the Committee that the present Management had improved inventory control system, whereby the level of inventory has been brought down in line with the light of production requirements.

PAC DIRECTIVE

The PAC directed the Corporation to provide a detailed report, on the steps taken for the improvement of inventory management, to the Audit/PAC within 15 days. The Committee also directed to classify inventory into fast/slow moving and dead items and a report to this effect be furnished to the Audit for scrutiny.

4.10 (PARA 20, PAGE 15-ARPSE)

The Audit pointed out that the "capital work in progress" amounting Rs.8526.835 million, as on 30-6-1997, included an amount of Rs.7334.720 million on account of Uch Project. The cost of the project had increased to Rs.10547.463 million as on June 30, 1998.

PAC DIRECTIVE

The PAC directed the PAO to furnish a comprehensive report on the causes of delay and increase in the Capital Cost of the project to the Audit within 15 days. The PAO's Report with the comments of the Audit would be included in PAC Report (1996-97).

PAKISTAN STATE OIL COMPANY LIMITED4.11 (PARA 22, PAGE 16-ARPSE)

Audit pointed out that the trade debts increased from Rs.3,077 million in 1995-96 to Rs.10,853 million in 1996-97. Included in the trade debts of 1996-97 were receivables of Rs.4,134 million, Rs.3911 million and Rs.2,808 million from WAPDA, KESC and other debtors respectively.

The Ministry apprised the Committee that the position of trade debts outstanding against WAPDA and KESC further deteriorated in the subsequent years and to effect these recoveries they had even approached the Chief Executive.

PAC DIRECTIVE

The PAC directed the PAO to resolve the outstanding cases with WAPDA and KESC in the light of Chief Executive's decision. Similarly, in other major cases contact should be made at the highest level for earlier settlement. For the recovery of remaining trade debtors of usual nature some systematic policy should be framed.

The Committee also directed the Ministry to furnish details of actions taken so far, in this respect, to the Audit.

4.12 (PARA 23, PAGE 17-ARPSE)

Audit pointed out that the value of stock of products in the pipeline against PARCO increased upto Rs 8780 million during 1998-1999 as against the balance of Rs 767.4 million in 1993.

PARCO has claimed the losses upto the limit of 0.125% on mixed basis but the company has disputed such claims maintaining that it was technically not possible to have losses of such significance in the stock transported through pipelines.

PAC DIRECTIVE

The PAC showed its serious concern over the huge value of stock of products held up in the pipeline and dispute on losses between PSO and PARCO and directed the Ministry to resolve the dispute between the two bodies and take measures to reduce the level of stock of products in the pipeline under report to the PAC.

4.13 NON-RECOVERY OF THRUPUT AND DEVELOPMENT CHARGES AMOUNTING TO RS 193.44 MILLION FROM WAPDA (PARA 25, PAGE 18-ARPSE)

Audit pointed out that PSO spent Rs 211.894 million upto 1991 on laying down a 34 km pipeline from Lalpir to Kot Addu Power Station to connect the WAPDA's Power Plant with the Oil installation. The entire cost of the pipeline plus 10% over head charges were payable by WAPDA to PSO. The WAPDA paid only 99.140 million upto 1994. The outstanding balance of Rs 193.440 million was yet recoverable from WAPDA.

The Management informed the Committee that a further amount of Rs 95 million had been recovered from WAPDA. The Ministry apprised the Committee that delay in recovery is due to a dispute between PSO and WAPDA on the admissibility of certain overheads and salaries of the staff.

PAC DIRECTIVE

The PAC directed the Ministry to settle the issue in the light of provisions of the contract. If the issue is not so resolved the Secretaries Finance and Petroleum and Chairman WAPDA should jointly look into the matter and resolve it accordingly.

4.14 SUSPECTED LOSS OF MORE THAN RS 2.400 MILLION DUE TO UNJUSTIFIED PAYMENT OF ADVANCE RENT  
(PARA 26, PAGE 19-ARPSE)

Audit pointed out that the PSO signed a lease agreement in 1989, with M/s Ghulam Mustafa Memon to lease a plot of land on monthly rent of Rs 25000/- to construct a petrol pump. Advance rent amounting to Rs 2.400 million was paid to lessor but the company neither developed the petrol pump nor adjusted the advance rent so far.

The Management apprised the Committee that the advance rent of Rs 2.4 million was paid to the dealer after signing the proper agreement. The petrol pump could not be developed as the necessary construction was not carried out by the dealer. To recover Rs 2.400 million a civil suite was filed against him which is still pending in the court of law.

PAC DIRECTIVE

The PAC observed that it was a bad management decision and directed the PAO to investigate whether the action was aimed to extend undue favour to the lessor, fix responsibility, take appropriate action against the person(s), if held responsible and report to PAC within one month. The PAC further directed the Management to pursue the case in the Court of Law vigorously.

SAINDAK METALS LIMITED

4.15 (PARAS 27-29, PAGE 21-ARPSE)

Audit pointed out that the Company was engaged in exploration and mining of copper deposits at Saindak, District Chagi, Balochistan. The revised PC-I was approved by ECNEC in February, 1995 at total cost of Rs.11,922 million. The project was completed and handed over by the Chinese Contractor to Saindak Metals (Private) Limited on June 8, 1996. The commercial production could not be started as yet despite capital expenditure of around Rs.13.7 billion.

The Principal Accounting Officer apprised the Committee that a MOU has been signed with the Chinese Government to lease out the project to China. The liabilities of the company have been assumed by the Government of Pakistan. The Chinese will invest 39 million dollars for rehabilitation of the project, will pay annual rent of 0.500 million dollars and will be admitted to repatriate 50% of the cash surplus; however, after retrieval of 39 million dollars by the Chinese Government, the further revenues will be re-invested in the Project. The PAO informed the Committee that on the order of the Cabinet Division, an inquiry was held and inefficiency on the part of Management was proven. In the light of this inquiry cases against some Officers/Official of the Company have been referred to FIA.

PAC DIRECTIVE

The PAC directed the PAO to furnish a copy of the inquiry report and the progress of actions taken against the Officers/Officials by FIA.

4.16 (PARA 30, PAGE 22-ARPSE)

Audit pointed out that an amount of Rs.73.033 million relating to Housing/Township was transferred from the tangible fixed assets to capital work in progress due to dispute with the contractor on the finalization of the bills.

The Ministry informed the Committee that since the houses were not completed and it was appropriate to keep the balance in the "Capital Work in Progress".

PAC DIRECTIVE

The PAC directed the PAO to investigate the issue, fix responsibility and take action against person(s) responsible and seek help from the NAB for recovery if it so required (in the context of the contractor).

SUI NORTHERN GAS PIPELINES LIMITED4.17 (PARA 33, PAGE 25-ARPSE)

Audit pointed out an abnormal increase (355%) in the provision for doubtful debts from Rs 122.452 million in the previous year to Rs 556.783 million on June 30, 1997.

The Management informed the Committee that Rs 38 million had been recovered from Dandot Cement and efforts are being made to recover the outstanding balances.

PAC DIRECTIVE

The PAC directed the Management to recover the outstanding amounts. If in certain cases recovery is not possible, correct position should be brought to the notice of the Board enabling them to take decision to write off the amounts which are not recoverable.

4.18 (PARA 34, PAGE 25-ARPSE)

Audit pointed out that the stock of stores and spares increased from Rs.501.163 million at June 30, 1996 to Rs.555.116 million at June 30, 1997. Since the company is paying heavy financial charges every year, the blockage of funds in the stock of stores and spares is not advisable.

The Ministry informed the Committee that increase was mainly due to spare parts valuing Rs.52.036 million procured for maintenance and overhauling of compressor units.

PAC DIRECTIVE

The PAC directed the Ministry to review the policy of cost plus arrangements in the Corporations/Companies under its jurisdiction as it usually leads to liberal increases in the costs. The Committee also directed the Management to take steps for the improvement of inventory control system to avoid blockage of funds and report to the PAC within one month.

4.19 (PARA 35, PAGE 25-ARPSE)

Audit pointed out that loans, advances, deposit, prepayments and other receivables rose to Rs.4,198.339 million at the end of 1996-97 from Rs.1,882.511 million at the end of previous year. The major increase of Rs.1,918.815 million was a receivable from Government of Pakistan.

The Ministry informed the Committee that the amount due from the Government had been recovered subsequently.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.20 (PARA 36, PAGE 25-ARPSE)

Audit pointed out that the investment of Rs.85 million was made by SNGPL in the shares of Civic Centres Company (Pvt) Ltd. in 1994-95. The share certificates for Rs 85 million have been received; however, no return on the investment has been received so far.

The Ministry informed the Committee that this amount was invested in the Civic Centre Company by the directive of the then Minister. Now the Company is under liquidation. Efforts are being made to recover the amount.

PAC DIRECTIVE

The PAC settled the Para subject to verification by the Audit.

SUI NORTHERN GAS PIPELINES LIMITED4.21 NON-RECOVERY OF TRANSIT PASS SECURITY DEPOSIT OF RS 23.123 MILLION FROM K.M.C. RECOVERY APPEARS TO BE DOUBTFUL (PARA 38, PAGE 26-ARPSE)

Audit pointed out that SNGPL claimed refund of transit pass security

deposit from KMC without producing the payment receipts of OCTROI as required under the rules. KMC demanded the OCTROI payment receipts but the company could not produce the requisite receipts as such the amount of Rs 23.123 million was forfeited by the Director, OCTROI of KMC.

The Management informed the Committee that the company filed an appeal to the Additional Chief Secretary, Government of Sindh, which has not been heard. Finally a writ petition was filed in Sindh High Court Karachi on 2-10-2000.

#### PAC DIRECTIVE

The PAC directed the PAO to investigate and report to the Audit whether the case reflected negligence on the part of respective staff or not. The PAC further directed the Ministry to settle the case with KMC with the help of Ministry of Finance within a month and report to the Committee accordingly.

#### 4.22 SUSPECTED LOSS OF RS 23.850 MILLION DUE TO NON-RECOVERY OF GAS CHARGES FROM A DEFAULTING CONSUMER (PARA 39, PAGE 27-ARPSE)

Recovery of Rs 23.850 million on account of gas charges was due from M/s Adamjee Paper & Board Mills, Nowshera, for the period from May, 1991 to May, 1995 which was not paid to SNGPL even at the time of privatization of the Mills. The SNGPL lodged its claim in October, 1995 for recovery of arrears of Rs 23.850 million.

The Management informed the Committee that the recovery suit was pending in the court and next date of hearing was fixed for June 9, 2001.

#### PAC DIRECTIVE

The PAC took serious notice for not raising proportionate periodic claims in time, letting the supply of gas to the defaulter for years together despite non-payment of dues and failure to realize its

receivables even at the time of privatization. The Committee felt that the circumstances lead to believe that it is a case of culpable negligence and, therefore, directed the PAO to investigate the facts, fix responsibility and report to the PAC within 02 months. The Committee further directed the PAO to take all possible steps for the recovery of dues at his level; seek help from the Chief Secretary, in this respect, if so felt.

4.23 LOSS OF RS 5.125 MILLION DUE TO BAD PLANNING AND POOR CASH MANAGEMENT (PARA 41, PAGE 29-ARPSE)

Audit pointed out that funds were placed at lower rate of interest in American Express Bank by the SNGPL in 1994 for issuance of bank guarantee. On the audit objection the Management took-up the matter with the Bank and got the rate of interest increased from 4.6% to 8.4%. By the time of revision of interest rate the Company had already sustained a loss of Rs 5.125 million on the bank deposits.

PAC DIRECTIVE

The PAC directed the PAO to investigate the case and report to Committee within one month.

4.24 EXTRA EXPENDITURE OF RS 19.122 MILLION DUE TO BAD PLANNING (PARA 42, PAGE 30-ARPSE)

Audit pointed out that SNGPL incurred extra expenditure of Rs 19.122 million on laying pipeline on Sanghar Nallah crossing as part of Dhodak-Kot Addu Gas Pipeline in 1993-94. The pipeline on the Nallah crossing was laid at the depth of 6ft. Later on, due to rains and flood the depth of the Nallah was increased 10ft followed by 15ft and 20ft.

The Ministry informed the Committee that the pipeline was laid only twice; first time it was laid at 8ft depth but, later on as a result of massive rupture of the pipeline due to unprecedented floods in the Nallah, decision was taken to lay the pipeline at 12ft depth.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

4.25 LOSS OF RS 13.000 MILLION DUE TO SCRAPPING OF IMPORTED NEW SPARE PARTS (PARA 43, PAGE 31-ARPSE)

Audit pointed out that SNGPL made a provision of Rs.13.000 million in the years 1992-94 to write off imported spare parts lying unused for the last 15/20 years. Management scraped the imported spare parts of equivalent amount by obtaining piece meal sanctions of the Managing Director.

The Ministry apprised the Committee that as a result of refurbishment and updating of 20 year old Saturn Compressor packages in 1986-87, spare parts valuing Rs 13 million rendered obsolete. Had these units been replaced instead of updating, spare parts inventory valuing Rs 76 million would have gone obsolete over night, therefore, the action taken was the economical one. The Company has earned substantial amount by selling the scrapped spare parts. Moreover, the Company, now, has computerized its inventory system to check unnecessary accumulation of inventory in future.

PAC DIRECTIVE

The PAC directed the PAO to provide details of the cost of scrapped spare parts and the amount recovered from their sale to the Audit for verification. The Company should pay serious attention, in future, to strengthen its inventory control system.

4.26 EVASION OF PAYMENT OF INCOME TAX OF RS 8.527 MILLION BY MAKING INADMISSIBLE PROVISION FOR PAYING GRATUITY (PARA 44, PAGE 33-ARPSE)

Under the Government Orders payment of gratuity in addition to contribution to the GPF was not admissible to the employees recruited after 16-10-1984. The Company by making inadmissible provision for payment of gratuity during 1991-1995 caused evasion of income tax of Rs 8.527 million.

PAC DIRECTIVE

The PAC directed the PAO to get the non-payment of income tax amounting Rs 8.527 million regularized from the Ministry of Finance and comply with the instructions of the Finance Division to avoid this irregularity in future.

4.27 IRREGULAR PAYMENT OF OVERTIME OF RS 451.178 MILLION WHICH MOSTLY CONSISTED OF BOGUS OVERTIME (PARA 45, PAGE 34-ARPSE)

Audit pointed out that SNGPL paid an amount of Rs 451.178 million on account of overtime to its employees during to 1992-93 to 1994-95. The ratio of overtime payment to basic salary even crossed 140% in certain cases.

The PAO admitted the vice and apprised the Committee that the ratio of overtime payment to the basic pay has been brought down to 50% and strict policy has been adopted in this respect. However, the Ministry contended that the recovery of overtime payments was not possible at this belated stage.

PAC DIRECTIVE

The PAC directed the PAO to investigate the matter, fix responsibility and take action against the person(s) responsible for allowing overtime payments so indiscreetly, in total disregard of public interest. The Committee also directed to reduce and rationalize such payments in future and report to PAC within one month.

4.28 LOSS OF RS 98.315 MILLION DUE TO NON OBSERVING OF PRESCRIBED PROCEDURE/GOVERNMENT ORDERS (PARA 46, PAGE 36-ARPSE)

Audit pointed out that due to non-observance of the prescribed procedure by the Company, a sum of Rs 98.315 million became irrecoverable from defaulting consumers on June 30, 1995.

The Management apprised the Committee that the real value of the security deposit obtained from the consumers is eroded with the rising prices, therefore, the dues of the defaulting consumers are hardly compensated by the forfeiture of the security deposits.

PAC DIRECTIVE

The PAC observed that the position of irrecoverable dues indicated bad management and some wrong with the system. The Committee directed the PAO to review the whole system to improve its recovery position. Aging analysis should be carried out to determine doubtful/bad debts, and each year, there should be a permissible limit to write off the irrecoverable balances to rationalize the Receivable Account. The Committee also directed the Ministry to submit a report on the steps taken to improve the system within one month.

PAKISTAN MINERAL DEVELOPMENT CORPORATION

4.29 (PARAS 57-58, PAGE 43-ARPSE)

The Ministry apprised the Committee that the objected amount Rs 4.567 million had been recovered (Para 57) and physical verification of fixed assets had been carried out in June 2000 (Para 58). The Committee settled these paras subject to verification, of the stated facts, by the Audit.

4.30 UNLAWFUL EXPENDITURE OF RS 310,682 DUE TO IRREGULAR ALLOTMENT OF AIR-CONDITIONED PAJERO JEEP TO PARLIAMENTARY SECRETARY MINISTRY OF PETROLEUM & NATURAL RESOURCES  
(PARA 59, PAGE 44-ARPSE)

Audit pointed out that PMDC placed an air conditioned, Pajero Jeep at the disposal of Parliamentary Secretary, Ministry of Petroleum and Natural Resources from May 16, 1994 which was not admissible under the rules.

The Management informed that the vehicle was provided as per instructions of the controlling Ministry.

PAC DIRECTIVE

The PAC directed the PAO to recover the amount from the concerned Parliamentary Secretary and report to the Committee within one month.

P.M.D.C. SALT MINES, KHEWRA

4.31 (PARA 82, PAGE 60-ARPSE)

Audit pointed out that the payment on account of medical bills were made liberally during 1996-97.

The Management informed the Committee that PMDC had already taken various measures to slash down the medical expenses in the current year.

PAC DIRECTIVE

The PAC directed the PAO to investigate the matter and report to Committee within two months.

P.M.D.C. SALT MINES, WARCHA

4.32 (PARA 85, PAGE 62-ARPSE)

Audit pointed out that trade debtors increased from Rs 4.853 million on June 30, 1996 to Rs 5.111 million on June 30, 1997.

The Ministry informed the Committee that a major amount of Rs 2.066 million was outstanding against M/s Sitara Chemicals, the case for recovery is pending in the court of law.

PAC DIRECTIVE

The PAC directed the Audit to verify the facts given by the Department and report to the Committee.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-D-1996-97)NATIONAL REFINERY LIMITED4.33 (PARA 214, PAGE 137-ARPSE)

- (a) Audit pointed out that the short term loans and running finance balances stood at Rs 3000.869 million as on June 30, 1997 as against Rs 1130.140 million as on June 30, 1996. The borrowings became necessary due to non-realization of dues from Government.
- (b) Out of total debts of Rs 4926.819 million as on June 30, 1997, Rs 4896.610 million were considered good, whereas Rs 29.81 million as doubtful.

PAC DIRECTIVE

The PAC directed the PAO to provide the latest position of the borrowings and the debts to the Committee within one month.

SPECIAL AUDIT REPORT ON SUI SOUTHERN GAS COMPANY LIMITED FOR 1993-96 (SERIES NO.6)SUI SOUTHERN GAS COMPANY LIMITED4.34 LOSS OF RS 40.238 MILLION DUE TO PURCHASE OF LINE PIPE AT HIGHER RATES (PARA 4.2, PAGE 8-SAR-6)

Audit pointed out that SSGC placed trial order for supply of 400,000 meter line pipe of different dia valuing Rs 39.205 million on M/s Multiple on October 12, 1995, being the lowest bidder. M/s Multiple failed to supply any quantity within stipulated time or even within extended period. The Company then invited fresh quotation in March 1996 and had to procure items at the higher rates resulting in a loss of Rs 40.215 million.

PAC DIRECTIVE

The PAC directed the PAO to investigate the matter, fix responsibility and report to the Committee within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-C-1996-97)4.35 GEMSTONE CORPORATION OF PAKISTAN LIMITED (UNDER LIQUIDATION)  
(SUB-COMMITTEE CONSTITUTED ON 29-05-2001)

- i) (PARA 5, PAGE 11-ARPSE)
- ii) (PARA 6, PAGE 11-ARPSE)
- iii) (PARA 7, PAGE 11-ARPSE)
- iv) (PARA 8, PAGE 11-ARPSE)
- v) (PARA 9, PAGE 11-ARPSE)
- vi) (PARA 10, PAGE 12-ARPSE)
- vii) (PARA 11, PAGE 12-ARPSE)
- viii) (PARA 12, PAGE 12-ARPSE)
- ix) (PARA 13, PAGE 12-ARPSE)

4.36. SPECIAL AUDIT REPORT ON SUI SOUTHERN GAS COMPANY LIMITED FOR 1993-69  
(SERIES NO.6)

- x) LOSS OF RS 30.537 MILLION DUE TO PURCHASE OF LINE PIPE AT HIGHER RATES  
(PARA 4.3, PAGE 9-SAR-6)
- xi) IRREGULAR PURCHASE VALUING RS 8.619 MILLION ON SINGLE TENDER BASIS  
(PARA 4.4, PAGE 10-SAR-6)
- xii) UN-JUSTIFIED REIMBURSEMENT OF RS 5.576 MILLION AS SALE TAX  
(PARA 4.5, PAGE 11-SAR-6)
- xiii) LOSS OF RS 5.537 MILLION DUE TO DELAYED PROCUREMENT  
(PARA 4.6, PAGE 11-SAR-6)
- xiv) AVOIDABLE EXPENDITURE OF OVER RS 2.500 MILLION  
(PARA 4.7, PAGE 12-SAR-6)
- xv) LOSS OF RS 2.011 MILLION DUE TO PURCHASE OF HIGHER RATES  
(PARA 4.9, PAGE 13-SAR-6)
- xvi) ACCEPTANCE OF DEFECTIVE PIPE AND NON-PURSUANCE OF CLAIM FOR DAMAGES  
OF RS 2.05 MILLION  
(PARA 4.10, PAGE 14-SAR-6)

The PAC constituted a Sub-Committee comprising Lt.Gen. (R) Talat Masood, Member, Ad-hoc PAC (Convener), Mr. M. Hassan Bhutto, Member,

Ad-hoc PAC and representatives of Ministry of Petroleum and Natural Resources, Ministry of Finance and Audit Department to examine the above issues (17 paras) and report to the PAC.

4.37 LOSS OF RS 2.376 MILLION DUE TO DELAYED ACTION  
(PARA 4.8, PAGE 12-SAR-6)

Audit pointed out that SSGCL paid Rs 2.376 million in September, 1995 as custom duty, sales tax etc. on an imported consignment of plastic injection moulding machine, while it was an exempted item from custom duty etc. under SRO 367(1)/94.

The Management informed the Committee that the Company had no knowledge of exemption at that time and, therefore, did not apply for the same. The exemption was, however, claimed at the time of arrival of second consignment in October 1995.

PAC DIRECTIVE

The PAC directed the Ministry to investigate the matter, fix responsibility and report to the Committee within one month.

ACTIONABLE POINTS 1993-94

4.38 MARI GAS COMPANY (PVT) LIMITED

PAK ARAB REFINERY LIMITED

PAK OIL FIELDS LIMITED

i) (PARA 4, PAGE 11-ARPSE(ITEM 7-AP-93-94)

PAKISTAN STATE OIL

ii) (PARA 18, 19 & 21, PAGE 18-ARPSE(ITEM-AP-93-94)

4.39 SUI NORTHERN GAS PIPELINE LIMITED

iii) PURCHASE OF UN-WANTED STORES AND SPARES RS 115.330 MILLION WHICH WAS GOING TO CAUSE TOTAL LOSS TO THE COMPANY  
(PARA 28, PAGE 23-ARPSE(ITEM-3-AP-93-94))

- iv) BLOCKAGE OF FUND OF RS 3.614 MILLION DUE TO IDLENESS OF IMPORTED MACHINE  
(PARA 29, PAGE 24-ARPSE(ITEM-4-AP-93-94))
- v) UN-JUSTIFIED CAUSAL LABOUR CHARGERS 3.124 MILLION  
(PARA 30, PAGE 25-ARPSE(ITEM-5-AP-93-94))
- vi) UN-JUSTIFIED PAYMENT OF RS 424,482 ON ACCOUNT OF PROFESSION SUBSCRIPTION FEE  
(PARA 33, PAGE 28-ARPSE(ITEM-6-AP-93-94))
- vii) LOSS OF RS 222,638 DUE TO RETAINING OF HIGHER SHUTTERING MATERIAL UNNECESSARILY AND COLLAPSE OF ROOF SLAB OF A HALL  
(PARA 34, PAGE 29-ARPSE(ITEM-7-AP-93-94))
- viii) PMDC SOR RANGE COLLIERIES  
(PARA 53, PAGE 40-ARPSE(ITEM 1-AP-93-94))
- ix) PMDC SALT MINES WARCHA  
(PARA 71, PAGE 54-ARPSE(ITEM 2-AP-93-94))

On presentation of above 09 Actionable Points for the year 1993-94, the PAC directed the PAO to comply with the previous PAC's directives and report to the Committee within two months.

## MINISTRY OF FOREIGN AFFAIRS

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### 1. OVERVIEW

The Public Accounts Committee (PAC), in its meetings held on 11th & 30th September, 1999, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to Ministry of Foreign Affairs. The PAC noticed some instances of budgetary lapses, unauthorized expenditure on telephones and furniture, non-deposit of Public Receipts in Government Accounts etc. in some of the Pakistan Missions Abroad. The Committee issued its directives containing punitive and corrective measures, depending on the nature of irregularities given in the audit paras. List of these directives is provided in the following section with the title Actionable Points. However, on the whole, the Committee found the financial affairs of the Ministry satisfactory.

The Audit Report contained 52 paras, of which 36 were settled by the Committee on the basis of clarifications made by the Principal Accounting Officer or having taken remedial steps by the Ministry. The Audit pointed out recovery of Rs.25.921 million in some of the above said paras, of which Rs.3.373 million have actually been recovered. The Committee directed the Ministry to recover the remaining amount; progress of recoveries will be reviewed by the Committee in its future sessions.

The Committee advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different issues. Actionable Points based on the PAC's directives are given in Section-4. However, some major issues and the Committee's recommendations thereon are summarized in the following sections:-

### 2. MAJOR ISSUES

#### 2.1 UN-AUTHORIZED EXPENDITURE

With reference to the Audit Report 1996-97, several cases of un-authorized

expenditure were noticed in the following areas:-

- i. Purchase of cars, furniture, fixture, equipment etc.
- ii. Expenditure incurred as rent of vacant buildings.
- iii. Expenditure on telephone/fax facilities beyond admissible limits.
- iv. Over-payment of Pay and Allowances.

The irregularities mostly pertain to the Pakistan Missions abroad; their recurrence indicates lack of awareness of the respective rules/regulations by the staff posted abroad and inadequate internal financial controls at the Ministry level.

## 2.2 NON-DEPOSIT OF PUBLIC RECEIPTS IN THE GOVERNMENT ACCOUNT

All receipts collected on the Government Account are part of the Federal consolidated Fund and no expenditure, other than the budgetary allocations through Finance Bill, can be charged to it directly.

In Pakistan High Commission London an amount of Rs.31.449 million was realized as 10% additional surcharge on consular/passport fees and credited to the Account "Fund for Improvement of Government owned Buildings." The realization of additional surcharge (10%) was neither covered under any enactment nor its retention outside Federal Consolidated Fund (in terms of Articles 78 & 79 of the Constitution) was lawful.

Therefore, all the Public Receipts on account of visa/passport fees, surcharges or any other receipts on account of the Government should be deposited in the public exchequer; their utilization towards any expenditure is unlawful and unauthorized.

## 3. RECOMMENDATIONS

- 3.1 The Principal Accounting Officer should review the position of budgetary allocations vis-a-vis actual expenditures charged to them after every three months for better budgetary discipline.

- 3.2. The Ministry should strengthen internal financial checks in controlling the financial affairs of the Pakistan Missions in different countries. Rules/Regulations governing the expenditure on transport, telephones, various allowances, etc. should be widely circulated and made known to the staff posted in the Missions Abroad.
- 3.3. Concept of Public (Revenue) Receipts as part of the Federal Consolidated Fund should be understood in terms of Articles 78 & 79 of the Constitution. All receipts collected on account of the Government are Revenue Receipts and should be deposited in the public exchequer. The Ministry should enforce this legal requirement in all the Pakistan Missions Abroad in letter and spirit.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON SEPTEMBER 11 & 30, 1999

ACTIONABLE POINTS: MEETING ON 11-09-1999

APPROPRIATION ACCOUNTS (VOL-V-1996-97)

- 4.1 i) Grant No.66-Ministry of Foreign Affairs (Mission) (Page 5-AA).  
 ii) Grant No.67-Foreign Affairs (Mission) (Page 7-AA)  
 iii) Grant No. 68-Other Expenditure of Ministry of Foreign Affairs (Page 10-AA)

On the presentation of above three grants by the Audit Department the Public Accounts Committee regularized all the grants. However, the Committee directed the PAO to review the position of budgetary allocations after every three months for financial discipline. The Committee also constituted an Inter-Departmental Committee comprising Mr. Sholukat Durrani F.A. (M/O Finance, Convener), Mr. Khizar Hayat Khan Niazi D.G. M&F (M/O Foreign Affairs) and Mr. Shahid Hamid (Director Audit) to review the reasons for budgetary excess/savings of the Ministry and report to the PAC within one month.

AUDIT REPORT (CIVIL) (VOL-1-1996-97)4.2 NON-RECOVERY OF ROOM RENT AND AIR CONDITIONS CHARGES RS.729,301 (PARA 1, PAGE-54-AR)

Audit pointed out that Ministry of Foreign Affairs provides accommodation to its officers in Foreign Office Hostel at subsidized rates. Short recoveries of Rs. 486,241 and Rs.243,360 were pointed out from the officers of the Ministry residing in Foreign Office Hostel on account of room rent and AC charges during 1993-94 to 1994-95. Recoveries were to be made at source but due to weak management recoveries could not be made till issuance of the para in May, 1996.

The Department informed the Committee that recoveries have been made in 100 out of 141 cases leaving a balance of Rs.272,159. The PAC directed the PAO to recover the balance amount and report to the Committee within two months.

4.3 NON-DEPOSIT OF SALE PROCEED IN GOVERNMENT ACCOUNT RS.78,996 (PARA 2, PAGE-54-AR).

Audit pointed out that in the office of the Deputy Chief of Protocol at Peshawar, an amount of Rs.78,996 received in June, 1994 on account of sale proceed of a vehicle was neither recorded in the cash book nor deposited in the Government account in violation of the applicable of Rules.

The Ministry informed the PAC that the officer has refunded the amount and disciplinary proceedings have been initiated. The Committee directed the Department to take action against officer(s) concerned and report to the Committee within two months.

4.4 i) DRAWAL OF INADMISSIBLE HOUSE RENT ALLOWANCE RS.137,260 (PARA 3, PAGES 54-55-AR)ii) UNAUTHORIZED EXPENDITURE OF RS.5,905,735 ON PURCHASE OF FURNITURE AND FIXTURE MACHINERY AND EQUIPMENT (PARA 23, PAGE 66-AR)

The Public Accounts Committee settled both the paras subject to verification by the Audit department.

- 4.5 i) FINANCIAL LOSS OF SAUDI RIYAL WORTH SRL 263,194 (RS.1,765,559) (PARA 5, PAGE 56-AR)
- ii) DOUBTFUL CONSUMPTION OF MATERIAL WORTH SRL 1,193,294 (RS.425,610 (PARA 5, PAGE 56-AR)

On the presentation of above paras, the PAC directed the PAO to investigate the matters, fix responsibility, take disciplinary action against persons responsible and to initiate appropriate action to recover the loss and report to the Committee within two months.

- 4.6 i) UNAUTHORIZED EXPENDITURE OF RS.514,390 (PARA 14, PAGE 60-AR)
- ii) IRREGULAR RETENTION OF CONSULAR FEE OUTSIDE THE GOVERNMENT ACCOUNT- LOSS OF US \$ 94,394 (RS 2,577,220) (PARA 24, PAGE 66-67-AR)

The PAC on the both paras, directed the PAO to investigate the issues, fix responsibility, take disciplinary action and report to the Committee within two months.

- 4.7 WASTEFUL EXPENDITURE OF US \$ 91,170 (RS 2, 737,771) INCURRED AS RENT OF VACANT EMBASSY RESIDENCE (PARA 7, PAGE 57-AR)

Audit pointed out that Embassy of Pakistan, Brasilia paid US \$ 8,1000 on account of rent and US \$ 10,170 on pay and allowances of Security Guard, Gardener and Cleaner of an Embassy residence which remained vacant for 30 months i.e. from July, 1993 to December, 1995. The expenditure could have been saved if the building was dehiired timely.

The Ministry informed the PAC that residence was retained as the new Ambassador was expected to arrive. The Public Accounts Committee directed the PAO to examine the referred cases, fix responsibility and take disciplinary action accordingly and report to the PAC within two months. Besides, to issue necessary instructions should be issued to all the missions abroad on the subject.

4.8 NON-RECOVERY OF TELEPHONE CHARGES RS.1,737,618 PARA 8, PAGE 57-AR)

Audit pointed out that in Embassy of Pakistan, Tokyo and GG Bradford, an amount of Rs.1,737,618 paid over and above the prescribed ceiling of the officers against the residential and office phones was held recoverable. The details are given below:

- i) Rs.754,961 excess over ceiling commercial wing.
- ii) Rs.254,051 excess over ceiling information wing.

The representative of Ministry of Information informed the PAC that case for condonation of excess expenditure over and above prescribed ceiling regarding information wing has been initiated. The Committee directed the Department to complete the process of condonation from the competent authority at the earliest and report to the committee within one month.

The Committee also directed the Ministry of Commerce that the excess expenditure over the permissible ceiling regarding commercial wing also be got condoned from the competent authority and report to the Committee within one month.

4.9 IRREGULAR EXPENDITURE OF US \$ 5,014,602) (PARA 15, PAGE 60-AR)

Audit pointed out that in Parep Tashkent an expenditure of US \$ 5,014 (Rs 154,602) was incurred in July, 1994 without the approval of the competent authority on payment of tips, hiring of cars and purchased of air tickets for the members of a Parliamentary delegation headed by Mr. Hamid Nasir Chattha.

After hearing the Ministry's reply the Public Accounts Committee directed the Principal Accounting Officer to pursue the issue with the National Assembly Secretariat for settlement and report to the Committee within two months.

4.10 PURCHASE OF STAFF CAR WITHOUT AUTHORIZATION OF US \$ 6, 500 (Rs.163,802)  
(PARA 16, PAGE 61-AR)

Audit pointed out that in Parep Almaty, an expenditure of US \$ 6, 400 (Rs. 163,802) was incurred in May, 1992 on purchase of staff car without budgetary allocation and authorization of the competent authority. The expenditure was held unauthorized.

The PAC directed the PAO to examine the issue and fix responsibility and take action if possible against the person(s) responsible and report to the Committee within two months.

4.11 UNAUTHORIZED PURCHASE OF EQUIPMENT RS.687,960 (PARA 17, PAGE 61-AR)

Audit pointed out that in two Pakistan Missions abroad, expenditure of Rs.687,960 was incurred on purchase of mobile telephone, cordless telephone, fax machine, photocopier and computer, etc. out of funds of Prime Minister's visits without approval of the Ministry. The expenditure was held unauthorized.

The PAC directed the Department to get regularized the unauthorized expenditures from the Ministry of Finance and report to the Committee within two months.

4.12 UN-JUSTIFIED PURCHASE OF PAINTING RS.2,045,130 (PARA 18, PAGE 61-AR)

Audit pointed out that an expenditure of Rs.1.837 million was incurred on purchase of painting for the Missions abroad without any demand from the Missions. These paintings were not taken on the stock Register.

The Ministry informed the PAC that eight sanctions amounting to Rs.1,097,000 on account of purchase of various paintings have been provided to Directorate of Foreign Audit with the request to settle the amount.

The Committee directed the department to get regularized the purchase from the Ministry of Finance and report to the Committee within two months.

4.13 NON-ADJUSTMENT OF ADVANCES RS.5 MILLION (PARA 19, PAGE 62-AR)

Audit pointed out that Rs.220,000 and Rs.4,780,000 were paid by the Ministry to Finance Department, Government of Sindh and Punjab respectively as advances for expenditure of demarcation of Pakistan India boundary pillars. In terms of Rule 308 of Federal Treasury Rules, the advances were required to be adjusted by obtaining the accounts which was not yet done by the Ministry.

The Ministry informed the Committee that they are pursuing the matter with the Government of Punjab for settlement of the accounts. On the other hand Government of Sindh has accounted for the expenditure of Rs.220,000. The PAC directed the Ministry to take up the issue with the respective Governments for settlement of accounts and report to the Committee within three months.

4.14 INADMISSIBLE PAYMENT OF PAY & ALLOWANCES RS.2,503,844 (PARA 20, PAGE 62-AR)

Audit pointed out that in the Ministry and its five Missions abroad Rs.2,503,844 were held recoverable from the Officers/Officials on account of overpayment of pay and allowances during 1991-96. Out of the above amount a sum of Rs.1,061,655 has been recovered/settled leaving a balance of Rs.1,442,189.

The PAC directed the Ministry to recover the balance amount from the ex-Chief Minister of Baluchistan, Mr. Naseer Mangal and others and report to the Committee within three months. The Committee also directed the PAO to take action against the person(s) concerned who paid the inadmissible payment.

4.15 IRREGULAR EXPENDITURE ON FURNITURE, EQUIPMENT AND STAFF CAR US \$ 230,514 (RS.6,168,711)(PARA 25, PAGE 67-AR)

Audit pointed out that in Embassy of Pakistan Baku an amount of US \$ 230,513,70 (Rs.6,168,711) was incurred on the purchase of Furniture and equipment and staff car against the sanctioned amount of 4.4 million. Ministry had authorized purchase of 1600 CC staff car but a land cruiser was purchased without authorization. Further, the purchases were made without adopting the system of competitive bidding in violation of provision of Para-144 of GFR Vol-1. The purchases were also not entered in the stock Register as required vide para-148 of FGR Vol-I.

The PAC directed the PAO to examine the issue in detail fix responsibility and take action against the person(s) concerned who violated the rules and also to get the purchase regularized from the competent authority and report to the Committee within two months.

4.16 UNAUTHORIZED REALIZATION OF 10% ADDITIONAL SURCHARGE ON CONSULAR/PASSPORT FEE PONDS STERLING 576,065.68 (RS 31,447,414)(PARA 27, PAGE 68-AR)

Audit pointed out that in PAHIC London an amount of ponds sterling 576,065.68 (Rs.31,477,414) was realized as 10% additional surcharge on Consular/Passport fee, and credited it to the account " Fund for Improvement of Government Owned Buildings" maintained separately. The realization of 10% additional surcharge in pursuance of Ministry of Foreign Affairs, Islamabad's circular No.Dy.1798-AS(A)93 dated 18-4-1993 was without necessary enactment and hence it did not cover the lawful procedure. The amount realized as Additional surcharge was kept outside the Government account i.e. "Federal Consolidated Fund Account" which constitutes infringement of provisions of article 78,79 of the constitution of the Islamic Republic of Pakistan.

The PAC generally endorsed the opinion of Audit department on the issue, However, the Committee constituted an Inter-Departmental Committee comprising Secretary Finance, Secretary Law & Secretary Foreign Affairs to review the issue and submit its report to PAC within two weeks.

ACTIONABLE POINTS: MEETING ON 30-09-1999AUDIT REPORT (CIVIL) (VOL-I-1996-97)

- 4.17 i) UNREALISTIC EXPENDITURE OF POUNDS STERLING 128,968 (RS 9,761,124) ON PABX EXCHANGE (PARA 29, PAGE-69-AR)

Audit pointed out that in a mission abroad an expenditure amounting to pounds sterling 128,968 was incurred on telephone exchange during 1993-96. The expenditure includes line rental, systems rental and call charges which was distributed amongst all the Divisions of High Commission. Apart from this facility all the officers of the Mission had been provided one ISD Direct line in their offices. Thus the provision of additional ISD Exchange were not taken into account while determining the ceiling of the officers. This resulted in a heavy burden on the public exchequer and nobody was held responsible for the excess calls made through exchange.

- ii) LOSS OF POUNDS STERLING 32,613.52 (RS 2,613,400) DUE TO UN-AUTHORIZED MISUSE OF TELEPHONE FACILITY (PARA 30, PAGE-70-AR)

Audit pointed out that in a Mission abroad one telephone and one fax in office and two telephones and a fax at the residence of the Head of Mission were installed in excess of the entitlement. The installation of these phones/faxes was held irregular as these were installed in violation of Government instructions circulated vide Ministry of Foreign Affairs letter No.EQ(II)-10/769-II dated 13.03.1988 according to which only one telephone at office and one at residence is authorized. The above phone/fax were installed in addition to the phones already provided at the officers/residence of the Head of Mission and without the sanction of the Ministry. Moreover, telephone facilities at residence were extremely misused. This resulted in excess expenditure of Pounds Sterling 32,613.52 over and above the entitlement of the officer.

The Public Accounts Committee on the presentation of Para 29 and 30 observed that the Ministry of Foreign Affairs did not apply due internal check in controlling the affairs of the High Commission. Moreover, in the presence of prescribed mechanism and having authority, the then, Principal Accounting Officer did not take appropriate and timely actions against the financial irregularities committed by the Former High Commission. Therefore, the then Principal Accounting Officer(s) also be held responsible for the loss to the Government Ex-chequer.

The Committee directed the Principal Accounting Officer to take effective steps to recover the loss to Government Ex-chequer from the then High Commission and the then Principal Accounting Officer(s) and report to the Committee within three months.

- 4.18 i) MIS-APPROPRIATION OF POUNDS STERLING 200,000 (RS 15,137,280) BY THE HIGH COMMISSIONER (PARA 31, PAGES-70-71-AR).
- ii) IRREGULAR DRAWAL OF \$ 100,000 (RS 4,431,440) AND NON-RENDERING OF ACCOUNTS (PARA 32, PAGE-71-AR).
- iii) LOSS OF POUNDS STERLING 84,700 (RS 6,410,638) DUE TO NON-ALLOTMENT OF VACANT FLAT (PARA 33, PAGE-72-AR).
- iv) IRREGULAR DRAWAL OF ENTERTAINMENT ALLOWANCE US \$ 27,793.75 (RS 1,231,663) (PARA 34, PAGE-72-AR).
- v) UN-AUTHORIZED EXPENDITURE INCURRED ON PURCHASE OF AIR TICKETS RS 424,037.95 (PARA 37, PAGE-74-AR).
- vi) UN-REALISTIC EXPENDITURE ON CHARTERED AIR CRAFT POUNDS STERLING 1,486.38 (RS 88,365.26) (PARA 38, PAGE-74-AR).
- vii) UN-AUTHORIZED EXPENDITURE OUT OF SUMPTUARY ALLOWANCE POUNDS STERLING 22,941.57 (RS 1,736,365) (PARA 41, PAGE-75-AR).

- viii) UN-JUSTIFIED PAYMENT TO THE HIGH COMMISSIONER POUNDS STERLING 734,021.23 (RS 55,555,432) (PARA 43, PAGE-76-AR).
- ix) IRREGULAR EXPENDITURE OF POUNDS STERLING 130,412.19 (RS 9,870,429) OUT OF PCW & FF (PARA 44, PAGE-77-AR).
- x) INFRACTUOUS EXPENDITURE OUT OF FUND FOR IMPROVEMENT OF GOVERNMENT OWNED BUILDING WORTH POUNDS STERLING 12,272.12 (RS 928,833) (PARA 49, PAGE-79-AR).

On the presentation of above ten paras, the Public Accounts Committee constituted a Sub-Committee under the Chairmanship of Mian Muhammad Zaman, MNA, Mr. Adnan Aurangzeb, MNA, (Member), Mr. Shahid Hamid, Director (Foreign Audit), Mr. Shoukat Hayat Durrani, F.A. (M/O Finance) and Mr. Khizer Hayat Niazi, Director General (M&F), M/O Foreign Affairs to examine the matters in detail and report to the Committee within three months.

4.19 RECOVERY OF RS 266,887 ON ACCOUNT OF IRREGULAR DRAWAL OF FULL DAILY ALLOWANCE WITHOUT PRODUCTION OF HOTEL RECEIPT (PARA 35, PAGE-73-AR)

Audit pointed out that in PAHIC London an amount of US \$ 7,332.50 (Rs 266,887) was overpaid to various officers on account of full Daily Allowance without producing Hotel Receipts. According to the Finance Division's O.M.No.F.1(12)8-10/93 dated 29.09.1993, 50% of Daily Allowance is paid to the official while on tour only on production of Hotel Receipts. The payment of full Daily Allowance without producing hotel receipt was held irregular.

The Principal Accounting Officer assured the PAC to recover the irregular drawal from the concerned officers. The Committee directed the Principal Accounting Officer to recover the said amount and report to the Committee within two months.

4.20 IRREGULAR PURCHASE OF OFFICE MACHINERY/EQUIPMENT, FURNITURE AND FIXTURE & TWO STAFF CARS RS 2,109,933.49 (PARA 36, PAGE-73-AR).

The Public Accounts Committee settled the para, subject to verification by the Audit Department.

4.21 RECOVERY OF RS 554,423.43 ON ACCOUNT OF OVERPAYMENT OF PAY AND ALLOWANCES (PARA 40, PAGE-75-AR).

Audit pointed out that in a Mission abroad officers/officials were overpaid pay and allowances of Rs 554,423.42 by applying rates over and above those authorized in the pay slips. The unjustified payment on account of such pay and allowances was recoverable.

The Principal Accounting Officer informed the Committee that the exact amount recoverable is Rs 55,000/- and not Rs 5,54,423/- as observed by the Audit. He, however, stated that the recovery is under process. The Public Accounts Committee desired that the two figures may be reconciled by the Ministry and the Audit and further directed the Principal Accounting Officer to recover the balance amount and get it verified from the Audit Department and report to the Committee within two months.

4.22 ILLEGAL REMOVAL/ISSUANCE OF PASSPORT LEADING EVASION OF PASSPORT FEE AND SURCHARGE TO THE TUNE OF POUNDS STERLING 9,728 (RS 736,277)(PARA 47, PAGE-78-AR).

Audit pointed out that in PAHIC London the details of particulars of 304 applicants to whom passports were issued were neither recorded in Passport register nor the fee was realized thereof. The application forms, demanded by the Audit to adjudge genuineness were also not produced to Audit. Unauthorized removal of Passport resulted into a loss of Pounds Sterling 9,728.00 (Rs 736,277) to the State. The irregularity was reported in May, 1997.

The Public Accounts Committee directed the Principal Accounting Officer to take action against the officers concerned who were responsible for the loss and non-accountal of the passport, report to the Committee within one month.

ACTIONABLE POINTS FOR 1993-944.23 PURCHASE WITHOUT CALLING COMPETITIVE RATES (PARA 1, PAGE 137-AR)

Audit pointed out that Ministry of Foreign Affairs incurred expenditure amounting to Rs 6,868,195 during 1991-92 on purchase and repair of machinery and equipment, Furniture and Fixture, government vehicles, library books, stationery items, printing charges etc., ignoring the codal requirements i.e. calling of tenders for purchases exceeding Rs 10,000.

Para was discussed by the PAC on 21.1.98. The PAO was directed to examine the case fix responsibility, take action against the Officers/officials responsible and submit a report to the Committee within two months. The Ministry referred the case to the Finance Division for regularization. The PAC's directive remained un-implemented.

On the presentation of above para, the Public Accounts Committee constituted an Inter-Departmental Committee comprising the representative of Ministry of Finance, Ministry of Foreign Affairs and Audit Department to examine the issue and report to the Committee within one month.

4.24 NON-RECOVERY OF GOVERNMENT DUES RS 1,925,074 (PARA 2, PAGE-137-AR).

Audit pointed out that an officer of the Ministry was deputed for training in USA under US AID Technical Assistance Programme in August 1989, at a cost of US \$ 60,650.37. After completion of his 24 months training, the officer did not join the Ministry and remained absent from August 1991 to June, 1992 for which he also drew pay & allowances amounting to Rs 58,644 from the Ministry. Later on in June, 1992 he rendered his resignation and left his service without acceptance of his resignation by the competent authority. An amount of US \$ 60,650.37 + Rs 58,644 were held recoverable as the officer did not serve the Ministry for five years after receiving foreign training according to his surety bond. Para was discussed by the PAC in its meeting held on 21.1.98. The PAO was directed to examine the case and submit a report to the Committee within one month.

The Ministry informed the Committee that against the recoverable amount of Rs 3.212 million, an amount of Rs 500,000 has been deposited by the officer.

The Public Accounts Committee directed the Principal Accounting Officer to recover the balance amount and reconcile the amount/issue with Audit Department and report to the Committee within two months.

- 4.25 i) STORES NOT TAKEN ON STOCK SUSPECTED LOSS OF RS 1,290,903  
(PARA 3, PAGE-138-AR).
- ii) EXCESS PAYMENT OF RS 159,847 ON ACCOUNT OF TRANSPORTATION OF PERSONAL EFFECTS  
(PARA 6, PAGE-140-AR).
- iii) NON-RECOVERY OF TELEPHONE CHARGES RS 110,073  
(PARA 7, PAGE-140-AR).

On the presentation of above three paras, the Public Accounts Committee settled the paras subject to verification by the Audit Department.

- 4.26 AVOIDABLE EXPENDITURE ON VACANT RESIDENCE RS 1,257,000  
(PARA 4, PAGE-138-AR)

Audit pointed out that in Embassy of Pakistan Tripoli, residence hired for an officer of the Ministry remained vacant after his transfer to Headquarter for a period of 46 months sustaining a loss of Rs 1,257,000 paid by the Mission as rent for vacant residence. The Ministry intimated that the case has been referred to the Finance Division for regularization. Para was discussed by the PAC in its meeting held on 21.1.98. The PAC directed the PAO to examine the case, take action against the officer concerned and submit a report to the Committee within two months.

The Ministry informed the Committee that the accommodation was retained in view of intimation of arrival of a new officer of the allied Department. It is difficult to fix responsibility in the matter.

The Public Accounts Committee directed the Principal Accounting Officer to examine the case and report to the Committee within one week.

4.27 IN-ADMISSIBLE PAYMENT OF HOUSE RET ALLOWANCE AND NON-RECOVERY OF UTILITY CHARGES RS 173,172 (PARA 5, PAGE-139-AR).

Audit pointed out that twenty officials of the Ministry were drawing house rent allowance although they were residing in the Government accommodation. Hence, rent charges @ 5% of the pay were also not deducted from their pay, as required under the rules, which resulted in overpayment of Rs 153,361 during 1991-93. Further an amount of Rs 19,811 were also recoverable from two officers and five officials on account of utility charges.

The Public Accounts Committee settled the para, subject to recovery from the officers and officials concerned and report to the Committee within two months.

4.28 IRREGULAR PAYMENT OF US \$ 2200 (RS 67,100) ON ACCOUNT OF FREIGHT CHARGES (PARA 8, PAGE 141-AR).

Audit pointed out that an amount of US \$ 2200 (Rs 67,100) was overpaid by the Embassy of Pakistan, Tripoli to an official on account of transportation of personal effects/freight charges. The irregularity was pointed out in May, 1994. Para was discussed by the PAC and was settled subject to verification. The recovery is still outstanding.

The Public Accounts Committee directed the Audit Department to reconcile the issue with Ministry of Finance and report to the Committee within one month.

4.29 i) IRREGULAR PAYMENT OF DAILY ALLOWANCE OF US \$ 2124 (RS 64,782) (PARA 9, PAGE-141-AR).

Para was discussed by the PAC. The Committee directed to effect recovery of the amount from the individual concerned and publish the name in newspaper.

The Ministry has informed that out of US \$ 2124 an amount of Rs 64782 equivalent to US \$ 1461.87 has been recovered. Balance amount of US \$ 662.13 is still outstanding.

ii) RECORD NOT PRODUCED TO AUDIT (PARA 10, PAGE-142-AR).

Para was discussed by the PAC in its meeting held on 21.1.98 and the Principal Accounting Officer was directed to provide the relevant record to Audit.

The Ministry informed the Audit that full recovery has been effected from 13 officers. Recoveries are also being effected from the remaining three officers.

On the presentation of above two paras and after hearing the Ministry's reply the Public Accounts Committee directed the Principal Accounting Officer to recover the balance amount and report to the Committee within one month.

**PAKISTAN AGRICULTURAL RESEARCH COUNCIL**

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**1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on September 29, 2000 and July 3 & 4, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Pakistan Agriculture Research Council (PARC). The Report contained 12 paras and audit comments on two Grants. The Committee settled four paras and regularized the two Grants on the basis of clarifications made by the Principal Accounting Officer (PAO). On the remaining eight paras, PAC's directives were issued to the Ministry as Actionable Points to watch compliance with them. These Actionable Points are given below.

**2. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON SEPTEMBER 29, 2000 AND JULY 4, 2001**

**ACTIONABLE POINTS: MEETING ON 29.09.2000**  
**APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)**

- 2.1 i) GRANT NO. 59-AGRICULTURE RESEARCH (PAGE 210-AA).  
ii) GRANT NO. 158-D/E OF AGRICULTURE RESEARCH (PAGE 229-AA).

After reviewing the above two grants, the Committee felt if funds were not released by the Ministry of Finance, the Department/ Division cannot be made responsible for the savings. The Committee directed the Audit to verify the Department's plea that funds were not released by the Finance within 15 days, if their plea is found correct grants may be considered settled.

**AUDIT REPORT (CIVIL)(VOL-1-1996-97)**

- 2.2 i) IRREGULAR EXCESS RELEASE OF Rs. 142,633 TO PROJECT, (PARA 5, PAGE-49-AR-96-97).  
ii) IRREGULAR PAYMENT OF ARREARS OF PAY AND ALLOWANCES WITHOUT REGULARIZATION OF EOL Rs. 186,888 (PARA 6, PAGE-49-AR).

iii) UNDUE FAVOUR TO EMPLOYEES BY AWARDING CONSULTANCIES AMOUNTING TO Rs. 1,127,579. (PARA 7, PAGE-50-AR).

Three paras (5,6&7) were examined by the Public Accounts Committee with directions to the Principal Accounting Officer to reconcile the issues with the Audit Department within 15 days and report to the Committee.

2.3 RECOVERY OF OVERDRAWAL OF RESEARCH ALLOWANCE BY NON-ENTITLED OFFICERS Rs. 1,923,488 (PARA 2, PAGES 46-47-AR).

Audit pointed out that the Pakistan Agricultural Research Council allowed Research Allowance to all its employees in BPS-16 and above with effect from 1st February 1995. According to para 7.98 of DDO Handbook Government has allowed Research Allowance to employees in BPS-16 and above deployed exclusively on Research work, both in the field offices as well as employed in the Research Organizations which are performing purely research work and have been so recognized by the Finance and Establishment Divisions.

The Department informed the Public Accounts Committee that the research allowance was admissible to the employees of the Research Organizations which were performing purely research work. The PARC is a Research Organization under the law. Research Allowance is being paid with the approval of PARC Executive Committee and Board of Governors.

The Public Accounts Committee directed the Principal Accounting Officer to prepare a list of officers/officials performing purely research work and send it to the Finance for vetting. The Committee also felt that the research work should be identified and the allowance should be paid to those only who are actually engaged on this work.

2.4 OVERPAYMENT OF Rs. 401840 CAUSED BY UNDUE FAVOUR TO A CONSULTANT (PARA 3, PAGE-47-48-AR).

Audit pointed out that Pakistan Agriculture Research Council paid Rs. 1033196 as consultancy fee to a firm for construction IIMI building at Lahore. The fee was paid @ 3.2% of the estimated cost of Rs. 31,790,666 which was contrary to the advice of legal advisor to include in the agreement the payment @ 3.25% of estimated cost or completion cost which ever is lower. The omission of this clause in the contract resulted in an overpayment of Rs. 401,840 to the consultants.

The Ministry informed the Committee that no such advice from legal advisor is on record. The Principal Accounting Officer further stated that the fee @ 3.25% was initially to be paid on estimated cost and finally to be adjusted on tender cost.

The Public Accounts Committee was not satisfied departmental reply and constituted a Sub-Committee comprising Lt.Gen. (R) Talat Masood (Member Ad-hoc PAC) and the representatives of Ministry of Food & Agriculture, Audit Department, Finance Division and Law Division to investigate the issue and report to the Committee at the earliest.

2.5 IRREGULAR PAYMENT AND NON-RECOVERY OF CONVEYANCE ALLOWANCE Rs. 3.483 MILLION FROM THE EMPLOYEES AVAILING PICK AND DROP FACILITY. (PARA 4, PAGE-48-AR).

Audit pointed out that during 1991-95 the Pakistan Agriculture Research Council (HQ) provided pick and drop facility to all its employees against a nominal recovery. In addition, conveyance allowance was also paid to them in violation of Finance Division's OM Nos.F-3(4)R-12/76 dated 29th August, 1979. & 983-R-12/79 dated 2nd January 1991.

The representatives of the PARC informed the Committee that the payment of conveyance allowance to employees availing pick and drop facility was stopped. In addition, recovery of pick and drop charges at the rate prescribed by PARC are being recovered. As regards recovery of the arrears the same could not be effected because it has been held up by the Court on the appeal lodged by PARC Employees Association.

The Public Accounts Committee directed the Department to pursue the case in the court of law and provide the detailed information regarding the matter to the PAC in its next meeting.

**ACTIONABLE POINTS FOR THE YEAR 1993-94**

- 2.6 i) GRANT NO. 55-AGRICULTURE RESEARCH DIVISION (PAGE-176-AA-93-94)(ITEM 1-AP-93-94).
- ii) GRANT NO. 158-D/E OF AGRICULTURE RESEARCH DIVISION (PAGE 190-AA-93-94)(ITEM 1-AP-93-94).

The Public Accounts Committee directed the department on above grants to reconcile the facts with AGPR under Report to PAC Secretariat within 15 days.

**AUDIT REPORT (CIVIL)(VOL-1-1996-97)**

- 2.7 NON-RECOVERY OF SHARE OF CONSULTANCY FEE FROM THE OFFICERS Rs. 163,000. (PARA 8, PAGE-50-AR-96-97).

Audit pointed out that the Pakistan Agricultural Research Council allowed full payment of consultancy fee to two departmental officers contrary to the provisions of SR-12 and failed to deduct Rs 163,830 representing 1/3rd amount of fee, for deposit into the Government Account.

The Ministry apprised the Committee that most of the recovery has been effected and the remaining amount has been written off by the competent authority.

**PAC DIRECTIVE**

The PAC settled the para subject to verification by the Audit.

ACTIONABLE POINTS FOR 1996-97

- 2.8 RECOVERY OF OVER DRAWAL OF RESEARCH ALLOWANCE BY NON-ENTITLED OFFICERS Rs. 1,923,488.  
(PARA 2, PAGE-46-AR-96-97)(ITEM -AP-96-97).

Audit pointed out that the PARC, allowed Research Allowance to all its employees in BPS-16 and above with effect from 18th February, 1995. According to Para 7.98 of DDO Hand Book, Government has allowed Research Allowance to employees in BPS-16 and above deployed exclusively on research work both in the field offices as well as employed in the Research Organizations which are performing purely research work and have been so recognized by the Finance Division/Establishment Division.

The para was discussed in the PAC's meeting held on 29.9.2000 and the Committee directed the PAO to prepare a list of officers/officials performing purely research work and send it to the Finance Division for vetting. The committee also felt that the research work should be identified and allowance should be paid to those who are actually engaged in research work.

The Ministry informed the Committee that the list of officers/officials performing purely research work has been prepared and sent to the Ministry of Finance for vetting. The Department further stated that M/o Finance did not initiate the vetting process because the issue is in the Court of Law.

PAC DIRECTIVE

The PAC directed the M/o Finance to examine the position of recoverability of research allowance paid in the past and its admissibility in the future, under the rules, and also, to vet the list of officers/officials performing purely research work and report to the Committee within 2 weeks. The Ministry of Food and Agriculture will coordinate with the Finance in this respect.

2.9 IRREGULAR PAYMENT AND NON RECOVERY OF CONVEYANCE ALLOWANCE Rs. 3.483 MILLION FROM THE EMPLOYEES AVAILING PICK AND DROP FACILITY. (PARA 4, PAGE-48-AR-96-97)(ITEM AP-96-97).

Audit pointed out that during 1991-95 the Pakistan Agricultural Research Council (HQ) provided pick and drop facility to all its employees against a nominal recovery. In addition, conveyance allowance was also paid to them in violation of Finance Division's OM Nos. F-3(4)R-12/76 dated 29th August, 1979 and 983-R-12/79 dated 2 January, 1991.

The para was discussed in the PAC's meeting held on 29.9.2000 and the Committee directed the Department to pursue the case in the court of law and provide the detailed information regarding the matter to the Committee.

The Ministry informed the Committee that the case is still subjudice in the Court of Law and is being vigorously followed by the PARC.

PAC DIRECTIVE

The PAC directed the PAO to pursue the case in the Court of Law vigorously and if, in certain cases, the amounts are considered not recoverable, get them written-off by giving specific findings to this effect and report the position to the Committee within 15 days. In future, the employees should be allowed either pick & drop facility or the conveyance allowance.

2.10 IRREGULAR PAYMENT OF ARREARS OF PAY AND ALLOWANCES WITHOUT REGULARIZATION OF E.O.L. Rs. 186,888. (PARA 6, PAGE-49-AR-96-97)(ITEM AP-96-97).

Audit pointed out that in 12/92 the PARC paid Rs. 186,888 on account of arrears of gross salary to an officer of NARC for the period of his continuous un-authorized absence from duty i.e. for 1.5.1985 to 31.8.1988 without having condoned his EOL by the competent authority as required under FR-18. The officer while proceeding on foreign training to

Philippine was also paid Rs 100,000/- which were objected to and held irregular in the Audit Report for the period 1988-89. Instead of taking action on the previous irregularity PARC allowed further payment of Rs. 186,888/- in violation of FTR-214 and 224.

The para was discussed in the Ad-hoc PAC's meeting held on 29.9.2000 and directed the PAO to reconcile the issues with Audit department within 15 days.

The Ministry informed the Committee that the para pertains to the two officers, one officer has paid the amount. However, recovery from the 2nd officer is under process.

#### PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

#### 2.11 UNDUE FAVOUR TO EMPLOYEES BY AWARDED CONSULTANCIES AMOUNTING TO Rs. 1,127,579. (PARA 7, PAGE-50-AR-96-97)(ITEM AP-96-97).

Audit pointed out that during 1991-95 the PARC paid Rs. 11,27,579/- as consultancy fee to its four employees and failed to make available the details of consultancy service obtained. Audit considers that when these regular employees of PARC are being paid pay and allowances for their expertise, the payment of consultancy fee was irregular. Moreover, income tax amounting to Rs. 56,378/- was also not deducted from these payments.

The para was discussed in the Ad-hoc PAC's meeting held on 29.9.2000 and the PAO was directed to reconcile the issues with the Audit department.

The Ministry informed the Committee that the services of the four employees were hired after their retirement. Income Tax under the rules was deducted.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

ACTIONABLE POINTS FOR 1993-94

2.12 IRREGULAR/UNAUTHORIZED EXPENDITURE OF Rs. 7.427 MILLION ON PURCHASE OF VEHICLES.  
(PARA 2, PAGE-43-AR-93-94)(ITEM AP-93-94).

Audit pointed out that in a Research Project (ARP-II) under the Agriculture Research Division a sum of Rs 7 million was drawn in May, 1993 for purchase of 12 double cabin pick-ups and one car. Later on, an amount of Rs. 480,000/- was also drawn for installation of air conditioners in these vehicles out of which Rs. 427,047/- were expended.

Following irregularities were noticed:-

- i) Infact there was no provision of funds with Research Project for these vehicles and the funds were transferred from another project without approval of the competent authority.
- ii) No open tenders were called.
- iii) Neither the vehicles were taken on stock, nor their disposal shown to Audit.

The para was discussed by the previous PAC on 23.7.1997. The PAC was not satisfied with the explanation given by the Ministry and formed a Sub-Committee to examine the case. The Sub-Committee could not complete its report before the suspension of the National Assembly. The matter was presented before the Ad-hoc PAC for consideration.

PAC DIRECTIVE

In view of significance of the matter the PAC constituted a Sub-Committee comprising Mr. M.Hassan Bhutto, Member Ad-hoc

PAC, (Convener), Mr. S.M.Zafarullah, Member Ad-hoc PAC, Mr. Ghazanafar Abbas Gilani, Director Federal Audit, Mr. Muhammad Raziq, F.A. (PARC) and Mr. Umer Khan Baluch, Chairman PARC to examine the matter in detail and report to the PAC. The Sub-Committee met on 7th of July 2001, under the chairmanship of Mr. M. Hassan Bhutto-Member Ad-hoc PAC in the Parliament House and examined the issue in detail. A report on the findings and recommendations of the Sub-Committee has been prepared.

2.13 RECOVERY OF CONVEYANCE ALLOWANCE OF Rs. 2,102,373/- FROM THE EMPLOYEES AVAILING PICK AND DROP FACILITY. (PARA 3, PAGE-44-AR-93-94)(ITEM AP-93-94).

Audit pointed out recovery of Rs 2,102,373/- on account of conveyance allowance paid to the employees of Pakistan Agricultural Research Council who were also provided with pick and drop facilities. The Council continued with this practice inspite of the fact that this was objected by Audit in 1987-88, 1988-89 & 1989-90.

The para was discussed in the previous PAC's meeting held on 23.7.1997. The Committee directed the department to recover the outstanding amounts from the employees.

The Ministry informed the Committee that the recovery could not be effected as it had been held up by the court on appeal lodged by PARC employees association.

PAC DIRECTIVE

The PAC directed the PAO to pursue the case in the court of law vigorously and if, in certain cases, the amounts are considered not recoverable, get them written off by giving specific findings to this effect and report the position to the Committee within 15 days. In future, the employees should be allowed either pick & drop facility or the conveyance allowance.

2.14 IRREGULAR EXPENDITURE OF Rs. 1.072 MILLION ON PURCHASE OF HINO BUS.  
(PARA 6, PAGE-46-AR-93-94)(ITEM AP-93-94).

Audit pointed out that the Ministry paid Rs. 1.072 million to M/S Hino Pak Motors for purchase of a Hino Bus. There was no provision in PC-1 of the project for the purchase of bus and the expenditure was treated unauthorized and irregular.

The para was discussed in the previous PAC's meeting held on 23.7.1997. The Committee settled the para subject to approval of the competent authority.

The Ministry apprised the Committee that a revised PC-1 of the project was submitted to the Government of Pakistan for approval which has not been approved.

PAC DIRECTIVE

The PAC directed the PAO to get the expenditure regularized from the Competent Authority if needed from ECNEC. If the Competent Authority does not approve it, the responsibility for the decision to purchase the Hino bus may be fixed and disciplinary action taken against the person found guilty.

2.15 RECOVERY OF Rs. 689,374/- ON ACCOUNT OF UNAUTHORIZED DRAWAL OF RESIDENCE TO OFFICE CONVEYANCE ALLOWANCE.  
(PARA 7, PAGE-47-AR-93-94)(ITEM AP-93-94).

Audit pointed out that NARC paid residence to office conveyance allowance amounting to Rs 689,374/-, in contravention of Finance Division O.M.No.F.1/7/2/P-II/87 dated 1.7.87, to all such employees who were residing within work premises during 1987-92.

The para was discussed in the previous PAC's meeting held on 23.7.1997. The PAC was not satisfied with the explanation given by the Ministry and directed the department to recover the amount from the officials who availed the facility.

The Ministry apprised the Committee that the recovery could not be effected due to stay order issued by a court, for maintenance of status quo, on the appeal lodged by PARC Employees Association.

PAC DIRECTIVE

The PAC directed the PAO to pursue the case in the court of law vigorously and if, in certain cases, the amounts are considered not recoverable, get them written-off by giving specific findings to this effect. In future, the employees should be allowed either residence-cum-office facility or the conveyance allowance.

ACTIONABLE POINTS FOR 1988-89

- 2.16 IRREGULAR EXPENDITURE OF RS 1,246,391/- INCURRED WITHOUT INVITING TENDERS THROUGH PRESS.  
(PARA 2, PAGE-53-AR-88-89)(ITEM AP-93-94).

Audit pointed out that irregular expenditure of Rs. 1,246,391/- on account of purchases and acquisition of services without inviting open tenders through Press. This procedure deprived the government of the benefits of competitive rates, in violation of Para 144 of GFR.

The para was discussed by the previous PAC on 23.7.1997. The PAC conveyed its displeasure and directed the department to fix responsibility and issue show cause notices to the concerned officials.

The Ministry informed the Committee that three inquiries have been held on the matter. According to all the inquiry reports no irregularity or misappropriation was found committed by anyone.

PAC DIRECTIVE

The Committee conveyed its displeasure on the way the inquiries were held and directed the PAO to examine the fairness of the findings of

the inquiries and certify that the transactions were bonafide and report to the Committee within one month.

ACTIONABLE POINTS FOR 1987-88

2.17 LOSS OF Rs. 210,000 ON ACCOUNT OF THEFT OF STAFF CAR. (PARA 2, PAGE-72-AR-87-88)(ITEM AP-87-88).

Audit pointed out theft of an official car valuing Rs. 210,000. A departmental inquiry held the officer in-charge responsible for the loss. A law suit was pending in the court of law.

The para was discussed in the previous PAC's meeting held on 23.7.1997. The Committee directed the Department to pursue the case in the court vigorously.

The Ministry informed the Committee that the case is still in the court of law for decision.

PAC DIRECTIVE

The PAC directed the PAO to make special efforts to get the early decision of the case.

ACTIONABLE POINTS FOR 1986-87

2.18 PERFORMANCE AUDIT REPORT-CROPS MAXIMIZATION PROGRAMME (CMP). (PARA 1.1 TO 3.9, PAGE-72-AR-86-87)(ITEM AP-86-87)

While discussing the Performance Audit report on Crops Maximization Program, in the PAC on 10.12.1992, the Committee advised the PAO to make personal efforts for recovery of one bulldozer and five tractors. The Ministry intimated to PAC that the cost of one bulldozer (Rs. 182,000) had since been recovered and the case for balance recovery was under trial.

The case of recovery of tractors, which were delivered to Ministry of Local Government and Rural Development, was still pending.

The para was discussed in the previous PAC's meeting held on 23.7.1997. The PAC was not satisfied with the explanation given by the Ministry and directed the department to take up the matter with M/O Local Government for recovery.

The Ministry informed the Committee that the court has imposed a decree to the tune of Rs. 1,82,000 upon Mr. Qaiser Khan Tareen. He had been asked to deposit the amount in lump sum in compliance of the decision of the court and PAC.

#### PAC DIRECTIVE

The PAC directed the PAO to recover the outstanding amount from Mr. Qaiser Khan Tareen as decided by the court and to take up the case with the M.O. Local Government, at the personal level, for retrieval of 5 tractors or cost thereof and report to the Committee within one month.

## ESTABLISHMENT DIVISION

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### 1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 30th September, 2000, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Establishment Division. The Report contained only seven items i.e. comments on five grants and 2 paras, of which the PAC took serious notice of the savings in four grants and excess expenditure in one Grant. However, the Committee settled all the items on the explanation given by the Principal Accounting Officer (PAO) or the actions having been taken by the Ministry. A recovery of Rs 48118 was also pointed out by the Audit which had been duly made. Actionable Points based on PAC's directives are given below.

### 2. ACTIONABLE POINTS ARISING FROM DISCUSSION OF THE PAC MEETING HELD ON SEPTEMBER 30, 2000

#### APPROPRIATION ACCOUNTS (CIVIL)(VOL I-1996-97)

- 2.1 i) GRANT NO 7-ESTABLISHMENT DIVISION (PAGE 63-AA)-SAVINGS OF RS 25,517,533, OF WHICH AN AMOUNT OF RS 23,575,238 WAS SURRENDERED LEAVING NET SAVING OF RS 1,942,295 AT THE CLOSE OF THE YEAR
- ii) GRANT NO.8-FEDERAL PUBLIC SERVICE COMMISSION (PAGE 64-AA)- SAVINGS OF RS 5,841,076 OF WHICH AN AMOUNT OF RS 5,791,506 WAS SURRENDERED LEAVING NET SAVING OF RS 49,570
- iii) GRANT NO.9-SERVICE TRIBUNAL (PAGE 65-AA)-SAVINGS OF RS 1,193,718 OF WHICH THE AMOUNT OF RS 1,014,000 WAS SURRENDERED LEAVING NET SAVING OF RS 179,718
- iv) GRANT NO.10-0/E OF ESTABLISHMENT DIVISION (PARA 2, PAGE 66-AA)- EXCESS OF RS 4,272,405 THE DEPARTMENT SURRENDERED AN AMOUNT OF RS 3,782,116 INCREASING THE EXCESS TO RS 8,054,571
- v) GRANT NO.146-D/E ESTABLISHMENT DIVISION-SAVINGS OF RS 12,432,526 OF WHICH AN AMOUNT OF RS 4,931,326 WAS SURRENDERED LEAVING NET SAVING OF RS 7,501,200

#### PAC DIRECTIVE

On the presentation of above grants by the Audit Department, the Public Accounts Committee conveyed its displeasure on all the savings and excess expenditures. However, the Committee settled and regularized all the grants.

**MINISTRY OF SCIENCE & TECHNOLOGY  
(INFORMATION TECHNOLOGY & TELECOMMUNICATION DIVISION)**

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1. **OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meetings held on 22 & 23rd April, 1999, 28th October, 2000 and 13th June 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Science & Technology. While examining the Report, the Committee noticed some cases of irregular appointments, non-recovery of heavy amounts, irregular conversion of telephone numbers, unauthorized expenditure etc. The Committee issued directives to the Ministry to take corrective or punitive actions depending on the nature of each case and directed to make vigorous efforts to effect recoveries, in the cases where it has been pointed out, within the time limit given in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review implementation of its directives in its future sessions.

The Audit Report for the year 1996-97 contained 49 paras, of which 27 were settled by the Committee on the basis of clarifications given by the PAO or the required actions having been taken by the Ministry. The Actionable Points based on PAC's directives are given in section 4.

However, some major issues and the Committee's recommendations thereon are summarized in the following sections.

2. **MAJOR ISSUES**

2.1 **BUDGETARY INDISCIPLINE**

All the four Grants of the Ministry closed with huge savings on 30.6.1997. The position is reflected in the following table:-

<u>Grant No.</u>	<u>Savings Rs(M)</u>	<u>% of F. Grant</u>	<u>Surrenders Rs(M)</u>	<u>NET Savings(-) Excess(+) Rs(M)</u>
119	19.101	35	18.796	-0.305
120	42.338	07	20.928	-21.410
171	21.621	17	7.000	-14.621
192	19.650	67	-	-19.650

The PAC took serious notice of the huge savings and warned the Ministry to be careful in future. Besides this, the Committee directed the Ministry to improve its monitoring system to ensure better budgetary control over its Grants, in future.

## 2.2 LOSS DUE TO FRAUDULENT WITHDRAWAL OF CASH

Two senior Accountants of Telephone Industries of Pakistan embezzled a total sum of Rs. 8,522,768 in cash by charging fictitious cash vouchers during the years 1989 to 1994. The Department informed the Committee that three persons were involved in the case. The suit filed with the Civil Judge, Haripur has been decided in favour of TIP and the culprit has resorted to appeal in the superior Court of Law. The other case filed by FIA with Special Judge, Peshawar is still under adjudication.

## 2.3 LOSS DUE TO NON-RECOVERY

Audit pointed out that, at the close of October, 1996, an amount of Rs. 5,154,485 was lying outstanding in the Books of TIP against different parties on account of sale of typewriters, out of which a sum of Rs. 471,630 only could be recovered upto December, 1997.

The PAC directed the PAO to recover the outstanding amount and reconcile the matter with Audit Department. The Committee further directed the Department to blacklist the concerned firms & persons.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should improve its monitoring system, strengthen internal financial control, promote awareness of financial/budgetary rules and procedures among the personnel of the Ministry/Organizations; this is necessary to ensure better budgetary control and financial discipline in the Ministry and in the organizations under its jurisdiction.
- 3.2 The PAO should approach the respective Chief Justice(s) through Ministry of Law for early decisions of the cases pending in various Courts since long.
- 3.3 The Ministry should (as directed by the PAC) prepare a detailed report on the activities, achievements and future plans of Pakistan Science Foundation for the perusal of the PAC.
- 3.4 The PAO should refer the fraud cases to the National Accountability Bureau(NAB) and take necessary measures to make the accounting system transparent to avoid recurrence of such frauds in future.  
Reference: Loss due to Fraudulent withdrawal of cash Rs 8.523 million

### 4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON APRIL 22 & 23, 1999, OCTOBER 28, 2000 AND JUNE 13, 2001

#### ACTIONABLE POINTS: MEETING ON 22-04-1999 & 23-04-1999

#### 4.1 DEPARTMENTAL BRIEFS/REPLIES ABOUT APPROPRIATION ACCOUNTS/GRANTS TO BE CONSIDERED BY THE PAC

Accountant General of Pakistan Revenues (AGPR) representatives informed the Committee that recently the National Assembly Secretariat issued the programme to examine the Accounts of M/O Communications. The Department's briefs have been received a day before the PAC meeting. Thus, AGPR office had no sufficient time to look into the departmental view point and reconcile it for presentation of the PAC.

The PAC conveyed its displeasure on the issue. The PAO assured the Committee that delay will not happen next time.

APPROPRIATION ACCOUNTS (CIVIL) (VOL-1-1996-97)

- 4.2 i) GRANT NO.23-OTHER EXPENDITURE OF MINISTRY OF COMMUNICATIONS (PAGE 92-AA) SAVING OF RS 568,579,022.
- ii) GRANT NO.147-DEVELOPMENT EXPENDITURE OF MINISTRY OF COMMUNICATION (PAGE 93-AA) SAVING OF RS 162,704,763.

On the presentation of above 02 grants, the PAC directed the M/O Finance to examine the matters of said grants and submit a report, how to improve the financial control system in future and report to the Committee within 01 month.

AUDIT REPORT TELECOMMUNICATION SECTOR (VOL-IX-1996-97)

NATIONAL TELECOMMUNICATION CORPORATION

- 4.3 PARA 3.3, PAGE-25-AR-TS).

The PAC settled the above para subject to verification by the Audit.

- 4.4 LOSS DUE TO THEFT OF THREE VEHICLES RS 565,000 (PARAS 3.5 & 3.6, PAGE 26-AR-TS)

Audit pointed out that two vehicles one the residences of two officers, one Suzuki No.IDE-9184 and one Suzuki Van RIN-8302 were stolen from the residences of two officers in April, 1996 and December, 1996, respectively. The third vehicle Suzuki Khyber No.IDG.6708-1000-C.C was parked at the residence of the officer who himself drove it to hospital for medical treatment from where it was stolen in December, 1996. The vehicles were stolen after office hours and the theft did not occur during any official duty.

The PAO assured the PAC to take all possible measures to recover the vehicles.

4.5 UN-AUTHORIZED AND IRREGULAR EXPENDITURE ON THE LOCAL PURCHASE RS 218,556 (PARA 3.12, PAGE 29-AR-TS)

Audit pointed out that the Divisional Engineer Microwave Maintenance Division, Multan incurred an expenditure of Rs 218,556 during August and December, 1994 on the local purchase of 02 Air-conditioners and 02 photo-copiers without inviting open tenders. The expenditure of Rs 46,566 on the purchase of Air-conditioners was wrongly charged to the head pure Maintenance of Assets instead of its capitalization.

The PAC observed that the Department did not take the action which was required against the officer concerned who violated the rules. The PAO assured the Committee to take disciplinary action within 02 months.

TELEPHONE INDUSTRIES OF PAKISTAN

4.6 PARA 5.1, PAGE 45-AR-TS)

Audit pointed out that the accounts for the period ended 31st March, 1997 were not furnished by M/s Telephones Industries of Pakistan (TIP) for Audit scrutiny despite pursuance by Audit.

The Management informed the PAC that according to the instructions contained in the PTCL Headquarter's letter No.ACO.10-1/97 (PT) dated 13-11-1997, M/S TIP is a subsidiary of PTCL. Its accounts, like those of PTCL, are therefore, not required to be audited by the Auditor General of Pakistan vide clause 38(3) of the Telecommunication Re-organization Act, 1996.

The Committee directed the department to take up the matter with M/O Law for the clarification of issue.

4.7 LOSS DUE TO OUTSTANDING CLAIMS/SHARING UNITS RS 72.756(M) (PARA 5.5, PAGE 46-AR-TS)

Audit pointed out that the records of Telephone Industries of Pakistan disclosed that an amount of Rs 131.286 (m) was lying outstanding against different parties on account of Air-conditioning installation claims, sharing units and sales at the close of June, 1996. A sum of Rs 58.530 (m) was recovered.

The PAC directed the PAO to take the positive measures to recover the outstanding amount from different parties/firms and report to the Committee within 02 months.

4.8 LOSS DUE TO FRAUDULENT WITHDRAWAL OF CASH RS 8,522,768 (PARA 5.6, PAGE 46-AR-TS)

Audit pointed out that two Senior Accountants of Telephone Industries of Pakistan embezzled a total sum of Rs 8,522,768 in cash by charging fictitious cash vouchers during the years 1989 to 1994.

The PAC directed the PAO to examine the matter and report to the Committee within 02 months.

4.9 LOSS DUE TO DUMPED MATERIAL RS 5,088 (M) (PARA 5.7, PAGE 47-AR-TS)

Audit pointed out that Telephone Industries Pakistan imported palladium strips used in E.M.T. exchanges in 1990. The purchases were made from abroad for the future demands of Pakistan Telecommunication Corporation. Since, November, 1993 Pakistan Telecommunication Corporation stopped the ordering of E.M.T. equipment which resulted in dumping of material worth Rs 5,088,060.

After hearing Ministry's reply, the PAC settled the para, subject to verification by the Audit.

4.10 LOSS DUE TO NON-RECOVERY OF SALE OF TYPEWRITERS RS 4,683 (M) (PARA 5.8, PAGES 47-48-AR-TS)

Audit pointed out that at a loss of October, 1996 an amount of Rs 5,154,485 was lying outstanding against the different parties on account of sale of typewriters, out of which a sum of Rs 471,630 was recovered upto December, 1997.

The PAC directed the PAO to recover the outstanding amount and reconcile the matter with Audit Department. The Committee further directed the department to blacklist the concerned firms & persons within one month and also inform their credentials to other Ministries/Divisions. The PAO assured to act under the Committee direction.

NATIONAL RADIO TELECOMMUNICATION CORPORATION

- 4.11 NON-DEDUCTION OF INCOME TAX AT SOURCES RS 112,763 (PARA 6.6, PAGE 71-AR-TS)

The PAC settled the para and directed the department be careful in future.

- 4.12 NON-RECEIPT OF SHORT/DEFECTIVE STORES RS 4.55 (M) (PARA 6.7, PAGES 71-72-AR-TS)

Audit pointed out that in National Radio Communication Corporation, Haripur Hazara stores worth Rs 4,554,521 were received short/defective from the various foreign suppliers during 1994-95.

The PAO assured the PAC that effective preshipment inspection would be ensured and measures would be taken for proper supply of stores in future.

CARRIER TELEPHONE INDUSTRIES

- 4.13 (PARA 7.3 TO 7.5, PAGE 94-AR-TS)

Audit pointed out that Sales for the year 1996 and 1997 indicates that sales proceeds of Rs 981.220 (M) during 1996 decreased of Rs 731.827 (M) in 1997. This shows a heavy decrease of Rs. 249.393 (M) which works out to 25.41%. Heavy decrease is not a healthy sign for a business.

The PAO informed the PAC that a committee has been established comprising departmental/private companies' representatives to review the situation and PAC will be informed about the facts within 02 months.

ACTIONABLE POINTS 1993-94

- 4.14 NON-RECEIPT OF STORES WORTH RS 26 655 (M) (PARA 1.4, PAGE 19-20-AR-PTC) (ITEM 17(ii)-AP-93-94)

The PAC directed the Department to reconcile the issue with Audit Department within 03 days.

- 4.15 GROSS/MISUSE OF LARGE FLEET OF 155 VEHICLES CONSUMING RS 7.87 (M) ON P.O.L. REPAIR & MAINTENANCE (PARA 1.5, PAGE 20-21-AR-PTC) (ITEM 17(iii)-AP-93-94)

The PAC directed the PAO to examine the issue and report to the Committee within two weeks.

- 4.16 LOSS DUE TO NON-RECOVERY OF TELEPHONE DUES OUTSTANDING AGAINST CLOSED CONNECTIONS IN ISLAMABAD TELECOMMUNICATION REGION RS 120.675 (M) (PARA 2.1, PAGE 26-AR-PTC) (ITEM 18-AP-93-94)

The Ministry informed the Committee that Rs 30 (M) has recovered and Rs 39 million is still outstanding.

The PAC directed the PAO to recover the outstanding amount as early as possible.

- 4.17 LEAKAGE OF REVENUE IN BADAMI BAGH TELEPHONE EXCHANGE, LAHORE RS 66.42 (M) (PARA 2.2, PAGES 26-27-AR-PTC) (ITEM 19-AP-93-94)

The Department informed the PAC that matter is under investigation since one year. No progress has made so far. The PAC directed the PAO to complete the investigation, take action and report to the Committee within 02 months.

- 4.18 OUTSTANDING TELEPHONE DUES AGAINST FINALLY CLOSED TELEPHONES RS 23.827 (M) IN GENERAL MANAGER LTR, LAHORE (PARA 2.3, PAGE 28-AR-PTC) (ITEM 20-AP-93-94)

The Ministry informed the PAC that 33% of outstanding amount has been recovered. The Committee directed the PAO to take effective measures to recover the outstanding amount and report to the Committee within 02 months.

- 4.19 IRREGULAR REBATE OF RS 100,026 IN GENERAL MANAGER ITR, (PARA 2.10, PAGES 31-32-AR-PTC) (ITEM 22-AP-93-94)

The PAC directed the PAO to take all measures to recover the outstanding amount and report to the committee within 02 months.

- 4.20 i) NON-REALIZATION OF THE COST OF CONTRIBUTION WORKS RS 12,507 (M) IN GENERAL MANAGER DEVELOPMENT CENTRAL, LAHORE, (PARA 6.1, PAGE 37-AR-PTC)(ITEM 23(i)-AP-93-94)

- ii) SHORT REALIZATION OF COST OF CONTRIBUTION WORKS RS 1,039,259 IN GENERAL MANAGER DEVELOPMENT (CENTRAL) LAHORE, (PARA 6.2, PAGES 37-38-AR-PTC)(ITEM 23(ii)-AP-93-94)
- iii) NON-RECOVERY OF COST OF CONTRIBUTION WORKS RS 214,096 IN GENERAL MANAGER (DEVELOPMENT) NORTH, ISLAMABAD, (PARA 6.3, PAGE 38-AR-PTC)(ITEM 23(iii)-AP-93-94)

The PAC directed the Department to reconcile the issues with Audit and report to the Committee within 01 month.

- 4.21 i) LOSS DUE TO THEFT OF COPPER WIRE RS 4.852 (M) (PARA 8.1, PAGES 42-43-AR-PTC)(ITEM 24(ii)-AP-93-94)
- ii) THEFT OF COPPER WIRE IN A UNIT OF CTR RS 2.455 (M), (PARA 8.2, PAGE 43-AR-PTC)(ITEM 24(ii)-AP-93-94)

On the presentation of above 02 paras the PAC showed its displeasure and directed the PAO to improve the procedure and take necessary measures, for future, to stop the said practice and report to the Committee within 01 month.

ACTIONABLE POINTS: MEETING ON 28-10-2000

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

- 4.22 (i) GRANT NO.119-SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION)(PAGE 371-AA).
- (ii) GRANT NO.120-O/E OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION)(PAGE 372-AA).
- (iii) GRANT NO.171-D/E OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION)(PAGE 373-AA).

PAC DIRECTIVE

On the presentation of above grants the PAC conveyed its displeasure on the savings in the grants and warned the Ministry to be careful in future. However, the Committee regularized the savings in the grants.

AUDIT REPORT (CIVIL)(VOL-1-1996-97)

- 4.23 IRREGULAR APPOINTMENT OF AN OFFICER IN BPS-20 AND 21 WITH SIX ADVANCE INCREMENTS RECOVERY OF PAY AND ALLOWANCES (PARA 2, PAGE 140-AR).

PAC DIRECTIVE

After hearing the Ministry's detailed reply on the issue mentioned in the para, the PAC directed the Department to get the post facto approval of the appointment from the Competent Authority. The Committee further directed the PAO to examine whether the appointment of the concerned officer was according to Rules and Regulations or not and annex the findings with the case to be sent for post facto approval. The Department was also directed to take help from the FIA to search the missing file, alternatively this file can also be re-built by collecting reference documents from Establishment Division.

ACTIONABLE POINTS FOR 1993-94

- 4.24 WASTAGE OF Rs.2.936 MILLION DUE TO NON-INSTALLATION OF MACHINE (PARA 13, PAGE 159-AR (ITEM 3-AP-93-94)).

PAC DIRECTIVE

After hearing Ministry's detailed reply, the PAC directed the PAO to submit a report to Audit on the progress of action taken against the persons responsible and get the facts verified from the Audit that the Machines are now being utilized. The PAC will decide on receipt of report.

- 4.25 RECOVERY OF OUTSTANDING TESTING FEE WORTH RS.342,781 (PARA 14, PAGE 159-AR (ITEM 4-AP-93-94)).

PAC DIRECTIVE

After hearing the departmental reply on above mentioned para, the Committee directed the Department to provide the facts on the issue

to Audit department within 15 days. However, if the Audit is satisfied, the para may be considered settled.

4.26 OUTSTANDING ADVANCES OF RS.0.114 MILLION  
(PARA 17, PAGE 161-AR (ITEM 5-AP-93-94)).

PAC DIRECTIVE

The PAC settled the para. However, the Committee directed the FIA to investigate the matter regarding responsible for the inefficiency of the accounts and submit a report to Audit/PAC within one month.

4.27 PERFORMANCE AUDIT REPORT OF CENTRAL TESTING LABORATORIES, KARACHI AND LAHORE (ITEM 6-AP-93-94).

PAC DIRECTIVE

On the presentation of above mentioned para regarding Performance Audit Report, the PAC directed the Department to follow up the case with the Ministry of Housing & Works and submit the inquiry report to the PAC within 15 days.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

PAKISTAN SCIENCE FOUNDATION:

4.28 (i) (PARA 240, PAGE 182-ARPSE).

ACTIONABLE POINTS FOR 1993-94

(ii) (PARA 248, PAGE 188-ARPSE)(ITEM 8-AP-93-94).

PAC DIRECTIVE

The PAC after hearing the Ministry's reply on the issues regarding general performance of the Foundation directed the department to prepare a detailed report on the activities, achievements and future plans of Pakistan Science Foundation and submit it to PAC Secretariat within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

4.29 (PARA 242, PAGE 183-ARPSE).

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

ACTIONABLE POINTS: MEETING ON 13-06-2000AUDIT REPORT TELECOMMUNICATION SECTOR (VOL-IX-1996-97)

4.30 LOSS DUE TO NON-RECOVERY OF COST OF TELEPHONE SETS RS 750,645  
(PARA 4.4, PAGE 36-AR-TS-96-97)

Audit pointed out that the Special Communication Organization(SCO) made a policy decision to include the cost of telephone sets in the demand notes in 1991. It was further decided to ledger-off the telephone sets installed prior to 1992 after the recovery of cost. The review of record of a unit carried out in June, 1997 showed that 1449 telephone sets installed prior to 1992 had not been ledgered off due to non-recovery of cost.

The Ministry informed the Committee that the cost of C.B. Auto Telephone sets issued before 1992 has now been recovered.

PAC DIRECTIVE

The PAC directed the Department that the evidence of recovered amount should be given to Audit within 15 days.

4.31 LOSS DUE TO NON-RECOVERY OF TELEPHONE DUES - RS 671,890  
(PARA 4.6, PAGE 37-AR-TS-96-97)

Audit pointed out that the Bagh Telephone exchange was converted into Auto

Telephone Exchange in 1991. The CB telephone sets were withdrawn and rotary/push button dial sets were provided. On this conversion the amount of security deposit, cost of telephone sets, conversion fee and line rent neither included in demand notes nor recovered.

The Ministry informed the Committee that more than 70% recovery had been made.

#### PAC DIRECTIVE

The PAC directed the PAO to provide evidence of the recovered amount to Audit and take effective measures for recovery of the balance amount and also determine if there was culpable negligence or inefficiency on the part of respective staff for non-recovery of the outstanding balance and take action in the light of his findings under report to the PAC.

#### 4.32 OUTSTANDING TELEPHONE DUES AGAINST UN-IDENTIFIED/UN-ADDRESSED TELEPHONE CONNECTIONS - RS 171,545 (PARA 4.10, PAGE 39-AR-TS-96-97)

Audit pointed out that in the jurisdiction of Accounts Officer, Telephone Region, Muzaffarabad, an amount of Rs 171,545 remained outstanding against un-identified/un-addressed telephone connections as on 30th June, 1995.

The Department informed the Committee that 60% dues have been recovered and the remaining dues will be recovered through special recovery drive.

#### PAC DIRECTIVE

The PAC directed the Department to recover the remaining amount and get it verified from the Audit. The Committee further directed to identify the claims that are not recoverable and approach the competent authority for their write off.

4.33 IRREGULAR CONVERSION OF TELEPHONE NUMBERS WITHOUT OBTAINING CLEARANCE FROM REVENUE OFFICE RESULTING IN NON-REALIZATION OF TELEPHONE DUES OF RS 71,369 (PARA 4.11, PAGE 40-AR-TS-96-97)

Audit pointed out that under rules, the change/conversion of telephone numbers should be made after obtaining clearance certificates from the Telephone revenue office. In violation of rules, the telephone numbers were converted which resulted in unrealized telephone dues amounting to Rs 71,369 as on 30th June, 1996.

The Ministry informed the Committee that an amount of Rs 71,000 has been recovered and disciplinary action has been initiated against the persons responsible under E&D Rules.

PAC DIRECTIVE

The PAC directed the Department to provide the relevant record of recovered money and the documentary evidence of the action taken against the persons responsible under E&D Rules to the Audit and if Audit is satisfied the para may be considered as settled.

4.34 UN-AUTHORIZED EXPENDITURE ON PAYMENT OF TELEPHONE BILLS IN EXCESS OF THE PRESCRIBED CEILING - RS 199,750 (PARA 4.12, PAGE 40-AR-TS-96-97)

Audit pointed out that the Senior Accounts Officer, Telephone Region, Gilgit incurred an expenditure of Rs 199,750 on the payment of bills of 6 telephones in excess of the prescribe ceiling.

The Department informed the Committee that 15 Officers have been using 06 telephones, therefore, no excess payment was made per Officer.

PAC DIRECTIVE

The PAC directed the PAO to carry out an enquiry to find out whether six telephones had been used by 15 Officers, and that all of them

were entitled for the facility and none of them can be held responsible for the excess expenditure. The PAO will furnish his report to the Audit within one month.

4.34 LEAKAGE OF REVENUE - RS 83,885  
(PARA 4.13, PAGE 41-AR-TS-96-97)

Audit pointed out that the Bagh telephone exchange has not recovered Rs 83,885 from the consumers during July 1995 to March 1996.

The PAO informed the Committee that a committee comprising of technical members will investigate the matter with reference to the audit objection and if any leakage found, disciplinary action will be initiated against the responsible person(s).

PAC DIRECTIVE

The PAC directed the PAO to enquire into the matter, take action if someone found guilty and report to the Committee within one month.

FREQUENCY ALLOCATION BOARD(F.A.B.)(AR-96-97)

4.35 NON-MAINTENANCE OF ACCOUNTS AND PAYMENT PROCEDURES  
(PARA 2.2, PAGE 21-AR-TS-96-97)

Audit pointed out that Frequency Allocation Board (FAB) was established w.e.f. 1st January, 1996. No accounting and payment procedure was chalked out by them and payments were withdrawn from PTCL Offices. The accounts for the period from 1-1-1996 to 30-6-1997 were also not prepared and finalized.

The Ministry apprised the Committee that, being a statutory organization, the FAB should have maintained their accounts itself and even if these were available with PTCL/PTA these would have been presented to the Audit. However, all the record so required by the Audit will be made available for audit.

PAC DIRECTIVE

The PAC directed the Department (FAB) to prepare independent accounts for the last five years in the next three months and submit them to the Audit.

ACTIONABLE POINTS FOR 1996-97NATIONAL TELECOMMUNICATION CORPORATION(NTC)

- 4.36 i) LOSS DUE TO THEFT OF TWO VEHICLES - RS 565,000  
 ii) THEFT OF SUZUKI BOLAN - RS 238,000  
(PARAS 3.5 & 3.6, PAGE 26-AR-TS-AP-96-97)(ITEM 3-AP-96-97)

Audit pointed out that in the meeting of previous PAC, the PAO assured the PAC to take all possible measures to recover the vehicles.

The NTC informed the Committee that out of three stolen vehicles, one Suzuki Khyber 1000 CC has been recovered. Efforts are being made for the recovery of the other vehicles.

PAC DIRECTIVE

The PAC directed the PAO to make vigorous efforts to recover the two stolen cars; however, if there is no chance of recovery of the lost vehicles, the objected amount should be got written off from the competent authority and intimated to the Audit accordingly.

- 4.37 UN-AUTHORIZED AND IRREGULAR EXPENDITURE ON THE LOCAL PURCHASE OF VARIOUS ITEMS - RS 218,556  
(PARA 3.12, PAGE 29-AR-TS-AP-96-97)(ITEM 4-AP-96-97)

Audit pointed out that the previous PAC observed that the department did not take the action which was required against the officers who violated the rules.

The Department informed the Committee that an inquiry was held on the audit observation and no body was found guilty of malafide intention or mis-appropriation except procedural flaws; therefore, any severe action against the officers concerned was not required.

PAC DIRECTIVE

The PAC directed the PAO to personally certify that no irregularity or lapse occurred in the said transaction, purchases were made under genuine urgency and the action was taken with bonafide intention, and report to the PAC within one month.

TELEPHONE INDUSTRIES OF PAKISTAN (TIP) HARIPUR

4.38 NON-SUBMISSION OF ACCOUNTS FOR THE PERIOD ENDING 31ST MARCH 1997  
(PARA 5.1, PAGE 45-AR-TS-AP-96-97)(ITEM 5-AP-96-97)

Audit pointed out that the previous PAC directed the department to take up the matter with the Ministry of Law for clarification of the issue.

The Department informed the Committee that the matter has been referred to the Ministry of Law for advice. Further action will be taken as per advice.

PAC DIRECTIVE

The PAC directed the Department that matter pending with the Ministry of Law may be pursued vigorously to obtain their finding on the issue at the earliest.

4.39 LOSS DUE TO OUTSTANDING CLAIMS/SHARING UNITS - RS 72.756 MILLION  
(PARA 5.5, PAGE 46-AR-TS-AP-96-97)(ITEM 6-AP-96-97)

Audit pointed out that the previous PAC directed the PAO to take the positive measures to recover the outstanding amount from different parties/firms within two months.

The Department informed the Committee that Rs 48.2 million have so far been recovered and continuous efforts are being made to recover the remaining amounts at the earliest.

PAC DIRECTIVE

The PAC directed the PAO to make efforts for recovery of the remaining amount, get the recovered amount verified from the Audit and report to the PAC within one month.

4.40 LOSS DUE TO FRAUDULENT WITHDRAWAL OF CASH - RS 8,522,768  
(PARA 5.6, PAGE 116-AR-TS-AP-96-97)(ITEM 7-AP-96-97)

Audit pointed out that the previous PAC directed the PAO to examine the matter within two months.

The Department informed the Committee that three persons were involved in the case. The suite filed with Civil Judge, Haripur has been decided in favour of TIP and the culprit has resorted to appeal in the superior Court of Law. The other case filed by FIA with Special Judge, Peshawar is still under adjudication.

PAC DIRECTIVE

The PAC directed the PAO to refer the fraud cases to the NAB and take necessary measures to make the accounting system transparent to avoid recurrence of such frauds in future.

4.41 LOSS DUE TO DUMPED MATERIAL - RS 5,088 MILLION  
(PARA 5.7, PAGE 47-AR-TS-AP-96-97)(ITEM 8-AP-96-97)

Audit pointed out that the previous PAC settled the para subject to verification by Audit but the desired verification has not been got done by the department.

The Department informed the Committee that the matter is under correspondence with the Audit for verification of sale proceeds of the dumped material.

PAC DIRECTIVE

The Committee directed the Department to provide the record to the Audit, the Committee settled the para subject to verification by the Audit.

4.42 LOSS DUE TO NON-RECOVERY OF SALE PROCEEDS OF TYPEWRITERS - RS 4.683  
(PARA 5.8, PAGE 47-48-AR-TS-AP-96-97)(ITEM 9-AP-96-97)

Audit pointed out that the previous PAC directed the PAO to recover the outstanding amount and reconcile the matter with Audit. Further, directed the department to black list the concerned firms and persons within one month.

The Department informed the Committee that the cases are subjudice in the Court of Law.

PAC DIRECTIVE

The PAC directed the PAO to approach the Chief Justice through Ministry of Law for early decision and fix responsibility against person(s) responsible for delaying action.

NATIONAL RADIO TELECOMMUNICATION CORPORATION (NRTC)

4.43 RECEIPTS OF SHORT/DEFECTIVE STORE VALUING - RS 4.55 MILLION  
(PARA 6.7, PAGE 71-72-AR-TS-AP-96-97)(ITEM 11-AP-96-97)

Audit pointed out that the PAO assured the previous PAC that effective pre-shipment inspection would be ensured and measures would be taken for proper supply of stores.

The department informed the Committee that the Corporation has adopted maximum possible remedial measures before the shipment to ensure proper supply of stores and out of the said recoverable amount Rs 2.36 million have been recovered so far.

PAC DIRECTIVE

The PAC directed the Department to show the record of actions taken to the Audit for verification and cases where recovery is not possible, initiate for their write off.

CARRIER TELEPHONE INDUSTRIES (CTI)

4.44 (PARAS 7.3 TO 7.5, PAGES 94-AR-TS-AP-96-97)(ITEM 12-AP-96-97)

Audit pointed out that the PAO informed the previous PAC that a Committee had been established comprising departmental/private companies representatives to review the situation and PAC would be informed about the facts within two months.

PAC DIRECTIVE

The PAC directed the Department that the report of the said Committee should be submitted to the PAC within one month.

**MINISTRY OF RELIGIOUS AFFAIRS, ZAKAT & USHR**

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**1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on October 28, 2000, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the M/o Religious Affairs, Zakat & Ushr. The Committee noticed a number of serious irregularities pertaining to the Ministry regarding huge savings, misuse of pilgrims' welfare fund and improper grants-in-aid to Deeni Madaris, etc. These issues were raised before the Committee by the Auditor General of Pakistan with reference to its Annual Audit Report (1996-97) while the Ministry was given opportunity to present its view point in each case. As a result of detailed discussion on the respective issues, the Committee framed a number of recommendations to improve the overall affairs of the Ministry and effect accountability where instances of guilt or culpable negligence were found.

The Audit Report contained 13 paras, of which 7 were settled on the basis of clarifications made by the Principal Accounting Officer (PAO) or having taken remedial steps by the Ministry. A recovery of Rs:36.081 million was pointed out by the Audit, of which Rs:0.734 million have actually been recovered. For the remaining amount of Rs.35.247 million the PAC directed the Ministry to take steps for early recovery; progress of the recovery and compliance of other directives will be monitored by the PAC Secretariat and periodic reports in this respect will be reviewed by the PAC in its future sessions.

The Committee advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different issues. However, whereas the Committee took notice of certain irregularities and weaknesses in different areas, it also appreciated the PAO (Mr. Zubair Kidwai) for initiating revision of rules to check the misuse of Pilgrims' Welfare Fund and improve the services for the Hujjaj.

Actionable Points based on the PAC's directives are given in section-4. Some important issues and the Committee's recommendations thereon are summarized in the following sections:-

2. MAJOR ISSUES

2.1 MISUSE OF PILGRIMS' WELFARE FUND.

In the Ministry, Pilgrims' Welfare Fund (PWF) is being maintained for the welfare of Hajj Pilgrims. Composition of the Fund includes service charges from pilgrims, Hajj application fees, income generated from the utilization of facilities at Hajj Camps, donations and other related sources. In clear disregard of the PWF rules, heavy amounts worth Rs. 54,945,469/- were drawn for payment of telephone bills, loans and grants to officers, purchase of car for Secretary, payments to P.S.O. to Minister, payment to a TV producer, payment of air tickets for some individuals, purchase of furniture for Minister's residence, etc.

2.2 NON-RECOVERY OF ACCOMMODATION AND ALLIED EXPENSES FROM VIPs AND NON-ENTITLED HAJJAJ.

An amount of SRL 3,820,518 (Rs. 31.710 Million) was incurred by the Hajj Directorate, out of the Pilgrims' Welfare Fund Account, on arrangements of accommodations, transportation, food and allied expenses for non-entitled Hujjaj i.e. Parliamentarians/VIPs, their family members and other such persons during the years 1994 and 1995.

The Committee examined in detail the above mentioned two issues regarding misuse of Pilgrims' Welfare Fund and irregular expenditure on Parliamentarians/VIPs. The PAC took serious notice of huge amounts spent in clear disregard of the respective rules. The Committee directed the department to submit a comprehensive report, including names of all the beneficiaries and persons responsible for the misuse of funds, within one week to PAC Secretariat and Audit department.

The desired report, received from the Ministry, has been attached as Annexure-A.

### 2.3 IMPROPER GRANTS IN AID.

The Ministry, during 1991-94, paid Rs. 17,404,000 as grants in aid to Deeni Madaris. The Ministry has not fixed any criteria to determine the eligibility of Madaris for such grants. No proper accounting procedure of the grants has been evolved. Grants were released without approval of the competent authority and its utilization has never been watched. Acknowledgements and audited adjustment accounts of these releases were not made available to the Audit for scrutiny. There is every likelihood of misdirection and mis-utilization of such grants.

The Committee directed the Department to get utilization reports from Deeni Madaris and Mosques regarding usage of different grants and also directed to make some policy framework for allocation, accountal and usage of the grants in fair and transparent manner.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should strictly enforce financial regulations and improve its financial and budgetary disciplines through better data management systems and internal financial control.
- 3.2 There should be strict policy guidelines to utilize the Pilgrims' Welfare Fund and the Principal Accounts Officer should personally ensure that its utilization is restricted to legitimate purposes.
- 3.3 The Ministry should get utilization reports from Deeni Madaris and Mosques regarding usage of different grants, in future and make some policy framework for allocation, accountal and usage of the grants in fair and transparent manner.
- 3.4 The Committee decided to consider reference of some major cases to the National Accountability Bureau (NAB) on receipt of detailed report of non-recovery of accommodation and allied expenses from VIPs and non-entitled Hujjaj.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON OCTOBER 28, 2000

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

- 4.1 (i) GRANT NO.57-ZAKAT & USHR DIVISION (PAGE 184-AA).  
 (ii) GRANT NO.115-RELIGIOUS AFFAIRS DIVISION (PAGE 365-AA).  
 (iii) GRANT NO.117-OTHER EXPENDITURE OF RELIGIOUS AFFAIRS DIVISION (PAGE 367-AA).

PAC DIRECTIVE

On the presentation of above three grants the PAC conveyed its displeasure on the savings mentioning it a sign of bad budgeting and warned the Ministry to be careful in future. However, the Committee regularized these savings in the grants.

ACTIONABLE POINTS 1993-94

- 4.2 GRANT NO.118-OTHER EXPENDITURE OF M/O RELIGIOUS AFFAIRS (PAGE 309-AA)(ITEM 1-AP-93-94).

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

AUDIT REPORT (CIVIL)(VOL-1-1996-97)

- 4.3 (i) HAJJ FEE RS.29,644,800/- NOT DEPOSITED INTO GOVERNMENT ACCOUNT (PARA 1, PAGE 126-AR).  
 (ii) UN-AUTHORIZED RETENTION OF GOVERNMENT RECEIPT NON-DEPOSIT OF HAJJ FEE RS.16,020,600/- (PARA 5, PAGE 128-AR).

PAC DIRECTIVE

The PAC after hearing the Ministry's reply on paras 1 & 5

directed the department to provide the details of amendments made in the Constitution of PWF and improvements brought about in the system to the Audit. However, the Committee settled both paras subject to verification by the Audit.

- 4.4 (i) MISUSE OF PILGRIMS WELFARE FUND RS.54,945,469/-  
(PARA 2, PAGE 126-AR).
- (ii) IRREGULAR EXPENDITURE OF SRL 129,189.00/RS.1,873,240.  
(PARA 6, PAGE 128-AR).
- (iii) NON-RECOVERY OF SRL 3,820,518/RS.31,710 MILLION, ON ACCOUNT OF ACCOMMODATION AND ALLIED EXPENSES IN RESPECT OF VIPS AND OTHER NON-ENTITLED HUIJAJ  
(PARA 9, PAGE 130-AR).

PAC DIRECTIVE

After hearing the detailed Ministry's reply on misuse of Pilgrims Welfare Fund and irregular expenditure on Parliamentarians/VIPs, the PAC took serious notice of huge amount spent in clear disregard of the rules and regulations. The Committee directed the Department to submit a comprehensive report, including names of all the beneficiaries and persons responsible for the misuse of funds, within one week to PAC Secretariat and Audit department. The Committee may consider reference of these cases to the NAB on receipt of detailed report. The Committee also directed to provide the details of amendments made in the rules of the Fund. However, the Committee appreciated the PAO for initiating revision of rules to check the misuse of the Fund.

- 4.5 DRAWAL OF RS.17,228,540/- FOR THE PURCHASE OF MEDICINES WITHOUT ANY STOCK/RECORD  
(PARA 3, PAGE 127-AR).

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

- 4.6 IMPROPER GRANTS-IN-AID TO DEENI MADARIS AND NON-OBTAINING OF UTILIZATION REPORTS-RS.17.404 MILLION (PARA 4, PAGE 127-AR).

PAC DIRECTIVE

After hearing the Ministry's reply the PAC settled the para. However, the Committee directed the Department to get utilization reports from Deeni Madaris and Mosques regarding uses of different grants, in future.

- 4.7 LOSS OF SRL. 9,000 ON ACCOUNT OF THEFT IN HAJJ MISSION (PARA 7, PAGE 129-AA).

PAC DIRECTIVE

The Committee settled the para. However, the Committee directed the Department to pursue the case in the Court of Law in Saudi Arabia vigorously.

- 4.8 OVERPAYMENT OF D.A. DURING JOINING TIME PERIOD (SRL 7,999) (PARA 8, PAGE 129-AA).

PAC DIRECTIVE

After hearing the Ministry's reply on the issue mentioned in para-8, the Committee directed the department to recover the balance amount from the officer concerned.

- 4.9 OVERPAYMENT OF SRL. 523,235/RS. 4,305,879, MADE TO OWNERS/MUSTAGIR OF BUILDINGS (PARA 10, PAGE 130-AR).

PAC DIRECTIVE

The PAC directed the Department to take action against persons responsible for the overpayment and report to the PAC Secretariat

within a month . The Committee also directed to pursue the case in Saudi Court of Law.

- 4.10 NON-RECOVERY OF ADVANCE PAYMENT OF SRL. 43,650/RS. 631,620. FROM THE OWNER OF THE BUILDING NO. 279 (PARA 11, PAGE 131-AA ).

PAC DIRECTIVE

On the presentation of para 11 by the Audit Department, the Committee directed the Ministry to prepare a comprehensive report on all the cases which are pending in the Saudi Courts for settlement including this one, and report to the Committee within a month.

- 4.11 IRREGULAR PAYMENT OF FULL REFUND TO HUJJAJ AMOUNTING TO SRL. 688,973/RS.5,580,681. (PARA 12, PAGE 131-AR).

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit of the facts that the hired accommodation was less than the actual requirement.

**CENTRAL BOARD OF REVENUE**

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**1. OVERVIEW**

The Public Accounts Committee (PAC), in a series of meetings held on 10th, 11th November and 21st, 22nd December, 2000, took up, for its examination, the Appropriation Accounts and the Annual Audit Report for the year 1996-97 pertaining to the Central Board of Revenue (CBR). The Committee, while examining the Report, found several irregularities regarding savings in the grants, non-finalization of a large number of cases, involving Tax Revenue in billions of Rupees, due to awaited adjudications at various judicial levels or pending with the taxation authorities for final assessment, a long list of recovery cases, involving public money in billions of Rupees, where either recovery could not be effected so far or the recovered amounts could not be got verified by the Audit, improper assessment of direct and indirect taxes, undue awarding of rewards, defalcation of tax, mis-reporting of tax collection, misuse of public money in purchase items, etc. The Committee took serious notice of gross violation of Taxation Rules causing heavy losses to the public exchequer. To correct all ailments, the Committee made its recommendations, which if properly implemented, will surely improve efficiency and effectiveness of the CBR as Revenue Collecting Authority whereby it will be able to play its due role in the economic development of the Country.

The Report contained 221 paras, of which 21 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required remedial measures having been taken by the Department. Several other paras were also settled by the Committee subject to verification by the Audit. The PAC appreciated the CBR and the Audit Office for their cooperation displayed in reconciliation of different audit paras that helped the Committee in quicker disposal of the work. The Audit pointed out recovery cases involving Public Receipts of billions of Rupees, out of which Rs. 251.806 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit given in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different cases. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarized in the following sections:-

## 2. MAJOR ISSUES

### 2.1 A BROAD CLASSIFICATION OF MAJOR RECOVERY CASES

- 2.1.1 Recovery/Regularization of about Rs. 113 million pertaining to cases in 16 paras had been verified by the Audit but the disciplinary action against the persons responsible was yet to be taken.
- 2.1.2 Recovery/Regularization of about Rs. 55 million, pertaining to 7 paras, had been finalized but the reported position was yet to be verified by the Audit. These paras were settled on the basis of compliance report given by the Executive.
- 2.1.3 The PAC directed the CBR, in 8 cases involving about Rs. 228 million, to make recovery within three months.
- 2.1.4 7 major cases of recovery on account of Short/Non-assessment of taxes/surcharges were pointed out by the Audit. These cases involved Tax Revenue of about Rs 100 million.
- 2.1.5 In a group of 21 Paras, recovery amounting to Rs. 18.324 million was reported to have been made. The Committee settled these paras subject to verification of recovery by the Audit.
- 2.1.6 In another group of 57 Paras, involving recovery of Tax Revenue amounting to Rs. 550.664 million, the CBR had accepted the Audit's point of view but progress of recovery was not reported.

2.1.7 In one more group of 58 paras, involving Tax Revenue exceeding Rs 800 million on account of short recovery/short assessment etc., the PAC directed the CBR and the Audit Department to examine the Paras, on case by case basis, to determine the extent of tax recoverable in each case.

2.1.8 Blockade of revenue (Recoveries) due to non-finalization of cases/under adjudication etc.

- 8 cases were reported by the Audit involving revenue of an approximate amount Rs. 57 million.
- 7 cases were reported by the Audit involving revenue of an amount of Rs. 54 million (approx.).
- Blockade of Government revenue: Rs 244.658 million (Para 2-1 SAR)

Central Excise Department framed seizure and contravention cases against 86 units for violation of various provisions of the Central Excises Act 1944. These cases were heard and decided by the Additional Collectors I and II, Central Excise, Lahore declaring that government dues of Rs 244,658,469 were recoverable from the Units concerned. These dues, however, remained un-recovered for a period ranging upto 30 months.

The irregularity was pointed out to the local offices in January and February 1997 and was also reported to the Central Board of Revenue in June 1997.

- Blockade of Sales Tax Revenue: Rs. 115.285 million (Para 3-2-SAR)

Sales Tax Department adjudicated 49 cases against taxpayers for contravention of various provisions of the Sales Tax Act, 1990. These cases were decided by the concerned Sales Tax authorities raising a tax demand of Rs 115,285,016 against them. The recoverable dues, however, remained unrealized for periods ranging upto 29 months.

The non-recovery of government dues was pointed out by the Audit in February 1997 and was also reported to the CBR in June 1997. Further progress of recovery was not conveyed to Audit.

- 9 Cases, held in adjudication involved tax revenue amounting to Rs 8.300 million.
- Non-finalization of Assessment u/s 80C (Para 5-4-SAR). This case involved tax revenue amounting to Rs 2.229 million.

2.2 LOSS OF CUSTOM DUTY DUE TO PROLONGED STORAGE OF IMPORTED PALM OIL: Rs. 28.502 MILLION

Two companies imported 6 consignments of 5,544.506 tons Palm Oil valuing Rs. 47.636 million in the year 1991. The Import was warehoused without payment of customs dues amounting to Rs. 28,502 million in the year 1991 as permissible under the Law. The Importer failed to clear the goods within the prescribed period of 30 days. The Customs functionaries did not take action in time. When recovery action was initiated against the firm, the commodity was found unfit for human consumption due to prolonged storage. The Committee observed that such a loss could not occur without connivance of the respective staff. Possibility of changing the original oil can not be ruled out.

### 2.3 GRANT OF UNWARRANTED AND UNJUSTIFIED REWARDS: Rs. 4.267 MILLION

While re-assessing the invoices, Customs Authorities found the value of the import higher than that declared earlier by the importers on which customs dues had been assessed. Accordingly, Customs Authorities raised demand for the differential amount of the dues which were promptly paid by the Importers. On the basis of this recovery, a reward of Rs. 4.267 million was paid to the officers and staff of the Customs Department. The Committee observed that there was no evasion of customs dues involved in these cases and locating such understatement of dues was a routine matter. Therefore, sanction of reward in these cases was unwarranted and unjustifiable.

### 2.4 SHORT ASSESSMENT OF DUTIES AND SURCHARGES

A loss of Rs. 88.384 million was sustained by the Government on account of short assessment of Central Excise Duty, Sales Tax and Development Surcharge in four different cases. This warranted recovery under the law which was neither demanded nor recovered by the concerned authorities. The Committee has already issued directives for desired actions in these cases.

### 2.5 DEFALCATION OF TAX

A case of defalcation of Sales Tax was reported by the Audit where a manufacturer made a forgery by tampering treasury challans adding an additional digit. He claimed credits fraudently on those treasury challans and the forgery could neither be located in the account of the National Bank of Pakistan nor in the record of Sales Tax Department. This caused the Government a loss of Rs.1,991,250 during the year 1995-96 further increasing to Rs. 2,608,537 due to additional tax plus surcharge. The Committee apprehended the possibility of such more bogus cases and insisted for the need of comprehensive reconciliation of refund claims vis-a-vis actual payments between local offices and Sales Tax Treasury.

The Department, however, apprised the Committee that, in this specific case, recovery had been made and punitive action against the culprits was being taken.

2.6 SHORT ASSESSMENT/NON-REALIZATION OF INDIRECT TAXES DUE TO MISUSE OF DISCRETIONARY POWERS

2.6.1 In terms of the recovery of Customs Duties, the Audit traced numerous cases of short/non assessment of Customs dues where the respective officers/officials misused their discretionary powers by exempting the consignments from the duties chargeable at that time. In such a case where the concession had been withdrawn by the Government and the Customs duties were supposed to be charged at the enhanced rates, an Assistant Collector allowed clearance of goods at the previous concessionary/lower rates and the Government sustained a loss of Rs.6.043 million due to short assessment of dues by the said unscrupulous officer.

2.6.2 In another case where payment of customs dues on import of plant and machinery was exempted, under the Government Notification dated 14th May, 1992, subject to production of installation certificate within one year and in the meantime, exempted dues were required to be secured through indemnity bonds. Certain importers imported plant and machinery and sought their clearance free of Customs dues under the said Notification. The custom authorities could not obtain required indemnity bonds to cover risk of non-payment of the dues. The said importers failed to produce installation certificate within the prescribed period. This necessitated enforcement of indemnity bonds to effect the government dues. Negligence of the respective Deputy Collector, in releasing the imported goods without obtaining the indemnity bond required under the rules, deprived the Government of revenue amounting to Rs. 30,290,376 in seven cases.

2.6.3 Likewise, the Audit pointed out several instances where Central Excise and Sales Tax Department framed seizure and contravention cases under the law. The accused parties were duly fined for violation of prescribed rules but the Department could not enforce recoveries which were accumulated in millions.

2.6.4 In two cases, short-assessment of development surcharge occurred due to the reason that the rate on petroleum products was enhanced by the government but clearance of the said products was allowed at the old lower rates by the then officers of the Department. In these two cases, the public exchequer had to bear the heavy loss of Rs. 14,847,544.

## 2.7 NON/UNDER ASSESSMENT OF DIRECT TAXES

The Audit unearthed number of cases in which direct taxes (Income Tax, Wealth Tax, withholding Tax) were either under assessed or evaded which caused loss of millions of rupees in terms of Public Revenue.

In a case, a tax credit admissible on installation of plant and machinery for the purpose of Balancing, Modernization and Replacement (BMR) was withdrawn through Finance Act 1991. In disregard of this withdrawal of tax credit, a company, assessed in Companies Zone-IV, Karachi, claimed tax credit on this account in the assessment year 1992-1993 by showing an investment of Rs.66,974,048. The installation certificate and other prescribed documents were also not available in the assessment record. The tax credit, which although was not admissible to the assessee company, was allowed in full while framing its assessment. This deprived the Government of Rs.10,046,670 as the tax revenue.

## 2.8 MIS-REPORTING OF TAX COLLECTION

A Case Study on "Mis-Reporting of Tax Collection" was presented by the Audit before the PAC. Examining the instances of mis-reporting the Committee commented that as a result of irresponsible conduct like mis-

reporting of tax-collection, the Taxation Department has lost its credibility among the tax-payers. The recommendation of the Committee, in this respect, is given in Section 3.5.

### 3. RECOMMENDATIONS

- 3.1 The CBR should keep record of tax demands raised against various tax payers initially and taxes finally materialized after settlement of all sorts of legal and administrative disputes.
- 3.2 The CBR should evolve an effective monitoring system to expedite finalization of cases pending with the departmental authorities and ensure earlier adjudication of subjudiced cases at various stages. The system should also ensure that legal recourse where necessary is followed in time to avoid revenue loss due to legal time limitation.
- 3.3 The CBR should make standing arrangements, in consultation with the Auditor General of Pakistan, to resolve all the pending cases, requiring reconciliation of figures or verification of record, with the Audit at departmental level so that only significant/reconciled cases should come before the PAC.
- 3.4 The CBR should deal with the refund cases on priority basis. The interest of the tax payer should be respected and due relief should be given promptly.
- 3.5 To check mis-reporting of tax collection, the CBR should streamline the tax assessment and collection proceedings and improve the accounting system with the help of information technology and expertise from the private sector, if so required. The PAC made this recommendation on the perusal of a case study presented by the Audit which revealed various lapses in the reporting of tax figures. The Committee felt that as a result of irresponsible conduct like "misreporting of tax collection" the Tax Collection Department has lost its credibility. To improve credibility and efficiency of the Department, it needs to pass through institutional changes.

The Committee also directed the Principal Accounting Officer to take action against persons found guilty of misreporting the tax figures.

- 3.6 The Department should make necessary arrangements for the production of record to the Audit offices especially at the field level. The audit observations should be given due attention by the Department.
- 3.7 The Committee felt concerned on the point that if Audit was able to point out recoveries of billions of rupees as a result of 3% test audit, what would have been the position, had the 100% audit been undertaken? The CBR should strengthen its internal controls to ensure optimum collection of revenues. It should also take measures to effect the recoveries in the cases reported by the Audit.
- 3.8 In the age of Information Technology the CBR should take all possible steps to utilize this technology in all areas of revenue collection and its record keeping.
- 3.9 A large number of cases are pending with Appellate Courts and disposal process is very slow. The process of finalization of the cases at departmental level is also very cumbersome and lengthy causing inconvenience to tax payers and delay in tax collection. The Chairman CBR apprised the Committee regarding efforts made by the Department to accelerate the finalization of pending cases at departmental level and that, the Chief Justices of the High Courts have been requested to constitute Fiscal Benches to expedite disposal of revenue cases.
- 3.10 The Department should dispose of its own condemned vehicles immediately, through auction, to avoid further loss of their value.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETINGS HELD ON NOVEMBER 10 & 11 AND DECEMBER 21 & 22, 2000

ACTIONABLE POINTS: MEETING ON 10 & 11-11-2000

- 4.1 The Chairman PAC appreciated the CBR and the Audit Office for their cooperation displayed in the reconciliation of different audit paras/cases that helped PAC in quicker disposal of agreed cases and affording greater emphasis on significant issues. At the outset of the meeting, the Chair also raised some issues for the consideration of the CBR.
- i) The CBR should keep record regarding the amounts of taxes levied, at the initial stage, on different businesses/individuals and the amounts of taxes finally materialized after all the operative and appellate processes. The Chairman CBR apprised that the said record was available with the Department, though not in much systematic shape. These records are being computerized and the desired information will be available within two months.
  - ii) In the age of Information Technology the CBR should take all possible steps to utilize this technology in all areas of revenue collection and its record.
  - iii) The Committee also intends to know the volume of refund cases, No. and amount, pending with the Department. Interest of the tax-payers also needs to be looked after. The Committee emphasized on earlier disposal of the pending refund cases. The Chairman CBR promised to submit a progress report in two months; however, apprised that the present management has already taken measures to expedite the disposal of pending cases.
  - iv) A large number of cases are pending with Appellate Courts and disposal process is very slow. The process of finalization of the cases at departmental level is also very cumbersome and lengthy causing inconvenience to tax payer and delay in tax collection. The Chairman CBR apprised the Committee regarding efforts having been made by the Department to accelerate the finalization of pending cases at Department level and that, the Chief Justices of the High Courts have been requested to constitute Fiscal Benches to expedite disposal of revenue cases.
  - v) The Committee takes serious notice of the complaints from the Audit Office for non-production of record, especially at the field level and desires to remove impediments in this regard and give due respect to audit observations.

- vi) The Committee feels concerned on the point that the Audit had pointed out recoveries amounting in billions of rupees as a result of 3% test audit, what would be position at higher percentage of audit?

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

4.2 GRANT NO.50-SEA CUSTOMS (PAGE-158-AA).

PAC DIRECTIVE

The PAC regularized the savings directing the Department to provide the Government's directive to the Audit regarding not to surrender Rs. 50,000,0000 at the close of the year.

- 4.3 i) GRANT NO. 51-LAND CUSTOMS AND CENTRAL EXCISE (PAGE 157-AA).  
 ii) GRANT NO. 52-SALES TAX (PAGE 158-AA).  
 iii) GRANT NO. 53-TAXES ON INCOME AND CORPORATION TAX (PAGE 159-AA).

PAC DIRECTIVE

On the presentation of above three grants, the PAC conveyed its displeasure on the savings mentioning it a sign of bad budgeting. The Committee directed the PAO to examine the issues regarding savings mentioned in all the grants, fix responsibility, take action against the person(s) concerned and report to the Committee within one month.

SPECIAL AUDIT REPORT ON TAX REVENUE RECEIPTS 1997

- 4.4 i) PARA 1.2, PAGE 4-SAR-TRR) PARTIAL, AMOUNT Rs. 5,000,000.  
 ii) PARA 1.3, PAGE 5-SAR-TRR) AMOUNT Rs. 4,439,230.  
 iii) PARA 1.6, PAGE 8-SAR-TRR) AMOUNT Rs. 2,387,085.  
 iv) PARA 1.7, PAGE 8-SAR-TRR) AMOUNT Rs. 2,356,303.  
 v) PARA 1.8, PAGE 9-SAR-TRR) AMOUNT Rs. 2,328,810.

- vi) PARA 1.9, PAGE 9-SAR-TRR) PARTIAL, AMOUNT Rs. 1,457,324.
- vii) PARA 1.11, PAGE 11-SAR-TRR) AMOUNT Rs. 1,480,075.
- viii) PARA 1.12, PAGE 12-SAR-TRR)PARTIAL, AMOUNT Rs.1,244,629.
- ix) PARA 2.1, PAGE 13-SAR-TRR)PARTIAL, AMOUNT Rs.70,476,652.
- x) PARA 2.2, PAGE 13-SAR-TRR)PARTIAL, AMOUNT Rs. 7,956,470.
- xi) PARA 3.1, PAGE 16-SAR-TRR)PARTIAL, AMOUNT Rs. 2,176,404.
- xii) PARA 3.2, PAGE 17-SAR-TRR)PARTIAL, AMOUNT Rs. 5,955,855.
- xiii) PARA 3.4, PAGE 18-SAR-TRR) AMOUNT Rs. 8,137,372.
- xiv) PARA 3.5, PAGE 19-SAR-TRR)PARTIAL, AMOUNT Rs. 1,243,496.
- xv) PARA 3.7, PAGE 20-SAR-TRR) AMOUNT Rs. 2,814,325.
- xvi) PARA 3.8, PAGE 21-SAR-TRR) AMOUNT Rs. 2,370,060.

PAC DIRECTIVE

The Audit recommended to settle above 16 paras on the basis of recoveries made or regularization action taken by the Department. The PAC settled the paras; however, directed the Department to take disciplinary action against persons responsible for the irregularities pointed out in the paras and watch the recovery and other related actions.

- 4.5 i) PARA 1.9, PAGE 9-SAR-TRR) PARTIAL, AMOUNT Rs. 815,872.
- ii) PARA 1.10, PAGE 10-SAR-TRR) AMOUNT Rs. 1,774,630.
- iii) PARA 3.1, PAGE 16-SAR-TRR) PARTIAL Rs. 2,423,383.
- iv) PARA 3.2, PAGE 17-SAR-TRR) PARTIAL Rs. 34,940,267.
- v) PARA 3.3, PAGE 18-SAR-TRR) PARTIAL Rs. 13,611,964.
- vi) PARA 3.5, PAGE 19-SAR-TRR) PARTIAL AMOUNT Rs. 50,000.
- vii) PARA 3.6, PAGE 19-SAR-TRR) PARTIAL AMOUNT Rs. 2,344,040.

PAC DIRECTIVE

The Committee settled all the above mentioned paras subject to verification, by the Audit, on the basis of compliance report from the executive.

- 4.6 i) PARA 1.1, PAGE 3-SAR-TRR) AMOUNT Rs. 28,501,764.  
 ii) PARA 1.2, PAGE 4-SAR-TRR) PARTIAL, AMOUNT Rs. 1,043,154.  
 iii) PARA 1.12, PAGE 12-SAR-TRR) PARTIAL, AMOUNT Rs. 8,648.  
 iv) PARA 2.1, PAGE 13-SAR-TRR)PARTIAL, AMOUNT Rs.174,181,817.  
 v) PARA 2.2, PAGE 13-SAR-TRR) PARTIAL, AMOUNT Rs. 511,780.  
 vi) PARA 2.3, PAGE 14-SAR-TRR) AMOUNT Rs. 2,935,678.  
 vii) PARA 3.2, PAGE 17-SAR-TRR)PARTIAL, AMOUNT Rs.17,862,074.  
 viii) PARA 3.5, PAGE 19-SAR-TRR) PARTIAL, AMOUNT Rs.3,066,829.

PAC DIRECTIVE

The Committee directed the PAO, regarding the above mentioned 8 paras, to make recovery under the law within three months. However, the Committee directed the Department that if in some cases recovery is not possible, then report the position of such case(s) to the PAC with reasons. A general comment was also made: The CBR has sufficient powers to recover the taxed amount provided assessment is correctly made.

- 4.7 i) PARA 2.4, PAGE 15-SAR-TRR) AMOUNT Rs. 2,586,836.  
 ii) PARA 3.2, PAGE 17-SAR-TRR)PARTIAL, AMOUNT Rs.25,566,852.  
 iii) PARA 3.6, PAGE 19-SAR-TRR) PARTIAL, AMOUNT Rs. 656,771.

PAC DIRECTIVE

Though the Chairman, at the outset of the meeting, had already

emphasized to quicken the adjudication of pending contravention cases with departmental authorities, the Committee directed the Department to speed up adjudication process on the issues mentioned in the above paras. The Ministry will submit a comprehensive report, in this respect, to the Committee, within 15 days.

- 4.8 LOSS OF CUSTOMS DUES TO LONG STORAGE OF IMPORTED PALM OIL - Rs. 28,501,764 (PARA 1.1, PAGE 3-SAR-TRR).

PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the Department on the matter. It was observed that such a loss could not occur without connivance of the respective staff. Possibility of changing the original store cannot be ruled out. The Committee directed the PAO to vigorously pursue the court cases and submit a report on the latest position of their adjudication, and also, to fix responsibility and take action against persons responsible for the loss and delayed action. The PAO promised to take actions and report to the PAC within 15 days.

- 4.9 SHORT-ASSESSMENT OF CUSTOMS DUES DUE TO APPLICATION OF INCORRECT RATES OF CUSTOMS DUTY AND SALES TAX-Rs. 6,043,154 (PARA 1.2, PAGE 4-SAR-TRR).

PAC DIRECTIVE

The Committee deferred the para, directing the PAO to prepare a report on the issue including the progress of recovery and action taken against the staff responsible for the under assessment and submit it to the PAC within 15 days. (Originally it was deferred till the next day, but could not be discussed).

- 4.10 GRANT OF UNWARRANTED AND UNJUSTIFIED REWARD-Rs. 4,266,749 (PARA 1.4, PAGE 6-SAR-TRR).

PAC DIRECTIVE

The PAO admitted the audit findings and promised to take action for the recovery of objected amount, and also take action against the staff responsible. The Committee desired compliance report within one month.

- 4.11 NON-ASSESSMENT OF GOVERNMENT DUES DUE TO GRANT OF INADMISSIBLE EXEMPTION FROM CUSTOMS DUTY-Rs. 3,875,811.  
(PARA 1.5, PAGE 7-SAR-TRR).

PAC DIRECTIVE

The PAO up-held the audit observation mentioned in the para. He promised to fix responsibility and take action against the person(s) responsible, for the substantial loss of revenue to the public exchequer and report to the Committee within one month. The Committee, however, directed the Department to seek legal advice; whether the recovery case could be re-opened at this stage or some out of court settlement could be managed.

- 4.12 BLOCKADE OF GOVERNMENT REVENUE-Rs. 244,658,469.  
(PARA 2.1, PAGE 13-SAR-TRR).

PAC DIRECTIVE

Finding difference of basic facts in the presentations of the CBR and the Audit, the Committee deferred the para till the next meeting and directed the Department to reconcile the facts and figures with the Audit.

- 4.13 SHORT-ASSESSMENT OF CENTRAL EXCISE DUTY-Rs. 2,935,678.  
(PARA 2.3, PAGE 14-SAR-TRR).

PAC DIRECTIVE

The PAO admitted the Audit's findings and considered it a case of

culpable negligence. He promised to examine the matter personally with a view to take action for the recovery of the amount involved and take action against person(s) responsible. The Committee desired compliance report within one month.

- 4.14 SHORT-ASSESSMENT OF CENTRAL EXCISE DUTY AND SALES TAX DUE TO UNDER-VALUATION-Rs. 2,586,836.  
(PARA 2.4, PAGE 15-SAR-TRR).

PAC DIRECTIVE

The Committee directed the PAO to prepare a report on the progress of recovery of the adjudicated amount and submit the same to the PAC within 15 days.

- 4.15 DEFALCATION OF SALES TAX-Rs. 4,599,787.  
(PARA 3.1, PAGE 16-SAR-TRR).

PAC DIRECTIVE

The Department apprised the Committee that the objected amounts have been recovered and action against persons responsible is underway. The Committee directed the Department to provide the required facts and figures to the Audit Department for verification within 15 days and report to the PAC accordingly.

**Note:** Addition/amendment is at Sl. No. 4.76

- 4.16 BLOCKADE OF SALES TAX REVENUE-Rs. 115,285,016.  
(PARA 3.2, PAGE 17-SAR-TRR).

PAC DIRECTIVE

The Committee directed the Department to get the recovered amount verified and furnish facts report on the "Recoveries under Process" to the Audit and to evolve some monitoring system to expedite finalization/adjudication of subjudiced cases and report to the PAC within one month.

- 4.17 NON-REALIZATION OF SALES TAX-Rs. 4,360,325.  
(PARA 3.5, PAGE 19-SAR-TRR).

PAC DIRECTIVE

The Committee directed the Department to take measures for recovery of balance amount and take action against persons responsible for non-realization of sales tax and submit progress report to the PAC within one month.

- 4.18 SHORT-ASSESSMENT OF DEVELOPMENT SURCHARGE-Rs. 12,861,426.  
(PARA 4.1, PAGE 22-SAR-TRR).

PAC DIRECTIVE

The Committee directed the PAO to take up the matter personally, in consultation with the Ministry of Petroleum & the Law Division, to resolve the issue. The PAO promised to pursue the case and report the outcome to the PAC within one month.

- 4.19 NON-ASSESSMENT OF SURCHARGE OF Rs. 70.05 MILLION.  
(PARA 5.1, PAGE 23-SAR-TRR).

PAC DIRECTIVE

The Committee directed the PAO to approach M/o Law for its opinion to resolve the matter and submit a report on the latest position to the PAC for re-examination of the case.

- 4.20 UNDER-ASSESSMENT OF TAX OF Rs. 9,277 MILLION DUE TO GRANT OF INADMISSIBLE EXEMPTION.  
(PARA 5.3, PAGE 3-SAR-TRR).

PAC DIRECTIVE

On presentation of the above para, the PAC settled the amount of Rs. 8.728 million on the ground that the public company (under consideration) was legally entitled to invest in KDCs and profit on KDCs purchased before 1990 was exempted. However, the Committee deferred the issue regarding recovery of the balance amount (Rs. 504,000) till the decision on assessee's appeal by the CIT.

- 4.21 NON-ASSESSMENT OF TAX OF Rs. 2.229 MILLION DUE TO NON-FINALIZATION OF ASSESSMENT U/S 80C.  
(PARA 5.4, PAGE 24-SAR-TRR).

PAC DIRECTIVE

The Committee directed the PAO to expedite recovery against the case (Rs. 2.690m) that has already been charged, pursue the other case (Rs 0.883 million) pending in the Supreme Court, for earlier settlement and report to the PAC accordingly.

- 4.22 NON-SHORT ASSESSMENT OF ADDITIONAL TAX OF Rs. 0.61 MILLION (PARA 5.5, PAGE 26-SAR-TRR).

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

- 4.23 NON-ASSESSMENT OF INCOME TAX OF Rs. 4.730 MILLION DUE TO NON-INVOKING OF PROVISIONS OF SECTION 52.  
(PARA 5.6, PAGE 27-SAR-TRR).

PAC DIRECTIVE

On recommendation by the Audit the PAC settled the two cases subject to verification of the facts by the Audit. Regarding the third case, the Committee directed the Department to finalize the re-assessment of the proposed tax which was charged but the demand so raised had been set aside by CIT (A).

- 4.24 EVASION OF TAX OF Rs. 6.581 MILLION.  
(PARA 5.7, PAGE 27-SAR-TRR).

PAC DIRECTIVE

The Committee directed the PAO to reconcile the issue with the Audit and report to the Committee within one month.

AUDIT REPORT (DIRECT TAXES)(VOL-IV-1996-97)4.25 NON-VERIFICATION OF RECOVERIES FROM AUDIT

- i) PARA 3.3, PAGE 18-ARDT-AMOUNT Rs. 9,157,407.
- ii) PARA 3.4, PAGE 20-ARDT-AMOUNT Rs. 380,446.
- iii) PARA 3.5, PAGE 24-ARDT-AMOUNT Rs. 173,673.
- iv) PARA 3.6, PAGE 27-ARDT-AMOUNT Rs. 502.
- v) PARA 5.1, PAGE 38-ARDT-AMOUNT Rs. 495,937.
- vi) PARA 5.2, PAGE 55-ARDT-AMOUNT Rs. 318,369.
- vii) PARA 5.3, PAGE 61-ARDT-AMOUNT Rs. 544,080.
- viii) PARA 5.6, PAGE 76-ARDT-AMOUNT Rs. 3,304.
- ix) PARA 5.12, PAGE 101-ARDT-AMOUNT Rs. 1,343,819.
- x) PARA 5.17, PAGE 124-ARDT-AMOUNT Rs. 519,876.
- xi) PARA 5.20, PAGE 133-ARDT-AMOUNT Rs. 80,021.
- xii) PARA 5.21, PAGE 139-ARDT-AMOUNT Rs. 4,620.
- xiii) PARA 6.9, PAGE 173-ARDT-AMOUNT Rs. 92,231.
- xiv) PARA 7.1, PAGE 177-ARDT-AMOUNT Rs. 2,526,516.
- xv) PARA 7.4, PAGE 186-ARDT-AMOUNT Rs. 23,666.
- xvi) PARA 7.18, PAGE 214-ARDT-AMOUNT Rs. 18,582.
- xvii) PARA 7.19, PAGE 219-ARDT-AMOUNT Rs. 38,597.
- xviii) PARA 8.2, PAGE 229-ARDT-AMOUNT Rs. 21,063.
- xix) PARA 9.2, PAGE 236-ARDT-AMOUNT Rs. 2,259,831.
- xx) PARA 9.3, PAGE 237-ARDT-AMOUNT Rs. 261,850.
- xxi) PARA 9.4, PAGE 240-ARDT-AMOUNT Rs. 24,000.

PAC DIRECTIVE

On presentation of the above mentioned 21 cases wherein recoveries (Rs. 18.324 million) were reported to have been made by the Executive, the Committee settled these cases subject to verification by the Audit. The Committee also directed the PAO to make some standing arrangements, after consultation with the Auditor General, to resolve all pending cases, involving reconciliation of figures or verification of record, with the Audit at departmental level so that only disputed cases should come before the PAC.

4.26 NON-RECOVERY OF TAX IN CASES ACCEPTED BY THE EXECUTIVE

- i) PARA 3.3, PAGE 18-ARDT-AMOUNT Rs. 100,518,647.
- ii) PARA 3.4, PAGE 20-ARDT-AMOUNT Rs. 33,452,241.
- iii) PARA 3.5, PAGE 24-ARDT-AMOUNT Rs. 7,964,480.
- iv) PARA 3.6, PAGE 27-ARDT-AMOUNT Rs. 8,619,115.
- v) PARA 4.1, PAGE 31-ARDT-AMOUNT Rs. 9,728,823.
- vi) PARA 4.3, PAGE 34-ARDT-AMOUNT Rs. 16,825,189.
- vii) PARA 4.5, PAGE 36-ARDT-AMOUNT Rs. 44,551.
- viii) PARA 5.1, PAGE 38-ARDT-AMOUNT Rs. 137,545,582.
- ix) PARA 5.2, PAGE 55-ARDT-AMOUNT Rs. 2,892,627.
- x) PARA 5.3, PAGE 61-ARDT-AMOUNT Rs. 23,170,013.
- xi) PARA 5.4, PAGE 72-ARDT-AMOUNT Rs. 16,336,711.
- xii) PARA 5.6, PAGE 76-ARDT-AMOUNT Rs. 6,937,630.
- xiii) PARA 5.8, PAGE 86-ARDT-AMOUNT Rs. 2,600,265.
- xiv) PARA 5.9, PAGE 92-ARDT-AMOUNT Rs. 20,976,334.
- xv) PARAS 5.10, PAGE 94-ARDT-AMOUNT Rs. 327,187.
- xvi) PARA 5.12, PAGE 101-ARDT-AMOUNT Rs. 6,816,154.
- xvii) PARA 5.13, PAGE 113-ARDT-AMOUNT Rs. 5,335,981.
- xviii) PARA 5.14, PAGE 115-ARDT-AMOUNT Rs. 14,301,664.
- xix) PARA 5.15, PAGE 116-ARDT-AMOUNT Rs. 145,193.
- xx) PARA 5.16, PAGE 119-ARDT-AMOUNT Rs. 7,521,202.
- xxi) PARA 5.17, PAGE 124-ARDT-AMOUNT Rs. 295,166.
- xxii) PARA 5.18, PAGE 127-ARDT-AMOUNT Rs. 890,502.
- xxiii) PARA 5.19, PAGE 129-ARDT-AMOUNT Rs. 467,666.
- xxiv) PARA 5.20, PAGE 133-ARDT-AMOUNT Rs. 1,429,011.
- xxv) PARA 5.21, PAGE 139-ARDT-AMOUNT Rs. 2,551,051.
- xxvi) PARA 5.22, PAGE 140-ARDT-AMOUNT Rs. 140,000.
- xxvii) PARA 5.23, PAGE 143-ARDT-AMOUNT Rs. 2,402,634.
- xxviii) PARA 5.24, PAGE 145-ARDT-AMOUNT Rs. 2,216,641.
- xxix) PARA 5.26, PAGE 149-ARDT-AMOUNT Rs. 1,669,155.
- xxx) PARA 5.27, PAGE 151-ARDT-AMOUNT Rs. 218,185.
- xxxi) PARA 5.28, PAGE 153-ARDT-AMOUNT Rs. 1,151,630.
- xxxii) PARA 5.30, PAGE 155-ARDT-AMOUNT Rs. 204,141.
- xxxiii) PARA 5.31, PAGE 158-ARDT-AMOUNT Rs. 681,776.
- xxxiv) PARA 5.33, PAGE 162-ARDT-AMOUNT Rs. 44,773.
- xxxv) PARA 5.35, PAGE 164-ARDT-AMOUNT Rs. 135,562.
- xxxvi) PARA 7.1, PAGE 177-ARDT-AMOUNT Rs. 64,148,986.
- xxxvii) PARA 7.2, PAGE 181-ARDT-AMOUNT Rs. 5,141,341.

- xxxviii) PARA 7.4, PAGE 186-ARDT-AMOUNT Rs.13,104.  
 xxxix) PARA 7.6, PAGE 188-ARDT-AMOUNT Rs.9,982,315.  
 xxxx) PARA 7.7, PAGE 197-ARDT-AMOUNT Rs. 13,533.  
 xxxxi) PARA 7.8, PAGE 199-ARDT-AMOUNT Rs.92,727.  
 xxxxii) PARA 7.9, PAGE 200-ARDT-AMOUNT Rs.4,320,000.  
 xxxxiii) PARA 7.10, PAGE 206-ARDT-AMOUNT Rs.29,927.  
 xxxxiv) PARA 7.11, PAGE 207-ARDT-AMOUNT Rs.86,032.  
 xxxxv) PARAS 7.12, PAGE 209-ARDT-AMOUNT Rs. 21,960.  
 xxxxvi) PARAS 7.13, PAGE 210-ARDT-AMOUNT Rs. 29,219.  
 xxxxvii) PARA 7.14, PAGE 210-ARDT-AMOUNT Rs. 16,012.  
 xxxxviii) PARA 7.16, PAGE 211-ARDT-AMOUNT Rs. 93,368.  
 xxxix) PARA 7.17, PAGE 211-ARDT-AMOUNT Rs. 179,399.  
 xl) PARA 7.18, PAGE 214-ARDT-AMOUNT Rs. 4,292,734.  
 xli) PARA 7.19, PAGE 219-ARDT-AMOUNT Rs. 994,267.  
 xlii) PARA 7.20, PAGE 226-ARDT-AMOUNT Rs. 8,875.  
 xliii) PARA 8.2, PAGE 229-ARDT-AMOUNT Rs. 17,145,762.  
 xliv) PARA 8.3, PAGE 233-ARDT-AMOUNT Rs. 45,802.  
 xlv) PARA 9.2, PAGE 236-ARDT-AMOUNT Rs. 4,401,499.  
 xlvi) PARA 9.3, PAGE 237-ARDT-AMOUNT Rs. 2,949,423.  
 xlvii) PARA 9.4, PAGE 240-ARDT-AMOUNT Rs. 100,000.

#### PAC DIRECTIVE

In the above mentioned 57 paras involving recovery of tax revenue amounting to Rs. 550.664 million, the CBR had accepted the Audit's view point but progress of recovery was not reported. The PAC directed the PAO to expedite recoveries in all these cases and submit progress report, after verification by the Audit, to the PAC within one month. The Chairman CBR promised to expedite the recovery in the above mentioned cases. He also promised to make (as desired by the Committee in earlier discussion) standing arrangements, after consultation with the Auditor General, to resolve the cases, wanting verification or reconciliation of facts and figures, with the Audit at departmental level so that only significant and disputed cases should come before the PAC in future.

4.27 NON-VERIFICATION OF DEPARTMENTAL REPLIES/CONTENTIONS

- i) NO. OF PARAS 3.3, PAGE 18-ARDT-AMOUNT Rs.29,930,377.
- ii) NO. OF PARAS 3.4, PAGE 20-ARDT-AMOUNT Rs.57,834,398.
- iii) NO. OF PARAS 3.5, PAGE 24-ARDT-AMOUNT Rs.3,577,858.
- iv) NO. OF PARAS 3.6, PAGE 27-ARDT-AMOUNT Rs.2,081,911.
- v) NO. OF PARAS 4.1, PAGE 31-ARDT-AMOUNT Rs.1,299,983.
- vi) NO. OF PARAS 4.3, PAGE 34-ARDT-AMOUNT Rs.1,478,292.
- vii) NO. OF PARAS 4.4, PAGE 35-ARDT-AMOUNT Rs.375,827.
- viii) NO. OF PARAS 5.1, PAGE 38-ARDT-AMOUNT Rs.272,730,462.
- ix) NO. OF PARAS 5.2, PAGE 55-ARDT-AMOUNT Rs.212,395,857.
- x) NO. OF PARAS 5.3, PAGE 61-ARDT-AMOUNT Rs.4,348,331.
- xi) NO. OF PARAS 5.6, PAGE 76-ARDT-AMOUNT Rs.15,125,606.
- xii) NO. OF PARAS 5.7, PAGE 85-ARDT-AMOUNT Rs.24,150,124.
- xiii) NO. OF PARAS 5.8, PAGE 86-ARDT-AMOUNT Rs.20,429,553.
- xiv) NO. OF PARAS 5.9, PAGE 92-ARDT-AMOUNT Rs. 74,246.
- xv) NO. OF PARAS 5.10, PAGE 94-ARDT-AMOUNT Rs.18,976,081.
- xvi) NO. OF PARAS 5.11, PAGE 100-ARDT-AMOUNT Rs.18,722,175.
- xvii) (PARA 5.12, PAGE 101-ARDT-AMOUNT Rs.7,423,294.
- xviii) (PARA 5.13, PAGE 113-ARDT-AMOUNT Rs.9,282,252.
- xix) (PARA 5.15, PAGE 116-ARDT-AMOUNT Rs.12,987,015.
- xx) (PARA 5.16, PAGE 119-ARDT-AMOUNT Rs.2,226,765.
- xxi) (PARA 5.17, PAGE 124-ARDT-AMOUNT Rs.714,157.
- xxii) (PARA 5.18, PAGE 127-ARDT-AMOUNT Rs. 5,598,109.
- xxiii) (PARA 5.19, PAGE 129-ARDT-AMOUNT Rs.4,628,608.
- xxiv) (PARA 5.20, PAGE 133-ARDT-AMOUNT Rs.2,016,631.
- xxv) (PARA 5.21, PAGE 139-ARDT-AMOUNT Rs.98,219.
- xxvi) (PARA 5.22, PAGE 140-ARDT-AMOUNT Rs.2,498,323.
- xxvii) (PARA 5.23, PAGE 143-ARDT-AMOUNT Rs.19,113.
- xxviii) (PARA 5.24, PAGE 145-ARDT-AMOUNT Rs. 190,020.
- xxix) (PARA 5.25, PAGE 148-ARDT-AMOUNT Rs.1,972,785.
- xxx) (PARA 5.27, PAGE 151-ARDT-AMOUNT Rs.1,203,068.
- xxxi) (PARA 5.29, PAGE 154-ARDT-AMOUNT Rs. 1,051,794.
- xxxii) (PARA 5.30, PAGE 155-ARDT-AMOUNT Rs. 769,217.
- xxxiii) (PARA 5.31, PAGE 158-ARDT-AMOUNT Rs.116,261.
- xxxiv) (PARAS 5.33, PAGE 162-ARDT-AMOUNT Rs.392,093.
- xxxv) (PARA 5.34, PAGE 163-ARDT-AMOUNT Rs.237,173.
- xxxvi) (PARA 5.36, PAGE 165-ARDT-AMOUNT Rs.104,484.
- xxxvii) (PARA 6.1, PAGE 167-ARDT-(PROCEDURAL).

- xxxviii)(PARA 6.2, PAGE 168-ARDT-(PROCEDURAL).  
 xxxix)(PARA 6.3, PAGE 169-ARDT-(PROCEDURAL).  
 xxxx)(PARA 6.5, PAGE 169-ARDT-(PROCEDURAL).  
 xxxxi)(PARA 6.8, PAGE 172-ARDT-(PROCEDURAL).  
 xxxxii)(PARA 6.10, PAGE 174-ARDT-(PROCEDURAL).  
 xxxxiii)(PARA 7.1, PAGE 177-ARDT-AMOUNT Rs.37,765,791.  
 xxxxiv)(PARA 7.2, PAGE 181-ARDT-AMOUNT Rs.301,310.  
 xxx xv)(PARAS 7.3, PAGE 184-ARDT-AMOUNT Rs.400,598.  
 xxxxvi)(PARA 7.5, PAGE 187-ARDT-AMOUNT Rs.294,027.  
 xxxxvii)(PARA 7.6, PAGE 188-ARDT-AMOUNT Rs.295,743.  
 xxxxviii)(PARA 7.7, PAGE 197-ARDT-AMOUNT Rs.1,747,591.  
 xxxxix)(PARA 7.8, PAGE 199-ARDT-AMOUNT Rs.1,761,982.  
 xl) (PARA 7.9, PAGE 200-ARDT-AMOUNT Rs.883,741.  
 xli) (PARA 7.11(f), PAGE 288, AMOUNT Rs.3,356.  
 xlii) (PARA 7.16, PAGE 211-ARDT-AMOUNT Rs.26,364.  
 xliii)(PARA 7.19, PAGE 219-ARDT-AMOUNT Rs.9,737.  
 xliv) (PARAS 7.22 TO 7.25, PAGES 227-228-(PROCEDURAL)  
 xlv) (PARA 8.2, PAGE 229-ARDT-AMOUNT Rs.11,695,653.  
 xlvi) (PARA 9.2, PAGE 236-ARDT-AMOUNT Rs.2,964,859.  
 xlvii)(PARA 9.3, PAGE 237-ARDT-AMOUNT Rs.7,123,436.  
 xlviii)(PARA 9.4, PAGE 240-ARDT-AMOUNT Rs.449,250.

#### PAC DIRECTIVE

On the presentation of above mentioned 58 paras by the Audit regarding non-verification of departmental replies/ contentions, the PAC directed the PAO to take up these cases through the previously agreed standing arrangements. The representatives of the Audit and the CBR will examine these paras, on case to case basis, with a view to determine whether the amount is leviable or not leviable or the action may involve adjudication. Time frame for completion of the work and report to the PAC will be settled jointly by the Audit and the CBR within ten days.

4.28 LOSS OF REVENUE DUE TO LEGAL TIME BAR

- i) (PARA 5.3, PAGE 61-ARDT-AMOUNT Rs.25,594.
- ii) (PARA 5.12, PAGE 101-ARDT-AMOUNT Rs.89,050.
- iii) (PARA 5.16, PAGE 119-ARDT-AMOUNT Rs.3,081,054.
- iv) (PARA 5.17, PAGE 124-ARDT-AMOUNT Rs.6,999,531.
- v) (PARA 5.19, PAGE 129-ARDT-AMOUNT Rs.253,555.
- vi) (PARA 7.21, PAGE 226-ARDT-(PROCEDURAL).
- vii) (PARA 8.2, PAGE 229-ARDT-AMOUNT Rs.136,762.

PAC DIRECTIVE

After hearing the Ministry's reply on the above mentioned 7 paras regarding loss of revenue due to legal time- bar, the PAC directed the PAO to examine all these issues, fix responsibility, take action against the officers/officials whose negligence deprived the government of its revenue at the time of original assessment or thereafter. The Committee also directed the Department to evolve a mechanism, for future, to ensure timely action to avoid loss to the public exchequer due to the reasons of legal time bar.

4.29 BLOCKADE OF REVENUE DUE TO NON-FINALIZATION OF RE-ASSESSMENT PROCEEDINGS IN SET-ASIDE CASES.

- i) (PARA 3.3, PAGE 18-ARDT-AMOUNT Rs.684,601.
- ii) (PARA 5.1, PAGE 38-ARDT-AMOUNT Rs.2,084,646.
- iii) (PARA 5.3, PAGE 61-ARDT-AMOUNT Rs.18,671,027.
- iv) (PARA 5.4, PAGE 72-ARDT-AMOUNT Rs.24,273,159.
- v) (PARA 5.6, PAGE 76-ARDT-AMOUNT Rs.8,346,993.
- vi) (PARA 5.17, PAGE 124-ARDT-AMOUNT Rs.2,944,358.
- vii) (PARA 7.11, PAGE 207-ARDT-AMOUNT Rs.11,526.
- viii) (PARA 8.2, PAGE 229-ARDT-AMOUNT Rs.245,107.

PAC DIRECTIVE

On presentation of the above mentioned 8 paras regarding blockade of revenue due to non-finalization of re-assessment proceedings in the set-aside cases, the Committee directed the Department to examine all these cases with a view to expedite

the process of re-assessment and recover the mentioned revenue as early as possible, avoiding them to be time-barred.

#### 4.30 BLOCKADE OF REVENUE IN SUBJUDICE CASES

- i) PARA 5.2, PAGE 55-ARDT-AMOUNT Rs.191,548.
- ii) PARA 5.4, PAGE 72-ARDT-AMOUNT Rs.180,240.
- iii) PARA 5.12, PAGE 101-ARDT-AMOUNT Rs.1,233,151.
- iv) PARA 5.18, PAGE 127-ARDT-AMOUNT Rs.459,300.
- v) PARA 5.20, PAGE 133-ARDT-AMOUNT Rs.11,000.
- vi) PARA 7.1, PAGE 177-ARDT-AMOUNT Rs.5,122,000.
- vii) PARA 7.4, PAGE 186-ARDT-AMOUNT Rs.205,401.
- viii) PARA 7.6, PAGE 188-ARDT-AMOUNT Rs.943,269.
- ix) PARA 8.2, PAGE 229-ARDT-AMOUNT Rs.56,480.

#### PAC DIRECTIVE

The PAC directed the Department to keep record of the subjudice cases in the format circulated earlier to ensure effective follow-up of the court proceedings. The Committee also directed to expedite all the subjudice cases pending at different levels and report to the Committee within one month.

#### 4.31 NON-REALIZATION OF REVENUE IN PENDING/NO RESPONSE CASES

- i) PARA 3.3, PAGE 18-ARDT-AMOUNT Rs.8,264,811.
- ii) PARA 3.4, PAGE 20-ARDT-AMOUNT Rs.8,153,485.
- iii) PARA 3.5, PAGE 24-ARDT-AMOUNT Rs.1,582,865.
- iv) PARA 3.6, PAGE 27-ARDT-AMOUNT Rs.5,846.
- v) PARA 4.3, PAGE 34-ARDT-AMOUNT Rs.44,873.
- vi) PARA 5.1, PAGE 38-ARDT-AMOUNT Rs.500,500.
- vii) PARA 5.3, PAGE 61-ARDT-AMOUNT Rs.913,807.
- viii) PARA 5.4, PAGE 72-ARDT-AMOUNT Rs.375,826.
- ix) PARA 5.12, PAGE 101-ARDT-AMOUNT Rs.5,686.
- x) PARA 5.32, PAGE 161-ARDT-AMOUNT Rs.540,719.
- xi) PARA 6.6, PAGE 171-ARDT-(PROCEDURAL).
- xii) PARA 7.1, PAGE 177-ARDT-AMOUNT Rs.902,000.
- xiii) PARA 7.2, PAGE 181-ARDT-AMOUNT Rs.362,271.
- xiv) PARA 8.2, PAGE 229-ARDT-AMOUNT Rs.662,189.
- xv) PARA 9.2, PAGE 236-ARDT-AMOUNT Rs.31,788,970.

- xvi) PARA 9.3, PAGE 237-ARDT-AMOUNT Rs.82,250.  
 xvii) PARA 9.4, PAGE 240-ARDT-AMOUNT Rs.273,225.

PAC DIRECTIVE

After hearing the departmental reply on the above mentioned 17 paras, the PAC directed the Department to take measures for earlier realization of revenue from the cases pointed out by the Audit and take action against person(s) responsible in cases where lapses are on the part of the Department.

- 4.32 UNDER-ASSESSMENT OF TAX DUE TO GRANT OF INADMISSIBLE TAX CREDIT ON MBR-Rs.10,046,670.  
(PARA 4.2, PAGE 33-ARDT).

PAC DIRECTIVE

The PAC directed the PAO to examine the issue, fix responsibility, take action against the person(s) responsible for under assessment of the taxed amount and report to the Committee within one month.

- 4.33 NON-REALIZATION OF TAX ON PAYMENTS IN THE NATURE OF COMMISSION-Rs. 9,403,508.  
(PARA 5.1 (xvii), PAGES 38-47-ARDT).

PAC DIRECTIVE

The Department contended that the objected amount was not deductible under Section 50(4) of the Income Tax Ordinance, therefore, the audit observation is not appropriate. The Committee directed the PAO to examine the issue in the light of judgement (referred by the Department to support its argument) passed by the Income Tax Appellate Tribunal (ITAT) and submit findings to Mr. Irtiza Hussain, Member Ad-hoc PAC, for his consideration.

- 4.34 i) UNDER-ASSESSMENT OF TAX DUE TO EXCESS GRANT OF DEPLETION ALLOWANCE-Rs. 38,346,718.  
(PARA 5.5, PAGE 75-ARDT).
- ii) UNDER-ASSESSMENT OF TAX DUE TO GRANT OF EXCESS TAX RELIEF-Rs. 769,217.  
(PARA 5.30, PAGE 155-ARDT).

PAC DIRECTIVE

The Department contended the audit objection, contained in the above mentioned paras, seeking support from some decisions of the Income Tax Appellate Tribunal (ITAT) on the subject. The PAC directed the Department to provide the respective judgements of the ITAT, to the Audit for verification.

- 4.35 UNDER-ASSESSMENT OF WEALTH TAX DUE TO INCORRECT DETERMINATION OF BREAK-UP VALUE OF SHARES-Rs. 592,832.  
(PARA 7.9(G), PAGES 200-204-ARDT).

PAC DIRECTIVE

The para was disputed between the Audit and the Department on the basis of legal precedents. The Committee directed the Department to present the respective decisions of the Appellate Tribunal to the Audit and resolve the issue, jointly, in the light of decisions of judicial authorities and report to the Committee within one month.

- 4.36 NON-CREDIT OF WEALTH TAX TO GOVERNMENT ACCOUNT PAID THROUGH BACK DRAFT FOR Rs. 38,250.  
(PARA 7.15, PAGE-211-ARDT).

PAC DIRECTIVE

The PAC directed the PAO to examine the issue, fix responsibility, take action against the person(s) responsible for non-credit of wealth tax to the government account and report to the Committee within one month.

4.37 A CASE STUDY ON MIS-REPORTING TAX COLLECTION (CHAPTER 10, PAGES 242-256-ARDT)

PAC DIRECTIVE

While examining the Case Study, the Committee felt that as a result of irresponsible conduct like "mis-reporting of tax Collection", the taxation Department has lost its credibility. To improve credibility and efficiency of the Department it needs to pass through institutional changes. The Committee concluded by directing the PAO to streamline the tax assessment and collection procedures and improve the accounting system with the help of information technology and the expertise from the private sector, if so required. The Committee also directed to examine the lapses pointed out in the case study, take action against persons found guilty of culpable negligence and report to PAC within one month.

4.38 ACTIONABLE POINTS OF AUDIT REPORT DIRECT TAXES (VOL-IV-1993-94)

PAC DIRECTIVE

On presentation of the actionable points for the year 1993-94 by the Audit, the Committee felt that the Department was not adequately prepared and up-dated, therefore, the PAO was directed to take action on different issues in the light of directives of the defunct PAC and report to the Committee in its next meeting.

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ACTIONABLE POINTS: MEETING ON 21 & 22-12-2000

AUDIT REPORT (CIVIL) (VOL-I-1996-97)

4.39 IRREGULAR AND UNAUTHORIZED PROVISION OF AIR CONDITIONERS WORTH RS.123,840 TO NON ENTITLED OFFICERS (PARA 1, PAGE 41-ARCW-96-97)

Audit pointed out that in Central Board of Revenue, 28 air conditioners were purchased for Rs.247,680 and installed in the rooms of the officers

of BPS-21 and above, two in the Committee rooms, one in telephone exchange and fourteen in the rooms of other non entitled officials. In terms of Finance Division O.M. No.F-3(4)/R-1/83 dated 8-12-1983 only the officers of BPS-21 and above were entitled for the facility of A.C. fitted rooms. Thus the expenditure of Rs.123,840 incurred on the purchase of 14 air conditioners was irregular and unauthorized.

The Department apprised the Committee that the said air conditioners were not purchased but were taken from the field offices, on loan basis, for installation in computer rooms. The same were later on removed.

#### PAC DIRECTIVE

The Committee directed the Principal Accounting Officer to satisfy the Audit on the issue and provide all the record/information for verification of the facts.

#### 4.40 MISUSE OF GOVERNMENT MONEY AND UNNECESSARY DRAWAL OF RS.200,000 (PARA 2, PAGE 41-AR)

Audit pointed out that in Central Board of Revenue, under Ministry of Finance, Rs.200,000 were drawn on 30-6-1991 out of which Rs.72,058 were spent in the next financial year on air tickets payment, tuition fee and entertainment etc. No transaction was found recorded in the cash book at the time of Audit. The amount was drawn without any requirement and just to avoid the lapse of funds. The drawal of public funds and its utilization in next year was against the provision of GFR-96 and FTR-77.

The Department informed the Committee that against advance of Rs.200,000 the expenditure of Rs.152,065/95 was incurred on training within two months of drawal of advance. Unspent balance of Rs.47,934/05 was deposited into Government Account. The position was explained to Audit for adjustment vide sanction No.11(19)Admn-1/90 dated 13th July, 1992.

PAC DIRECTIVE

The Committee directed the Department that such practice should not be repeated in future. The Committee further directed to get regularized the drawal of the said amount from the Finance Division.

4.41 NON-DISPOSAL OF 10 CONDEMNED VEHICLES LYING SINCE 1989  
(PARA 3, PAGE 42-AR).

Audit pointed out that in Collectorate of Central Excise and Sale Tax (HQ) Karachi under Central Board of Revenue, it was observed that ten vehicles were declared condemned in July, 1989 but these are still lying with the Department. Their condition is deteriorating day by day due to mismanagement causing loss to the Government.

The Department informed the Committee that seven out of ten vehicles have been auctioned, other three have been referred to the Ministry of Industries (Disposal Wing) for disposal.

PAC DIRECTIVE

The Committee observed that if CBR had a well established system to dispose off confiscated vehicles why it could not dispose off its own condemned vehicles and directed the Department to auction the remaining vehicles as early as possible to avoid further loss of their value.

- 4.42 i) IRREGULAR EXPENDITURE OF RS.737,807 ON PURCHASE OF VARIOUS ITEMS BY SPLITTING UP SANCTIONS  
(PARA 7, PAGE 44-AR)
- ii) IRREGULAR/UNAUTHORIZED EXPENDITURE OF RS.518,435 ON ACCOUNT OF REPAIR OF MACHINERY AND EQUIPMENT  
(PARA 8, PAGE 44-AR)
- iii) RECOVERY OF RS.183,412 FOR MISUSE OF OFFICIAL VEHICLES  
(PARA 11, PAGE 45-AR)

PAC DIRECTIVE

On the presentation of above mentioned three paras, the Committee felt satisfaction on the actions (recoveries/regularization) taken by the Department and settled the audit observations subject to verification of facts by the Audit.

AUDIT REPORT INDIRECT TAXES (VOL III-1996-97)

4.43 NON-REALIZATION OF CUSTOM DUES DUE TO GRANT OF IRREGULAR EXEMPTION  
RS.19,851,292  
(PARA 3.1(B), PAGES 17-18-AR-IDT)

Audit pointed out that Certain plant and machinery not being manufactured locally were either exempt from customs duty on their import or were subject to concessionary rates of duty. Two such items, humidification plant and chilling plants were the items being manufactured in the country as mentioned in the indicative list of notification dated 30th June, 1988 read with Custom General Order of 18th November, 1991. Their import, therefore, was not exempt from customs dues. The Department allowed clearance of the said goods free of custom dues depriving the government of a revenue of Rs.19,851,292.

The departmental representative informed the Committee that a sum of Rs.3,923,079 has been recovered and verified by the Audit, leaving a balance of Rs.15,928,213 for which efforts for recovery are under way.

PAC DIRECTIVE

The Committee directed the Department to take effective measures to recover the remaining amount (Rs. 15,928,213) in the shortest possible period and get the recovered amount verified from the Audit. The Committee also directed the PAO to examine whether the discretion applied in these cases was in line with general principles and practice or it was exceptional decision reflecting mis-use of authority and take action in the light of his enquiry.

4.44 NON-REALIZATION OF CUSTOM DUES DUE TO IRREGULAR EXEMPTION RS.2,020,153 (PARA 3.1(C), PAGE 19-AR-IDT)

Audit pointed out that Heat Exchanger, Hydraulic Presses and Circuit Breakers imported by certain mills/industries, were incorrectly cleared free of government dues. This led to non-assessment of government dues of Rs.2,020,153.

In a DAC meeting held in the CBR on 27th September, 2000 on the directive of PAC Secretariat, the Department had accepted the irregularity and asked the Collectorate concerned to recover government dues alongwith additional duty (MR53) but before the PAC, the Department contested the Audit's view.

PAC DIRECTIVE

To resolve the controversy on the findings of the DAC the Committee directed the PAO to examine the issue and submit its report in the next meeting of the PAC. The para was treated as deferred.

4.45 NON-REALIZATION OF GOVERNMENT REVENUE DUE TO NON-ENFORCEMENT OF BANK/INSURANCE GUARANTEES AND INDEMNITY BONDS RS.30,290,376 (PARA 3.2 (A), PAGE 20-AR-IDT)

Audit pointed out that imported plant and machinery was exempt from payment of customs dues under government notification dated 14th May, 1992. This exemption was, however, subject to production of installation certificate within one year and in the meantime, exempted dues were required to be secured through indemnity bonds. Certain importers imported plant and machinery and sought clearance free of customs dues under the said notification but they failed to produce installation certificate within the prescribed period. This necessitated enforcement of indemnity bonds to recover the government dues but the Deputy Collector customs Port, Moghalpura, Lahore failed to do so. This deprived the government of a revenue of Rs.30,290,376 in seven cases.

The Departmental representative informed the Committee that the recovery of a sum of Rs.186,308 has been verified by Audit. An amount of Rs.17,542,376 has been regularized by way of production of installation

certificates. The Audit responded that the said recoveries needed verification and the remaining huge amount of Rs. 12,561,702 was yet to be recovered.

PAC DIRECTIVE

The Committee observed that the case reflected misuse of discretionary powers by the conducting staff, incompetence of the supervisory officer(s) and failure of internal control system. The Committee directed the PAO to take measures to recover the remaining amount, improve internal check system and appropriate action against responsible person(s).

Note: Addition/amendment is at Sl.No. 4.82

4.46 NON-ASSESSMENT OF TWO PER CENT ADDITIONAL CUSTOMS DUTY RS.4,833,671  
(PARA 3.5 (A) & (E), PAGE 27-30-AR-IDT)

Audit pointed out that according to Section 10 of the Finance Act, 1991 (as amended), imported goods, other than consumer goods, entered for warehousing in customs bonded warehouses were subject to levy and collection of additional customs duty @ one per cent of their value for the first quarter or part thereof and @ two per cent of their value for the second quarter or part thereof. The levy for both quarters remained in force till amendment through Finance Act, 1996 whereby the levy for the second quarter was withdrawn. These provisions of law were, however, not enforced by the Department, resulting in non-recovery of customs duty of Rs.4,833,671.

PAC DIRECTIVE

The Principal Accounting Officer informed the Committee that the Department had already recovered Rs. 0.7 million on this account. The Committee directed the PAO to take all possible measures to recover the balance amount at the earliest and get it verified from the Audit.

4.47 NON-REALIZATION OF LICENSE FEE RS.6,750,000  
(PARA 4.4, PAGE 55-AR-IDT)

Audit pointed out that under rules 174 and 176 of the Central Excise Rules, 1944, recruiting agents and car dealers were required not to conduct business or services without having a valid license issued by the Central Excise Department. In violation of this requirement, certain recruiting agents and car dealers did not obtain the said license. The Department failed to take cognizance of the lapse, thereby causing non-realization of license fee of Rs.6,750,000 during the year 1990-91 to 1995-96.

Now the Department has recovered a sum of Rs.140,000 from four car dealers. About the remaining cases, it has been contended that the units are not traceable.

PAC DIRECTIVE

After hearing the Ministry's reply on the issue, the Committee directed the Department to make all possible efforts to recover the balance amount and report to the PAC. The Committee also directed the PAO to look into other cases, of similar nature, to bring them in the tax net.

4.48 UN-WARRANTED EXEMPTION FROM CENTRAL EXCISE DUTY RS.5,534,011 (PARA 4.5,  
PAGE 56-AR-IDT)

Audit pointed out that according to notification dated 9th June, 1994 certain detergents were liable to central excise duty @ 10 per cent of the retail price. Sulphonic acid, sulphonate and other active detergent concentrates used as raw material for manufacturing detergents were, however, exempt from central excise duty under notification of even date subject, however, to certain conditions.

A manufacturer in the jurisdiction of the Assistant Collector Central Excise SITE Division, Karachi was allowed to clear 635,000 Kgs of active detergent concentrate from July to September, 1996 without payment of central excise duty. Subsequently, the goods cleared as active detergent

concentrates were found as suitable detergents as per test report of the customs laboratory. The unwarranted exemption from the duty led to non-realization of government revenue of Rs.5,534,011.

The Department informed the Committee that the case is under adjudication since October, 1999.

PAC DIRECTIVE

The Committee directed the Department to make efforts to expedite court proceedings and, if possible, should explore possibilities to resolve the matter out of the court as well, and report the position to PAC.

4.49 SHORT-REALIZATION OF FIXED SALES TAX AND ADDITIONAL TAX RS.23,626,827 (PARA 5.2 (A), PAGE 70-AR-IDT)

Audit pointed out that M/s Lasani Steel Mills, Lahore did not pay fixed amount of sales tax as required. But applied waiver on account of closure of factory which was disallowed by the concerned Deputy Collector, Sales Tax. Notwithstanding this, the Superintendent, Sales Tax Circle, Shahdara failed to demand and recover the amount of sales tax, additional tax and surcharge aggregating Rs.23,626,827.

The Department has since adjudicated the case ordering recovery of sales tax of Rs.9,132,200 (and not Rs.4,979,975 as mentioned in the working paper) plus additional tax and surcharge (to be calculated to the date of payment) as pointed out by the Audit besides penalty of Rs.4,566,100.

PAC DIRECTIVE

The Principal Accounting Officer promised to take disciplinary action against the Superintendent who failed to raise demand pursuant to the orders of the Deputy Collector, Sales Tax. The Committee directed the PAO to examine all related facts, take appropriate action and report to the PAC in one month.

4.50 UNLAWFUL ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX RS.13,091,171  
(PARA 5.3 (A), PAGE 76-AR-IDT)

Audit pointed out that according to notification dated 30th October, 1993 input tax was not admissible in respect of goods acquired otherwise than as stock in trade. The CBR vide their circular No.1(4)GST-I/93 dated 1 November, 1993 clarified that the term stock in trade means goods and commodities which are purchased for sale or for conversion into finished products. Five manufacturers working in the jurisdiction of various circles were allowed inadmissible input tax adjustment on the goods purchased by them otherwise than as stock in trade. This caused short realization of sales tax of Rs.6,502,254 which further attracted additional tax and surcharge of Rs.6,588,917 raising the recoverable to Rs.13,091,171.

The Department has recovered a sum of Rs.4,421,830 while an amount of Rs.3,046,837 on account of additional tax has been waived under general waiver. Further, recovery of tax of Rs.297,050 is reported to be under way.

About the remaining Rs.5,325,454 pertaining to adjustment in respect of empty glass bottles by two beverage companies, the Department initially vacated the show-cause notices during adjudication. This was contested by Audit upon which the executive agreed with Audit and filed an appeal in one case involving Rs.4,555,480 before the Appellate Tribunal. The other case (involving a sum of Rs.769,974) was promised to be examined by the CBR.

PAC DIRECTIVE

The Committee directed the Department to make all possible efforts to effect recovery of Rs.297,050 and pursue the recovery cases pending in the Tribunal; however, settled the issue of Rs.769,974 leaving its pursuance to the CBR under report to the Audit.

4.51 SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNWARRANTED ADOPTION OF FIXED SALES TAX SCHEME-RS.24,173,911 (PARA 5.4 (A&B), PAGE 196-AR)

Audit pointed out that fixed sales tax on machines used for manufacture of nuts, bolts and screws promulgated under notification dated 2nd July, 1995 effective 1995-96 was applicable only to those manufacturers who availed the fixed tax scheme during the preceding year 1994-95 as well. Contrary to this, M/s A.F. Industries, Chunian, under the jurisdiction of the Superintendent, Sales Tax Circle, Chunian, paid fixed tax although the scheme was not applicable to them. The omission caused short-realization of government revenue of Rs.24,173,911.

The latest position is that the case has since been adjudicated ordering recovery of sales tax of Rs.9,373,752 alongwith additional tax/surcharge (to be calculated to the date of payment) besides imposing penalty of Rs.4,686,930. Since the amount adjudged differs from that pointed out by Audit, the difference needs to be reconciled for which necessary record was not produced to Audit.

PAC DIRECTIVE

The Committee directed the Department to pursue the case vigorously to recover the amount from the concerned firms/companies, reconcile the figures with the Audit and report to the PAC within one month.

4.52 SHORT-ASSESSMENT OF DEVELOPMENT SURCHARGES RS.1,986,118 (PARA 6.3, PAGE 98-AR-IDT)

Audit pointed out that the rate of development surcharge on motor gasoline was enhanced from Rs.5.42 to Rs.7.37 per litre w.e.f. 19th January, 1994. Notwithstanding this, the Superintendent, Central Excise, Circle-II, Multan allowed clearances in February, 1994 at the old lower rate. This resulted in short-assessment of government revenue of Rs.1,986,118.

The Department has replied that the amount due to the government has been recovered through adjustment in the account current ledger of the unit concerned.

PAC DIRECTIVE

The Committee after hearing the Ministry's reply settled the para subject to verification by the Audit.

**Note:** Addition/amendment is at Sl.No. 4.83

ACTIONABLE POINTS FOR 1993-94

- 4.53 PARAS 4.10, 4.12(B), 6.6(A)(I), 6.10, 6.14(IV), 6.19 PARTIAL, 5.10, 5.11, 5.15, 5.16, 5.17, 3.3 (S&CG), 3.7 (S&CG), 3.8 (S&CG), 2.3 (R&R) PARTIAL, 2.7 (R&R) PARTIAL, 2.8 (R&R), 2.1 (SS ON TELE) PARTIAL, 3.1 & 3.6 PARTIAL (SS ON TELE), 3.3 (SS ON TELE) AND 3.11 (SS ON TELE)(ITEM 2-AP-93-94)

Audit pointed out that the PAC in its last meeting held on 19.12.1997, directed the Department to produce the record for verification with respect to 39 paras.

PAC DIRECTIVE

The Audit apprised that the recovery/regularization action on 18 paras (out of total 39 paras) had been verified and recommended them for settlement which was approved by the Committee. For the remaining 21 paras (listed above), the Committee directed the Department to ensure production of required record for verification immediately. However, the Committee settled these paras subject to satisfaction of the Audit on the actions taken by the Department and verification thereof.

- 4.54 i) PARA 5.9 (OMB), PAGES 72-123-AR-IDT) (ITEM 3-AP-93-94)  
 ii) PARA 6.4, PAGE 282-AR-IDT)(ITEM 3-AP-1993-94)

These two cases were deferred by the previous PAC due to their being subjudice in the court of law.

The PAO apprised the Committee that an amount of Rs. 4.884 million (total objected amount) had been recovered in case of Para 6.4 and promised to pursue the case of Para 5.9 in the court of law vigorously.

PAC DIRECTIVE

The PAC directed the Department to expedite the case for settlement in the court or out of the court to ensure recovery of the amount (Rs. 39.360 million) at the earliest.

4.55 NON-RECOVERY OF GOVERNMENT DUES RS. 184.085 MILLION  
PARAS 6.1(E), 6.5, 6.6(A)(I) PARTIAL, 6.6(A)(II), 6.18, 6.19 PARTIAL AND  
2.7 PARTIAL (R&R), PAGES 65-175-AR-IDT)(ITEM 4-AP-93-94)

Recovery in respect of 27 Paras, involving Rs. 184.085 million, was pointed out by the Audit in the last PAC meeting where the Department was directed to expedite the recovery.

PAC DIRECTIVE

- A: As a result of PAC-directive, a recovery of Rs. 17.64 million, pertaining to 19 Paras, has been effected and verified by the Audit; the Committee, on the recommendation of the Audit, settled these Paras.
- B: The recovery against above listed 7 Paras was yet outstanding. The Committee directed the PAO to expedite the recovery against these paras. The Committee also directed CBR to present full details of the facts regarding Para 6.5 (Rs. 4.712 m) in the Briefing Session likely to be convened in near future.
- C. (PARA 5.1-OMB) INVOLVING RS. 149,395,674.

Audit had pointed out recovery of duty involving Rs. 149,395,674. The Department contested this amount and now reported that the duty had been recovered @ 30% advalorem in terms of SRO 1076(1)/95, dated 05.11.1995 and that the remaining amount was not due.

PAC DIRECTIVE

The Committee directed the Department to provide the details of rules applicable and other related record, for verification of the facts contested by the CBR, to the Audit within 10 days.

4.55 IDC-REPORT ON 86 PARAS

- a) IDC recommended 43 Paras, involving Rs. 156.800 million, for settlement on following premise, which was accepted by the Committee and paras were settled.
  - i) 35 Paras: On completion of recovery/corrective actions.
  - ii) 01 Paras: In consequence of quasi-judicial proceedings.
  - iii) 07 Paras: On acceptance of departmental contention
- b) IDC proposed 12 paras for settlement subject to verification; reportedly necessary action/recovery has been effected in the respective cases. The Committee settled the paras subject to verification by the Audit.
- c) The IDC reported that 19 paras were conceded by CBR but required action was yet awaited. The Committee desired a detailed report on actions taken against each para and its submission to the PAC after verification by the Audit.
- d) The IDC reported that 3 paras were subjudice. The Committee directed the Department to expedite their settlement.
- e) The remaining 9 paras were recommended by the IDC for discussion in the PAC meetings, directives of the PAC on these paras are recorded against item No. 19 and 20.

4.56 UNDER-ASSESSMENT OF CUSTOMS DUES IN RESPECT OF CONFISCATED GOODS  
RS. 955,139  
(PARA 4.23, PAGE 54-AR-IDT)(ITEM 5-AP-93-94)

Disposal of confiscated goods is required to be made at the prices prescribed by Controller of Valuation. Director General, Pakistan Coast Guards sold confiscated goods in February 1994 at prices lower than the prescribed. This deprived government of revenue of Rs. 955,139.

The Department has replied that the prices of confiscated goods were assessed after detailed physical examination of the goods and that the reasons for low pricing were factors such as multiple handling, goods being without packing, poor quality and delay in disposal.

PAC DIRECTIVE

The Committee, after hearing the Ministry's reply on the issue, settled the para. However, the Committee emphasized the need to evolve a standardized and transparent system for disposal of goods confiscated by the custom Department to eliminate malpractices and corruption.

4.57 UN-AUTHENTIC AND PROVISIONAL ADJUSTMENTS OF CENTRAL EXCISE DUTY BY PTCL  
(PARAS 2.1, 2.2, 2.3, 2.5, 2.8, 2.9, 3.2 AND 3.5 SUBJECT STUDY ON CENTRAL  
EXCISE DUTY ON TELEPHONES PAGES 189-197-AR-IDT)(ITEM 5-AP-93-94)

Audit had pointed out recovery of Rs. 2,836.78 million from PTCL on account of central Excise duty on telecommunication services. The Department recovered a total sum of Rs. 154.979 million which was verified by Audit.

Total amount objected as non/short realized by the Audit was to the tune of Rs. 2836.78 million. As such there was little justification to agree for recovery of only a sum of Rs. 850.000 million in final settlement of all previous audit observations and other outstanding liabilities including for the period ending on 30.06.1998 (which was yet to be audited and the amount due was yet to be determined).

The amount due from the PTCL was actually the amount which it had recovered from its customers on behalf of government and it was legally bound to transmit this amount to the CBR. Its non-recovery from the PTCL is not lawful (Audit contended).

#### PAC DIRECTIVE

The Committee, after detailed discussion on the issue of central excise duty due from Pakistan Telecommunication Corporation Ltd., decided to constitute an Inter Departmental Committee under the Convenership of Chairman CBR and comprising representatives of PTCL, Audit Office, M/o Finance and the M/o Science & Technology to study the issue under contention and submit a report to the PAC within one month. The Committee observed that duties and taxes collected by the agencies responsible for withholding taxes should pay them in full to the Central Board of Revenue strictly within the stipulated time.

#### 4.58 NON-PRODUCTION OF RECORD (PARA 2.3, PAGES 14-19-AR-IDT) (ITEM 6-AP-93-94)

Audit had pointed out that the Auditor-General of Pakistan has authority to acquire, for audit, any book or documents relating to auditable transactions. However, required record relating to 419 units was not provided to the Audit personnel at the time of audit. It was complained that non-production of record was a persistent phenomenon which enabled the departmental functionaries to conceal their inefficiencies or wrongdoings.

In the previous meeting of PAC the committee took serious notice of not providing the record for audit and warned the Department to be careful in future. The Department promised to act according to the directives of previous PAC.

Audit experience is that these instructions are still not being complied with and position of production of records in certain Collectorates is still very poor.

PAC DIRECTIVE

The PAO apprised the Committee that the CBR had issued instructions to all field offices to ensure production of record for audit and warned to take disciplinary action against those who fail to do so. The Committee conveyed its displeasure at non-compliance of PAC directives by the CBR in a number of other cases also.

**Note:** Addition/amendment is at Sl.No. 4.84

4.59 UNDER ASSESSMENT OF CUSTOMS DUTIES DUE TO NON-INCLUSION OF LOADING CHARGES IN IMPORT VALUE RS. 3,156,453  
(PARA 4.5, PAGES 29-30) (ITEM 7-AP-93-94)

Audit pointed out that short assessment of government dues of Rs. 3,156,453 due to under valuation of imported goods was pointed out in September, 1993 and June, 1994. The Department conceded short assessment (in November 1997) and informed that recovery was in progress. The defunct PAC in its meeting formed an IDC to examine the matter.

Now, CBR has reported that valuation slip issued by Controller Valuation for 10% loading had been declared null and void by Customs, Excise and Sales Tax Tribunal, Karachi and that no amount is recoverable from the importer.

PAC DIRECTIVE

The Committee directed the PAO to examine the case to determine the extent of short assessment, if any, and take action accordingly. If he is convinced with the decision of the Tribunal, the Audit may be furnished with respective decision and other related information to settle the issue.

4.60 SHORT REALIZATION OF CUSTOMS DUES CAUSED BY UNDER VALUATION OF IMPORTED GOODS RS. 2,545,814  
(PARA 4.6 (A, B & D), PAGES 30-33-AR-IDT) (ITEM 8-AP-93-94)

Audit pointed out that certain imported goods were cleared by the Department at values less than their prescribed import trade prices as notified for the purpose of assessment of customs dues. The under-valuation led to short realization of government dues of Rs. 2,545,814. The irregularity was admitted by the Department and it reported recovery of Rs. 424,964.

The issue was discussed in the defunct PAC meeting and the Department was directed to examine the case, take action against the concerned officials, recover the balance amount and report to the Committee.

The Department has reported further recovery of Rs. 28,155. Compliance of other aspects of PAC directive is still awaited.

PAC DIRECTIVE

The PAO promised to take action in the light of previous PAC's directive.

- 4.61 i) NON-REALIZATION OF CUSTOMS DUES RS. 1,026,607  
(PARA 4.8, PAGE 37-AR-IDT) (ITEM 9-AP-93-94)
- ii) SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO APPLICATION OF INCORRECT RATE OF DUTY RS. 265,330  
(PARA 4.12(A), PAGE 42-AR-IDT) (ITEM 10-AP-93-94)
- iii) NON-ASSESSMENT OF SALES TAX DUE TO IRREGULAR EXEMPTION RS. 2,935,040  
(PARA 6.23, PAGES 63-92-AR-IDT) (ITEM 11-AP-93-94)

PAC DIRECTIVE

On the presentation of above mentioned three paras, the Committee directed the Department to satisfy the Audit Department on different audit observations. If the audit is satisfied, the paras may be considered settled.

4.62 NON-ASSESSMENT OF FIXED SALES TAX ON POWER DRIVEN LOOMS  
RS. 4,712,162  
(PARA 6.5, PAGE 73-AR-IDT) (ITEM 13-AP-93-94)

Audit had pointed out that the fixed amount of sales tax on power driven looms used for manufacturing of un-processed or grey cloth was levied w.e.f. 18th June 1992, but the Department failed to realize Rs. 4,712,162 on this account.

The defunct PAC in its meeting directed the CBR authorities to submit a comprehensive report to the committee regarding the case.

The CBR has now reported that the Sales Tax Collectorate Multan has been directed to recover the adjudged amount without delay.

PAC DIRECTIVE

The Committee, after hearing the Ministry's reply, directed the PAO to examine the ways & means to recover sales tax on power driven looms without causing law & order disruption. As far the outstanding amount is concerned, the Committee leaves it to the PAO to determine to what extent, and in what manner, the amount can be recovered.

4.63 NON-REALIZATION OF CUSTOMS DUES FROM M/S ASIM FABRICS (PVT) LTD.,  
FAISALABAD  
(PARA 5.2, PAGE 115-AR-IDT) (ITEM 14-AP-93-94)

Audit pointed out that M/s Asim Fabrics (Pvt). Ltd., Faisalabad, obtained a license to operate under Open Manufacturing Bond Scheme. They imported plant & machinery and raw materials free of duties and taxes under the Scheme. They failed to observe conditions of license due to which their license was cancelled but without first realizing the customs dues involved on machinery and raw materials that had been imported free of duties and taxes.

The defunct PAC referred the case to an IDC with the direction to examine the case in detail and take action against concerned officials and report to PAC within two months.

The IDC recommended the CBR to:

- i) expedite action for fixing responsibility, and taking disciplinary action against the defaulting officers/officials who could not recover the government dues before cancellation of the manufacturing bond license, and
- ii) complete action for recovery of the dues involved.

PAC DIRECTIVE

The Committee directed the PAO to take action in the light of IDC recommendations within one month and report to the PAC.

4.64 NON-REALIZATION OF CUSTOMS DUES ON PLANT & MACHINERY AND RAW MATERIALS-RS. 5,836,431. (PARA 5.4, PAGE 203-AR-IDT)(ITEM 15-AP-93-94).

Audit pointed out that non-realization of customs dues of Rs. 5,836,431 from two manufacturing units who violated provisions of Open Manufacturing Bond Scheme. A sum of Rs. 1,039,490 had been realized from one unit while action for recovery of the balance amount of Rs. 2,729,751 from the same unit was stated to be in progress. Regarding the other case, the Department had stated that a contravention case involving customs dues of Rs. 32,820,136 (including the amount pointed out by Audit) had been made out and was under adjudication.

The defunct PAC directed the Department to examine the case and report to the Committee.

The CBR has reported recovery of Rs. 1,740,194 from M/s Altaf Textile Mills whereas remaining amount of Rs. 2,029,047 has been set aside vide Order in Appeal No. 2437/98 dated 02.06.1998.

The other case which pertains to M/s Frontier Dextrose was adjudicated in February, 1998 ordering recovery of government dues. The party went in appeal which is pending for decision with the Customs Central Excise, and Sales Tax Tribunal.

PAC DIRECTIVE

The Committee directed the Department to pursue the case for earlier settlement and get the recovered amounts verified from Audit under intimation to the PAC.

4.65 UNLAWFUL EXEMPTION FROM CUSTOMS DUES ON IMPORTED PLANT & MACHINERY  
RS. 1,218,030  
(PARA 5.6, PAGE 119-AR-IDT)(ITEM 16-AP-93-94)

Audit pointed out that a unit of Multan imported plant and machinery under Open Manufacturing Bond Scheme in 1990. The unit also procured raw materials without payment of taxes did not observe rules framed under the Scheme. The concerned Collector adjudged in October 1993 that customs dues of Rs. 840,021 plus personal penalty of Rs. 100,000 should be recovered from the unit. Out of total dues of Rs. 940,021 the unit paid Rs. 335,000. Audit contended that the penalty in this case should have been at least equal to amount which the unit could have paid had it availed the facility of deferment of customs dues under the rules which worked out to Rs. 378,009 (calculated upto the date of adjudication).

The defunct PAC directed the Department to recover the outstanding amount and settled the para subject to verification by Audit Department.

The CBR has replied that the attachment proceedings are under way.

PAC DIRECTIVE

The Committee directed the Department to expedite the recovery of balance amount without further delay.

4.66 LOSS OF GOVERNMENT REVENUE IN THE THEFT CASE OF GOLD WORTH RS. 6.5 MILLION  
(PARA 3.3(I), PAGES 154-155-AR-IDT)(ITEM 17-AP-93-94)

Audit pointed out that seized gold weighing 23 Kgs worth Rs. 6.5 million was stolen from State Warehouse, Peshawar in 1991.

The defunct PAC constituted a Sub-Committee of the PAC to examine the matter. The Sub-Committee looked into the matter but had not yet finalized its report due to suspension of the National Assembly.

PAC DIRECTIVE

The Committee reviewed the findings/recommendations of the draft report of the Sub-Committee and observed that since the loss could not have taken place without the connivance of concerned staff, considered it a case of criminal negligence. The PAC directed the PAO to hold a fresh inquiry in the light of defunct PAC's Sub-Committee's findings and submit its report along with action taken against officers/officials held responsible, to the PAC within two months.

4.67 UNLAWFUL REFUND OF CENTRAL EXCISE DUTY RS. 9,161,969  
(PARA 3.5, PAGE 179-AR-IDT) (ITEM 4-AP-93-94)

Audit had pointed out that refund of a sum of Rs. 9,161,696 was allowed to M/s Pasrur Sugar Mills which was inadmissible under the law. The Department had informed that the case was subjudice in the Lahore High Court.

The defunct PAC expressed its displeasure on the issue. It further directed the PAO to take summary action against the concerned officer(s) for refunding the indirect taxes to the firm which had collected that tax from consumers on behalf of the Government and pursue the case in the court of law.

PAC DIRECTIVE

The PAO apprised the Committee that the assets of the mill have been seized. He further expressed that the mill is being auctioned with the cooperation of NDFC, Habib Bank and UBL and the disciplinary case against the concerned officer is under process. The Committee directed to expedite said actions and intimate PAC accordingly.

4.68 SHORT-REALIZATION OF CENTRAL EXCISE DUTY RS.21.52 MILLION (PARAS 2.6 & 3.9-CE DUTY ON TELEPHONE, PAGE 191-AR-IDT) (ITEM 5-AP-93-94)

Audit had pointed out that in two paras that M/s PAKTEL Ltd., did not pay central excise duty of Rs. 21.25 million on telephone charges billed/charged to their subscribers.

The Department had reported that the company had been asked to deposit the government dues.

The defunct PAC directed the Department to reconcile the issue within one month and report to the Committee. The committee asked the PAO to review the existing system of collection of central excise duty and take immediate measures to recover the public money.

The Department has now reported that a contravention case demanding duty of Rs. 1,391,938 was framed which has been adjudged, ordering recovery of the said amount alongwith additional duty and penalty of Rs. 10,000. Out of the adjudged amount, a sum of Rs. 463,980 had been reported as recovered.

The position as verified by Audit is that a sum of Rs. 9.417 million was recoverable out of which recovery of Rs. 8.489 million has been made, leaving a balance of Rs. 0.928 million.

The Department has, however, not reported the outcome of review of the system if carried out.

PAC DIRECTIVE

The Committee, after hearing the departmental reply, directed the PAO to submit a report on the outcome of review of the existing system regarding collection of central excise duty within one month to PAC.

ACTIONABLE POINTS OF AUDIT REPORT DIRECT TAXES (VOL-IV-1993-94)

- 4.69 i) SHORT-RECOVERIES/LOSSES ACCEPTED-RS.310.709 MILLION (ITEM 6-AP-93-94)
- ii) OBSERVATION NOT RESPONDED, RS.40.067 MILLION (ITEM 6-AP-93-94)
- iii) LOSS CONTESTED, RS.213.362 MILLION (ITEM 6-AP-93-94)

Audit pointed out that short-recoveries, aggregating Rs. 564.138 million categorized hereunder in terms of compliance.

- a) Short-recoveries accepted (paras 58) Rs.310.709 million
- b) Observation not responded (paras 20) Rs.40.067 million
- c) Loss contested (paras 46) Rs.213.362 million

The defunct PAC constituted an Inter-Departmental Committee, comprising representatives of Finance Division, Audit and CBR, to review the above Audit Paras, finalize its report and submit to the PAC, within three months.

PAC DIRECTIVE

The results of the IDC were reviewed by the Committee and, in the light of IDC findings, settled the amount of Rs. 94.955 million. Regarding the remaining amount and audit observations, the Committee directed the Department to provide the required record for the verification of facts to the Audit within one month and report to the Committee.

- 4.70 i) LOSS OF RS.410,861 DUE TO NON-LEVY OF TAX U/S 80C (PARA 5.7, PAGE 67-AR-DT)(ITEM 2-AP-93-94)
- ii) LOSS OF RS.26,410,398 DUE TO INCORRECT DETERMINATION OF DIVISIBLE INCOME OF THE PARTNERS (PARA 5.12, PAGE 89-AR-DT) (ITEM 2-AP-93-94)

iii) NON-ADDITION OF INADMISSIBLE DEDUCTION/EXPENSES  
AMOUNTING TO RS. 6,167,000 (PARA 5.18(I), PAGE 104-AR-DT)  
(ITEM 4-AP-93-94)

The Audit pointed out losses/short recoveries of Rs. 32,988,259 in the above mentioned paras.

The defunct PAC constituted an IDC to examine the audit observations. The IDC submitted its report on 14.6.1999.

PAC DIRECTIVE

In the light of recommendations of the IDC, the Committee settled the cases regarding para 5.7(i) and 5.12 in view of the verification of record and opinion of Law Division. Regarding para 5.18(i), the Committee settled the para subject to recovery.

4.71 LOSS OF Rs. 1,955,037 DUE TO INADMISSIBLE EXPENSE (FIRE LOSS) (PARA 5.2(VIII), PAGE 58-59-ARDT).

Audit pointed out that loss of Rs. 1,955,037 on account of inadmissible deduction of fire loss of capital assets, to the tune of Rs. 4,335,081.

The defunct PAC conveyed its displeasure on the issue and directed the Department to examine the matter, take action against the officer(s) concerned and report to the Committee within two months. The Committee further instructed the PAO to take all measures to recover the revenue loss.

The Executive has reported that order under section 66-A was passed on 28.1.1998 wherein income of Rs. 3,178,451 was re-assessed after considering the audit para and appeal effect. As a result, revised tax liability worked out to Rs. 1,131,387 plus additional tax of Rs. 270,220 and whole demand of Rs. 1,401,607 has since been recovered.

PAC DIRECTIVE

The Committee, after detailed discussion on the para, directed the PAO to take action against the officer responsible for erroneous assessment and report to the PAC.

4.72 NON-ADDITION OF INADMISSIBLE DEDUCTION/EXPENSES, AMOUNTING TO RS.890,829 (PARA 5.17(I), PAGE 102-AR-DT)(ITEM 3-AP-93-94)

Audit pointed out that in the case of a company (NTN 13-04-3306096), in Circle 04 Companies Zone-II, Karachi, inadmissible expenses on account of salaries of liftman, chowkidar and sweeper, amounting to Rs. 890,829 were claimed against property-income, which were irregularly allowed by the assessing officer.

The defunct PAC in its meeting, held on 16.2.1998 directed the Member (Direct Taxes) to examine the matter, take decision under national interest, and report to PAC within one month.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee settled the para subject to verification of facts by the Audit.

4.73 i) LOSS OF REVENUE, AMOUNTING TO RS.1,827,975, DUE TO NEGLIGENCE/IN-ACTION (PARA 5.20 (III), PAGES 109, 113-ARDT CIRCLE 18 ZONE-B, KASUR (ITEM 5-AP-93-94)

ii) LOSS OF RS.758,952 DUE TO NEGLIGENCE (PARA 5.20(IV), PAGES 109-114-ARDT)(ITEM 5-AP-93-94)

Audit pointed out that losses aggregating Rs. 2,586,927 were pointed out in above cases due to negligence/in-action of the Department for not servicing the demand notices.

The defunct PAC conveyed its displeasure on the issues and directed the PAO to examine both the case, take action against the concerned officers why they failed to collect the said taxes, and report to Committee within one month.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee settled both the paras. However, the Committee directed the PAO to examine why the action was not taken against the officer(s) responsible for the weaknesses in the assessment which ultimately caused failure at the Income Tax Appellate Tribunals.

4.74 CONCEALED INCOME OF RS. 421,200 ESCAPING ASSESSMENT  
(PARA 5.26(I) PAGES 122-123-ARDT)(ITEM 6-AP-93-94)

Audit pointed out that concealment of income of Rs. 421,200 on account of bank guarantee, released but not shown in the balance sheet. Action in the case was reported by the Department as time-barred.

The defunct PAC directed the PAO to provide the details of action taken against the concerned officer to Audit and PAC too.

It has now been stated that the whole process of bank- guarantee, having been made and released within the same accounting year, there was no question of its reflection in the balance sheet. The reply needs verification with the connected record.

PAC DIRECTIVE

The Committee directed the Department to provide the required record for verification of the facts to Audit to reconcile the issue and report to the PAC within one month.

- 4.75 i) ENTRIES REGARDING ASSESSMENTS MADE IN THE DEMAND AND COLLECTION REGISTER WITHOUT PASSING ASSESSMENT ORDERS OR PREPARING IT-30 OR ISSUING ANY DEMAND NOTICE  
(PARA 6.1, PAGE 159-ARDT) (ITEM 7-AP-93-94)
- ii) UNSIGNED ASSESSMENT ORDERS/IT-30 AND DEMAND NOTICES  
(PARA 6.2, PAGE 160-ARDT) (ITEM 7-AP-93-94)

- iii) LATE SERVICE OF DEMAND NOTICES  
(PARA 6.3, PAGE 160-ARDT) (ITEM 7-AP-93-94)
- iv) SIGNED BUT UN-SERVED ASSESSMENT ORDERS/IT-30/DEMAND NOTICES (PARA 6.4, PAGE 161-ARDT) (ITEM 7-AP-93-94)

PAC DIRECTIVE

On the presentation of above four paras, the Committee directed the PAO to examine the audit observations mentioned in the paras and report to the PAC within two months.

ADDITION: (REFERENCE: NATIONAL ASSEMBLY SECRETARIAT OFFICE MEMORANDUM NO.F.10(1)/96-97/2000-PAC, DATED 26-09-2001)

- 4.76 DEFALCATION OF SALES TAX-Rs. 4,599,787.  
(PARA 3.1, PAGE 16-SAR-TRR)

"The Committee remarked that amnesty scheme should not have been extended to the cases involving forgery or fraud of government dues".

AUDIT REPORT REVENUE RECEIPTS (VOL III-1996-97)

- 4.77 i) PARA 2.1(PARTIAL), PAGE 11-ARRR-AMOUNT RS 12,536,206
- ii) PARA 3.1(D)(PARTIAL), PAGE 19-ARRR-AMOUNT RS 208,741
- iii) PARA 3.2(A)(PARTIAL), PAGE 20-ARRR-AMOUNT RS 17,299,306
- iv) PARA 3.2(C), PAGE 22-ARRR-AMOUNT RS 715,684
- v) PARA 3.2(D)(PARTIAL), PAGE 22-ARRR-AMOUNT RS 391,430
- vi) PARA 3.3(C), PAGE 24-ARRR-AMOUNT RS 2,108,189
- vii) PARA 3.4(PARTIAL), PAGE 27-ARRR-AMOUNT RS 646,299
- viii) PARA 3.6(D), PAGE 33-ARRR-AMOUNT RS 387,897
- ix) PARA 3.7(PARTIAL), PAGE 34-ARRR-AMOUNT RS 269,156
- x) PARA 3.9(B), PAGE 36-ARRR-AMOUNT RS 235,175
- xi) PARA 3.9(C), PAGE 37-ARRR-AMOUNT RS 203,782
- xii) PARA 3.11(PARTIAL), PAGE 40-ARRR-AMOUNT RS 13,691
- xiii) PARA 3.14(A)(PARTIAL), PAGE 44-ARRR-AMOUNT RS 7,600
- xiv) PARA 3.21, PAGE 50-ARRR-AMOUNT RS 157,393

- xv) PARA 3.22, PAGE 50-ARRR-AMOUNT RS 2.186
- xvi) PARA 4.3, PAGE 55-ARRR-AMOUNT RS 19,867,065
- xvii) PARA 4.7(PARTIAL), PAGE 58-ARRR-AMOUNT RS 1,703,447
- xviii) PARA 5.1(A)(PARTIAL), PAGE 63-ARRR-AMOUNT RS 323,507
- xix) PARA 5.1(B)(PARTIAL), PAGE 64-ARRR-AMOUNT RS 6,802,952
- xx) PARA 5.1(E)(PARTIAL), PAGE 66-ARRR-AMOUNT RS 260,839
- xxi) PARA 5.1(F)(PARTIAL), PAGE 66-ARRR-AMOUNT RS 10,558
- xxii) PARA 5.1(J)(PARTIAL), PAGE 68-ARRR-AMOUNT RS 267,909
- xxiii) PARA 5.1(N)(PARTIAL), PAGE 70-ARRR-AMOUNT RS 82,500
- xxiv) PARA 5.3(A)(PARTIAL), PAGE 76-ARRR-AMOUNT RS 3,416,051
- xxv) PARA 5.3(C)(PARTIAL), PAGE 78-ARRR-AMOUNT RS 2,348,355
- xxvi) PARA 5.3(D)(PARTIAL), PAGE 78-ARRR-AMOUNT RS 1,432,099
- xxvii) PARA 5.7(A), PAGE 91-ARRR-AMOUNT RS 189,459
- xxviii) PARA 5.7(B), PAGE 91-ARRR-AMOUNT RS 657,125
- xxix) PARA 5.9(PARTIAL), PAGE 94-ARRR-AMOUNT RS 465,930
- xxx) PARA 8.8, PAGE 115-ARRR-AMOUNT RS 570,543
- xxxii) PARA 8.13, PAGE 122-ARRR-AMOUNT NIL
- xxxiii) PARA 8.19 PAGE 131-ARRR-AMOUNT NIL
- xxxiiii) PARA 8.20 PAGE 132-ARRR-AMOUNT NIL

Settled subject to verification by the Audit.

- 4.78 i) PARA 2.1(PARTIAL), PAGE 11-ARRR-AMOUNT RS 35,713,939
- ii) PARA 3.1(D)(PARTIAL), PAGE 19-ARRR-AMOUNT RS 1,033,085
- iii) PARA 3.2(B), PAGE 21-ARRR-AMOUNT RS 1,085,566
- iv) PARA 3.2(D)(PARTIAL), PAGE 22-ARRR-AMOUNT RS 106,090
- v) PARA 3.3(A), PAGE 23-ARRR-AMOUNT RS 11,173,297
- vi) PARA 3.4(PARTIAL), PAGE 27-ARRR-AMOUNT RS 4,099,921
- vii) PARA 3.5(C)(PARTIAL), PAGE 29-ARRR-AMOUNT RS 584,150
- viii) PARA 3.6(A)(PARTIAL), PAGE 31-ARRR-AMOUNT RS 11,128
- ix) PARA 3.6(B)(PARTIAL), PAGE 31-ARRR-AMOUNT RS 207,059
- x) PARA 3.7(PARTIAL), PAGE 34-ARRR-AMOUNT RS 611,857
- xi) PARA 3.9(D)(PARTIAL), PAGE 37-ARRR-AMOUNT RS 148,900
- xii) PARA 3.13(B), PAGE 42-ARRR-AMOUNT RS 210,458
- xiii) PARA 3.14(B)(PARTIAL), PAGE 45-ARRR-AMOUNT RS 2,844

- xiv) PARA 3.19(PARTIAL), PAGE 48-ARRR-AMOUNT RS 81,119
- xv) PARA 3.20, PAGE 49-ARRR-AMOUNT RS 538,705
- xvi) PARA 4.7(PARTIAL), PAGE 58-ARRR-AMOUNT RS 29,982
- xvii) PARA 4.8, PAGE 58-ARRR-AMOUNT RS 1,083,140
- xviii) PARA 4.11(PARTIAL), PAGE 60-ARRR-AMOUNT RS 108,319
- xix) PARA 5.1(A), PAGE 63-ARRR-AMOUNT RS 229,193
- xx) PARA 5.1(B)(PARTIAL), PAGE 64-ARRR-AMOUNT RS 35,230,066
- xxi) PARA 5.1(D)(PARTIAL), PAGE 65-ARRR-AMOUNT RS 3,374,934
- xxii) PARA 5.1(E)(PARTIAL), PAGE 66-ARRR-AMOUNT 2,222,422
- xxiii) PARA 5.1(G)(PARTIAL), PAGE 67-ARRR-AMOUNT RS 20,567
- xxiv) PARA 5.1(H)(PARTIAL), PAGE 67-ARRR-AMOUNT RS 1,082,076
- xxv) PARA 5.1(K), PAGE 68-ARRR-AMOUNT RS 1,167,936
- xxvi) PARA 5.1(M)(PARTIAL), PAGE 69-ARRR-AMOUNT RS 803,400
- xxvii) PARA 5.1(N)(PARTIAL), PAGE 70-ARRR-AMOUNT RS 923,400
- xxviii) PARA 5.2(F)(PARTIAL), PAGE 74-ARRR-AMOUNT RS 1,343,934
- xxix) PARA 5.3(B)(PARTIAL), PAGE 77-ARRR-AMOUNT RS 9,545,771
- xxx) PARA 5.3(F)(PARTIAL), PAGE 80-ARRR-AMOUNT RS 427,615
- xxxii) PARA 5.5(B)(PARTIAL), PAGE 85-ARRR-AMOUNT RS 6,149,805
- xxxiii) PARA 5.5(D), PAGE 87-ARRR-AMOUNT RS 1,416,157
- xxxiiii) PARA 5.5(E)(PARTIAL), PAGE 88-ARRR-AMOUNT RS 993,215
- xxxv) PARA 5.7(A)(PARTIAL), PAGE 91-ARRR-AMOUNT RS 246,646
- xxxvi) PARA 5.7(C)(PARTIAL), PAGE 92-ARRR-AMOUNT RS 156,753
- xxxvii) PARA 5.9(PARTIAL), PAGE 94-ARRR-AMOUNT RS 84,760
- xxxviii) PARA 6.1, PAGE 97-ARRR-AMOUNT RS 72,894,874
- xxxix) PARA 8.2, PAGE 104-ARRR-AMOUNT NIL
- xxxx) PARA 8.3, PAGE 106-ARRR-AMOUNT NIL
- xxxxi) PARA 8.7(A)(PARTIAL), PAGE 114-ARRR-AMOUNT RS 417,210
- xxxxii) PARA 8.7(B), PAGE 114-ARRR-AMOUNT RS 504,074
- xxxxiii) PARA 8.7(D), PAGE 115-ARRR-AMOUNT RS 454,917
- xxxxiv) PARA 8.9(2), PAGE 116-ARRR-AMOUNT RS 280,666
- xxxxv) PARA 8.9(3), PAGE 116-ARRR-AMOUNT RS 347,802
- xxxxvi) PARA 8.11, PAGE 117-ARRR-AMOUNT NIL
- xxxxvii) PARA 8.12, PAGE 120-ARRR-AMOUNT NIL
- xxxxviii) PARA 8.14(1&2), PAGE 123-ARRR-AMOUNT RS 6,198,960
- xxxxviiii) PARA 8.15(A), PAGE 124-ARRR-AMOUNT RS 192,999

xxxxix) PARA 8.15(B), PAGE 126-ARRR-AMOUNT RS 194,334

The Principal Accounting Officer promised to recover the Government dues. The PAC directed to recover and report within 03 months.

- 4.79 i) PARA 2.1(PARTIAL), PAGE 11-ARRR-AMOUNT RS 17,526,600  
 ii) PARA 3.4, PAGE 27-ARRR-AMOUNT RS 922,466  
 iii) PARA 3.8, PAGE 35-ARRR-AMOUNT RS 1,892,829  
 iv) PARA 3.10, PAGE 39-ARRR-AMOUNT RS 524,641  
 v) PARA 3.14(A), PAGE 44-ARRR-AMOUNT RS 97,047  
 vi) PARA 3.16, PAGE 46-ARRR-AMOUNT RS 951,848  
 vii) PARA 5.1, PAGE 63-ARRR-AMOUNT RS 1,166,159  
 viii) PARA 5.5(C), PAGE 86-ARRR-AMOUNT RS 2,920,035  
 ix) PARA 6.2(PARTIAL), PAGE 98-ARRR-AMOUNT RS 9,649,979

The PAC directed the PAO to develop some mechanism for early adjudication of the cases pending for settlement. The PAC remarked that next time responsibility would be fixed for such delays. The PAC also desired a progress report on the adjudication of mentioned cases within 03 months.

- 4.80 i) PARA 3.6(A)(PARTIAL), PAGE 31-ARRR-AMOUNT RS 967,611  
 ii) PARA 3.13(A)(PARTIAL), PAGE 42-ARRR-AMOUNT RS 738,487  
 iii) PARA 3.14(A)(PARTIAL), PAGE 44-ARRR-AMOUNT RS 343,561  
 iv) PARA 4.2, PAGE 54-ARRR-AMOUNT RS 36,417,433  
 v) PARA 4.12, PAGE 61-ARRR-AMOUNT RS 445,260  
 vi) PARA 5.1(A)(PARTIAL), PAGE 63-ARRR-AMOUNT RS 530,146  
 vii) PARA 5.1(B), PAGE 64-ARRR-AMOUNT RS 2,244,383  
 viii) PARA 5.1(E)(PARTIAL), PAGE 66-ARRR-AMOUNT RS 1,448,412  
 ix) PARA 5.1(J)(PARTIAL), PAGE 68-ARRR-AMOUNT RS 913,036  
 x) PARA 5.2(B), PAGE 71-ARRR-AMOUNT RS 23,146,200  
 xi) PARA 5.2(D), PAGE 73-ARRR-AMOUNT RS 3,227,243  
 xii) PARA 5.3(C)(PARTIAL), PAGE 78-ARRR-AMOUNT RS 101,418  
 xiii) PARA 5.3(E)(PARTIAL), PAGE 79-ARRR-AMOUNT RS 1,205,534

- xiv) PARA 5.5(A), PAGE 84-ARRR-AMOUNT RS 8,464,158
- xv) PARA 5.10, PAGE 95-ARRR-AMOUNT RS 951,138
- xvi) PARA 8.5, PAGE 110-ARRR-AMOUNT NIL
- xvii) PARA 8.7(A)(PARTIAL), PAGE 114-ARRR-AMOUNT RS 6,521,126
- xviii) PARA 8.7(C), PAGE 114-ARRR-AMOUNT RS 155,868
- xix) PARA 8.9(1), PAGE 116-ARRR-AMOUNT RS 283,384
- xx) PARA 8.10, PAGE 116-ARRR-AMOUNT RS 2,385,000
- xxi) PARA 8.14(3), PAGE 123-ARRR-AMOUNT RS 1,052,370
- xxii) PARA 8.16, PAGE 128-ARRR-AMOUNT NIL
- xxiii) PARA 8.18, PAGE 129-ARRR-AMOUNT NIL

The PAC directed the PAO to hold meeting with the Audit to finalize actions as required in the said paras and report back to PAC.

- 4.81 i) PARA 2.1(PARTIAL), PAGE 11-ARRR-AMOUNT RS 18,324,328
- ii) PARA 2.2, PAGE 12-ARRR-AMOUNT RS 33,630,321
- iii) PARA 2.3, PAGE 14-ARRR-AMOUNT RS 756,567,208
- iv) PARA 4.9(PARTIAL), PAGE 59-ARRR-AMOUNT RS 271,540
- v) PARA 5.1(A)(PARTIAL), PAGE 63-ARRR-AMOUNT RS 106,307,555
- vi) PARA 5.1(C), PAGE 65-ARRR-AMOUNT RS 8,657,960

The PAC directed to prepare a brief showing the delayed cases identifying the persons responsible in each case.

- 4.82 NON-REALIZATION OF GOVERNMENT REVENUE DUE TO NON-ENFORCEMENT OF BANK/INSURANCE GUARANTEES AND INDEMNITY BONDS RS.30,290,376 (PARA 3.2 (A), PAGE 20-AR-IDT)

The Committee directed the Central Board of Revenue to review all the cases pointed out in the para, in consultation with the Audit, in order to identify instances on misuse of discretionary powers.

4.83 SHORT-ASSESSMENT OF DEVELOPMENT SURCHARGES RS.1,986,118  
(PARA 6.3, PAGE 98-AR-IDT)

The Principal Accounting Officer admitted it a case of forgery involving Rs 10.5 million. He also admitted that the Government and Department had under-reacted to the situation; they should have filed and FIR not only against the tax payers but also against the tax officials responsible. The PAC directed the PAO to take the said actions and submit a compliance report.

4.84 PAPER REGARDING NON-PRODUCTION OF PRESCRIBED RECORD OF SALES TAX BY  
THE SALES TAX DEPARTMENT

The Committee observed that the Auditor-General should be furnished with required data, record and information enabling him to perform proper audit. After detailed discussion, the Committee directed that the PAO should hold meeting with the Auditor-General to resolve the matter and, if need is felt, the Chairman PAC may also participate in that meeting.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON JANUARY 13, FEBRUARY 28, APRIL 26 & 27, MAY 14 AND JULY 05, 06 & 23, 2001

ACTIONABLE POINTS: MEETING ON 13-01-2001  
(AVIATION DIVISION)

APPROPRIATION ACCOUNTS (CIVIL) (VOL-1-1996-97)

4.1 i) (GRANT NO. 28-AVIATION DIVISION (PAGE 111-AA)).

Audit pointed out that the grant closed with a saving of Rs. 90,695,449/- which works out to 13.35 percent of the final grant. An excessive amount of Rs. 103,847,000/- was however, surrendered converting the grant to be closed with excess of Rs. 13,151,551/-

ii) (GRANT NO. 31-METEOROLOGY (PAGE 114-AA)).

Audit pointed out that the grant closed with a saving of Rs. 14,262,631/- which works out to 10.82 percent of the final grant. An excessive amount of Rs. 15,320,000/- was however, surrendered converting the grant to be closed with excess of Rs. 1,057,369/-

PAC DIRECTIVE

On the presentation of above two grants, which were closed with excess of huge amounts, the Committee observed that these cases reflected improper budgeting and bad management of accounts in the department. The Committee directed the PAO to examine the reasons for the excesses, fix responsibility, take appropriate action to improve the budget-monitoring system and report to PAC within 15 days.

4.2 (GRANT NO. 150-DEVELOPMENT EXPENDITURE OF AVIATION DIVISION (PAGE 118-AA)).

Audit pointed out that the grant was closed with an excess of Rs. 4,056,000/- which works out to 33.8 percent of the final grant. The excess is required to be regularized.

PAC DIRECTIVE

The Committee observed that due attention had not been paid to financial rules and regulations while making different decisions in the Ministry. The Committee directed the PAO to pin point the person(s) responsible for the excess, take action and report to the PAC within 15 days.

ACTIONABLE POINTS FOR 1996-97

4.3 INAPPROPRIATE UTILIZATION OF UNSPENT BALANCE POUNDS STERLING 36.461 MILLION (Rs. 2,759,320) MILLION, (PARA 6.2.1, PAGE 70-ARDS-96-97)(ITEM 2-AP-96-97)(UNDER DEFENCE PRODUCTION DIVISION).

Audit pointed out that in Pakistan High Commission London, remittances for purchase of stores/repair maintenance and publication pertaining to Army, Air Force, Navy worth Pounds Sterling 24,673,353.58 and Pounds Sterling 11,787,171 were lying unspent at the close of 30th June, 1995 and 30th June, 1996 respectively.

Para was discussed in the defunct PAC meeting held on 9.9.1999. The Ministry (D.P. Division) informed the Committee that the para pertains to Deputy Assistant Controller Military Accounts, London which is under the administrative control of Defence Division. The issue was referred to the Audit Department by the Committee for re-examination.

The departmental representative informed the Committee that the said amount was lying for spot purchase of stores/repair maintenance and publication subsequent to completion of procurement agreements.

PAC DIRECTIVE

The Committee observed that since the nation is presently facing great financial crunch, keeping such huge amounts of money idle, especially in foreign currency is neither justified nor in line with

the financial rules. Even to discharge its debt servicing obligations the Govt. of Pakistan is constrained to borrow more and more from different international financial institutions. The Committee directed the Department that all such amounts should immediately be surrendered to the public exchequer and directed to resolve the related issues with the Audit and report to the Committee within one month.

#### AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-A-1996-97)

##### PAKISTAN INTERNATIONAL AIRLINES CORPORATION

#### 4.4 (PARAS 5-7, PAGES 11-12-ARPSE).

Audit pointed out that the corporation sustained net loss of Rs. 4795 million during the year 1996-97 as against net profit of Rs. 65 million earned during the year 1995-96. This was mainly due to higher level of expenditure and disproportionate increase in provisions and adjustments which ultimately exceeded the Revenue (Rs. 3648 and Rs. 731 million).

##### PAC DIRECTIVE

The Committee conveyed its displeasure and dis-satisfaction at general affairs of the Corporation. The Committee observed that the Corporation has been subjected to severe mis-management and political pressures, over the years, resulting in total disregard of merit and business prudence. The Committee decided to hold a special session of the Committee, in near future, to examine the current situation in the PIA. The Committee further directed the PAO to prepare a comprehensive brief for the Committee on the affairs of the Corporation including a comparative study with other Airlines (Thai-Airline among them), propose steps to reinvigorate the Corporation so that it becomes really an independent/autonomous Organization capable of running its affairs.

4.5 AVOIDABLE EXPENDITURE OF Rs. 33.459 MILLION ON ACCOUNT OF GROUND FEEDING OF PAX DUE TO DELAY FLIGHTS. (PARA 13, PAGE 14-ARPSE).

Audit pointed out that PIA station Rawalpindi/Islamabad incurred an expenditure of Rs. 33.459 million on the ground feeding and hotel layover of passengers due to delayed flights during the period 1991-92 to 1994-95. Had the connected expenses like overtime and meal allowances to airport staff been added to the above figure, the objected figure would have further increased.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee settled the para. However, the Committee directed the department to reduce such expenditure and use the saved money for fare-reduction and to improve services and efficiency.

4.6 LOSS OF Rs. 2.617 MILLION DUE TO NON-UTILIZATION OF WATER CONNECTION. (PARA 15, PAGE 15-ARPSE).

Audit pointed out that works Department of PIAC got a water connection from KDA in 1993 at a cost of Rs. 2.617 million for additional water of PIA flight Kitchen at Karachi Airport. The work was awarded to M/s Civicon Ltd., at a cost of Rs. 0.980 million.

The work could not be started due to non-availability of site and NOC from the Civil Aviation Authority on the ground that sensitive electric and T&T wires/lines were passing through the construction site. Due to delay in execution of work the contractor refused to carry out the work on the quoted rates. The fresh tender were called and the work was awarded to M/s Ghulam Muhammad for Rs. 1.157 million in January 1994. Since then neither the NOC has been obtained nor the work could be started on the site. Thus due to improper planning and non-obtaining of prior NOC an amount of Rs. 2.617 million have been blocked.

PAC DIRECTIVE

DG/CAA and MD/PIA, both present, promised to resolve the issue immediately to avoid further delay. On this assurance, the Committee settled the para. However, the Committee directed the department to report compliance to the PAC within one month.

- 4.7 i) LOSS OF Rs. 2.030 MILLION DUE TO DEFAULT OF PAX AGENT (PARA 16, PAGE 17-ARPSE).
- ii) LOSS OF Rs. 1.106 MILLION DUE TO DEFAULTING OF PAX AGENT (PARA 18, PAGE 18-ARPSE).

PAC DIRECTIVE

On the presentation of above two paras regarding the losses of Pax Agent, the Committee observed that these losses can be reduced/stopped with effective and efficient management system. The Committee directed the PAO to include these issues for discussion in the special session of the committee which would be held in near future.

- 4.8 EXPECTED LOSS DUE TO NON-RECOVERY OF INTERLINE REVENUE OF US \$ 57218 (PKR 1.5558 MILLION FROM NON-IATA SHAHEEN AIRLINES, (PARA 17, PAGE 17-ARPSE).

Audit pointed out that Pakistan International Airlines Corporation (PIAC) entered into an agreement with Shaheen Airlines (now Shaheen International Airline) in November 1991 for carriage of cargo tendered by either party. Consequently PIA accommodated the cargo given by Shaheen Airlines who failed to discharge obligation regarding payment of freight charges. As on June 30, 1993 the recoverable amount of freight charges from M/s Shaheen Airlines was accumulated to US\$ 57218 (Rs. 1.558 M) despite the fact that under Clause II(iii) of the agreement, Accounts/Finance Sections of the parties were to settle the accounts in the last week of every month with only one week as a grace period.

The Ministry informed that the amount due from M/s Shaheen Airline has been recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.9 LOSS OF Rs. 0.498 MILLION DUE TO IRREGULAR PROCUREMENT OF PAPER CUPS FOR COLD DRINKS COSTING Rs. 10.296 MILLION. (PARA 19, PAGE 19-ARPSE).

Audit pointed out that Pakistan International Airline Corporation placed purchase orders for supply of 15.503 million paper cups for cold drinks on two different suppliers at different rates but on the same day i.e. April 1, 1993 and without press tenders even though the cost involved was over Rs. 10 million.

The departmental representative informed the Committee that according to market survey there were only two dependable suppliers in Pakistan. The tender was not floated in the press to avoid unnecessary advertisement expenses.

PAC DIRECTIVE

The Committee directed the PAO to investigate the reasons, why the cups were not purchased from local manufacturers and tenders could not be floated in the national press, fix responsibility if the procedure/rules are found violated with malafide intentions and report to the Committee within one month.

INTERNATIONAL ADVERTISING (PVT) LIMITED

4.10 (PARA 26, PAGE 25-ARPSE).

Audit pointed out that International Advertising (Pvt) Limited, a wholly owned subsidiary of PIA Holding (Pvt) Limited which is under process of liquidation since November, 1993, generated income of Rs. 16.026 million

and net profit of Rs. 0.860 million in 1996-97. The company is defending law suits for the damages of Rs. 5 million & US\$ 50 million in addition to the appeal against the orders of the Income Tax Commissioner which involve heavy tax liability.

PAC DIRECTIVE

The Ministry informed the Committee that suits of Rs. 5 million (US \$ 50 million) are pending in the court of law. On this explanation, the Committee deferred the para till its next meeting with the directive to submit a report on the progress of court cases to the PAC.

ACTIONABLE POINTS: MEETING HELD ON 28-2-2001

AVIATION DIVISION  
(DEFERRED ACCOUNTS)

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-A-1996-97)

MIDWAY HOUSE (PVT) LIMITED

4.11 (PARAS 27-28, PAGE 26-ARPSE).

Audit presented working results regarding Midway House (Pvt.) Limited. The accumulation of heavy losses to the tune of Rs. 192 million has caused erosion of total equity of Rs. 29.600 million. In view of deteriorating financial condition, the company may not continue as a going concern in the coming years.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee directed the PAO to prepare a report on the causes of losses and various options (like privatization or handing over the management to some private concern) that the Corporation might be considering to pull itself

out from the financial quagmire. This report should be submitted to the PAC within one month.

4.12 UNJUSTIFIED FAVOUR TO EX-GENERAL MANAGER BY GIFTING COMPANY'S CAR VALUING Rs. 0.300 MILLION. PARA 29, PAGE-28-ARPSE).

Audit pointed out that Midway House Limited (MHL) gifted a NISSAN SUNNY car to its outgoing General Manager, Mr. Arjumand Azhar, in November, 1993 at a token price of Rs 1 only as against its prevalent market value of Rs. 0.300 million.

The above offer of the Management was against the company's interest which was already financially sick and facing colossal accumulated losses (Rs 66.51 million as on June 30, 1993). Gift of car could not therefore be treated as regular and justified, the Audit contended.

The Ministry intimated that the car was given to him as part of his golden hand shake settlement on the cessation of his services. This was done consequent to the meeting the officer had with the then Chairman PIAC and MHL. The officer himself initiated the note which was routed through M.D. PIAC, Chairman PIAC and subsequently approved by the Board of Directors of Midways House Limited. The department contended that the decision was consistent with the PIA policy.

Under the current policy, officers are entitled for the purchase of two official cars, at the book value, one after completion of six years in service and the other at the time of retirement.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee directed the Ministry that the car policy should be amended to restrict the admissibility to one car to the entitled officers only and that should be given at the time of retirement. The Ministry was also directed to look into PIA's perks and privileges policy and submit

a report to the Committee within one month. However, the Committee directed the Audit Department to examine whether the decision to give the car (under objection) to Mr. Arjumand Azhar/GM commensurates with the car policy in vogue or not. If it violates the policy, the Department shall recover the objected amount from the ex-employee.

#### PIA HOTELS LIMITED

#### 4.13 PARAS 30-31, PAGE-29-ARPSE).

Audit pointed out that the company was incorporated on March 27, 1968 as a Public Company under the Companies Act 1913. The Board of Directors of PIA Holdings (Pvt) Limited (Holding Company) in its meeting held on Dec. 15, 1986 had decided to liquidate the company voluntarily and the company ceased its operations in November, 1987. The Company is no more in operation since 1987. The Company had got total assets of Rs. 5.210 million against total liabilities of Rs. 29.524 million and accumulated loss of Rs.25.039 million as on June 30, 1997. The accumulated losses stood at Rs. 25.122 million as on June 30, 1999, thereby eroding entire paid up capital amounting to Rs. 725,020 and leaving behind a negative equity of Rs. 24.397 million.

Since the assets of the Company stood mortgaged with a commercial bank against advances obtained earlier by another subsidiary and possession of the properties have been taken over by the Govt. of Sindh, closure of the company cannot be initiated until the final settlement with the Govt. of Sindh and the bank is arrived at.

#### PAC DIRECTIVE

The Committee directed the PAO to submit a comprehensive report within one month, under his signature, on the current position of the case, the course of action Company intends to adopt and fixing responsibility for the loss. The Committee, however, commented that out of court settlement with the Govt. of Sindh and the bank may be one appropriate course.

PIA INVESTMENT (PVT) LIMITED

- 4.14 i) PARAS 32-33, PAGE-30-ARPSE).  
 ii) PARA 35, PAGE-31-ARPSE).

Audit presented the latest working results of the company. According to the audit report the company sustained a huge loss of US\$ 1.442 million approximately during the year 1996 and US\$ 5.232 million in previous year. The accumulated losses of the company amounted to US\$ 50.348 million which have long ago wiped out the paid up capital of US\$ 39.157 million, leaving a negative equity of US\$ 11.192 million. The revenue of the company has alarmingly decreased to US\$ 15.432 million during the year 1996 from US\$ 22.865 million in 1995.

The Ministry informed the Committee that the decrease in revenue was due to the closure of Rosevelt Hotel for renovation purpose from July 1995 to October 1997.

PAC DIRECTIVE

The Committee directed the Department to prepare a report on the affairs of the company with latest position. This report will be discussed in the special session to be scheduled for the presentation on the affairs of Pakistan International Airlines Corporation. The Committee also directed the Auditor General of Pakistan to arrange a special audit on the affairs of PIA Investment Pvt. Ltd.

- 4.15 (PARA 34, PAGE-31-ARPSE).

Audit pointed out that the share of joint ventures in current assets amounting to US\$ 6.878 million was booked under the head of account "Investments in associated Company and Joint Venture". Because of the dispute in interpretation of joint venture agreement and partnership deed regarding the construction and subsequent operation of the Hotel and partnership liability the company served a notice of arbitration on the joint venture partner.

Ministry intimated that concerted efforts were made to resolve the Centre Hotel issue amicably but proved futile. Consequently litigation process had to be initiated against joint Venture Partner.

PAC DIRECTIVE

After hearing the departmental reply on the issue, the Committee directed the PAO to submit the latest position of the case, within one month.

PIA SHAVER POULTRY BREEDING FARMS (PVT) LIMITED

- 4.16 i) (PARA 36, PAGE-32-ARPSE).  
ii) (PARA 37, PAGE-32-ARPSE).

Audit presented the latest working results of the company. According to the audit report the company sustained heavy losses and consequently ceased its operation and closed the business during 1992-93. The accumulated losses of the company amounted to Rs. 131.013 million as on June 30, 1997.

The departmental representative informed the Committee that the company has ceased its operation. Currently no expenditure is being incurred.

PAC DIRECTIVE

The Committee took serious notice for incurring heavy expenditure even after the closure of business that caused accumulation of losses and directed the PAO to submit a comprehensive report within one month on the circumstances that led to heavy losses and reasons for failure to control expenditure after the closure of the business of the Company.

SKYROOMS (PVT) LIMITED4.17 (PARA 38, PAGE-33-ARPSE).

Audit pointed out that Skyrooms (Pvt) Limited, a wholly owned subsidiary of PIA Holding (Pvt) Limited, was incorporated as a private limited company on May 20, 1975. Formerly it was a wholly owned subsidiary of Pakistan International Airline Corporation. The company owns and manages "Airport Hotel" at Karachi.

During 1996-97 the company sustained net loss of Rs. 5.953 million and Rs. 0.583 million in 1997-98. However the company earned net profit of Rs. 10.010 million in 1998-99. The accumulated losses of the company stood at Rs. 65.026 million on June 30, 1999.

PAC DIRECTIVE

On the presentation of the working results of the Skyrooms Pvt. Ltd., by the Audit, the Committee directed the PAO to submit latest position on the affairs of the company to the PAC within one month.

4.18 (PARA 39, PAGE-34-ARPSE).

Audit pointed out that provision for doubtful advances was more than double in 1996-97 (Rs. 9.7 million) as against in 1995-96 (Rs. 4.53 million). This provision was equal to 64% of the gross loan, advances, prepayments and other receivables in 1996-97.

The Ministry intimated that advances were granted to the staff to meet the inflationary cost in the country and the said advances were subsequently adjusted.

PAC DIRECTIVE

On the explanation made by the Department the Committee settled the para subject to verification of the facts.

ACTIONABLE POINTS FOR 1993-94PAKISTAN INTERNATIONAL AIRLINES CORPORATION4.19 PARAS 5-6, PAGES 15-16-ARPSE(ITEM-1-AP-93-94).

Audit submitted the working results of Pakistan International Airlines Corporation (PIAC) with reference to the Audit Report for 1993-94, before the defunct PAC on 24.8.1998 and pointed out that the Airlines had suffered net losses of Rs. 4795 million in 1996-97.

The Committee was not satisfied with the performance of PIAC and constituted a Sub-Committee to examine the issue in detail and furnish its findings within one month to the Committee. The Sub-Committee could not finalize its report due to suspension of the National Assembly.

PAC DIRECTIVE

The Committee deferred the issue so as to discuss it during the Presentation Session on the affairs of Pakistan International Airlines Corporation. The Committee directed the Department to prepare a comprehensive report on the latest financial position and proposed measures to reduce the losses.

4.20 (PARA-9, PAGE-17-ARPSE)(ITEM-2-AP-93-94).

Audit pointed out that long term advances (unsecured) of Rs. 1191 million as on June 30, 1994 included advance of Rs 1088 million to PIA investment Limited, an associated company. The advance further increased to Rs. 2305 million on June 30, 1997.

The case was discussed by the defunct PAC on 24.8.1998. The defunct PAC directed the Department to resolve the issue as early as possible with the foreign partner. The Chairman PIA assured the Committee that the matter would be resolved within two months.

The Ministry intimated that as a matter of priority PIA's involvement in its associated company, PIA Investment Limited, is being pursued for dis-investment. The process of dis-investment from other subsidiaries and non-core activities has already been initiated.

PAC DIRECTIVE

The Committee directed the Corporation to furnish a report to Audit within 15 days on the progress of recoveries of advances made so far and steps being taken to recover the remaining amount of advances/investments.

4.21 NON-SETTLEMENT OF ACCOUNT OF VVIP AIRCRAFT COSTING US\$ 6.898 MILLION (PAK. Rs. 1108.785 MILLION).  
PARA-10, PAGES 18-19-ARPSE)(ITEM-3-AP-93-94).

Audit pointed out that PIA purchased a new Boeing Aircraft for VVIP use on August 2, 1992 for US\$ 29.499 million for the Government of Pakistan. A bridge loan of equivalent amount was advanced to PIA by Ministry of Finance. The approval of the PIA Board was obtained on Aug. 27, 1992. The aircraft was placed at the disposal of Government of Pakistan for VVIP use in September 1992. Upto May 1993 PIA incurred total expenditure of US\$ 36.898 million on the aircraft. In addition, it continued to bear its operational and maintenance cost without any formal agreement with the Government. PIA being a commercial organization should have watched its own interest and not purchased the aircraft without formal agreement with the Government.

This para was submitted before the defunct PAC in its meeting held on 24.8.1998. It constituted a Sub-Committee to examine the related facts. Due to suspension of the National Assembly, the Sub-Committee could not finalize its report.

PAC DIRECTIVE

The Ad-hoc PAC constituted a new Sub-Committee comprising Lt. Gen.(R) Talat Masood, Member Ad-hoc PAC (Convener), Mr. Muzaffar

Ahmed, Member Ad-hoc PAC, Mr. S.M. Zafarullah, Member Ad-hoc PAC, representatives of Audit Department, M/o Defence and M/o Finance to examine the facts as to why the aircraft was purchased without assessing the international market price, standard purchase procedure was not adopted and cost of the aircraft/maintenance cost could not be recovered from the Government.

4.22 LOSS OF Rs. 37.997 MILLION IN FOREIGN CURRENCY DUE TO TRANSPORTATION OF ILLEGAL PASSENGERS.  
(PARA 11, PAGES 11-19-ARPSE)(ITEM-4-AP-93-94).

Audit pointed out that PIA sustained a loss of Rs. 37.997 million in foreign currency during 1989-93 on account of payment of fines and deportation cost of illegal passengers on Gulf, Europe and USA routes. These passengers were travelling on forged documents, on the tickets issued by PIA or its travel agents.

The para was discussed by the defunct PAC on 24.8.1998. It constituted an IDC to investigate the facts.

PAC DIRECTIVE

The IDC's report was submitted before the PAC. The Committee adopted the report unanimously and directed the Ministry to implement its recommendations immediately. The Committee supported the proposal made by the Ministry for some legislation enabling PIA to detain illegal deportees till the recovery of deportation expenses and fines.

4.23 LOSS OF US\$ 0.915 MILLION (PAK. Rs. 23.795 MILLION) ON THE OVERHAUL OF FAN REVERSERS AT EXORBITANT RATES AND WITHOUT MARKET EVALUATION.  
(PARA 12, PAGES 21-22-ARPSE)(ITEM-5-AP-93-94).

Audit pointed out that PIA had been sending Fan Reversers, a component of aircraft engines, for overhauling to different companies of France and USA without inviting competitive rates during 1989-92. In May 1992 enquiry was

sent to other companies also. A comparative analysis of the four quotations revealed that even the rates quoted by the highest bidder were considerably less than the rates paid by PIA during 1989-92 to the same bidder. By this, PIA suffered loss of US\$ 0.915 million during 1989-92.

The issue was discussed by the defunct PAC in its meeting held on 24.8.1998. The PAC directed the PAO to examine the facts of the issue, fix responsibility against the concerned officer(s), take action and report to the Committee within two months.

The Ministry intimated that in 1991 PIA decided to approach other sources who had developed the skills and expertise in repair/overhaul of the Fan Reversers in order to have knowledge/experience of their quality of workmanship and the corresponding charges. Quotations were invited. In response, PIA received 4 units in August 1992 out of which 2 units were recommended for repair. M/s Honey Comb (first lowest) M/s. Nordan (2nd lowest) and M/s. UTA were approached. M/s. Honey Comb and Nordan expressed their inability to meet PIA requirement, whereas M/s. UTA agreed to reduce their quoted rate from USD 118000 to USD 103000. They further contended that in 80s the market situation was in favour of repair agencies. This situation changed dramatically in the beginning of 90s. There was a world wide recession in the Aviation Industry.

#### PAC DIRECTIVE

After hearing the Ministry's reply the Committee directed the PAO to examine the facts of the issue again, fix responsibility if malafide intention of the dealing person(s) is proved and report to the Committee within two months.

#### 4.24 EXTRA PAYMENT OF US\$ 0.143 MILLION (PAK. Rs. 3.613 MILLION) DUE TO TRAINING OF PILOTS AT HIGHER RATES. (PARA 15, PAGE-25-26-ARPSE)(ITEM-6-AP-93-94).

Audit pointed out that PIA hired simulators for training of its pilots from M/s. Simuflyte of USA at the rates ranging from US\$ 300 to 370 per

hour during January 1989 to September, 1993. The deal was done on single tender basis without getting competitive rates and even without obtaining approval of competent authority. The rates were however reduced by the firm to US\$ 250 per hour in October 1993 when PIA directed its trainees to other sources. Had alternate sources been contacted in January 1989 and negotiations then carried out with Simuflite to reduce the rates to US\$ 250, PIA could have saved US\$ 0.143 million.

The defunct PAC in its meeting held on 24.8.1998, directed the Department on the issue to get post facto approval of the competent authority.

The departmental representative informed the Committee that as desired by the previous PAC, post facto approval of the Chairman PIAC was obtained in December 1998.

#### PAC DIRECTIVE

After hearing the departmental reply, the Committee settled the para subject to verification of facts by the Audit.

#### 4.25 LOSS OF Rs. 1.053 MILLION DUE TO DEFALCATION OF SALE PROCEEDS AT AIR CARGO COMPLEX. (PARA 19, PAGES 29-30-ARPSE)(ITEM-7(i)-AP-93-94).

Audit pointed out that sale proceeds of Rs. 1.053 million were embezzled at PIA Air Cargo Complex, Karachi during 1992-93. The scam was perpetuated by short/non-reporting of revenue as well as short deposit of cash in banks. Improper maintenance of record and supervisory lapses were the real cause of the scam.

The issue was discussed in the defunct PAC meeting held on 24.8.1998. The PAC directed the PAO to investigate the case, fix responsibility, take action against the concerned official(s) and report to the Committee within one month.

The Ministry informed the Committee that the investigation showed lapses in the system and responsibility was fixed on cashier who left PIA and country during investigation.

The Ministry, however, stated that steps had been taken to ensure effective financial and administrative control to avoid such type of irregularities in future.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee directed the Department to improve its cash custody/handling policy; Cash custody/handling limits may be linked with length of service and security bond of the cashiers. Furthermore, a proper insurance policy for the security of the cash may also be adopted.

4.26 IRREGULAR EXPENDITURE OF Rs. 0.793 MILLION DUE TO GROSS VIOLATION OF GOVERNMENT RULES AND REGULATIONS.  
(PARA 20, PAGES 30-31-ARPSE)(ITEM 7(ii)AP-93-94)

Audit pointed out that Managing Director of PIA Holding (Pvt) Limited appointed an officer on three years contract as Director Special Project after his superannuation from Nov 5, 1991 while the officer was on privilege leave before retirement. It was done in violation of the Government orders which required prior approval of the Prime Minister for appointment on contract basis after superannuation. The officer was terminated on April 25, 1993. Expenditure of Rs. 0.793 million incurred during this period on his emoluments was therefore irregular.

The issue was discussed in the defunct PAC meeting held on 24.8.1998 and directed the PAO to investigate the case, fix responsibility, take action against the concerned officer(s) and report to the Committee.

The Ministry admitted, before the Committee, that the MD/PIA Holding (Pvt) Ltd was not competent to re-employ the said officer after his superannuation, therefore, the appointment was irregular.

PAC DIRECTIVE

The Committee showed its displeasure for not implementing the previous PAC's directive and directed the PAO to take action against the concerned responsible officer(s) in the light of defunct PAC's decision and report the progress within one month.

PAC DIRECTIVE

The PAC settled the said four paras subject to verification by the Audit.

4.51 OVER PAYMENT OF RS.5.095 MILLION.  
(PARA A-I.1. PAGE 81-ARCW)

Audit pointed out that a formation of the Authority did not require a contractor to execute the additional work at the market rates as per agreement, rather awarded the additional work to the same contractor through fresh tender which fetched higher rates. This resulted in over payment of Rs.5.094 million.

The Ministry apprised the Committee that the said work was not "additional work" rather it was substituted against the items withdrawn by the PAF, and that, the difference of cost was four lac, not six million as stated by the Audit.

PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the Department and constituted an Inter-departmental Committee comprising a nominee each from Audit Department, M/O Defence and M/O Finance to examine the matter within 15 days and report to the PAC. The Committee directed the IDC to especially examine following points:-

- i) What was the exact amount of loss?
- ii) Was the required procedure violated?
- iii) Why PAF could not delete un-required items earlier?
- iv) Does the deal reflect undue favour to the contractor?

4.52 OVER PAYMENT OF RS.0.293 MILLION DUE TO INADMISSIBLE REST & RECREATION ALLOWANCE.  
(PARA A-III.1. PAGE 82-ARCW)

Audit pointed out that a sum of Rs.0.293 million was paid to the employees

on account of Rest & Recreation Allowance which ceased to be admissible under the scheme of Basic Pay Scales and Faring Benefits of Civil Employees of Federal Government in 1983. This resulted in excess payment of Rs.0.293 million.

The Ministry apprised the Committee that the R&R/LCA is admissible to only those CAA employees who did not opt for fixation of pay under new Scheme of Basic Pay Scales and Fringe Benefits as per CAA Board's decision.

The representative of the Finance briefed the Committee that the instructions intending 'uniformity of rules' on the subject came in 1999(FD Letter No.F.1(I)Imp/94 dated 26-6-1999). Under these instructions, every revision in salary/allowances structure carried out by the Board of Directors/Governors of any public sector Corporation, Autonomous/Semi Autonomous Organization need to be referred to the Finance Division for clearance and approval of the competent authority.

#### PAC DIRECTIVE

The Committee directed the Department to refer such cases to the Ministry of Finance for approval, in the light of above instructions.

- 4.53 i) SHORT RECOVERY OF RS.1.663 MILLION.  
(PARA B-I.1, PAGES 83-84-ARCW)
- ii) SHORT RECOVERY OF RS.1.289 MILLION.  
(PARA B-I.2, PAGE 84-ARCW)

The rebate on carriage of bitumen carted from Attock oil Refinery instead of Karachi Oil Refinery as provided in the agreement was to recovered.

#### PAC DIRECTIVE

On the presentation of above 02 paras, the Committee constituted an Inter-department Committee comprising the

representatives of M/O Defence, M/O Finance and Audit Department to review the above mentioned issues, especially that, the bitumen was purchased in accordance with the quota fixed by the M/O Petroleum and quality of the purchased bitumen was of the required standard and submit its report within 15 days.

4.54 NON-RECOVERY OF RENT AND ELECTRIC CHARGES AMOUNTING TO RS.16.838 MILLION.  
(PARA B-III.1, PAGES 84-85-ARCW)

Audit pointed out that the Authority did not recover Rs. 16.838 million on account of rent & electricity charges from private lessees and government department.

The Ministry apprised the Committee that the Authority has recovered/adjusted the amounts of Rs.874,212, so far.

PAC DIRECTIVE

The Committee directed the Ministry to take up the issue with Federal Government Adjuster for the recovery from the concerned Department and report to PAC.

4.55 NON-RECOVERY OF 0.148 MILLION.  
(PARA B-III.2, PAGE 85-ARCW)

Audit pointed out that rent of a building and open space was not recovered from the lessee in violation of the contractual obligation. This resulted in non-recovery of Rs.0.148 million.

The Ministry informed the Committee that final legal notice had already been served to M/s Flight Express (Pvt) Limited on 19-5-1999.

PAC DIRECTIVE

The Committee directed the Ministry to take effective steps to recover the amount in the shortest period of time and report to the PAC.

4.56 NON-RECOVERY OF 0.097 MILLION.  
(PARA B-III.5, PAGE 86-ARCW)

Audit pointed out that rent & other charges to the tune of Rs.0.097 were not recovered from PIAC.

The Ministry apprised the Committee that the said amount was part of total amount of Rs.2541.959 million recoverable from PIAC, of which, Rs.240 million had been recovered upto May, 1999.

PAC DIRECTIVE

The Committee directed the Department to recover the balance amount and report the progress to the PAC within one month.

4.57 LOSS OF 22.582 MILLION DUE TO AWARD AT HIGHER RATES.  
(PARA C-II.1, PAGES 87-88-ARCW)

Audit pointed out that the Authority invited tenders for "Re-carpeting of Runway at Peshawar Airport" in May, 1994 and awarded the work to lowest bidder for Rs.37.307 million in September, 1994. The contractor failed to start the work and it was awarded to another party in May, 1996 at the cost of Rs.53.675 million. This resulted in a total loss of Rs 22.582 million to the Authority.

The Ministry informed the Committee that after the award of the said work to M/s K.S.B., the lowest bidder, the Government directed the Department to construct two new Airports, one at Sehwan Sharif (Sindh) and the second at D.G. Khan (Punjab). The CAA therefore, had no option but to divert all available financial resources from original project to the new ones to implement the government directives.

PAC DIRECTIVE

The Committee directed the PAO to investigate the matter; at what level the directive was issued to divert the funds for the

construction of other two Airports instead of the original project at Peshawar Airport, basis of this change and who was responsible for taking such decisions, within one month and report to the PAC.

4.58 LOSS OF RS.0.365 MILLION.  
(PARA C-II.2, PAGE 88-ARCW)

Audit pointed out that purchase of a vehicle at the cost of Rs.0.885 million at Karachi was delayed and later on similar vehicle was purchased at a cost of Rs.1.250 million at Lahore. Therefore, the Authority sustained a loss of Rs.0.365 million during 1995.

The Ministry informed the Committee that the vehicle toyota twin cabin 2500 CC. low bed two wheel drive, Thailand assembled, Model 1994, purchased in Karachi was different from twin cabin toyota 2800 CC. four wheel drive Japan Made purchased from M/s Toyota Lahore at cost of Rs.12,50,000. Therefore, the difference in cost was due to variance in make, power and model of the vehicle.

PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the Department and directed the PAO to investigate the matter, fix responsibility, take action against the person (s) responsible and report to the PAC.

4.59 LOSS OF RS.1.624 MILLION DUE TO NON-INVESTMENT OF THE AMOUNT IN PROFITABLE SCHEME.  
(PARA-IV.1, PAGE 89-ARCW).

Audit pointed out that an amount of Rs.35.166 million was received from CAA Headquarter with the instruction to deposit it in the most profitable scheme of National Saving Centre. Out of this an amount of Rs.9.187 million was deposited leaving a balance of Rs.25.979 million. This resulted in a loss of Rs.1.624 million by way of foregoing profit @ Rs.12.50% per annum.

The Ministry apprised the Committee that an amount of Rs.9.187 million was deposited in National Saving Centre Rawalpindi on the order of the Hon. Lahore High Court. The remaining funds were properly used according to the law.

PAC DIRECTIVE

The Committee directed the Authority to satisfy the Audit regarding compliance of the court order and that the remaining amount was spent for the authorized purposes and report to the Committee within one month.

4.60 IRREGULAR EXPENDITURE OF RS.1 MILLION (APPROX.) ON UN-WARRANTED REINSTATEMENT IN SERVICE OF EX-EMPLOYEE AS GENERAL MANAGER. (PARA D-I.1, PAGES 90-91-ARCW).

Audit pointed out that a person was appointed as Manager Commercial in April 1986 on contract basis for one year who did not possess the requisite experience as required for the post. His contract was terminated on 30-06-1998 (Extended Period). But again the Authority re-instated him in April 1994 as General Manager without any cogent reason, thus irregular expenditure amounting to Rs. 1 million was incurred on his pay and allowances.

The Ministry informed the Committee that the officer was selected as the most suitable one out of 70 candidates. In the appointment letter he was taken as a contract employee. He challenged his contract employment and appealed to consider his appointment on regular basis. The Secretary Defence, being the appellate authority, approved his appeal.

PAC DIRECTIVE

The Committee directed the Ministry to investigate the facts of the case again and provide the minutes of the Selection Committee regarding appointment of Mr. Asif Ali Bashir, GM, to PAC/Audit within 15 days.

ACTIONABLE POINT FOR 1993-94

- 4.61 RECOVERY (RS.1131.433 MILLION) OF CHARGES/DUES FROM M/s PIAC, HAJVAIRY AIRLINES AND RAJI AIRLINES, (PARA B-I.1, (PAGE 11-ARCW).

PAC DIRECTIVE

The defunct PAC had constituted one Sub-Committee to examine the issue but the committee could not complete its report before suspension of the National Assembly. The facts of the case were brought to the notice of this Committee. After hearing the Ministry and the Audit, the PAC constituted an Inter Departmental Committee comprising nominees from Ministry of Defence, M/o Finance and the Audit to examine the issue and report to the Committee within 15 days.

- 4.62 IDC REPORT ON 14 PARAS (1993-94).

The defunct PAC, in its meeting held on 18-19 March, 1998, constituted IDC to examine 14 paras. IDC's report on these paras was submitted to the Committee. The decisions taken by the Ad-hoc PAC on the basis of recommendations of the IDC are provided below.

- i) RECOVERY AMOUNTING TO RS.75.190, (PARA A-I.3, PAGE 7-ARCW) (ITEM 1-AP-93-94).

The IDC recommended to resolve the matter in consultation with M/o Finance and Law Division.

PAC DIRECTIVE

On the recommendation of the IDC, the PAC directed the Authority to resolve the issue with the help of M/O Finance and law Division.

- ii) RECOVERY AMOUNTING TO RS. 265,500.  
(PARA A-II-1, PAGE 8-ARCW) (ITEM 1-AP-93-94).
- iii) RECOVERY AMOUNTING TO RS. 225,000.  
(PARA A-II-3, PAGE 9-ARCW) (ITEM 1-AP-93-94).
- iv) RECOVERY AMOUNTING TO RS. 487,392.  
(PARA A-II-4, PAGE 9-ARCW) (ITEM 1-AP-93-94).
- v) RECOVERY AMOUNTING TO Rs. 73,589,000.  
(PARA B-IV-3, PAGE 13-ARCW) (ITEM 6(i)-AP-93-94).
- vi) RECOVERY AMOUNTING TO RS. 256,043.  
(PARA B-IV-4, PAGE 14-ARCW) (ITEM 1-AP-93-94).
- vii) RECOVERY AMOUNTING TO RS. 203,300.  
(PARA B-IV-5 PAGE 15 -ARCW) (ITEM 6 (ii)-AP-93-94).
- viii) RECOVERY AMOUNTING TO RS. 86,400.  
(PARA B-VI-1, PAGE 15-ARCW) (ITEM 1-AP-93-94)
- ix) RECOVERY AMOUNTING TO RS. 135,000.  
(PARA E-I-2, PAGE 24-ARCW) (ITEM 1-AP-93-94).

In the above 8 cases the IDC recommended to effect recovery.

PAC DIRECTIVE

The Committee up-held the recommendations of the IDC and directed the Authority to recover the outstanding amounts in the shortest period of time and report to the PAC.

- x) RECOVERY AMOUNTING TO RS. 69,000.  
(PARA B-V-2, PAGE 15-ARCW) (ITEM 1-AP-93-94).

PAC DIRECTIVE

On the recommendation of the said IDC, the PAC directed the Authority to get the outstanding amount written off from the competent authority.

- x1) RECOVERY AMOUNTING TO RS.3,574,383.  
(PARA C-I.1, PAGE 17-ARCW) (ITEM 1-AP-93-94).

PAC DIRECTIVE

On the recommendation of the IDC, the PAC directed the PAO to inquire into the matter personally and report to the Committee within one month.

- xii) RECOVERY AMOUNTING TO RS.167,000.  
(PARA C-I.2, PAGE 18-ARCW) (ITEM 1-AP-93-94).

In this case, the IDC was of the view that the findings given in the report may be brought to the notice of CAA providing them an opportunity to defend their position for changing the specifications.

PAC DIRECTIVE

The Committee directed the Authority to submit their position for changing the specifications, in the light of IDC report, to the PAC within 15 days.

- xiii) RECOVERY AMOUNTING TO RS.244,650.  
(PARA C-I.3, PAGE 18-ARCW) (ITEM 1-AP-93-94).

PAR DIRECTIVE

On the recommendation of the IDC, the Committee directed the Authority to get the said amount regularized from the competent authority.

- xiv) RECOVERY AMOUNTING TO RS.2,313,000  
(PARA E-III.1, PAGE 24-ARCW)(ITEM 1-AP-96-97)

PAC DIRECTIVE

On the recommendation of the IDC, the PAC directed the Ministry that CAA Board should issue instructions for reimbursement of actual fuel charges.

ACTIONABLE POINTS FOR 1988-89

4.63 PARA 1.1, PAGE 3-ARCW)(ITEM 14-AP-88-89)(ITEM 14(I)-AP-93-94)

FIA informed the Committee that the case was under investigation of FIA/NAB and report will be finalized shortly.

PAC DIRECTIVE

The PAC directed the Ministry to pursue the case with NAB to get it expedited.

ACTIONABLE POINTS FOR 1993-94

- 4.64 i) RECOVERY AMOUNTING TO RS.2,217,961.  
(PARA B-IV.2, PAGE 13-ARCW)(ITEM 9(i)-AP-93-94)
- ii) RECOVERY AMOUNTING TO RS.182,102  
(PARA C-VI.1, PAGE 21-ARCW)(ITEM 9(ii)-AP-93-94)
- iii) RECOVERY AMOUNTING TO RS.401,100  
(PARA D-i.2, PAGE 22-ARCW)(ITEM 9(iii)-AP-93-94)
- iv) RECOVERY AMOUNTING TO RS.358,487.  
(PARA E-VI.1, PAGE 25-ARCW)(ITEM 9(V)-AP-93-94)

The above four paras were settled by the defunct PAC subject to verification by the Audit. The desired verification could not be carried out because of non production of the required record.

PAC DIRECTIVE

The PAC directed the Authority to provide required record to the Audit for verification and settled the paras subject to verification.

- 4.65 i) RECOVERY AMOUNTING TO RS 249,432  
(PARA A-i.1, PAGE 6-ARCW)-93-94)
- ii) RECOVERY AMOUNTING TO RS.128,119  
(PARA A-I.2, PAGE 6-ARCW 93-94)

- iii) RECOVERY AMOUNTING TO RS. 80,202  
(PARA A-I.4, PAGE 7-ARCW)93-94)
- iv) RECOVERY AMOUNTING TO RS. 236,466  
(PARA A-I.5, PAGE 7-ARCW)93-94)
- v) RECOVERY AMOUNTING TO RS. 754,716  
(PARA A-II.2, PAGE 9-ARCW)-93-94)
- vi) RECOVERY AMOUNTING TO RS. 115,425  
(PARA B-III.2, PAGE 12-ARCW)
- vii) RECOVERY AMOUNTING TO RS. 529,915  
(PARA E-VII.1, PAGE 26-ARCW-93-94)

In the above seven cases the Authority had admitted recovery of Rs. 2.094 million but the same has not been effected so far.

The Committee was apprised that most of these cases are already with FIA/NAB. The representative of FIA responded that FIA did not have details of the cases.

#### PAC DIRECTIVE

The PAC directed the PAO to take all possible steps, including pursuance with FIA/NAB, to recover the amount and report to the Committee within a month.

#### 4.66 EXCESS PAYMENT OF RS. 50,733. (PARA A-III.1, PAGE 10-ARCW)(ITEM 2-AP-93-94)

Audit pointed out that the issue was referred to M/O Housing & Works for reconciliation on the directive of previous PAC but no reply was received from the M/O Housing and Works.

#### PAC DIRECTIVE

The Committee directed the Ministry to contact M/O Housing and Works on the issue and reconcile the matter within a week.

4.67 NON-RECOVERY OF RS. 738,830.  
(PARA B-II.1, PAGE 12-ARCW) (ITEM 4-AP-93-94)

Audit pointed out that the Authority had recovered the amount mentioned in the para but the recovery has not been got verified from Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

- 4.68 i) LOSS OF RS. 351,636.  
(PARA B-IV.6, PAGE-ARCW) (ITEM 7 (i) -AP-93-94)
- ii) NON-RECOVERY OF RS. 7.5 MILLION.  
(PARA B-V.1, PAGE 14-ARCW) (ITEM 7 (ii) -AP-93-94)

Audit pointed out that both the paras are subjudice and are still pending in the Court of Law.

PAC DIRECTIVE

The PAC directed the Authority to pursue the cases in the Court of Law and try to resolve the matter as early as possible.

4.69 LOSS OF RS. 0.091 MILLION.  
(PARA C-I.4, PAGE 18-ARCW) (ITEM 8(i) -AP-93-94).

Audit pointed out that tenders for the purchase of one pick-up were invited and opened on 6-9-1993. Due to mismanagement and weak internal control the CAA failed to finalize the lowest offer of Rs.469,000. Later on, the Department purchased the said vehicle for Rs. 560,000. This resulted in loss of Rs.0.091 million.

The defunct PAC directed the Department to investigate the matter, fix responsibility, take action against the concerned officer and take effective measures to recover the loss.

The Department informed the Committee that the causes of additional expenditure were due to procedural snags.

PAC DIRECTIVE

The Committee endorsed the previous PAC's directive and directed the Authority to implement the same and report to the PAC.

4.70 LOSS OF RS.4.674 MILLION.  
(PARA C-II.1, PAGE 19-ARCW) (ITEM 8 (ii) -AP-93-94).

Audit pointed out that the previous PAC directed the PAO to investigate the matter, fix responsibility, take action against the concerned officer and take the effective possible measures to recover the loss.

PAC DIRECTIVE

The PAC endorsed the previous PAC's directive and directed the Authority to implement the same immediately.

4.71 MISAPPROPRIATION OF MATERIAL OF RS.4.127 MILLION.  
(PARA D-I.1, PAGE 22-ARCW) (ITEM 11-AP-93-94).

Audit pointed out that the previous PAC directed the Ministry of Interior to ensure that the cases referred to FIA by the Departments/Ministries are investigated within the shortest possible time. National Assembly Secretariat has taken up the case with the Ministry of Interior vide No.F.10(1)93-94/97-PAC dt. 20-4-1998 and No.3(2)93-94/97-PAC dt. 19-2-2001. No progress has been intimated by FIA so far.

PAC DIRECTIVE

The Committee directed the FIA to complete its investigation report within a week and report to the PAC.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION4.72 LOSS OF RS.0.200 MILLION DUE TO UNDUE FAVOUR AND VIOLATION OF CORPORATIONS RULES.  
(PARA 22, PAGE 32-ARPSE) (ITEM-8-AP-93-94)

Audit pointed out that the previous PAC directed the PAO to recover the said amount and issue the notice to Ex-MD, why he violated the rules while making decision to send a doctor abroad for training.

The Ministry informed the Committee that the case is very old; the then MD and almost all other concerned officers had either been retired from the corporation's service or left at their own.

PAC DIRECTIVE

The Committee directed the Authority to investigate the matter and involve the NAB to recover the amount from the responsible person (s) as early as possible.

4.73 LOSS OF RS.9.836 MILLION DUE TO ABANDONMENT OF PIA HOLDING COMPLEX PROJECT.  
(PARA 24, PAGE 35-ARPSE) (ITEM-9-AP-93-94).

Audit pointed out that the previous PAC constituted a Sub-Committee to investigate the issue, fix responsibility and report to PAC within 02 months.

Since the Sub-Committee could not finalize its report due to suspension of the National Assembly, the facts of the case were examined by the incumbent PAC.

PAC DIRECTIVE

The Committee directed the Corporation to get the amount regularized from the competent authority and report to the Audit/PAC within one month.

4.74 IRREGULAR PAYMENT OF RS.8.348 MILLION DUE TO CUSTOM STAFF TANTAMOUNTING TO ILLEGAL GRATIFICATION.  
(PARA 28, PAGE 39-ARPSE) (ITEM-10-AP-93-94).

Audit pointed out that the previous PAC referred the matter to M/O Finance for advice on the issue, which could not be furnished by the Finance.

PAC DIRECTIVE

The Committee directed the Ministry to get the payment regularized through M.O. Finance.

4.75 INFRACTUIOUS EXPENDITURE OF RS.2.704 MILLION ON FOREIGN TOURS OF THE UNIONIZED STAFF.  
(PARA 29, PAGE 40-ARPSE) (ITEM-11-AP-93-94).

Audit pointed out that the previous PAC directed the PAO to recover the loss from the concerned persons including the persons who made the decision to send irrelevant staff members abroad at the cost of public funds.

PAC DIRECTIVE

The Committee directed the PAO to investigate the case, take action against the person (s) responsible for imprudent decision that caused huge loss to the public exchequer and report to the PAC within one month.

4.76 IRREGULAR EXPENDITURE OF RS.1.816 MILLION ON ACQUISITION OF NEW OFFICE PREMISES ON LEASE.  
(PARA 30, PAGE 41-ARPSE) (ITEM-4-AP-93-94).

Audit pointed out that the previous PAC constituted an Inter Departmental Committee to investigate the facts and submit its report to PAC within 02 months regarding the loss to the corporation.

PAC DIRECTIVE

The Committee directed the Ministry to take action in the light of IDC-report and furnish progress report to the PAC within one month.

4.77 LOSS OF RS. 117,471 DUE TO NON-RECOVERY OF DUES FROM A FOREIGNER TENANT, (PARA 39, PAGE 47-ARPSE) (ITEM-14-AP-93-94).

Audit pointed out that the previous PAC directed the PAO to fix responsibility against those persons who were responsible for the loss and recover the outstanding amount from the concerned officers and report to the Committee within 02 months.

The Ministry informed the Committee that the Board had approved write off of the outstanding amount in BOD meeting held on 18-8-1994.

PAC DIRECTIVE

The Committee observed that it was a bad decision and directed the Ministry to fix responsibility and take action against the persons(s) responsible for the imprudent decision that caused the said loss to the Public exchequer and report to the PAC within one month.

4.78 (PARA 44, PAGE 50-ARPSE)(ITEM 15-AP-93-94)

Audit pointed out that due to heavy losses, the company ceased its operations and closed the business. Now the accumulated losses of the company stood at Rs 131.012 million.

The defunct PAC had directed the Ministry to liquidate the company in the light of Government's instructions.

The Ministry informed the Committee that the process for liquidation had been started and a liquidator for this purpose has been appointed.

**MINISTRY OF FOOD, AGRICULTURE & LIVESTOCK****1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meetings held on 16th & 17th March, 12th April & 3rd & 4th July, 2001, took up for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Food, Agriculture & Livestock. The Committee noticed a number of serious issues with respect to budgetary indiscipline, financial mismanagement in Federal Water Management Cell, gross irregularities in procurement of wheat and fertilizer, etc. While examining these matters, the Committee issued several directives (Actionable Points), depending on the nature of irregularity in each case, to the Ministry for taking corrective measures. In cases of corruption, misuse of power or culpable negligence, the Committee directed the Ministry to initiate accountability action against the persons held responsible.

The Audit Report for the year 1996-97 contained 110 paras, of which 21 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry. The Audit pointed out recoveries amounting to Rs.1818.289 million, out of which Rs.1406.991 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time-limit given in each case. The PAC Secretariat will watch the progress of recoveries and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view-points on different matters. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarized in the following sections.

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

Savings/Excesses in various grants are given below which reflect poor budgetary control of the Ministry:-

<u>Grant No.</u>	<u>Savings Rs(M)</u>	<u>%</u>	<u>Surrenders Rs(M)</u>	<u>Net Saving(-) Excess(+) Rs(M)</u>
58	26.600	27	8.556	-18.044
60	34.289	42	20.713	-13.576
61	-	-	-	+0.026
63	1.668	10	1.438	-0.230
64	2.068	21	2.002	-0.066
139 Fertilizer	25678.010	65	24006.703	-1671.307
157	189.734	28	339.468	+149.734
159	26.948	34	24.342	-2.606

On the presentation of Appropriation Accounts of the Ministry, the PAC observed that the above mentioned savings/excesses reflected gross budgetary indiscipline indicating culpable incompetence and neglect on the part of staff concerned. A weak role of the respective FA cannot also be ruled out. The PAO was directed to evolve a system to monitor financial transactions in different departments of the Ministry, on regular basis, to ensure better budgetary management.

### 2.2 FEDERAL WATER MANAGEMENT CELL ISLAMABAD

- > Federal Water Management Cell is responsible for the co-ordination of On-Farm Water Management Project (OFWM) at Federal level and also among the Provincial units. The Cell was handling two main projects viz OECF (Japan) Project and World Bank-Phase-III Project, besides the other two projects abandoned at initial stages, during the

period of audit. The OECF Project was started in March 1992 with an estimated cost of Rs. 3326.56 million while it was completed at a cost of Rs. 2972.69 million. The World Bank Project started in May 1992 at an approved cost of Rs. 3469 million and was completed in 1996 at a cost of Rs. 4928.6 million. The main objectives of these projects were construction of Water Courses, Water storage tanks, land leveling and demonstration centres.

- > In 4 cases, Government sustained a loss of Rs. 19.498 million. Reimbursement claims amounting to Rs. 82.076 million are still pending against different executing agencies/provinces, whereas adjustment account of Rs. 112.218 million has not yet been obtained, on the basis of which Audit is to ascertain whether the amount is due or not. The Cell has intimated that in 9 cases, involving an amount of Rs. 31.031 million, irregular expenditure was incurred for which Finance Division has been approached for regularization. Total amount of recovery stands at Rs. 95.501 million out of which recovery of Rs 43.357 million has been admitted by the Cell. However, the Audit holds that remaining balance of Rs. 52.144 million should also be recovered.
- > Scrutiny of the audit observations together with the Ministry's replies demonstrates that undue favour was extended to the then Federal Minister, Advisor and other dignitaries by handing over project vehicles, refurbishing of residences etc.
- > The Committee directed the Principal Accounting Officer, besides fixing of responsibility in various cases (as detailed in the Actionable Point - Section 4), to ensure that the accounts are properly closed, examine the reasons of excess expenditure incurred without proper financial approval and that the revised PC-1 is got approved to cover the total cost of the project.

### 2.3 UNAUTHORIZED APPROPRIATION OF FOREIGN EXCHANGE GAINS

- > The Federal Water Management Cell earned gains of Rs 22.767 million, on foreign exchange funds kept in Yen Assignment Account, due to exchange rate fluctuations during July 1993 to August 1998. Contrary to the Government instructions, the Cell unauthorizedly appropriated the amounts of exchange gains for making different payments.
- > In view of legal implications of the issue, the PAC observed that the gains due to foreign exchange fluctuations were the property of the Government, being the principal borrower; these should neither be transferred to Provinces nor should be utilized in addition to budgetary allocations.

### 2.4 SPECIAL AUDIT REPORT ON WHEAT AND FERTILIZER PROCUREMENT

#### 2.5 WHEAT PROCUREMENT

- > Ministry of Food, Agriculture and Livestock (MINFAL) used to procure wheat through Embassy of Pakistan, Washington DC, USA till 1991-92. From 1992-93, the Ministry started purchasing wheat directly from foreign countries and suppliers through their local agents in Pakistan. The following table shows the amount allocated for the purchase of wheat during 1992-93 to 1996-97:

	(Rs in billion)
1992-93	11.851
1993-94	6.307
1994-95	12.966
1995-96	7.248
1996-97	18.472

- > The Audit Department conducted a special audit of the purchase of wheat for the period July 1992 to November 1996, involving total purchase of Rs 66.844 billion.

> Findings of the Report (SAR) are given below:-

The report contains cases of losses to the tune of Rs 779.485 million. The losses may be attributed to the purchase of wheat at higher rates, award of freight contract on exorbitant rates and unwarranted payment of demurrage charges. The cases included in the report are summarized below:

- \* There were four cases of overpayment of US \$ 20 million and Rs 17.50 million due to purchase of wheat at higher rates.
- \* The Ministry awarded a freight contract at exorbitant rates and incurred a loss of US \$ 750,000.
- \* In one case there was a loss of US \$ 1.021 million because demurrage was paid due to a defective clause in the agreement.

## 2.6 FERTILIZER PROCUREMENT

> The Ministry of Food, Agriculture and Livestock (MINFAL), Islamabad imports fertilizer in the country through the Fertilizer Import Department (FID). Billions of rupees are spent every year on the purchase of fertilizer. The amount allocated for the purchase of fertilizer during 1992-93 to 1996-97 is indicated in the following table.

	(Rs in billion)
1992-92	7.143
1993-94	12.495
1994-95	8.517
1995-96	13.303
1996-97	18.472

> In December 1996, the Audit Department conducted a special audit of the purchase of fertilizer for the period July 1995 to November 1996. Audit covered the total purchase of Rs 59.93 billion.

> Findings of the Report are given below:-

The report contains cases of losses to the tune of Rs 616.41 million. These losses may be attributed to financial irregularities, purchase of the fertilizer at higher rates, non-forfeiture of performance bond(s)/Bank Guarantee, non-recovery of risk purchase amount, non-recovery of commission charges of cancelled letters of credit and unauthorized exemption from submission of bid bonds. The cases included in the report are summarized below:

- \* There are six cases of overpayment of US \$ 5.1 million due to violation of specified procedures and purchase of fertilizer at rates over and above the lowest rates available.
- \* In seven cases Bid Bonds/Performance Bonds/Bank Guarantee involving US \$ 1.08 million and Rs 37.508 million were released even though the contractors had defaulted in the cases.
- \* In a questionable deal of US \$ 7.6 million, undue favour was done to a contractor by irregular award of a contract.
- \* In one case there was a loss of US \$ 1.42 million due to purchase of fertilizer in excess of demand.
- \* Criminal proceedings were not initiated against a firm which submitted fake performance bond.
- \* Demurrage charges of US \$ 1.34 million were paid due to improper planning of shipment schedule.

## 2.7 REFERENCE OF WHEAT & FERTILIZER CASES TO THE NAB

> 21 paras, pertaining to the Special Audit Report on the Procurement of Wheat & Fertilizer were discussed in the PAC's meeting held on 16.3.2001 & 12.4.2001. The Committee, after discussing the Report, directed the PAO to examine the issues with the help of Audit and report to the PAC. Accordingly, a meeting of the DAC, constituted for this purpose, was held on 9.6.2001 to examine the matters. Unfortunately, no issue could be resolved by the DAC. Therefore, these paras were again reviewed by the PAC in its meeting held on 3 & 4 July, 2001.

- > In view of the gravity of the issues and financial loss that the public exchequer had to bear therefrom, the PAC decided to refer the above-said 21 paras to the NAB. The Committee directed the PAO to prepare the cases, on the basis of facts, for references to the NAB for investigation and recovery of the public money and submit these cases to the PAC Secretariat within one month. The PAC Secretariat will send these cases to the NAB in consultation with the Audit. In the cases in which the Ministry feels that the issue is not substantial enough to be dealt with at NAB's level, it should give specific comments.

## 2.8 MISUSE OF ASSIGNMENT ACCOUNT

FWMC incurred Rs 777,179 on the purchase of POL, repair of vehicles, telephone & contingent charges out of the GOP Assignment Account of project Pk-3327 World Bank phase-III. According to PC-I the Assignment Account was not meant for such expenditure.

The PAC felt the need to take measures to stop the misuse of Assignment Account. The Committee directed the Ministry of Finance to examine the issue, streamline the procedure to check the misuse of Assignment Accounts and issue instructions to all concerned accordingly.

## 2.9 PAKISTAN AGRICULTURAL STORAGE & SERVICES CORPORATION LTD (PASSCO)

- > During the year 1996-97, PASSCO procured 1,088,019 M.tons of wheat as compared to 1,202,740 M.tons of wheat during the year 1995-96 registering a decline of 9.54%. PASSCO was not engaged in the procurement of minor crops like potato, onions, gram, oil seeds etc. Handling capacity of agricultural commodities of PASSCO in terms of infrastructure and manpower was 1.5 million metric tons whereas 1.208 million M.tons of wheat was handled, thus capacity utilization of resources remained upto 80.57%.

- > The Ministry intimated that PASSCO's employment infrastructure had been examined by the Board of Directors of PASSCO as well as by the Cabinet. During the year 1994-95, BOD approved that the vacant posts be declared redundant. The Cabinet also decided that the staff of PASSCO should be reduced through attrition till the organization starts making a profit.
- > The Audit pointed out that the Corporation sustained loss of Rs. 0.926 million during 1996-97. It further sustained operating loss of Rs. 48.037 million in 1998-99 and Rs. 237.638 million in 1999-2000 as against operating profit of Rs. 125.891 million earned in 1997-98. This was due to weak internal administrative and financial controls.
- > The Ministry apprised the Committee that the selection of crops to be procured, magnitude of procurement, rates thereof and extent of subsidy to be allowed are determined by the Government. These factors are responsible for fluctuations in profitability and capacity utilization over the years.
- > On presentation of the above facts, the PAC directed the PAO that some system of cost-analysis should be established to show the cost of the subsidy in a separate account. Losses on account of management weaknesses should be separated from pure subsidy. The situation should be brought to the notice of the Government and budgetary cover should be sought for the subsidy. The Committee directed the Ministry of Finance to take notice of the issue and formulate some policy to resolve it.

### 3. RECOMMENDATIONS

- 3.1 The PAC observed that the budgetary indiscipline in the Ministry indicated incompetence and neglect on the part of management. Therefore, the Ministry should evolve a system to monitor financial transactions in different departments under its control, on regular basis, to ensure better budgetary management.

- 3.2 To prevent misuse of funds and assets of the Project, the Federal Water Management Cell should improve systems of cash management, maintenance of basic record, internal financial controls and personal management.
- 3.3 Gains, realized on borrowed funds kept in the foreign currency Assignment Accounts, due to exchange rate fluctuations, are the property of the Government, being the principal borrower. Amounts of such gains should be deposited in the Government Accounts and should not be utilized by the Assignment Account holders by themselves.
- 3.4 With reference to 21 cases pertaining to the Special Audit Report on Wheat & Fertilizer, the Ministry should prepare the cases, based on facts, for reference to the NAB for investigation and recovery of the public money and submit these cases to the PAC Secretariat within one month.
- 3.5 The Ministry of Finance should streamline the procedure to stop the misuse of Assignment Accounts and issue instructions to all concerned accordingly.
- 3.6 In the context of PASSCO, the Ministry should establish cost-analysis system to bring about the cost effect of the subsidy in a separate account. The position should be brought to the notice of the Government and budgetary cover should be sought for the subsidy cost. The Ministry of Finance should take notice of the issue and should formulate some policy to resolve it.
- 3.7 Bid bond/performance bond/bank guarantee should not be released without certificate of the consignee to the effect that the contract has been executed by the supplier satisfactorily and there is nothing outstanding against him.
- 3.8 The Ministry should seek help of the respective Chief Justice(s), through M/o Law, to expedite settlement of the recovery cases pending at various Courts of Law.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON MARCH 16 & 17, APRIL 12 AND JULY 03 & 04, 2001

ACTIONABLE POINTS: MEETING ON 16 & 17-03- 2001

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

4.1 GRANT NO. 60-PLANT PROTECTION MEASURES, (PAGE-211-AA).

Audit pointed out that savings worked out to be 41.78 percent of the final grant. An amount of Rs. 20,713,000 was however, surrendered leaving net savings of Rs. 13,576,455. Remaining savings were also required to be surrendered in time.

PAC DIRECTIVE

The Committee conveyed its displeasure on the reported huge savings and observed that the Ministry was not paying due attention to keep the record of the financial transactions in a professional way. It directed the PAO to examine the matter, fix responsibility and take action against the person(s) responsible for the savings and report to PAC within 15 days.

4.2 GRANT NO. 139-CAPITAL OUTLAY ON PURCHASE OF FERTILIZERS, (PAGE 27-MR-7).

Audit pointed out that saving worked out to be 65 percent of the final grant. However, an amount of Rs. 24,006,703,128 was surrendered leaving net saving of Rs. 1,671,306,655. Remaining saving was also required to be surrendered in time.

The Committee was apprised by the PAO that the contractor, who was involved in the matter, had gone to the Court, therefore, the issue stood subjudice.

PAC DIRECTIVE

The Committee deferred the issue till the decision of the court.

4.3 GRANT NO. 157-DEVELOPMENT EXPENDITURE OF FOOD & AGRICULTURE.  
(PAGE 219-AA).

Audit pointed out a huge savings of Rs. 189,733,825(28%) in the final grant. An excessive amount of Rs. 339,468,144 was surrendered converting the grant to be closed with an excess of Rs. 149,734,319.

The Committee could not be satisfied with the staggering reasoning that the excess was caused by the belated adjustment of Rs. 75,827,119 for the years 1994-95 and 1995-96 and also, due to booking of loan proceeds, Rs. 236,876,940, disbursed by the donors for which a matching grant was demanded but not provided by the Finance Division.

PAC DIRECTIVE

The Committee observed that the huge savings in the grant, subsequent excessive surrenders converting the grant into "excess", booking of foreign loans without matching grant etc. reflected gross budgetary indiscipline indicating culpable incompetence and neglect on the part of all concerned. The responsibility of the respective FA can not be ruled out. The Committee advised the PAO to evolve a system to monitor financial transactions in different departments of the Ministry, on regular basis, to ensure better budgetary management. However, the Committee, ordered a "Joint enquiry" by the Audit and the Ministry to investigate the issue, fix responsibility and submit report to the PAC within one month. Even if the Finance Division was at fault, the fact should be brought on record.

4.4 GRANT NO. 159-DEVELOPMENT EXPENDITURE OF LIVESTOCK DIVISION.  
(PAGE 232-AA).

Audit pointed out that savings worked out to 34.34 percent of the final grant. An amount of Rs. 24,342,000 was however, surrendered leaving net savings of Rs. 2,606,161. Remaining savings were also required to be surrendered in time.

PAC DIRECTIVE

The Committee directed the PAO to investigate the reasons for the savings, fix responsibility, take action against the person(s) responsible and report to the Committee within one month.

ACTIONABLE POINTS FOR THE YEAR 1993-94

4.5 GRANT NO. 159-DEVELOPMENT EXPENDITURE OF LIVESTOCK DIVISION.  
(PAGE 188-AA)(ITEM 1-AP-93-94).

The grant closed at an excess expenditure of Rs. 87,522,426 was discussed by the defunct PAC in its meeting held on 11.8.1997. The Committee directed the PAO to examine the issue and fix responsibility.

PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the department for the excess expenditure. It directed the PAO to fix responsibility and take action in the light of directive of the defunct PAC and report to the Committee within one month.

SPECIAL AUDIT REPORT ON FEDERAL WATER MANAGEMENT CELL ISLAMABAD  
(1993-97)(SERIES-13)

4.6 OVERVIEW

Federal Water Management Cell is responsible for the co-ordination of On-Farm Water Management Project (OFWM) at Federal level and also among the Provincial Units. The Cell was handling two main projects viz OECF (Japan) Project and World Bank-Phase-III Project, besides the other two projects

abandoned at initial stages during the period of audit. The OECF Project started in March 1992 with an estimated cost of Rs. 3326.56 million while it was completed at a cost of Rs. 2972.69 million. The World Bank Project started in May 1992 at an approved cost of Rs. 3469 million and was completed in 1996 at a cost of Rs. 4928.6 million. The main objectives of these projects were construction of Water Courses, Water storage tanks, Land leveling and demonstration centres.

Audit examined the procurement record of vehicles, machinery/equipments, contracts with consultants, re-imburement of consultancy charges and other record of expenditure in the light of general financial rules, treasury rules, PC-1 duly approved by ECNEC, terms of agreement with the donors and contract signed with consultants etc.

According to Audit, Government sustained a loss of Rs. 19.498 million in 4 cases. Reimbursement claims amounting to Rs. 82.076 million are still pending against different executing agencies/provinces, whereas adjustment account of Rs. 112.218 million has not yet been obtained, on the basis of which Audit is to ascertain whether the amount is due or not. The Cell has intimated that in 9 cases, involving an amount of Rs. 31.031 million, irregular expenditure was incurred for which Finance Division has been approached for regularization. Total amount of recovery stands at Rs. 95.501 million out recovery of Rs 43.357 million has been admitted by the Cell. However, the Audit holds that remaining balance of Rs. 52.144 million should also be recovered.

Scrutiny of the audit observations together with the Ministry's replies transpire that undue favour was extended to the then Federal Minister, Advisor and other dignitaries by handing over project vehicles, refurbishing of residences etc.

The Committee directed the PAO, besides fixing of responsibility in various cases pointed out by the Audit, to ensure that the accounts are properly closed, examine the reasons of excess expenditure incurred without proper financial approval and that the revised PC-1 is got approved to cover the total cost of the project.

4.7 LOSS OF Rs. 16.108 MILLION IN GEO-SYNTHETIC PROJECT.  
(PARA 1, PAGE-4-SAR (13)-93-97).

Audit pointed out that the project "Testing of Geo Synthetic Liner for lining of Canals and Water courses in Pakistan" was approved by the ECNEC on 17 November, 1994. M/s. I.T. Consultants were appointed as contractor in October 1995. The project was to be completed in June 1998. The FWMC had incurred over Rs. 16 million up to 15 October 1996 when the work on the project was stopped because the survey and design report of the contractor was not acceptable to the Water Management Unit, Punjab. The financial irregularities were as follows.

- a) The contractor was paid Rs. 14.377 million without obtaining bank guarantee or security deposit.
- b) The management purchased one car (Suzuki Khyber,) for Rs. 438,500 and one KIA Ceres pick up for Rs. 512,813 when no physical activity was in progress and no staff was recruited for the project.
- c) The local office incurred Rs. 642,000 on the purchase of POL, repair of vehicles, telephone and bank services charges pertaining to OECF Project and Rs. 128,000 on foreign bank charges relating to letter of credit established under the World Bank Project Phase-III. The diversion of funds to the project was made without the approval of the Finance Division.

The Committee was apprised that Federal Water Management Cell has been co-ordinating several projects at the same time, therefore, the expenditure of the main office was met from the funds of the projects proportionately.

PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the Department on the audit observations. The Committee directed the PAO to examine the issues mentioned in the audit para and submit his un-biased report, with names of persons responsible for the financial irregularities, to the PAC Secretariat within 10 days. On submission of the report, the Committee will decide whether the matter should be sent to NAB or not.

4.8 LOSS OF Rs. 44 MILLION IN ACCELERATED NATIONAL OFWM PROGRAMME PHASE-1, (PARA 2, PAGE-4-SAR(13)-93-97).

Audit pointed out that FwMC prepared a PC-1 in December 1995 for Accelerated National OFWM Programme. Pending approval of the PC-1, they moved a case to Prime Minister Secretariat and obtained Rs. 44 million, which they claimed as 12% matching funds for construction of additional 1100 watercourses. The remaining 88% funds were to be obtained from the donors of the existing OECF Project, World Bank Project Phase-III and ADB Project. The GOP released the funds in February 1996 and the management distributed them amongst provincial units in April 1996.

The hasty release of Rs. 44 million as 12% GOP matching funds without ensuring availability of remaining 88% funds and without follow up support provided sufficient ground for doubts about proper utilization of funds. Further, the distribution of funds was unrealistic and not in proportion to physical activities assigned to various executing agencies.

The Department apprised the Committee that the then Prime Minister gave special grant of Rs. 44.100 million from discretionary funds to be passed on to the Provinces as 12% GOP matching funds additionally. The province wise break-up was based on the progress of completed work. Those districts were given preference where the progress of water courses improvement was low.

PAC DIRECTIVE

The Committee directed the PAO to examine the issue and submit a report to the PAC within one month.

- 4.9 i) IRREGULARITIES OF Rs. 84.638 MILLION IN OFWM-OECF PROJECT AND IDA/WORLD BANK ASSISTED PROJECT PHASE-III.  
 ii) Rs. 47.293 MILLION DRAWN IN EXCESS OF ALLOCATION. (PARA 3 & (3.1), PAGE-5-SAR(13)-93-97).

Audit pointed out that during 1993-97, the FwMC management drew Rs. 38.234 million for OECF Project and Rs. 9.059 million for World Bank

Assisted Project Phase-III in excess of allocated funds, in spite of the fact that the words "Foreign Aid" and GOP were distinctly written against the provisions of the funds in the NIS. The management deliberately resorted to this practice even during the period prior to this audit. Expenditure booked indicated large variations between funds allocated and expenditure incurred.

The Ministry contended that funds were drawn in accordance with NIS and budget books which were approved by the Finance Division and Planning & Development Division.

The Committee was apprised that 88% expenditure from Foreign Aid was to be matched by 12% from the local funds, whereas 15% expenditure was incurred from local funds by over-stating 88% expenditure against foreign aided funds. This caused excessive drawal of Rs. 47.293 million. The PAO viewed that the said excess expenditure appeared to be incurred with the connivance of the Finance Division.

#### PAC DIRECTIVE

The Committee directed the PAO to investigate how 15% expenditure was incurred against admissible limit of 12%, fix responsibility for incurring excess expenditure and report to the PAC within one month.

#### 4.10 Rs. 4.291 MILLION RETAINED IRREGULARLY. (PARA 3.5, PAGE-8-SAR(13)-93-97).

Audit pointed out that the FWMC transferred Rs. 337.517 million to DG Agriculture Sindh for OECF Project who in turn made available Rs. 333.226 million to the Project Director OECF Larkana and retained Rs. 4.291 million. Similarly, Rs. 31,000 were retained from the funds of Accelerated Programme Phase-1. The Audit further stated that the Department concerned did not provide required record for verification of facts.

The Department informed the Committee that FwMC received reimbursement from donors for OFwM Sindh and transferred the total amount to DG Agriculture Sindh for utilization on the project. DG Sindh was asked to clarify the position and his clarification was provided to Audit. Director OFwM OECF Larkana, was also asked to confirm utilization of funds of the project.

PAC DIRECTIVE

The Committee conveyed its displeasure for not providing the record for the verification of facts regarding audit observation in time to the Audit. The Committee directed the Department to make available required record from the offices concerned and get it verified from the Audit. The Committee will discuss the issue in its next meeting.

4.11 MISUSE OF VEHICLES Rs. 2.42 MILLION.  
(PARA 3.8, PAGE 10-SAR(13)-93-97).

Audit pointed out that the Federal Minister, State Minister, Adviser (M.O. Food & Agriculture) and consultants of the Prime Minister Secretariat kept four FwMC project vehicles under their permanent use and also used vehicles on different occasions covering a distance of 265,994 kilometers. An amount of Rs. 1.596 million stand recoverable from the users on this account.

The Department informed that request had been made to District Administration to effect recovery from the respective users.

PAC DIRECTIVE

After hearing the Ministry's reply on the audit observation, the Committee directed the PAO to recover the amount from the users of the official vehicles regardless of their status and submit progress report to PAC within one month.

4.12 UNAUTHORIZED EXPENDITURE OF Rs. 137,265.  
(PARA 3.10, PAGE-11-SAR(13)-93-97).

Audit pointed out that FWMC diverted project funds to the tune of Rs. 137,265 for providing air conditioners, carpets, curtains for residence of Minister for Food & Agriculture, reimbursing cost of POL to PRO to State Minister as well as repair and spare parts of vehicles of the Adviser (Food & Agriculture) and Parliamentary Secretary. The expenditure was neither authorized nor regular.

The Department apprised the Committee that necessary actions are being taken to recover the unauthorized expenditure.

PAC DIRECTIVE

The Committee directed the PAO to effect recovery of the unauthorized expenditure at the earliest; otherwise the Committee will consider to direct disciplinary action against the person(s) responsible for the unauthorized expenditure and to refer the case to NAB for recovery.

4.13 i) NON-REIMBURSEMENT OF Rs. 77,872 MILLION.  
(PARA 4.1, PAGE-12, SPL.AR-93-97).

Audit pointed out that the GOP released a total sum of Rs.77.872 million as bridge finance through sanction letter No.F.1.1/92-AO(WM) dated 5 May 1992 including Rs. 68.210 million for the World Bank Project and Rs. 9.662 million for OECF Project. The amount was reimbursable to the Government. However, the amount was not reimbursed.

ii) Rs. 15.829 MILLION RECOVERABLE IN THE OECF PROJECT.  
(PARA 4.2, PAGE-12-SAR(13)-93-97).

Audit pointed out that the FwMC spent Rs. 24.915 million on the purchase of equipment, payment of custom duties and taxes, KPT charges, insurance, clearance charges, transportation etc on behalf

of provincial executing agencies and donors out of the GOP Assignment Account of OECF Project during 1993-97. The expenditure was incurred without sanction of the competent authority and in contravention of the provisions of the PC-1 and Project Agreement. The donors had so far reimbursed Rs. 9.087 million. A balance of Rs. 15.829 million was recoverable from provincial executing agencies which would then be reimbursed by the donors.

iii) NON-RECOVERY OF Rs. 5.331 MILLION.  
(PARA 4.3, PAGE-13-SAR(13)-93-97).

Audit pointed out that the Cell spent Rs. 176.454 million on payment of custom duties, KPT charges, insurance, clearance charges, transportation charges of vehicles and equipment on behalf of the provinces. The Cell showed adjustment of the expenditure except Rs. 5.331 million recoverable from ICT (Rs. 4.147 million) and Province (Rs. 1.184 million), which they stated would be effected soon.

iv) NON-REIMBURSEMENT OF Rs. 4.206 MILLION.  
(PARA 4.4, PAGE-13, SAR(13)-93-97).

Audit pointed out that Rs. 5,049,610 were reimbursable from the donors up to 30 June 1997 being 88% of the expenditure incurred on management cost out of GOP Assignment Account and Dollar Assignment Account of OECF Project and GOP AGPR Account. The Adjustment Account of Rs. 4.206 million was still reimbursable. The management intimated that the reimbursement claims were under preparation.

PAC DIRECTIVE

On the presentation of above four paras by the Audit, regarding non-reimbursement/non-recovery of various amounts spent by the GOP waiting re-imburement from the donors or expenditure incurred on behalf of provincial executing agencies, the Committee directed the PAO to take personal interest to resolve the issues and report to the Committee within one month.

4.14 NON-RECOVERY OF Rs. 0.600 MILLION FOR MISUSE OF VEHICLES.  
(PARA 4.9, PAGE-16-SAR(13)-93-97).

- A) The Audit pointed out that the Cell placed project vehicle at the disposal of two officers for their exclusive use. The vehicle covered 144,473 kilo-meters, thereby, an amount of Rs. 600,231 became recoverable from the users.
- B) The vehicle No. IDB-7791 was placed at the disposal of PS to Food & Agriculture Minister on 28 June 1994 and remained under his use till 24 April 1996. It was contended that the vehicle was given on verbal instructions of the Food & Agriculture Minister. This entailed recovery equal to two years depreciation at 20% of cost of the vehicle.

As for "A" the Committee was apprised that the vehicle was used by the officers for monitoring the project activities and also for pick and drop for which conveyance allowance had been deducted from their salaries. But on "B" the Committee was not satisfied with the departmental reply.

PAC DIRECTIVE

The Committee settled the audit observation-A subject to verification of facts that the vehicle was used for field duty and that the conveyance allowance was deducted against facility of pick and drop. Regarding the audit observation-B, the Committee directed the PAO to investigate the issue, and bring the facts before the Audit/PAC within one month.

4.15 UNAUTHORIZED APPROPRIATION OF GAIN OF Rs. 22.767 MILLION DUE TO EXCHANGE RATE FLUCTUATION.  
(PARA 5.1, PAGE-18-SAR(13)-93-97).

Audit pointed out that the Yen Assignment account gained Rs. 22.767 million and also suffered loss of Rs. 16.881 million due to exchange

fluctuations during July 1993 to August 1998. Contrary to Government instructions, the Cell appropriated the amounts of exchange gains for meeting the loss in the proceeds of reimbursement applications and for making payment of custom duty on behalf of provinces without effecting any recovery. The Department also used gains for making payment of the reimbursement applications in the pipeline to provinces. The adjustment of such abnormal receipts was made at the closing of the project.

PAC DIRECTIVE

The Committee observed that the gains on the foreign exchange fluctuations were the property of the Government being the principal borrower; these should neither be transferred to provinces nor should be utilized in addition to budgetary allocations which are made in Pak. Rupees. Therefore, the Committee directed the PAO to recover the net gains from the Provinces.

4.16 PAYMENT OF Rs. 2.217 MILLION AS PAY AND ALLOWANCES FOR POSTS NOT SANCTIONED.  
(PARA 5.3. PAGE-19-SAR(13)-93-94).

Audit pointed out that the local office appointed 11 employees during July 1993 to November 1995 and incurred an expenditure of Rs. 2.217 million on their pay and allowances. The management had indicated in the PC-1 that no funds for manpower would be needed during the first four years of OECF Project, i.e. 1992-93 to 1995-96 and the existing staff of OFWM World Bank Project Phase-III would manage the new project.

The Ministry contended that since the ECNEC had approved these posts in the revised PC-1, there was no irregularity in operating these posts.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit of the fact that the said posts had been sanctioned in the Revised PC-1.

4.17 LOSS OF Rs. 2.107 MILLION DUE TO THEFT.  
(PARA 5.4, PAGE-19-SAR(13)-93-97).

Audit pointed out that during the implementation of OECF Project, a 3-door Pajero, a double cabin pick up and a motorcycle were stolen, which caused a loss of Rs. 2.107 million. The Cell lodged FIRs with the police but did not conduct any departmental inquiry to assess the causes and responsibility for the loss. No efforts were made for retrieval of the vehicles.

The Department apprised the Committee that an inquiry was conducted by the Departmental Inquiry Committee which recommended that the losses suffered, on account of theft, might be got written-off.

PAC DIRECTIVE

The Committee directed the Department to take up the case for the write-off of the losses suffered on account of theft.

4.18 WASTAGE OF Rs. 0.943 MILLION PER ANNUM ON POL.  
(PARA 6.2, PAGE-22-SAR(13)-93-97).

Audit pointed out that the FWMC maintained 53 vehicles and 17 motor cycles and spent an average of Rs. 943,000 per annum on POL and repairs. The Cell was headed by Director General (BPS-20) who was not entitled to personal vehicle. His duty was to coordinate, verify and certify physical activities of the project. As such, maintenance of a huge fleet of vehicles was not justified. The management admitted the irregularity and intimated that a policy decision regarding the number of vehicles to be retained would be taken by the PAO.

In response to a query it was revealed that the FWMC was comprising 9/10 officers, 20/25 employees and 3/4 consultants. While the topman was an officer of BPS-20 who himself was not entitled for a vehicle.

PAC DIRECTIVE

The Committee took serious notice of the mis-use of public resources and directed the Department to provide a detailed list of official vehicles, within and outside Islamabad, alongwith the names of entitled persons, to the Audit for verification of the facts and report to the Committee within one month.

4.19 WASTAGE OF Rs. 0.463 MILLION PER ANNUM ON MAINTENANCE OF ADDITIONAL VEHICLES.  
(PARA 6.4, PAGE-23-SAR(13)-93-97).

Audit pointed out that M/s Halcrow consultants purchased 20 vehicles against 18 proposed in PC-1. In addition to this a fleet of 14 vehicles was transferred from the project and, on average, Rs. 463,512 per annum were spent on the maintenance of the additional vehicles. The DAC in its meeting held on 23 July 1998 directed the Department to take up a policy decision in consultation with the Cabinet Division regarding surplus vehicles of the projects.

The Department informed the Committee that to keep the vehicles in running condition a minimum expenditure had to be incurred by FWMC. The vehicles were used by the entitled persons. Relevant record may be verified, if so required.

PAC DIRECTIVE

After hearing the Ministry's reply, the Committee settled the para subject to verification of the facts that vehicles purchased were covered under PC-1 and that the users of these vehicles were entitled under the rules.

4.20 i) EXPENDITURE OF Rs. 2.175 MILLION ON VEHICLES.  
(PARA 7.1, PAGE-24-SAR(13)-93-97).

A Consultant of OECF project purchased 20 vehicles against the provision of 18 in the contract. An expenditure of Rs. 2.175 million was incurred on purchase and maintenance of these two vehicles.

- ii) PURCHASE OF VEHICLES FOR Rs. 90.208 MILLION WITHOUT SANCTION.  
(PARA 8.1, PAGE-25-SAR(13)-93-97).

FWMC purchased 87 vehicles and incurred Rs. 90.02 million without sanction of the Finance and PAO.

- iii) PURCHASE OF VEHICLES VALUING Rs. 4.431 MILLION WITHOUT CLEARANCE FROM FINANCE DIVISION.  
(PARA 8.3, PAGE-25-SAR(13)-93-97).

03 vehicles were purchased for a consultant M/s Sheladia without the approval of the Finance. The vehicles were of different types than the vehicles mentioned in the PC-1.

PAC DIRECTIVE

On the presentation of above mentioned three paras by the Audit, the Committee directed the PAO to provide the lists of vehicles and entitled officers for verification to the Audit and report to the Committee within one month.

- 4.21 EXCESS EXPENDITURE OF Rs. 49.316 MILLION ON CONSULTANCY.  
(PARA 8.2, PAGE-25-SAR(13)-93-97).

Audit pointed out that the FWMC acquired services of a consultant for the OECF Project. The actual expenditure up to 30 June 1997 and the projected figures up to the closing date of project i.e. 31 December, 1998 indicated that the overall expenditure on consultancy services would exceed the limit of 10% of the total cost by Rs. 49.316 million.

The Department apprised the Committee that Audit has not considered the farmers contribution of Rs. 785.78 million which is included in the capital cost of the project. Total cost including farmers contribution comes to Rs. 4,112.34 million and accordingly the total expenditure on consultancy is within 10% of the project cost.

PAC DIRECTIVE

The Committee settled the para subject to verification of the facts by the Audit.

4.22 PURCHASE OF EQUIPMENT VALUING Rs. 1.777 MILLION FROM THE THIRD LOWEST BIDDER.  
(PARA 8.5, PAGE-26-SAR(13)-93-97).

Audit pointed out that the FwMC purchased audio-visual equipment valuing Rs. 1.777 million from the third lowest bidder, ignoring the first and second lowest bidders, with the approval of Secretary.

The Department apprised the Committee that the first and second lowest bidders were not accepting proper specifications/conditions as per standards given in the tender. Hence, the third lowest firm, whose equipment was meeting all the required specifications of the tender, was awarded the contract.

PAC DIRECTIVE

4.23 OPENING OF BANK ACCOUNT AND USE OF PROFIT OF Rs. 1.407 MILLION WITHOUT SANCTION.  
(PARA 8.6, PAGE-26-SAR(13)-93-97).

The Committee settled the para subject to verification of the facts by the Audit.

4.23 OPENING OF BANK ACCOUNT AND USE OF PROFIT OF Rs. 1.407 MILLION WITHOUT SANCTION.  
(PARA 8.6, PAGE-26-SAR(13)-93-97).

Audit pointed out that the Cell opened an account with a commercial bank and used profit of Rs. 1.407 million for departmental expenditure without the approval of the Finance Division.

The Ministry stated that the funds received from executing agencies were kept in commercial bank for the time being and profit of Rs. 1,733,784 accrued on these deposits, was adjusted against the recoveries of executing agencies according to their share.

PAC DIRECTIVE

After hearing the Ministry's reply, the Committee directed the Audit to verify the facts of the case; if Audit is satisfied, the para may be treated settled.

4.24. EXPENDITURE OF Rs. 2.767 MILLION ON STUDY TOUR WITHOUT APPROVAL.  
(PARA 8.4, PAGE-26-SAR(13)-93-97).

Audit pointed out that the Cell arranged a study tour of Mexico for some senior officers and farmers. Rs. 2.767 million were spent on the tour without approval of the Finance Division and the Prime Minister of Pakistan.

The Ministry contended that the said tour was approved by the Secretary and the Minister and approval of PM was not required for such tours.

PAC DIRECTIVE

The Committee observed that the delegation was neither truly represented by the farmers nor required approval was sought from the Prime Minister. The Committee directed the PAO to investigate the case and furnish a detailed report to PAC within one month, especially on the following points:-

- i) At what level the decision regarding the tour programme and composition of the delegation was made?
- ii) Who was the competent authority to approve the visits abroad of the public representatives, senior officers and private persons, under the rules?

4.25. UNECONOMICAL ACQUISITION OF MATERIALS AND SERVICES VALUING Rs. 7.157 MILLION.  
(PARA 9, PAGE-26-SAR(13)-93-97).

Audit pointed out that the Cell acquired services of clearing agents and transporters, purchased office equipment, vehicles and arranged repair of

vehicles without observing the prescribed procedure of competitive bidding which rendered the expenditure of Rs. 7.157 million uneconomical.

The Ministry informed the Committee that due to time constraints, the open tenders could not be floated. The case for condonation of the violation of the rules, as advised by Audit, has been submitted to Finance Division.

PAC DIRECTIVE

The Committee observed that the case reflected lack of planning and bad management. The Committee directed the PAO to examine the matter, fix responsibility and take action against the persons responsible and report to the Committee within one month.

- 4.26. i) IRREGULARITIES IN CASH MANAGEMENT.  
(PARA 10, PAGE-28-SAR(13)-93-97).
- ii) LAXITY OF INTERNAL CONTROLS.  
(PARA 11, PAGE-28-SAR(13)-93-97).
- iii) IRREGULARITIES IN MANAGEMENT OF PROJECT STAFF.  
(PARA 12, PAGE-29-SAR(13)-93-97).

PAC DIRECTIVE

On the presentation of above mentioned three paras by the Audit, the Committee directed the PAO to examine the issues contained in the audit observations with a view to check the lapses in future and improve systems of Cash Management, Internal Control and Personnel Management under report to PAC within one month.

ACTIONABLE POINTS FOR THE 1993-94

- 4.27 IRREGULAR WITHDRAWAL OF Rs. 117,369/- FROM ASSIGNMENT ACCOUNT.  
(PARA 9, PAGE-48-AR-93-94)(ITEM 18-AP-93-94).

Audit pointed out that M/O Food & Agriculture had paid Rs. 117,369/- to AOTR on account of telephone charges from the Development Budget of On

Farm Water Management Project instead of regular budget which is against the canons of financial propriety.

The para was discussed in the defunct PAC's meeting held on 11.7.1998 and the Ministry was directed to examine the case and fix responsibility and report to the Committee within one month.

PAC DIRECTIVE

The Committee directed the Department to take action in the light of previous PAC's decision and report to the Committee within one month.

4.28. IRREGULAR AND UNAUTHORIZED EXPENDITURE OF Rs. 0.114 MILLION ON ACCOUNT OF HONORARIUM.  
(PARA 10, PAGE -48-AR-93-94)(ITEM 20-AP-93-94).

Audit pointed out that amounts of Rs. 39,400 in 1993-94 and Rs. 74,961 in 1989-90 and 1990-91 were paid to the employees by Economic Policy Analysis Project without concurrence of Finance Division and without fulfilling the condition of FR.46(b). Thus the expenditure was treated as irregular and unauthorized.

The issue was discussed by the defunct PAC in its meeting held on 11.7.1997 and directed the Department to examine the issue and get approval from the Finance Division.

PAC DIRECTIVE

The Committee directed the PAO to implement the previous PAC's decision and report to the Committee within 15 days.

4.29 UNAUTHORIZED USE OF ADDITIONAL VEHICLES BY MINISTER AND MINISTER OF STATE.  
(PARA 14, PAGE-50-AR-93-94)(ITEM 2-AP-93-94).

Audit pointed out that vehicles of Federal Water Management Cell were used

by the Federal Minister and Minister of State for 48480 k.m. in addition to those provided by the Cabinet Division.

The para was discussed by the defunct PAC in its meeting held on 18.9.1997 and the Department was directed to recover the amount of Rs. 96,960/- from the then Federal Minister and Minister of State.

The Ministry apprised the Committee that the recovery from ex-Minister of State was not justified because he had exchanged the vehicle provided to him by the Cabinet Division with a vehicle of Water Management Cell which was in his use. As such he was using only one vehicle as per his entitlement. Action to recover a sum of Rs. 6,544.00 from the Ex-Minister is in process.

#### PAC DIRECTIVE

The Committee directed the Department to recover the due amount and report to the Committee within one month.

#### 4.30 MISUSE OF GOVERNMENT VEHICLES BY THE EX-MINISTER OF STATE, RECOVERY OF Rs. 393,798/- (PARA 16, PAGE-51-AR-93-94)(ITEM 4-AP-93-94).

Audit pointed out that the Ex-Minister of State was unauthorisedly provided a vehicle by the Water Management Cell in addition to the Staff Car provided by the Cabinet Division. The vehicle was used for 65,633 k.m. involving recovery of Rs. 0.934 million @ Rs. 6/- Per K.M. which was required to be effected.

The para was discussed by the defunct PAC in its meeting held on 18.9.97. The Committee constituted an IDC to examine the issue and report to the Committee.

#### PAC DIRECTIVE

The IDC's report was submitted before the Committee. After the detailed discussion on the issue, the Committee directed the PAO to

recover the amount from the Ex-Minister, and report to the Committee within one month. The PAO promised to effect recovery at the earliest.

SPECIAL AUDIT REPORTS ON WHEAT AND FERTILIZER PROCUREMENT DECEMBER 1997

WHEAT PROCUREMENT

- 4.31. i) LOSS DUE TO PURCHASE OF WHEAT FOR AFGHANISTAN AT HIGHER RATE US\$ 7.86 MILLION, (AIR PARA NO.1), (PARA 3.1.1(i), PAGE-4-SAR(1)-92-96).
- ii) LOSS OF Rs. 17.50 MILLION DUE TO UNAUTHORIZED AND IRREGULAR PURCHASE OF 100,000 METRIC TONS OF WHEAT FROM AUSTRALIAN WHEAT BOARD THROUGH NEGOTIATION, (PARA 3.1.1(ii), PAGE-5-SAR(1)-92-96).
- iii) LOSS OF US\$ 11.35 MILLION DUE TO INORDINATE DELAY AND PURCHASE OF CANADIAN WHEAT AT HIGHER RATES ON NEGOTIATION (PARA 3.1.1(iv), PAGE-7-SAR(1)-92-96).

PAC DIRECTIVE

On the presentation of above three paras by the Audit, the Committee directed the PAO to examine the issues raised by the Audit in different observations such as, reasons for finalization of the contracts in Pakistan instead of Washington, (against the previous practice) reasons for the purchase without open tenders, delay in finalization of the contracts after issuance of NOC by the competent authority etc. The Committee decided to discuss these paras in its next meeting in the light of the report of the PAO.

- 4.32 LOSS OF US\$ 750,000 DUE TO AWARD OF FREIGHT CONTRACT AT EXORBITANT RATE, (PARA 3.2, PAGE-8-SAR(1)-92-96).

Audit pointed out that the Ministry awarded a freight contract for ocean transportation of 2,00,000 (+10%) metric tons of Australian Wheat to M/s Korean Liners @ US\$ 17.50 being the first lowest bidders. The shipping agents of Government of Pakistan, M/s Universal Shipping Company, informed the Ministry that M/s Korean Liner had defaulted although nothing to this

effect was available on record. The next two lowest bidders withdrew their bids and the contract was awarded to the fourth lowest bidder i.e. M/s Pak Arab Shipping Company at an exorbitant rate of US\$ 21.25 per metric tons without offering the job to Pakistan National Shipping Corporation, at the same rate. Thus MINFAL had to pay an extra amount of US\$ 750,000.

The Secretary, Ministry of Food & Agriculture, informed the Committee that procedure was completely followed to finalize the contract. There was no alternative available to Economic Minister, Washington, except to award the contract to the fourth bidder. The contact with PNSC Karachi failed due to Eid holidays in Pakistan. The wheat contract had already been concluded with the wheat suppliers. The shipment contract had to be concluded on an urgent basis. The case was sent to FIA for investigation.

#### PAC DIRECTIVE

The Committee was not convinced with the Ministry's arguments for awarding the contract to the 4th bidder, ignoring the three lower bids; if the lowest bid was fake, why that could not be noticed at the time of tender opening? and observed that the loss occurred due to bad planning and mis-management in the Department. Had the Department asked from PNSC before awarding the contract to the fourth lowest (which was obligatory under the rules) huge loss of public money would have been avoided. The PAC directed the PAO to examine the issue alongwith the outcome of FIA's investigation and report to the Committee within 15 days.

#### 4.33 LOSS OF US\$ 1.021 MILLION DUE TO IRREGULAR PAYMENT OF DEMURRAGE. (PARA 3.3, PAGE-9-SAR(1)-92-96).

Audit pointed out that the Ministry had to pay US\$ 1,021,181 as demurrage due to defective clause in the Memorandum of Understanding for procurement of 210,000 metric tons wheat during 1993-94. It was provided in the MOU that buyers guaranteed minimum 10.5 meters salt water on arrival at

discharge port. Actually it should have been maximum 10.5 meters because only the ships having depth upto 10.5 meters could be berthed at the port.

Due to this defective clause all the ships bringing wheat were bigger than 10.5 meters, being greater in way of draught and length overall (LOA) than the prescribed standard of Port Qasim Authority. Consequently all the ships went into demurrage, resulting in a loss of US\$ 1,021,181 to Government.

The Ministry apprised the Committee that the clauses of MOU were not defective, but were in accordance with the condition prevailing at the time of signing the MOU. As the vessels were hired by the supplier in accordance with the clauses of MOU the demurrage had to be paid accordingly.

#### PAC DIRECTIVE

The Committee directed the PAO to provide all the information/record of the case to Audit for verification of the facts. If, Audit is satisfied the para may be treated settled.

- 4.34 i) LOSS OF US\$ 1.070 MILLION DUE TO PURCHASE OF UREA AT HIGHER RATE. (PARA 3.1(ii), PAGE-15-SAR(1)-92-96).
- ii) LOSS OF US\$ 651,870 DUE TO PURCHASE OF UREA AT HIGHER RATE. (PARA 3.1(iii), PAGE-15-SAR(1)-92-96).
- iii) LOSS OF US\$ 426,700 DUE TO PURCHASE OF DAP AT HIGHER RATE. (PARA 3.1(iv), PAGE-15-SAR(1)-92-96).
- iv) LOSS OF US\$ 712,050 DUE TO PURCHASE OF DAP FERTILIZER AT HIGHER RATE. (PARA 3.1(v), PAGE-15-SAR(1)-92-96).
- v) LOSS OF US\$ 253,800 DUE TO PURCHASE OF DAP FERTILIZER AT HIGHER RATE. (PARA 3.1(vi), PAGE-15-SAR(1)-92-96).

The Committee was apprised that on the above five cases standard purchase procedure was not adopted; contracts were awarded to even

fourth and fifth bidders ignoring the lower bidders without assigning any cogent reason and quantities of the contracts were substantially enhanced at later stages.

PAC DIRECTIVE

The Committee felt that the purchase decisions did not reflect fair business approach and, therefore, directed the PAO to investigate the facts mentioned in the audit observations i.e. reasons for ignoring the lowest bids and post-tender enhancements in the quantities of the contracts. The Committee also desired to provide the particulars of all suppliers in these cases. The Committee deferred the paras till its next meeting wherein the PAO will present his report.

4.35 LOSS OF US\$ 447,714 DUE TO NON FORFEITURE OF PERFORMANCE BONDS/BANK GUARANTEE.  
(PARA 3.2(I), PAGE-16-SAR(1)-92-96).

Audit pointed out that FID concluded a contract with M/s Rampak, Rawalpindi, for supply of 42.500 metric tons of fertilizer @ US\$ 197 per metric tons with shipment by 31.8.96. Despite the extension, the contractor failed to supply the stores and the contract was cancelled by the MINFAL. But no penalty was imposed and four performance bonds valuing US\$ 447.714 were released irregularly.

The Department informed the Committee that the competent authority cancelled the contract and imposition of penalty or confiscating the performance Bond of M/s Telemetrics was not considered justified in view of the fact that the original mistake was on the part of Government whereby documents for opening of L/C were sent erroneously by the State Bank of Pakistan to a wrong bank resulting in a lot of difficulties on the part of the firm for finding new principal, supplier and manufacturer coupled with a considerable amount of expenditure already incurred by them in the process.

PAC DIRECTIVE

The Committee observed that cancellation of the contract by the Ministry on the failure of the contractor in supplying the stores even within the extended period and exempting the contractor from any penalty or forfeiture of performance bonds on the pretext that the firm was not at fault as the documents for the LC were directed to a wrong bank by the State Bank leads to believe that undue favour was given to the firm by the Ministry, wherein connivance of the State Bank cannot be ruled out. The address of the banker is normally given on the bid as well as on the performance Bond, then, how documents went to the wrong bank? The Committee directed the PAO to investigate the issue and submit his report to the PAC within 15 days.

- 4.36 i) LOSS OF US\$ 156,250 DUE TO UNAUTHORIZED EXEMPTION OF BID BOND.  
(PARA 3.2.1(ii), PAGE-17-SAR(1)-92-96).
- ii) LOSS OF US\$ 109,000 DUE TO ISSUE OF LETTER OF INTENT WITHOUT OBTAINING BID BOND.  
(PARA 3.2.1(iii), PAGE-17-SAR(1)-92-96).

In the above two cases FID issued letters of intent to three firms (in each case) without floating tenders and obtaining bid bonds, for supply of urea. In both the cases firms failed to supply urea and cases were closed without imposing any penalty. The Audit viewed that the Department suffered loss only because it had not obtained the bid bonds. Had the department taken bid bonds, those would have been forfeited when the firms failed to supply urea.

PAC DIRECTIVE

On presentation of above two paras regarding loss due to unauthorized exemption of bid bonds and issuance of letters of intent without floating tenders, the Committee directed the PAO to investigate the issues, fix responsibility, take action against the person(s) responsible and report to the Committee within one month.

4.37 LOSS OF Rs. 4.00 MILLION DUE TO UNAUTHORIZED RELEASE OF PERFORMANCE BOND.  
(PARA 3.2.1(iv), PAGE-17-SAR(1)-92-96).

Audit pointed out that FID floated a tender for the purchase of urea in October, 1995. The MINFAL accepted the lowest offer from M/s Rampak and the firm was directed to submit performance bond and manufacturer certificate up to 8 November, 1995. M/s Rampak furnished the performance bond after due date and contract was placed for supply of 25,000 metric tons of urea @ US\$ 212 per metric tons (plus deferred payment interest @ 6% per annum). The contractor failed to supply the stores despite grant of extension in time and the contract was cancelled. But the performance bond for Rs. 4.00 million was released unauthorisedly.

The PAO admitted that the loss occurred due to negligence of the staff concerned.

The Committee felt that the Department had to suffer huge losses due to undue favours extended to M/s Rampak and its default in several cases, therefore, the Committee desired to provide background information of the Firm.

PAC DIRECTIVE

The Committee directed the PAO to investigate the matter and submit its detailed report to the PAC within 15 days; Reference of the case to NAB will be considered on receipt of the report.

- 4.38 i) LOSS OF US\$ 272,500 DUE TO IRREGULAR PLACEMENT OF LETTER OF INTENT AND RELEASE OF BID BONDS.  
(PARA 3.2(v), PAGE-18-SAR(1)-92-96).
- ii) NON-RECOVERY OF COST OF RISK PURCHASE AMOUNT AND COMMISSION CHARGES OF CANCELLED L/C Rs. 30,454(M).  
(PARA 3.2.1(vi), PAGE-18-SAR(1)-92-96).
- iii) NON-RECOVERY OF COST OF RISK PURCHASE AND COMMISSION CHARGES CANCELLED L/C Rs. 3,054 MILLION.  
(PARA 3.2(vii), PAGE-18-SAR(1)-92-96).

- iv) UNDUE FAVOUR TO A PRIVATE CONTRACTOR BY IRREGULAR AWARD OF CONTRACT QUESTIONABLE DEAL OF US\$ 7.6 MILLION.  
(PARA 3.3(i), PAGE-19-SAR(1)-92-96).
- v) PURCHASE OF FERTILIZER IN EXCESS OF DEMAND LOSS OF US\$ 1.42 MILLION.  
(PARA 3.4(i), PAGE-20-SAR(1)-92-96).

PAC DIRECTIVE

On the presentation of above five paras by the Audit Department, the Committee observed that the said paras present cases of culpable negligence and undue favour to the contractors/suppliers at the cost of public exchequer and persons responsible should be taken to task. The Committee directed the PAO to investigate the facts in each case, fix responsibility, take action against the person(s) responsible and report to the Committee by the next meeting so that the Committee may consider to refer the cases to NAB on the basis of facts.

4.39 NON-REGISTRATION OF CASE AGAINST FIRM WHICH SUBMITTED FAKE PERFORMANCE BOND.  
(PARA 3.5. PAGE-21-SAR(1)-92-96).

Audit pointed out that FID concluded two contracts with M/s Galaxy Trade International for supply of 25,000 metric tons of urea in each case. The firm submitted fake performance bond. The contract was cancelled and on the recommendation of the Tender Committee, MINFAL decided to refer the case of fraud to FIA. However, the case was not registered with FIA.

The Department informed the Committee that the matter was processed for referring to FIA for investigation, but later on it was pended as desired by the competent authority, however, the PAO promised to send it now.

PAC DIRECTIVE

The Committee directed the PAO to refer the case to FIA for investigation and report to the Committee within 15 days.

4.40 PAYMENT OF DEMURRAGE CHARGES DUE TO IMPROPER PLANNING OF SHIPMENT SCHEDULE US\$ 1.34 MILLION.  
(PARA 3.6(i), PAGE-21-SAR(1)-92-96).

Audit pointed out that Fertilizer imports were managed by the Fertilizer Import Department (FID) from different sources in such a manner that it resulted in payment of US\$ 1.34 million as demurrage charges. According to standing arrangement a maximum of two berths are allocated by the KPT for fertilizer ships at a time. The maximum rate of discharge by the handling contractors of the FID is 3,000 metric tons per ship per fair weather working day excluding holidays, which works, at 150,000 metric tons (3000x25x2) per month. However, due to lack of planning by the Department twenty four ships carrying 552852 metric tonnes of fertilizer arrived at Karachi Port during November and December, 1995. Due to late berthing of 14 ships incurred demurrage charges of US\$ 1.34 million.

The PAO admitted the fault. He further explained that loss occurred due to non-availability of berths, law & order situation in Karachi etc.

PAC DIRECTIVE

The PAC endorsed the audit opinion that the loss occurred due to lack of planning by the Department and directed the PAO to examine the matter, fix responsibility, take action against the person(s) responsible and report to the Committee in its next meeting.

APPROPRIATION ACCOUNTS (CIVIL)(VOL 1-1996-97)

4.41 GRANT NO.139-CAPITAL OUTLAY ON PURCHASE OF FERTILIZERS. (PAGE 217-AA)

Audit pointed out that the Department was responsible for the huge savings of Rs 25,678,009.783, in the grant without any genuine justification.

The Ministry informed the Committee that savings occurred due to many reasons. Some issues relating to the savings are in the Court of Law.

PAC DIRECTIVE

The Committee deferred the para till the decision of the Court.

ACTIONABLE POINTS: MEETING ON 12-04-2001

(DEFERRED ACCOUNTS)

AUDIT REPORT (CIVIL) (VOL-1-1996-97)4.42 IRREGULAR DRAWAL OF RESIDENCE OFFICE CONVEYANCE AND TEMPORARY MIS-APPROPRIATION GOVERNMENT MONEY Rs. 26,000/-.  
(PARA 13, PAGE-52-AR).

Audit pointed out two issues in this para:

- i) A staff car was used by the D.G. Food, Operation, on full time basis, during the financial year 1993-94. The concerned D.G. also drew conveyance allowance amounting to Rs. 4260 per annum through regular monthly pay which was irregular and needs to be recovered.
- ii) On physical verification of cash of the D.G. Food, an amount of Rs. 54,160 was found available as against the balance of Rs. 76159.92 shown in the cash book. However, the Department produced a private cheque for Rs. 22,000 which is indicative that Government money was being mis-used.

On first issue the PAO informed the Committee that the recovery had been made from the concerned officer. On second issue the Department informed that the person responsible had died; therefore, no disciplinary action could be taken against the official.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee settled the para subject to verification of facts by the Audit.

4.43 LOSS DUE TO NON RECOVERY OF PENALTY FROM CARGO HANDLING CONTRACTOR Rs. 10.1 MILLION.  
(PARA 15, PAGE-53-AR).

Audit pointed out that an amount of Rs. 10.1 million remained un-recovered against the contractor in the books of Director Accounts Food Karachi in respect of three contracts. The defaulting contractor was awarded new contract and payment was made without effecting recoveries of the Government dues.

The Committee was informed that the Department had recovered Rs 4.8 million from the contractor. The Department is taking steps to recover the balance amount from the contractor concerned.

PAC DIRECTIVE

The PAC observed that this is a case of favouritism and directed the PAO to enquire into the matter, fix responsibility, take action against the person(s) responsible. The PAC also directed to recover the balance amount from the contractor.

SPECIAL AUDIT REPORT ON WHEAT AND FERTILIZER PROCUREMENT DECEMBER 1997

- 4.44 i) LOSS OF Rs. 17.50 MILLION DUE TO UNAUTHORIZED AND IRREGULAR PURCHASE OF 100,000 METRIC TONES OF WHEAT FROM AUSTRALIAN WHEAT BOARD THROUGH NEGOTIATION.  
(PARA 3.1.1(ii), PAGE-5-SAR-1).
- ii) LOSS OF US\$ 1.021 MILLION DUE TO IRREGULAR PAYMENT OF DEMURRAGE.  
(PARA 3.3, PAGE-9-SAR-1).

PAC DIRECTIVE

The PAC deferred the above two paras and decided to discuss them, alongwith special report on 29 deferred paras, in the next meeting.

ACTIONABLE POINTS FOR THE YEAR 1993-94

- 4.45 GRANT NO. 136-CAPITAL OUTLAY ON PURCHASE OF FOOD (PAGE 5-AA (FOOD)(ITEM 5-AP-93-94)

PAC DIRECTIVE

The Committee regularized the excess expenditure in the light of IDC Report; however, directed the Department to implement the recommendations of the IDC-report for the improvement of budgetary control.

4.46 GRANT NO.137-CAPITAL OUTLAY ON PURCHASE OF FERTILIZER (PAGE 186-AA)(ITEM 6-AP-93-94)

Audit pointed out that the savings of Rs.2,152,745,150 work out to be 17.22% of the total grant. A sum of Rs. 833,498,600 was surrendered in time. However, under the grant there is an excess of Rs. 589,023 which needs to be regularized. Further, against estimated recovery of Rs. 12,494,514,000, an actual recovery of Rs. 8,628,875,305 was booked.

The Ministry informed the Committee that the recovery/ adjustments, as pointed out by the Audit, have been made.

PAC DIRECTIVE

The PAC settled the para subject to verification of the documents by the Audit.

4.47 NON-RECOVERY OF COST OF WHEAT SEED FROM PROVINCIAL GOVERNMENT Rs. 52.214 MILLION PLUS INTEREST Rs. 95.031 MILLION. (PARA 18, PAGE-53-AR)(ITEM 2-AP-93-94).

Audit pointed out that the PAC, in its meeting held on 23-7-1997, had directed the Department to reconcile the case with Audit/provinces and recover the outstanding amount within a month.

The Ministry informed the Committee that MINFAL Islamabad has taken up the case with the Federal Adjuster to recover total recoverable amount of wheat seed from the provinces.

PAC DIRECTIVE

The Public Accounts Committee directed the Ministry to finalize the case through the Federal Adjuster within a week.

4.48 MIS-APPROPRIATION OF 152 TRUCKS LOAD OF FERTILIZER DISPATCHED FROM KARACHI LOSS OF Rs. 35.00 MILLION.  
(PARA 19, PAGE-53-AR)(ITEM 3-AP-93-94).

Audit pointed out that the 152 Trucks of NLC carrying fertilizer, valuing Rs.35.00 million, from Karachi port did not reach the destination in Punjab. The PAC in its meeting held on 23-7-1997 directed the Department to refer the case to FIA for investigation and directed the Department to pursue the case.

The Ministry informed the Committee that the amount had been recovered from NLC and there was nothing outstanding against them.

PAC DIRECTIVE

The PAC directed the PAO to get the fact verified by the Audit that full cost (freight charges and cost of fertilizer) has been recovered. The Committee also directed the PAO to keep on pursuing the case through FIA and take disciplinary action against person(s) responsible for mismanagement and negligence.

- 4.49 i) NON-RECOVERY OF SALE PROCEEDS OF Rs. 28.50 MILLION PLUS Rs.7.00 MILLION ON ACCOUNT OF INTEREST CHARGES.  
(PARA 20, PAGE-54-AR)(ITEM 8-AP-93-94).
- ii) LOSS OF Rs. 12.942 MILLION ON ACCOUNT OF DESTRUCTION OF GUNNY BAGS DUE TO FIRE.  
(PARA 22, PAGE-55-AR)(ITEM 10-AP-93-94).
- iii) UN-JUSTIFIED WAIVER OF LIQUIDATED DAMAGES (LD) LOSS OF Rs. 4.75 MILLION.  
(PARA 24, PAGE 57-AR)(ITEM 12-AP-93-94).

PAC DIRECTIVE

On the presentation of the above three paras the Committee directed the PAO to prepare a compliance report on the actions taken with reference to the PAC Reports on the above issues and submit the same to the PAC Secretariat within a month. The

PAC also directed the Establishment Division to watch the progress of disciplinary cases with reference to these reports.

4.50 LOSS DUE TO PAYMENT OF DEMURRAGE US\$ 64697.21 (Rs.1.6 MILLION).  
(PARA 26, PAGE 59-AR) (ITEM 13(I)-93-94).

The PAC in its meeting held on 11-8-1997 constituted an IDC to examine the para 26 of Audit Report 1993-94. Audit informed the Committee that the IDC had recommended the said para for settlement; however, Audit had shown its reservation on the recommendations of the IDC report.

PAC DIRECTIVE

After hearing the views of both, the Audit and the Ministry, the PAC directed the PAO to investigate the facts personally and give findings under his own signature, fix responsibility if someone is found guilty, and take disciplinary action accordingly under report to the PAC within one month.

4.51 LOSS OF Rs. 1.248 MILLION FOR SHORT LANDING OF IMPORTED FERTILIZER.  
(PARA 28, PAGE-62-AR) (ITEM 17-AP-93-94).

Audit pointed out that against a consignment of imported fertilizer received in June, 1992 shortage of 288 M/T valuing US \$ 41616 occurred which remained unrecovered. The PAC in its meeting held on 11-8-1997 directed the Department to pursue the case and report to PAC.

The Ministry informed the Committee that supplier had filed a suit against FID in the Sindh High Court, Karachi which is at the stage of evidence.

PAC DIRECTIVE

The PAC directed the Ministry to pursue the case vigorously for earlier decision. The chairman (PAC) advised the Ministry to make a

List of subjudice cases and approach the Chief Justice(s) of the High courts through Ministry of Law and Justice for early settlement of the pending cases.

**ACTIONABLE POINTS FOR THE YEAR 1985-86**

- 4.52 LOSS DUE TO SHORT HANDLING AND DAMAGE OF FERTILIZER AND INCURRCE OF EXTRA EXPENDITURE OF Rs. 4.43 MILLION.  
(PARA 2, PAGE-56-AR-85-86)(ITEM 15-AP-87-88)(ITEM 3-AP-88-89) (ITEM 1-AP-93-94).

Audit pointed out that in the case of vessel carrying 12.905 M/T imported fertilizer, shortage amounting to Rs 4.43 million took place due to short handling and extra charges. The PAC in its meeting held on 29-8-1998 directed the FIA to submit its findings to Audit Department before the next meeting.

The Ministry informed the Committee that the case was investigated by FIA against accused Mir Asadullah and Syed Rashid Obaid Ex-Director and Deputy Director, FID and that has been submitted to the Court of Special Judge Central-II, Karachi on 20-10-1998. As far as question of recovery from accused officers is concerned, the case is now subjudice and further action will be taken as and when decided by the Court.

**PAC DIRECTIVE**

The PAC directed the PAO to pursue the case in the Court of Law vigorously and also directed the Establishment Division to monitor the progress of the case.

**ACTIONABLE POINTS FOR THE YEAR 1986-87**

- 4.53 i) LOSS DUE TO SHORTAGE OF IMPORTED FERTILIZER Rs. 0.354 MILLION.  
(PARA 3, PAGE-55-AR) (ITEM 19-AP-87-88)(ITEM 6-AP-88-89) (ITEM 2-AP-93-94).

ACTIONABLE POINTS FOR THE YEAR 1987-88

- ii) SHORTAGE OF WHEAT AT 291.038 M/T WORTH Rs. 1.436 MILLION.  
(PARA 7, PAGE-68-AR)(ITEM 9-AP-88-89) (ITEM 4(I)-93-94).
- iii) LOSS DUE TO SHORTAGE OF IMPORTED WHEAT Rs. 1.058 MILLION.  
(PARA 9, PAGE-69-AR)(Item 4(II)-93-94).

The Ministry was of the view that shortages could be adjusted against the excesses. If this plea is accepted, the final position turns into net excesses. The Committee and Audit felt that such adjustments could not be allowed if shortages and excesses pertained to different periods, contracts and sources of funding.

PAC DIRECTIVE

The PAC directed the Ministry to refer the case, with full details, to the Ministry of Finance to seek its decision on the issue and report to PAC within one month.

ACTIONABLE POINTS: MEETING ON 03 & 04-07-2001SPECIAL AUDIT REPORT ON WHEAT & FERTILIZER PROCUREMENT  
DECEMBER 1997 SERIES-1)ACTIONABLE POINTS 1996-97

- 4.54 i) LOSS DUE TO PURCHASE OF WHEAT FOR AFGHANISTAN ON HIGHER RATES US\$ 7.86 MILLION.  
(PARA 3.1.1.(I), PAGE-4-SAR-MR-2).
- ii) LOSS OF Rs. 17.50 MILLION DUE TO UNAUTHORIZED AND IRREGULAR PURCHASE OF 100.000 METRIC TONNES OF WHEAT FROM AUSTRALIAN WHEAT BOARD THROUGH NEGOTIATION.  
(PARA 3.1.1(ii), PAGE-5-SAR-1-MR-4).
- iii) LOSS OF US\$ 11.35 MILLION DUE TO INORDINATE DELAY AND PURCHASE OF CANADIAN WHEAT AT HIGHER RATES ON NEGOTIATION.  
(PARA 3-1(iv), PAGE-7-SAR-MR-8).

- iv) LOSS OF US\$ 750,000 DUE TO AWARD OF FREIGHT CONTRACT AT EXORBITANT RATE.  
(PARA 3.2, PAGE-8-SAR-1-MR-10).
- v) LOSS OF US\$ 1.021 MILLION DUE TO IRREGULAR PAYMENT OF DEMURRAGE.  
(PARA 3.3, PAGE-9-SAR-1-MR-12).
- vi) LOSS OF US\$ 1.070 MILLION DUE TO PURCHASE OF UREA AT HIGHER RATE.  
(PARA 3.1(ii), PAGE-15-SAR-1-MR-20).
- vii) LOSS OF US\$ 651,870 DUE TO PURCHASE OF UREA AT HIGHER RATE.  
(PARA 3.1(iii), PAGE-15-SAR-1-MR-23).
- viii) LOSS OF US\$ 712,050 DUE TO PURCHASE OF DAP FERTILIZER AT HIGHER RATE.  
(PARA 3.1(v), PAGE-15-SAR-1-MR-23).
- ix) LOSS OF US\$ 426,700 DUE TO PURCHASE OF DAP AT HIGHER RATE.  
(PARA 3.1(iv), PAGE-15-SAR-1-MR-24).
- x) LOSS OF US\$ 253,800 DUE TO PURCHASE OF DAP AT HIGHER RATE.  
(PARA 3.1(v), PAGE-15-SAR-1-MR-28).
- xi) LOSS OF US\$ 447,714 DUE TO NON FORFEITURE OF PERFORMANCE BONDS/BANK GUARANTEE.  
(PARA 3.2(i), PAGE-15-SAR-1-MR-28).
- xii) LOSS OF US\$ 156,250 DUE TO UNAUTHORIZED EXPENDITURE OF BID BOND.  
(PARA 3.2(ii), PAGE-16-SAR-1-MR-23).
- xiii) LOSS OF US\$ 156,250 DUE TO UNAUTHORIZED EXPENDITURE OF BID BOND.  
(PARA 3.2(iii), PAGE-17-SAR-1-MR-33).
- xiv) LOSS OF Rs. FOUR MILLION DUE TO UNAUTHORIZED EXPENDITURE OF BID BOND.  
(PARA 3.2(iv), PAGE-16-SAR-1-MR-33).
- xv) LOSS OF US\$ 272,500 DUE TO IRREGULAR PLACEMENT OF LETTER OF INTENT AND RELEASE OF BID BOND.  
(PARA 3.2(v), PAGE-18-SAR-1-MR-40).
- xvi) NON-RECOVERY OF COST OF RISK PURCHASE AMOUNT AND COMMISSION CHARGES OF CANCELLED L/C Rs. 30.454 MILLION.  
(PARA 3.2(ii), PAGE-16-SAR-1-MR-33).
- xvii) NON-RECOVERY OF COST OF RISK PURCHASE AMOUNT AND COMMISSION CHARGES OF CANCELLED L/C Rs. 30.454 MILLION.  
(PARA 3.2(vii), PAGE-18-SAR-1-MR-43).
- xviii) UNDUE FAVOUR TO A PRIVATE CONTRACTOR BY IRREGULAR AWARD OF CONTRACTOR QUESTIONABLE DEAL OF US\$ 7.6 MILLION.  
(PARA 3.3(i), PAGE-19-SAR-1-MR-45).

- xix) PURCHASE OF FERTILIZER IN EXCESS OF DEMAND LOSS OF US\$ 1.42 MILLION.  
(PARA 3.4(i), PAGE-20-SAR-1-MR-47).
- xx) NON-REGISTRATION OF CASE AGAINST FIRM WHICH SUBMITTED FAKE PERFORMANCE BOND.  
(PARA 3.5, PAGE-21-SAR-1-MR-50).
- xxi) PAYMENT OF DEMURRAGE CHARGES DUE TO IMPROPER PLANNING OF SHIPMENT SCHEDULE US\$ 1.34 MILLION.  
(PARA 3.6, PAGE-21-SAR-1-MR-51).

The above mentioned 21 paras pertain to the Special Audit Report-1 on Wheat & Fertilizer Procurement for the year 1996-97. These paras were discussed in the PAC's meetings held on 16.3.2001 & 12.4.2001. The Committee after discussing the report directed the PAO to examine the issues with the help of Audit and report to the PAC. Accordingly, a meeting of DAC was held on 9.6.2001 to examine the matters under the chairmanship of Dr. Muhammad Hanif, Agriculture Development Commissioner. Unfortunately, no issue was resolved in the DAC's meeting. Therefore, these paras were again reviewed by the PAC in the present meeting.

#### PAC DIRECTIVE

In view of gravity of the issues and financial loss that the public exchequer had to bear therefrom, the PAC decided to refer the above listed 21 paras to the NAB. The Committee directed the PAO to prepare the cases, on the basis of facts, for references to the NAB for investigation and recovery of the public money and submit these cases to the PAC Secretariat within one month. The PAC Secretariat will send these cases to the NAB in consultation with the Audit. In the cases where the Ministry feels the issue is not substantial enough to be dealt at NAB's level, it should give specific comments to Audit and PAC.

SPECIAL AUDIT REPORT ON FEDERAL WATER MANAGEMENT CELL ISLAMABAD FOR 1993-97 (SERIES-13)

4.55 MISUSE OF ASSETS VALUING Rs. 11.506 MILLION.  
(PARA 3.2, PAGE-6-SAR(13)-93-97).

Audit pointed out that the FwMC issued assets worth Rs. 11.506 million to WAPDA, NESPAK and M/s Sheldia Associates during the implementation of World Bank Project Phase-III. The project have since closed but the assets has not been retrieved.

The Ministry apprised the Committee that after completion of the project all items have been retrieved from the concerned offices and they are available in the store.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit that the assets have been retrieved. However, the Committee directed the PAO to establish a cell to monitor such matters in future.

4.56 i) DIVERSION OF Rs. 8.28 MILLION FROM OFWM WORLD BANK PROJECT PHASE-III.  
(PARA 3.3, PAGE-7, SAR-13).

Audit pointed out that the FwMC made 100% payment instead of 10% on account of consultancy charges to NESPAK and WAPDA. 90% of the consultancy charges, amounting to Rs. 5.816 million reimbursed in January 1993, were to be credited into government account but no evidence to this effect was produced.

The Water Management Cell also spent Rs 1.734 million from OFWM World Bank Project Phase-III on the purchase of spare parts of laser equipment for the Punjab Government. The purchase was the liability of the Provincial Government. No sanction of the competent authority to support the purchase was available.

The Audit further stated that the FPMC paid Rs. 50,000 to the Project Director Training Centre, D.I.Khan and Rs. 85,559 to Project Director OFWM, Quetta, out of the funds of OFWM IDA/World Bank Project Phase-III for construction of sheds for sprinkle system activities of World Bank Project Phase-II. The diversion of funds was done without sanction of the Finance Division.

The Ministry informed the Committee that Rs. 5.816 million have been recovered from the NESPAK & WAPDA. The amount in question regarding the purchase of spare parts etc will be recovered from the executing agencies. The departmental representative further stated that Water Management Cell tried to obtain funds from donors for training and demonstration centres but donors did not agree. Therefore, GOP funds were utilized to complete the training and demonstration centres.

ii) PAYMENT OF Rs. 4.367 MILLION WITHOUT GOVERNMENT SANCTION.  
(PARA 3.4, PAGE-8-SAR-13).

Audit pointed out that the FPMC paid Rs 2.767 million from the GOP Assignment Account of OECF Project to NESPAK, Islamabad (Rs 2.185 million) and WAPDA (Rs 0.582 million), as consultancy charges for services rendered for OFWM World Bank Project Phase-III without sanction of the Finance Division.

The Department accepted the lapse in the case but contended that only 10% consultancy charges were paid. The project had been completed on December 31, 1996.

PAC DIRECTIVE

After hearing the Ministry's reply on the above mentioned two paras (3.3 & 3.4), the PAC directed the Audit Department to verify the facts as stated by the Ministry and settle the paras. The Committee also directed the PAO to get regularized the diversion of funds from one project to the other by the M/o Finance and report to the Committee within one month.

4.57 OVERPAYMENT OF Rs. 3.462 MILLION AS PAY TO CONSULTANTS EMPLOYEES.  
(PARA 3.6. PAGE-9-SAR-13).

Audit pointed out that the DG FPMC & M/s Halcrow, Consultant agreed to sixth amendment in the contract without sanction of the competent authority. The increase in inflation rate from 6% to 12% was not specifically brought for consideration before the competent authority. These changes resulted in overpayment of salary to the employees to the tune of Rs 3.462 million.

The Ministry informed the Committee that the addendum No.6, which contains revised budget after enhancement of inflation rate from 6% to 12%, was got approved from the Finance Division.

PAC DIRECTIVE

After hearing the Ministry's reply the Committee settled the para. However, the Committee directed the PAO to get the approval of the increase in inflation rate from 6% to 12% from the ECNEC and report to the Committee within one month.

4.58 ISSUE OF DUMMY CHEQUES Rs 2.600 MILLION.  
(PARA 3.7. PAGE-9-SAR-13).

Audit pointed out that the FPMC issued nine cheques for different amounts on different dates in favour of NESPAK and WAPDA as 10% consultancy charges during September 1992 to October 1993 for Rs 2.6 million. On the basis of these cheques Rs 23.4 million were received from IDA Credit No. 22450 as remaining 90% of consultancy charges. These cheques were neither entered in the cash book nor presented for encashment but were cancelled on 6 December 1993 after drawing funds from the World Bank. However, NESPAK and WAPDA were paid 10% through two new cheques issued on 6 December 1993.

As per Ministry's written replies the earlier cheques were cancelled due to less balance in the Assignment Account and fresh cheques were issued to the consultants, on 6.12.1993, on receipt of funds from the World Bank. However, in the meeting the Ministry admitted that the earlier cheques (during 9/92 to 10/93) were issued just to produce evidence for payment of 10% consultancy charges in order to get funds (90% consultancy charges) from the World Bank.

PAC DIRECTIVE

The PAC conveyed its displeasure on the manipulative act of issuing fake cheques that could have hurt national image and directed the PAO to investigate the matter, take action in the light of his findings and report to the Committee within one month.

4.59 MIS-APPROPRIATION OF Rs. 282,489.  
(PARA 3.9, PAGE-11-SAR-13).

Audit pointed out that two cheques, for Rs 5.512 million and Rs. 601,302 drawn on 30 June 1994, were delivered to the representative of M/s Suzuki Motorcycle Pakistan, Ltd on 31 August 1994 and 18 September 1994 being cost of 129 motor cycles (Suzuki-100CC-Ninga Master). M/s Suzuki Motor Cycle Pakistan Ltd provided the account of Rs 5.99 million which included certain tampered sub-vouchers thereby getting excess payment of Rs. 282,489.

The Ministry informed the Committee that excess payment had been recovered from M/s Suzuki Motors Pvt. Ltd.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.60 NON-RECOVERY OF Rs. 3.08 MILLION.  
(PARA 4.5, PAGE-14-SAR-13).

Audit pointed out that the Cell paid Rs. 3.08 million to Custom Authorities on behalf of the executing agencies out of the funds of OFWM World Bank Project Phase-III without sanction of the Finance Division. The amount was recoverable from the executing agencies.

The Ministry informed the Committee that the Department had recovered the said amount from the executing agencies.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.61 Rs. 2.524 MILLION RECOVERABLE FROM THE EMPLOYEES.  
(PARA 4.6, PAGE-14-SAR-13).

Audit pointed out that due to non-observance of financial instructions in different cases, overpayment of pay, allowances, TA/DA and gratuity had been made. Accordingly, Rs. 2.524 million were recoverable from the employees.

The Ministry apprised the Committee that the said amount had been recovered from the employees.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.62 Rs. 1.129 MILLION RECOVERABLE FROM VARIOUS GOVERNMENT AGENCIES.  
(PARA 4.7, PAGE-15-SAR-13).

Audit pointed out that the FwMC spent Rs. 5.999 million in June 1994 on purchase, sales tax and transportation of Suzuki motor cycles out of the Assignment Account of OECF Project. The donors reimbursed Rs 4.870 million and a balance of Rs 1.129 million was recoverable from Water Management Cell, Sindh Balochistan, NWFP, FATA and Commissioner ICT.

The Ministry apprised the Committee that the said amount had been recovered from the various Government Agencies.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.63 Rs. 0.956 MILLION RECOVERABLE FROM FARMERS.  
(PARA 4.8, PAGE-15-SAR-13).

Audit pointed out that Rs. 0.956 million of World Bank Project Phase-III were recoverable from the farmers up to June 1998 as their share for civil works.

The Ministry apprised the Committee that recovery from farmers is a regular process. Provinces are making efforts to recover the said amount from the farmers.

PAC DIRECTIVE

The PAC directed the PAO to take measures to effect early recovery from the farmers. If the Provinces are not co-operating to pay the said amount, assistance of the Finance may be sought to recover the amount through Federal Adjuster.

4.64 NON-RECOVERY OF INCOME TAX AT SOURCE Rs. 0.51 MILLION.  
(PARA 4.10, PAGE-16-SAR-13).

Audit pointed out that the FwMC and their consultant did not deduct income tax at source while making payment for services of clearing agents, transporters and owners of hired buildings. The amount of income tax comes to Rs. 510,151.

The Ministry informed the Committee that M/s Sheldia Consultant are being directed to recover the amount from the Sub-Contractors and deposit it in government treasury.

PAC DIRECTIVE

The PAC directed the PAO to recover the said amount at the earliest and report to the Committee within one month.

4.65 NON-RECOVERY OF Rs. 0.246 MILLION FROM VARIOUS PARTIES.  
(PARA 4.11, PAGE-17, SAR-13).

The Audit pointed out that a consultant of the OECF Project (tour organizer) drew an advance of Rs. 6.283 million and submitted account of Rs 6.151 million on 07 February 1996 with unspent balance of Rs 132,392. The amount was recoverable from the tour organizer.

The Audit further stated that the Cell erroneously drew an amount of Rs. 100,687 from GOP's Assignment Account of OECF Project and deposited into Dollar Assignment Account. The amount needed to be drawn from the Dollar Account and credited into the Government Account.

The Audit also stated that the Cell established a letter of credit by incurring Rs. 13,118 for supply of 45 typewriters. The expenditure was recoverable from the supplier as he failed to supply the typewriters.

The Ministry apprised the Committee that the said amounts have mostly been recovered/adjusted and the typewriters have also been received.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

4.66 NON-RECOVERY OF TRANSPORTATION CHARGES Rs. 0.184 MILLION.  
(PARA 4.12, PAGE-17-SAR-13).

Audit pointed out that the Cell paid Rs. 184,000 to transporters for shifting of 46 imported vehicles of the World Bank Project Phase-III from Karachi to various destinations in provinces on behalf of the executing agencies. The amount was still recoverable.

The Ministry apprised the Committee that the Department had already recovered the amount in question from the executing agencies.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.67 NON-RECOVERY OF CLEARANCE CHARGES Rs. 0.161 MILLION.  
(PARA 4.13, PAGE-17, SAR-13).

Audit pointed out that the Cell paid Rs. 161,407 as bank charges of cheques received from the executing agencies for payment of custom duties etc. These charges were neither deducted from the proceeds of cheques nor recovered from the provincial units.

The Ministry informed the Committee that the said amount had been recovered from the executing agencies.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.68 NON-RECOVERY OF REPAIR CHARGES Rs. 50,418.  
(PARA 4.14, PAGE-18, SAR-13).

Audit pointed out that an amount of Rs. 50,418 was paid to a supplier of laser equipment in connection with repair of equipment acquired in World Bank Project, Phase-II out of the funds of OFWM World Bank Project Phase-III without sanction of the Finance Division. The expenditure was the liability of Punjab Government. The amount was still recoverable.

The Ministry apprised the Committee that the said amount had been recovered from the executing agencies.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.69 PAYMENT OF Rs. 11.065 MILLION AS DEMURRAGE AND STORAGE.  
(PARA 5.2, PAGE-19-SAR-13).

Audit pointed out that the Fwmc imported vehicles/machinery and equipment for OECF Project and OFwM World Bank Project Phase-III during 1994-95 to 1996-97. The consignment remained in KPT storage for periods ranging from one day to 172 days, on an average of 42 days and paid Rs. 10.634 million as demurrage charges. After clearance of consignment from Custom authorities, the items were stored in private warehouses for an average period of 22 days for which the Cell paid Rs. 430,726. The management had acquired services of clearing agents and also deputed their officers for the purpose.

The Ministry informed the Committee that the demurrage charges have been met from the funds provided by executing agencies and not from GOP funds.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.70 LOSS OF Rs. 1.725 MILLION DUE TO AMENDMENTS IN LETTERS OF CREDIT.  
(PARA 5.6, PAGE-20, SAR-13).

Audit pointed out that the Cell incurred a loss of Rs. 1.725 million on amendments in the letters of credit (LCs) established for the procurement of vehicles, equipment and machinery. The amendments were necessitated either due to deficient information earlier supplied by the employees of the cell or on the request of suppliers.

The Ministry informed the Committee that the expenditure on account of LCs including opening/amendments and foreign bank charges incurred by Fwmc is the liability of the provincial executing agencies and the said amount had been recovered from those executing agencies.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.71 LOSS OF Rs. 0.436 MILLION DUE TO EXCHANGE RATE FLUCTUATION.  
(PARA 5.7, PAGE-20-SAR-13).

Audit pointed out that the FPMC was required to pay rent of building from the GOP Assignment Account of OECF Project. Instead of doing that they drew Rs. 1.459 million from Dollar Assignment Account on 21 March 1995. Subsequently they drew Rs 1.895 million from GOP Assignment Account and deposited in Dollar Assignment Account. Thus there was loss of Rs. 436,439 due to fluctuation in exchange rate.

The Ministry informed the Committee that the Department had initiated a case for regularization of the said irregularity from the Ministry.

PAC DIRECTIVE

The PAC directed the PAO to pursue the case for regularization and report to the Committee within one month.

4.72 EXPENDITURE OF Rs. 0.777 MILLION ON ITEMS NOT PROVIDED IN PC-1.  
(PARA 6.3, PAGE-23-SAR-13).

Audit pointed out that FPMC incurred Rs 777,179 on the purchase of POL, repair of vehicles, telephones and contingent charges out of the GOP Assignment Account of project PK-3327 World Bank Phase-III. According to PC-1 the Assignment Account was not meant for the above referred expenditure.

PAC DIRECTIVE

The PAC felt the need to take measures to stop the mis-use of Assignment Account. The Committee directed the Ministry of Finance to examine the issue, streamline the procedure to check the mis-use of Assignment Accounts and issue instructions, to all concerned accordingly.

4.73 DETAILS OF Rs. 0.205 MILLION NOT AVAILABLE.  
(PARA 6.5. PAGE-23-SAR-13).

Audit pointed out that the Cell paid Rs. 205,000 to M/s Red Ball, Packers, Movers, International Forwarders, Islamabad but the details of the expenditure were not provided to the auditors.

The Ministry apprised the Committee that the agricultural machinery such as Laser Weeder, Retavator, Fertilizer Board Caster unassembled machinery and spare parts meant for FATA, Punjab and ICT were stored in Ware House Islamabad because these were to be bifurcated according to the share of executing agencies for commissioning on ground which could only be made possible by the suppliers.

The Audit recommended to settle the para subject to verification of the record.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.74 WASTEFUL EXPENDITURE OF Rs. 49,500 ON AIR CONDITIONERS FOR VEHICLES.  
(PARA 6.6. PAGE-24-SAR-13).

Audit pointed out that the Cell purchased 2 Car ACs and contended that the technical staff of the cell could not perform field journeys without AC fitted vehicles. No sanction for fitting of the Acs in the vehicles was available. The expenditure of Rs. 49,500 thereof was treated wasteful.

The Ministry apprised the Committee that the sanction for the purchase and installation of ACs in the project vehicles was obtained from the competent authority.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.75 PAYMENT OF Rs. 0.609 MILLION AS FREIGHT CHARGES.  
(PARA 7.2, PAGE-24-SAR-13).

Audit pointed out that the Cell paid Rs. 609,183 as freight charges, insurance and transportation charges of imported vehicles and equipment out of GOP Assignment Account of OFWM World Bank Project Phase-III. The expenditure was not authorized.

The Ministry informed the Committee that the executing agencies have refunded the said amount.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.76 IRREGULAR DRAWING OF Rs. 50,000 AT CLOSE OF FINANCIAL YEAR.  
(PARA 7.3, PAGE-24-SAR-13).

Audit pointed out that the FWMC drew Rs. 50,000 on 29th June 1994 for repair of vehicles and petty expenses and spent the amount in the next financial year 1994-95. This expenditure was not permissible out of the GOP assignment account.

The Ministry informed the Committee that the vehicles were repaired in the financial year 1993-94 i.e. in the month of June 1994 and the supplier submitted their bills in the month of July, 1994 which can not be considered as unauthorized expenditure.

The Audit recommended the para for settlement subject to verification of the record.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)PAKISTAN AGRICULTURAL STORAGE & SERVICES CORPORATION LIMITED4.77 i) (PARA 116, PAGE-98-ARPSE).

During the year 1996-97 PASSCO procured 1,088,019 M.Tons of wheat as compared to 1,202,740 M.Tons of wheat during the year 1995-96 registering a decline of 9.54%. PASSCO was not engaged in the procurement of minor crops like potato, onions, gram, oil seeds etc. Handling capacity of agricultural commodities of PASSCO in terms of infrastructure and manpower was 1.5 million metric tons whereas 1.208 million M.Tons of wheat was handled, thus capacity utilization of resources remained upto 80.57%.

The Ministry intimated that PASSCO's employment infrastructure had been examined by the BOD PASSCO as well as the Cabinet. During the year 1994-95 BOD approved that the vacant posts be declared redundant. The Cabinet also decided that the staff of PASSCO should be reduced through attrition as long as the organization starts making a profit.

ii) (PARA 117, PAGE-98-ARPSE).

The Audit pointed out that the Corporation sustained loss of Rs. 0.926 million during 1996-97. It further sustained operating loss of Rs. 48.037 million in 1998-99 and Rs. 237.638 million in 1999-2000 as against operating profit of Rs. 125.891 million earned in 1997-98. This was due to weak internal administrative and financial controls.

The Ministry apprised the Committee that the selection of crops to be procured, magnitude of procurement, rates thereof and extent of subsidy to be allowed are determined by the Government. These factors are responsible for fluctuations in profitability and capacity utilization over the years.

PAC DIRECTIVE

On presentation of the above mentioned two paras (116& 117), the PAC directed the PAO that some system of cost-analysis should be established to show the cost of the subsidy in a separate account. Losses on account of management weaknesses should be separated from pure subsidy. The situation should be brought to the notice of the Government and budgetary cover should be sought for the subsidy. The Committee directed the Ministry of Finance to take notice of the issue and formulate some policy to resolve it.

4.78 (PARA 118, PAGE-99-ARPSE).

Audit pointed out that PASSCO had a plot of land measuring six Kanals and 10 Marlas costing Rs 22 million located at Kashmir Road, Lahore. Permission for construction on this plot and transfer of title to PASSCO from the Original owner could not be effected due to imposition of surcharge of Rs 7.571 million by Lahore Development Authority (LDA) for which provision had been made in the accounts and the cost of free hold land increased by the same amount. The surcharge had been imposed on the original owner of the plot for delay in construction according to an approved LDA Plan.

The Ministry informed the Committee that the original owner has been identified and issue has been resolved. The surcharge imposed by the LDA will be paid by the original owner of the plot and not by PASSCO.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.79 (PARA 119, PAGE-99-ARPSE).

Audit pointed out that out of total trade debts of Rs 1363.308 million as on June 30, 1997, an amount of Rs 1220.904 million has been recovered

leaving a balance of Rs 142.404 million as on March 15, 2001. Included therein was an amount of Rs 112.893 recoverable from USC and an amount of Rs 7.694 million was under litigation with Defence.

The Ministry endorsed the Audit's point of view on the para.

PAC DIRECTIVE

The PAC directed the PAO to expedite efforts to recover the remaining balance of trade debts. As far the balance recoverable from the Defence is concerned, the matter be put up to ECC for decision.

4.80 (PARA 120, PAGE-99-ARPSE).

Audit pointed out that an amount of Rs 375 million had been deposited in Deposit Account whereas Rs 468.349 million were paid as mark up on short term running finances at the rate of 14% to 16% per annum. The rate of mark up earned on short term deposits was less than the rate paid on borrowings.

The Ministry apprised the Committee that the amount was invested after approval of the Board at 18%. However, at the time of investment PASSCO was paying markup of 16% on annual intervals to the commercial Banks. Thus PASSCO had earned 2% more income on its deposits as compared to the mark-up payable on its borrowings.

PAC DIRECTIVE

The PAC settled the para subject to verification of the PAO's statement that no loss occurred in the said transactions.

4.81 LOSS OF Rs. 3.780 MILLION DUE TO CANCELLATION OF SUPPLY ORDER AND SUBSEQUENT PURCHASE OF PAKISTAN GRAIN SACK BALES AT HIGHER RATE. (PARA 121, PAGE-100-ARPSE).

Audit pointed out that PASSCO placed an order in Feb 13, 1992 on M/s. Khokhar Brothers for purchase of 35000 of Pakistan Grain Sack (PGS) bales @ Rs 25.95 per bag. The supplier was required to furnish 5% insurance performance guarantee as acceptable to PASSCO. PASSCO nominated an Insurance Company on Feb. 29, 1992 and supplier furnished the performance guarantee of nominated firm on March 2, 1992 but PASSCO cancelled the order and fresh tenders were invited which were opened on March 24, 1992. After negotiation final offer of Rs 26.13 per bag was approved on delivery basis. Thus the Corporation sustained a heavy loss of Rs 3.780 million due to un-justified cancellation of previous order and subsequent purchase at a higher rate.

The Ministry apprised the Committee that the cancellation of the supply order of M/s Khokhar Brothers was at the instructions of the then Prime Minister. The decision was taken to protect the interest of local industry. It was further stated that, after retendering, the rates were further negotiated with respective tenderers and finally supply order @ Rs. 26.41 per bag was placed after approval of the competent authority.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

4.82 MIS-APPROPRIATION OF 50.400 M.TON WHEAT VALUING Rs. 242,836. (PARA 122, PAGE-101-ARPSE).

Audit pointed out that, in PASSCO, the stock of 66957 bags including previous balances held at Chichawatni Burewala Silos were despatched to different agencies during the period from April 3, 1995 to April 19, 1995 under the supervision of the Board constituted by the Corporation. The net shortage of 504 bags of wheat (50.400 M.Ton) was detected and reported by the Board in its proceedings submitted to the Head of Burewala Zonal

Office. Thus, a shortage of 504 bags of wheat valuing Rs 242,836 occurred during despatch of wheat which actually had been misappropriated by the incharge of sites.

The Ministry informed the Committee that the issue was investigated and the officer responsible was dismissed from service. A recovery suit is under process in the court of law.

PAC DIRECTIVE

The PAC directed the Audit to verify the facts and report to the Committee within one month.

4.83 MIS-APPROPRIATION OF WHEAT AND BARDANA Rs. 0.289 MILLION.  
(PARA 123, PAGE-101-ARPSE).

Audit pointed out that in PASSCO, Mr. Akram Ali, Purchase Inspector performed the duty of despatch of wheat from Chistian during May 13, 1995 to July 18, 1995. During the above period he was found guilty of misappropriation of wheat and bardana of Rs 341,229.

The Ministry informed the Committee that a sum of Rs. 52,500 has been deposited by the ex-official in PASSCO's Account and he was dismissed from service. A civil suit for recovery of remaining amount has also been filed by PASSCO against the ex-official in the court.

PAC DIRECTIVE

The PAC directed the PAO to seek help of the respective Chief Justice through Ministry of Law for an early decision of the case and report to the Committee within one month.

ACTIONABLE POINTS FOR 1993-944.84 (PARA 100, PAGE-89-ARPSE)(ITEM 5-AP-93-94).

Audit pointed out that out of total trade debtors of Rs. 1131.811 million as on June 30, 1994 an amount of Rs. 1039.656 million has been recovered leaving a balance of Rs. 92.155 million.

The para was discussed in the previous PAC's meeting held on 18.9.1997. The Committee directed the Department to expedite the recovery.

The Ministry apprised the Committee that out of total recoverable balance of Rs. 92.155 million, an amount of Rs. 45.094 million has been recovered upto June 30, 1998. The balance amount of Rs. 47.061 million is still recoverable from Provincial Governments, AJK, Defence and Utility Store Corporation.

PAC DIRECTIVE

The PAC directed the PAO to take up the recovery matter with the Departments concerned and expedite the recovery pace of the remaining amount.

4.85 LOSS OF Rs. 11.949 MILLION DUE TO REJECTION OF CLAIM LODGED ON ACCOUNT OF PAYMENT OF TRANSPORTATION CHARGES ON BEHALF OF FOOD DEPARTMENT NWFP AND MISSING TRUCKS OF WHEAT Rs. 5.143 MILLION.  
(PARA 102, PAGE-90-ARPSE)(ITEM-6-AP-93-94).

Audit pointed out that PASSCO awarded a contract during the year 1979-83 to transport wheat from Godown to NWFP Food Department. PASSCO lodged a claim of Rs. 6.807 million on account of transport charges paid to contractor on behalf of Food Department NWFP. The Food Department withheld their claim. A Committee of the officers from PASSCO and Food Department of NWFP investigated the case and reported that in some cases double payments were made to the transporter. Similarly, a claim for missing truck of wheat for Rs 5.143 million was also lodged with the Food

Department in August, 1985 but no documentary evidence was provided to Food Department NWFP. Instead of investigating the case, the loss was subsequently adjusted against the provision for bad debt.

The Para was discussed in the previous PAC's meeting held on 18.9.1997. The Committee directed the PAO to investigate the issues, fix the responsibility and report to the Committee.

The Ministry informed the Committee that the matter was investigated. According to inquiry report no loss occurred to the national exchequer.

#### PAC DIRECTIVE

The Committee settled the para subject to verification, of the facts contained in the inquiry report, by the Audit.

#### KORANGI FISHERIES HARBOUR AUTHORITY

4.86 (PARAS 104, 105, PAGE-99-ARPSE)(ITEM-7-8-AP-93-94).

Audit pointed out that an amount of Rs. 68.946 million in respect of exchange loss was paid to a contractor upto June 1992 due to non completion of the project on prescribed date i.e. June 1990. Had the project been completed in time, the exchange loss could have been minimized/saved.

These paras were discussed in the previous PAC's meeting held on 18.9.1998. The PAC constituted an IDC to examine the issues.

The Ministry informed the Committee that the IDC suggested the management of KFHA to strictly adhere to the schedule of compilation of annual accounts and make efforts to put the Harbour into operation.

#### PAC DIRECTIVE

The PAC directed the PAO to provide the annual accounts of the KFHA to the Audit for examination.

- 4.87 i) LOSS OF Rs. 20.619 MILLION SUSTAINED ON THE SALE OF COMMERCIAL OIL SEED DUE TO THE NEGLIGENCE OF THE MANAGEMENT.  
(PARA 167, PAGE-135-ARPSE)(ITEM-2-AP-93-94).
- ii) LOSS OF Rs. 1.787 MILLION DUE TO SHORTAGE OF SUNFLOWER COMMERCIAL SEED AT CRUSHING CENTRE KALA SHAH KAKU  
(PARA 168, PAGE-136-ARPSE)(ITEM-3-AP-93-94).
- iii) LOSS OF Rs. 1.720 MILLION DUE TO DETERIORATION OF SUNFLOWERS OIL IN STORAGE TANK.  
(PARA 169, PAGE-137-ARPSE)(ITEM-4-AP-93-94).

(FEDERAL WATER MANAGEMENT CELL)

- iv) LOSS OF Rs. 34.158 MILLION DUE TO PURCHASE OF BELOW SPECIFICATION TRACTORS.  
(PARA 6.1, PAGE-22-SPL-AR-13-93-97).

PAC DIRECTIVE

On presentation of the above mentioned four paras by the Audit, the PAC constituted a Sub-Committee comprising Lt. Gen (R) Talat Masood, Member Ad-hoc PAC, (Convener), Mr. Muzaffar Ahmed, Member Ad-hoc PAC; Mr. Mujahid Eshai, Member Ad-hoc PAC and the representatives of Ministry of Finance, Ministry of Food & Agriculture and the Audit Department to examine the matters in detail and report to the Committee.

- 4.88 NON-RECOVERY OF Rs. 1.5 MILLION ON ACCOUNT OF CREDIT SALE OF SEED AND COST OF EMPTY GUNNY BAGS FROM A FIELD OFFICER.  
(PARA 170, PAGE-137-ARPSE)(ITEM-5-AP-93-94).

The Audit pointed out that Rs. 1.178 million were recoverable from Mr. Asghar Ali, Field Officer, Regional Office, Multan upto June 1992 on account of credit sale made to the growers in the previous years. Furthermore, Rs. 0.322 million were also outstanding on account of gunny bags since 1987-88. Thus Rs. 1.500 million were recoverable from him in two cases.

The para was discussed in the previous PAC's meeting held on 30.09.1997. The PAC directed the PAO to examine the case as to why the amount was not recovered in time, fix responsibility for not taking action in time, recover the outstanding amount from the concerned official and refer the case to FIA in case recovery is not effected through departmental action.

The Ministry informed the Committee that the recovery from the salary is being made through monthly installments. They further stated that the Provincial Director, PO DB (Punjab) Lahore has also been directed to register a criminal case against the officer for recovery of outstanding amount. Besides all the dues payable to Mr. Asghar Ali have since been stopped.

#### PAC DIRECTIVE

The PAC directed the PAO to re-examine the matter and if some recoverable amount is required to be written-off, the case for this purpose may be processed.

#### 4.89 MIS-APPROPRIATION OF SUNFLOWER COMMERCIAL SEED VALUING Rs. 1,475,113. (PARA 171, PAGE-138-ARPSE)(ITEM-6-AP-93-94).

Audit pointed out that the Field Officer of the Mundekey Gorraya Centre of the GCP Seed Division misappropriated 321,072 Kgs of Seeds valuing Rs. 2.007 million in 1992-93. The shortage was detected in August, 1993.

The Para was discussed in the defunct PAC's meeting held on 30.9.1997. The Committee directed the PAO to examine the case, fix responsibility, recover the amount from the concerned official and report to the PAC within two months.

The Ministry informed the Committee that the FIA investigated the matter and exonerated Mr. Muhammad Ismail, Field Officer, who was considered main culprit for the loss. The Department further stated that an officer of the Ministry has been appointed to examine the issue and the inquiry is in process.

PAC DIRECTIVE

The PAC directed the PAO to provide the FIA's investigation Report to the Audit for its examination.

4.90 LOSS OF Rs. 975,000 DUE TO WASTAGE OF 150 M.TON OF OIL DIRT AT TECH PAK MANWALA, (PARA 172, PAGE-139-ARPSE)(ITEM-7-AP-93-94).

Audit pointed out that GCP Seed Division, awarded a contract to M/s Tech. Pak Manawala for crushing of 5000 M.Tons of sunflower commercial Seed on Oct. 7, 1990. The contractor reported on August 10, 1992 that their factory faced a heavy rain storm on August 8, 1992 and one of the walls of "Pakka Pits" of oil fell into the tank and 150 M.tons of oil dirt drained out into the factory premises and further in the fields of paddy. As a result the Corporation sustained a loss of Rs. 975,000 on this account.

The para was discussed in the previous PAC's meeting held on 30.9.1997. The Committee directed the department to examine the case as to who was the arbitrator, at that time, under the agreement, if he was responsible for this delay, charge sheet the person responsible.

The Ministry apprised the Committee that the arbitrator was appointed under the agreement but he retired without announcing the decision on the matter.

PAC DIRECTIVE

The PAC directed the PAO to ask the arbitrator to give the decision on the matter at the earliest and report to the Committee within one month.

4.91 NON-RECOVERY OF Rs. 849,623 FROM FIELD OFFICERS SINCE 1987-88. (PARA 173, PAGE-140-ARPSE)(ITEM-8-AP-93-94).

The Audit pointed out that the empty gunny bags were distributed among various field officers of Multan Region for procurement of commercial seed

during the year 1987-88 by GCP. Since then these field officers neither returned the left over balance of 37,163 empty gunny bags nor deposited Rs. 260,141 @ 7 per bag. Similarly, the field officers of Area Office Sahiwal did not return 32,749 empty gunny bags valuing Rs. 589,482 which were left with them after procurement of commercial seed during 1990-91. Thus the cost of 69122 bags valuing Rs. 849,623 was still outstanding against them.

The para was discussed in the previous PAC's meeting held on 30.9.1997. The Committee directed the PAO to issue Show Cause Notices to the officials responsible. The PAC further directed to expedite the outstanding recovery from the officials concerned.

The Ministry informed the Committee that most of the recovery has been effected and only Rs. 1,15,000 are outstanding.

#### PAC DIRECTIVE

The PAC directed the PAO to recover the outstanding amount from the concerned officials and report to the Committee within one month.

#### 4.92 LESS PRODUCTION OF 798.513 M.TONS OF REFINED OIL LOSS OF Rs. 17.720 MILLION. (PARA 174, PAGE-140-ARPSE)(ITEM-9-AP-93-94).

The Audit pointed out that crushing centre of Seed Division, KOML at Kala Shah Kaku (under M/o Industries & Production) crushed 30,016 tons oilseed and produced 9,707 tons refined oil against standard production of 10,505 tons. Thus, 798 tons were less produced resulting into loss of Rs. 17.720 million.

The para was discussed in the previous PAC's meeting held on 30.09.1997. The Committee formed an IDC to examine the para.

The Ministry apprised the Committee that the meeting of the IDC was held on 15.10.1997 which discussed the case in detail. The Committee did not accept the decision of FIA and the Enquiry Officer recommended that action must be taken against the following persons who were responsible for supervision of crushing activities as per terms of the Memorandum of Understanding.

- i) Mr. Khushnood Khan Rabbani, M.D. KOML
- ii) Mr. Muhammad Tahir, Chief Chemist.
- iii) Mr. Sadar-uz-Zaman, Crushing Incharge (Seed Division).

It was also recommended that the loss should be recovered from these persons.

#### PAC DIRECTIVE

The PAC directed the PAO to take up the case with M/o Industries & Production to recover the loss from the concerned persons in the light of the IDC's findings and report to the PAC in one month.

#### 4.93 LOSS OF Rs. 550,028 DUE TO SHORTAGE OF SUNFLOWER COMMERCIAL SEED. (PARA 176, PAGE-142-ARPSE)(ITEM-9(iii)-AP-93-94).

Audit pointed out that Mr. Asghar Ali Field Officer, Mailsi procured 3285 tons of sunflower commercial seed during 1991. He despatched 3168 tons seed for crushing leaving a balance of 117 tons in his charge. When physically checked no quantity was available in his store. As such a quantity of 34.667 tons of sunflower commercial seed valuing Rs.203,669 @ Rs. 5875 per ton was declared short after giving allowance of 2.5% for transit and moisture loss. Furthermore, he deducted 3.1% of total procured quantity of seed from the growers on account of inert matters but at the time of crushing 5% inert matter was found in the stock resulting in a loss of Rs. 346,359. Thus the Corporation sustained a loss of Rs. 550,028 on account of shortage of seed and excessive inert matters.

The Para was discussed in the previous PAC's meeting held on 30.9.1997. The Committee formed an IDC to examine the para.

The Ministry informed the Committee that the meeting of the IDC was held on 15.10.1997 which discussed in detail the two parts of the para i.e. first part relating to shortage of commercial seed and the other part relating to dust found in the commercial seed. As regards shortage of commercial seed, the committee recommended that departmental action should be completed against the persons and efforts may be made for early recovery of the balance amount. As regards dust the committee recommended to settle this part of para subject to verification of records.

The departmental representative further stated that the person responsible for the shortage of commercial seed is retired. His dues of Rs. 5,83,000 have been stopped to recover the loss from his dues.

#### PAC DIRECTIVE

The PAC directed the PAO to examine the latest position of the recovery and report to the Committee within one month.

#### 4.94 LOSS OF Rs. 496,185 DUE TO CRUSHING OF UNFIT HYBRID SEED. (PARA 177, PAGE-143-ARPSE)(ITEM 9(iv)-AP-93-94).

Audit pointed out that GCP Seed Division, imported 10,160 Kgs of different varieties of Hybrid Seed valuing Rs. 528,188 which were transferred to Area Office, Sahiwal, for sale to the growers during the years 1988-89 and 1989-90. No seed could, however, be sold by the Area Office during the sowing season as the seed had lost its germination. After prolonged storage the total quantity was sent to Crushing Unit at Multan in 1990-91 which could fetch only Rs 32,003 resulting in loss of Rs. 496,185.

The para was discussed in the previous PAC's meeting held on 30.9.1997. The Committee constituted an IDC to examine the matter.

The Ministry apprised the Committee that the meeting of IDC was held on 15.10.1997 and the Committee recommended that approval of competent authority should be obtained by GCP to write-off the loss.

PAC DIRECTIVE

The PAC directed the PAO to process the case according to the IDC report. If the write off of the loss is not approved by the competent authority, recover the amount from the person(s) responsible for the negligence.

4.95 IRREGULAR PAYMENT OF GROUP INSURANCE ON BEHALF OF THE EXECUTIVES STAFF OF GCP (SEED DIVISION) Rs. 140,000.  
(PARA 179, PAGE-144-ARPSE)(ITEM-1-AP-93-94).

The Audit pointed out that GCP (Seed Division) paid Rs. 140,000 on account of Group Insurance for officers and executives during the year 1992-93 in contravention of Benevolent Fund/Group Insurance Scheme of the Government which envisages that the employer is responsible for payment of premium only on behalf of subordinate staff and the executives have to pay the premium themselves.

The Para was discussed in the previous PAC's meeting held on 16/17-12-1997. The Committee settled the para subject to verification by Finance Division.

The Ministry contended that the provision for the payment of premium on behalf of the executives existed in GCP Service Rules and PC-1 and informed the Committee that the Finance Division has nominated Mr. Muhammad Usman, DFA(F&A) MINFAL to verify the position. In the meetings, however, representative of the Finance Division supported Audit's point of view.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit that the provision of payment for premium on behalf of the executives exists in PC-1/approval of the ECNEC.

ACTIONABLE POINTS FOR 1988-894.96 MIS-APPROPRIATION OF WHEAT & BARDANA OF Rs. 7.229 MILLION.  
(PARA 297, PAGES-255-256-ARPSE)(ITEM-15-AP-88-89)(ITEM-9-AP-93-94).

Audit pointed out that wheat despatched to Food & Agriculture Department NWFP during 1987-89 was found short. Therefore, an inquiry into the affair was arranged and shortages of wheat and bardana amounting to Rs. 7.229 million were detected.

The para was discussed in the previous PAC's meeting held on 18.9.1997. The PAC directed the Department to pursue the case actively in the Court.

The Ministry apprised the Committee that, as a result of detailed inquiry conducted in the matter, the accused employees were charge sheeted, disciplinary actions were taken against them, dismissed from service and law-suits are pending in the Court for recovery.

PAC DIRECTIVE

The PAC directed the PAO to pursue the cases for recovery in the Court of Law vigorously.

4.97 SHORTAGE OF 111,214 M.TON WHEAT VALUING Rs. 228,523 IN PATTOKI ZONE.  
(PARA 300, PAGES-259-260-ARPSE)(ITEM-20-AP-88-89)(ITEM 10-AP-93-94).

Audit pointed out that PASSCO sustained a loss of Rs. 228,523 on account of shortages. It was intimated that the cases of recovery are pending in the Court of Civil Judge, Chunian, and Labour Court, Lahore.

The para was discussed in the previous PAC's meeting held on 18.9.1997. The PAC directed the Department to pursue the cases actively in the Court of Law.

The Ministry informed the Committee that the case for recovery of Rs. 102,240 against Mr. Abdul Rauf Khan was decided against PASSCO on 17.11.1998. The Department has filed an appeal in Lahore High Court.

PAC DIRECTIVE

The PAC directed the PAO to pursue the case actively in the Court of Law.

## MINISTRY OF INFORMATION & MEDIA DEVELOPMENT

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### 1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meetings held on 14th April and 13th June, 2001, took up for its examination the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Information and Media Development presented by the Auditor General of Pakistan. The Committee, while examining the Report, found several cases of savings/excesses in the Grants, irregular expenditure, inefficient inventory control system, lapses in financial management, etc. The Committee discussed the said issues and made its recommendations to improve the performance of the Ministry and its attached bodies i.e. Pakistan Broadcasting Corporation, Pakistan Television Corporation, etc.

Audit Report for the year 1996-97 contained 28 paras, of which 5 were settled on the basis of clarifications given by the Principal Accounting Officer or having taken remedial steps by the Ministry. The Audit pointed out a recovery of Rs. 4.299 million in different cases. The Committee directed the Ministry to recover the respective amounts; progress of recoveries will be monitored by the PAC Secretariat and position will be submitted before the Committee periodically.

Actionable Points based on the PAC's directives are given in Section-4 of this Report. However, some major issues and the Committee's recommendations thereon are summarized in the following sections.

### 2. MAJOR ISSUES

#### 2.1 SAVINGS/EXCESSES IN THE GRANTS

Huge savings in the 6 Grants of the Ministry were critically observed by the PAC. Gross budgetary indiscipline is visible from the following figures.

Grant No.	Total Grant	Actual Expenditure	Saving(-)/Excess(+)
83	48,106,000	45,543,829	-2,562,171
84	39,211,000	33,303,185	-5,907,815
85	62,539,000	61,098,944	-1,440,056
86	106,874,000	136,739,784	+29,865,784
87	31,341,000	27,885,446	-3,455,554
88	726,329,000	651,389,121	-74,939,879
163	179,876,000	135,376,000	-44,500,000

An excess of Rs.29,865,784 was found in Grant No.86 which works out to be 27.94 percent of the total allocation. The Committee observed that inadequate data management, lack of proper accounting system, poor financial control, inefficient reconciliation of allocated funds (i.e. releases vis-a-vis expenditure) between the Ministry of Finance, Administrative Ministry and the AGPR, etc. are the factors responsible for the budgetary failures. Culpable negligence, irresponsible conduct and lack of awareness of the respective rules on the part of public servants may also be blamed for such budgetary indiscipline.

## 2.2 IRREGULAR EXPENDITURE OF US \$ 27547.21

The Audit reported that Ministry of Health sanctioned an amount of US\$ 15000 for the treatment of Mr. Kamran Shafi, posted as Minister Information at Pakistan High Commission, London. As against the sanctioned amount of US \$ 15000, the London Mission incurred an expenditure of US\$ 39105 (US\$ 15000 and Pound Starlings 15000) in connection with his medical treatment. In addition to above, Pakistan Embassy in Washington also issued a cheque of US\$ 18442.21 to John Hopkins Hospital, Washington.

The Ministry informed that expenditure of US\$ 25442.21 was actually incurred on medical treatment of Mr. Kamran Shafi, Ex-Minister (Press). US\$ 7,000 were paid by the officer himself whereas an amount of US\$ 18442 was paid by the Embassy of Pakistan Washington. The Ministry intimated that the officer had been asked to refund the amount incurred in excess of US\$ 15000. However, the Ministry showed its ignorance on the payment of Pounds Sterling 15000 to the officer by PAHIC London on 27.3.1995 as pointed out by the Audit.

### 2.3 IRREGULAR PAYMENT OF RS.2.684 MILLION

A sum of Rs.2,687,761 for the period from July, 1987 to January, 1995 was paid to Employees Oldage Benefits Institute (EOBI), Regional Office, Peshawar, by PTV Centre, Peshawar on behalf of the employees who opted for pension and were also registered with EOBI. As a matter of fact, no payment was required to be made to EOBI on behalf of pensionable employees of the Centre.

The Corporation apprised the Committee that decision had been taken to submit a detailed reference to M/O Labour and Manpower for advice on the issue.

### 2.4 FINANCIAL MIS-MANAGEMENT

In Pakistan Television Corporation, the balance of recoverables, outstanding against advertisers, increased from Rs. 642 million (1995-96) to Rs. 717 million (1997-98) in one year. A huge balance of Rs. 31 million was kept in current accounts instead of depositing these funds in profit earning accounts.

## 3. RECOMMENDATIONS

- 3.1 The Ministry should take measures to improve accounting system, financial management, monitoring of expenditure against respective allocations and periodical reconciliation with AGPR and the M.O. Finance, to ensure better budgetary discipline.
- 3.2 The Committee noticed from the working results of Pakistan Broadcasting Corporation that about 87% of its total income represented subsidy from the Government. The Committee advised the Corporation to take effective measures to generate funds by commercializing its operations with the objective to become a profit earning organization in the shortest possible time.

- 3.3 The Ministry should formulate prospective plans for the next five years, elaborating strategies for Pakistan Broadcasting Corporation and Pakistan Television Corporation to run their activities on commercial basis so as to make them self-sustaining profit centres.
- 3.4 The Ministry should strictly enforce financial discipline in all the Corporations and enhance all round efficiency. The balances of Receivables, Cash in Current Accounts, Prepayments, Inventories, etc. should be kept at the minimum possible level. Financial and administrative expenses should also be effectively controlled.
4. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON APRIL 14 & JUNE 13, 2001

ACTIONABLE POINTS: MEETING ON 14-04-2001

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1996-97)

- 4.1 i) GRANT NO. 83-INFORMATION AND BROADCASTING DIVISION. (PAGE-1-MR).
- ii) GRANT NO. 84-DIRECTORATE OF PUBLICATIONS NEWS REALS AND DOCUMENTARIES. (PAGE-6-MR).
- iii) GRANT NO. 85-PRESS INFORMATION DEPARTMENT. (PAGE-9-MR).
- iv) GRANT NO. 87-PAKISTAN NATIONAL CENTRES. (PAGE-42-MR).
- v) GRANT NO. 88-OTHER EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION. (PAGE-49-MR).
- vi) GRANT NO. 163-DEVELOPMENT EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION. (PAGE-55-MR).

PAC DIRECTIVE

On presentation of above six grants by the Audit, the PAC regularized the savings with a note of displeasure. The Committee, however, directed the PAO to keep on watching the reasons for persistent savings in all the grants and develop a system to enforce budgetary discipline, in future.

ACTIONABLE POINTS FOR 1993-944.2 (GRANT NO. 83-INFORMATION AND BROADCASTING DIVISION,  
(PAGE-267-AA)(ITEM 1-AP-93-94).

Audit pointed out that the previous PAC settled the grant; however, the Committee directed the Finance Division to examine the reasons of excess and report on the additional posts charged to the grant.

The Finance Division apprised the Committee that the issue remained unresolved due to non-reconciliation of figures by the Ministry.

PAC DIRECTIVE

The PAC directed the department to get the figures reconciled with Ministry of Finance enabling the Finance to examine reasons of excess, justification for charging the additional posts to the grant and report its findings to the PAC.

4.3 OUTSTANDING ADVANCES AMOUNTING TO Rs. 227,103 NOT YET ADJUSTED,  
(PARA 3, PAGE-235-AR-93-94)(ITEM 3-AP-93-94).

Audit pointed out that the previous PAC settled the para subject to verification by the Audit. The Committee advised to get the amount condoned from the competent authority, if the recovery could not be effected.

The Ministry informed the Committee that the issue would be resolved within a week.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.4 IRREGULAR/UNAUTHORIZED EXPENDITURE OF Rs. 78,032 ON ACCOUNT OF EXCESS CALLS FROM OFFICIAL/RESIDENTIAL TELEPHONES.  
(PARA 4, PAGE-236-AR-93-94)(ITEM 4-AP-93-94).

Audit pointed out that the previous PAC directed the PAO to recover the said amount from the concerned persons and report to the PAC within one month.

The Ministry informed the Committee that the excess expenditure on telephone bills was due to frequent calls of the DG (F&P) to various offices outside Islamabad. The calls were also made in connection with the distribution of the publicity materials etc. Further, the telephones were also shared by some officers due to shortage of telephones. The recovery is not possible.

PAC DIRECTIVE

The PAC directed the PAO to examine the case and get condonation from the competent authority if recovery is not possible and report to the Committee within one month.

4.5 SUSPECTED MISAPPROPRIATION OF Rs. 764,000.  
(PARA 5, PAGE-236-AR-93-94)(ITEM 2(ii)-AP-93-94).

Audit pointed out that the previous PAC directed the PAO to investigate the matter, identify the officers who were responsible for the irregular/unauthorized expenditure, take action against concerned persons and report to the Committee within one month. The department failed to produce any voucher/documentary evidence in support of the expenditure to Audit.

The Ministry informed the Committee that the relevant documents were produced before the Audit but Audit was not satisfied.

PAC DIRECTIVE

The PAC directed the department to produce hotel bills, vouchers and supporting documents to the Audit for verification, within a week.

AUDIT REPORT (CIVIL)(VOL-1-1996-97)

4.6 IRREGULAR EXPENDITURE OF US\$ 57547.21 ON ACCOUNT OF MEDICAL TREATMENT OF INFORMATION MINISTER.  
(PARA 2, PAGE-98-AR).

Audit pointed out that the M/o Health sanctioned an amount of US\$ 15,000 for the treatment of Mr. Kamran Shafi, posted as Minister Information at Pakistan High Commission at London. Audit pointed out that the mission in London incurred expenditure of US\$ 39105 (US\$ 15000 and sterling Pound 15000) in connection with his medical treatment. In addition to above, Embassy of Pakistan, Washington issued a cheque of US\$ 18442.21 to John Hopkins Hospital Washington. Payment of US\$ 39105 by Pakistan High Commission London and US\$ 18442.21 by Embassy of Pakistan Washington against a sanctioned amount of US\$ 15000 was held irregular by the Audit.

The Ministry informed that expenditure of US\$ 25442.21 was actually incurred on medical treatment of Mr. Kamran Shafi, Ex-Minister (Press). US\$ 7,000 were paid by the officer himself whereas an amount of US\$ 18442 was paid by the Embassy of Pakistan Washington. The Ministry intimated that the officer had been asked to refund the amount incurred in excess of US\$ 15000. However, the Ministry showed its ignorance as to the payment of Pounds Sterling 15000 made to the officer by PAHIC London on 27.3.1995 as pointed out by the Audit.

PAC DIRECTIVE

The PAC, hearing the two sides in detail, directed the PAO to investigate the facts to determine total amount actually released by the PAHIC London and Pakistan Embassy in Washington against the

sanctioned amount of US\$ 15000 for the treatment of Mr. Kamran Sahfi, Ex-Minister Information posted in PAHIC London and recover the payment made in excess of the sanctioned amount, under intimation to PAC.

4.7 REIMBURSEMENT OF ENTERTAINMENT ALLOWANCE POUNDS STERLING 28,560 IN VIOLATION OF RULES. (PARA 3, PAGE-99-AR).

Audit pointed out that in Pakistan High Commission (PAHIC) London an expenditure of Pounds sterling 28,560 (Rs. 1,697,892) was incurred by an Officer of Information Wing on account of 85% entertainment allowance. According to the instructions contained in serial No. 25 & 26, chapter-2 of the book "Guidance for Missions abroad, Vol-II" the officer was required to submit details of the guests and bills for re-imburement. But in this case the re-imburement was made to the officer without details of the guests & vouchers etc.

The Ministry apprised that the re-imburement was made with the approval of Head of the Mission who, being a contract employee, had no knowledge of codal requirements.

PAC DIRECTIVE

The Ministry could not provide any convincing reason for non-production of required documents which could evidence the genuineness of expenditure. The PAC, therefore, directed the Department to produce the evidence or to recover the amount from the person concerned and report to the Committee within one month.

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ACTIONABLE POINTS: MEETING ON 13-06-2001AUDIT REPORT PUBLIC SECTOR ENTERPRISES (Vol-X-1996-97)PAKISTAN BROADCASTING CORPORATION (HQ), ISLAMABAD4.8 (PARA 178, PAGE 146-ARPSE)

Audit presented the working results of the Corporation which revealed that about 87% of the total income represented subsidy from the Government.

The Corporation apprised the Committee on the measures taken to improve its financial position, expand its commercial activities and enhance effectiveness of its programmes.

PAC DIRECTIVE

The PAC directed the Corporation to furnish a report to the PAC within one month on its prospective plan for the next five years elaborating strategy to run its activities on commercial basis and make it a profit centre.

4.9. (PARA 179, PAGE 146-ARPSE)

Audit presented the latest position of the stores and spares which are increasing over the years.

The Corporation apprised the Committee that several items of store and spares are very costly and are not locally available in case of replacement. Therefore, a minimum level of stock of these items is essential to ensure un-interrupted broadcasting services. Besides being 30/40 years old, transmitting equipment is of large variety, by make and model, which necessitate maintaining large variety of spares inventory to keep the equipment in proper functioning order.

PAC DIRECTIVE

The PAC directed the Corporation to work out details of the spare parts in inventory having per unit cost of Rupees one lac or more with their aging analysis and report to Committee within one month. PAC desired that there should be an efficient inventory control system.

4.10 (PARA 180, PAGE 147-ARPSE)

Audit pointed out that though "Advances, Deposits, Prepayments and Other Receivables" decreased from 50.882 million on June 30, 1996 to Rs 49.223 million on June 30, 1997, the amount was still sizeable.

The Corporation informed the Committee that besides other minor advances, an amount of Rs 32.607 million mainly pertains to PWD, a government agency, which demands deposits in advance for the execution of PBC project.

PAC DIRECTIVE

The PAC directed the Department to recover/adjust the amounts outstanding against various agencies and report to the Committee within one month.

4.11 (PARA 181, PAGE 147-ARPSE)

Audit pointed out that Rs 43.528 million were outstanding in the Accounts Receivables on June 30, 2000 against the balance of Rs 34.674 on June 30, 1997.

As per written reply, out of 34.674 million outstanding as on June 30, 1997, an amount of Rs 19.589 million had been recovered; however, in the meeting, the Corporation stated that the current Receivables have further reduced to Rs 7.3 million.

PAC DIRECTIVE

The PAC settled the para subject to verification, of stated facts, by the Audit.

PAKISTAN TELEVISION CORPORATION4.12 (PARA 184, PAGE 148-ARPSE)

Audit pointed out that Receivables from advertisers have been rising over the years; balance of Rs 642 million in the year 1995-96 increased to Rs 717 million in 1997-98. Similarly, provision for doubtful debts is also on the increase.

The Corporation informed the Committee that the amount of Receivables is increasing due to spreading of its business. Cases involving an amount of Rs 19.685 million are under litigation. However, recovery of Rs 170 million has been effected in the current months (2000-2001).

PAC DIRECTIVE

The PAC directed the Corporation to take measures for the improvement of recovery position and submit a progress report to the PAC/Audit within a month.

4.13 (PARA 185, PAGE 149-ARPSE)

Audit pointed out that cash and bank balance at the close of the year 1997 stood at Rs 33.083 million which included an amount of Rs 31.156 million kept in current account. This need to be invested in profit bearing account.

The Corporation informed the Committee that PTV is a large organization having its operational units all over the country. The cash at bank as on June 30, 1997 in current account relates to 47 PTV units.

PAC DIRECTIVE

The PAC directed the Corporation to negotiate with the Bank Management to place its spare cash in the profit bearing accounts at suitable rates and minimum possible amount be kept in the current account.

4.14 IRREGULAR PAYMENT OF RS 2.684 MILLION TO EOBI ON BEHALF OF PENSIONERS (PARA 186-187, PAGES 149-150-ARPSE)

Audit pointed out that the Corporation paid Rs 2.684 million to EOBI on behalf of pensioners which was irregular.

The Corporation apprised the Committee that the payment of EOBI is a statutory requirement under EOBI Act 1976 which is applicable to PTV due to its status of public limited company. However, a decision has been taken to submit a detailed reference to M/O Labour and Manpower for the consideration of the case.

PAC DIRECTIVE

The PAC directed the Corporation to follow the rules framed by the Government, seek the opinion of M/O Labour & Manpower on the said reference and settle the issue accordingly.

SHALIMAR RECORDING COMPANY LIMITED

4.15 (PARA 188, PAGE 151-ARPSE)

Audit pointed out that the management of the company had been declining statutory audit since its inception in 1974.

The Management of the Company contended that under a ruling of the Ministry of Law the Company has been exempted from statutory audit.

PAC DIRECTIVE

The PAC directed the Management of the Company to provide the said ruling of the Ministry of Law to the Audit. The Committee told the Management that the Government has promulgated a new law, effective from July 1, 2001, which will enable the Auditor General to audit all such entities as well.

4.16 (PARA 189, PAGE 151-ARPSE)

On presentation of the latest working results of the Company the PAC directed the Management to make the Company a commercial enterprise and a profit centre and prepare a prospective plan and submit the same to the PAC.

4.17 (PARAS 190, 191, 192 & 193, PAGE 152-ARPSE)

On presentation of the above four paras, the PAC directed the department to carry out aging analysis of the trade debtors to determine their recoverability and take action for recovery or write-off on the case to case basis. The Committee also directed the department to control its financial and administrative expenses (Paras 192 & 193) and submit a progress report to the PAC within one month on the measures taken for expeditious recovery of trade debtors and steps taken to curtail the financial and administrative expenses.

ACTIONABLE POINTS FOR 1993-94PAKISTAN BROADCASTING CORPORATION(HQ), ISLAMABAD4.18 (PARAS 182-183, PAGE 148-ARPSE)(ITEM 3-(I)(II)(AP-93-94)

PBC suffered a net deficit of Rs 78.143 million in 1996-97 and its accumulated losses rose to Rs 283 million as on June 30, 1997. The previous PAC, in its meeting held on 27-8-1998, showed its displeasure on the poor financial position of the Corporation and directed the PAO not only to accelerate the process of recoveries but also look into the market opportunities for earning more income for PBC. The Committee stressed that the said objective could only be achieved if the quality of advertisement is improved and efforts are made to decrease the losses of the Corporation.

The Corporation apprised the Committee on the measures taken to improve its financial position, expand its commercial activities and enhance effectiveness of its programmes.

PAC DIRECTIVE

The PAC directed the Corporation to furnish a report to the PAC within one month on its prospective plan for the next five years elaborating strategy to run its activities on commercial basis and make it a profit centre.

**MINISTRY OF KASHMIR AFFAIRS, NORTHERN AREAS  
AND STATES & FRONTIER REGIONS**

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1. **OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 28th April, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Ministry of Kashmir Affairs, Northern Areas and States & Frontier Regions. The Committee noticed a number of serious irregularities pertaining to the Ministry regarding huge savings/excesses, misappropriation and embezzlement of public funds, sale of industrial units, un-authorized utilization of Public Receipts, etc. The Committee discussed the said issues and made its recommendations to correct the deteriorating conditions of the Departments working under the Ministry.

The Audit Report for the year 1996-97 contained 62 paras, of which 16 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the desired actions having been taken by the Ministry. The Audit pointed out recoveries amounting to Rs. 18.835 million, out of which Rs. 10.015 million have been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within given time in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of its view points on different matters. Actionable Points based on the Ad-hoc PAC directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarised in the following sections:-

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

The section 4.1 indicates that all the sixteen grants of the Ministry closed, on June 30, 1997, either with huge savings or with huge excess expenditures. The Committee observed that internal financial control system in the Ministry was not working properly; budgetary indiscipline reflected incompetence and inefficiency of the respective officials. The Committee directed the Ministry to improve financial and budgetary discipline by strictly following the relevant rules/guidelines of the Ministry of Finance and adopting computer-based accounting and internal financial control system.

### 2.2 MISAPPROPRIATION OF PUBLIC FUNDS

A sum of Rs.1,840,559 was drawn for repair and POL of 26 official vehicles, donated by FAO, in the office of Coordinator Agriculture (SPM). The accounts of spare parts donated by FAO and other agencies, purchases of parts by the Coordinator and detail of parts replaced were also not maintained.

The said vehicles were donated by FAO for the use of foreign experts. On completion of the project, 15 vehicles were taken by UNDP while the other 11 remained with the authorities of Northern Areas. The Committee enquired about the criteria and authority under which the 11 vehicles were retained by the Northern Areas. This could not be explained.

### 2.3 SALE OF SICK UNITS OF FATA DEVELOPMENT CORPORATION

Federally Administered Tribal Areas (FATA) Development Corporation established 10 industrial units in Tribal Areas from 1972 to 1980 to improve local economic conditions. These units were subsequently closed down due to uneconomical results and operational problems. The Committee was informed that, till then 7 units had been sold out of 10.

The Committee observed that the failure of the scheme reflected poor planning and lack of awareness of the local conditions on the part of decision-makers.

#### 2.4 UN-AUTHORIZED UTILIZATION OF PUBLIC RECEIPTS.

An amount of Rs. 3,028,738 collected from the patients, in a hospital, on account of various services provided to them, were neither accounted for in the cash book, nor deposited in the government treasury; rather the said amount was kept in the unauthorized bank accounts and were utilized for departmental expenditure without approval of the competent authority.

In another case, the Audit pointed out that funds were drawn from government exchequer and retained in a Bank Account for quite a long time by the District Health Officer, Chillas, without any justification and approval of the competent authority.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should improve the financial and budgetary disciplines by strictly following the rules and guidelines given by the Ministry of Finance. Accounting system and internal financial controls also need to be improved.
- 3.2 Public Receipts are the part of Federal Consolidated Fund and should be deposited in the public exchequer; their use by the collecting agency is unauthorized. Therefore, the Ministry should ensure that the public receipts are not used by the collecting agency for departmental expenditure.
- 3.3 In the context of Agricultural Engineering Workshop, Tribal Area, the PAC directed that the Ministry should absorb the surplus workforce in other departments instead of rendering them jobless.
- 3.4 The Ministry should sell the remaining three sick units of the FATA Development Corporation on "as and where basis" to avoid further losses.
- 3.5 The Audit Department should establish a Sub-Audit office in Northern Areas to facilitate the regional departments in resolving their day to day difficulties.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON APRIL 28, 2001

(KASHMIR AFFAIRS & NORTHERN AFFAIRS DIVISION)

(APPROPRIATION ACCOUNTS (CIVIL) (VOL-1-1996-97))

- 4.1
- i) GRANT NO. 132-KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION, (PAGE-404-AA).
  - ii) GRANT NO. 133-NORTHERN AREAS, (PAGE-405-AA).
  - iii) GRANT NO. 134-F.G. EDUCATIONAL INSTITUTION IN NORTHERN AREAS, (PAGE-406-AA).
  - iv) GRANT NO. 135-O/E OF KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION, (PAGE-407-AA).
  - v) GRANT NO. 141-C/O ON PURCHASES BY KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION, (PAGE-408-AA).
  - vi) GRANT NO. 175-D/E OF KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION, (PAGE-410-AA).

PAC DIRECTIVE

The PAC regularized the above mentioned grants after hearing the Ministry's reply. However, the Committee observed that financial control system is not working properly which reflects incompetence and inefficiency of the respective officials. Therefore, the Committee directed the Ministry to improve financial discipline by strictly following the respective rules and guidelines of the Ministry of Finance.

4.2 LOSS DUE TO PILFERAGE OF FOOD ITEMS Rs 12.746 MILLION, (PARA 1, PAGE-110-AR-96-97).

In various depots of Civil Supply Department of Northern Areas under Ministry of Kashmir Affairs and Northern Areas, during 1986 to 1995, a loss of Rs. 12,745,596/59 due to shortage of wheat, sugar and salt was pointed out by Audit. The shortage of stores was found in the store accounts of Supply Depots at Nilt, Aliabad, Gulmit, Sust, Sassi, Jaglot and Gilgit. The loss was caused due to theft, pilferage and spillage resulting from negligence and mismanagement and improper controls.

The Ministry apprised the Committee that out of total loss of Rs 10.4 million recovery has been effected to the extent of Rs 8.6 million so far and efforts are being made for the recovery of balance amount. The contractors involved in the case have been blacklisted.

PAC DIRECTIVE

The Committee directed the Ministry to get the stated recovery verified from the Audit, ensure efforts to recover the balance amount, take action against person(s) responsible for the loss and report to the PAC within one month.

- 4.3 i) FRAUDULENT DRAWAL AND MISAPPROPRIATION OF PUBLIC MONEY  
Rs. 1.995 MILLION.  
(PARA 2, PAGE-110-AR-96-97).
- ii) MISAPPROPRIATION OF PUBLIC FUNDS Rs. 399,692/- BY THE MEDICAL  
SUPERINTENDENT, DHQ HOSPITAL GILGIT.  
(PARA 3, PAGE-111-AR-96-97).

The persons held responsible for the misappropriation refer to in the above two paras, belonged to the Army. Part of the recovery has been effected.

PAC DIRECTIVE

The Committee directed the Ministry to approach GHQ to ensure recovery of the outstanding balance and disciplinary action against the culprits under the rules.

- 4.4 i) MISAPPROPRIATION OF Rs. 2,277,411 REALIZED FROM PATIENTS.  
(PARA 4, PAGE-112-AR-96-97).
- ii) UNAUTHORIZED COLLECTION AND MISAPPROPRIATION OF OPD TICKET FEE-Rs.  
305,375/, (PARA 5, PAGE-112-AR-96-97).
- iii) UNAUTHORIZED AND IRREGULAR COLLECTION/RETENTION AND UTILIZATION/  
MISAPPROPRIATION OF OPD FEE Rs 445,952. (PARA 6, PAGE-113-AR-96-97)

Audit pointed out that in the above 3 paras huge amounts collected from the patients on account of various services provided to them

were neither accounted for in the Cash Book nor deposited in the Government treasury, rather kept in the unauthorized bank accounts and were utilized for departmental expenditure without authorization/competence.

The Ministry apprised the Committee that necessary directives have already been issued to stop this practice and assured the Committee that such practice would not be repeated in future.

PAC DIRECTIVE

The Committee directed the PAO to issue formal orders to stop this practice and a copy of the same may be endorsed to the Audit. Audit will verify that the said Orders have virtually been implemented.

4.5 UNAUTHORIZED RETENTION OF GOVERNMENT MONEY AMOUNTING TO Rs. 864,419. (PARA 7, PAGE-114-AR-96-97).

The Audit pointed out various instances where the funds were drawn from government exchequer and retained in a Bank Account for quite long time by the District Health Office Chillas without any justification and approval of the competent authority.

The Ministry admitted the irregularity and promised to take action against responsible person(s) under E&D rules.

PAC DIRECTIVE

The Committee directed the Ministry to provide compliance report to the Audit.

4.6 IRREGULAR EXPENDITURE OF Rs. 2,707,198/- OVER AND ABOVE THE APPROVED COST OF WORKS WITHOUT APPROVAL OF COMPETENT AUTHORITY. (PARA 8, PAGE-114-AR-96-97).

The Audit pointed out that during 1979-92 the Assistant Director LB&RD Skardu spent Rs. 2,707,198 on civil works of 10 different schemes over and

above their estimated cost without approval of the competent authority for revised estimates. The cost over run in these schemes was ranging from 23 to 160% which was mainly due to defective internal controls and lack of proper supervision by the management.

The Ministry apprised the Committee that necessary approval has been obtained from the competent authority that can be verified by the Audit, if so desired.

#### PAC DIRECTIVE

The Committee directed the PAO to get it verified from the Audit.

#### 4.7 SUSPECTED MISAPPROPRIATION OF Rs. 445,000. (PARA 9, PAGE-115-AR-96-97).

Audit pointed out that in the Directorate of LB&RD Gilgit a total of Rs. 445,000 were made available to an official working in another office without any specific purpose supporting vouchers or any utilization accounts were not available with the local office against the said payments.

The Ministry apprised the Committee that the amount under objection was given to a UDC (Moosa Ali) by the Deputy Director Local Government and the entire amount excepting Rs 15,000 has been adjusted. The Ministry, however, assured the Committee that departmental action will be taken against the person(s) responsible.

#### PAC DIRECTIVE

The Committee directed the PAO to give a report on the recovery made and the action taken against the person(s) responsible to the PAC within one month.

4.8 EMBEZZLEMENT OF Rs. 89,600/- BY A DEVELOPMENT OFFICER.  
(PARA 10, PAGE 115-AR-96-97).

Audit pointed out that in March 1991, the Directorate of LB&RD Gilgit under Ministry of Kashmir Affairs and Northern Areas drew from public exchequer Rs 89,600/- for the payment of salaries of eight employees from back date i.e. 6-7-1990 although the case for appointment was processed on 25-2-1991 and approved by the Administrator NAS Gilgit on 5-3-1991. In all the appointment letters dates of appointment and dates of issuance of letters were changed to arrange fictitious drawl of pay from back dates.

The Ministry apprised the Committee that though the post-facto approval was obtained on 5-3-1991, the staff was employed earlier; therefore, the payment made in this respect was bonafide.

PAC DIRECTIVE

The Committee observed that if the PAO was satisfied with the explanation, they accept it and directed the Ministry to get the stated facts verified from the Audit.

4.9 RECOVERY OF Rs. 143,990 FROM AN ASSISTANT ENGINEER FOR DUPLICATION IN CONSTRUCTION WORK OF BOUNDARY WALL AT OFFICERS CLUB GILGIT.  
(PARA 11, PAGE-116-AR-96-97).

Audit pointed out that an amount of Rs. 143,990 was drawn by an Assistant Engineer, LB&RD Gilgit for the construction of boundary wall at Officers Club, Gilgit. The amount was shown expended on the construction of the boundary wall of the Club by engaging labour and arranging material by the Assistant Engineer at his own without any technical approval from the NA, PWD.

The Ministry apprised the Committee that the Assistant Executive Engineer of the LB & RD was competent to grant technical sanction of the development scheme upto Rs 5 lacs according to the manual of instructions of the Department and the requisite MB has been prepared by the respective technical staff that can be verified by the Audit.

PAC DIRECTIVE

The Committee directed the PAO to get the stated facts verified from the Audit.

4.10 UNNECESSARY PURCHASE OF STORES OUT OF SAP FUNDS  
Rs. 1,709,813,  
(PARA 12, PAGE-117-AR-96-97).

Audit pointed out that the Directorate of LB&RD Gilgit, purchased GI Pipes etc. at a cost of Rs. 1,709,813/ for water supply schemes on 8.2.1992. Utilization of this material was delayed even upto July 1995. It indicates that material was purchased without any immediate need.

The Ministry apprised the Committee that the said delay took place due to controversy over quality and specification of pipes, law and order situation due to sectarian rifts during the period and inadequate experience of LB&RD in the water supply works. The Ministry however, contended that the material was appropriately utilized in the subsequent years and the expenditure was incurred with bonafide intention.

PAC DIRECTIVE

The PAC directed the PAO to inquire whether the expenditure was bonafide and the material was appropriately utilized. If he feels satisfied on these points, submit a report to the PAC within one month.

4.11 MISAPPROPRIATION OF Rs. 1,840,559 DRAWN BY COORDINATOR AGRICULTURE ON  
ACCOUNT OF POL AND REPAIR OF VEHICLES.  
(PARA 14, PAGE-118-AR-96-97).

Audit pointed out that in the office of Coordinator Agriculture (SPM) Rs. 1,840,559 were drawn from public exchequer for repair of 26 official vehicles and POL but movement accounts of vehicles were not being maintained. It is worth mentioning that all the 133 payments amounting to Rs. 1,840,559 were drawn by the Coordinator Agriculture by arranging cheques in his own favour. The accounts of spare parts donated by FAO and other agencies, purchase of parts by the Coordinator and detail of parts

replaced were also not available. Whereabouts of 26 vehicles for which the amounts were drawn were also not made known to Audit.

The Ministry apprised the Committee that 26 vehicles were donated by FAO for the use of foreign experts. On completion of the project 15 vehicles were taken by UNDP while the other 11 remained with the Northern Area. Log books could not be maintained as the vehicles were used by the foreign experts.

The Audit contended how the genuiness of the POL and repair/maintenance expenses can be ascertained in the absence of record like Log books. The Audit also emphasized that the misuse and unauthorized distribution of vehicles should be stopped.

#### PAC DIRECTIVE

The PAC enquired about the principle/criteria under which 11 vehicles were retained by the Northern Area; was this retention made against some official requirement assessed at appropriate competent level and the present use of vehicles was strictly for official duty evidenced by maintaining of proper log books. The Committee directed the PAO to give report on these points to the Audit, within one month, for verification and take action against person(s) responsible if the distribution or use of vehicles is found in contravention to the respective rules.

#### 4.12 NON-PRODUCTION OF RECORD OF SALE PROCEEDS FOR POTATOES FRUITS AND PLANTS ETC., (PARA 16, PAGE-119-AR-96-97).

Audit pointed out that the Coordinator Agriculture Gilgit was maintaining three Potato farms at Nalter, Babu Sir Pass and Khyber, five fruit nurseries at Jalalabad, Goner Farms, Yasin, Skardu and Ghwari, one green house at Gilgit for development and production of potatoes and one shop as sale depot of vegetable and fruit seeds at Gilgit. Sale proceeds received from the sale centres or nurseries were neither accounted for nor produced to Audit.

The Ministry apprised the Committee that an amount of Rs 12 to 13 lac had been deposited in the Government treasury that can be verified by the Audit.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.13 NON-RECOVERY OF Rs. 188,114 OVER PAID ON ACCOUNT OF TA/DA ETC..  
(PARA 18, PAGE-120-AR-96-97).

Audit pointed out that Deputy Commissioner Chillas made over payments of Rs. 188,114 to officers/officials on account of TA/DA, POL etc. In some cases the payments were made in excess and in other cases the payments were made to the officers/officials who were not entitled. Audit held the whole payment of Rs. 188,114 as un-authorized, excessive and recoverable.

The Ministry apprised the Committee that an amount of Rs 76000 had been recovered/adjusted and efforts were under way to recover the balance amount. The Ministry, however, proposed that there should be a sub-office of Audit Department in Northern Areas to facilitate the regional departments.

PAC DIRECTIVE

The Committee directed the Audit Department to consider the proposal made by the Ministry for the establishment of a Sub-Audit office in Northern Areas. However, the Committee settled the para subject to verification of the stated recovery by the Audit.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)

NORTHERN AREAS TRANSPORT CORPORATION GILGIT

4.14 i) PARA 197, PAGE-157-ARPSE).

Audit reported that sundry debtors increased to Rs 5.352(M) during year 1996-97 as compared to Rs 3.342 (M) in 1995-96.

The Ministry reported that the said balance had reduced to Rs 2.896 million on June 30, 1998.

ii) (PARA 198, PAGE-157-ARPSE).

Audit reported that prepayments and receivables increased to Rs 5.363 million in 1996-97 from Rs 3.986 million in 1995-96.

The Ministry apprised the Committee that increase of Rs 1.377 million was due to payment of L/C for Rs 1.192 million which was adjusted during 1997-98.

PAC DIRECTIVE

The Committee settled the above mentioned paras subject to verification of stated facts, by the Audit.

(STATES & FRONTIER REGIONS DIVISION)

4.15 GRANT NO. 124-STATES AND FRONTIER REGIONS DIVISION. (PAGE-395-AA).

Audit pointed out that the saving works out to 18.06 percent of the final grant. However, the Department surrendered an excessive amount of Rs. 3,529,000 converting the grant to be closed with excess of Rs. 187,827.

PAC DIRECTIVE

The Committee, on the explanation made by the Ministry, regularized the grant No. 124.

- 4.16 i) GRANT NO. 125-FRONTIER REGIONS. (PAGE-397-AA).  
 ii) GRANT NO. 126-FRONTIER CONSTABULARY. (PAGE-398-AA).  
 iii) GRANT NO. 127-FEDERALLY ADMINISTERED TRIBAL AREAS. (PAGE-399-AA).  
 iv) GRANT NO. 128-O/E OF FATA. (PAGE-400-AA).  
 v) GRANT NO. 129-MAINTENANCE ALLOWANCES TO EX-RULERS. (PAGE-401-AA).

- vi) GRANT NO. 130-O/E OF STATES & F.R. DIVISION, (PAGE-402-AA).
- vii) GRANT NO. 131-AFGHAN REFUGEES, (PAGE-403-AA).
- viii) GRANT NO. 174-D/E OF FATA, (PAGE-404-AA).
- ix) GRANT NO. 193-C/O ON DEVELOPMENT OF TRIBAL AREAS, (PAGE-411-AA).

#### PAC DIRECTIVE

The Committee observed that huge savings/excesses in the above grants reflected gross budgetary indiscipline and negligence on the part of concerned officials and directed the PAO to take steps to improve budgetary control, and also, to investigate reasons for huge excesses and savings in the grants, fix responsibility and report to the PAC within 30 days.

#### 4.17 NON-RECOVERY OF PENALTY FROM THE CONTRACTOR Rs. 2,021,212/-. (PARA 20, PAGE-121-AR-96-97).

Audit pointed out that in C&W (Dev.) Division Ghallani under M/o SAFRON, the work of four (4) bridges at Pir Qilla Yousaf Khal road was awarded to a contractor at an estimated cost of Rs 20,272,120/- and was to be completed within 12 months i.e by the end of 30th September, 1990. The work was however not completed within the stipulated period and was delayed for a considerable period. Neither extension in time limit was granted to contractor nor penalty amounting to Rs 2,021,212/- @ 10% of the estimated cost in terms of clause 02 of the contract agreement was imposed on the contractor.

The Ministry informed the Committee that the contractor was not responsible for the delay as it occurred due to some changes in original design of bridges and late release of funds.

#### PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

AUDIT REPORT PUBLIC SECTOR ENTERPRISE (VOL-X-1996-97)AGRICULTURAL ENGINEERING WORKSHOP TRIBAL AREA, PESHAWAR.

- 4.18 i) (PARAS 243-244, PAGE-ARPSE).  
ii) (PARA 245, PAGE-ARPSE)

The Ministry informed on the issue that the accounts have been submitted in September 1998, for audit. It further informed that the surplus manpower is being lay off to reduce the losses/ expenditures.

PAC DIRECTIVE

The PAC asked the Ministry to absorb the surplus manpower in other sections instead of rendering them jobless. It also directed to take steps for the improvement of financial condition of the workshop and report to PAC in one month.

- 4.19 (PARA 246, PAGE-2-ARPSE).

Audit pointed out that the books of accounts of the workshop were not maintained on double entry system without which the accuracy of the accounts could not be checked/ascertained.

PAC DIRECTIVE

The PAC took serious notice for not maintaining the accounts for the last five years and directed the Ministry to take necessary steps for maintenance of accounts regularly and on double entry basis.

- 4.20 (PARA 247, PAGE-2-ARPSE).

Audit pointed out that an amount of Rs 1.295 million, was appearing in the accounts since 1992-93 as "Un-serviceable and obsolete machinery". Early disposal of the unserviceable machinery may be made in order to avoid further deterioration with passage of time.

The Ministry informed the Committee that the said unserviceable machinery had been auctioned.

PAC DIRECTIVE

The PAC settled the para subject to verification of sale proceeds by the Audit.

4.21 (PARA 248, PAGE-2-ARPSE).

Audit pointed out that sundry debtors at the end of the year 1994-95 stood at Rs. 4.701 million, out of which, an amount of Rs 0.139 million was recovered.

The Ministry informed the Committee that it was decided in PAC meeting held on 13.2.1998 that outstanding Government dues pending mostly against the political authorities of various agencies were to be deducted at source, at the level of the Ministry of Finance. The Audit contended that the said amounts are yet to be recovered which also include Rs 637473 recoverable from private parties.

PAC DIRECTIVE

The Committee directed the PAO to get these amounts recovered at source by referring the cases to the Ministry of Finance and take steps to recover due amounts from private parties through administrative authorities.

4.22 (PARA 249, PAGE-3-ARPSE).

Audit pointed out that spare parts valuing Rs 4.184 million were available out of which spare parts valuing Rs 1.411 million were utilized during the year 1994-95 leaving a balance of Rs 2.773 million. The retention of heavy balances indicates that these were purchased much in excess of normal requirement.

The Ministry informed the Committee that the purchases are made in bulk quantity in order to keep stock readily available. However, the PAO promised to look into the issue to ascertain whether the purchase was made against definite requirement or not.

PAC DIRECTIVE

The Committee directed the PAO to look into all the aspects of the case and give report to the PAC within two months.

FATA DEVELOPMENT CORPORATION

4.23 (PARA 251, PAGE-34-ARPSE).

Audit pointed out that the Federally Administered Tribal Areas Development Corporation, Peshawar established industrial units in Tribal Area from 1972 to 1980. These units were subsequently closed down due to uneconomical results and operational problems.

Out of 10 units only seven units have been sold out. Remaining three units (Mahmud Glass Factory, South Waziristan Footwear & Leather Goods Industries and South Waziristan Tanneries) have neither been in operation nor disposed of.

PAC DIRECTIVE

The Committee directed the PAO to sell the remaining units on "as and where basis" to avoid further losses and give the progress report to the Committee.

4.24 i) (PARA 252, PAGE-ARPSE).

The Ministry confirmed that the consolidated audited accounts of the Corporation had been sent to the Audit, as desired in the para.

ii) (PARA 257, PAGE-ARPSE).

The Audit reported that physical verification of the fixed assets worth Rs 250.175 million and stores worth Rs 17.359 million held by the Corporation at June 30, 1997 was not carried out at the close of the year.

The Ministry confirmed that the desired verification has been carried out, by now.

iii) (PARA 258, PAGE-ARPSE).

The Audit objected that the accounts for the year 1996-97 had not been approved by the Board of Directors. The Ministry, in the meeting, confirmed that the accounts have now been got approved from the BOD.

iv) NON-UTILIZATION OF AIR-COMPRESSOR VALUING Rs 346,000.  
(PARA 259, PAGE-ARPSE).

The Ministry contended that the utilization of machinery was delayed because of non-availability of funds for its installation.

PAC DIRECTIVE

The Committee settled these paras subject to verification of stated facts, by the Audit.

## MINISTRY OF INTERIOR

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### 1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 14th May, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Ministry of Interior. The Report contained 4 paras and comments on 10 Grants. The Committee, on the basis of clarifications made by the Principal Accounting Officer, regularized/settled the excesses/savings in all the ten grants and three paras. However, the Committee directed the PAO to give personal attention for the improvement of financial control and budgetary discipline in the Ministry as well in the organizations under its jurisdiction, in future. Actionable Points based on the PAC's directives are given in Section-2.

### 2. ACTIONABLE POINTS ARISING FROM DISCUSSION OF THE PAC MEETING HELD ON MAY 14, 2001

#### APPROPRIATION ACCOUNTS (CIVIL) (VOL.1-1996-97)

- 2.1
- i) GRANT NO.89-INTERIOR DIVISION, (PAGE-277-AA).  
SAVING OF RS. 8,689,566.
  - ii) GRANT NO.91-PASSPORT ORGANIZATION, (PAGE-280-AA).  
EXCESS OF RS. 1,507,810.
  - iii) GRANT NO.92-CIVIL ARMED FORCES, (PAGE-281-AA).  
SAVING OF RS. 164,987,292.
  - iv) GRANT NO.93-PAKISTAN COAST GUARDS, (PAGE-283-AA).  
EXCESS OF RS. 2,273,572.
  - v) GRANT NO.94-PAKISTAN RANGERS, (PAGE-284-AA).  
SAVING OF RS. 178,480,459.
  - vi) GRANT NO.95-REGISTRATION ORGANIZATION, (PAGE-285-AA).  
EXCESS OF RS. 7,860,673.
  - vii) GRANT NO.96-CIVIL DEFENCE, (PAGE-286-AA).  
SAVING OF RS. 1,803,646.
  - viii) GRANT NO.97-OTHER EXPENDITURE OF INTERIOR DIVISION, (PAGE 187-AA).  
SAVING OF RS. 184,954,595.

- i x) GRANT NO.99-FEDERAL INVESTIGATION AGENCY, (PAGE-291-AA).  
SAVING OF RS. 7,870,224.
- x) GRANT NO.164-DEVELOPMENT EXPENDITURE OF INTERIOR DIVISION, (PAGE-292-AA).  
SAVING OF RS. 3,336,435.

PAC DIRECTIVE

The Committee regularized the excesses/savings in all the above grants; however, the Committee directed the PAO to give personal attention for the improvement of financial control and budgetary discipline in future.

ACTIONABLE POINTS FOR 1993-94

2.2 LOSS OF RS.30.736 MILLION ON ACCOUNT OF PURCHASE OF HELICOPTER.  
(PARA 1, PAGE 238-AR) (ITEM 1-AP-93-94)

Audit pointed out that the defunct PAC had constituted a Sub-Committee to probe the loss of Rs 30.736 million on account of purchase of helicopter. Report of the Sub-Committee, on its completion, was duly adopted by the defunct PAC but it could not be submitted to the House as the National Assembly, in the meanwhile, was suspended. However, the incumbent PAC got this report approved from the competent authority and sent to the M.O. Interior for implementation.

The PAO apprised the Committee that due action had already been taken against five senior army officers in the light of said report and now, NAB has also taken up this case.

PAC DIRECTIVE

The PAC directed the Ministry to provide the latest position on the issue to the Committee and Audit within one month.

2.3 UN-AUTHORIZED RETENTION OF RS 432.120 BEING UN-DISBURSED BALANCE OF PAY AND ALLOWANCES.  
(PARA 7, PAGE 241-AR) (ITEM 2-AP-93-94)

Audit pointed out that the previous PAC had directed the PAO to take

action against the concerned officers who were responsible for not recovering the said amount in time.

The Ministry informed the Committee that the officers responsible, in the case, have been dismissed from service.

PAC DIRECTIVE

The PAC directed the Ministry to provide a report, on the actions taken, to the Committee and Audit within 15 days.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1996-97)

INSPECTOR GENERAL FRONTIER CORPS

2.4 UN-AUTHORIZED CONSUMPTION OF MATERIAL WORTH RS 10.818 MILLION,  
(PARA A-I.1, PAGE 157-AR).

Audit pointed out that consumption of material purchased during the period 1993-95 for maintenance/repairs and minor works was not justified with reference to the estimate, stock T&P Register and expenses vouchers as laid in the accounting procedure. This resulted in an un-authorized consumption of material worth Rs 10,817,725.

The Ministry apprised the Committee that the funds allocated were used by the IG/FC for the procurement of construction materials but the labour was arranged departmentally to save public funds. The details of the procurement and issuance are available but the record like MB, as required by the Audit, was not being properly maintained. However, it was confirmed that the codal procedure is now being followed, since 1995.

PAC DIRECTIVE

The Committee directed the Ministry to ensure that the accounts of the material purchased are now being maintained according to the codal requirements and also directed to show the details of procurement and utilization of material to the Audit to authenticate that it was appropriately utilized on authorized jobs.

**MINISTRY OF FINANCE**

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**1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meetings held on 16th & 17th May, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 pertaining to the Ministry of Finance. The Committee noticed a number of serious irregularities with respect to the budgetary indiscipline, deteriorating performance of the Financial Institutions under the Ministry, non-recovery of Loans, large numbers of subjudice cases, etc. The Committee discussed the contents of the Report and issued several directives to the Ministry intending corrective measures and to initiate accountability actions where corruption, misuse of power or culpable negligence could be determined.

The Audit Report for the year 1996-97 contained 106 paras, of which 66 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry. The Audit pointed out recoveries amounting to Rs. 314.74 million, out of which Rs. 3.783 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts. The PAC Secretariat will watch the progress of recoveries and the Committee will review the progress of recoveries and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view-points on different matters. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarized in the following sections.

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

Inadequate control of the Ministry of Finance over its Grants is reflected from the following statistics.

<u>Grant No.</u>	<u>Supp. Grant</u> Rs(M)	<u>Savings</u> Rs(M)	<u>%</u>	<u>Surrenders I. Grant</u> Rs(M)	<u>Net (-) Saving (+) Excess</u> Rs(M)
41	18.533	0.998	01	8.595	+7.597
43(c)	23.189	138.070	51	---	-138.070
43	255.612	1048.731	22	---	-1048.731
45	442.816	1441.488	56	1440.540	-0.949
46	---	492.300	20	---	-492.300
47	---	353.149	11	1013.810	-660.661
48	28.300	21950.943	71	4,139.805	-17,811.138
143	12.548	3057.949	96	2957.149	-100.800
144	2724.347	6155.014	65	892.352	-5262.662
154	8.000	72.366	01	2579.501	2507.135
184	---	52.035	79	---	-52.035
185(c)	---	Nil		---	Nil
185	700.785	1439.739	09	5896.044	+4456.305
Services of Domestic Debt	2641.517	---	09	---	+10948.195
Repayment of Domestic Debt	68132.447	---	01	---	+13551.676
Audit	0.768	26.352	04	58.507	+32.155

### 2.2 AGRICULTURE DEVELOPMENT BANK OF PAKISTAN

#### > WORKING RESULTS

The working results of the Bank, for the year 1995-96 to 1998-99 were discussed by the PAC. The Committee noticed that there had been continuous decline in the project loans. The credit disbursement (mainly to farmers) increased by 191.85%, whereas the recovery

increased by 102.57% during 1998-99. 50% of the total loans were reported as stuck-up loans. The Committee observed that since every loan had a collateral, usually in the shape of land, there should hardly be any reason for turning a loan into bad debts. System needs to be examined to identify reasons for recovery of loans.

- > An amount of Rs 3816.729 million stood recoverable from Federal Government at the close of year 1996-97, on account of interest allowed by the Bank under various relief packages for agriculture, announced by the Government from time to time which increased to Rs 4045 million as on 31.01.1999.
- > Physical verification of fixed assets of ADBP (HO) was conducted at the close of FY 1996-97 but no physical verification of assets in respect of ADBP Branches was conducted.
- > An amount of Rs 724.383 million was retained in current account at the end of June 30, 1997 as against Rs 637.299 million in 1995-96. However, on the audit objection all the branches have converted their current accounts into profit-bearing accounts upto 30.6.1998. The Audit confirmed that the balance in current accounts was Rs 0.87 million on 30.6.1999.

### 2.3 INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN (IDBP)

- > IDBP's income decreased by Rs 17 million whereas its expenditure increased by Rs.360 million during 1996-97 causing the net loss of Rs 377 million as on June 30, 1997.
- > Following statistics, with respect to Term Finance approved and disbursed by the Bank, reflect its performance as a financial institution.

Year	Approved	Disbursed	%
1991-92	2740.06	1612.92	59
1992-93	1421.45	1306.04	92
1993-94	1117.80	879.57	79
1994-95	1508.52	566.60	37
1995-96	768.13	274.57	36

#### 2.4 INVESTMENT CORPORATION OF PAKISTAN (ICP)

- > The accumulated losses of the Investment Corporation of Pakistan (ICP) stood at Rs 948.787 million as on June 30, 2000. Its total liabilities as on June 30, 2000, exceeded its total assets by Rs 483.433 million whereas its equity is just Rs 200 million.
- > Loans and investment in redeemable capital stood at Rs.1324.5 million as on June 30, 1997 against which a provision of Rs.613.5 million as doubtful balance is alarmingly high.

#### 2.5 NATIONAL DEVELOPMENT FINANCE CORPORATION OF PAKISTAN (NDFC) NON-RECOVERY OF RS 413.137 MILLION

NDFC sanctioned foreign currency loan amounting to US \$ 2.75 million and local currency loan amounting to Rs 250 million to M/s Metropolitan Steel Corporation in 1988. Due to delay in completion, the project could not start commercial production by the stipulated time. Then the company was privatized in 1992 and the issue of loan-payment could not be resolved.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should review underlying budgetary parameters to make allocations rational, improve monitoring and reconciliation mechanisms and strengthen financial control and accounting systems down the line.
- 3.2 The Ministry should ensure that the accounts of National Savings are prepared on commercial accounting principles, in future.
- 3.3 The ADBP should examine the underlying factors for non-recovery of its loans. The Bank should ensure that loans are disbursed against proper collaterals; record should be kept updated by improving computer-based accounting system and should take effective measures to recover the outstanding amounts at the earliest from its defaulters.

- 3.4 The SBFC should take effective measures to recover the outstanding amounts from the defaulters.
- 3.5 The Pakistan Mint should prepare its accounts on the basis of commercial accounting principles; the Ministry should ensure its compliance.
- 3.6 Loan disbursing bodies in the public sector, like ADBP, HBFC, IDBP, ICP, etc. should pursue vigorously their subjudice cases involving recovery of loans; in substantial and chronic cases, the Ministry should seek help from the respective Chief Justice, through M/o Law, for earlier settlement of the cases.
- 3.7 Ministry should take measures to control the expenditure of the IDBP and improve the overall monitoring system of the Bank to check its losses.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETINGS HELD ON MAY 16 & 17, 2001

- 4.1 On presentation of the Appropriation Accounts of the Ministry of Finance, the PAC noted that there were huge excesses and savings in different grants. Despite the fact that the Ministry of Finance is a budget making agency, it has a very weak budgetary control on its own affairs. Several other ministries have been blamed for budgetary indiscipline but the state of affairs in the M.O. Finance is much more grave and sorrowful. If budgetary grants under direct control of the Finance are better disciplined, much of the problem in the fiscal area would be resolved.

The PAC directed the Ministry to review underlying budgetary parameters to make allocations were rational, improve monitoring and reconciliation mechanisms and strengthen financial control and accounting systems down the line. However, the Committee regularized the Excesses/Savings in various grants under the Ministry of Finance.

In case of Grant No. 44 (1996-97: National Savings) the committee, though, regularized the savings, it directed the Ministry to prepare the accounts of National Savings on commercial basis, in future, and submit a comprehensive report on the affairs of National Savings to the PAC within one month.

AUDIT REPORT (CIVIL)(VOL-1-1996-97)

4.2 LOSS OF RS.518,260/- DUE TO DEFECTIVE SUPERVISION AND EXCESSIVE SPILLAGE OF METALS WEIGHING 4.639 K.G., (PARA 2, PAGE 39-AR).

Audit pointed out that Pakistan Mint, Lahore, during 1993-94, sustained a loss of Rs. 518,260 by way of huge spillage of nickel and bronze.

The Ministry informed the Committee that the spillage of nickle and bronze generated from the process is not a loss but is a part of manufacturing process and all the waste material has been disposed of.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

ACTIONABLE POINTS FOR 1993-94

4.3 LOSS DUE TO HEAVY ACCUMULATION OF CN & NB SPILLAGE. (PARA 6, PAGE 37-AR)(ITEM 10-AP-93-94).

The para was discussed by the PAC on 1.12.1998 and the Committee had directed the PAO to take steps for disposal or utilization of the material to avoid un-necessary accumulation. The Department has now submitted before the Committee that despite two attempts for auction the said material could not be disposed of due to non-attractive offers.

PAC DIRECTIVE

The PAC directed the Ministry to implement the previous PAC's directive by taking appropriate steps to dispose of the waste material at the earliest.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-B)(1996-97)4.4 (PARA 5, PAGES 9-10-ARPSE).

Audit pointed out that the following institutions failed to submit audited accounts for the year 1996-97 in time.

1. Banker's Equity Limited
2. Industrial Development Bank of Pakistan
3. National Development Finance Corporation of Pakistan
4. Small Business Finance Corporation of Pakistan

The Ministry informed the Committee that the Banker's Equity was privatized in December, 1996. The accounts of IDBP NDFC and SBFC for the year 1996-97 have been finalized/submitted to DG/Commercial Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

AGRICULTURE DEVELOPMENT BANK OF PAKISTAN4.5 (PARA 6, PAGE 12-ARPSE).

Audit presented the working results of the Bank, for the year 1995-96 to 1998-99 whereby it was noticed that there had been continuous decline in the project loans. The credit disbursement increased by 191.85% whereas the recovery increased by 102.57% during 1998-99. 50% of the total loans were reported as stuck-up loans.

PAC DIRECTIVE

The Committee observed that since every loan had a collateral, usually in the shape of land, there should hardly be any reason for turning a loan into bad debt. 90 days limit for payment of instalment was felt inadequate. To rationalize this time limit the Committee desired ADBP to approach State Bank of Pakistan

4.6 (PARA 7, PAGE 12-ARPSE).

Audit pointed out that "Other Assets" amounting to Rs.4449.586 million, at the close of year 1996-97, included an amount of Rs.60.701 million under the head "Suspense Accounts." The Audit reported that the outstanding amount under Suspense Accounts had reduced to Rs 689,502/- which was verified in November 2000.

PAC DIRECTIVE

The Committee directed the Bank to clear the remaining balance under the "Suspense Accounts" and report to the PAC.

4.7 (PARA 9, PAGE 13-ARPSE).

Audit pointed out that fixed assets were Rs.158.802 million as on June, 30, 1997. Physical verification of assets of ADBP (HQ) was conducted at the close of financial year 1996-97 but no physical verification of assets in respect of ADBP Branches was conducted.

The Ministry informed the Committee that the Internal Audit Teams have carried out physical verification of all the stock items by now.

PAC DIRECTIVE

The Committee settled the para subject to verification, of the stated facts, by the Audit.

4.8 (PARA 10, PAGE 13-ARPSE).

Audit pointed out that balance under "Other Assets" included an amount of Rs.9.549 million on account of "Income Tax refundable" and Rs.193.761 million on account of "recoverable other Taxes" at the close of year 1996-97.

The Chairman ADBP informed the Committee that the Bank had approached the CBR for refund of taxes and issuance of tax exemption certificate under section-50(2) of the Income Tax Ordinance, 1979.

PAC DIRECTIVE

The Committee directed the Chairman ADBP to resolve the matter with the help of Secretary Finance and the Chairman CBR within 15 days and report to the PAC.

4.9. (PARA 11, PAGE 13-ARPSE).

Audit pointed out that an amount of Rs 3816.729 million stood recoverable from Federal Government at the close of year 1996-97.

The Ministry apprised the Committee that the said amount was recoverable from the Government on account of remission of mark-up/interest allowed by the bank under various relief/incentive packages for agriculture announced by the Government from time to time. A Committee has been constituted to examine all such claims of ADBP; the issue will be resolved in the light of Committee report.

PAC DIRECTIVE

The Committee directed the Ministry of Finance and ADBP to jointly examine all the outstanding claims and resolve the issue under report to the PAC.

4.10 (PARA 12, PAGE 13-ARPSE).

Audit Pointed out that tractors (25000) worth Rs. 224.250 million, imported in 1994-95 under "Awami Tractor Scheme", were held in stock at the close of the year 1996-97. Most of the tractors were lying undelivered to the farmers at different delivery points.

The Ministry informed the Committee that most of the tractors have now been delivered and the Bank has recovered the cost of the tractors.

PAC DIRECTIVE

The Committee directed the Audit to verify the facts stated by the Bank Management and report to the PAC within 15 days.

4.11 LOSS OF RS. 3.790 MILLION DUE TO WRITE OFF LOAN OF THE CHRONIC DEFAULTERS. (PARA 14, PAGE 14-ARPSE).

Audit reported that ADBP Gadap Branch sent a list comprising 56 chronic defaulters to ADBP(HQ) through Regional office. The management had written off recoverable amount in four default cases. It included a total of Rs. 3.790 million. This was done without referring the case to the Revenue Authority in violation of the policy of the Bank.

The Ministry informed the Committee that out of 52 loan cases recovery of Rs 2.205 million had been effected from the defaulters. At present, only 4 cases are pending with the Banking Court for decision. Efforts are being made to recover the balance amount.

PAC DIRECTIVE

The Committee settled the para subject to verification, of the stated facts, by Audit.

4.12 NON-RECOVERY OF RS.3,008 MILLION FROM CHRONIC DEFAULTER AND GRANT OF UN-SECURED LOAN AMOUNTING TO RS.758,000. (PARA 15, PAGE 14-ARPSE).

Audit pointed out that ADBP(HQ), Islamabad sanctioned a loan of Rs. 2.225 million to Mrs. Mumtaz Rashidi for the construction of 18 poultry sheds in April, 1988. Later on, the borrower approached the then Adviser to Prime Minister and succeeded in getting additional loan of Rs 758,000 without providing any additional security.

The Ministry informed the Committee that the additional loan was granted by the then Chairman, ADBP, as a special case. The Banking Court has awarded the decree in favour of the Bank. The recovery will be effected by the Court of Law through auction of property of the defaulter.

PAC DIRECTIVE

The Committee directed the Bank to get the decree executed and recover the said amount as early as possible and report the progress to the PAC within one month.

4.13 NON-RECOVERY OF RS.2,246 MILLION FROM CHRONIC DEFAULTER. (PARA 16, PAGE 15-ARPSE).

Audit pointed out that in ADBP, Shikarpur Branch, an amount of Rs. 2.246 million was outstanding against 12 loanees. The loans were sanctioned during 1981 to 1989.

The Ministry informed the Committee that an amount of Rs.1.578 million had been recovered till April 30,2001. The remaining outstanding amount will be effected in near future.

PAC DIRECTIVE

The Committee directed the Audit to verify the facts regarding the recovery. The PAC also directed the Bank to recover the remaining amount at the earliest.

4.14 WASTEFUL EXPENDITURE OF RS.154,210 INCURRED ON ACCOUNT OF IRREGULAR EMPLOYMENT OF CADDIES AS GOLF PLAYERS ON CONTRACT BASIS AND UNDUE FINANCIAL ASSISTANCE EXTENDED AT THE COST OF PUBLIC FUND. (PARA 17, PAGE 16-ARPSE).

Audit pointed out that ADBP(HQ) Islamabad appointed five caddies on contract basis as golf players. Their contracts were terminated after a few months. Later on, the same five caddies were again appointed on the same terms and conditions. The expenditure of Rs.154,210 incurred on this account had gone waste.

The Ministry informed the Committee that the then Chairman, ADBP, appointed the caddies as golf players to establish a golf team for the Bank. Later on, due to bad performance of the caddies their employment was terminated.

PAC DIRECTIVE

The Committee observed that it was a bad decision to appoint non-professional persons as golf players. The PAC directed the Bank to sell the golf kits in the market to make good of the loss.

FEDERAL BANK FOR CO-OPERATIVES

- 4.15 i) (PARA 21, PAGE 19-ARPSE-1996-97)  
 ii) (PARA 22, PAGE 19-ARPSE-1996-97)  
 iii) (PARA 23, PAGE 20-ARPSE-1996-97)

PAC DIRECTIVE

On the presentation of above three paras, the Committee settled them subject to verification by the Audit.

SMALL BUSINESS FINANCE CORPORATION OF PAKISTAN4.16 ANTICIPATED LOSS OF RS.1.035 MILLION DUE TO MIS-UTILIZATION OF PROJECT LOAN.  
(PARA 63, PAGE 45-ARPSE).

Audit pointed out that the Corporation Peshawar Branch, sanctioned a financial assistance of Rs. 500,5000 to an individual for setting up a plastic shoes manufacturing unit against mortgage of project assets and of agriculture land. The loanee failed to pay even a single instalment.

The Ministry apprised the Committee that the matter is under litigation. The NAB is also investigating the matter.

PAC DIRECTIVE

The Committee settled the para subject to verification of the facts by the Audit.

4.17 EXPECTED LOSS OF RS.198,988 DUE TO NON-RECOVERY OF CYCLE LOAN.  
(PARA 64, PAGE 46-ARPSE).

Audit pointed out that the SBFC, Peshawar Branch, disbursed Cycle loans of Rs.729,884 to 1276 employees of various Government Institutions during 1976-1978. An amount of Rs.198,988 is still lying outstanding against various employees.

The Ministry informed the Committee that the officers/officials of the Corporation who were responsible for the loss have been terminated from their services and cases against them are lying with the NAB for further investigation and recovery.

PAC DIRECTIVE

The Committee directed the Audit to verify the recovery position and actions taken against officers/officials responsible for the loss, as stated by the Management.

4.18 IRREGULAR PAYMENT OF INSURANCE PREMIUM AMOUNTING TO RS.103,883 MADE ON BEHALF OF BORROWERS.  
(PARA 65, PAGE 46-ARPSE-1996-97)

Audit pointed out that SBFC, Muzaffarabad Branch, paid premium of Rs.103,883 on behalf of borrowers to different Insurance Companies during 1987-1991 in violation of the clause 12 & 13 of Financial Assistance Agreement of SBFC.

The Ministry informed the Committee that according to the rules, it is the responsibility of the borrower to get insurance against stock of business. Therefore, the person responsible in the Corporation has been terminated from the service. The irregular payment of insurance premium has already been recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification, of the stated facts, by the Audit.

4.19 NON-DEDUCTION OF INCOME TAX OF RS.96,074 FROM SUPPLIER BILLS.  
(PARA 66, PAGE 47-ARPSE).

Audit pointed out that SBFC, Peshawar Branch, paid Rs.4,600,950 on different dates to the suppliers who supplied machineries and equipments to borrowers against bank loans. The Corporation did not deduct income tax amounting to Rs.96,074 from suppliers' bills.

The Ministry informed the Committee that all these payments were made through cross cheques and hence deposited in the bank accounts of suppliers. The suppliers, therefore, become liable to pay income tax. Now, the recovery is not possible at this stage.

PAC DIRECTIVE

The Committee directed the Ministry to fix responsibility for non-deduction of Income Tax against the person(s) at fault and get the said amount written off from the competent authority.

ACTIONABLE POINTS FOR 1993-944.20 SUSPECTED LOSS OF RS.1,236 MILLION DUE TO IRREGULAR DISBURSEMENT OF FINANCIAL ASSISTANCE TO A DEFAULTER LOANEE, (PARA 58, PAGE 58-ARPSE)(ITEM 22-AP-93-94).

Audit pointed out that the previous PAC directed the Corporation to examine the issue of suspected loss due to irregular disbursement of financial assistance to a defaulter loanee, take action and fix responsibility for the loss. The Committee also directed the PAO to recover the outstanding amount and report to PAC.

The Ministry apprised the Committee that, under the PAC directive, the matter was examined by the competent authority and no person was held responsible. However, two immovable properties of the borrowers were mortgaged as security in favour of SBFC. The property at Sahiwal was auctioned and its proceeds of Rs.379,020 were credited to the loan account of the borrower. The Court's proceeding regarding auction of a property located at Lahore is under process.

PAC DIRECTIVE

The Committee directed the PAO to re-examine the case, recover the outstanding amount and report to the PAC within one month.

4.21 LOSS OF RS.990,150 DUE TO NON-RECOVERY OF OUTSTANDING AMOUNT FROM THE UN-TRACEABLE LOANES, (PARA 59, PAGE 58-ARPSE)(ITEM 23(i)-AP-1993-94)

Audit pointed out that the previous PAC settled the para subject to verification by Audit. According to the record the department has failed to recover any amount from the defaulters.

PAC DIRECTIVE

The Committee directed the Corporation to provide the defaulters' list of the Corporation to Audit, recover the said amount and report to PAC within one month.

EXPECTED LOSS OF RS.734,061 DUE TO NON-PURSUANCE/RECOVERY OF EXPIRED LOAN.

(PARA 61, PAGE 60-ARPSE)(ITEM 23(ii)-AP-93-94).

IRREGULAR SANCTION/DISBURSEMENT OF LOAN OF RS.600,000 BY EXTENDING AN UNDUE FINANCIAL FAVOUR TO THE LOANEE.

(PARA 62, PAGE 60-ARPSE)(ITEM 23(iii)-AP-93-94).

NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.353,400 FOR THE DEFAULTING BORROWER.

(PARA 63, PAGE 61-ARPSE)(ITEM 23(iv)-AP-93-94).

NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.323,803 FROM DEFAULTER LOANEE.

(PARA 64, PAGE 62-ARPSE)(ITEM 23(v)-AP-93-94).

NON-RECOVERY OF OVER DUE LOAN AMOUNTING TO RS.264,052.

(PARA 65, PAGE 63-ARPSE-1993-94).

NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.263,680 FROM DEFAULTER LOANEE.

(PARA 66, PAGE 63-ARPSE)(ITEM 23(vi)-AP-93-94).

NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.165,939.

(PARA 67, PAGE 64-ARPSE)(ITEM 23(vii)-AP-93-94).

) EXPECTED LOSS OF RS.123,923 DUE TO NON-RECOVERY OF THE OUTSTANDING AMOUNT FROM A DOCTOR.

(PARA 68, PAGE 66-ARPSE)(ITEM 23(viii)-AP-93-94).

#### PAC DIRECTIVE

On the presentation of above 08 paras by the Audit, the Committee directed the Ministry to provide the comprehensive information/factual position to Audit within 15 days, if Audit is satisfied, the paras may be treated as settled.

OF RS.114,120 DUE TO NON DEDUCTION OF INCOME TAX FROM THE SUPPLIER.  
A 69, PAGE 66-ARPSE)(ITEM 24-AP-93-94).

t pointed out that the previous PAC directed the PAO to recover the nt within six months.

Ministry failed to comply with the PAC's directive.

PAC DIRECTIVE

The PAC observed that deduction of income tax at source was the responsibility of the Corporation's staff. The Committee, however, directed the Corporation to persuade the suppliers to recover the said amount and report to the PAC.

4.22 PERFORMANCE EVALUATION REPORT NO.140 OF 1995 (VOL-XI-B)  
(ITEM 12-AP-93-94).

Audit pointed out that the previous PAC directed the Department to prepare of the accounts of Pakistan Mint on the basis of General Commercial/ Accounting Principles.

The Department informed the Committee that Pakistan Mint is not a commercial organization so it needs not prepare accounts on commercial pattern.

PAC DIRECTIVE

The Committee, re-emphasizing the previous PAC's directive, directed the Department to prepare accounts of Pakistan Mint on the basis of Commercial Principles and report to the PAC within 15 days.

4.23 SPECIAL AUDIT REPORT ON JOINT VENTURES BETWEEN SICPA HOLDING S.A. LAUSANNE  
SWITZERLAND AND PAKISTAN SECURITY PRINTING CORPORATION KARACHI (SAR-18)

Audit presented a Special Audit Report on the Joint Venture Agreement between SICPA and Pakistan Security Printing Corporation. In the report, Audit pointed out various irregularities regarding policy decisions and financial management. Audit also informed that the Corporation amended the first Joint Venture Agreement after the Audit pointed out certain defects/imperfections in the Agreement.

PAC DIRECTIVE

The PAC observed that the first Joint Venture Agreement did not fully secure in the national interest due to defects and lapses in it that led to reach the Second Joint Venture Agreement. The Committee directed the PAO to examine the following issues and report to the PAC within one month:

- i) Whether the stated lapses of the First Agreement have been eliminated from the second Joint Venture Agreement to make it more conducive to the national interests.
- ii) What is the present financial position of the Joint Venture ?
- iii) Investigate the circumstances that caused lapses/defects in the First Agreement, if someone is found responsible in this respect take appropriate action against him.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-B-1996-97)HOUSE BUILDING FINANCE CORPORATION4.24 (PARA 28. PAGES 23-ARPSE)

Audit pointed out that the management of Corporation is not controlling its expenditure effectively. Its expenditure substantially increased in 1996-97 without any justification.

The Ministry informed the Committee that the expenditure increased due to many reasons, such as, quarterly statements of accounts were sent to the loanees through courier service instead of ordinary post, HBFC's recovery campaign etc.

PAC DIRECTIVE

The PAC directed the PAO to satisfy the Audit regarding increase of the expenditure in the Corporation and report to the Committee.

4.25 (PARA 30, PAGE 23-ARPSE)

Audit pointed out that an amount of Rs 100 million was given to LDA for development of Gujarpura Scheme. Repayment was not received from LDA as scheduled.

The Ministry informed the Committee that Rs 100 million have been recovered but interest is still outstanding.

PAC DIRECTIVE

The Committee directed the Department to recover the balance amount from the LDA and report to the PAC.

4.26 (PARA 31, PAGE 24-ARPSE)

Audit pointed out that Corporation's two housing projects i.e Residential Apartment Scheme, Lahore (Rs.4.502 million) and Government Employees Housing Scheme, Hyderabad (Rs.7.3 million) were delaying without any progress for a number of years.

Similarly Capital work-in-progress in respect of HBFC's houses at Islamabad (Rs.3.500 million), Hyderabad (Rs 7.3 million) and Peshawar (Rs 0.852 million) were also going on for the last so many years.

The Ministry informed the Committee that the Corporation was directed by the then Prime Minister Inspection Commission not to undertake construction work. The government is now planning to privatize the Corporation shortly.

PAC DIRECTIVE

The PAC directed the Corporation to sell the plots according to the market price and report to the PAC.

4.28 LOSS OF RS 1.281 MILLION DUE TO NON-RECEIPT OF ORIGINAL DOCUMENTS IN DISTRICT OFFICE HUB-CHOWKI.  
(PARA 33, PAGE 25-ARPSE)

Audit pointed out that HBFC sanctioned and disbursed an amount of Rs 1.281 million to 14 loanees. Property documents of all fourteen cases were not found available in strong room located in the Law Branch, Zonal Office, Karachi. Further, no recovery has been made from the loanees.

The Ministry apprised the Committee that Rs 0.9 million had been recovered and recovery of the outstanding balance amount is under process.

PAC DIRECTIVE

The PAC directed the Audit to verify the recovered amount. The Committee also directed the PAO to recover the balance amount and report to the PAC within one month.

4.29 (PARA 34, PAGE 25-ARPSE)

Audit pointed out that HBFC District Officer Hub sanctioned a sum of Rs. 80,000 to Mr. Muhammad Yousuf on a plot measuring 200 sq. yards. Later on, the sanctioned amount was changed and increased to Rs 180,000 through a fraudulent action.

The Ministry informed the Committee that Mr. Ramzan, District Manager Hub, was responsible for the loss. He has been dismissed from the service. As such Corporation has fixed the case in the court to recover the loss.

PAC DIRECTIVE

The PAC directed the PAO to recover the loss from the culprit and pursue the case in the Court of Law, under report to the PAC.

4.30 (PARA 35, PAGE 26-ARPSE)

Audit pointed out that HBFC Zonal Office, Karachi, sanctioned and disbursed a loan of Rs. 65,000 in 1982 for the construction of house. The loanee failed to pay the monthly installments.

The Ministry informed the Committee that the officer responsible for the loss has been removed from service. His dues has been forfeited. The Department will arrange open auction for the sale of plot.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN4.31 i) (PARA 36, PAGE 28-ARPSE)ii) (PARA 38, PAGE-29-ARPSE)

The Audit presented the working results of the bank from 1994-1995 to 1996-97. According to the results due to increase in expenses, the bank sustained a net loss of Rs 377.239 million during 1996-97.

The department representative could not satisfy the Committee on the bank's losses.

PAC DIRECTIVE

The Committee directed the Ministry to take measures to control the expenditure and improve the overall monitoring system of the bank and report the progress to the PAC in a month.

INVESTMENT CORPORATION OF PAKISTAN4.32 i) (PARA 44, PAGE 32-ARPSE)

Audit pointed out that loans and investment in redeemable capital stood at Rs. 1324.5 million against the aforesaid amount, a provision of Rs. 613.5 million has been made for the balance considered doubtful.

ii) (PARA 45, PAGE 32-ARPSE)

Audit pointed out that during the year 1996-97 Corporation was written off loans amounting to Rs. 1.3 million and provided financial relief to various companies to Rs 123 million.

PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the Ministry on the above mentioned 02 paras. The Committee directed the PAO to provide the latest position of the facts to Audit, take all possible measures to recover the outstanding amount from the concerned persons/Companies and report to the PAC within one month.

- 4.33 i) SUSPECTED LOSS OF RS. 51.522 MILLION DUE TO NON-RECOVERY OF PROJECT LOAN AND INTEREST THEREON.  
(PARA 46, PAGE 33-ARPSE)
- ii) SUSPECTED LOSS OF RS 10.379 MILLION DUE TO NON-RECOVERY OF DUES FROM A PARTY.  
(PARA 47, PAGE 34-ARPSE)
- iii) LOSS OF RS 7.312 MILLION ON ACCOUNT OF BRIDGE FINANCING AND DEBENTURE LOAN.  
(PARA 48, PAGE 35-ARPSE)
- iv) NON-RECOVERY OF OVER DUES AMOUNTING TO RS 1.043 MILLION FROM M/s. GENERAL DAIRIES AND FOOD LIMITED.  
(PARA 49, PAGE 36-ARPSE)

PAC DIRECTIVE

On presentation of above mentioned 04 paras, the Committee directed the PAO to take effective measures to expedite the recoveries/settlements of issues; the PAO may also take up the matters with the concerned Chief Justices through M/o Law & Justice for earlier resolution of the pending court cases and report to the PAC within one month.

NATIONAL DEVELOPMENT FINANCE CORPORATION OF PAKISTAN

4.34 NON-RECOVERY OF RS 413.137 MILLION DUE TO UN-SECURED INVESTMENT IN M/s METROPOLITAN(MSC).  
(PARA 50, PAGE 38-ARPSE)

Audit pointed out that NDFC sanctioned foreign currency loan amounting to US \$ 2.75 million and local currency loan amounting to Rs 250 million to M/s Metropolitan Steel Corporation in 1998. Due to delay in completion, the project could not start commercial production in time.

The Ministry apprised the Committee that the department has planned to auction the Mill to recover the said amount.

PAC DIRECTIVE

The PAC directed the PAO to complete the process, as stated by the Ministry, for the sale of the Mill within one month and report to the PAC accordingly.

4.35 NON-RECOVERY OF OUTSTANDING WORKING CAPITAL LOAN OF RS 294 MILLION FROM VARIOUS BORROWERS.  
(PARA 51, PAGE 39-ARPSE)

Audit pointed out that NDFC provided short term loans to various parties. The chances of recovery of Rs 294 million seem to be remote.

The Ministry apprised the Committee that the Department is presently making efforts for recovery through out of court settlement.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.36 NON-RECOVERY OF LOAN, LOSS OF RS 8.450 MILLION.  
(PARA 52, PAGE 39-ARPSE)

Audit pointed out that NDFC disbursed a loan of Rs 4250 million to M/s Nishan-E-Qadir Cotton Mills. The loanee failed to reply even a single installment.

The Ministry informed the Committee that the matter is under litigation in the court of law.

PAC DIRECTIVE

The Committee settled the para subject to verification of the recovery by the Audit.

4.37 PAKISTAN SECURITY PRINTING CORPORATION (PVT) LIMITED  
(PARA 54, PAGE 41-ARPSE)

Audit pointed out that although sale increased in 1996-97 as compared to 1995-96, the profit earned in 1996-97 declined. The main reason for the decline in profit was increase in the cost of paper and ink.

The Ministry informed the Committee that the Corporation purchased the ink and papers on market price. So, the increase in the cost of paper and ink is justified.

PAC DIRECTIVE

The Committee directed the Ministry to provide the latest facts of the case to Audit for verification and report to the Committee within one month.

REGIONAL DEVELOPMENT FINANCE CORPORATION4.38 (PARA 60, PAGE 44-ARPSE)

Audit pointed out that capital work in progress at the close of the year 1996-97 amounted to Rs 3.823 million. Capital work in progress needs to be completed.

The Ministry informed the Committee that the capital work pertaining to RDFC plaza is under construction.

PAC DIRECTIVE

The Committee directed the Audit to verify the facts of the case and report to the PAC.

YOUTH INVESTMENT PROMOTION SOCIETY4.39 (PARA 71, PAGE 50-ARPSE)

Audit pointed out that advances to staff aggregating to Rs.0.427 million and imprest accounts with regional/provincial/sub-offices aggregating to Rs. 1.186 million had not been adjusted for expenditures incurred.

The Ministry informed the Committee that the Department is making all possible efforts to settle the issue.

PAC DIRECTIVE

The Committee directed the PAO to recover the said amount and report to the PAC within one month.

ACTIONABLE POINTS FOR 1993-94

- 4.40 i) (PARA 4, PAGE 14-ARPSE)(ITEM 13(i)-AP-93-94).  
ii) (PARA 5, PAGE 15-ARPSE)(ITEM 13(ii)-AP-93-94).  
iii) (PARA 6, PAGE 16-ARPSE)(ITEM 14-AP-93-94).  
iv) (PARA 7, PAGE 16-ARPSE)(ITEM 15--AP-93-94).  
v) (PARA 9, PAGE 17-ARPSE)(ITEM 16-AP-93-94).  
vi) (PARA 10, PAGE 17-ARPSE)(ITEM 17()-AP-93-94).  
vii) (PARA 11, PAGE 17-ARPSE)(ITEM 17(ii)-AP-93-94).  
viii) (PARA 13, PAGE 17-ARPSE)(ITEM 18-AP-93-94).  
ix) (PARA 16, PAGE 20-ARPSE)(ITEM 19-AP-93-94).  
x) (PARA 26, PAGE 27-ARPSE)(ITEM 20-AP-93-94).  
xi) (PARA 32, PAGE-30-ARPSE)(ITEM 21(i)-AP-93-94).  
xii) (PARA 33, PAGE-30-ARPSE)(ITEM 21(ii)-AP-93-94).

PAC DIRECTIVE

On the presentation of above mentioned actionable points pertaining to the F/Y 1993-94, the Committee directed the PAO to implement the previous PAC's directives on all the issues and submit his report to Audit within one month.

**MINISTRY OF LABOUR, MANPOWER & OVERSEAS PAKISTANIS**

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**1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 30th May, 2001, took up, for its examination, the Appropriation Accounts & the Annual Audit Report for the year 1996-97 pertaining to the Ministry of Labour, Manpower & Overseas Pakistanis. Examining the Report, the Committee found some cases of budgetary lapses, huge recoverable balances of pension contributions owing from various employers & the Federal Government, to Employees Old-Age Benefits Institution (EOBI), huge accumulated losses of Kaghan Bricks Works Ltd. etc. To improve the affairs of the Ministry and the organizations under its control, the PAC issued certain directives as the Actionable Points which provide a mechanism to watch implementation of the PAC's directives in its future sessions.

The Audit Report contained 36 paras and audit comments on 5 Grants of the Ministry. 23 Paras were settled and savings/excesses in the budgetary Grants were regularized by the Committee, on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry/respective body. The Audit also pointed out recoveries amounting to Rs.1.851 million, out of which Rs.0.221 million have actually been recovered. The Committee directed the Ministry to effect recovery of the remaining amounts within the time limit given in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different issues. Actionable Points already issued by the PAC are given in Section-4. However, some major issues and the Committee's recommendations thereon are summarized in the following sections.

## 2. MAJOR ISSUES

### 2.1 BUDGETARY INDISCIPLINE

Following table reflects extent of budgetary lapses in various Grants of the Ministry:

Grant No.	Savings Rs(M)	% 2 F.Grant	Surrenders Rs(M)	NET Saving(-) Excess(+) Rs(M)
103	3.962	10	2.932	-1.030
104	468.245	23	0.007	-468.238
105	2.762	02	5.819	+3.058
166 Development	3.953	66	0.372	-3.581
167 Development	435.278	97	427.256	-8.022

The PAC took serious notice of the huge savings surrendered especially in the Development Grants (166 and 167) which indicate inefficiency and lack of commitment on the part of Executing Authorities with respect to the development schemes.

### 2.2 NON RECOVERY OF ARREARS.

Employees Old-Age Benefits Institutions (EOBI) was set up under the EOBI Act, 1976 with the sole purpose of providing the persons insured with pension and Old-Age grants. The arrears of contribution due from employers amounting to Rs.887.585 million and from Federal Government amounting to Rs.968.65 million as on June 30, 1997, were not realized.

### 2.3 LOSSES SUSTAINED BY KAGHAN BRICK WORKS LIMITED

Kaghan Brick Works Limited has been sustaining continuous losses since 1987-88. The Ministry while briefing the Ad-hoc PAC told that the project's current figure of the accumulated losses stood at Rs.85 million. The Ministry further apprised the Committee that the Company had reduced its employees sizably through the scheme of golden hand-shake. The idle assets of the Company were also sold out for an amount of Rs.11 million in August, 1999. The Company is now being considered for liquidation.

### 3. RECOMMENDATIONS

- 3.1 The Ministry should improve monitoring and accounting systems, strengthen internal financial control and promote awareness of the financial/ budgetary rules and guidelines to ensure budgetary discipline. The Ministry should also examine reasons for extra-ordinary savings in its Development Grants.
- 3.2 EOBI should take effective measures to recover the arrears of pension contributions from the employers and the Government. It should also control the administrative expenditure and invest its funds in better profit earning schemes of financially viable institutions.
- 3.3 The Ministry should take measures to expedite the process of liquidation of the Kaghan Brick Works Limited to avoid future losses.

### 4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON MAY 30, 2001

- 4.1 DELAYED COMPLETION OF SCHEME AND NON IMPOSITION OF PENALTY RS 973,259/- (PARA 1, PAGE 125-AR-96-97)

Audit pointed out that the NWFP Welfare Board, in May 1991, awarded 5 development works at TIP Workers Housing Scheme, Haripur to two contractors at aggregate cost of Rs 973,259. The works were not completed within the prescribed time. The Board failed to recover Rs 973,259 from contractors who had not completed the works.

The Ministry informed the Committee that the contract was awarded by the TIP Supervisory Committee Haripur whereas the Workers Welfare Board, Peshawar had made payment on the recommendations of the said Committee. The Work was completed in February 1994 and penalty amounting to Rs 4718 as per agreement deed had been received from the final bill of the contractor.

Ministry imposed the penalty on unfinished jobs, while the Audit viewed the penalty was required to be imposed on the whole work.

#### PAC DIRECTIVE

The PAC observed that the completion of contract means completion of work in totality, therefore, the penalty imposed was felt underestimated. However, the Committee directed the PAO to satisfy the Audit by complete disclosure of the facts, and get the case settled.

#### ACTIONABLE POINTS 1993-94

#### 4.2 NON PRODUCTION OF AUDITABLE RECORD IN SUPPORT OF DEVELOPMENT WORKS VALUING RS 8.140 MILLION (PARA 1, PAGE 245-AR-1993-94)

NWFP Welfare Board got constructed 10 Technical Centres at a cost of Rs 8.140 million during 1987-89 but did not produce auditable record.

Audit pointed out that the previous PAC directed the PAO (28-8-1998) to resolve the issue with the Audit Department.

The Ministry informed the Committee that, in DAC meeting held on 22-4-1996, Audit was satisfied with the explanation given by the Ministry and the para was dropped. The Audit contended that the minutes of the said meeting were not signed by the representative of Audit as complete record was not produced.

PAC DIRECTIVE

The PAC directed the PAO to examine the case, provide the required record to the Audit for verification and submit a compliance report to the PAC.

EMPLOYEES OLD-AGE BENEFITS INSTITUTION4.3 (PARA 202, PAGE 30-ARPSE-1996-97)

Audit pointed out that the Employees Old-Age Benefits Institution was established under the EOBI Act, 1976 with the Prime objective of providing the persons with insured pension and old-age grant. The arrears of contribution due from employers amounting to Rs 887.585 million and from Federal Government amounting to Rs 968.65 million as on June 30, 1997, were not realized.

PAC DIRECTIVE

The PAC directed the PAO to recover the arrears of contributions from the employers and the Government through personal contacts at the level of his respective counterparts, control the expenses of the management and report to Committee within one month.

4.4 NON-RECOVERY OF CONTRIBUTION ARREAR AMOUNTING TO RS 3.384 MILLION FROM EMPLOYERS OF 18 CLOSED UNITS  
(PARA 214, PAGE 12-ARPSE-1996-97)

Audit pointed out that the previous PAC directed the PAO (28-8-1998) to take all possible steps to recover the arrears of contributions from the employers and take action against persons responsible for not recovering the said amount and report within two months.

PAC DIRECTIVE

The PAC directed the PAO to hold meeting(s) with the Chairman EOBI, liquidators of the closed Units and other persons concerned, keep pursuing the recovery of the arrears and report to the PAC within one month.

ACTIONABLE POINTS 1993-94

( MANPOWER DIVISION )

4.5 IRREGULAR EXPENDITURE OF RS 1.550 MILLION ON PURCHASE OF PAJERO JEEP FOR PROVINCIAL LABOUR SECRETARY (PARA 1, PAGE AP-93-94)

Audit pointed out that the previous PAC in its meeting held on 28-8-1998 took serious view of the irregular expenditure on purchase of a Pajero Jeep for Provincial Labour Secretary out of the Federal Government grant and directed the PAO to dig out the matter and those who had misused the vehicle be directed to make payment on this account and report within two months.

The Ministry apprised the Committee that the vehicle remained in the personal use of the Minister Incharge and an amount of Rs 221680 had been recovered from the Minister concerned. The Ministry promised to transfer the recovered amount from PTB (Provincial Training Board Peshawar) Fund Account to the Treasury.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

OVERSEAS EMPLOYMENT CORPORATION LIMITED4.6 (PARA 205, PAGE 33-ARPSE-1996-97)

Audit pointed out that sundry debtors of the Corporation were showing an increasing trend year by year, the closing balance stood at Rs 8.464 million at the end of 1995-96.

The Ministry informed the Committee that, as a result of full fledged recovery campaign, this balance had been reduced to Rs 4.523 million during 1999-2000.

PAC DIRECTIVE

The PAC directed the Ministry to keep up its efforts for further recovery and to minimize the debtors.

4.7 (PARA 206, PAGE 33-ARPSE-1996-97)

Audit pointed out that provision made for doubtful debts of Rs 1.344 million and Rs 0.894 million pertained to Travel Division of the Corporation. In the past, Travel Division had allowed credits very liberally. As a result, a sum of Rs 4.698 million was accumulated as debts recoverable.

PAC DIRECTIVE

The PAC directed the Ministry to stop this business in future, take measures to recover the outstanding amount and take action against person(s) responsible for the loss under report to the PAC within two months.

4.8 (PARAS 208 & 209, PAGES 39-40-ARPSE-1996-97)

The Audit pointed out that the Corporation (OECL) incurred Rs 8.665 million in connection with its participation as sub-contractor to SAT00-

OMP-JV for construction work at Jubail, Saudi Arabia in 1980-81. An amount of Rs 1.402 million has been written off and balance amount of Rs 7.263 million was confirmed as claim due from SATOO-OMP-JV.

The Ministry informed the Committee that the case is pending in the Court of Law in Saudi Arabia.

PAC DIRECTIVE

The PAC directed the Ministry to pursue the case in the Court of Law in Saudi Arabia, vigorously.

4.9 NON-RECOVERY OF COMMISSION AMOUNTING TO RS 593,280 FROM FOREIGN CLIENTS (PARA 213, PAGE 43-ARPSE-1996-97)

Audit pointed out that Overseas Employment Corporation had claims amounting to Rs 593,280 against Foreign Clients on accounts of agency commission for the manpower exported to them during 1983-89.

The Ministry informed the Committee that these receivables were identified as irrecoverable because of non-existence of the debtors.

PAC DIRECTIVE

The PAC directed the Ministry that if the debtors could not be identified since 1983, the outstanding balance should be written off by the Board of Directors and get the issue settled with the Audit.

OVERSEAS PAKISTANIS FOUNDATION

4.10 (PARA 216, PAGE 47-ARPSE-1996-97)

Audit pointed out that land donated to the Foundation by Government of NWFP in 1992-93 for Poly Trade School, Peshawar valuing Rs 156,250 was placed under "Capital Reserve".

The Ministry informed the Committee that the School had been established and necessary adjustment had been made in the books of accounts.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

4.11 (PARA 218, PAGE 48-ARPSE-1996-97)

Audit pointed out that creditors, accrued and other liabilities included a sum of Rs 1.299 million, as on June 30, 1997, on account of installments due for purchase of land in Mirpur (AK).

The Ministry informed the Committee that the matter was still to be resolved with MDA, as NOC had not been granted.

PAC DIRECTIVE

The PAC directed the Foundation to settle the issue and report the progress to the PAC within two months.

4.12 (PARA 220, PAGE 49-ARPSE-1996-97)

Audit pointed out that "Capital Work in Progress" stood at Rs 4.464 million as on June 30, 1997.

The Ministry apprised the Committee that the figure Rs 4.464 included the major amount of Rs 3.463 million for the project of OPF Boys College that has now been completed.

PAC DIRECTIVE

The PAC directed the Department to provide the accounts to the Audit and get the issue settled.

4.13 (PARA 221, PAGE 50-ARPSE-1996-97)

Audit pointed out that a sum of Rs 35.7 million had been paid by the Foundation to financial institutions/Banks as full and final settlement of dues outstanding against Kaghan Bricks Limited.

The Ministry informed the Committee that the Foundation approached CDA for construction of a Housing Scheme and Agricultural Farm at the site but CDA rejected the plan. Now, construction of an IT Centre has been planned.

PAC DIRECTIVE

The PAC directed the Ministry to review the project and report to the PAC within one month.

4.14 (PARA 224, PAGE 50-ARPSE-1996-97)

Audit pointed out that a sum of Rs 0.161 million was spent on Almanac under the head "Welfare Activities". This expenditure was stated to have been incurred on account of research work in OPF but no research work has actually been performed.

The Ministry informed the Committee that expenditure on Almanac was Rs 6.457 million in 1995-96 which has reduced to Rs 0.161 million in 1996-97. The work is now at final stage.

PAC DIRECTIVE

The PAC directed the Ministry to windup this project and report to Committee.

KAGHAN BRICK WORKS LIMITED4.15 (PARAS 226-228, PAGE 54-ARPSE-1996-97)

The project has been sustaining continuous losses since 1987-88, current figure of the accumulated losses stood at Rs 85 million, as the position was briefed to the PAC by the Ministry.

The Ministry apprised the Committee that the Company had reduced its employees sizably through scheme of golden hand-shake. Idle Assets were sold out for an amount of Rs 11 million in August, 1998. The Company is now being considered for liquidation.

PAC DIRECTIVE

The PAC observed that the acquisition of the Company was a bad decision and directed the Ministry to expedite the process of its liquidation.

MINISTRY OF MINORITIES, CULTURE, SPORTS,  
TOURISM & YOUTH AFFAIRS DIVISION

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1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC) in its meeting held on 11th June, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Reports for the year 1996-97 pertaining to Ministry of Minorities, Culture, Sports, Tourism & Youth Affairs Division. While examining the Audit Report for the year 1996-97 presented by the Auditor General of Pakistan, the Committee noticed that the Corporation and tourist resorts, under the Ministry, had been sustaining losses over the years; despite Government's decision, their privatization could not be effected so far. The Committee expressed its concern over the colossal financial losses and directed Principal Accounting Officer (PAO) to implement Government's decision for privatization; however, the process of liquidation/privatization should be very brief to avoid further losses.

The Audit Report contained 31 paras, of which 10 were settled by the Committee on the basis of clarifications given by the PAO or the actions having been taken by the Ministry. However, the Committee issued directives on the remaining paras, keeping in view the nature of irregularity and the action required in each case, to the Ministry for necessary compliance. The PAC Secretariat will watch implementation of its directives and submit a report to the PAC in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different issues. Actionable Points based on the Ad-hoc PAC's directives are mentioned in Section-4. However, some significant matters and the Committee's recommendations thereon are summarised in the following sections:-

## 2. MAJOR ISSUES

### 2.1 LOSSES SUSTAINED BY NATIONAL FILM DEVELOPMENT CORPORATION LIMITED

National Film Development Corporation (NEFDEC) is a public limited company. The main purpose of the Corporation is to import and distribute feature films in the country. The Federal Government has a major share in the Corporation. The Corporation sustained continuous losses during the last decade which accumulated to Rs. 27.367 million as on June 30, 2000. It even failed to absorb direct and administrative expenses.

The Ministry apprised the PAC that the winding-up of the Corporation is underway as decided by the Cabinet. The Committee directed the PAO that the procedure of liquidation should be very brief to avoid further losses.

### 2.2 LOSSES SUSTAINED BY PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED

Pakistan Tourism Development Corporation (PTDC) has been established for the promotion and development of tourism in Pakistan. The Company also looks after the operations and management of four Hotels i.e. Dean's Hotel, Peshawar; Cecil's Hotel, Murree; Faletti's, Lahore and Flashman's, Rawalpindi. The Audit reported that the operating loss of the Corporation substantially increased during the year 1996-97 and 1997-98 as compared to the year 1995-96. As a result, the accumulated losses went up to the Rs.40.728 million as on June 30, 1998.

The Ministry apprised the PAC that the Hotel business suffered a lot during the said period because of privatization of Dean's Hotel, Peshawar and Cecil Hotel, Murree. While, the Faletti's Hotel (Lahore) is in the process of privatization and the fate of Flashman's Hotel (Rawalpindi) is not yet decided.

The PAC directed the Ministry to expedite the process of the Privatization of the Faletti's Hotel, Lahore and Flashman's Hotel, Rawalpindi, and simultaneously, the expenditure should also be reduced.

3. RECOMMENDATIONS

- 3.1 The Ministry should adopt a swift and transparent procedure for liquidation/privatization of its Corporations, tourist resorts and hotels to avoid further losses.
- 3.2 The Ministry should approach respective Chief Justice(s), through Ministry of Law, for early decision of the subjudice cases involving recovery of public money.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 11, 2001ACTIONABLE POINTS FOR 1993-944.1 NON-RECOVERY OF RS 502,680 ON ACCOUNT OF MISUSE OF GOVERNMENT VEHICLE (PARA 1, PAGE 20-AR-1993-94)(ITEM 1-AP-93-94)

Audit pointed out that previous PAC directed the PAO to recover the amount from the Ex-Minister and take disciplinary action against concerned officer(s) who are responsible for delaying action.

The Ministry informed the Committee that the Ministry had written a letter to Commissioner, Larkana to recover the amount from Ex-Minister as arrears of land revenue.

PAC DIRECTIVE

PAC directed the Ministry to recover the amount from Ex-Minister and get it verified from the Audit and settle the issue.

NATIONAL FILM DEVELOPMENT CORPORATION LIMITED4.2 (PARA 82, PAGE 73-ARPSE-1996-97)

Audit pointed out that the Corporation sustained continuous losses during the last decade, which accumulated to Rs 27.367 million as on June 30, 2000, eroding its entire equity of Rs 1.420 million. The Corporation even failed to absorb direct and administrative expenses.

The PAO informed the Committee that the Cabinet had already decided to windup the NEFDEC in its meeting held in the last week.

PAC DIRECTIVE

PAC directed that the procedure of liquidation should be very brief to avoid further losses. The Committee took serious notice of the Management's failure to absorb direct and administrative expenses and directed the PAO to determine if someone could be held responsible for the losses.

4.3 (PARA 83, PAGE 73-ARPSE-1996-97)

Audit pointed out that "other receivables" at the close of the year 1996-97 were Rs 1.315 million as against Rs 0.575 million in 1995-96 reflecting increase of 122.70%.

The Ministry informed the Committee that an amount of Rs 0.810 million had been recovered.

PAC DIRECTIVE

The PAC directed the Ministry to recover the outstanding amount and report to the Committee within one month.

ACTIONABLE POINTS FOR 1993-94

4.4 LOSS OF RS 993,497 DUE TO PAYMENT OF ADDITIONAL TAX AS PENALTY  
(PARA 76, PAGE 69-ARPSE-1996-97)(ITEM 3-AP-1993-94)

Audit pointed out that the previous PAC directed the PAO to investigate the matter and report to the Committee within one month. The Committee also advised the department to investigate whether the penalty included the original tax amount or not.

The Ministry informed the Committee that Mr. Zubair Ahmed, who was an employee of NEFDEC and was dealing with payment to the non-resident foreign companies, did not deduct income tax. He left the job in 1980. At present the whereabouts of Mr. Zubair are not known.

PAC DIRECTIVE

The PAC directed the PAO to examine if any other person (other than Mr. Zubair) was responsible. If not, take suitable action to close the case.

4.5 PARAS 92-93, PAGE 78-ARPSE-(ITEM 4-AP-1998-89 & 1993-94)(ITEM 4-AP-93-94)

Audit pointed out that the previous PAC directed the department to take-up the issue with the Board of Directors with the advice to write off the said amount.

The Ministry informed the Committee that out of Rs 218,000, an amount of Rs 90,000 has been adjusted. Remaining amount of Rs 128,000 has been written off by the Board of Directors on 27th March, 2001.

PAC DIRECTIVE

The PAC settled the case.

ACTIONABLE POINTS FOR 1985-86 TO 1987-88ARCHAEOLOGY DEPARTMENT4.6 NON-RECOVERY OF RS 339,826  
(PARA 4.1, PAGE 51-ARCW)(ITEM 2-AP-85-86)

Audit pointed out that the previous PAC (22-5-1989) observed that the available system was not being properly implemented and that there was apparently looseness in the control at supervisory level. The Committee desired that supervisory staff should be tightened up and special efforts should be made for the recovery.

The Ministry informed the Committee that the para was relating to long outstanding recoveries of surcharge from a number of contractors. Some of these cases are subjudice in the Court of Law.

PAC DIRECTIVE

The PAC directed the department to approach the respective Chief Justice(s) through Ministry of Law for early decision in the said Court cases and also take all other possible measures to recover the public money.

ACTIONABLE POINTS FOR 1986-87PERFORMANCE AUDIT REPORT ON PRESERVATION AND RESTORATION OF LAHORE FORT, LAHORE

- 4.7 i) (PARAS 1.1 TO 1.9, PAGES 2-19-ARCW) (ITEM 2-AP-86-87) (ITEM 1-AP-88-89)

Audit pointed out that the project suffered from cost over-run of alarming size. Major resources were diverted to items of expenditure not provided in the PC-I. A clear case of embezzlement of Rs 829,426 was detected. Moreover, the project was nowhere near completion. The previous PAC (25-11-1989) directed that all such cases should be discussed between the Ministry and Audit and definite action should be taken after responsibility has been fixed.

ACTIONABLE POINTS FOR 1987-88PERFORMANCE AUDIT REPORT ON PRESERVATION AND RESTORATION OF SHALIMAR GARDENS, LAHORE

- ii) (PARAS 4.1.1 TO 4.2.7.10, PAGES 20-26-ARCW (ITEM 1-AP-87-88)(ITEM 1-AP-88-89)

Audit Reported that the project was not completed in five years time limit and that even after 14 years only 46% work was completed though full estimated amount had been spent.

These two paras were discussed in the previous PAC's meeting on 28.11.1989 and on its directive an inquiry was held wherein Ten

officers/officials were held responsible for the embezzlement, negligence and irregularities. The para was reviewed in the next PAC's meeting (24.4.1996) and a Sub-Committee was constituted which could not finalize its report due to dissolution of the National Assembly. In the meanwhile two inter-departmental Committees were also constituted but their findings were also not implemented. Now the Ministry, as per its written reply, informed that disciplinary action against the officers/officials involved in alleged embezzlement and misappropriation of public money, as pointed out in the Inquiry Reports, has been initiated. But the latest position reveals that, of the 10 officers/officials held responsible, three have died and the other seven have retired from service.

#### PAC DIRECTIVE

The PAC observed that dismissal of the persons responsible for such colossal losses is not sufficient; recovery of the losses or compensation thereof needs to be emphasized. The PAC directed the Ministry to recover the amount from the contractors and official(s) who were responsible for overpayment should be punished. The PAC further directed that the embezzled and mis-appropriated amounts should be recovered from the culprits, if necessary, through the NAB.

#### AUDIT REPORT (CIVIL)(VOL-1-1996-97)

#### 4.8 RULES OF BUSINESS, FINANCIAL RULES NOT APPROVED BY THE GOVERNMENT (PARA 1, PAGE 27-AR-1996-97)

Audit pointed out that the Pakistan Sports Board had framed its "Business and Financial Rules" but these have not been approved by the Finance Division.

The department informed the Committee that the Finance Division suggested various amendments in the rules. Some of the suggested amendments were contrary to the constitution of the Pakistan Sports Board.

PAC DIRECTIVE

The PAC directed the PAO to approach the Ministry of Finance to reconcile the differences. If the Finance can not be convinced for the change, the rules as approved by the Ministry of Finance should be adopted by the Pakistan Sports Board within 15 days.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)MALAM JABBA RESORT LIMITED4.9 i) PARA 84, PAGE 74-ARPSE-1996-97

Audit pointed out that accumulated losses stood at Rs 1.5 million as on June 30, 2000 while the department contended that there was accumulated profit of Rs 39 lacs. This divergence of figures required verification of facts.

ii) PARA 85, PAGE 74-ARPSE-1996-97

Audit pointed out that capital work-in-progress amounting to Rs 87.94 million at the close of the year 1995-96 was not capitalised.

iii) PARA 87, PAGE 74-ARPSE-1996-97

Rs 2.875 million development loan was advanced to the company without settling the terms and conditions of the loan.

ACTIONABLE POINTS FOR 1988-89iv) (PARA 94, PAGE 79-ARPSE))(ITEM 1-AP-88-89)(ITEM 9-93-94)

Audit pointed that an amount of Rs 98.706 million had since been invested by the Government till the end of 1996-97 as equity, but there was no visible benefit to the Government.

PAC DIRECTIVE

On presentation of above four paras regarding Malam Jabba Resort Limited, the PAC constituted a Sub-Committee comprising Lt.Gen. (R) Talat Masood, Member Ad-hoc PAC (Convener), Mr. M. Hassan Bhutto, a nominee each from Ministry of Finance, Tourism Division and Audit Department to examine the correct position of the project with reference to these paras and report to Committee within 15 days.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)4.10 (PARA 86, PAGE 74-ARPSE-1996-97)

Audit pointed out that working capital of Malam Jabba Resort reduced to Rs 11.737 million during the year 1995-96 as compared to Rs 12.103 million of the year 1994-95.

The Ministry informed the Committee that this was due to purchase of Suzuki Jeep which was later on transferred to Election Commission of Pakistan as per order of the Prime Minister's Secretariat.

PAC DIRECTIVE

The PAC directed the Ministry to recover the Suzuki Jeep from Election Commission of Pakistan within 15 days and report to the Committee.

PAKISTAN INSTITUTE OF TOURISM AND HOTEL MANAGEMENT4.11 (PARA 88, PAGE 75-ARPSE-1996-97)

Audit pointed out that the expenditure of the institution remained above its income.

The Ministry apprised the Committee that the maximum fee limit is Rs 2000 from a trainee while the actual expenditure per trainee is much higher.

PAC DIRECTIVE

The PAC directed the Ministry to adjust the fee-structure to ensure full recovery of the costs incurred. It should either be made a profit centre or it should be closed. The PAO should also examine if someone was responsible for the loss and report to PAC within 15 days.

PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED4.12 (PARA 89, PAGE 76-ARPSE-1996-97)

Audit pointed out that the operating loss was substantially increased during the year 1996-97 and 1997-98 as compared to the year 1995-96. Resultantly, the accumulated losses shot up to Rs 40.728 million as on June 30, 1998.

The Ministry informed the Committee that in the said years the Hotel Business suffered badly due to Privatization of Dean's Hotel, Peshawar and Cecil Hotel, Murree. Also the Faletti's Hotel, Lahore is in process of Privatization while the fate of Flashman's Hotel, Rawalpindi is in doldrums.

PAC DIRECTIVE

The PAC directed the Ministry to expedite the process of the Privatization of the Faletti's Hotel, Lahore and Flashman's Hotel, Rawalpindi, and simultaneously, the expenditure should also be reduced.

4.13 (PARA 90, PAGE 77-ARPSE-1996-97)

Audit pointed out that trade debtors (unsecured) stood at Rs 6.415 million as on June 30, 1996 as against Rs 5.751 million in 1994-95. Provision for doubtful debts increased from 2.787 million in 1994-95 to Rs 3.721 million in 1995-96 which further increased to Rs 3.950 million in 1996-97.

PAC DIRECTIVE

The PAC directed the PAO to determine if there was culpable negligence in the accumulation of trade debts, fix responsibility, take appropriate action and report to the PAC within one month.

4.14 (PARA 91, PAGE 77-ARPSE-1996-97)

Audit pointed out that amounts due from subsidiaries have been increasing continuously over the years.

PAC DIRECTIVE

The PAC directed the Ministry to carry out the aging analysis of the recoverable amounts, take effective steps for their recovery. The cases, where amounts are considered irrecoverable, should be placed before the respective Board of Directors for write off etc.

4.15 (PARA 93, PAGE 77-ARPSE-1996-97)

Audit pointed out that cash and bank balance at the close of the year 1995-96 stood at Rs 129.678 million. Included therein was an amount of Rs 52.055 million kept in current account which need to be minimized and surplus funds invested in profit earning accounts.

The Ministry informed the Committee that the cash balances can not be shifted to other accounts since these are meant for salaries, recurring expenses, collateral guarantees, security deposits and other working capital requirements.

PAC DIRECTIVE

The PAC directed that Audit should be satisfied by the Ministry regarding the retention of cash in the current account and full information should be provided about the cash and bank balance to the Committee and Audit.

4.16 WASTEFUL EXPENDITURE OF RS 1.025 MILLION DUE TO LEAVING THE INCOMPLETE CONSTRUCTION WORK  
(PARA 95, PAGE 78-ARPSE-1996-97)

Audit pointed out that Faletti's Hotel Lahore awarded a contract to M/s Inter-Decor for Rs 1.503 million in 1989 and allowed mobilization advance of Rs 0.301 million in April 1989. Thereafter, the contractor left the work incomplete. Thus the fund of the Corporation to the extent of Rs 1.025 million including non-recovery of mobilization advance of Rs 98,587 have been wasted.

The PAO informed the Committee that an inquiry had been conducted and report finalized. According to the inquiry report there was no one responsible for the loss.

PAC DIRECTIVE

The PAC directed the department to provide the inquiry report to the Audit for verification.

4.17 IRREGULAR PURCHASE OF VEHICLES FOR RS 554,300 DURING BANNED PERIOD  
(PARA 96, PAGE 79-ARPSE-1996-97)

Audit pointed out that PTDC purchased three suzuki vans during 1993-94 at a total cost of Rs 0.554 million for the use of general duty in disregard of government instructions issued on July 18, 1993.

The Ministry informed the Committee that the case is being referred to Ministry of Finance for regularization.

PAC DIRECTIVE

The PAC directed the department to get the case regularized from the Ministry of Finance and settled the para.

4.18 OVERPAYMENT OF RS 0.180 MILLION TO GENERAL MANAGER(MOTELS)  
(PARA 97, PAGE 79-ARPSE-1996-97)

Audit pointed out that in PTDC food allowance @ Rs 3500/- per month was granted to the Manager Hotel. The General Manager Motels also continued to draw the said allowance during January 1987 to April 1991 for which he was not entitled in terms of article 144 (of memorandum and article of association).

The Ministry informed the Committee that the officer was entitled for free boarding and lodging in terms of his appointment. The food allowance @ Rs 3500/- per month was paid to him in lieu of boarding facility on his transfer from Rawalpindi to Islamabad. Since the officer has resigned, recovery is not possible.

PAC DIRECTIVE

The PAC directed the Department to get the expenditure regularized by the Board of Directors.

PTDC PAKISTAN TOURS (PRIVATE) LIMITED

4.19 i) (PARA 100, PAGE 82-ARPSE-1996-97)

The Committee was apprised that the Company has started earning profit.

ii) (PARA 101, PAGE 83-ARPSE-1996-97)

The Committee was told that in the light of previous PAC's directive, the objected doubtful debts had been written off.

PAC DIRECTIVE

On presentation of above two paras, the PAC settled the paras subject to verification by the Audit.

4.20 (PARA 102, PAGE 83-ARPSE-1996-97)

Audit pointed out that advance deposits, prepayments and other receivables at the close of the year 1996-97 amounted to Rs 1.540 million after making provision for doubtful advance amounting to Rs 0.072 million.

The Ministry informed the Committee that the department had served notices for the recovery of the receivables.

PAC DIRECTIVE

The PAC directed the department to recover the receivables.

ACTIONABLE POINTS FOR 1993-944.21 NON-RECOVERY/ADJUSTMENT OF ADVANCE AMOUNTING TO RS 1 MILLION  
(PARA 81, PAGE 72-ARPSE-1993-94)(ITEM 5(I)-AP-1993-94)

Audit pointed out that the previous PAC (8-7-1998) directed the PAO to re-examine the matter and fix responsibility for the loss and delayed action and report to the PAC.

The Ministry informed the committee that most of the recoverable amount had been recovered and efforts are being made for the recovery of outstanding balances.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the recovery, by the Audit.

4.22 NON-RECOVERY OF COST OF FURNITURE AND FIXTURE FROM EX-EXECUTIVE OF RS.231,067 (PARA 86, PAGE 75)(ITEM 6-AP-1993-94)

Audit pointed out that the previous PAC (8-7-1998) directed the department to take all possible measures to recover the said amount from the concerned Ex-Minister for Sports & Tourism, Ex-MD and Ex-Finance Director.

The Ministry informed the Committee that efforts were being made to recover the items from Mr. Yousaf Raza Gillani, Ex-Minister, through Mr. Tariq Ayub Khakwani, Ex-PRO, who had received the items on behalf of Ex-Minister. Mr. Mujahid Agha, Ex-Finance Director has deposited an amount of Rs 10,000 and has promised to deposit the balance amount.

PAC DIRECTIVE

The PAC directed the department to recover the due amounts from the defaulters and get them verified from the Audit.

ACTIONABLE POINTS FOR 1988-89

PAKISTAN TOURISM DEVELOPMENT CORPORATION

4.23 (PARA 104, PAGE 83)(ITEM 3-AP-88-89)(ITEM 13-AP-93-94)

Audit pointed out that the previous PAC (9-9-1999) constituted an IDC to investigate the issue of the projects undertaken by the Corporation which were not delivering planned benefits and report to PAC within two months.

The IDC concluded that serious irregularities were committed by PTDC on all the projects; grants received for specific projects were spent to meet revenue expenditure. However, the Committee recommended since all the responsible persons had retired, the responsibility therefore could not be fixed.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

( MINORITIES AFFAIRS DIVISION )  
AUDIT REPORT (CIVIL) (VOL-1-1996-97)

4.24 TEMPORARY MIS-APPROPRIATION AND NON ADJUSTMENT OF ADVANCES OF RS 452,500/-  
(PARA 1, PAGE 132-AR-1996-97)

Audit pointed out that, in Evacuee Trust Board, Lahore, contingent advances were granted to officers/officials for various purposes during 1993-94. The advances were not adjusted even after lapse of considerable period.

The Ministry informed the Committee that the advances related to the period 1993-94 have already been adjusted in the accounts.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the recovery/adjustment record, by the Audit.

4.25 NON-COLLECTION OF LEASE/RENT MONEY RS 381,540/-  
(PARA 2, PAGE 132-AR-1996-97)

Audit pointed out that the Evacuee Trust Board, Bahawalpur failed to recover arrears of lease/rent of Rs 381,540 from the allottees during 1993-94.

The Ministry informed the Committee that the case is subjudice. The recovery of arrears would be effected after decision of the court.

PAC DIRECTIVE

The PAC directed the Ministry to pursue the case and approach the respective Chief Justice, through Ministry of Law, for earlier decision.

4.26 IRREGULAR AND UN-JUSTIFIED PURCHASE OF AIR CONDITIONER FITTED CAR FOR RS  
540,930/-  
(PARA 3, PAGE 132-AR-1996-97)

Audit pointed out that in the Evacuee Trust Board, Lahore an expenditure of Rs 540,930 was incurred on purchase of 1000 CC Datsun Sunny XE air-

conditioner fitted car, without sanction of the competent authority and also without obtaining NOC from the Cabinet Division as required under Rule-5 of Staff Car Rules, 1980.

The Ministry informed the Committee that the Car was purchased by the Evacuee Trust Board out of its own budget. As the Evacuee Trust Board was a corporate body, functioning on self financing basis, the obtaining of NOC from the Cabinet Division was not applicable to this organization.

**PAC DIRECTIVE**

The PAC directed the department to get the approval from the competent authority/Cabinet Division and regularize the purchase.

**ACTIONABLE POINTS FOR 1993-94**

4.30 **NON-RECOVERY OF RS 1.561 MILLION ON ACCOUNT OF RENT OF RURAL AND URBAN PROPERTY**  
**(PARA 1, PAGE 251-AR-1993-94)(ITEM 1-AP-93-94)**

Audit pointed out that the previous PAC (17-9-1997) constituted a Sub-Committee under the Chairmanship of Nawab Salahuddin Abbasi to streamline the affairs of ETB and Housing Society of the Ministry at Lahore and report to the Committee within six months.

The Ministry apprised the Committee that the Sub-Committee could not finalize its report due to suspension of the National Assembly. However, the Ministry stated that they had taken up the cases with respective Deputy Commissioners and the Chief Secretary for earlier recovery. Some of the cases were subjudice in the Court of Law, as well.

**PAC DIRECTIVE**

The PAC directed the PAO to take up the cases, at his level, with the Chief Secretary to effect the recoveries and request the respective Chief Justice, through the Ministry of Law, to get the Court cases expedited.

**MINISTRY OF PLANNING AND DEVELOPMENT**

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**1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 11th June, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Planning and Development Division. The Report contained 10 paras, of which, 9 were settled on the basis of clarifications given by the Ministry. However, the Committee took serious notice of irregular and unjustified utilization of Gratuity/Pension Fund by the Pakistan Institute of Development Economics (PIDE), an organization working under the Ministry. The said issue and the directive (Actionable Point) of the PAC thereupon is given below.

**2. MAJOR ISSUES****2.1 IRREGULAR AND UNJUSTIFIED UTILIZATION OF GRATUITY/PENSION FUND**

A sum of Rs.9.435 million was drawn by the Management of Pakistan Institute of Development Economics(PIDE) out of Gratuity/Pension Fund Account and was used on regular items of revenue expenditure during the years 1993-95. The drawal of said amount for the purpose other than payment of Gratuity/Pension to the employees on retirement is an irregular and unjustified.

The PAC expressed its displeasure to the Management on irregular utilization of amounts from the said Fund. The Committee, however, settled the para on the information that the said amount had been deposited back to the Pension/Gratuity Fund by drawing equivalent amount from the Endowment Fund.

**3. RECOMMENDATION**

- 3.1 The PAC recommended that the PIDE, besides the scholastic and academic research work, should also carry out applied studies for the guidance of national planners and policy makers in the economic field. It should also

examine the possibilities for carrying out research for the private sector.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 11, 2001.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-96-97)

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

4.1 IRREGULAR AND UNJUSTIFIED UTILIZATION OF GRATUITY/PENSION FUND AMOUNTING TO RS 9.435 MILLION ON REVENUE EXPENDITURE. (PARA 238, PAGE 178-ARPSE)

The Department apprised the Committee that the said amount drawn from the Gratuity/Pension Fund has been deposited back from the Endowment Fund.

The PAC expressed its displeasure to the Management on irregular utilization of amounts from Gratuity/Pension Fund; however, the Committee settled the para on the information that the said amount has been deposited back to the Pension/Gratuity Fund from the Endowment Fund. The Committee also proposed to the Director PIDE to examine if the Institute could carry out research for the private sector as well.

ACTIONABLE POINTS 1993-94

4.2 (PARA 235, PAGE 100)(ITEM 2(II)-AP-93-94)

NLC sustained a loss of Rs 2.756 million in Mushroom project during 1993-94.

Audit pointed out that the previous PAC (9-7-1998) directed the PAO to examine the matter, take effective measures in the best interest of the NLC and take action against the responsible person(s) for the lapse, if any, and submit a report to PAC within two months.

The Ministry informed the Committee that the project continues to show an

upward trend and the local demand of mushroom is also on the increase. The National Logistic Board reviewed and approved retention of the project on permanent basis, in its meeting held on 24-11-1998.

PAC DIRECTIVE

The PAC directed the department to satisfy the Audit that appropriate measures will be taken to make the project a profit centre within a reasonable period.

4.3 (PARA 238, PAGE 181)(ITEM 3-AP-93-94)

Audit pointed out that the pervious PAC (9-7-1998) directed the PAO to take all possible steps to recover the advances and prepayments from the concerned quarters.

The Ministry informed the Committee that entire outstanding amount, except Rs 1.26 million, has been recovered.

PAC DIRECTIVE

The PAC directed the Ministry to recover the remaining amount and get the recovered amount verified from the Audit. However, the Committee settled the para.

4.4 (PARA 240, PAGE 181)(ITEM 4-AP-93-94)

NLC invested Rs 1 million in Resources & Engineering Management Corporation Ltd(REMCO) in 1981. REMCO had accumulated loss of over Rs 10.817 million against paid up Capital of Rs 6.6 million by June 30, 1995.

PAC DIRECTIVE

The Committee observed that the Company has a negative net worth and directed the Ministry to either take measures to make it a profit

centre or it should be dissolve to avoid further accumulation of losses.

4.5 BLOCKAGE OF FUND IN ABSOLUTE STORES RS 1.686 MILLION  
(PARA 243, PAGE 182)(ITEM 2(III)-AP-93-94)

Audit pointed out that the previous PAC (9-7-1998) directed the PAO to examine the matter and take effective measures in the best interest of NLC and take action against responsible persons for the lapse, if any, and report to the Committee within 02 months.

The department assured that the spares under objection will be used now.

PAC DIRECTIVE

The PAC directed the department to satisfy the Audit on the proper usage of the spares and get the issue settled.

**MINISTRY OF ENVIRONMENT,  
LOCAL GOVERNMENT & RURAL DEVELOPMENT**

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1. **OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 12th June, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Ministry of Environment, Local Government & Rural Development. The Committee noticed a number of irregularities pertaining to the Ministry regarding huge savings (especially in two development grants showing 45% and 70% savings), unauthorized use of government vehicles, non deduction of Income Tax, losses of Pakistan Environment Planning & Architectural Consultants (PEPAC) and its huge Receivables outstanding against various Government Departments, etc. These issues were raised by the Auditor General of Pakistan in the Meeting where the Ministry was given opportunity to present its view point. As a result of detailed discussion on the issues, the Committee made its recommendations to improve the working of the Ministry or to initiate corrective/punitive measures where the guilt or negligence could be determined.

The Audit Report contained 10 paras, of which 2 were settled by the Committee on the basis of clarifications given by the Principal Accounting Officer (PAO) or the required actions having been taken by the Ministry. The Committee will review implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different matters. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarized in the following sections:-

## 2. MAJOR ISSUES

### 2.1 SAVINGS IN THE GRANTS

Huge savings in different Grants of the Ministry were critically observed by the Committee. The extent of budgetary indiscipline can be gauged from the following statistics.

Grant No. :	38	39	40	106	153 Dev.	168 Dev.
Savings :	42	14	01	19	65	70 (%)

The Committee observed that the level of 65% and 70% savings in the Development Grants 153 and 168 respectively is a serious matter; such huge savings in the Development Grants indicate poor performance of the Executing Agencies responsible for the development schemes. This area warrants attention of the Ministry. To improve budgetary discipline and financial management in the Ministry, the Committee directed the PAO to review the underlying budgetary parameters, improve monitoring and reconciliation mechanism and strengthen overall internal financial control.

### 2.2 LOSSES OF PEPAC AND ITS RECEIVABLES

- The working results of Pakistan Environment Planning and Architectural Consultants Ltd. (PEPAC) showed accumulated losses of Rs.11.466 million at the close of year 1998-99. However, the Department contended that the current financial position has changed into accumulated profits of Rs. 2.883 million.
- The Audit also pointed out that the Receivables, on account of professional fees outstanding against various Government Departments, stood at Rs.16.157 million on June, 30 1997. The departmental representative apprised the Committee that the Planning Division had already recommended for winding-up the PEPAC; however, the Department's suggestion was for its merger with NESPAK.

### 2.3 NON-DEDUCTION OF INCOME TAX

"Advances/Deposits/Prepayments and Other Receivables" of Rs 5.908 million included an amount of Rs 5.208 million as income tax deducted at source by the clients. An amount of Rs. 2.8 million has been recovered/adjusted.

The PAC directed the PAO to get the recovered/adjusted amount verified by the Audit. The Committee also directed the Department to reconcile its claims with the respective agencies, make efforts for early recovery of the same and seek intervention of the respective secretaries for resolution of the issues in controversial cases.

### 3. RECOMMENDATION

- 3.1 The Ministry should improve the financial and budgetary disciplines by strictly following the rules and guidelines given by the Ministry of Finance. It should also improve monitoring & reconciliation mechanism with the help of Computer-aided accounting systems and internal financial controls.
- 3.2 The Ministry should take effective measures to expedite recovery of the PEPAC's outstanding receivables from various Government/Semi-Government Departments.
- 3.3 The PAC directed the Auditor General of Pakistan to conduct a special Audit of ENERCON Project and submit its report to the Committee.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 12, 2001

4.1	<u>Grant No.</u>	<u>Savings Rs(M)</u>	<u>Percentage of Final Grant</u>	<u>Surrenders Rs(M)</u>	<u>Net Savings (Rs)</u>
	38	29.923	42	29.686	236,603
	39	4.445	14	-----	4,445,263
	40	.029	01	-----	28,710
	106	6.586	19	6.607	20,696 Excess
	153 Development Exp.	361.610	65	210.000	151,609,687
	168 Development Exp.	3,809.439	70	1,627.798	2,181,640,926

On presentation of the Appropriation Accounts of the Ministry of Environment, Local Government and Rural Development the PAC observed that there were huge savings in different grants. The Committee directed the PAO to review the underlying budgetary parameters, improve monitoring and reconciliation mechanism with the help of computer-aided accounting systems and internal financial control. However, the PAC regularized the savings/excesses in various grants under the Ministry of Environment, Local Government and Rural Development.

In case of grant-168 (1996-97: Development expenditures of Local Government and Rural Development Division) the Ministry apprised the Committee that the funds released for the Peoples Works Programme were frozen on 5th November and then re-allocated to other works on 23rd December 1996; therefore, any need for surrender did not arrive.

PAC DIRECTIVE

The Committee felt that the saving was required to be formally surrendered when it was known that the funds were no more available

with the Ministry after 5th November. The Committee though regularized the saving, it directed the PAO to identify person(s) responsible for not formally surrendering the saving and take appropriate action under report to the PAC.

#### ACTIONABLE POINTS FOR 1993-94

- 4.2 GRANT NO. 163-DEVELOPMENT EXPENDITURE OF ENVIRONMENT & URBAN AFFAIRS DIVISION (PAGE 210-AA) (ITEM 1-AP-93-94) (REMAINING SAVING OF Rs. 25,569,638).

The Previous PAC constituted an IDC to examine the issue of saving of Rs. 25,569,638. The IDC concluded that the department could not surrender the saving in time and recommended to call explanation of the officer(s) of the Ministry who could not surrender the saving in time.

The Ministry informed the Committee that, as desired by the IDC, the DS(F&A) and S.O.(Dev.) had been directed to submit their explanation for not surrendering the saving in time.

#### PAC DIRECTIVE

The Committee conveyed its displeasure on the budgetary indiscipline and considered the action taken against the officers responsible as inadequate. The PAC directed the Ministry to improve budgetary and financial control; however, the issue was settled.

#### AUDIT REPORT (CIVIL)(VOL-1-1996-97)

- 4.3 RECOVERY OF Rs. 124,208/- DUE TO UNAUTHORIZED USE OF GOVERNMENT VEHICLES. (PARA 1, PAGE-123-AR-96-97).

Audit pointed out that a Government vehicle remained under exclusive use of the Secretary during 1990-93 in addition to entitled staff car in violation of rules. The distance covered by additional vehicle was 40167 k.m.

Another vehicle, while being used by a Private Secretary to the then Federal Minister, covered a distance of 21937 K.M. Audit held the journeys unauthorized. Total distance covered by these vehicles was 62104 k.m., demanding a recovery of Rs 124,208, @ Rs 2 per K.m.

The Ministry apprised the Committee that one vehicle remained under the use of Ex-Secretary who was posted as OSD. The other vehicle, No. IDC-4417, was used by different officials of the Ministry for official purposes. No vehicle remained in the exclusive use of the Private Secretary to Minister.

PAC DIRECTIVE

The Committee settled the para subject to verification, of the record of the said vehicles, by the Audit.

4.4 NON-DEDUCTION OF INCOME TAX WORTH Rs. 92,928.  
(PARA 2, PAGE-123-AR-96-97).

Audit pointed out that in ENERCON, an Organization under Ministry of Environment, Local Government and Rural Development, income tax deductions required under Tax Law amounting to Rs. 63,474/- from various firms and Rs 29,454/- from salaries of the officers were not made during 1993-94, causing loss of Rs 92,928/- to the Government.

The Ministry informed the Committee that an amount of Rs 29,454 has been recovered and deposited with the Government Treasury.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

4.6 NON-RECOVERY OF Rs. 77,666 ON ACCOUNT OF MISUSE OF VEHICLE BY A JOINT SECRETARY.  
(PARA 3, PAGE-124-AR-96-97).

Audit pointed out that in ENERCON, an Organization under Ministry of Environment, Local Government and Rural Development, vehicle No. IDB-8549 (Pajero A.C.) remained in exclusive use of a Joint Secretary from 30.11.1995 to 17.11.1996. A Journey of 38833 Kilometers was performed by the vehicle during this period which being private use of official vehicle, recovery @ Rs 2 K.m. amounting to Rs 77,666 is due from the officer concerned.

The Ministry informed the Committee that the said vehicle was used for official purposes to perform different activities of ENERCON by the Joint Secretary who was incharge of the Project.

PAC DIRECTIVE

The PAC directed the PAO to certify that the vehicle was used for official purposes and also provide the movement register, for verification of the facts, to the Audit. The PAC also directed the Auditor General of Pakistan to conduct a special audit of ENERCON Project and report to the Committee.

ACTIONABLE POINTS FOR 1993-94

4.7 LOSS OF Rs 73,666 DUE TO IRREGULAR DRAWL OF HOUSE RENT ALLOWANCE AND NON DEDUCTION OF HOUSE RENT FROM EMPLOYEES PROVIDED WITH OFFICIAL ACCOMMODATION.  
(PARA 1, PAGE-245-AR-93-94)(ITEM 1-AP-93-94).

Audit pointed out that the para was discussed in the defunct PAC's meeting held on 9.7.1998. The PAC directed the department to recover the said amount and settled the para subject to verification by the Audit.

The Ministry informed the Committee that the recovery of the said amount is under process.

PAC DIRECTIVE

The PAC directed the PAO to complete the recovery and get it verified from the Audit.

- 4.8 NON-RECOVERY OF Rs. 129,022 ON ACCOUNT OF MISUSE OF GOVERNMENT VEHICLES, UNAUTHORIZED EXPENDITURE OF Rs. 78,730. (PARA 1&2, PAGE-112-AR-87-88)(ITEM 283-AP-93-94).

Audit pointed out that these paras were discussed in the defunct PAC's meeting held on 9.9.1998. The PAC constituted a Sub-Committee for examination of the issues. The PAC also directed its Secretariat to write a letter to the Cabinet Division with the directive that all PAOs should resist the illegal orders of Ministers. Due to suspension of the National Assembly no meeting of the Sub-Committee could be held.

PAC DIRECTIVE

The PAC directed the PAO to make arrangements to recover the said irregular expenditure from the then Minister. The Committee also directed the PAC Secretariat to co-ordinate with the Cabinet Division for the implementation of the Previous PAC's directive regarding PAOs' resistance against the illegal orders of the Ministers.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1996-97)PAKISTAN ENVIRONMENT PLANNING AND ARCHITECTURAL CONSULTANTS (PVT) LTD (PEPAC)

- 4.9 (PARA 133, PAGE-112-ARPSE).

Audit presented the working results of Pakistan Environment Planning and Architectural Consultants Ltd (PEPAC) which showed accumulated losses of Rs 11.466 million at the close of year 1998-99.

The Department contended that the present position was not of accumulated losses; as PEPAC was currently having accumulated profits of Rs 2.883 million. The Department further told the Committee that the Planning Division had already recommended for its winding-up; however, the Department's suggestion is for its merger with NESPAK.

PAC DIRECTIVE

The PAC showed its displeasure on non-reconciliation of profit & loss figures presented by the Audit and the Department and directed them to reconcile their figures. The Committee also directed the PAO to show the recommendations of the Planning Division for winding-up of the Company to the Audit. If it is in the process of winding-up, para may be treated as settled.

4.10 (PARA 134, PAGE-113-ARPSE).

Audit pointed out that professional fees receivable after making provision for doubtful debts of Rs 1.580 million stood at Rs 16.157 million as on June 30, 1997 as against Rs 15.224 million as on June 30, 1996. As per annual accounts of PEPAC for the years 1996-97 and 1997-98, amounts of Rs 346,715 and Rs 582,975 respectively have been written off. These amounts were outstanding against various Government Departments.

PAC DIRECTIVE

The PAC directed the PAO to take effective measures to expedite recovery of the outstanding receivables from various Government/Semi Government Departments and report to the PAC within 15 days. To ensure early recovery, help may be sought from Ministry of Finance/Federal Adjuster.

4.11 (PARA 135, PAGE-113-ARPSE).

Audit pointed out that "Advances/Deposits/Prepayments and Other Receivables" of Rs 5.908 million included an amount of Rs 5.208 million as income tax deducted at source by the clients.

The Ministry informed the Committee that an amount of Rs. 2.8 million has been recovered/adjusted.

PAC DIRECTIVE

The PAC directed the PAO to get the recovered/adjusted amount verified from the Audit. The Committee also directed the Department to reconcile its claims with the respective agencies, make efforts for earlier recovery of the same and seek intervention of the respective secretaries for resolution of the issues in controversial cases.

**MINISTRY OF POPULATION WELFARE**

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**1. OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on June 12, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Ministry of Population Welfare. The Committee noticed a few irregularities pertaining to the Ministry, mainly on account of funds released to the Provinces and various other Agencies. The Committee discussed the issues contained in the Report and made its recommendations for necessary action.

The Audit Report for the year 1996-97 contained 3 paras. All paras were settled by the Committee subject to verification of the stated facts by the Audit. Actionable points, urging the Audit to submit its verification reports to the Committee within stipulated period, are given in Section-4. However, one important issue and the Committee's recommendation thereon is given in the following sections:-

**2. MAJOR ISSUE****2.1 DOUBTFUL EXPENDITURE**

Population Welfare Division during 1986-88 drew an amount of Rs. 1,761,995/- and paid to various agencies. Similarly, during 1991-93, an amount of Rs. 794.540 million was released to the Provinces and various organisations to finance Public Welfare Projects. The Ministry being the sanctioning authority was responsible to ensure that the releases were spent for the purposes for which they were intended. As per Audit's findings the Ministry failed to follow the rules and went on making payments without adjustment accounts/audit certificates.

The Committee felt that the Ministry was not having adequate financial control on the released funds; in the absence of adjustment accounts or

proper audit scrutiny, possibilities of pilferages and misuse of these funds by the Recipient Agencies cannot be ruled out.

3. RECOMMENDATION

- 3.1 The Release of funds by the Ministry to the Provinces and other Agencies should be regulated by some legally approved procedure; selection of welfare projects should be based on some objective criteria, disbursements should be transparent, verifiable and duly accounted for and adjustment accounts/audit certificates should be made available to the Audit for statutory scrutiny.

4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 12, 2001

AUDIT REPORT CIVIL (VOL 1-1996-97)

- 4.1 NON-SUBMISSION OF AUDIT CERTIFICATE OF RELEASES AMOUNTING TO Rs. 794.540 MILLION.  
(PARA 1, PAGE-138-AR-96-97).

Audit pointed out that, in Population Welfare Division, an amount of Rs. 794.540 million was released to the provinces and other organizations during 1991-93. The Ministry being the sanctioning authority was responsible to ensure that the releases were spent for the purpose for which they were intended. The Ministry failed to follow the rules and went on making releases without adjustment accounts/audit certificates.

The Ministry apprised the Committee that the audit certificates, involving funds amounting to Rs 791.815 million released to the Provinces and other institutions, have been furnished to the Audit.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

4.2 RECOVERY OF Rs. 143,274/- ON ACCOUNT OF UNAUTHORIZED USE OF 2 ADDITIONAL VEHICLES BY THE MINISTER.  
(PARA 2, PAGE-138-AR-96-97).

Audit pointed out that, in Population Welfare Division, two vehicles were provided to a Minister up to March, 1995 in addition to Staff Car. The Minister was not entitled to use the vehicles in addition to staff car already provided. The unauthorized vehicles covered a distance of 71637 K.M. requiring recovery of Rs 143274 @ Rs. 2/- per K.M.

The Department apprised the Committee that the said vehicles were used only for official purpose.

PAC DIRECTIVE

The PAC directed the PAO to certify, under his signature, that the vehicles were used for official purposes only. After his certification, the para may be treated as settled.

4.3 DOUBTFUL EXPENDITURE OF Rs. 1,611,995/- ON ACCOUNT OF RELEASES MADE DURING 1986-88.  
(PARA 3, PAGE-139-AR-96-97).

Audit pointed out that Population Welfare Division during 1986-88 drew amounts of Rs. 1,761,995/- and paid to various agencies. According to the provisions of para 206 and 209 of GFR Vol-1, the agencies receiving the grant-in-aid were required to produce audited statements of accounts but local office failed to obtain the requisite audited certificates.

The Ministry apprised the Committee that now all the Institutions/Agencies have provided the audited statements of accounts.

PAC DIRECTIVE

The PAC directed the PAO to provide the audited statements of accounts of different Institutions/Agencies for verification to the Audit. If the desired record is produced to the satisfaction of the Audit, the para may be treated as settled.

**MINISTRY OF WOMEN DEVELOPMENT,  
SOCIAL WELFARE & SPECIAL EDUCATION**

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1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 13th June, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Ministry of Women Development, Social Welfare & Special Education.

The Report contained 3 paras and audit comments on 8 grants of the Ministry. The Committee settled one para and regularized all the grants (each with savings) on the basis of clarifications made by the Principal Accounting Officer (PAO). On the remaining two paras, PAC's directives were issued as Actionable Points to watch Ministry's compliance with them. The Actionable Points are reproduced below.

2. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 13, 2001

ACTIONABLE POINTS FOR 1993-94

PERFORMANCE AUDIT REPORT ON NATIONAL ZAKAT FOUNDATION, ISLAMABAD

2.1 GRANT-IN-AID OF RS 246,000 NOT REFUNDED BY AL-MUSTAFA WELFARE SOCIETY, H-8, ISLAMABAD  
(PARA 1, PAGE 290-AR)(ITEM 3(I)-AP-93-94)

Audit pointed out that the Ministry released Rs 246,000 to Al-Mustafa Welfare Society to construct a Medical Centre in 1992. The Centre could not be constructed till August 1994.

The Ministry apprised the Committee that the matter for refund of Rs 246,000 was taken up with the Deputy Commissioner (East), Karachi on March 04, 1999 for recovery as arrears of land revenue, but the patron of the NGO, Haji Muhammad Hanif Tayyab, has not refunded the money so far.

PAC DIRECTIVE

The PAC directed the Ministry to send the case to NAB for the recovery of Rs 246,000/- from Haji Muhammad Hanif Tayyab, Ex-Minister.

2.2 IRREGULAR UTILIZATION OF GRANT-IN-AID OF RS 78,994 RELEASED TO DARUL FALAH (MOTHER & CHILDREN HOME), RAWALPINDI (PARA 14, PAGE 300-AR)(ITEM 3(IV)-AP-93-94)

Audit pointed out that on the directive of president Rs 300,000 were paid to the NGO on 28th December, 1982 for construction of building for Darul Falah Home for Destitute Women, Rawalpindi, sponsored by the Social Welfare Department, Government of Punjab. The accounts submitted by Government of Punjab revealed that Rs 78993.51 were spent for purposes not chargeable to NZF grant; therefore, need to be recovered.

The Ministry informed the Committee that out of Rs 78,993 a refund of Rs 39,993 has since been received from Deputy Director, Social Welfare Department, Rawalpindi. The Ministry is actively pursuing the matter of remaining amount of Rs 39,000 with the Provincial Social Welfare Department.

PAC DIRECTIVE

The PAC directed the PAO to pursue the Social Welfare Department Punjab, at personal level, to effect the recovery of balance amount at the earliest.

2.3 MIS-APPROPRIATION OF GRANT-IN-AID OF RS 498,000 RELEASED TO MIANWALI WELFARE ORGANIZATION, MIANWALI (PARA 19, PAGE 305-AR)(ITEM 4-AP-93-94)

Audit pointed out that Rs 498,000 were released on January 20, 1992 to the NGO for construction of building, purchase of equipment and furniture for rehabilitation of disabled persons at Mianwali. The NGO withdrew the amount on February 04, 1992 but construction was not done.

The Ministry informed the Committee that the amount was released on the recommendation of Mr. Abdul Sattar Khan Niazi, Ex-Minister and now the case is subjudice in the Court of Law.

PAC DIRECTIVE

The PAC directed the PAO to pursue the case in the Court of Law vigorously.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-96-97)

PAKISTAN BAIT-UL-MAL

2.4 (PARA 267, PAGE 205-ARPSE)

Audit pointed out that the Bait-ul-Mal Head Office, Lahore, did not submit their audited accounts for the year 1996-97 by the prescribed date of January 15, 1998.

The Ministry informed the Committee that the audited accounts for the year 1996-97 were sent to the Audit on prescribed date.

PAC DIRECTIVE

The PAC directed the Ministry to provide up-to-date accounts to the Audit within two months under report to the PAC.

2.5 IRREGULAR/UNJUSTIFIED PAYMENT OF RS 50 MILLION FROM PAKISTAN BAIT-UL-MAL (PARA 268, PAGE 206-ARPSE)

Audit pointed out that the Pakistan Bail-ul-Mal has paid Rs 20 million to the Minister of Interior and Narcotics Control in April 1994, and 30 million to Governor Balochistan in November, 1994 for rehabilitation of Bugti Tribes under the directive of the Prime Minister Secretariat, Islamabad. The payment was made to the Minister of Interior and the Governor Balochistan through cheques but no documentary evidence for disbursement of the amount was provided to the Audit.

The Ministry apprised the Committee that the payments were made under the directive of the then Prime Minister. The disbursement record, lists, receipts etc. is in the custody of FIA.

#### PAC DIRECTIVE

The Committee was not satisfied with the explanation given by the Ministry. It constituted a Sub-Committee comprising Lt.Gen. (R) Talat Masood, Member, Ad-hoc PAC (convenes) Mr. Hassan Bhutto, Member, Ad-hoc PAC and representatives of Ministry of Finance, Audit Department, Ministry of Social Welfare and FIA to investigate the matter and report to the PAC within one month. The PAC directed the Sub-Committee to, also, look into the procedure of distribution of money whether it was distributed under the relevant rules and in the transparent manner.

#### ACTIONABLE POINTS FOR 1993-94

##### 2.6 (PARAS 294, 295, 296, 300, 301 & 303, PAGE 219-ARPSE)(ITEM 5-AP-93-94)

The PAC directed the Ministry to evolve systematic procedures for utilization of the funds, keeping the accounts, reconciliation of the accounts of Food Stamps Revolving Fund, adjustment of advances outstanding against Members of the Board etc. and show them to the Audit for scrutiny.

##### 2.7 (PARA 298, PAGE 221-ARPSE)(ITEM 6-AP-93-94)

Audit informed the Committee that the previous PAC (10-7-1998) directed the department to provide the relevant documents to Audit Department for verification within 15 days.

The Ministry apprised the Committee that, on the request made by Ch. Rahamat Ali Trust Hospital in January, 1993 for the construction of Emergency/causality department and OPD, the Board of Management of Bait-ul-Mal approved an amount of Rs 19,333,550 for the above construction.

First installment of Rs 4,833,000 was released to the Trust in May 1993 with certain conditions. As per details of expenditure the Trust violated the laid down terms and utilized part of the amount for construction of compound wall, maintenance of vehicles and salary to the project staff. As a result, the Board of Management stopped the release of second installment as per decision taken on June 28 & 29, 1994.

PAC DIRECTIVE

The PAC constituted an Inter Departmental Committee under the Convenership of Secretary, M/O Women's Development, Social Welfare and Special Education comprising a nominee from Audit and Finance Division to enquire into the matter and report to the Committee within one month.

## NARCOTICS CONTROL DIVISION

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### 1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 14th June, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Report for the year 1996-97 of the Narcotics Control Division. The Committee noticed a number of serious irregularities pertaining to the Division regarding budgetary indiscipline, irregular expenditure, non deduction of Income Tax and non production of record to the Audit. The Committee discussed the reported issues and made its recommendations to improve the affairs of the Division and initiate accountability actions against persons held guilty or responsible for culpable negligence.

The Report contained 15 paras and audit comments on the two Grants, of which 02 paras were settled and the Savings/Excesses in the Grants were regularized by the Committee on the basis of either clarifications given by the Principal Accounting Officer (PAO) or the desired actions having been taken by the Division. The Audit pointed out recoveries amounting to Rs. 3,57,473. The Committee has directed the Ministry to effect recovery of the said amounts within the time given in each case. The PAC Secretariat will watch the progress of recovery and the Committee will review the recovery position and implementation of its directives in its future sessions.

The Committee also advised the Audit to verify details of the facts stated by the Ministry in defence of their view points on different matters. Actionable Points based on the PAC's directives are given in Section-4. However, some important issues and the Committee's recommendations thereon are summarised in the following sections:-

## 2. MAJOR ISSUES

### 2.1 SAVINGS/EXCESSES IN THE GRANTS

Of the two Grants of the Ministry, Grant No.98 showed a saving of Rs 39.585 million, 29% of the final Grant; however, an amount of Rs. 40.798 million was surrendered, causing an excess of Rs. 1,213,485 in the Grant at the close of the year. While the Grant 165 (Development Expenditure) showed a saving of Rs.113.819 million 60% of the final Grant, an amount of Rs.37.835 million was surrendered leaving the net saving of Rs. 75,984,132 at the close of the year.

The Committee took serious note of the budgetary indiscipline and gave directions to the PAO as contained in the section 3.1 below.

### 2.2 NON DEDUCTION OF INCOME TAX

In Anti Narcotics Force (ANF), Rawalpindi, the staff and Officers received incentive pay which was subject to Income Tax Charge @ 10%. The income tax of Rs.113,754 on this account was not deposited in the government account in violation of the provision of Income Tax Ordinance, 1979. The PAC observed that since Income Tax is chargeable on all sorts of pay and allowances, unless specifically exempted by the CBR, it was a violation on the Part of Department not to deduct Income Tax in this case.

### 2.3 NON PRODUCTION OF AUDITABLE RECORD

In the Division, the Project Manager, Dir Development Project, during 1994-95 and 1995-96 released Rs.1.25 million and Rs.4.014 million respectively to WAPDA, on the basis of estimates, for electrification of some villages in Dir District. Detailed accounts in support of the expenditure met out of the Project funds could not be produced for audit scrutiny.

### 3. RECOMMENDATIONS

- 3.1 The PAO should examine underlying reasons for budgetary indiscipline, should improve monitoring system for better budgetary control in the Division.
- 3.2 The PAC observed that income tax is chargeable on all sorts of pay and allowances and should be recovered without discrimination, except where specifically exempted by the CBR.
- 3.3 The PAC observed that to establish authenticity, transparency and propriety of the expenditure incurred, the administrative agency should provide detailed record, of the public money spent, to the Audit for statutory scrutiny, irrespective of whether the expenditure was incurred directly or through some other executing agency.

### 4. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 14, 2001

#### APPROPRIATION ACCOUNTS (CIVIL) (VOL-1-1996-97)

#### 4.1 GRANT NO. 98-NARCOTICS CONTROL DIVISION, (PAGE 14-MR).

Audit pointed out that the saving works out to 28.98% of the final grant. An amount of Rs. 3,902,000 was however, surrendered leaving net saving of Rs. 35,682,515.

#### PAC DIRECTIVE

The PAC directed the PAO to examine underlying reasons for budgetary indiscipline, improve monitoring system, get the figures of saving reconciled with the AGPR and report to the PAC within one month. However, the PAC regularized the saving in the above noted grant.

The PAC also advised the PAO to put some competent officer to ensure proper accounting and budgeting in the Division.

AUDIT REPORT (CIVIL) (VOL-1-1996-97)4.2 NON-DEDUCTION OF INCOME TAX AMOUNTING TO Rs. 136,225.  
(PARA 1, PAGES-102-103-AR-96-97).

Audit pointed out that, in Anti-Narcotics Force (ANF) Rawalpindi, the staff and officers are in receipt of incentive pay but Income Tax @ 10 percent amounting to Rs. 113,754 was not deposited in Government Account in violation of the provisions of Income Tax Ordinance, 1979. Similarly Income Tax @ 2.5% for Rs. 22,754/92 was not deducted from different firms during 1991-92 to 1994-95.

The Ministry informed the Committee that ANF used to pay to its staff an incentive allowance, not the incentive pay, from the aided funds. Income tax from different suppliers was not deducted as the amounts were less than prescribed taxable limit.

PAC DIRECTIVE

The PAC observed that income tax is chargeable on all sorts of pay and allowances, whatsoever the source of funding may be, except where specifically exempted by the CBR. Therefore, the Committee directed the PAO to recover the objected amount of income tax from the staff. The Committee also directed the PAO to examine the recoverability of income tax from the suppliers/firms and take action accordingly under report to the PAC within one month.

4.3 IRREGULAR EXPENDITURE ON REPAIR OF AN OPERATIONAL VEHICLE Rs. 49,859/-.  
(PARA 2, PAGE-103-AR-96-97).

Audit pointed out that in ANF Rawalpindi, a vehicle No. 5413 met with a road accident. An expenditure of Rs 49,859 was incurred on its repair. No inquiry of this accident was conducted to fix responsibility.

The Ministry informed the PAC that an inquiry was conducted in this context; however, the report is not on record. The accident occurred during official duty. The repair was done after the approval of the competent authority.

PAC DIRECTIVE

The PAC directed the PAO to examine the matter again and give his findings to the Audit. If someone found guilty, take action to recover the amount and report to the Committee within one month.

4.4 IRREGULAR EXPENDITURE OF Rs. 87,892/- ON ACCOUNT OF DIESEL/REPAIR CHARGES, (PARA 3, PAGE-103-AR-96-97).

Audit pointed out that ANF, Rawalpindi, provided two vehicles, one to PS to Minister for Interior and another to a Joint Secretary of the Ministry. Despite being non-entitled officers, the vehicles remained under their exclusive use. An expenditure of Rs. 87,892/- was incurred on POL and repair of these vehicles during the period under objection.

The Ministry informed the Committee that the said vehicles were used for the confidential nature of operational duty of the department.

PAC DIRECTIVE

The Committee settled the para. However, the PAC directed the PAO to take steps to stop the mis-use of Government vehicles in future.

4.5 NON-RECOVERY OF EXCESS TELEPHONE CALLS FOR Rs. 221,248, (PARA 4, PAGE-104-AR-96-97).

Audit pointed out that ANC Board, Karachi, during 1987-90, paid Rs 221,248 on excess telephone calls made beyond the ceiling fixed by the Cabinet Division.

PAC DIRECTIVE

The Committee directed the PAO to either recover the amount from persons responsible or get it regularized from the competent authority and report to the PAC within one month.

4.6 IRREGULAR EXPENDITURE ON POL AND REPAIR OF VEHICLES Rs 389,075, (PARA 5, PAGE-104-AR-96-97).

Audit pointed out that Pakistan Narcotics Control Board Karachi, during

1987-91, incurred Rs 389,075 on purchase of POL and repair of Government vehicles. The record relating to the transactions like Movement Registers and Log Books of the Vehicles was neither being maintained by the department nor could be produced for audit scrutiny.

The Ministry informed the Committee that Audit's objection is not correct. The Record was available with the department.

PAC DIRECTIVE

The PAC directed the PAO to provide the relevant record to the Audit for audit scrutiny and report to the Committee within one month.

4.7 IRREGULAR EXPENDITURE IN VIOLATION OF GFR-144 Rs. 763,691.  
(PARA 6, PAGE-104-105-AR-96-97).

Audit pointed out that Anti Narcotics Force Karachi, during 1991-95, spent Rs. 1.907 million on purchase of furniture, repair of vehicles etc without observing the codal requirements.

The Ministry admitted the lapses pointed out by the Audit.

PAC DIRECTIVE

The PAC directed the PAO to examine the case, give his findings to the Audit. If he feels that the transactions were bonafide, get the said expenditure regularized from the competent authority and report to the Committee within one month.

4.8 EXPENDITURE WITHOUT SANCTION OF THE COMPETENT AUTHORITY  
Rs. 105,688.  
(PARA 7, PAGE-105-AR-96-97).

Audit pointed out that Anti Narcotics Force Karachi, during 1991-95, incurred an expenditure of Rs. 105,688 without obtaining approval of the competent authority.

The Ministry informed the Committee that the expenditure was incurred on

different occasions with the approval of the competent authority, therefore, no irregularity was committed.

PAC DIRECTIVE

The PAC directed the PAO to examine the matter and certify that the expenditure was not irregular and report to the Committee within one month.

4.9 LOSS OF THE GOVERNMENT DUE TO NON-DEDUCTION OF INCOME TAX Rs. 52,939.  
(PARA 8, PAGE-105-AR-96-97).

Audit pointed out that the Anti Narcotics Force Karachi, during 1991-95, failed to deduct at source Rs 52,939 as income tax from payments made on account of supply of goods, execution of work and rendering of services in clear disregard of income Tax ordinance 1979.

The Ministry apprised the Committee that the amount of Rs 52939 was not a single transaction, but it was the accumulated balance and hence it did not attract income tax charge.

PAC DIRECTIVE

The PAC directed the PAO to examine the law position that during the specific period income tax was deductible on single transaction of Rs 50,000 or even on accumulated balance of Rs 50,000 or more during a year and verify that non-deduction of income tax in this specific case was in line with the provision of Income Tax ordinance applicable at that time and report to the Committee within one month.

4.10 IRREGULAR PURCHASE OF FURNITURE AND UNIFORMS-Rs. 257,527.  
(PARA 9, PAGE-106-AR-96-97).

Audit pointed out that the Anti Narcotics Force Karachi, during 1991-95, incurred Rs 257,527 on purchase of furniture and uniforms. Neither tenders were called nor any purchase committee was formed. NOC from the department of supplies was also not obtained. So, the entire expenditure was irregular and unauthorized.

The Ministry informed the Committee that the expenditure was made within delegated powers according to the codal requirements and the period during which purchases were made was not four months rather this period spread over three financial years, 1992-93 to 1994-95.

PAC DIRECTIVE

The PAC directed the PAO to enquire into the matter, fix responsibility if someone found guilty of irregular purchases and report to the Committee within one month.

4.11 NON-PRODUCTION OF AUDITABLE RECORD FOR Rs. 5.264 MILLION.  
(PARA 10, PAGE-107-AR-96-97).

Audit pointed out that the Project Manager, Dir Development Project, during 1994-95 and 1995-96, released Rs 1.25 million and Rs 4.014 million respectively to WAPDA, on the basis of estimates, for electrification of some villages in Dir District. Detailed account in support of the expenditure met out of the Project funds could not be produced for audit scrutiny.

The Ministry informed the Committee that WAPDA was requested to submit record for audit. WAPDA stated that their accounts have already been audited by the Audit.

PAC DIRECTIVE

The PAC directed the PAO to provide the record of the accounts of the respective Project to the Audit. The Committee also directed the Department to provide the completion certificate of the Project's work by Wapda to the Audit.

4.12 IRREGULAR AND UNAUTHORIZED EXPENDITURE ON CIVIL WORKS  
Rs. 1,212,448.  
(PARA 11, PAGE-107-AR-96-97).

Audit pointed out that the Dir Development Project spent Rs. 1,212,448

departmentally on construction of a Village Development Centre and Vehicles Garage in PMU premises without proper coverage of funds, technical supervision, approval of the competent authority and observance of Codal formalities.

The Ministry apprised the Committee that the work was carried out departmentally under the supervision of departmental civil engineer which is an authorized arrangement.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

4.13 UNAUTHORIZED AND IRREGULAR PAYMENT OF PROJECT ALLOWANCE AT HIGHER RATES Rs. 408,796. (PARA 12, PAGE-108-AR-96-97).

Audit pointed out that, in Dir Development Project, Project Allowance was paid to the employees of Project Management Unit on basic pay of the revised scale plus other allowances, against the Government's directive with effect from 1.6.1994. The irregular practice resulted in an unauthorized aggregate payment of Rs. 408,796 upto 30.6.1996.

The Ministry informed the Committee that the allowance was paid as incentive to the staff due to their hardwork in the far flung areas which was approved by the ECNEC in the PC-1.

PAC DIRECTIVE

The PAC directed the PAO to get the expenditure regularized from M/o Finance and report to the Committee.

4.14 IRREGULAR AND UNAUTHORIZED DRAWAL OF Rs. 200,819 AS HONORARIUM/BONUS. (PARA 13, PAGE-108-AR-96-97).

Audit pointed out that in the office of the Project Director Dir

Development Project, a sum of Rs 93,973 and Rs 106,846 was paid to employees and staff on account of honorarium and bonus respectively. The payment revealed the following omissions:-

- i) Conditions as enumerated in FR-46 were not fulfilled in payment of honorarium;
- ii) the Project Director was not competent for award of honorarium;
- iii) in most of the cases the amount of honorarium was in excess of Rs 2,000 for which sanction of the Ministry of Finance was essential.

The Ministry informed the Committee that honorarium/bonus was paid to the staff as reward of their efficiency and good performance on the work.

#### PAC DIRECTIVE

The PAC directed the PAO to get the expenditure regularized from M/o Finance and report to the Committee within one month.

#### 4.15 LOSS OF Rs. 83,055 INCURRED ON REPAIR AND ACCIDENTED VEHICLES. (PARA 14, PAGE-109-AR-96-97).

Audit pointed out that the project Director Dir Development Project, under Narcotics Control Division, incurred expenditure of Rs 40,365 and Rs 42,690 on repair of two vehicles which had not evident. Neither any FIR of the accidents was lodged nor the losses were reported to the competent authority and no inquiry was conducted.

The Ministry informed the Committee that an inquiry was conducted to investigate the matter. The drivers were not found responsible for the accidents.

#### PAC DIRECTIVE

The PAC directed the PAO to examine the matter and give his findings to the Audit. If the PAO finds this expenditure justified, the para may be treated as settled.

PRIME MINISTER'S SECRETARIAT  
(NOW CHIEF EXECUTIVE'S SECRETARIAT)

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1. OVERVIEW

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 14th June, 2001, took up, for its examination, the Appropriation Accounts and the Annual Audit Report for the year 1996-97 pertaining to the Prime Minister's Secretariat (now Chief Executive's Secretariat). Examining the Report, the PAC noticed a few irregularities with respect to misuse of vehicles, un-authentic payments to the poor and needy, irregular expenditure on stationery and equipment, etc.

The Report contained 07 paras, of which 01 was settled by the Committee on the basis of clarifications given by the Principal Accounting Officer. However, the Committee issued directives on the remaining paras, keeping in view the nature of irregularity and the action required in each case, to the Chief Executive's Secretariat for necessary compliance. The PAC will watch implementation of its directives in its future sessions.

Actionable Points based on the PAC's directives are given in the following Section.

2. ACTIONABLE POINTS ARISING FROM THE DISCUSSION OF THE PAC MEETING HELD ON JUNE 14, 2001

AUDIT REPORT (CIVIL)(VOL-1-1996-97)

2.1 RECOVERY OF Rs. 3,563,636/- ON ACCOUNT OF MISUSE OF VEHICLES, (PARA 1, PAGE-134-AR-96-97).

Audit pointed out that, in the former Prime Minister's (Now Chief Executive's) Secretariat (Public), various staff cars were attached with non-entitled officers during 1993-95 in violation of Staff Car Rules 1980. These officers were required to use staff cars for official purposes only, on requisition slip basis. Therefore, Audit held the journey of 1,171,788 km as unauthorized.

The departmental representative apprised the Committee that the Staff Car Rules 1980 (Cabinet Division) are applicable to the Administrative Ministries/Secretariats while the C.E.(PM) Secretariat has its own Staff Car Rules; therefore, the General Rules are not applicable to the C.E.(PM) Secretariat. Moreover, BPS-20 officers were provided vehicles due to peculiar nature of their duties.

PAC DIRECTIVE

The PAC observed that the Staff Car Rules made by the Cabinet Division are applicable to all the Ministries/Divisions including PM/President Secretariats; PM Secretariat had no authority to override these Rules. Therefore, the use of vehicles by the non-entitled officers (BPS-20 or below) was not covered under the Rules. If the PM/Chief Executive's Secretariat requires some changes in the Rules it should take-up the issue with the Cabinet Division for specific exemption. However, the Committee directed the PAO to get the expenditure, under objection, regularized from the Cabinet and Finance Divisions. If the said authorities refuse to regularize the expenditure then recover the objected amount from the concerned officers. The Committee further directed that the mis-use of the vehicles should be stopped immediately.

2.2 IRREGULAR EXPENDITURE OF Rs. 166,300/- ON PURCHASE OF COMPUTER. (PARA 2, PAGE-134-AR-96-97).

Audit pointed out that the former Prime Minister's (Now Chief Executive's) Secretariat (Public) incurred a sum of Rs 166,300/- on the purchase of computer and accessories without floating open tenders in the press. Thus the expenditure incurred was held irregular.

The departmental representative apprised the Committee that the computer was purchased in emergency for the PS to then Prime Minister at Lahore Office. The Finance Division regularized the purchase of equipment in relaxation of rules with the condition to explain the position before the PAC.

PAC DIRECTIVE

The PAC settled the para subject to certification by the PAO that the purchase was made under genuine and urgent requirement.

2.3 IRREGULAR/UNAUTHORIZED EXPENDITURE OF Rs. 477,746/- ON PURCHASE OF STATIONERY (PARA 3, PAGE-135-AR-96-97).

Audit pointed out that the former Prime Minister's (Now Chief Executive's) Secretariat (Public) incurred Rs 477,746/- on the purchase of stationery in contravention of rules. NOC from the Department of Stationery and Forms Karachi was also not obtained.

The Ministry informed the Committee that the required NOC was obtained from the Department of Stationery and Forms, Karachi before purchasing the stationery items.

PAC DIRECTIVE

The PAC directed the PAO to get the violation of purchase procedure and the expenditure regularized from the Ministry of Finance and report to the Committee within one month.

2.4 i) IRREGULAR/DOUBTFUL PAYMENT OF Rs. 18,062,907/- (PARA 4, PAGE-135-AR-96-97).

Audit pointed out that in the former Prime Minister's (Now Chief Executive's) Secretariat (Public), appropriation register showed that an amount of Rs 17,612,907/- was paid to the needy and poor on the directives of the then Prime Minister. But the procedure was not followed. Similarly, an amount of Rs 450,000 was also paid to an MNA for the providing financial assistance to the needy persons but the proper procedure was not observed.

The departmental representative apprised the Committee that the then Prime Minister, during his visit to different places, approved the financial assistance for the needy persons. The payments were made to deserving persons according to the procedure.

ii) IRREGULAR PAYMENT OF Rs. 3.91 MILLION TO MOTOR CAR DEALERS FOR YELLOW CABS. (PARA 5, PAGE-136-AR-96-97).

Audit pointed out that, former Prime Minister (Now Chief Executive) Secretariat (Public), an amount of Rs. 3.91 million, from the funds titled as grant for needy and poor, was paid to Car Dealers/Agencies on account of 10% and 15% bank equity during August 1992 to June 1993.

The departmental representative informed the Committee that the said payments were made to un-employed, poor and needy applicants for Yellow Cabs who could not afford to pay 10% and 15% bank equity.

PAC DIRECTIVE

The PAC directed the PAO to provide the details of the payments to the Audit for verification; without payment record the authenticity and genuineness of expenditure cannot be ascertained. The Committee also directed the PAO to frame transparent, accountable and uniform procedure to determine the needy, extent of assistance and appropriate account of the disbursements of the relief funds.

2.5 RECOVERY OF Rs. 104,778/- ON ACCOUNT OF MISUSE OF VEHICLES. (PARA 6, PAGE-136-AR-96-97).

Audit pointed out that in the former Prime Minister's (Now Chief Executive's) Secretariat (Public) a vehicle covered a distance of 35,480 K.M. from 25th February 1992 to 22nd April, 1993 but its movement and detail of journey had not been recorded as required. In another case, a

vehicle number CP-43 remained under exclusive use of a person who was neither an employee of the Prime Minister's Secretariat nor Government of Pakistan. In both cases, a total journey of 58,210 km covered by the vehicles was thus held as unauthorized which required a recovery of Rs. 104,778.

The departmental representative apprised the Committee that the vehicle No. IDE-5936 was used by the PS to the Prime Minister at Lahore Office. The second vehicle No. CP-43 was used by Dr. Safdar Abbasi who was given special assignment by the then Prime Minister.

#### PAC DIRECTIVE

The PAC directed the PAO to certify that the actions were bonafide and get the expenditure regularized from the Finance/Cabinet Divisions and report to the Committee within one month.

**SENATE SECRETARIAT  
&  
NATIONAL ASSEMBLY SECRETARIAT**

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1. **OVERVIEW**

The Ad-hoc Public Accounts Committee (PAC), in its meeting held on 14th June, 2001, took up, for its examination, the Appropriation Accounts and Annual Audit Reports pertaining to the Senate Secretariat (SAR-17) and the National Assembly Secretariat (SAR-12) for the years 1992-93 to 1995-96.

Before the Committee could start its deliberations on individual audit observations of the respective Reports, certain basic jurisdictional issues were raised by the Principal Accounting Officers, the Senate and National Assembly Secretariats. To resolve the controversy over the jurisdictional issues raised in the meeting, the PAC decided to refer the case to the Law Division to seek legal advice. For this purpose a Special Committee was constituted, under the Convenership of the Secretary, Senate Secretariat to frame a questionnaire on the issues requiring legal advice/interpretations. A questionnaire in this respect was sent to the Law Division seeking their considered views on those issues. Reference sent under Senate Secretariat's U.O.No.F.2(32)/99-2000(A&A) dated 16-6-2001 is annexed as Annexure-A.

The desired legal advice of the Law Division was received in the Senate Secretariat under U.No.No.995/2000-Law dated 19-7-2001: copy annexed as Annexure-B.

After getting necessary advice on the jurisdictional issues from the Law Division, the PAC took up for examination the Audit Reports of the Senate and National Assembly Secretariat in its meeting held on 24th July, 2001. As a result of detailed examination of the audit observations contained in the respective Reports, the Committee issued some directives on the audit paras requiring necessary actions depending on the nature of each para, to both the Secretariats for compliance. These directives, issued as Actionable Points, are given in the next section.

2. ACTIONABLE POINTS ARISING FROM THE DISCUSSIONS OF THE PAC MEETINGS HELD ON JUNE 14 & JULY 24, 2001

ACTIONABLE POINTS: MEETING ON 14-06-2001

SENATE SECRETARIAT & NATIONAL ASSEMBLY SECRETARIAT

- 2.1 On presentation of Special Audit Reports-1996-97 (SAR-17 & SAR-12) by the Audit regarding Senate Secretariat and National Assembly Secretariat, questions regarding jurisdiction and financial powers of the Finance Committees of the Senate of Pakistan and National Assembly of Pakistan came under discussion. The Audit pointed out that the powers of the respective Finance Committees are not limitless. Financial Rules (Rule 4) of the Senate of Pakistan provide scope of the Finance Committee whereby the Finance Committee can (a) approve the budget for the Senate for inclusion in the Federal Budget and (b) advise the Senate that for the purpose of financial control, the expenditure should be incurred within the authorized appropriations. For other matters regarding control over expenditure, delegation or financial powers, dispensation of establishment matters etc., the rules framed by the Finance and Establishment Divisions are equally applicable to the Senate and National Assembly Secretariats.

The Principal Accounting Officers of Senate Secretariat and National Assembly Secretariat admitted the competence of the PAC to review the Audit Reports on the accounts of the two Secretariats. However, the Secretary Senate, making elaborate presentation with reference to the Constitutional and Rules provisions, contended that the respective Finance Committee, under Article 88 of the Constitution of Pakistan, had exclusive and super-imposing jurisdiction on the financial and establishment matters of the respective Secretariat. He quoted Rules Nos. 13, 21(A), 23 and 24 of the Senate (Finance Committee) Rules-1973 which determine the scope and powers of the Finance Committee and the Chairman Senate.

PAC DIRECTIVE

After hearing the viewpoints of the Audit and the Principal Accounting Officers of the Senate and National Assembly Secretariats, the Committee constituted a Special Committee comprising Mr. Shahid Iqbal, Secretary Senate (convener), Mr. Ikram Arif, Secretary National Assembly and representatives of the Ministry of Finance and Audit Department to prepare and send a reference to Law Division to get its legal opinion, within 10 days, on the scope of the Finance Committee with regard to financial and establishment matters, applicability of the Establishment and Financial Rules framed by the Finance and Establishment Divisions to the Senate/National Assembly Secretariats and competence of the Auditor General to carry out the audit of the Senate and National Assembly Secretariats. The Committee deferred the Audit Reports pertaining to the Senate/National Assembly Secretariats till its next session so as to discuss them in the light of legal advice from the M.O. Law.

ACTIONABLE POINTS: MEETING ON 24-07-2001

NATIONAL ASSEMBLY SECRETARIAT  
SPECIAL AUDIT REPORT # 12 (1992-96)

2.2 NON-SURRENDER OF SAVINGS OF Rs. 158.876 MILLION AT THE CLOSE OF FINANCIAL YEARS  
(PARA 1, PAGE 3-SAR)

Audit pointed out that National Assembly Secretariat did not surrender savings amounting to Rs. 158.876 million at the close of financial years 1992-93 to 1995-96. This was a violation of the General Financial Rules.

The PAO apprised the Committee that in order to meet unexpected requirements and outstanding claims of the MNAs' salaries, TA/DA etc., the Secretariat had to keep the funds till the close of the years.

PAC DIRECTIVE

The PAC settled the para. However, the Committee directed the PAO to improve financial control and computing system to ensure better budgetary discipline, in future.

- 2.3 i) IRREGULAR APPOINTMENTS AND CREATION OF POSTS.  
(PARA 2, PAGE 4-SAR)
- ii) IRREGULAR PURCHASE OF VEHICLE FOR Rs. 3.206 MILLION AND EXPENDITURE OF Rs. 96,714 ON ITS UNAUTHORIZED USE.  
(PARA 3, PAGE 6-SAR)
- iii) UNAUTHORIZED EXPENDITURE OF Rs. 2.756 MILLION ON NON-ENTITLED TELEPHONES AT THE RESIDENCES OF SPEAKER/DEPUTY SPEAKER.  
(PARA 4, PAGE 7-SAR)
- iv) WASTEFUL EXPENDITURE OF Rs. 2.561 MILLION ON PURCHASE OF SIX VEHICLES AND EXCESS PAYMENT OF Rs. 189,625.  
(PARA 5, PAGE 8-SAR)
- v) EXPENDITURE OF Rs. 277,797 ON UNAUTHORIZED USE OF NINE VEHICLES.  
(PARA 8, PAGE 9-SAR)
- vi) UNAUTHORIZED EXPENDITURE OF Rs. 162,353 ON POL FOR CARS USED OUTSTATION.  
(PARA 10, PAGE 11-SAR)

The PAO apprised the PAC that the issues mentioned in the above six paras are pending either in the NAB Court or in the Superior Courts; therefore, the respective matters are subjudice.

PAC DIRECTIVE

The PAC deferred these paras till adjudication by the respective courts on the issues contained in the paras.

- 2.4 NON-ACCOUNTING OF Rs. 1.772 MILLION SPENT ON SPARE PARTS OF VEHICLES ETC.,  
(PARA 6, PAGE 9-SAR)

Audit pointed out that the National Assembly Secretariat spent Rs. 1.772 million during 1992 to 1996 to purchase spare parts of vehicles without

maintaining a proper account. Further, list of unserviceable items/stores had not been prepared and stores were not disposed of. A summary for repairs/replacement of the vehicle parts had been prepared in the log books but neither list of unserviceable items was made nor their disposal was shown to the Audit. This was a violation of Rule 15 (iii) and (v) of Staff Car Rules, 1980.

The PAO apprised the Committee that the unserviceable items have been disposed of under the respective rules and the record of unserviceable items is being maintained as required by the Audit.

PAC DIRECTIVE

The PAC settled the para subject to verification, of the stated facts, by the Audit.

2.5 UNAUTHORIZED EXPENDITURE OF Rs. 501,883 ON USE OF GOVERNMENT VEHICLES.  
(PARA 7, PAGE 9-SAR)

Audit pointed out that during 1992-96 a number of vehicles remained exclusively under the use of non-entitled officers of the Secretariat. This was a violation of the Car Rules. The vehicles covered a distance of 278,824 k.m. and Rs. 501,883 were recoverable from the users at a rate of 1.80 per k.m.

The PAO apprised the Committee that the said vehicles were used for official duties.

PAC DIRECTIVE

The PAC directed the Audit to verify the relevant record/log books; recovery should be made where the vehicles were used unauthorisedly. The Audit may report back to PAC after verification and recovery effort.

2.6 NON-RECOVERY OF LOSS OF RS.192,340 (AIR PARA NO.3.23),  
(PARA 9, PAGE 10-SAR)

Audit pointed out that official vehicle No.IDE-2789 provided to the Deputy Speaker met an accident on 2 November 1995 and an FIR was lodged with the police on 3 November 1995. The driver of the vehicle entered into an unauthorized agreement with the other party according to which the other party was to bear half of the expenditure on repairs. The National Assembly Secretariat got the vehicle repaired at an expenditure of Rs. 182,340 with the approval of the Secretary, while he was not competent to sanction expenditure beyond Rs.25,000 on repairs under the Finance Division instructions.

The PAO apprised the Committee that the sanction of the Finance Committee of the National Assembly had been obtained.

PAC DIRECTIVE

On the explanation given by the Secretariat, the PAC directed that disciplinary action may be taken against the driver and the expenditure may be got written off.

2.7 WASTEFUL EXPENDITURE OF Rs. 144,448 ON REFRESHMENT,  
(PARA 11, PAGE 11-SAR)

Audit pointed out that the National Assembly Secretariat incurred expenditure of Rs. 144,448 during 1992-96 on refreshments served to MNAs in the Service Centre on various occasions during their stay on duty. As the members were entitled to receive daily allowance under Members of Parliament (Salaries and Allowances) Act, 1974, the expenditure on refreshment was not justified.

The PAO apprised the Committee that the expenditure, pointed out in the para, was incurred for the refreshment of 217 members over a period of four years. Thus the expenditure made per member, per day, comes to an insignificant amount. Further, the said expenditure was also incurred with the approval of the Finance Committee.

PAC DIRECTIVE

The PAC settled the para. However, the Committee directed the PAO that such expenditure may not be incurred, in future.

ACTIONABLE POINTS: MEETING ON 24-07-2001SENATE SECRETARIATSPECIAL AUDIT REPORT # 17 (1992-96)2.8 UNDUE BENEFITS OF RS 46.461 MILLION TO THE EMPLOYEES  
(PARA 1.1, PAGE 4-SAR)

Audit pointed out that employees of Senate Secretariat were receiving session allowance and diet charges in addition to their salaries and allowances. Rs.33.495 million were paid under these heads during 1992-97. While employees of some sections faced heavy workload even during the evening sessions, Others attended the office in the morning only, but all of them were getting these benefits. In addition to these payments, honorarium amounting to Rs.12.966 million was also paid in violation of the ban imposed by the Government.

The PAO apprised the Committee on the justification for the payment of session allowance and honorarium; all the employees of the Secretariat have to work for extraordinary long hours, compensation has been considered justified by all the Chairmen in the past. However, all such payments were allowed with the approval of the Finance Committee of the Senate.

PAC DIRECTIVE

The PAC acknowledged justification for the payment of diet charges and session allowance. However, the Committee directed the PAO that the honorarium should be paid as a reward for extraordinary performance to specific employees and should not be paid to all the employees and should not be paid to all the employees as a matter of right.

2.9 IRREGULAR PURCHASE OF VEHICLES WORTH RS 35.922 MILLION  
(PARA 1.2, PAGE 5-SAR)

Audit pointed out that Senate Secretariat purchased forty two vehicles, valuing Rs.35.922 million during 1991-97, without completing the requirements like NOC from the Cabinet Division, purchase through Department of Supplies and calling of open tenders. These purchases were made during the period when the Government had imposed a ban on purchase of vehicles.

The PAO apprised the Committee that the twenty five vehicles were purchased for the Chairmen of the Standing Committees under statutory requirement. Three Toyota Corollas (1600CC) were purchased for leader of the house, leader of opposition and for delegations with the approval of the then Chairman Senate. One Mercedez Benz was purchased for the visiting foreign delegations with Prime Minister's approval and one Toyota Corolla was purchased for Deputy Chairman Senate with the concurrence of the Finance Committee. Twelve vehicles were purchased after fulfilling necessary requirements as per Rules.

PAC DIRECTIVE

After detailed discussion on the para, the PAC observed that the Senate Secretariat was not consistent in its policy for purchase of vehicles. In some cases it had obtained approval of the Cabinet Division, while in several other cases neither approval of the Cabinet Division was obtained nor required codal formalities were fulfilled. Except the purchase of vehicles under statutory requirement, approval of the Cabinet Division was required in all the cases. To defend frequent exceptions made to the Government regulations the PAO referred to Rule 21-A of the Finance Committee Rules contending that the said Rule empowers the Chairman Senate to authorize such exceptions where he feels necessary. The Committee admitted authority of the Chairman, under this Rule, to authorize modifications, amendments or exceptions to the Government

regulations adapting them on policy issues to meet the peculiar needs of the Secretariat and not to authorize exceptions on case to case basis. Therefore, the Committee directed the PAO to obtain approval of the Cabinet Division for purchase of vehicles in every case where it is not previously obtained.

2.10 NON-RECONCILIATION OF DEPOSITS OF RS.3.121 MILLION WITH FEDERAL TREASURY.  
(PARA 1.3, PAGE 5-SAR)

Audit pointed out that, during 1991-97 heavy amounts were deposited in the State Bank of Pakistan on account of un-disbursed payments, unspent balances of TA/DA, advances to Senators etc. but reconciliation was not done with Federal Treasury Office. In the absence of reconciliation, the transfer of moneys into public exchequer could not be authenticated.

The PAO apprised the Committee that the month wise reconciliation of the amounts deposited in the SBP has been carried out which can be verified.

PAC DIRECTIVE

The Committee settled the para subject to verification by the Audit.

2.11 EXPENDITURE OF RS.1.809 MILLION WITHOUT TENDERS.  
(PARA 1.4, PAGE 6-SAR)

Audit pointed out that the Senate Secretariat spent Rs.1.809 million on purchase of gifts for foreign dignitaries during 1991-97. These items were purchased without inviting open tenders, by obtaining relaxation. Gifts received in reciprocation were neither declared nor their proper record was maintained in violation of Cabinet Division's orders dated 30th March, 1987.

The PAO apprised the Committee that the gifts were purchased from Government handicrafts outlets at the officially fixed rates. The gifts received by the Chairman are available in his office, which can be verified.

PAC DIRECTIVE

The PAC directed the PAO to keep record of all the gifts received in reciprocation and deposit them in Toshakhana.

2.12 UNJUSTIFIED EXPENDITURE OF RS.1.085 MILLION ON ADDITIONAL TELEPHONES.  
(PARA 1.5, PAGE 6-SAR)

Audit pointed out that the Senate Secretariat incurred an expenditure of Rs.1.085 million during 1996-97 on four telephones installed at the residence of Chairman Senate over and above on official phone to which he was entitled. The additional phones were provided in disregard to Clause 8-A of Chairman and Speaker (Salaries, Allowances and Privileges) Act, 1975 (modified upto July, 1996). The expenditure, for one year only, came to Rs.1.085 million. The total amount for five years could not be worked out.

The PAO apprised the Committee that two telephones were installed by the M/O Law, Justice and Parliamentary Affairs when the former Chairman Senate was the Minister of the said Ministry. When he became Acting president of Pakistan, an additional telephone was installed by the President's Secretariat. The fourth telephone was installed at his residential office by the Senate Secretariat.

PAC DIRECTIVE

The PAC observed that the four telephones installed at the residence of the former Chairman Senate were neither covered under clause 8-A of the Chairman and Speaker (Salaries, Allowances and Privileges) At. 1975 nor could be justified by prudent canons of propriety. However, the Committee felt provision of two telephones reasonably justified, one for the residential office and the other for the residence and directed the PAO to recover the expenditure incurred on all the telephones, in addition to the said two, from the former Chairman for the period pointed out by the Audit.

2.13 IRREGULAR PURCHASE OF CROCKERY WORTH RS.561,390.  
(PARA 1.6, PAGE 7-SAR)

Audit pointed out that the Senate Secretariat purchased various crockery items amounting to Rs.561,390 during 1995-96 without inviting open tenders and without recording reasons thereof, in violation of rules and instructions. Sanction was accorded for one dinner set but five dinner sets and one tea set were purchased. Funds were not available and amount was re-appropriated from other heads without approaching the Finance Committee as required under Rule 18 of the Senate Finance Committee Rules.

The PAO apprised the Committee that the crockery was purchased to serve visiting delegations. Assessment of local manufactures was also made but to meet standards of higher quality foreign make of Noritake was selected. One dinner set was not sufficient to meet the requirement of banquet hall, therefore, the Chairman approved the purchase of five dinner sets.

PAC DIRECTIVE

The PAC observed that while country was trapped in huge foreign debts, purchase of imported costly crockery was an imprudent decision. Therefore, the Committee conveyed its displeasure on the issue. However, the Committee settled the para subject to verification, of the stock of crockery, by the Audit.

2.14 UNDUE FAVOUR OF RS.477,000 TO INTERIOR DECORATOR.  
(PARA 1.7, PAGE 7-SAR)

Audit pointed out that the Senate Secretariat awarded work for renovation of Senators' Services Centre to an interior decorator in March 1993 without open tenders by relaxing respective rules. The Secretary and CDA authorities objected to different proposals floated by the decorator, but the work was still awarded. When the work was on, the site was changed to a place which had already been furnished. The interior decorator also supplied various items at exorbitant rates. There was no clue of two carpets and curtains which were replaced. Different payments made to the decorator accumulated to Rs.477,000.

The PAO apprised the Committee that the tenders could not be invited for renovation of the Service Centre due to pressure from the Senators for immediate provision of the facility. As regards the question of missing items they are available and can be verified.

PAC DIRECTIVE

The PAC conveyed its displeasure for not calling tenders. However, the Committee settled the para subject to verification, of the missing items including carpets, by the Audit.

2.15 IRREGULAR RENOVATION AND PURCHASE OF FURNITURE FOR BANQUET HALL INVOLVING RS. 443,314.  
(PARA 1.8, PAGE 8-SAR)

Audit pointed out that the Senate Secretariat decided in November 1993 to renovate the Banquet Hall and purchased 100 dining chairs and 8 tables in view of the visit of foreign delegations. The decision was taken, despite ban on such expenditure. Condition of calling tenders was relaxed despite the fact that no urgency was involved. This was proved by the fact that the furniture was provided on 29 June 1994. Moreover, vertical louvers were purchased from a firm of Lahore at a cost of Rs.76,914 and the furniture was purchased for Rs.366,400.

The PAO apprised the Committee that the Senate Secretariat was expecting a visit by a Chinese delegation and it was imperative to furnish the banquet hall with quality furniture. The Senate Secretariat purchase the furniture from the supplier already selected by the National Assembly Secretariat through competitive tenders at the negotiated rates which were even less than the rates accepted by the National Assembly Secretariat.

PAC DIRECTIVE

The Committee settled the para subject to verification, of stated facts, by the Audit.

2.16 UNAUTHORIZED EXPENDITURE OF RS.217,100 ON MOBILE TELEPHONE  
(PARA 1.9, PAGE 8-SAR)

Audit pointed out that the Senate Secretariat spent Rs.57,500 on purchase of a mobile telephone for the chairman Senate on 8 May 1994, although the Chairman was not entitled to this facility. the purchase was also uneconomical and made without any tenders. Bills of Rs.159,593 were paid from May 1994 to April 1998 purchase and use of the facility was irregular.

The PAO apprised the Committee that the mobile phone was purchased for the Chairman Senate to facilities him in the performance of official duties. Authorization was not obtained from the Cabinet Division as the Rules of Business 1973 do not assign any role to the Cabinet Division with regard to the Senate or Chairman Senate. Rule 21-A was also referred to justify the action.

PAC DIRECTIVE

The PAC observed that the Rule 21-A could not be used for personal benefits and that the decision taken under this Rule must reflect prudence, propriety and justification. The Committee therefore, directed the PAO to recover the unauthorized expenditure, as worked out by the Audit, from the ex-Chairman Senate and report to the Committee.

2.17 PICK AND DROP FACILITY TO EMPLOYEES WITHOUT SURRENDERING MONTHLY  
CONVEYANCE ALLOWANCE.  
(PARA 1.11, PAGE 9-SAR)

Audit pointed out that the Senate Staff was availing pick an drop facility on payment of nominal charges in violation of Finance Division expenditure Wing's O.M. No.F.3(8)/R-12/90 dated 2 January 1991. Heavy expenditure was incurred on purchase of the vehicle, its maintenance, POL and salaries of the vehicle staff, expenditure more than 3 to 5 times of the receipts was being incurred.

The PAO apprised the Committee that facility of pick and drop was provided to the employees by charging the rates fixed by the Senate Finance Committee on 28-2-1996. This facility is allowed to the employees in view of their late hours sittings, uncertain timings of departure from the office etc.

PAC DIRECTIVE

The PAC directed the PAO that the employees of the Senate Secretariat should be allowed either pick and drop facility or the conveyance allowance.

2.18 HEAVY EXPENDITURE BY RELAXING RULES, REGULATIONS AND GOVERNMENT ORDERS.  
(PARA 1.12. PAGE 10-SAR)

Audit pointed out that in the Senate Secretariat, financial rules, regulations, orders and instructions of the Government were regularly relaxed by exercising Clause 21-A of the Senate (Finance Committee) Rules 1973. the relaxation was granted by the Chairman Senate in cases involving tenders, creation and appointments of the staff, different limits imposed by Government on lunches and dinners, purchase of vehicles, grant of additional financial benefits to employees of the Senate and purchasing of costly gifts. Thus instructions in Para 10 of GFR Vol-1 were violated and such relaxation was irregular.

The PAO apprised the Committee that, in the Administrative Ministries/Divisions, the competence to relax the Government rules/regulations rests with the Finance Division or the Cabinet Division depending on the authority that has created the rules. In the case of Senate Secretariat, these powers are vested with the Chairman Senate under the provisions of Rule 21-A of the Senate (Finance Committee) Rules 1973, in order to ensure the financial and administrative autonomy of the Secretariat.

PAC DIRECTIVE

The PAC observed that the Rule 21-A provides that all matters, not specifically provided in the Finance Committee Rules, shall be regulated in accordance with the provisions for the time being in force and applicable to the Federal Secretariat subject to such modifications, variations or exceptions, if any, as the Chairman may, from time to time by order specify. This rule, therefore, empowers the Chairman Senate to introduce necessary amendments to the Rules applicable to the Federal Secretariat to make them harmonious to the Senate Secretariat's requirements. The Rule provides for adaption for general application and not to create exceptions on case to case basis. Moreover, the application of Rules should not be self serving; it should reflect standards of propriety (Para 10 of GFR-I), transparency and equity. The Committee directed the PAO to frame new rules or amend the Government rules adapting them to the needs of the Secretariat, keeping in view the above mentioned observations.

2.19 IRREGULAR EXPENDITURE OF RS.3.372 MILLION ON VEHICLES, IRREGULAR EXPENDITURE OF RS.1.890 MILLION ON PURCHASE OF MERCEDEZ CAR AND NON-RECOVERY OF RS.167,674 FOR UNAUTHORIZED USE OF TWO ADDITIONAL VEHICLES. (PARA 2.1, PAGE 11-SAR-17)

Audit pointed out that the Prime Minister approved purchase of a Mercedes car for Senate Secretariat in April 1993 for protocol duties of heads of foreign delegations only. Before its purchase, the Cabinet Division provided another Mercedes car in June 1993 for the same purpose. However, the Secretariat purchased the vehicle in October 1994 at a cost of Rs.1.890 million. Purchase of additional vehicle in the presence of a vehicle of the same specification was irregular. Subsequently the Chairman Senate exclusively used the two Mercedes cars over and above his official vehicles. The two additional cars covered a distance of 93,152 k.m. during 1993 to 1998. These journeys were unauthorized and in contravention of Para 7 of the Chairman and Speaker (Salaries, Allowances and Privileges) Act, 1975 (as modified up to July 1996).

The PAO apprised the Committee that the Senate Secretariat purchased only one Mercedes Car and the other Mercedes Car was provided by the Cabinet Division. Both the vehicles were meant and used for protocol duties with the foreign delegations; however, one vehicle was used at a time.

PAC DIRECTIVE

The PAC directed the PAO to get written Certificate from the former Chairman that the two Mercedes cars were used for protocol duties of dignitaries and that one car was used at a time alternately. The Audit will verify, on the basis of this certificate and the log books, the extent of mileage of the cars used for the foreign dignitaries. For the remaining mileage (not certified/not supported by log book entries) charges should be recovered from the former Chairman, under the rules. The PAC also directed the PAO that, in future, the Chairman should use only one car at a time. All other vehicles should be kept in the transport pool.

2.20 IRREGULAR PURCHASE OF VEHICLE VALUING RS.685,000 AND NON-RECOVERY OF RS.375,704 FOR UNAUTHORIZED USE OF VEHICLE (PARA 2.2, PAGE 11-SAR)

Audit pointed out that the Senate Secretariat purchased an air-conditioned vehicle, Toyota Hiace, in July 1993 for Rs.685,000. The vehicle was used by Senators who received Rs.400 per day as Daily allowance and Rs.250 per day as Conveyance Allowance for the duration of a session as well as for three days before and after each session. as such purchase and use of this vehicle as not justified. In principle, only one facility, either conveyance allowance or a conveyance, could be provided. Therefore, the expenditure on purchase of the vehicle was infructuous and irregular. The vehicle covered a distance of 187,852 k.m. till June 1998 and an amount of Rs.375,704 was recoverable.

The PAO apprised the Committee that the expenditure on purchase of the vehicle was within the authorized appropriation. The vehicle was purchase was within the authorized appropriation. The vehicle was purchased to

facilitate the Senators to attend sessions and Committee meetings held on different Ministries/Divisions. The vehicle was also used sometimes for the pick and drop of the Senators at the Airport.

PAC DIRECTIVE

The PAC observed, since the senators were given conveyance allowance, they were not entitled to pick and drop facility from residence or the Airport. However, they can be provided this facility when they move to attend the Committee meetings from the Parliament House. With this observation, the Committee directed the PAO to recover the charges for the mileage travelled by the senators in addition to their movements for the purpose to attend the Committee meetings. The PAO agreed to implement the directive.

2.21 UNAUTHORIZED EXPENDITURE OF RS.252,942 ON USE OF CARS.  
(PARA 2.3, PAGE 12-SAR)

Audit pointed out that the Deputy Chairman used an additional Mercedes car from 13 June 1993 to 20 November 1993 which covered a distance of 5,725 k.m. The use of additional vehicle was unauthorized and therefore, require recovery of Rs.10,305 plus late duty allowances of the driver as per Staff Car Rules. The Deputy Chairman used another vehicle from 13 June 1992 to June 1998, which covered 134,797 k.m. The use of vehicle was in violation of Deputy Chairman Salary, Allowances and Privileges Act, 1975 and Staff Car Rules, 1980 and therefore, involves recovery of Rs.242,637 @ Rs.1.80 per k.m. plus late duty allowances of the drivers.

The PAO apprised the Committee that, during the period under objection, the former Deputy Chairman was working as Acting Chairman Senate in place of Mr. Wasim Sajjad who had become Acting President.

PAC DIRECTIVE

The PAC directed the PAO to get certification from the former Deputy Chairman that only one vehicle was used at a time and that for

official duty. The Audit will verify, on the basis of this certificate and the log books, the extent of mileage of the cars used authorizedly. For the remaining mileage (not certified/not evidenced by the log books entries that the use was for official purpose) charges should be recovered from the former Deputy Chairman, under the rules.

2.22 LOSS OF RS. 380,000 DUE TO VIOLATION OF PROPRIETY,  
(PARA 3, PAGE 13-SAR)

Audit pointed out that the Senate Secretariat incurred an expenditure of Rs.1.560 million in September 1992 on purchase of a vehicle for the Deputy Chairman to replace the vehicle, which was destroyed in an accident. Three 1600 CC vehicles of different makes were short-listed with price of Rs.1.180 million, 1.2 million and 1.560 million respectively. In disregard of the Government instructions on economical purchases, the most expensive car was purchased. The lowest price was quoted for the same make caused an additional burden of Rs.380,000 on public exchequer. The vehicle was purchased from Karachi without obtaining NOC from the Cabinet Division as required under staff car rules. Moreover, the Department of Supplies was not approached to make the purchase. An amount of Rs.10,760 was paid to two officers to bring the vehicle from Karachi.

The PAO apprised the Committee that the particular vehicle was purchased in the light of decision taken by the Senate Finance Committee on 13-8-1992 after considering the availability of Toyota Corona, Honda Concer to and Mitsubishi Gallant. The choice of Toyota was made as its parts were easily available and the vehicle was purchased from the authorized dealers.

PAC DIRECTIVE

The PAC directed the PAO to show the decision of the Finance Committee, reflecting the reasons/approval of the change of make, to the Audit and settle the para subject to verification of the stated facts. However, the Committee conveyed its displeasure on the expenditure of two officers' trip to bring the vehicle from Karachi.

2.23 NON-PRODUCTION OF RECORD OF RS.14 MILLION PAID TO CDA.  
(PARA 4, PAGE 13-SAR)

Audit pointed out that, during 1996-97, the Senate Secretariat drew Rs. 7.5 million, Rs. 5 million and Rs.1.5 million on different occasions and paid to CDA as advance payment for erection and renovation of a building for offices of 25 Chairmen of the Standing Committees. No documents were shown to Audit to establish purchase of material and approval of the advance payment nor any adjustment accounts, completion and audit certificates were provided.

The PAO informed the Committee that the record has been obtained from CDA is now available for audit scrutiny.

PAC DIRECTIVE

The PAC settled the para subject to verification by the Audit.

2.24 NON-PRODUCTION OF RECORD OF APPOINTMENT AND CREATION OF POSTS  
(PARA 4.2, PAGE 14-SAR)

Audit pointed out that the Senate Secretariat created several posts and made appointments in different grades against various newly created or existing posts despite the ban imposed by Government during 1991-97. This resulted in heavy burden on the public exchequer. Record of these appointments was not produced in violation of Para 16 of Pakistan Audit and Account. order 1973 and contents of Para 17 of GFR Vol-I). While conducting Central Audit at the AGPR, the auditors observed in one particular case that the Finance and Accounts Officer of the Senate Secretariat himself overdrew an amount of Rs.64,000 when he was awarded one unauthorized premature increment on upgradation of his post from B-18 to B-19 despite specific clarification issued by the Auditor-General's Office on 2 February, 1991.

The PAO apprised the Committee that the Secretariat has no objection in providing the record of creation of posts and appointments. The Audit can examine this record anytime it feels appropriate.

PAC DIRECTIVE

The PAC directed the Audit to examine the record of creation of posts and appointments in the Senate Secretariat and report to the Committee.

**Confidential  
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**SENATE SECRETARIAT**

**Subject: AUDIT REPORTS - POWERS OF THE SPEAKER NATIONAL ASSEMBLY, CHAIRMAN SENATE AND RESPECTIVE FINANCE COMMITTEES.**

In the meeting of the Ad-hoc Public Accounts Committee held on 14.6.2001 to consider the reports of the Auditor General on the Accounts of the Senate and National Assembly Secretariats certain basic jurisdictional issues were raised. The Public Accounts Committee has desired that the opinion of the Law Division may be obtained on the following issues:

1. Whether the Auditor General of Pakistan while auditing the expenditure incurred by the Senate and National Assembly Secretariats from the Federal Consolidated Fund can review and scrutinize the approval/decisions taken by the Parliamentary Finance Committees constituted under Article 88 of the Constitution and the rules framed therein?
2. Whether or not the Finance Committees constituted under Article 88 can determine the conditions of service of the employees of the respective secretariats, including grant of such additional allowance as Sessional allowance, Diet allowances and honoraria, or these have to be determined under Article 87 of the Constitution?
3. Whether the expenditure of the two Secretariats met out of the Federal Consolidated Fund and those decisions taken by the Speaker/Chairman or these Finance Committees that have a bearing on the expending of public money are subject to review by the Public Accounts Committee on the basis of audit reports submitted by the Auditor General of Pakistan under Article 171 of the Constitution?
4. Whether or not these committees are competent to grant privileges and facilities over and above those granted to the Speaker/Chairman under the Chairman/Speaker (Salaries, Allowances and Privileges) Act, 1975 as amended?
5. Whether or not the exercise of the discretionary powers under the Rules of Finance Committees and the Appointment Rules of the two Secretariats in individual cases of appointment and procurements exercised by the Chairman/Speaker are justified in law and under principles of prudent management of affairs of a public entity especially in the context of rule 4 of the Finance Committees that defines the basic functions of the Committees?

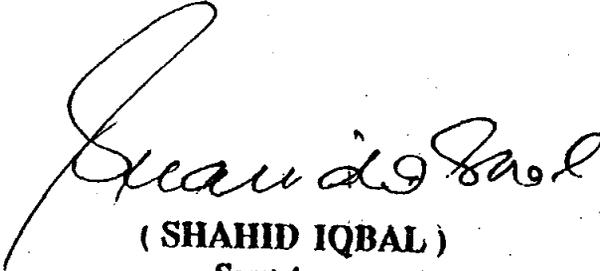
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6. Whether or not Secretariats of Senate/National Assembly are subject to the same process of accountability as other federal entities for every rupee spent out of the public exchequer?

The Ministry of Law and Justice is requested to kindly give their considered views on these issues within seven days.

**List of enclosure:**

- i. Views of the National Assembly and Senate Secretariats.
- ii. National Assembly (Finance Committee) Rules, 1973.
- iii. Senate (Finance Committee) Rules, 1973.
- iv. National Assembly (Recruitment and Conditions of Service) Rules, 1973.
- v. Senate Secretariat (Recruitment) Rules, 1973.
- vi. National Assembly Secretariat U.O. No. FAO/95-96 dated 11th June, 1999.
- vii. Opinion No. 995/2000-Law dated August 10, 2000.
- viii. Opinion dated March 10, 2001.

  
( SHAHID IQBAL )  
Secretary

Law, Justice & Human Rights Division ( Mr. Justice Faqir Muhammad Khokhar,  
Secretary), Government of Pakistan, Islamabad.  
Senate Secretariat's. U.O. No. F.2(32)/99-2000(F&A) dated 16-06-2001.

Before answering the reference it shall be appropriate to reproduce certain provisions from the Constitution and the law for ready reference.

2. The Auditor General of Pakistan is appointed under Article 168 of the Constitution and he performs functions under Article 169 and 170 of the Constitution and the reports of the Auditor General are to be laid before the National Assembly under Article 171 of the Constitution.

3. The provisions contained in Article 169 and 170 are reproduced as:-

"169. The Auditor-General shall, in relation to —

- (a) The accounts of the Federation and of the Provinces; and
- (b) The accounts of any authority or body established by the Federation or a Province,

Perform such functions and exercise such powers as may be determined by or under Act of Majlis-e-Shoora (Parliament) and, until so determined, by Order of the President.

170. The accounts of the Federation and the Provinces shall be kept in such form and in accordance with such principles and methods as the Auditor-General may, with the approval of the President, prescribe.

4. The Order of the President (to which a reference is made in Article 169) is the Pakistan (Audit and Accounts) Order, 1973 (P.O. No.21 of 1973). This Order has been repealed by Ordinance No. XXIII of 2001. Article 9 of P.O. 21 of 1973 states that "the Auditor General shall be responsible for the keeping of the accounts of the Federation and of each Province". Paragraph (4) of Article 9 says that "the Auditor General shall, from the accounts kept by him and by other persons responsible for keeping the accounts, prepare in each year accounts (including in the case of accounts kept by him, appropriation accounts) showing the annual receipts and disbursement for the purposes of the Federation .....and shall submit those accounts to the Federal Government ....."

5. Article 11 of the said Order is re-produced as -

- "11.— (1) It shall be the duty of the Auditor-General —
- (i) to audit all expenditure from the revenues of the Federation and of the Provinces and to ascertain whether moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have

- been applied or charged and whether the expenditure conforms to the authority which governs it;
- (ii) to audit all transactions of the Federation and of the Provinces relating to debt, deposits, sinking funds, advances, suspense accounts and remittance business.
- (2) The Auditor-General may, with the approval of, and shall if so required by, the President or the Governor of any Province, audit and report on —
  - a) the receipts of any department of the Federal Government or, as the case may be, of the Province; and
  - b) the accounts of stores and stock kept in any office or department of the Federal Government or, as the case may be, of the Province.”

6. Under Article 81 of the Constitution certain expenditure has to be charged upon the Federal Consolidated Fund which includes the remuneration payable inter-alia to the Chairman, Deputy Chairman, Speaker, Deputy Speaker and the Secretariat of the Senate and the National Assembly respectively.

7. Article 78 of the Constitution defines the terms “Federal Consolidated Fund” and the “Public Accounts” in these words:-

**“Federal Consolidated Fund and Public Account.**

- (1) All revenues received by the Federal Government, all loans raised by that Government, and all moneys received by it in repayment of any loan, shall form part of a consolidated fund, to be known as the Federal Consolidated Fund.
- (2) All other moneys —
  - (a) received by or on behalf of the Federal Government; or
  - (b) received by or deposited with the Supreme Court or any other court established under the authority of the Federation;
 shall be credited to the Public Account of the Federation.”

8. Article 79 of the Constitution provides for the custody of the funds and the public accounts as —

**“Custody etc. of Federal Consolidated Fund and Public Account**

The custody of the Federal Consolidated Fund, the payment of moneys into that Fund, the withdrawal of moneys therefrom, the custody of other moneys received by or on behalf of the Federal Government, their payment into, and withdrawal from the Public Account of the Federation, and all matters connected with or ancillary to the matters aforesaid shall be regulated by Act of Majlis-e-Shoora (Parliament) or, until provision in that behalf is so made, by rules made by the President.”

9. Article 87 of the Constitution provides that each House of the Parliament shall have a separate Secretariat and that:-

- "(2) Majlis-e-Shoora (Parliament) may by law regulate the recruitment, and the condition of service of persons appointed to the secretarial staff of either House.
- (3) Until provision is made by Majlis-e-Shoora (Parliament) under clause (2), the Speaker or, as the case may be, the Chairman may, with the approval of the President, make rules regulating the recruitment, and the conditions of service, of persons appointed to the secretarial staff of the National Assembly or the Senate."

10. The Pakistan (Audit and Accounts) Order, 1973 (P.O.21 of 1973) (referred to in paras 4&5/N hereinabove) which has been repealed by section 23 of Ordinance No.XXIII of 2001 to become affective from 01.07.2001. Under the new law the powers of the Auditor-General relating to audit has been restructured in section 8 as -

- "8. Provisions relating to Audit. The Auditor General shall,
  - (a) audit all expenditure from the Consolidated Fund of the Federation and of each Province and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for, and applicable to, the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it;
  - (b) audit all transactions of the Federation and of the Provinces relating to Public Accounts;"

11. Article 88 of the Constitution, which lays down as -

- "88. Finance Committees
  - (1) The expenditure of the National Assembly and the Senate within authorised appropriations shall be controlled by the National Assembly or, as the case may be, the Senate acting on the advice of its Finance Committee.
  - (2) The Finance Committee shall consist of the Speaker or, as the case may be, the Chairman, the Minister for Finance and such other members as may be elected thereto by the National Assembly or, as the case may be, the Senate.
  - (3) The Finance Committee may make rules for regulating its procedure."

12. In the light of the above extracts, the reference can be answered ad seriatim:-

- i) It appears that under P.O. 21 of 1973 the Auditor General had no power to audit the expenditure incurred by the Parliament Secretariat from the Federal Consolidated Fund, because firstly it did not fall within the jurisdictional competence of the Auditor-General under the said Order and secondly, it was to be regulated by the Finance Committee constituted under Article 88 of the Constitution. The main object of the audit is to formulate the report to be laid before the National Assembly under Article 171 of the Constitution. Since the Finance Committee constituted under Article 88 of the Constitution is the part of the Parliament consisting of the Speaker or the Chairman, as the case may be, the Minister for Finance and other members to be elected by each House of the Parliament, and this Committee can make the rules for regulating its procedure, therefore, the rules and procedure of the Auditor-General shall not be applicable to the Parliament. Hence, prior to the promulgation of Ordinance No. XXIII of 2001 the Auditor-General had no authority to audit such expenditure from the Federal Consolidated Fund. Even if such audit has been conducted, it could not review or scrutinize the decisions of the said Finance Committee under the rules framed under paragraph (3) of Article 88.
- ii) The Finance Committee constituted under Article 88 cannot determine the conditions of the service of employees of the respective secretariats because such terms and conditions can be regulated under the Act of Parliament as per Article 87(2) of the Constitution or until such law is made the terms and conditions of the secretarial staff can be determined through rules made by the Speaker or Chairman, as the case may be, with the approval of the President.
- iii) The expenditure of the Secretariats under the Federal Consolidated Fund cannot be audited by the Auditor-General under P.O. 21 of 1973 and, therefore, no report can be submitted by the Auditor-General under Article 171 of the Constitution. Moreover the expenditure of the Parliament from the Federal Consolidated Fund within the authorised appropriations has to be regulated by each House of the Parliament on the advice of the Finance Committee and, therefore, such expenditure is presumed to be the expenditure incurred under the express orders of the respective House of the Parliament. Under the concept of supremacy of Parliament no other agency, including the Auditor-General, can scrutinize such decisions. Similarly the Public Accounts Committee cannot sit in appeal/review over the decisions of a Constitutional Committee of the Parliament constituted under Article 88 the decisions of the House of the Parliament. Moreover the Public Accounts Committee can, as the name suggests, scrutinize the Public Accounts as defined in Article 78(2) of the Constitution. Federal Consolidated Fund defined under Article 78(1) of the Constitution is distinct from the Public Accounts. The expenditure of the Parliament is in current from the Fund under Article 81.

- iv) The Finance Committee can only give advice to the respective House of the Parliament relating to the expenditure within the authorised appropriations and within the relevant law. However, the committee cannot grant privileges and facilities over and above those granted by the law or approved by the Rules.
- v) Since the terms and conditions of the officers and the staff of the secretariats had to be regulated either by the law or, in its absence, by the Rules made by the Speaker or the Chairman respectively with the approval of the President. The Finance Committee could make rules only for regulating its own procedure. Therefore, there was no possibility for the exercise of any discretionary powers under the service of Rules or the Finance Committee Procedural Rules. Rule 4 does not provide any discretionary power to the Committee. Moreover since the making of the law and the framing of the rules was within the ambit of the House of the Parliament or the Committee itself, therefore, there was no sense in providing any discretion in this behalf. The mode of expenditure for procurement could be determined by the National Assembly under the advice of the Finance Committee and, as stated earlier, the decision taken by the House of the Parliament, being supreme, cannot be put to discussion, review or scrutiny by any other agency or the Committee.
- vi) So far as the action of the Parliament is concerned, it is subject to accountability by the Parliament itself or by the electorate and not by any other process of accountability like other Federal entities. However, this immunity and privilege is not applicable to the actions by the Secretariat. The actions of the Secretariat, if not supported by the respective orders of the House, shall be subject to the same process of accountability like other Federal entities and individual actions of the Secretariat officers as well as the holders of public offices shall also be subject to the same process of accountability.

13. Submitted for approval of the advice contained in para 9. However, I propose that before communicating the advice we may have a meeting with the representative of the Parliament Secretariat and the Auditor-General.



(Mohammad Raza Khan)  
Joint Secretary  
25.06.2001

Secretary

14. Article 88 of the Constitution of the Islamic Republic of Pakistan lays down that the expenditure of the National Assembly and the Senate, within authorised appropriations, shall be controlled by the National Assembly or, as the case may be, the Senate acting on the advice of its Finance Committee consisting of the Speaker or, as the case may be, the Chairman, the Minister for Finance and such other members as may be elected by the House. The Finance Committee, in exercise of rule making power, have framed the Rules called the Senate (Finance Committee) Rules, 1973. The Secretary of the Senate is an ex-officio Secretary of the Committee. By Rule 4, the Committee approves the budget for the Senate for inclusion in the Federal Budget and advises the Senate in regard to control over the expenditure to be incurred within the authorised appropriations. Rule 13 provides that the control over the expenditure of the Secretariat shall be exercised by the Secretary in accordance with the general or special directions of the Committee. The duties of the Secretary Senate, being a Principal Accounting Officer, shall be the same as those of the Principal Accounting Officer in the Ministries/Divisions of the Federal Government in respect of the expenditure of the Secretariat including the financial powers. Rule 18 states that all the cases of expenditure not within the authorised appropriations, shall be decided by the Committee. Under Rule 21A all matters, not specifically provided for in these Rules, shall be regulated in accordance with the provisions for the time being in force and applicable to the Federal Secretariat subject to such modifications, variations or exceptions, if any, as the Chairman may, from time to time, by order, specify: Sub-rule (2) of Rule 21A requires that the budget, as approved by the Committee shall be transmitted to the Ministry of Finance in the manner and form prescribed by the Government. By virtue of Rule 23 in case of any

doubt arising on any point of procedure or interpretation of the aforesaid rule, the decision of the Chairman Senate shall be final.

15. Now the question arises as to whether in the presence of the Finance Committee of the Senate and the mechanism provided by the Rules framed thereunder, the ad hoc Public Accounts Committee constituted by the Chief Executive vide Order No.1 of 2001 can scrutinize the accounts of expenditure of the Senate or not. There is no doubt that under Article 88 of the Constitution the expenditure of the Senate or the National Assembly, within the authorised appropriations, was required to be controlled by the Finance Committees constituted by both the Houses. But there was no immunity or exemption for the Senate Secretariat from the operation of the provision of Articles 169, 170 and 171 of the Constitution read with President's Order No.21 of 1973 and Ordinance No.XXIII of 2001 whereunder it was the duty of the Auditor General of Pakistan to audit the expenditure of the public revenues of the Federation and the Provinces.

16. In the book titled "Parliaments of the World" Volume I Second Edition 1986 prepared by the International Centre for Parliamentary Documentation of the Inter-Parliamentary Union, the question of financial independence of Parliaments was dealt with at pages 238-239 as under:-

"It is evident that, with a few exceptions, Parliaments have a certain measure of independence in the drawing up of their estimates of expenditure. The amount and type of control they have over the ensuing expenditure produces a different picture. In the same way that it is reasonable that Parliament should be allowed to decide, without interference, what expenditure is necessary for its functioning, so it is reasonable to expect that, like any other public funds, those allotted to Parliament should be audited to ensure that they have been used for their proper purpose and administered wisely and efficiently. This is the theory in a number of countries which draw the logical conclusion that

Parliament's expenditure should be subject to the normal accounting procedure and should be scrutinised not only by a special parliamentary body, such as the directing or administrative authority or a committee, but also by some body with experience in financial matters."

"In many countries the sovereignty of Parliament is vigorously upheld in that it controls its own accounts, and no other authority is permitted to interfere in its financial affairs. This does not imply a lack of control but rather means that such control is exercised by a parliamentary body such as a specialist committee. Some Parliaments leave the control of their accounts to the administrative authorities, such as the Secretary General in Somalia, the President of the Assembly in Gabon, the Council Bureau in Zaire, the Chairmen of the Soviets and the Presidium of the Supreme Soviet in the USSR. A number of Parliaments have their accounts audited by external authorities. In Denmark, Finland and Sweden these are appointed by Parliament or elected specifically for this purpose. In forty-five countries the accounts are audited by the Comptroller General, the Audit Officer or other independent audit authority."

17. In Halsbury's Laws of England Fourth Edition, 1974 Volume 8, Page 834 it is stated that the Consolidated Fund and the National Loans Fund is subject to control by the Comptroller and Auditor General, who is independent of the executive. The functions of the Exchequer and Audit Department are firstly, the control of the issues of public money from the Consolidated Fund and the National Loans Fund, and secondly, the examination on behalf of Parliament of the public accounts, and especially the accounts of all supply services, for the purpose of reporting on them to the House of Commons.

18. Section 71(1) of the Ceylon (Constitution) Order in Council, 1946, provides that "the accounts of all the departments of Government, including the offices of the Cabinet, the Clerk of the Senate, the Clerk to the House of Representatives, the Judicial Service Commission and the Public Service Commission shall be audited by the Auditor General who, with his deputies, shall be entitled to have access to all books, records, or returns relating to such accounts."

19. However, in India, by specific provisions of section 10 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Comptroller and Auditor General is relieved of maintaining the accounts of certain selected departments including the Indian Parliament i.e. Lok Sabha and Rajya Sabha.

20. Until alternate arrangements are made, by a legislative instrument, for the audit of the public revenues/accounts of the Parliament's Secretariat, the exclusion of jurisdiction of the Auditor General of Pakistan and of the Public Accounts Committee, being a part of Parliament, can not be inferred by the provision of Article 88 of the Constitution or the rules framed thereunder. It seems that the Auditor General of Pakistan, in the past also, had been auditing the expenditure of the Parliament out of the Consolidated Fund.

21. I am, therefore, of the view that, in the absence of any statutory provisions to the contrary, it was within the competence of the Auditor General of Pakistan and Public Accounts Committee to scrutinise the accounts of the Secretariat of the Parliament. The provisions of the Article 88 do not exclude, expressly or by necessary intendment, the audit of the expenditure out of the Consolidated Fund (Public Revenues) of the Parliament by the office of Auditor General of Pakistan. The internal control by the Finance Committee relating to the expenditure of the Parliament does not preclude the Auditor General of Pakistan to audit the accounts of the Parliament, to submit the report to, and scrutiny by, the Public Accounts Committee. The scrutiny of expenditure of the Parliament by the Public Accounts Committee does not affect the sovereignty and financial independence of the Parliament. It is however, always open to the legislature to exclude, by law, the audit and scrutiny of the Parliamentary expenditure out of the

~~include, by law, the audit and scrutiny of the Parliamentary expenditure out of the~~  
Consolidated Fund from the purview of the Auditor General and the Public Accounts  
Committee as has been done in India.

J.S.H.

80 (Law)

*Faqir Muhammad Khokhar*

Mr. Justice  
(Faqir Muhammad Khokhar)  
Secretary  
July 18, 2001.

*[Signature]*

19/7

*[Signature]*  
19-7-2001

(ARSHAD ALI CHAUDHARY)  
SECTION OFFICER (LAW)

Senate Secretariat (Mr. Shahid Iqbal, Secretary), Islamabad.  
Law, Justice & Human Rights Division's U.O. No. 995/2000-Law, dated 19-07-2001.

1. ELECTION COMMISSION OF PAKISTAN
  2. SUPREME COURT OF PAKISTAN
  3. ECONOMIC AFFAIRS DIVISION
  4. PRESIDENT'S SECRETARIAT
  5. PRIVATIZATION DIVISION
  6. STATISTICS DIVISION
  7. WAFAQI MOHTASIB SECRETARIAT
  8. MINISTRY OF LAW, JUSTICE,  
HUMAN RIGHTS AND PARLIAMENTARY AFFAIRS
  9. MANAGEMENT SERVICES DIVISION
  10. CHIEF EXECUTIVE'S IMPLEMENTATION &  
INSPECTION COMMISSION
  11. COUNCIL OF ISLAMIC IDEOLOGY
  12. PAKISTAN ATOMIC ENERGY COMMISSION
  13. INTER-PROVINCIAL CO-ORDINATION DIVISION
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1. OVERVIEW

The Appropriation Accounts and Annual Audit Reports pertaining to the Election Commission of Pakistan, Supreme Court of Pakistan, Economic Affairs Division, President's Secretariat, Privatization Division, Statistics Division, Wafaqi Mohtasib Secretariat, Ministry of Law, Justice, Human Rights and Parliamentary Affairs, Management Services Division, Chief Executive's Implementation & Inspection Commission, Council of Islamic Ideology, Pakistan Atomic Energy Commission and Inter-provincial Co-ordination Division, for the year 1996-97, were examined by the Public Accounts Committee (PAC). The cases discussed by the PAC were related either to the savings/excesses in the Grants of the Accounting Units or to minor irregularities which were settled by the Committee on the clarifications made by the respective Principal Accounting Officers.

Position of each Ministry/Division (Accounting units) is given in the following statement:

Sl. No.	Ministries/ Divisions	Date of Meeting	No. of Paras	No. of Grants	PAC's Decision
1.	Election Commission of Pakistan	22/4/1999	Nil	01	The Grant closed with the saving of Rs.81.618 million which works out to 6.71%. The PAO informed the Committee that the said amount could not be surrendered in time due to pending bills of Printing Corporation of Pakistan and expected general election in the Country. The Committee asked the Audit to re-check the facts, however, regularised the Grant.
2.	Supreme Court of Pakistan	22/4/1999	Nil	01	An excess of Rs.273,670 was reported by the Audit which was regularized by the Committee.
3.	Economic Affairs Division	13/10/2000	02	07	Total 7 Grants and 2 paras were discussed by the Committee. Expressing its displeasure over the savings/ excesses of the Grants, the Committee directed the PAO to take necessary measures to ensure financial discipline in the Division. The Committee, however, regularized the Grants and settled the paras.

4.	President's Secretariat	14/5/2001	Nil	01	The excessive amount of Rs. 9.521 million (regarding staff Household and Allowances) was surrendered converting the grant to be closed with excess of Rs. 31,347. The Committee regularized the excess expenditure.
5.	Privatization Division	17/5/2001	01	Nil	Audit pointed out that during the period from November, 1991 to December 1998, 102 units have been privatized. The sale proceeds on account of privatization were deposited in a special account with State Bank of Pakistan with the approval of the then Prime Minister. This account was out of the Government Books. It was neither part of the Federal Consolidated Fund nor the Public Account. The PAC directed the Commission to submit the accounts of sale proceeds for audit within seven days. The PAC directed the Commission to frame appropriate procedures for accountal of the sale proceeds and retention/ utilization thereof, in consultation with the Ministry of Finance and the Auditor General of Pakistan.

6.	Statistics Division	17/05/2001	Nil	02	<p>Huge savings were detected by the Audit in both the Grants. The Grant No.65 (Statistics Division) closed with a saving of Rs 69.56 million which works out to 22.07% of the final Grant while Grant No.156 (Development Expenditure of Statistics Division) closed with a saving of Rs 28.708 million which works out to 86.09% of the final Grant. The Committee regularized the Grants; however, directed to streamline the budgetary system of the Department.</p>
7.	Wafaqi Mohtasib Secretariat	28/5/2001	Nil	01	<p>Saving of Rs.8.147 million was pointed out by the Audit. The Secretariat was of the view that saving occurred due to vacant posts which were not filled due to ban on fresh recruitment and strict economy. The Committee regularized the Grant.</p>

8.	Law, Justice, Human Rights & Parliamentary Affairs	28/5/2001	Nil	04	Huge savings were detected by the Audit in all the 4 Grants. The Grant No.77 of Human Rights Division closed with saving of Rs.26,374 million which works out to 71.31% of the final Grant. After hearing the department's reply, the Committee regularized the saving in all the four grants.
9.	Management Services Division	28/5/2001	Nil	01	The saving of Rs 3.998 million works out to 13.03% of the grant. A sum of Rs. 3.598 million was surrendered in time. The Committee regularized the Grant.
10.	Chief Executive's Implementation & Inspection commission	29/05/2001	Nil	01	The Grant No.13(Prime Minister's Inspection Commission) closed with a saving of Rs 1.121 million which works out to 8.05% of the final Grant. However, an excessive amount of Rs 1.180 million was surrendered converting the Grant into excess of Rs.59,152. The Committee regularized the Grant with the direction to streamline the budgetary system of the Department.

11.	Council of Islamic Ideology	30/5/2001	Nil	01	The saving works out to 23.61%. An amount of Rs 1.744 million was surrendered leaving net saving of Rs 1.837 million. The Committee, however, regularized the Grant with the warning to be careful in future.
12.	Pakistan Atomic Energy Commission	12/06/2001	02	02	<p>i) An excess amount of Rs.2,600 million was surrendered converting the Grant No.179 to close with excess of Rs.1,912 million. The PAC, however, regularized the excess with the warning to be careful in future.</p> <p>ii) Paras (1&amp;2) were settled by the Committee on the recommendation of the Audit.</p>
13.	Inter Provincial Coordination Division	12/06/2001	Nil	01	The Grant No.3 (Inter Provincial Coordination) closed with a saving of Rs 0.485 million which works out to 17.57% of the final Grant. However, an excessive amount of Rs.13,445 was surrendered converting the Grant into excess of Rs 0.498 million. The Committee regularized the Grant.

2. ACTIONABLE POINTS ARISING OF THE DISCUSSIONS OF THE PAC MEETINGS HELD ON APRIL 22, 1999, OCTOBER 13, 2000 AND MAY 14 & 17, 2001

ACTIONABLE POINTS: MEETING ON 22-04-1999

( ELECTION COMMISSION OF PAKISTAN )

APPROPRIATION ACCOUNTS (CIVIL) (VOL I-1996-97)

2.1 APPROPRIATION-ELECTIONS (PAGE 305-AA)

Audit pointed out that the appropriation closed with a saving of Rs 81,618,421 which works out to 6.71 percent of the final appropriation. The PAO gave details of reasons for not surrendering the saving in time.

The PAC regularized the savings, however, directed to produce necessary information to support the explanation made verbally before the Committee.

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ACTIONABLE POINTS: MEETING ON 13-10-2000

( ECONOMIC AFFAIRS DIVISION )

APPROPRIATION ACCOUNTS (CIVIL) (VOL I-1996-97)

- 2.2
- i) GRANT NO.55-TECHNICAL ASSISTANCE SCHEMES (PAGE 164-AA)
  - ii) GRANT NO.155/D/E OF ECONOMIC AFFAIRS DIVISION (PAGE 166-AA)
  - iii) APPROPRIATION-SERVICING OF FOREIGN DEBT (PAGE 170-AA)
  - iv) APPROPRIATION-FOREIGN LOANS REPAYMENT (PAGE 171-AA)
  - v) APPROPRIATION-REPAYMENT OF SHORT TERM FOREIGN CREDITS (PAGE 172-AA)
  - vi) GRANT NO.186-EXTERNAL DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 168-AA)

The Audit pointed out that the appropriation closed with an excess of Rs.1,240,9099,361 which works out to 4.16% of the final appropriation.

On the presentation of above grants the Public Accounts Committee observed that the level of efficiency and vigilance in financial monitoring system of public sector organizations is not satisfactory and bad budgeting adversely affects the national economy. The Committee directed to improve accounting, payment scheduling and

reconciliation with AGPR to ensure efficient use of public money and to avoid unnecessary savings and excess. Computerization may help to achieve these objectives. PAO was directed to carry out a comprehensive analysis of the facts and report to PAC by 31st October, 2000. The committee, however, regularized the savings/excesses in the grants.

AUDIT REPORT (CIVIL) (VOL I-1996-97)

2.3 RECOVERY OF EXCESS PAYMENT OF TELEPHONE CHARGES WORTH RS.425,149 (PARA 2, PAGE 40-AR)

Audit pointed out that in Economic Affairs Division a practice is prevalent not to observe the ceiling of telephone calls fixed by the Cabinet Division from time to time. The irregularity is being pointed out since 1981-82 continuously but no recoveries have been made till February 1998. The public exchequer was made to pay Rs.425,149/- in this way.

The Ministry informed the Committee that an expenditure of Rs.425, 149 has been regularized by the competent authority.

The Public Accounts Committee directed the department that all the officers/officials should limit the use of telephone facility within the prescribed ceiling. The Committee further directed the Principal Accounting Officer to prepare a comprehensive report on latest position of the issue and submit it to the Committee in its next meeting.

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ACTIONABLE POINTS: MEETING ON 14-05-2001

( PRESIDENT'S SECRETARIAT )

APPROPRIATION ACCOUNTS (CIVIL)(VOL I-1996-97)

ACTIONABLE POINTS FOR 1993-94

2.4 APPROPRIATION-STAFF, HOUSEHOLD AND ALLOWANCES OF THE PRESIDENT (SHAP)(ITEM 1-AP-93-94)

Audit pointed out that the previous PAC directed the Audit department to arrange the audit for those organizations which take discretionary and contingent grants. The Committee also directed the Finance Division to revise the rules & procedure for discretionary and contingent grants to improve their financial discipline.

The Ministry of Finance informed the Committee that the respective rules had been revised and circulated to all concerned.

PAC DIRECTIVE

The PAC directed the M/O Finance to provide a copy of revised rules and procedure of discretionary and contingent grants to Audit; however, the Committee settled the para.

ACTIONABLE POINTS: MEETING ON 17-05-2001  
( PRIVATIZATION COMMISSION )

- 2.5 Audit pointed out that during the period from November, 1991 to December, 1998, 102 units have been privatized. The sale proceeds of privatization were deposited in a special account with State Bank of Pakistan with the approval of the then Prime Minister. This account was out of the Government Books. It was neither part of the Federal Consolidated Fund nor the Public Account.

PAC DIRECTIVE

The PAC directed the Commission to submit the accounts of sale proceeds for audit within seven days. The PAC also directed the Commission to frame appropriate procedures for accountal of the sale proceeds and retention/utilization thereof, in consultation with the Ministry of Finance and the Auditor General of Pakistan.