REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF THE FEDERATION

FOR THE YEAR

2003-2004

National Assembly Secretariat,
Islamabad

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NATIONAL ASSEMBLY SECRETARIAT
ISLAMABAD

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PREFACE

Under Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 read with Rules 177 and 203 of the Rules of Procedure and Conduct of Business in the National Assembly 2007, the Annual Report of the Auditor General of Pakistan relating to the Accounts of the Federation for the year 2003-04, was referred to the Public Accounts Committee for examining the appropriation of the sums granted by the Assembly for the expenditure of the Government to ensure transparency through parliamentary oversight.

In view of the backlog of Audit Reports, the PAC took step to constitute Committees with the distribution of work on yearly basis. The Committee-II, headed by **Syed Naveed Qamar**, MNA, was assigned the task to examine the Audit Report for the year 2003-04. The Committee had extensive meetings and discussions on the Audit Report where cooperation of Audit and the Ministries/Divisions paved the way for the Committee to complete this hard task by submitting its report to the PAC.

The accomplishment of this exercise is an outcome of sincerity, hard work and alacrity of the Hon. Members of the Public Accounts Committee. They, under the able guidance and leadership of the Hon. Chairman made the assignment a fait accompli. During whole of the exercise, **Syed Khursheed Ahmed Shah**, Chairman, Public Accounts Committee provided the highest motivation to the PAC Wing to channelize its energies into right direction and to achieve the impossibles in a possible manner.

The drafting, preparation and printing of this Report has been made possible due to the extensive cooperation and fervent endeavors of the officers/staff of the Public Accounts Committee of the National Assembly.

I am confident that the suggestions and recommendations of the Committee would encourage and assist the Government in smartening up the system and procedure for the efficient financial management.

(ABDUL JABBAR ALI)
Secretary
National Assembly Secretariat

Islamabad, the 29th March, 2016

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

1	**Syed Khursheed Ahmad Shah, MNA**	**Chairman**
2	Raja Muhammad Javed Ikhlas, MNA	Member
3	Malik Iqbal Mehdi Khan, MNA	Member
4	Dr. Darshan, MNA	Member
5	Mr. Muhammad Pervaiz Malik, MNA	Member
6	Shaikh Rohale Asghar, MNA	Member
7	Mr. Muhammad Junaid Anwar Chaudhary, MNA	Member
8	Sardar Muhammad Jaffar Khan Leghari, MNA	Member
9	Sahibzada Muhammad Nazeer Sultan, MNA	Member
10	Rana Afzaal Hussain, MNA	Member
11	Syed Naveed Qamar, MNA	Member
12	Dr. Azra Fazal Pechuho, MNA	Member
13	Mr. Shafqat Mahmood, MNA	Member
14	Dr. Arif Alvi, MNA	Member
15	Mr. Abdul Rashid Godil, MNA	Member
16	Dr. Khalid Maqbool Siddiqui, MNA	Member
17	Ms. Shahida Akhtar Ali, MNA	Member
18	Syed Kazim Ali Shah, MNA	Member
19	Sheikh Rasheed Ahmad, MNA	Member
20	Mr. Mahmood Khan Achakzai, MNA	Member
21	Sardar Ashiq Hussain Gopang, MNA	Member
22	Ch. Pervez Elahi, MNA	Member
23	Mian Abdul Mannan, MNA	Member
24	Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization	Ex-Officio Member

EXECUTIVE SUMMARY

The Public Accounts Committee (PAC) signifies one of the essential constituents of Parliamentary dominion which is the accountability of Public money. For this, it examines the Appropriation Accounts/Audit Reports/Special Audit Reports which are referred to the Parliament by the President of Pakistan. The examination of Auditor General's Reports pertaining to the Ministries, Divisions, Corporations and other autonomous and semi- Autonomous bodies is one of the main functions of the PAC.

The current PAC inherited a huge backlog of about eight years of Audit Reports. This backlog demanded the PAC to constitute Committees to examine the pending Audit Reports. To clear the backlog, PAC constituted four Committees including the Sub Committee-II on 15th January, 2014. The Sub Committee-II was assigned the Audit Reports for the year 2002-03 and 2003-04 under the Convenership of Honorable Syed Naveed Qamar, MNA. The Committee initially started examination of both the Audit Reports, however, the Audit Report for the year 2003-04 was focused by the Committee to ensure its timely presentation in the House. The Committee continued its efforts to achieve its assigned tasks and was successful in doing so. It is also worth mentioning that some of the Ministries examined by the then Sub-Committee of 13th PAC headed by Mr. Zahid Hamid, MNA in the year 2011 have also been made part of this report under Rule 205 of Rules of Procedure and Conduct of Business in the National Assembly, 2007.

This report comprises the Grants and Audit Paras pertaining to the Appropriation accounts/Audit Reports/Special Audit Reports for the year 2003-04 and the same has been adopted unanimously by the PAC in its meeting held on 26-01-2016.

- **Objectives and Scope**

  a. The President causes the Reports of the Auditor General relating to the Federation to be laid before the Parliament according to Article 171 of the Constitution of the Islamic Republic of Pakistan.

  b. The Committee carries out its functions according to the Rule 203 of Rules of Procedure and Conduct of Business in the National Assembly, 2007.

  c. The Committee has powers to take evidence or call for papers, records or documents according to Rule 227 of the Rules ibid.

- **Key Observations**

  During the meetings, following key observations came in the notice of the Committee:

a. **Non-recovery of Government dues**

There were huge amounts which were not recovered by the concerned departments. It included pending rents and charges, recoveries from defaulting contractors and the customers.

b. **Embezzlement**

Embezzlement of large amounts was observed in different cases of different departments. One of the mega cases was the Tawana Pakistan Project. Such cases were referred to the National Accountability Bureau (NAB).

- **Court cases**

  Court cases were not being dealt with responsibly. Timely actions were not being taken to defend the cases. Sometimes PAOs were not aware about the details and the latest position of the court cases.

c. **Non-Production of record**

It was not possible to scrutinize the matters in which record was not available. In many cases record was not provided by the departments to the Audit. Different reasons in this regard were presented by the witnesses i.e. burning of record, missing of record due to transfer of offices or devolution of departments etc.

d. **Non-compliance of rules:**

In different cases violation of Government rules were observed. Such cases included:

i. Awarding of contracts without open tenders;
ii. Procurement of goods and services; and
iii. Unjustified payments to Officers/Officials.

- **Achievements:**

a. Committee examined 141 Grants and 1653 Paras in 39 meetings which became possible with the commitment and co-operation of the members of the Committee.

b. Committee was successful in recovering a considerable amount of Rs.1045.80 million, however, total recovery by the current PAC till January, 2016 was approximately Rs. 119 Billion.

c. It was observed by the Committee that the forum of DACs was not properly functional which resulted in prolong discussions at the Committee level and the issues which should have been resolved therein were to be discussed in the meetings of the PAC. The Committee was successful in making DACs functional by its persistent directives.

- **Special thanks to:**

a. Honorable Speaker, National Assembly of Pakistan

I am thankful to the Honorable Speaker, Sardar Ayaz Sadiq for his cooperation and support. Honorable Speaker honored the PAC by visiting one of its meetings. He helped to solve the problems which were being faced by the PAC. With his orders, Committee Room No. 2 of the Parliament House was reserved exclusively for the meetings of the PAC.

b. Convener and Members of the Sub-Committee-II

I appreciate the commitment level of the Convener, Syed Naveed Qamar MNA and other Members of the Sub-Committee-II Sahibzada Nazir Sultan, Mian Abdul Manan, Mr. Junaid Anwar Chaudhry and Dr. Darshan MNAs for completing the challenging task.

c. Office of the Auditor General of Pakistan

My special thanks to the Auditor General of Pakistan, Rana Assad Amin, the Deputy Auditor General (FAO), Mr. Jamal Abdul Nasir Usmani and all the Directors General of Audit and their teams who worked hard in accomplishment of this task.

d. PAC Wing (National Assembly Secretariat)

The efforts and hardworking of Mr. Sharifullah Khan Wazir, Additional Secretary, Syed Fayyaz Hussain Shah, Joint Secretary, Mr. Inhamul Haq Khan, Section Officer, and my personal staff who worked with great enthusiasm in scheduling, arranging, coordinating frequent PAC working sessions and preparing/compiling the report. I appreciate their focused efforts for providing in-time support within shortest span of time.

e. Print and Electronic Media:

I am thankful to all the electronic and print media who covered meetings of the PAC regularly and made the PAC`s progress visible to the public.

- **Concluding Remarks:**

While submitting this Report to the National Assembly of Pakistan, the Committee recommends that:

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

b. Excess budget statement for the year 2003-2004 may be regularized in accordance with the provisions of the Constitution.

SYED KHURSHEED AHMED SHAH
Chairman
Public Accounts Committee

ABDUL JABBAR ALI
Secretary
National Assembly Secretariat

Islamabad, the 5th May, 2016

RECOVERY STATEMENT ON THE DIRECTIVES OF COMMITTEE FOR THE YEAR 2003-04

S.NO	MINISTRY/DIVISION/DEPTT.	RECOVERY EFFECTED (Rupees in Million)
1.	Aviation Division	197.52
2.	Cabinet Division	0.08
3.	Capital Administration & Development Division	38.39
4.	M/o Communication	246.77
5.	M/o Defence	4.33
6.	Establishment Division	0.10
7.	Federal Board of Revenue (FBR)	227.91
8.	Finance Division	257.71
9.	M/o Foreign Affairs	0.16
10.	M/o Housing & Works	2.76
11.	M/o Information Technology & Telecommunication	3.19
12.	M/o Kashmir Affairs & Gilgit-Baltistan	63.23
13.	M/o Law, Justice and Human Rights	1.43
14.	M/o Ports & Shipping	0.28
15.	M/o Religious Affairs & Inter Faith Harmony	0.49
16.	M/o Water & Power	1.45
Total:-		**1045.80**

DETAILS OF EXCESS EXPENDITURE
FOR THE YEAR 2003-2004

EXCESS BUDGET STATEMENT FOR THE YEAR 2003-2004

Sl	Name of Ministry/Division/ Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
1	Aviation Division 03-07-2015	23- Meteorology (OTC)	187,903,000	--	187,903,000	188,132,226	229,226	The Committee recommended the grant for regularization.
2	M/o Defence 06-01-2016	25- Federal Government Educational Institutions in Cantonments and Garrisons (OTC)	788,267,000	--	788,267,000	802,056,821	13,789,821	The Committee recommended the grant for regularization.
		26- Defence Services (OTC)	160,000,000,000	20,590,552,000	180,590,552,000	184,865,444,036	4,274,632,035	The Committee recommended the grant for regularization.
		123- Development Expenditure of Defence Division (OTC)	491,754,000	306,600,000	798,354,000	822,062,007	23,708,007	The Committee recommended the grant for regularization.
3	Establishment Division 13-05-2015	7- Federal Public Service Commission (OTC)	103,433,000	--	103,433,000	105,624,047	2,191,047	The Committee recommended the grant for regularization.
4	Economic Affairs Division 04-08-2011	151- External Development Loans and Advances by the Federal Government (Charged)	15,723,905,000	300,000,000	16,023,905,000	20,482,85 8,003	4,458,953,003	The Committee recommended the grant for regularization.

Sl	Name of Ministry/Division/ Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		-- Foreign Loans Re Payment (Charged)	45,978,247,000	65,279,362,000	111,257,609,000	112,544,695,182	1,287,086,182	The Committee recommended the grant for regularization.
5	M/O Education, Trainings and Standard in Higher Education 18-05-2015	30- Education (OTC)	5,552,899,000	230,574,000	5,783,473,000	5,924,972,545	141,499,545	The Committee recommended the grant for regularization.
		31- Federal Government Educational Institutions in the Capital and Federal Areas (OTC)	1,004,857,000	3,657,000	1,008,514,000	1,052,780,395	44,266,395	The Committee recommended the grant for regularization.
6	Finance Division 19-07-2011	39- Other Expenditure of Finance Division (OTC)	1,977,645,000	114,842,000	2,092,487,000	2,323,553,912	231,066,912	The Committee recommended the grant for regularization.
	04-08-2015	153-Development Loans and Advances by the Federal Government (Charged)	1,000,000,000	1,000	1,000,001,000	1,300,000,000	299,999,000	The Committee directed the PAO to look into the matter personally and submit a comprehensive report along with the recommendations/ proposals to PAC.
		- Audit (Charged)	557,049,000	57,314,000	614,363,000	614,661,504	298,504	The Committee recommended the grant for regularization.
7	M/O Foreign Affairs	54- Other Expenditure of Foreign Affairs Division (Charged)	16,000,000	--	16,000,000	86,609,200	70,609,200	The Committee recommended the grant for regularization.

Sl	Name of Ministry/Division/ Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
8	M/o Information & Broadcasting 18-07-2011	67- Press Information Department (OTC)	101,195,000	3,100,000	104,295,000	116,977,871	12,682,871	The Committee recommended the grant for regularization.
		69- Other Expenditure of Information & Broadcasting Division (OTC)	1,356,379,000	171,001,000	1,527,380,000	1,602,379,000	74,999,000	The Committee recommended the grant for regularization.
9	M/o Interior 02-07-2015	72- Islamabad (OTC)	1,398,888,000	191,714,000	1,590,602,000	1,656,011,859	65,409,859	The Committee recommended the grant for regularization.
		74 - Civil Armed Forces (OTC)	4,603,334,000	389,886,000	4,993,220,000	5,228,025,349	234,805,349	The Committee recommended the grant for regularization.
		76 - Pakistan Rangers (OTC)	2,794,925,000	319,477,000	3,114,402,000	3,206,447,451	92,045,451	The Committee recommended the grant for regularization.
		77 - Other Expenditure of Interior Division (OTC)	1,170,482,000	582,384,000	1,752,866,000	1,885,499,378	132,633,378	The Committee recommended the grant for regularization.
10	Kashmir Affairs and Gilgit Bultistan 06-08-2015	85- Northern Areas (OTC)	1,545,501,000	--	1,545,501,000	1,746,851,769	201,350,769	The Committee recommended the grant for regularization.

Sl	Name of Ministry/Division/ Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		137- Development Expenditure of Kashmir Affairs & Northern Areas & States & Frontier Region Division (OTC)	2,532,374,000	--	2,532,374,000	2,828,677,859	296,303,859	The Committee recommended the grant for regularization.
11	M/o States & Frontier Region 02-09-2015	78- States & Frontier Region Division (OTC)	153,520,000	5,901,000	159,421,000	180,903,725	21,482,725	The Committee recommended the grant for regularization.
		79- Frontier Region (OTC)	1,030,008,000	12,014,000	1,042,022,000	1,219,060,783	177,038,783	The Committee recommended the grant for regularization.
12	FATA Secretariat 13-01-2016	138- Development Expenditure of Federally Administrative Tribal Area (OTC)	3,006,540,000	1,091,468,000	4,098,008,000	4,545,184,324	447,176,324	The Committee recommended the grant for regularization.
13	M/o National Health Services, Regulations and Coordination 13-01-2016	55- Health Division (OTC)	103,922,000	4,000,000	107,922,000	109,745,608	1,823,608	The Committee recommended the grant for regularization.

Sl	Name of Ministry/Division/ Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
14	M/o National Food Security & Research 30-09-2015	131 - Development Expenditure of Food, Agriculture & Livestock Division (OTC)	1,194,742,000	12,792,000	1,207,534,000	1,433,948,735	226,414,735	The Committee recommended the grant for regularization.
15	National Accountability Bureau 01-09-2015	10- National Accountability Bureau (OTC)	409,290,000	205,483,000	614,773,000	619,663,571	4,890,571	The Committee recommended the grant for regularization.
16	M/o Petroleum & Natural Resources 27-02-2014	97- Other Expenditure of Petroleum and Natural Resources Division (OTC)	255,822,000	--	255,822,000	317,379,919	61,557,919	The Committee recommended the grant for regularization.
	04-02-2015	143- Development Expenditure of Petroleum and Natural Resources Division (OTC)	101,300,000	2,305,448,000	2,406,748,000	3,211,958,000	805,210,000	The Committee recommended the grant for regularization.
17	Pakistan Atomic Energy Commission 09-07-2015	149 - Capital Outlay on Development of Atomic Energy (OTC)	574,961,000	35,000,000	609,961,000	3,332,761,000	2,722,800,000	The Committee recommended the grant for regularization.
18	Revenue Division (FBR) 26-07-2011	43- Revenue Division(OTC)	46,001,000	--	46,001,000	48,434,523	2,433,523	The Committee recommended the grant for regularization.

Sl	Name of Ministry/Division/ Department and Date of Meeting	Grant No.& Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess	PAC Recommendations
	1	2	3	4	5	6	7	8
		46- Land Custom and Central Excise (OTC)	733,739,000	105,300,000	839,039,000	953,439,948	114,400,948	The Committee recommended the grant for regularization.
		47- Sale Tax (OTC)	415,088,000	10,398,000	425,486,000	500,863,313	75,377,313	The Committee recommended the grant for regularization.
		48- Taxes on Income and Corporation Tax (OTC)	1,242,283,000	20,126,000	1,262,409,000	1,319,705,729	57,296,729	The Committee recommended the grant for regularization.
		130- Development Expenditure of Revenue Division (OTC)	175,000,000	--	175,000,000	175,272,634	272,634	The Committee recommended the grant for regularization.
19	M/o Water & Power 04-01-2015	108- Water & Power Division(OTC)	96,309,000	15,111,000	111,420,000	117,227,315	5,807,315	The Committee recommended the grant for regularization.
20	M/o Women Development, Social Welfare & Special Education (now under M/o Law, Justice and Human Rights 02-09-2015	109- Women Development, Social Welfare & Special Education Division	3,152,086,000	500,001,000	3,652,087,000	3,652,763,246	676,246	The Committee recommended the grant for regularization.

REPORTS

AVIATION DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Aviation Division was examined by the PAC on 3rd July and 28th October, 2015.

- 01 grant and 52 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 01 grant and 42 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions

AVIATION DIVISION

ACTIONABLE POINTS

Actionable Points arising out of the discussion during meeting of PAC held on 3rd July, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of Aviation Division are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I, 2003-04

1. GRANT NO. 23-MET EOROLOGY

AGPR pointed out that the grant closed with an excess of Rs. 229,226 which worked out to 0.12% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-2004

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

2. PARA-22, PAGE-42(ARPSE-2003-04) NON-OBSERVANCE OF LAID DOWN PROCEDURE FOR REVISION OF PAY STRUCTURE

Audit pointed out that for review/revision of salaries/allowances of Public Sector, Corporations/ Autonomous/Semi-Autonomous Organizations, Government has devised a system to be carried out by the respective Board of Directors/Governors keeping in view the financial position of the respective organizations. However, to ensure a rational basis and a degree of uniformity in such revision, the recommendations of the Board of Directors are to be examined by a Standing Committee constituted in the Finance Division. After the approval of the recommendations of the Standing Committee by the competent authority, increase in salary/allowances is to be announced by the respective Corporations/Organizations. However, Pakistan International Airlines Corporation approved revision of pay scales/ allowances in respect of officers and staff in January, 2003 without observing the laid down procedure.

PAO informed that PIA is a Commercial Organization and has others competitors within and outside Pakistan. In order to attract and engage highly skilled professionals, PIA needs to offer and revise remunerations packages commensuration to the qualification/experience/performance of the individual concerned. He further added that it would be unnecessary to process the case for revision of salary and allowances through the

Government Standing Committee, because in PIAC Board of Directors out of 11 Directors, 8 are nominated by the Federal Government and the salary increase of Rs.1,200 million per annum was implemented after the approval from the Board of Directors of PIAC in accordance with the PIAC Act 1956. He stressed that as per PIAC Act, 1956, PIA is fully authorized to revise the salaries/allowances of its staff. The PAO requested the Committee to allow the other cases of same nature may also be forwarded to M/o Finance for ex-post facto approval.

PAC DIRECTIVE

The Committee directed the PAO to get the ex-post facto approval from the competent Authority / M/o Finance and settled the para subject to verification of record by the Audit.

3. PARA-23, PAGE-42(ARPSE-2003-04)
NON-RECOVERY OF RS. 559.256 MILLION FROM VARIOUS PARTIES

Audit pointed out that as per credit control policy of Pakistan International Airlines Corporation (PIAC) the credit period is up to 30 days. The authority extending credit is also responsible for timely recovery. It was however, observed that an amount of Rs.671.008 million was outstanding against various parties as on December 31, 2002.

PAO informed the Committee that ninety six percent of the total balance amount has been recovered and efforts are being made for the remaining amount.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

4. PARA-25, PAGE-43(ARPSE-2003-04)
NON-RECOVERY OF RS. 57.216 MILLION FROM CERTAIN NON-IATA AIRLINES

Audit pointed out that Pakistan International Airlines Corporation (PIAC) did not recover an amount of Rs.116.657 million from certain non-IATA Airlines as on December 31, 2001 (Annex-IV). The outstanding amount pertained to the period from 1988 to 2001.

PAO informed that an amount of Rs.57.216 million was recoverable from the airlines specifically Rs.41.048 million from non-active airlines, the chances of recoveries of which were remote. He told that an amount of Rs. 1,869,675 of Libyan Airline was adjusted against payable invoices and an amount of Rs. 5,991,106.80 outstanding against Tajik Airline has been written off and the amount against inactive Airlines is going to be written off.

PAC DIRECTIVE

The Committee directed the PAO to pursue the recovery of outstanding amount and take up the matter of recovery with the concerned Government to whom the defaulted Airlines relate through M/o Foreign Affairs.

5. PARA-26, PAGE-44(ARPSE-2003-04)
IRREGULAR PURCHASE OF VEHICLES VALUING RS. 9.626 MILLION

Audit pointed out that Pakistan International Airlines Corporation (PIAC) acquired fourteen new vehicles (Eight Suzuki Baleno each for Rs.619,000 and six Toyota Corolla each for Rs.779,000) through Askari Leasing Company to be paid in 60 equal monthly installments during 1997 to 1999 despite of ban imposed by the Government of Pakistan.

The PAO informed that as per instruction of Ministry, ex-post facto approval of the Board of Directors was obtained and case was subsequently forwarded to Ministry of Defense for regularization. Case is still pending with Ministry of Defense for regularization.

PAC DIRECTIVE

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

6. PARA-27, PAGE-45(ARPSE-2003-04)
LOSS OF RS. 4.430 MILLION DUE TO UN-LAWFUL PAYMENT TO CONSULTANT

Audit pointed out that Pakistan International Airlines Corporation (PIAC) management appointed a consultant in Flight Kitchen in November, 2002, at a package of salaries and allowances @ Rs.180,000 P.M. salary net (income tax to be paid by PIA), Rs.25,000 P.M. as House Rent, Rs.35,000 P.M. Conveyance Charges, Rs.2,000 P.M. Mobile Phone expenses and all facilities equivalent to G.M and Rs.150,000 P.M. for payment of two chefs with facilities of Group-VI Officers. In this regard a consultancy agreement was signed on November 14, 2002 between the consultant and PIAC wherein it was agreed that consultant would develop the systems for making improvements in production areas of Flight Kitchens and catering uplift facilities. The appointment of the consultant was held irregular as the same was made without proper advertisement in the press in order to invite more than one person for better services at cheaper rate. Audit also told that PIA Flight Kitchen, despite the fact that a G.M. & four managers with a large number of skilled and experienced officers/staff have been working effectively since long, hired the services of a consultant. Thus, the service of a consultant in presence of experienced and skilled staff was un-necessary and burden on the shoulders of the PIAC.

The PAO informed that Mr. Toquir Ahmed was appointed as consultant to PIA Flight Kitchen through an agreement signed by both the parties as per terms and conditions stipulated therein. A copy of the agreement has already been provided to Director Commercial Audit, PIAC Head Office. As he was not appointed as a PIA Employee under the term of PIAC employment rules, therefore issuance of appointment letter was not required in this case. Upon expiry of the above agreement Mr. Toquir has been released from PIA Food Services Division w.e.f. 11-11-2003. He further added that Mr. Toquir Ahmed was hired as consultant to PIA Flight Kitchen as per Management approval. The contractual clause relating to hiring of 02 Chefs at a monthly salary of Rs.150,000 per month (net), only stipulates induction of required kitchen expertise, to assist the consultant in bringing about overall improvement in the quality of meals and the subject payment was made directly to the two Chefs in accordance with PIA rules. He told that his performance was satisfactory but the procedure adopted for his appointment was not correct so the irregularity was condoned by the Board of Directors.

PAC DIRECTIVE

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

7. PARA-28, PAGE-46(ARPSE-2003-04)
UNDUE FAVOUR EXTENDED TO THE DEFAULTING AGENT RESULTING IN LOSS OF RS. 4.29 MILLION

Audit pointed out that Pakistan International Airlines Corporation's District Manager Lahore Office issued tickets worth Rs.5.730 million against bank guarantee of Rs.500,000 to M/s Atlanta Enterprises (Pvt.) Limited during November and December 1998. Audit was of the view that why did PIAC allow the agent to issue tickets above the amount of his bank guarantee and hence make PIAC vulnerable to loss.

PAO informed that Accuser was an IATA agent as such selling the ticket stock of various Airline and was defaulted in December 1998 and total defaulted amount was Rs.4,289,718. After the default, an FIR was lodged by the then Finance Manager for criminal proceedings against the accused agent for nonpayment to PIA. As a result of coordination of the Management with FIA authorities, they exonerated three officials of PIA and the case was registered against the owner of M/s. Atlanta Enterprises. He further apprised the Committee that the said , officials have been retired and displeasure has been issued to them. He told that later on complaint was filed with National Accountability Bureau, which has its own priority to deal with such cases. The NAB has made liaison with District Manager Lahore in recent past for obtaining certain information about PIA employees in pending criminal case lodged against the agent for considering the matter in its entire perspective.

The Audit objected that letters of displeasure were issued to employees without conducting an inquiry.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount from the pension/pay of the officers/officials those responsible for issuance of air tickets over and above the Bank guarantee provided by the Agent within thirty days.

CIVIL AVIATION AUTHORITY

8. PARA-4.1, PAGE-69(AR-2003-04)
ENCROACHMENT OF CIVIL AVIATION AUTHORITY'S LAND WORTH RS. 1,336.853 MILLION

Audit pointed out that as per General Manager Estate Civil Aviation Authority letter No. HQCAA/2886/7/Estate dated 27.02.2004, land measuring 149.46 acres and 389,559 sft at various airports was encroached by various Government Departments and private persons up to March, 2003. Due to negligence of Civil Aviation in removing the encroachment, loss of Rs.1, 336.853 million was sustained by the Authority.

The PAO informed that the title and possession is with Civil Aviation Authority and it could be verified. He told that the dispute is with the six persons/parties. They are claiming that their land is under the occupation of CAA and in some cases CAA is pursuing for outstanding dues from different parties as they used the land of CAA and did not clear the dues. He apprised the Committee that agreement between the CAA and the Airport Security Force (ASF) for the use of land of Airports is underway and it will be finalized soon. In the response of a query raised by the Committee, he told it will be binding that the land allowed to use by the ASF will be used only for operational purpose and no commercial activity will be allowed. He further told that the land at Ormara Airport was handed over to Pak Navy on care and maintenance basis keeping the title of the entire Airport land with CAA through a MoU between Pak Navy and CAA which will be provided to Audit for verification.

PAC DIRECTIVE

The Committee constituted a two members fact finding Committee comprising of one member from PAC Secretariat and one from Audit Department. The Committee will verify the fact whether the possession of land pointed out by the Audit at Jinnah International Airport, Karachi is with the CAA as stated by the PAO before the Committee or it is under possession of Encroachers and submit its report within thirty days.

9. **PARA-4.2, PAGE-69&70 (AR-2003-04)**
NON-REALIZATION OF COMPENSATION FOR CAA LAND WORTH RS.617 MILLION

Audit pointed out that according to the decision of Civil Aviation Authority Board in its 94th meeting, the Civil Aviation Authority land of 4.25 acres at Shahra-e-Faisal was handed over to KDA, free of cost and in lieu Civil Aviation Authority was to acquire land from Provincial Government at Hyderabad Airport free of cost. Civil Aviation Authority could not acquire the land at Hyderabad Airport in pursuance of decision of Civil Aviation Authority Board. Non-implementation of decision resulted in loss of Rs.617 million.

PAO informed that the matter is being pursued vigorously by the CAA with the office of Chief Minister, Chief Secretary Sindh and Board of Revenue Sindh. He further added that to finalize the case for transfer of land and determination of actual area in possession of CAA at Hyderabad date of demarcation was fixed on 23-06-2015 by the office of Director Survey and Settlement which could not be materialized. However the matter is under serious consideration by the CAA high ups.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally and coordinate with Sindh Government and the issue should be resolved within ninety days.

10. PARA-4.3, PAGE-70 (AR-2003-04)
NON-RECOVERY OF RS.139.148 MILLION ON ACCOUNT OF OPERATIONAL DUES

Audit pointed out that item No. VII of HQCAA/1000/DGS Directive No. 02/96 states; "the recovery of outstanding dues of aeronautical charges will be the responsibility of Commercial Branch, however Director Air Transport will provide necessary assistance to recover these dues." Civil Aviation Authority could not recover outstanding dues on account of landing and housing charges, route navigation charges, foreign travel tax, embarkation fee and power supply charges from various Airlines for the period 2002-03. Non-observance of rules resulted in non-recovery of Rs.199.676 million.

PAO informed that matter of recovery of CAA and US Air Force has already been taken up with concerned authorities and efforts will be made to take up the matter at diplomatic level.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the recovery vigorously from the PIAC and US Air Force.

11. PARA-4.6, PAGE-72&73 (AR-2003-04)
EXTRA EXPENDITURE OF RS. 18.128 MILLION DUE TO AWARD OF WORK AT HIGHER RATES

Audit pointed out that Civil Aviation Authority (Director Jinnah International Airport Karachi) signed a Memorandum of understanding with National Logistic Cell for one year(w.e.f 4th January, 2001 to 31stMarch, 2002) which was further extended w.e.f 1st April, 2002 to 31st March, 2003 without open bidding for procurement of water @ Rs. 0.34 per gallon (Rs.2006/6000 gallons) while at the same time water was being procured from another contractor @Re.0.18 per gallon (Rs.441/2400). Non-observance of Civil Aviation Authorities regulations and award of contract at higher rates resulted in extra expenditure of Rs.18.128 million to the Authority from July 2002 to June 2003. Audit added that this was done without approval of concerned DG Civil Aviation Authority which was also a violation of rules.

PAO informed that the rate of M/s NLC was on higher side as compared to the rate of private water supplier due to the reason of prompt supply of water during poor law and order situation in the city as well as during VVIP movement and breakdown of power/water supply at the other sources of (Hydrant).

PAC DIRECTIVE

The Committee settled the para with displeasure and directed to avoid such violations in future and this should not be set as precedent.

12. PARA-4.7, PAGE-73(AR-2003-04)
NON-RECOVERY OF SPACE CHARGES AMOUNTING TO RS.14,900 MILLION

Audit pointed out that as per letter No. QIAP/3452/89 May, 2002, the temporary use of land of Civil Aviation Authority for stacking of material and for camp office of contractor was to be charged @Rs. 2.20 and Rs.8 per sft respectively with effect from 18th June, 2001. Civil Aviation Authorities (Director Commercial and Estates), gave CAA's land measuring 232,650 sft to a private contractor(M/s Sadullah Khan & Brothers) for stacking of material and 45,587 sft for camp office, but could not recover charges at prescribed rates. Non-implementation of instructions resulted in non-recovery of Rs.14,900 million.

PAO informed that the facility of stacking material was allowed to City District Government, Karachi temporarily for a limited period for a public work.

PAC DIRECTIVE

The Committee settled the para.

13. i. **PARA-21, PAGE-39(ARPSE-2003-04)**

ii. **PARA-21.1, PAGE-39(ARPSE-2003-04)**

iii. **PARA-21.2, PAGE-40(ARPSE-2003-04)**

iv. **PARA-21.3, PAGE-40(ARPSE-2003-04)**

v. **PARA-21.4, PAGE-40(ARPSE-2003-04)**

vi. **PARA-21.6, PAGE-41(ARPSE-2003-04)**

vii. **PARA-21.7, PAGE-41(ARPSE-2003-04)**

viii. **PARA-21.8(ARPSE-2003-04)**

ix. **PARA-21.9, PAGE-41(ARPSE-2003-04)**

x. **PARA-24, PAGE-43(ARPSE-2003-04)**
LOSS OF RS.94.200 MILLION ON GROUNDING OF AIRCRAFT

PARA-21.9, PAGE-41(ARPSE-2003-04)

xi. **PARA-29, PAGE-46(ARPSE-2003-04)**
IRREGULAR PAYMENT OF RS.1.452 MILLION DUE TO OVERSTAY OF ADMINISTRATIVE OFFICER AFTER THE AGE OF SUPERANNUATION

xii. **PARA-30, PAGE-48(ARPSE-2003-04)**

xiii. **PARA-30.1, PAGE-48(ARPSE-2003-04)**

xiv. **PARA-30.2, PAGE-48(ARPSE-2003-04)**

xv. **PARA-31, PAGE-50(ARPSE-2003-04)**

xvi. **PARA-31.1, PAGE-50(ARPSE-2003-04)**

xvii. **PARA-3, PAGE-51(ARPSE-2003-04)**

xviii. **PARA-32.1, PAGE-51(ARPSE-2003-04)**

xix. **PARA-32.2, PAGE-51(ARPSE-2003-04)**

xx. **PARA-33, PAGE-52(ARPSE-2003-04)**

xxi. **PARA-33.1, PAGE-52(ARPSE-2003-04)**

xxii. **PARA-33.2, PAGE-52(ARPSE-2003-04)**

xxiii. **PARA-33.3, PAGE-53(ARPSE-2003-04)**

xxiv. **PARA-33.4, PAGE-53(ARPSE-2003-04)**

xxv. **PARA-4.8, PAGE-73-74 (AR 2003-04)**
NON-RECOVERY OF EMBARKATION FEE OF RS.6.990 MILLION

xxvi. **PARA-4.9 (PAGE-74) AR 2003-04**
UN-JUSTIFIED PAYMENT OF RS.2.125 MILLION ON ACCOUNT OF DONATION PAID TO AIRPORT SECURITY FORCE

xxvii. **PARA-4.10 (PAGE-74-75) AR 2003-04**
IRREGULAR RELOCATION OF FLORAL SHOP CAUSED LOSS OF RS.1.620 MILLION

xxviii. **PARA-4.11 (PAGE-75-76) AR 2003-04**
OVERPAYMENT OF RS.599,000 DUE TO WRONG FIXATION OF PAY AND ADDITIONAL CHARGE PAY

xxix. **PARA-4.12 (PAGE-76) AR 2003-04**
IRREGULAR EXPENDITURE OF RS.193,900 DUE TO CHANGE IN SPECIFICATION

xxx. **PARA-4.13 (PAGE-77) AR 2003-04**
NON-FORFEITURE OF PERFORMANCE SECURITY OF RS.175,000

xxxi. **PARA-5.1 (PAGE-83) AR 2003-04**
NON-UTLIZATION OF METERIAL VALUING RS.205.501 MILLION RESULTED INTO BLOCKADE OF MONEY

xxxii. **PARA-5.2 (PAGE-84) AR 2003-04**
IRREGULAR BOOKING OF EXPENDIURE WORTH RS.24.950 MILLION

xxxiii. **PARA-5.3 (PAGE-84-85) AR 2003-04**
IRREGULAR PURCHASES OF RS.966,000 DUE TO NON-OBSERVANCE OF PROCEDURE OF PROCUREMENT

xxxiv. **PARA-5.4 (PAGE-85) AR 2003-04**
IRREGULAR PAYMENT OF RS.877,450 ON ACCOUNT OF PURCHASE OF FLOOR CLEANING MACHINE WITH LESS NUMBER OF ACCESSORIES

xxxv. **PARA-5.5 (PAGE-85-86) AR 2003-04**
IRREGULAR BOOKING OF EXPENDIURE WORTH RS.24.950 MILLION

xxxvi. **PARA-5.6 (PAGE-86) AR 2003-04**
BELOW SPECIFICATION PROCUREMENT OF TALLY PRINTER ROLLS AMOUNTING TO RS.198,000

xxxvii. **PARA-5.7 (PAGE-87) AR 2003-04**
DELETION OF CONTRACT ITEMS INVOLVING RS.195,045

xxxviii. **PARA-5.8 (PAGE-87-88) AR 2003-04**
NON-OBSERVANCE OF POLICY REGARDING EXCHANGE RATE WITH PAKISTAN INTERNATIONAL AIRLINE CORPORATION (PIAC)

PAC DIRECTIVE

The Committee settled the above thirty nine paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable Points arising out of the discussion during meeting of PAC held on 28th October, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of Aviation Division are given below:-

AUDIT REPORT FOR THE YEAR 2003-04
CIVIL AVIATION AUTHORITY

1. PARA-4.1, PAGE-69(AR-2003-04)
ENCROACHMENT OF CIVIL AVIATION AUTHORITY'S LAND WORTH RS.1,336.853 MILLION

Audit pointed out that as per General Manager Estate Civil Aviation Authority letter No. HQCAA/2886/7/Estate dated 27.02.2004, land measuring 149.46 acres and 389,559 sft at various airports was encroached by various Government Departments and private persons up to March 2003. Due to negligence of Civil Aviation in removing the encroachment, loss of Rs.1, 336.853 million was sustained by the Authority.

Additional Secretary PAC explained the Committee about the recommendations of the Facts Finding Committee (comprising one member from PAC Secretariat and one from Audit Department) which was constituted on 3rd July, 2015 to examine the issue of encroachment of CAA land at Jinnah Airport Karachi. He told that the large area of CAA land is being used by ASF and PIA at Jinnah International Airport Karachi without any proper permission/lease agreement. He recommended that the said land may be allowed to use by the ASF and PIA after a proper allotment as per CAA Land Lease Policy.

The PAO informed that the CAA is making agreements/MoUs for leasing of land with ASF and PIA.

PAC DIRECTIVE

The Committee settled the para subject to verification of agreements/MOUs with the ASF and PIA by the Audit.

2. PARA-4.2, PAGE-69&70(AR-2003-04)
NON-REALIZATION OF COMPENSATION FOR CAA LAND WORTH RS. 617 MILLION

Audit pointed out that according to the decision of Civil Aviation Authority Board in its 94th meeting, the Civil Aviation Authority land of 4.25 acres at Shahra-e-Faisal was handed over to KDA, free of cost and in lieu Civil Aviation Authority was to acquire land from Provincial Government at Hyderabad Airport free of cost. Civil Aviation Authority could not acquire the land at Hyderabad Airport in

pursuance of decision of Civil Aviation Authority Board. Non-implementation of decision resulted in loss of Rs.617 million.

The PAO informed that the matter is being pursued vigorously by the CAA with the office of Chief Minister, Chief Secretary Sindh and Board of Revenue Sindh. He further added that to final the case for transfer of land and determination of actual area in possession of CAA at Hyderabad is under finalization. Demarcation fee has been deposited and the matter of mutation of land at Hyderabad Airport will be finalized soon.

PAC DIRECTIVE

The Committee settled the para subject to verification of records of transfer of land by the Audit.

3. PARA-4.3, PAGE-70(ARPSE-2003-04)
NON-RECOVERY OF RS. 139.148 MILLION ON ACCOUNT OF OPERATIONAL DUES

Audit pointed out that item No. VII of HQCAA/1000/DGS Directive No. 02/96 states; "the recovery of outstanding dues of aeronautical charges will be the responsibility of Commercial Branch, however Director Air Transport will provide necessary assistance to recover these dues." Civil Aviation Authority could not recover outstanding dues on account of landing and housing charges, route navigation charges, foreign travel tax, embarkation fee and power supply charges from various Airlines for the period 2002-03. Non-observance of rules resulted in non-recovery of Rs.199.676 million.

PAO informed the Committee that matter of recovery of CAA from US Air Force has already been taken up with concerned authorities and efforts will also be made to take up the matter at diplomatic level.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the recovery from the US Air Force with strong efforts.

4. PARA-4.4, PAGE-70&71(AR-2003-04)
NON-RECOVERY OF LEASE MONEY OF RS. 61.811 MILLION

Audit pointed out that Lease Deed Clause 3b(iii) reads as; "1st installment of premium shall be paid at the time of award/signing of lease, second installment on the expiry of the construction period i.e. after two years and third installment six months after the second installment". Audit pointed out that Civil Aviation Authority handed over its land measuring 25.8 acres to PIAC through Director Allama Iqbal International Airport Lahore on lease for 30 years w.e.f. 28th April

2003. The Authority could not recover 1st installment of the premium of Rs.56.192 million and the amount of rent Rs.5.619 million. Non-observance of procedure resulted in non-recovery of Rs.61.81 million.

Audit further stated that the outstanding dues have been recovered and will be verified by the Audit.

PAC DIRECTIVE

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

5. PARA-4.5, PAGE-71&72(AR-2003-04)
NON-RECOVERY OF LEASE RENT AMOUNTING TO RS.31.247 MILLION AND INTEREST OF RS.8.349 MILLION THEREON

Audit pointed out that according to Para-2 (b) of Lease Deed Clause approved by Ministry of Finance and Law & Justice Division as conveyed by the Ministry of Defence, dated 16th January, 1991, during the next ten years the annual rent at the rate 1/30th of market value of the leased land as on the date coinciding with the end of the first ten years of the term of lease. Audit pointed that Civil Aviation Authority granted lease to M/s Shaheen Airport Services @ Rs.6.25 million per annum for the period of 10 years commencing from 29th January 1999. But the lessee did not pay the lease rent for the period February, 1999 to 2004. This resulted in non-recovery of Rs.31.247 million of rent and Rs.8.349 million of interest @ 8%.

Audit also stated that the outstanding dues have been recovered and will be verified by the Audit.

PAC DIRECTIVE

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

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04
PAKISTAN INTERNATIONAL AIRLINES CORPORATION

6. PARA-22, PAGE-42(ARPSE-2003-04)
NON-OBSERVANCE OF LAID DOWN PROCEDURE FOR REVISION OF PAY STRUCTURE

Audit pointed out that for review/revise salaries/allowances of Public Sector, Corporations/ Autonomous/Semi-Autonomous Organizations, Government has devised a system regarding revision of salaries to be carried out by the respective Board of Directors/Governors keeping in view the financial position of the respective organizations. However, to ensure a rational basis and a degree of uniformity in such revision, the recommendations of the Board of Directors are to be examined by a Standing Committee constituted in the Finance Division. After

the approval of the recommendations of Standing Committee by the competent authority, increase in salary/allowances is to be announced by the respective Corporations/Organizations. However, Pakistan International Airlines Corporation approved revision of pay scales/ allowances in respect of officers and staff in January, 2003 without observing the laid down procedure.

PAO informed that as per direction of the PAC the case of post forwarded to Finance Division. The discussion of the Finance Division is still awaited ex-post facto approval.

PAC DIRECTIVE

The Committee directed the PAO to get the ex-post facto approval from the M/o Finance and settled the para subject to verification of record by the Audit.

7. PARA-23, PAGE-42(ARPSE-2003-04)
NON-RECOVERY OF RS. 559.256 MILLION FROM VARIOUS PARTIES

Audit pointed out that as per credit control policy of Pakistan International Airlines Corporation (PIAC) the credit period is up to 30 days. The authority extending credit is also responsible for timely recovery. It was however, observed that an amount of Rs.671.008 million was outstanding against various parties as on December 31, 2002.

PAO informed the Committee that ninety eight percent (98%) of the total balance amount has been recovered and efforts are being made for the remaining outstanding amount.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

8. PARA-25, PAGE-43(ARPSE-2003-04)
NON-RECOVERY OF RS. 57.216 MILLION FROM CERTAIN NON-IATA AIRLINES

Audit pointed out that Pakistan International Airlines Corporation (PIAC) did not recover an amount of Rs.116.657 million from certain non-IATA Airlines as on December 31, 2001 (Annex-IV). The outstanding amount pertained to the period from 1988 to 2001.

PAO informed that efforts are being made to recover the outstanding amount of $ 193,000 through M/o Finance and through diplomatic way. The recovery seems difficult due non operation of flights of defaulter countries. Efforts will be made to recover the outstanding amount of $ 100,065 or 165.000 against Turkmenistan.

PAC DIRECTIVE

The Committee directed the PAO to pursue the recovery of outstanding amount from Turkmenistan and the amount of recovery from the rest be written off, if the authority feel that the recovery cannot be made.

9. PARA-26, PAGE-44(ARPSE-2003-04)
IRREGULAR PURCHASE OF VEHICLES VALUING RS.9.626 MILLION

Audit pointed out that Pakistan International Airlines Corporation (PIAC) acquired fourteen new vehicles (Eight Suzuki Baleno each for Rs.619,000 and six Toyota Corolla each for Rs.779,000) through Askari Leasing Company to be paid in 60 equal monthly installments during 1997 to 1999 despite of ban imposed by the Government of Pakistan.

The PAO informed that as per instruction of DAC, ex-post facto approval of the Board of Directors was obtained and case was subsequently forwarded to Ministry of Defense for regularization. Case is still pending with Ministry of Defense for regularization.

PAC DIRECTIVE

The Committee directed the PAO to refer the para to the competent forum for approval/regularization.

10. PARA-27, PAGE-45(ARPSE-2003-04)
LOSS OF RS. 4.430 MILLION DUE TO UN-LAWFUL PAYMENT TO CONSULTANT

Audit pointed out that Pakistan International Airlines Corporation (PIAC) management appointed a consultant in Flight Kitchen in November, 2002, at a package of salaries and allowances @ Rs.180,000 P.M. salary net (income tax to be paid by PIA), Rs.25,000 P.M. as House Rent, Rs.35,000 P.M. Conveyance Charges, Rs.2,000 P.M. Mobile Phone expenses and all facilities equivalent to G.M and Rs.150,000 P.M. for payment of two chefs with facilities of Group-VI Officers. In this regard a consultancy agreement was signed on November 14, 2002 between the consultant and PIAC wherein it was agreed that consultant would develop the systems for making improvements in production areas of Flight Kitchens and catering uplift facilities. The appointment of the consultant was held irregular as the same was made without proper advertisement in the press in order to invite more than one person for better services at cheaper rate. Audit also told that PIA Flight Kitchen, despite the fact that a G.M. & four managers with a large number of skilled and experienced officers/staff have been working effectively since long, hired the services of a consultant. Thus, the service of a consultant in presence of experienced and skilled staff was un-necessary and burden on the shoulders of the PIAC.

The PAO informed that Mr. Toquir Ahmed was appointed as consultant for PIA Flight Kitchen through an agreement signed by both the parties as per terms and conditions stipulated therein. The PAO requested for settlement of para because the performance of the consultant was satisfactory.

PAC DIRECTIVE

The Committee settled the para.

11. PARA-28, PAGE-46(ARPSE-2003-04)
UNDUE FAVOUR EXTENDED TO THE DEFAULTING AGENT RESULTING INLOSS OF RS. 4.29 MILLION

Audit pointed out that Pakistan International Airlines Corporation's District Manager Lahore Office issued tickets worth Rs.5.730 million against bank guarantee of Rs.500,000 to M/s Atlanta Enterprises (Pvt.) Limited during November and December, 1998. Audit was of the view that why did PIA Callow the agent to issue tickets above the amount of his bank guarantee and hence make PIAC vulnerable to loss.

PAO informed that an enquiry was conducted to fix the responsibility of issuance of air tickets over and above the bank guarantees. Three officials were held responsible for this irregularity. Out of which one named Mr. Naeem Nasir has died and two have been retired.

PAC DIRECTIVE

The Committee directed the PAO to get the amount written off from the Board of Directors and settle the para subject to verification of record by the Audit.

BOARD OF INVESTMENT

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Board of Investment was examined by the PAC on 13th January, 2016.

- 01 grant was presented by the Audit Department which was examined and settled by the Committee.

BOARD OF INVESTMENT

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th January, 2016 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Board of Investment are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2003-04

1. **GRANT NO. 101- BOARD OF INVESTMENT (SAVING OF RS. 2,820,129)**

The AGPR pointed out that the grant closed with a saving of Rs.2,820,129 which worked out to 3.94% of the total grant. An amount of Rs.1,706,000 (2.38%) was surrendered leaving net saving of Rs.1,114,129 (1.56%). A supplementary grant of Rs.1,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee settled the grant.

CABINET DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Cabinet Division was examined by the PAC on 5th May and 12th May, 2015 and 13th January 2016.

- 08 grants and 122 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 08 grants and 62 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 28th July, 2011, has also been made part of the report.

CABINET DIVISION

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the years 2003-04 pertaining to the Cabinet Division were taken up for examination by Special Committee-II of the PAC in the meetings held on July 28th, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS CIVIL VOL-I FOR THE YEAR 2003-04

1. GRANT NO. 1-CABINET
SAVING OF RS. 10,055,553

AGPR pointed out that the grant closed with a saving of Rs. 10,055,553 (17.37 % of the grant). An amount of Rs. 9,000,000 (15.55%) was surrendered leaving net saving to Rs. 1,055,553 (1.82%).

The PAO informed the Committee that the net saving occurred due to less than anticipated expenditure during the year.

PAC DIRECTIVE

The Committee observed that the entire saving should have been surrendered in time. The Committee regularized the grant.

2. GRANT NO. 2-CABINET DIVISION
SAVING OF RS. 23,629,338

AGPR pointed out that the grant closed with a saving of Rs. 23,629,338 (0.99 % of the grant). An amount of Rs. 14,364,966 (0.60%) was surrendered leaving net saving to Rs. 9,264,372 (0.39%).

The PAO informed the Committee that the reconciliation of funds could not be done within the department.

PAC DIRECTIVE

The Committee observed that reconciliation of accounts should have been done amongst the spending units in time. The Committee regularized the grant.

3. GRANT NO. 3-EMERGENCY RELIEF AND REPATRIATION
SAVING OF RS. 3,544,135

AGPR pointed out that the grant closed with a saving of Rs. 3,544,135 (0.91 % of the grant).

The DAG pointed out that in Rate Running Contract custom duty is included which was not done in this case.

The PAO explained the Committee that due to certain reasons the supplier failed to supply the engine by 30th of June 2004 and the custom duty could not be paid hence this saving occurred.

PAC DIRECTIVE

The Committee directed the Ministry to include custom duty in RRC in future and regularized the grant.

4. GRANT NO. 4-LAND REFORMS
SAVING OF RS. 216,959

AGPR pointed out that the grant closed with a saving of Rs. 216,959 (1.48 % of the grant). An amount of Rs. 180,286 (1.23%) was surrendered leaving net saving to Rs. 36,673 (0.25%).

The PAO informed the Committee that the saving is nominal.

PAC DIRECTIVE

The Committee observed that even minor saving should be surrendered in time. The Committee regularized the grant.

5. GRANT NO. 05-OTHER EXPENDITURE OF CABINET DIVISION
SAVING OF RS. 8,989,695

AGPR pointed out that the grant closed with a saving of Rs. 8,989,695 (3.59 % of the grant).

The PAO explained that a new department AEDB had been set up and the allocated budget could not be fully spent due to various reasons.

PAC DIRECTIVE

The Committee observed that the saving should have been surrendered in time. The Committee regularized the grant.

6. GRANT NO. 13-STATIONARY & PRINTING
SAVING OF RS. 22,681,564

AGPR pointed out that the grant closed with a saving of Rs. 22,681,564 which worked out to 44.89 percent of the total grant. An amount of Rs. 22,687,969 (44.91%) was surrendered resulting into an excess to Rs. 6,405 (0.01%).

The PAO informed that the excess is nominal.

PAC DIRECTIVE

The Committee regularized the grant.

7. GRANT NO. 115-CAPITAL OUTLAY ON LAND REFORMS SAVING OF RS. 1,125,000

AGPR pointed out that the grant closed with a saving of Rs. 1,125,000 (75% of the grant). An amount of Rs. 968,934 (64.59%) was surrendered leaving net saving to Rs. 156,066 (10.40%).

The PAO explained that saving was due to the reason that the Chief Land Commission was not agreed to accept such a meager amount.

PAC DIRECTIVE

The Committee regularized the grant.

8. GRANT NO. 118 -DEVELOPMENT EXPENDITURE OF CABINET DIVISION SAVING OF RS. 5,542,000

AGPR pointed out that the grant closed with a saving of Rs. 5,542,000 (10.43 % of the grant). An amount of Rs. 5,541,000 (10.44%) was surrendered leaving net saving to Rs. 1,000.

The PAO explained that the saving is nominal.

PAC DIRECTIVE

The Committee regularized the grant

AUDIT REPORT FOR THE YEAR 2003-04 (FINANCIAL YEAR 2002-03)

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA)

9. i. PARA NO. 1.1 (PAGE NO.1) AUDIT REPORT 2003-04 LOSS OF RS. 48.63 MILLION DUE TO NON-IMPOSITION OF FINE IN LICENCES

ii. PARA 1.2 (PAGE 1-AR-2003-04) APPLICABILTY OF NEPRA ACT ON SHYDO

PAC DIRECTIVE

The Committee clubbed the above two Paras and directed the PAO to refer the case of fine as being mandatory or discretionary to the Law Division for interpretation after which a report in this regard shall be put up to the Committee within one month. On the assurance of Representative of NEPRA that it is being paid now and subject to receipt of positive decision of the Law Division The Committee settled the para subject to verification by Audit.

10. i. PARA 1.3 (PAGE 2-AR-2003-04)
NON-RECOVERY OF RS.1.40 MILLION ON ACCOUNT OF WITHHOLDING TAX

ii. PARA 1.4 (PAGE 3-AR-2003-04)
NON-REALIZATION OF LICENSE FEE AMOUNTING TO RS. 1.06 MILLION FROM GUJRANWALA ELECTRIC POWER COMPANY

PAC DIRECTIVE

The Committee settled the above two Paras subject to verification by Audit within 15 days.

11. PARA 1.5 (PAGE 3-AR-2003-04)
EXCESS PAYMENT OF RS. 449,000/- TO THE CHAIRMAN AND MEMBERS OF AUTHORITY ON ACCOUNT OF PAYMENT OF CERTAIN ALLOWANCES

Audit pointed out that Section 8 of the NEPRA Act, 1997 provides that remuneration etc. of the Chairman and members of the authority will be determined by the Federal Government. Standard terms and conditions of service of these posts were, therefore, issued by the Government and each of the appointees was offered these terms. Audit observed the appointees were paid Orderly Allowance, Senior Post Allowance and Qualification Pay on the basis of a clarification issued by the Finance Division although these elements were not part of the standard contract. The payment of these elements to those persons who were employed/ re-employed on contract was also irregular in terms of Finance Division O.M. No. F-5(A)R.3/96 dated 16 April 1996 as Orderly Allowance and Qualification Pay form part of pension.

It was replied that the allowances under reference are being paid to the Chairman and Members in accordance with the terms and conditions of their appointment and clarification issued by the Finance Division.

Audit was of the view that Finance Division confirmed the admissibility of these allowances for the posts and not for the persons who are retired Civil Servants in whose case provision of Finance Division O.M. Dated 16 April 1996 apply. Therefore, payment of Senior Post allowance, Orderly Allowance and Qualification Pay to retired Government Servants is not admissible.

Payment of Senior Post Allowance, Orderly Allowance and Qualification Pay once as a part of pension to retired Government servants who are already receiving these elements as part of pension is considered as irregular.

The PAO informed the Committee that in accordance with para 4 of Appendex-1 of terms & conditions of the Members "all the other privileges and rights of the Chairman/Members shall be determined by the rules for the time being applicable to an officer appointed by the President and holding the rank of Secretary to the Government of Pakistan". The admissibility of (a) Orderly Allowance, (b) Post Allowance, (c) Qualification Allowance and (d) Personal Allowance is confirmed as these are attached to the post and have not been subjected to any restriction at the time of the terms and conditions of the appointment of Members/Chairman by the competent authority.

PAC DIRECTIVE

The Committee settled the para subject to verification of letter of 2001 issued by Regulation-Wing of the Finance Division by Audit.

12. PARA 1.6 (PAGE 4-AR-2003-04)
RATIONALZATION OF FACILITES PROVIDED TO CHAIRMAN AND MEMBERS OF NEPRA

Audit pointed out that in terms of Section 8 of NEPRA Act 1997, remuneration etc. of the Chairman and Members of the Authority shall be determined by the Federal Government. Accordingly, Ministry of Water and Power issued standard terms and conditions regarding appointment of Chairman and members of NEPRA. According to Serial No.II of the standard terms and condition. Chairman and each member of the Authority is entitled to free furnished accommodation. However, neither specific details of furnishing items were got laid down from the Government nor a monetary limit was got fixed in this regard.

While checking it was observed that besides customary furnishing items like ACs, furniture, curtain, etc. household effects like TVs, refrigerators, blankets, towels, quilts, bed sheets, bed spreads and office equipment like computers, digital diaries and generators were also provided to the members at public expense which is not a legitimate charge on furnishing. It was also observed that Authority had itself approved a scale of Rs. 400,000/- for expenditure on furnishing per member per tenure of service instead of getting the amount approved from the Government. The management of NEPRA must get the ceiling of furnishing items approved from the Government specifying therein the admissible items as well. The expenditure already incurred may also be got regularized from the Government.

The PAO informed the Committee that the a summary regarding terms and conditions of service of Members/Chairman with respect of furnishing of

accommodation have been referred to the Prime Minister of Pakistan through Cabinet Division for approval.

PAC DIRECTIVE

The Committee remanded the above Para back to DAC for detailed calculations of recoverable amount and directed to submit a report to the Committee within one month.

13. PARA 1.7 (PAGE 5-AR-2003-04)
NON-PAYMENT OF TAX ON INCOME

Audit pointed out that NEPRA realized receipts worth Rs 161,572,054/ on account of generation, transmission and distribution of power from license holders during the period from 2000-01 to 2002-03. However, observed by audit that tax on income, after allowing legitimate expenditure, was required to be paid to the Government in term of section 18 (1) (e) of Income Tax Ordinance 2001 was not paid by NEPRA.

The PAO informed the Committee that the Income Tax Ordinance, 2001 regarding deduction of the tax form the Regularity Authorities is silent. A summary for seeking an exemption from income tax is being submitted for the approval of the Prime Minister of Pakistan.

PAC DIRECTIVE

The Committee remanded the above Para back to DAC for discussion on interpretation of payable tax before 2003 and whether other such organizations were paying tax in that period. The Committee desired to seek opinion of the Law Division if required and submit a report to the Committee within one month.

14. PARA 1.8 (PAGE 6-AR-2003-04)
NON-FRAMING OF RULES TO CARRYOUT THE PURPOSES OF NEPRA ACT, 1997

Audit pointed out that under Section 46 of NEPRA Act, 1997 the Authority was required, with the approval of the Federal Government, by Notification in the Official Gazette, to make rules to carry out the proposes of NEPRA Act, Audit, however, observed that in contravention of the provisions of Section 46 of NEPRA Act, 1997, the Authority had not framed rules relating to service matter like appointment and promotion of personnel, procurement, GP/ CP Fund etc. The following rules specifically mentioned in Section 46 of the Act had not been framed.

i) The procedure for seeking nominations of Members from the Provincial Governments.

ii) Procedure for inquiry and investigation into the affairs of an applicant for a license and for any contravention of any provision of this Act.

iii) The manner and procedure of show cause notices.

iv) Safe, effective and least environmentally harmful supply of electric power.

v) Performance and industrial standards for supply of electric power; and Standards for investment programmes or power acquisition programmes for distribution and transmission companies.

Non-framing of rules despite lapse of a period of more than six years is a violation of the provisions of NEPRA Act, 1997.

The PAO informed the Committee that the framing of rules under section 46 of the NEPRA Act is an enabling provision and not a mandatory one. Therefore to say that the authority at first place has been in contravention of such rule is incorrect, as the affairs of NEPRA are being managed in accordance with the provision of NEPRA Act and rules and regulations made there-under.

As regards the specific (documents) rules required to be made by NEPRA as per the above notes the reply is as under:

i) The procedure has already been sent to the Cabinet Division for approval of the Federal Government.

ii) Partly covered under NEPRA Licensing (Application & Modification) Regulations-1999.

iii) NEPRA wants to keep its procedures less cumbrance and run its affairs with least procedural requirements. Therefore, for the purpose of issuance of show-cause notices reliance is placed on section 39 of the NEPRA Act and related provision of General Clauses Act upholding principles of natural justice.

iv) Provisions of Electricity Act 1910 are applicable in the matter till the finalization of relevant safety codes, which is in the pipeline.

v) Performance standards (distribution) have been notified.

vi) Work on these rules is in progress.

PAC DIRECTIVE

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

15. PARA 1.9 (PAGE 7-AR-2003-04)
RATIONALIZATION OF FEE STRUCTURE BY NEPRA

Audit pointed out that National Electric Power Regulatory Authority (NEPRA) was established in 1997 through an Act of Parliament as autonomous organization for regulating the generation, transmission and distribution of electric power. The authority is meeting its financial needs through fees and fines levied on generation, transmission and distribution companies. For this purpose Fees and Fines Rules, 2002 were issued. Audit has observed that fee and fine structure is quite exorbitant and the authority has accumulated surplus of about Rs. 300.00 million by the close of the year 2003-04 which can meet the needs of the authority for the next four years. The incidence of these heavy levies on account of fees and fines is ultimately passed o by the concerned companies on to consumers. Audit holds that the fees and fines structure needs to be reviewed and rationalized.

The PAO informed the Committee that the ECC approved the fee and fines structure of the NEPRA after thorough examination of the NEPRA budget and future needs of the Authority. At present only 40% staff is available in NEPRA. NEPRA still need 60% specialized professional and sport staff for developing the operational guidelines, formats for licence, rules, regulations and standards and enable it to meet the expectations of the Govt. as well as the private investors in the restructured power sector environment. When the NEPRA strength will complete the expenditure will also increase.

The CDA, Islamabad has allotted plot for NEPRA office. The construction on the same will be started very soon. NEPRA savings will be utilized on the construction of office building as NEPRA is an Autonomous Body and it has its own source of funding through levy of fees on transmission, distribution and generation companies, no funding is expected from Government side.

PAC DIRECTIVE

The Committee directed to provide the entire fee structure with rationale to Audit and settled the Para. However, if Audit feels that there are certain points which need to be discussed in the Committee, the Para may be brought back for discussion.

AUDIT REPORT ON TELECOMMUNICTIONS SECTOR FOR THE YEAR 2003-04

PAKISTAN TELECOMMUNICATION AUTHORITY

16. i. PARA NO.4.3 PAGE NO.25-26- AR-2003-04 IRREGULAR PAYMENT ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS-RS.57.238 MILLION

ii. PARA NO.4.4 PAGE NO.25-26- AR-2003-04 IRREGULAR PAYMENT ON ACCOUNT OF HONORARIUM TO OFFICERS BPS-19 TO BPS-21 AND CONSULTANTS- RS.1.246 MILLION

PAC DIRECTIVE

The Committee observed that it is for the concerned PAO to take decision in light of the opinion of the Law Division. The Committee further observed that this matter must be brought to the notice of the Prime Minister for a policy decision which would then be considered by the main PAC. This remains pending till the final decision.

17. PARA NO.4.5 PAGE NO.27-28- AR-2003-04 NON-DEDUCTION ON ACCOUNT OF 5% NORMAL RENT RS.1.577 MILLION

PAC DIRECTIVE

The Committee directed the PAO to consider the para at DAC level and submit a report within one month.

PAKISTAN TELECOMMUNICATION AUTHORITY

18. i. AUDIT PARA # 4.1-PAGE-23-AR-2003-04 COMMENTS ON ACCOUNTS

ii. AUDIT PARA # 4.2.1-PAGE-23-AR-2003-04 COMMENTS ON ACCOUNTS

iii. AUDIT PARA # 4.2.2-PAGE-23-24-AR-2003-04 COMMENTS ON ACCOUNTS

iv. AUDIT PARA # 4.2.3-PAGE-24-AR-2003-04 COMMENTS ON ACCOUNTS

FREQUENCY ALLOCATION BOARD

v. **AUDIT PARA # 5.1-PAGE-28-AR-2003-04 COMMENTS ON ACCOUNTS**

vi. **AUDIT PARA # 5.2.1-PAGE-29-AR-2003-04 COMMENTS ON ACCOUNTS**

vii. **AUDIT PARA # 5.2.2-PAGE-29-AR-2003-04 COMMENTS ON ACCOUNTS**

viii. **AUDIT PARA # 5.3-PAGE-30-31-AR-2003-04 IRREGULAR PAYMENT ON ACCOUNT OF EXTRA ALLOWANCES AND PERQUISITES RS.8.563 MILLION**

PAC DIRECTIVE

The Committee settled the above eight paras.

ADUIT REPORT PUBLIC SECTOR ENTERPRISES VOLUME-X(S) FOR THE YEAR 2003-04

DEPUTY CONTROLLER, STATIONERY AND FORMS, KARACHI

19. i. **AUDIT PARA- 1-PAGE-5-ARPSE-2003-04**

ii. **AUDIT PARA-1.1-PAGE-5-ARPSE-2003-04**

FEDERAL PUBLICATION BRANCH, KARACHI

iii. **AUDIT PARA-2-PAGE-6-ARPSE-2003-04**

iv. **AUDIT PARA-2.1-PAGE-6-ARPSE-2003-04**

v. **AUDIT PARA-2.2-PAGE-6-ARPSE-2003-04**

PAC DIRECTIVE

The Committee settled the above five paras.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 5th May, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of Cabinet Division (including CDA) are given below:

1. PARA-1.2 (PAGE-1) AR 2003-04
APPLICABILITY OF NEPRA ACT ON SHYDO-Rs. 26.70 MILLION

Audit pointed out that according to the section 30 (1) and (2) of Regulation, Transmission and Distribution of Electric Power Act, 1997 Sarhad Hydal Development Organization (SHYDO) shall be deemed to licensee under this Act and shall, within 6 months of commencement of this act. Scrutiny of record showed that SHYDO had not applied for the license and is running its business since establishment of NEPRA to date and has rendered itself liable to pay fine for illegal business which was calculated the loss of Rs.26.70 million to NEPRA.

PAO informed that license had been granted to SHYDO and annual license fee has been received regularly from them since 2006-07 and onward. He informed that the record of fee collection has been provided to audit for verification.

PAC DIRECTIVE
The Committee settled the para subject to verification of record of fee collection by the Audit.

2. PARA-1.3, PAGE-2 (AR 2003-04)
NON-RECOVERY ON ACCOUNT OF WITHHOLDING TAX – Rs. 1.40 MILLION

Audit pointed out that NEPRA acquired office accommodation measuring 10,010 Sft. from Overseas Pakistanis Foundation on rental basis and paid a sum of Rs 21,356/- as rent for a period of 4 years and 6 months. According to Section 50 (7B) of Income Tax of Ordinance, 1979 as amended from time to time withholding tax @ 7.5% from 1st July, 2000 to 30th June, 2003 and @ 5% from 1st July, 2003 to 31st December, 2004 was required to be deducted from the payment made to OPF on account of rental charges and led to non-recovery of Rs 1,399,007. Similarly amount of income tax on rent paid to OPF also needs to be recovered from OPF and deposited into a Government account. Audit objection was that NEPRA did not recover a sum of Rs. 1.40 million from OPF.

PAO assured to provide documentary evidence of income tax returns to Audit for verification.

PAC DIRECTIVE

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

3. PARA-1.6 (PAGE-4) AR 2003-04
RATIONALIZATION OF FACILITIES PROVIDED TO CHAIRMAN AND MEMBERS OF NEPRA

Audit pointed out that in term of Section 8 of NEPRA Act, 1997, remuneration etc. of Chairman and members of the Authority shall be determined by the Federal Government. Accordingly, Ministry of Water and Power issued standard terms and conditions regarding appointment of Chairman and each member of the Authority to Serial No. II of the standard terms and conditions, Chairman and each member of the Authority is entitled to free furnished accommodation. However, neither specific details of furnishing items were got laid down from the Government nor a monetary limit was got fixed in this regard. While checking the record relating to purchase of furnishing items for members of the Authority, it was observed that besides customary furnishing items like ACs, furniture, curtains, etc. other households like TVs, bed sheets etc. and office equipment were also provided to the members at public expense. Audit further told that certain members of the authority incurred more than the prescribed limit of Rs 400,000 hence an expenditure of Rs. 384,699 in excess of their limit. Audit stressed that the irregular expenditure should be got regularized from the Government.

PAO assured that the over payment will be got regularized from the Ministry of Finance.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of regularization of overpayment by the Audit.

4. PARA-1.7 (PAGE-5) AR 2003-04
NON-PAYMENT OF TAX ON INCOME

Audit pointed out that NEPRA realized receipts amounting to Rs. 161,572,054 on account of fee on generation, transmission and distribution of power from license holders during the period 2000-01 to 2002-03. NEPRA did not pay the required tax on its income in violation of Section 18 (1) (e) of Income Tax Ordinance 2001.

The PAO informed that the income tax was deposited into government treasury and record will be provided to Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to provision of documentary evidence in support of their claim and its verification by the Audit.

5. PARA-1.8 (PAGE-6) AR 2003-04
NON-FRAMING OF RULES TO CARRY OUT THE PURPOSES OF NEPRA ACT, 1997

Audit pointed out that under section 46 of NEPRA Act, 1997 the Authority was required, with the approval of the Federal Government, by notification in the official Gazette, to make rules to carry out the following objectives:-

a. The procedure for seeking nomination of Members from the Provincial Governments.
b. Procedure for inquiry and investigation into the affairs of an applicant for a license and for any contravention of any provision of this Act.
c. The manner and procedure of show cause notices.
d. Safe, effective and least environmentally harmful supply of electric power.
e. Performance and industrial standards for supply of electric power; and
f. Standards for investment programmes or power acquisition programmes for distribution and transmission companies.

Non-framing of above mentioned rules is a violation of the provisions contained in NEPRA Act, 1997.

It was brought to the notice of PAC that the DAC in its meeting held on 30th April 2015 directed that the procedure for seeking nominations of members from the Provincial Governments and standards for investment program or power acquisition program for distribution and transmission companies and other rules may be got finalized with the approval of competent forum.

PAO agreed to frame the rules and to get them approved from competent forum as directed by the DAC.

PAC DIRECTIVE

The Committee directed to frame the required rules within three months. The Committee settled the para subject to verification of required documents (approved rules) by the Audit.

6. PARA-1.2 (PAGE-17) AR 2003-04
NON-RECOVERY OF Rs. 82.999 MILLION ON ACCOUNT OF CHANGE IN TRADE FEE

Audit pointed out that violating the Terms and Conditions of Capital Development Authority Building Control Regulations 1993 the Deputy Director (Industrial Planning) and Building control Section-II, CDA neither recovered the commercialization charges amounting to Rs.82.333 million @ Rs. 26000 per square yard nor the allotment of plot No. 93-E, Sector I-10/3 was cancelled. The plot was allotted for industrial use whereas it was being utilized for commercial purposes (CNG Station). While in two cases, CDA could not recover the fine of

Rs 666,000 from the allotees of industrial plots who changed the trade without approved of competent authority.

The PAO informed that the allottees had filed cases with Lahore High Court, Rawalpindi Bench. He further explained that court has remanded back the case. Notices have been issued for recovery and IESCO, SNGPL authorities have also been asked for disconnection of utility connections of the defaulter allottee. It was brought in the notice of Committee that the last DAC directed to make concerted efforts to effect recovery at the earliest and get it verified from Audit. The PAO told that an inquiry has been initiated and it will be finalized shortly.

PAC DIRECTIVE

The Committee directed the PAO to finalize the inquiry, fix responsibility and take action in the light of the finding of the inquiry within two months.

7. PARA-1.3 (PAGE-18) AR 2003-04
OVERPAYMENT OF RS. 11.378 MILLION DUE TO ALLOWING HIGHER RATES

Audit pointed out that the clause -12 of the contract agreement states; "if the rates of altered work are neither available in the contract nor in Pakistan Public Works Department Schedule of Rates, it can be analyzed on market rates".CDA paid higher rate of Rs.568.70 per square meter for 100 mm thickness of binder course against admissible Rs.436 per square meter (arrived at on pro-rata basis). The item of binder course was provided @ Rs.785 for 180 mm thickness in the agreement. Later on the thickness of binder course was reduced from 180 to 100 mm. The content of asphalt was also reduced from 4.2% to 3.25%. An amount of Rs.11.378 million was paid in excess to the contractor because of non-reduction of rates.

The PAO informed that recoveries have been entered in the final bill, yet to be passed. The accounts of the work will be finalized soon and documents will be submitted to audit for verification.

PAC DIRECTIVE

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

8. PARA-1.6 (PAGE-20) AR 2003-04
NON-RECOVERY OF Rs. 4.121 MILLION ON ACCOUNT OF EXCESSIVE COVERED AREA

Audit pointed out that clause -17 Chapter-II of CDA Building Control Regulations 1993 states; "excessive covered area of construction beyond permissible limit up

to 25 sft. from approved plan shall be penalized as per the rates given in schedule "E" amended through notification No.CDA-30(3) (Notif.)-cord/2003/1823 dated 7th April, 2003".Building Control Section-III CDA did not recover the fine of Rs.4.121 million from an allottee of a plot for construction of office area beyond the permissible limits for construction.

The PAO informed that actual recovery of Rs 221,000/- has been effected @ Rs 25/- per sft. as per decision of the CDA Board dated 19.12.2004.

It was brought into the notice of the Committee that DAC in its meeting held on 29-04-2015 directed to produce precedent of similar cases in which recovery was effected for violation at the same rate and get it verified from Audit.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally, hold inquiry, fix responsibility and take action against the officials held responsible and submit a report to the Committee/Audit.

9. PARA NO. 1.14 PAGE 25 (AR 2003-2004)
SHORT REALIZATION OF REVENUE OF RS. 1.432 MILLION DUE TO ISSUANCE OF LICENSE AT LESSER RATES

Audit pointed out that as per Para 82 of CDA Procedure Manual Part-III, no work should be given out on contract without calling tenders". Directorate of Municipal Administration, CDA issued license to a company for installation of 15 Public Call Offices (PCOs) in Islamabad @ Rs.500 per PCO (Booth) per year (Rates prevalent during the year 1993) during the year 2001 without inviting open tenders and without obtaining approval of competent authority. Whereas in another reported case, license was issued on the basis of open tenders @ of Rs.96,000 per annum during the same period. Violation of rules resulted into a loss of Rs.1.432 million to the Authority.

The PAO informed that audit has incorrectly compared with the rates of commercial purpose PCOs inside the International Islamic University. However highest rate of Rs 750 per phone per booth was approved by the competent authority. No settlement was arrived between CDA and M/s Hello Link and the licensee filed a case in the court. An inquiry was finalized and warning was issued to responsible officers. He further informed that the matter is subjudice in the court. The cases are being pursued in the court vigorously.

PAC DIRECTIVE

The Committee pended the Para and directed the PAO to look into the matter personally and follow up the cases in the Court vigorously.

10. PARA NO. 1.15 (PAGE 26) AR-2003-2004
IRREGULAR PAYMENT OF RS. 1.072 MILLION DUE TO INCREASE OF QUANTITIES

Audit pointed out that the paragraph 82 of CDA Procedure Manual Part-III (Accounting Procedures) states; "as a general rule no work should be given out on contract without calling for tenders. The tenders must be invited in the most open and public manner". Originally allotted work for Construction of alternate route of Trail No. 3-B "Daman-e-Koh" for Rs.418,000, was enhanced 356% and paid to the extent of Rs.1.490 million up to 4th running bill. This resulted into irregular expenditure of Rs.1.072 million (Rs.1.490 – Rs.0.418).

The PAO informed that the original work was awarded after proper tender and the additional work was awarded after the seeking the approval of Member engineering and has been regularized by the CDA Board.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record by the Audit.

11. i. PARA NO. 1.5 (PAGE-19-20) AR 2003-2004
NON-RECOVERY OF LICENSE FEE RS. 5.092 MILLION

ii. PARA NO. 1.7 (PAGE-20-21) AR 2003-2004
NON-RECOVERY OF RISK AND COST OF RS. 3.307 MILLION

iii. PARA NO. 1.8 (PAGE-21) AR 2003-2004
NON-RECOVERY OF RS. 3.267 MILLION ON ACCOUNT OF RENT AND UTILITY CHARGES

iv. PARA NO. 1.10 (PAGE-22) AR 2003-2004
UNJUSTIFIED EXPENDITURE OF RS. 2.733 MILLION DUE TO PAYMENT OF EXCESSIVE QUANTUM OF WORKS

v. PARA NO. 1.18 (PAGE-26) AR 2003-2004
NON-RECOVERY OF RS. 668,250 ON ACCOUNT OF LICESE FEE OF CAR PARKING AREA

vi. PARA NO. 1.21 (PAGE-26) AR 2003-2004
NON-IMPOSITION OF FINE OF RS. 420,000 DUE TO NON CONFORMING USE OF PLOTS

PAC DIRECTIVE

The Committee settled the above six paras subject to verification / satisfaction of DAC after discussion in its meeting. Otherwise these will be again discussed in PAC (Monitoring and Implementation).

12. i. **PARA-1.1 (PAGE-1) AR 2003-04**
LOSS DUE TO NON-IMPOSITION OF FINE ON LICENSEES-RS 48.63 MILLION

ii. **PARA-1.4 (PAGE-3) AR 2003-04**
NON-REALIZATION OF LICENSE FEE FROM GUJRANWALA ELECTRIC POWER COMPANY – RS 1.06 MILLION

iii. **PARA-1.5 (PAGE-3) AR 2003-04**
EXCESS PAYMENT TO THE CHAIRMAN AND MEMBERS OF AUTHORITY ON ACCOUNT OF PAYMENT OF CERTAIN ALLOWANCES – RS 0.449 MILLION

iv. **PARA-1.9 (PAGE-7) AR 2003-04**
RATIONALIZATION OF FEE STRUCTURE BY NEPRA

v. **PARA NO. 1.1 (PAGE-17) AR 2003-2004**
CREATION OF FINANCIAL LIABILITIES OF RS.94.196 MILLION WITHOUT FUNDS

vi. **PARA NO. 1.4 (PAGE-19) AR 2003-2004**
NON-RECOVERY OF RS. 13.339 MILLION ON ACCOUNT OF PROPERTY TAX AND WATER CHARGES

vii. **PARA NO. 1.9 (PAGE-22) AR 2003-2004**
UNAUTHORIZED PAYMENT OF RS. 2.769 MILLION DUE TO TEMPERING / MANUPLATING OF RECORD ENTITIES IN MEASURING BOOK

viii. **PARA NO. 1.11 (PAGE-23) AR 2003-2004**
OVER PAYMENT OF RS. 2.189 MILLION DUE TO PAYMENTS AT HIGHER RATES

ix. **PARA NO. 1.12 (PAGE-24) AR 2003-2004**
UNJUSTIFIED PAYMENT OF RS.1.888 MILLION DUE TO DOUBLE BENEFIT TO AFFECTEES

x. **PARA NO. 1.13 (PAGE-24) AR 2003-2004**
EXTRA EXPENDITURE OF RS. 1.861 MILLION DUE TO AWARDING OF WORK WITHOUT POSSESSION OF LAND

xi. **PARA NO. 1.16 (PAGE-26) AR 2003-2004**
OVERPAYMENT OF RS. 1.064 MILLION DUE TO INCORRECT MEASUREMENTS

xii. **PARA NO. 1.17 (PAGE-26) AR 2003-2004**
NON-RECOVERY OF RS. 862,505 ON ACCOUNT OF COST OF PLOT AND DELAYED PAYMENT CHARGES

xiii. **PARA NO. 1.19 (PAGE 26) AR 2003-2004**
NON-ACCOUNTAL / NON-AUCTION OF CONFISCATED MATERIAL OF RS.663,000

xiv. **PARA NO. 1.20 (PAGE 26) AR 2003-2004**
NON-RECOVERY OF RS.597,330 ON ACCOUNT OF RESTORATION FEE

xv. **PARA NO. 1.22 (PAGE 26) AR 2003-2004**
NON-RECOVERY OF RS. 385,732 ON ACCOUNT OF PAYMENT MADE FOR CLEARANCE OF SITE

xvi. **PARA NO. 1.23 (PAGE 26) AR 2003-2004**
NON-RECOVERY OF FINE OF RS.381,142 ON ACCOUNT OF CONSTRUCTION WITHOUT APPROVAL

xvii. **PARA NO. 1.24 (PAGE 26) AR 2003-2004**
EXECUTION OF BELOW SPECIFICATION WORK AMOUNTING TO RS.219,000 DUE TO OVERWRITING IN LABORATORY REPORTS

xviii. **PARA NO. 1.25 (PAGE-26) AR 2003-2004**
NON-DEPOSITING OF RECEIPT OF RS.200,000

xix. **PARA NO. 1.26 (PAGE 26) AR 2003-2004**
OVERPAYMENT OF RS. 130,000 DUE TO TAMPERING IN RECORD

xx. **PARA NO. 1.27 PAGE 26 AR 2003-2004**
NON-PRODUCTION OF RECORD AND NON-COOPERATIVE ATTITUDE

xxi. **PARA NO. 2.1 (PAGE 37) AR 2003-2004**
UNJUSTIFIED PAYMENT OF RS.26.006 MILLION DUE TO PREPARATION OF CROSS SECTION AT LATER STAGE AND PAYMENT TO CONTRACTOR WITHOUT APPROVAL OF CROSS SECTIONS BY THE COMPETENT AUTHORITY

xxii. **PARA NO. 2.2 (PAGE 38) AR 2003-2004**
IRREGULAR RELEASE OF SECURITY DEPOSIT OF RS.9.500 MILLION TO A CONTRACTOR AGAINST AN INVALID BANK GUARANTEE

xxiii. **PARA NO. 2.3 (PAGE 38) AR 2003-2004**
UNAUTHORIZED EXPENDITURE DUE TO MEASUREMENT OF EXCESSIVE WIDTH-RS.5.899 MILLION

xxiv. **PARA NO. 2.5 (PAGE 39) AR 2003-2004**
OVERPAYMENT OF RS.3.842 MILLION DUE TO SEPARATE PAYMENT FOR CLEARING AND GRUBBING

xxv. **PARA NO. 2.6 (PAGE 40) AR 2003-2004**
OVERPAYMENT OF RS.3.028 MILLION DUE TO EXCESSIVE THICKNESS OF SUB-BASE COURSE

xxvi. **PARA NO. 2.7 (PAGE 40) AR 2003-2004**
OVERPAYEMNT OF RS.2.929 MILLION DUE TO DOUBLE MEASUREMENTS OF CROSS SECTIONAL AREA

xxvii. **PARA NO. 2.8 (PAGE 41) AR 2003-2004**
OVERPAYMENT OF RS.2.566 MILLION DUE TO ADDING OF ALREADY MEASURED QUANTITY OF EXCAVATION IN X-SECTIONAL MEASUREMENT

xxviii. **PARA NO. 2.9 (PAGE 42) AR 2003-2004**
OVERPAYMENT OF RS.2.364 MILLION DUE TO EXCESSIVE QUANTITITES

xxix. **PARA NO. 2.10 (PAGE 42) AR 2003-2004**
UNAUTHORIZED EXPENDITURE OF RS.1.200 MILLION DUE TO PREPARATION OF BERMS ON BOTH SIDES OF SERVICE ROAD

xxx. **PARA NO. 2.12 (PAGE 43) AR 2003-2004**
OVERPAYMENT OF RS.793,824 DUE TO ALLOWING 50% COMPACTION ALLOWANCE INSTEAD OF 26%

xxxi. **PARA NO. 2.13 (PAGE 44) AR 2003-2004**
NON-FURNISHING OF PERFORMACE SECURITY BY THE CONTRACTOR-RS.746,000/-

xxxii. **PARA NO. 2.14 (PAGE 45) AR 2003-2004**
OVERPAYMENT OF RS.671,179 DUE TO DOUBLE CROSS-SECTIONAL MEASUREMENT IN EXCAVATION

xxxiii. **PARA NO. 2.15 (PAGE 45) AR 2003-2004**
OVERPAYMENT OF RS.545,343 DUE TO SEPARATE PAYMENT FOR SITE CLEARANCE

xxxiv. **PARA NO. 2.16 (PAGE 46) AR 2003-2004**
OVERPAYMENT OF RS.373,915 DUE TO NON-DEDUCTION OF SHRINKAGE

xxxv. **PARA NO. 2.17 (PAGE 46) AR 2003-2004**
OVERPAYMENT OF RS.286,205 DUE TO MEASUREMENT RETAINING WALL BEYOND DRAWING DESIGN

xxxvi. **PARA NO. 2.18 (PAGE 47) AR 2003-2004**
OVERPAYMENT OF RS.245,594 DUE TO TAMPERING OF RECORD

xxxvii. **PARA NO. 2.20 (PAGE 48) AR 2003-2004**
NON-DEDUCTION OF QUANTITY OF SUB-BASE RESULTING IN OVERPAYMENT OF RS.145,856

xxxviii. **PARA NO. 2.21 (PAGE 48) AR 2003-2004**
OVERPAYMENT OF RS.170,000 DUE TO DEVIATION FROM PAKISTAN PUBLIC WORKS DEPARTMENT SCHEDULE OF RATES

xxxix. **PARA NO. 2.22 (PAGE 49) AR 2003-2004**
OVERPAYMENT OF RS.126,030 DUE TO EXCESSIVE MEASUREMENT

xl. **PARA-3.4 (PAGE-62) AR 2003-04**
IMPROVEMENT OF ENVIRONMENT ASPECTS

xli. **PARA-3.5 (PAGE-62) AR 2003-04**
AUDIT LIMITATION

xlii. **PARA-01 (PAGE-353) ARPSE 2003-04**
NON COMPLIANCE OF ACCOUNTS

xliii. **PAR-01 (PAGE-05) ARPSE 2003-04**

xliv. **PARA-01.1 (PAGE-05) ARPSE 2003-04**

PAC DIRECTIVE

The Committee settled the above 44 paras on the recommendation of DAC.

13. i. **PARA NO. 2.4 (PAGE 39) AR 2003-2004**
IRREGULAR EXPENDITURE OF RS.4.086 MILLION FOR ELECTRIFICATION BEYOND THE PROVISION OF PC-I

ii. **PARA NO. 2.11 (PAGE 43) AR 2003-2004**
OVERPAYMENT OF RS.834,560 DUE TO TAKING EXCESSIVE QUANTITY OF SAND FILLING AND SURPLUS EXCAVATED STUFF

iii. **PARA NO. 2.19 (PAGE 47) AR 2003-2004**
OVERPAYMENT OF RS.196,658/- DUE TO TAKING EXCESSIVE LENGTH OF SUB-GRADE

PAC DIRECTIVE

The Committee directed the PAO to pursue the above mentioned 3 paras at DAC level.

14. i. PARA-3.1 (PAGE-57) AR 2003-04
DELAY IN TENDERING AND TOLL COLLECTION CAUSING COST OVERRUN AND LOSS OF REVENUE

ii. PARA-3.2 (PAGE-58) AR 2003-04
LAPSES IN EXECUTION OF WORKS

PAC DIRECTIVE

The Committee settled the paras.

15. PARA-3.3 (PAGE-59-61) AR 2003-04
LAPSES IN CONSULTANCY

PAC DIRECTIVE

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

16. i) PARA-3.1, PAGE(7-8) AR-2003-04

ii) PARA-3.3, PAGE(8) AR-2003-04

iii) PARA-3.8, PAGE(9) AR-2003-04

iiii) PARA-34.2, PAGE(58) AR-2003-04

iiv) PARA-34.4, PAGE(58) AR-2003-04

iv) PARA-142 & 142.1, PAGE(257) AR-2003-04

ivi) PARA-142.5, PAGE(258-259) AR-2003-04

ivii) PARA-143&143.1, PAGE(260) AR-2003-04

iviii) PARA-144&144.1, PAGE(261-262) AR-2003-04

iix) PARA-145&145.1, PAGE(263) AR-2003-04

ix) PARA-145.2, PAGE(263) AR-2003-04

ixi) PARA-145.3, PAGE(264) AR-2003-04

ixii) PARA-3.2, PAGE(8) AR-2003-04

ixiii) PARA-3.4, PAGE(8) AR-2003-04

ixiv) PARA-3.5, PAGE(8-9) AR-2003-04

ixv) PARA-3.6, PAGE(9) AR-2003-04

ixvi) PARA-3.7, PAGE(9) AR-2003-04

ixvii) PARA-34&34.1, PAGE(57-58) AR-2003-04

ixviii) PARA-34.3, PAGE(58) AR-2003-04

ixix) PARA-188.1, PAGE(338-339) AR-2003-04

ixx) PARA-188.2, PAGE(339) AR-2003-04

ixxi) PARA-142.2, PAGE(258) AR-2003-04

ixxii) PARA-142.3, PAGE(258) AR-2003-04

ixxiii) PARA-142.4, PAGE(258) AR-2003-04

ixxiv) PARA-144.2, PAGE(262) AR-2003-04

ixxv) PARA-144.3, PAGE(262) AR-2003-04

ixxvi) PARA-144.4, PAGE(262) AR-2003-04

ixxvii) PARA-146, PAGE(265) AR-2003-04

PAC DIRECTIVE

The Committee referred all the above 28 paras to discuss at DAC level and submit outcome of the DAC in the next meeting.

17. i) PARA-4.3 (PAGE-25-26) ARPSE 2003-04
IRREGULAR PAYMENT ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS – RS. 57.238 MILLION

ii) PARA-4.4 (PAGE-26-27) ARPSE 2003-04
IRREGULAR PAYMENT ON ACCOUNT OF HONORARIUM TO OFFICERS BPS-19 TO BPS-21 AND CONSULTANT-RS.1.246 MILLION

iii) PARA-4.5 (PAGE-27-28) ARPSE 2003-04
NON-DEDUCTION ON ACCOUNT OF 5% NORMAL RENT RS. 1.577 MILLION

FREQUENCY ALLOCATION BOARD (FAB)

iv) PARA-5.4 (PAGE-31) ARPSE 2003-04
NON-DEDUCTION OF 5% NORMAL RENT- RS 300,267

PAC DIRECTIVE

The Committee on the presentation of above four paras directed the PAO to hold the DAC within two weeks and submit outcome of the DAC in the next meeting.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 12th May, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of Cabinet Division (only PTA & FAB) are given below:-

AUDIT REPORT 2003-04
PAKISTAN TELECOMMUNICATION AUTHORITY

1 PARA-4.3 (PAGE 25-26) AR 2003-04
IRREGULAR PAYMENT ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS – RS. 57.238 MILLION

Audit pointed out that under the standing instructions issued vide Finance Division O.M No.F.I (1) Imp/94, dated 26th June, 1999 duly confirmed vide U.O.No.4(2)R-99, any proposal for revision in the salaries and allowances of staff of public sector corp. is required to be carried out by BOD/governors with prior approval of Finance Division. Audit found out that contrary to the above mentioned regulation PTA allowed extra payments of Rs. 57.238 million to its employees during 2002-03 without prior approval of Finance Division.

The PAO apprised the Committee that the para was recommended for settlement by the DAC on 5-6th May, 2015.

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

2 PARA-4.4 (PAGE 26-27) AR 2003-04
IRREGULAR PAYMENT ON ACCOUNT OF HONORARIUM TO OFFICERS BPS-19 TO BPS-21 AND CONSULTANTS-RS. 1.246 MILLION

Audit pointed out that according to the Finance Division OM No. F.2 (2) r-4 dated 22nd June 1995, honorarium is admissible up to level of section officer and equivalent. Audit claims that contrary to the instructions, PTA paid Rs. 1.246 million to its officers including payments of Rs. 145,100 to consultants on account of honorarium during 2000-01.

Audit apprised to the Committee that the said para was recommended for settlement by the DAC on 5-6th May, 2015.

PAC DIRECTIVE

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

3 PARA-4.5 (PAGE 27-28) AR 2003-04
NON-DEDUCTION ON ACCOUNT OF 5% NORMAL RENT RS 1.577 MILLION

Audit pointed out that under the rule 2(i) of Pakistan allocation rules 1993 and 2(a) of accommodation allocation rules 2002, deduction of normal rent is required to be made from monthly emoluments of a government employee, who has been hired by government. Contrary to this, PTA headquarters did not recover 5% normal rent of Rs. 1.577 million during 1999-2003.

PAO apprised to the Committee that the said para was recommended for settlement by the DAC on 5-6th May, 2015.

PAC DIRECTIVE

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

FREQENCY ALLOCATION BOARD

4 PARA-5.4 (PAGE 31) AR 2003-04
NON-DEDUCTION OF 5% NORMAL RENT – RS 300,267

PAC DIRECTIVE

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

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th January, 2016 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Local Government and Rural Development (under Cabinet Division) are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2003-04

1. i) GRANT NO. 90- LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION (SAVING OF RS.6,102,471)

The AGPR pointed out that the grant closed with a saving of Rs.6,102,471 which worked out to 13.48% of the total grant. An amount of Rs.6,077,879 (13.43%) was surrendered leaving net saving of Rs.24,592 (0.05%).

ii) GRANT NO. 141- DEVELOPMENT EXPENDIRTURE OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT DIVISION (SAVING OF RS.759,307,535)

The AGPR pointed out that the grant closed with a saving of Rs.759,307,535 which worked out to 16.23% of the total grant. An amount of Rs.1,120,616,771(23.96%) was surrendered resulting into an excess of Rs.361,309,236 (7.73%). A supplementary grant of Rs.853,000,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the above two grants.

CAPITAL ADMINISTRATION AND DEVELOPMEMNT DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Capital Administration and Development Division was examined by the PAC on 10th July and 2nd September, 2015.

- 26 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- The Committee referred 15 paras to NAB.

CAPITAL ADMINISTRATION AND DEVELOPMEMNT DIVISION

ACTIONABLE POINTS

Actionable Points arising out of the discussion during meeting of PAC held on 10th July, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of devolved M/o Health now under M/o Capital Administration and Development are given below:-

AUDIT REPORT 2003-04

1. PARA-6.10 (PAGE-64-65) AR 2003-04
UNAUTHORIZED COLLECTION ON ACCOUNT OF TEST FEE OF HCV AND HBSAG TESTES-RS. 5.520 MILLION

The Audit pointed out that according to para 18 of the GFR, Vol-I no contract may be entered into by any authority that has not been empowered to do so. Para 26 of GFR, Vol-I and para 7 of FTR, Vol.-I, further state that any amount received on behalf of Government is required to be entered in the cash book as Government receipt and deposited into Government Treasury.

PAO informed that M/s Global Marketing Services provided 100 tests of HCV as stock bonus on purchase of one thousand tests of HCV and they promised to provide these tests within the premises of hospital. This was done with the permission of M/o Health. The blood bank officer charged Rs. 100/- per test of HCV and HbsAg from all the patients coming for test to the hospital. They payments so received from the patients were handed over to the firm after obtaining a simple receipt on delivery chalan. This was done purely to facilitate the patients and was done on no profit and no loss basis. Only the time of an officer of hospital was utilized. This was done in good faith however, it was tried to get ex-post sanction of competent authority for the regularization which could not be approved.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action and report to the Committee/Audit within 30 days.

2. PARA-6.11 (PAGE-65-68) AR 2003-04
DOUBTFUL PAYMENT ON ACCOUNT OF REPAIR AND MAINTENANCE OF BUILDING – RS. 1.810 MILLION

The Audit pointed out that in Federal Government Services Hospital, Islamabad work orders of bills amounting to Rs. 1,805,786 were found missing. Dr. Sharif Astori, blood bank officer conducted an inquiry in the case and Mr. Khalid Javed, Assistant store keeper accepted responsibility for the whole matter. He also

undertook, in writing, to pay a sum of Rs. 1,805,786 pertaining to the following 113 bills pertaining to the head 449000-Repair and Maintenance of Building and Structure to the respective perties / firms. The inquiry officer handed over original bills to the accused due to which all the evidences of fraudulent payments were destroyed. Furthermore, files No. F2-11/98-A, F2-11/99-A, F2-11/00-A, F2-11/01-A pertaining to the issue of work orders were not produced to the Audit.

Audit further told that an inquiry Committee was constituted to conduct detailed physical verification of stores. The Committee verified the fifty bills and recommended them for payment but record of physical verification/inventory was not produced to Audit. Audit also informed that Dr. Sharif Astori, Blood Bank Officer who was the inquiry officer at that time was asked to explain why original documents were handed over to the accused. Mr. Khalid Javed was found responsible for all malpractices and was awarded major penalty of reduction to the lower rank and penalty of Rs. 1,805,786/- was imposed on him. Audit stressed that appropriate action was not taken against the responsible officers who tempered the official record which resulted in irregular expenditure.

The PAO informed that the accused was punished under E&D rules & the amount has been recovered. He went to Federal Servant Tribunal and was exonerated.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility for the theft, tempering/damaging of record, delayed action and take appropriate action with report to Audit within 30 days. The Committee particularly directed that the directives could be shifted to next responsible Ministry / Division if the task has not been assigned to CADD after the devolution.

3. PARA-6.12 (PAGE-68-69) AR 2003-04
IRREGULAR EXPENDITURE UNDER THE HEAD 49000-REPAIR AND MAINTENANCE OF BUILDING AND STRUCTURE-RS. 9.930 MILLION

The Audit pointed out that the Medical Superintendent, Federal Government Services Hospital, Islamabad had been delegated powers amounting to Rs. 500,000 per year for repair and maintenance of the hospital building. But in violation of the powers delegated to him the Medical Superintendent irregularly incurred expenditure of Rs. 9.93 million on this account during a period of three years. It was further noted that annual tenders for the purchase of building materials for the year 1999-00 to 2001-02 were not called for and the stores were purchased on repeat order basis without prior approval of Finance Division. Thus, Federal Government Services Hospital, Islamabad irregularly incurred expenditure of Rs.9.93 million on purchase of stores / material object 449000-repair and maintenance of building and structure. Audit stressed to provide the tenders document for verification.

PAO promised to provide the required document to Audit for verification.

PAC DIRECTIVE

The Committee directed the PAO to provide the record pertaining to tender floating to the Audit for verification within 30 days.

4. PARA-6.13 (PAGE-69-70) AR 2003-04
WASTEFUL EXPENDITURE ON CONSTRUCTION OF BURN UNIT AT FEDERAL GOVERNMENT SERVICES HOSPITAL, ISLAMABAD-RS. 8.750 MILLION

The Audit pointed out that a project named construction of Burn Care Unit at Federal government Services Hospital, Islamabad was approved by the CDWP at a cost of Rs. 75.00 million including Foreign Exchange Component of Rs. 67.50 million on 31 August, 1995. During the period from October, 1996 to June, 2002 a sum of Rs. 8.75 million was paid to Pak. PWD for construction of the building for which the adjustment account has not been obtained. The project was to be financed through under a Protocol signed between Governments of Pakistan and Govt. of France. French credit the French evaluation mission visited Pakistan from 10-17 November, 1996 and rejected the building as the same was not constructed according to international standards. The structure of the building was completed but the same had not been occupied / utilized till July, 2003. Thus, due to defective planning and poor implementation Government of Pakistan could not get the promised foreign assistance for the development of health sector and general public was deprived of the benefit of batter health care facilities. Therefore, the expenditure incurred on the construction of building was wasteful as the objectives for the incurring the expenditure could not be achieved.

PAO informed that the available space in the hospital was selected and the building was constructed by the PWD as the funds were released by the M/o Finance. The donors objected the design of the building now the building is being used as critical care unit. PAO added that this was soft loan and was not a grant. Planning Commission examined all the terms & condition of loan (i.e installing of all French equipment and using of French spare parts etc) and it was suspended.

PAC DIRECTIVE

The Committee settled the para subject to verification of record pertaining to the building use by the Audit.

5. PARA-6.14 (PAGE-70-71) AR 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF DRUGS / MEDICINES FROM M/S MEDI PAK LTD; LAHORE-RS. 1.160 MILLION

The Audit pointed out that according to para 144 of GFR, Vol.-I purchases must be made in most economical manner by inviting open tenders. It was, however, noted that Federal Government Services Hospital, Islamabad incurred expenditure of Rs. 1,162,258 during 2001-02 on the purchase from M/s Medi Pak Ltd. Lahore.

The PAO informed that the tenders for the supply of medicines were properly floated in the press and different firms participated including M/s Medi Pak Ltd. Lahore. The Purchase Committee considered that only M/s Medi Pak Ltd. was the only firm in Pakistan which was manufacturing and supplying the range of quality distilled waters and the Committee unanimously decided to invite the said firm and negotiate with them. In the result of negotiations, the said firm quoted the revised lowest rates as discount which were accepted. PAO apprised the Committee that all members of Purchase Committee have been retired and two of them have been passed away. Now PPRA rules are being observed strictly.

PAC DIRECTIVE

The Committee settled the para.

6. PARA-6.15 (PAGE-72-73) AR 2003-04
IRREGULAR PURCHASE OF X-RAY FILMS – RS. 4.390 MILLION

The Audit pointed out that according to appendix 11 para 170 of GFR, Vol.-I and the directives issued by the Ad-hoc Public Accounts Committee in 1971-72, purchases must be made in the most transparent manner. It was, however, noted during the course of audit that Federal Government Services Hospital, Islamabad purchased X-ray films of different sizes from M/s Fuji Films, Rawalpindi during financial years 1999-2000 and 2001-02. Scrutiny of the documents revealed that in the financial year 1999-00 according to comparative statement M/s General Traders, Rawalpindi was the lowest bidder but the hospital management decided to negotiate with M/s Fuji Films who were the second lowest bidder and finally the latter firm was approved for supply of film. In the financial year 2001-02 M/s Chaudhry Enterprises, Rawalpindi was the lowest bidder but again as a result of negotiation M/s Fuji Films was awarded the contract for the purchase of film. Comparative data regarding the bids is appended below. Thus, the purchases made by the management were not only non-transparent but the expenditure of Rs. 4,387,718 incurred on purchase of films during the year 1999-00 and 2001-02 was also irregular.

The PAO informed that M/s Fuji Film, Rawalpindi was the only firm competent to provide quality equipment as the quality of equipment is necessary for quality diagnosis/services. Additionally, the equipment already installed in the hospital was purchased from the said firm so, it was necessary to use compatible chemicals from the same firm for quality results. So, Purchase Committee preferred M/s Fuji Film.

PAC DIRECTIVE

The Committee directed the PAO to conduct an inquiry within 30 days to investigate as to why the lowest bidder was not considered.

7. PARA-6.16 (PAGE-73) AR 2003-04
LOSS DUE TO AWARD OF CONTRACT TO THE FIRMS OTHER THAN THE LOWEST – RS. 1.080 MILLION

The Audit pointed out that according to appendix II to para 144 of GFR, Vol.-I purchases must be made in the most economical manner by inviting open bids. It was, however, noted that Federal Government Services Hospital, Islamabad purchased tablet Paracetamol from M/s Super Agencies (4th lowest bidder) and Medicate International (78th lowest bidder) on the basis of good experience which resulted in a loss of Rs. 0.10 per tablet to government exchequer. The hospital purchased 10,840,000 tablets during the years 1999-00 to 2001-02 due to which total loss of Rs. 1,084,000 was caused to Government exchequer while all the medicines had the same formula and were manufactured under brand names with the approval of Ministry of Health.

The PAO informed that the criteria for the selection of the products is the demand by the prescribing specialist/doctor, quality of brand name, price, packing method, previous experience of the hospital about the use of drug, previous experience with supplier, information about the research of pharmaceutical company, soul producer of the drug and origin of the raw material used. So, the two companies mentioned above were selected by the purchase Committee in the light of the said criteria. He also apprised the Committee that the purchase Committee of the hospitals for the purchasing of medicines/drugs is bound to follow the traditional procedure/criteria because no lab is available in Pakistan to check the quality of the medicines/drugs till now. He also told that now the lab's construction has been started in Lahore by the Drug Regulatory Authority of Pakistan. The matter of not construction of LAB to confirm in the quality of medicines is under consideration of National Accountability Bureau (NAB) and Prime Minister Inspection Commission.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry to investigate into the matter and report to PAC/Audit within 30 days.

The Committee while acknowledging the importance of Lab to check the quality of medicines, expressed serious concern over the absence of the said Lab and directed the PAO to give comprehensive briefing highlighting the issues/hurdles in its establishment.

8. PARA-6.17 (PAGE-74) AR 2003-04
NEGLECT OF LARGE NUMBER OF UNSERVICABLE PIECES OF MACHINERY AND EQUIPMENT – RS.26.540 MILLION

The Audit pointed out during the course of audit of Federal Government Services Hospital, that physical verification of the machinery and equipment was not conducted for many years. It was also noted that no inventory list of all the serviceable / un-serviceable equipment had been prepared by the management. Audit requested the management for provision of information regarding equipment available with each department using a proforma but the said proforma was not returned to the Audit. The data collected by the Audit, however, revealed that 90 pieces of machinery and equipment costing Rs. 26.54 million were lying unserviceable for the last many years which were neither got repaired nor auctioned / got written off as required under the rules. Thus because of the neglect on the part of management, large number of pieces of equipment costing millions of rupees could not be utilized for the benefit of patients.

The PAO informed that the said equipment will be disposed of by the auction and the amount received will be deposited in the Federal Treasury as per Government instructions.

PAC DIRECTIVE

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

9. PARA-6.18 (PAGE-75-76) AR 2003-04
LOSS DUE TO LOCAL PURCHASE OF X-RAY / CT-SCAN FILM ETC-RS. 1.350 MILLION

The Audit pointed out that during the year 2001-02, the management of PIMS purchased x-ray films and surgical disposables from the local market for a sum of Rs. 2,652,675 at much higher rates than those approved in the tender and thereby caused financial loss to the public exchequer. It was noted that local purchase rates were almost double in all the cases as compared to approved tender rates which resulted in a loss of Rs. 1,350,313 to the public exchequer.

PAO informed that due to restriction imposed by the Ministry of Finance on the expenditure and insufficient budget allocation for purchase of direct medicine, the bills of x-Ray films and other surgical disposables could not be paid. Due to which the approved supplier discontinued to supply till payment of outstanding bills. In audit to meet the emergency requirements x-Ray films and surgical disposables were arranged through local purchase later on the previous bills of their firms were paid after imposing penalty on them and hence differential was recovered. He further added that open tender was invited for purchase of drugs/ medicine through local purchase and contract was awarded on the basis of higher rate of discount given.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the audit.

10. PARA-6.19 (PAGE-76-77) AR 2003-04
IRREGULAR EXPENDITURE ON REPAIR OF GOVERNMENT VEHICLES – RS. 0.463 MILLION

The Audit pointed out that in terms of Finance Division's O.M. No. F.3(4)Exp-III/2000 dated 30.6.2000 (New System of Financial Control and Budgeting), Ministries / divisions / Departments are empowered to incure expenditure up to Rs. 25,000 at a time to one or any number of government vehicles. However, scrutiny of paid vouchers for the period 2001-02 revealed that the management of PIMS incurred expenditure of Rs. 463,460 in connection with repair of government vehicles either beyond the delegated powers or split up the expenditure to avoid invitation of open tenders which was violation of Government instructions on the subject.

PAO informed that in all cases the repairs of the vehicles was done upto Rs. 25,000/- at once. He told that only in four cases the repair expenditure slightly increased from Rs. 25,000/-. He told that in major cases of overhauling/replacement of major parts of engine, it is not possible to workout exact estimate. Therefore, in some cases repair cost exceeded than the estimate.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to get it regularized from the Ministry of Finance within thirty days.

11. PARA-6.20 (PAGE-78-79) AR 2003-04
AWARD OF ANNUAL CONTRACT FOR CAR / MOTORCYCLE STAND PARKING AT PIMS

The Audit pointed out that the management of PIMS invited open tenders for award of annual contract for car parking / motor cycle stand. The tender was opened on 16 February, 2002 at 11:30 A.M. Audit explained that Bid of M/s DGM Security was originally for Rs. 120,000 but it was changed in the original bid by cutting / tampering to Rs. 456,000. Moreover, M/s DGM submitted call deposit of Rs. 4,600 instead of Rs. 9,200. M/s DGM, City Defenders and Versatile Security System did not submit security deposit therefore they were not eligible to be qualified. Only one firm M/s Hayat Security Services could qualify as they had fulfilled all condition of the tender. The minutes of the tender Committee meeting and their recommendation were not on record. The contract was awarded to M/s DGM who submitted a crossed cheque instead of call deposit. The contractor failed to deposit 50% of the total amount in lump sum within 05 days as agreed in

the contract. Thus the award of the tender to M/s DGM was non-transparent and was irregular.

The PAO informed that the contract of car parking was awarded to M/s DGM security on the basis of highest rent offered. The tender was opened in the presence of tender opening Committee and representative of bidders. Amendment in quotation was made by the contractor themselves before opening of sealed quotation by the purchase Committee. The amendment was signed by the contactor.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action and report to the audit within 30 days.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd September, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Devolved Ministry of Social Welfare and Special Education under Capital Administration and Development Division are given below:-

AUDIT REPORT 2003-04

1. i. PARA-18.1 (PAGE-401-402) AUDIT REPORT 2003-04 LEAKAGE OF FUNDS DUE TO SUBMISSION OF INFLATED AND FICTITIOUS FIGURES OF BENEFICIARIES BY THE SCHOOL COMMITTEES

ii. PARA-18.2 (PAGE-402-404) AUDIT REPORT 2003-04 PAYMENT OF EXORBITANT SALARY TO CONTRACT PROJECT EMPLOYEES IN CONTRAVENTION OF GOVERNMENT INSTRUCTIONS

iii. PARA-18.3 (PAGE-404-406) AUDIT REPORT 2003-04 WASTEFUL EXPENDITURE ON IMPORT OF SUBSTANDARD MEDICINES THROUGH UNICEF – Rs. 8.250 MILLION

iv. PARA-18.4 (PAGE-406-407) AUDIT REPORT 2003-04 IRREGULAR PAYMENT ON ACCOUNT OF PROJECT ALLOWANCE – Rs. 0.534 MILLION

v. PARA-18.5 (PAGE-407-408) AUDIT REPORT 2003-04 IRREGULAR AWARD OF CONTRACT TO AGHA KHAN UNIVERSITY WITHOUT INVITING OPEN BIDS– Rs. 536.080 MILLION

vi. PARA-18.6 (PAGE-408-409) AUDIT REPORT 2003-04 AWARD OF MID-TERM IMPACT ASSESSMENT CONTRACT TO AGHA KHAN UNIVERSITY WITHOUT MEETING ANY FORMALITY– Rs. 23.280 MILLION

vii. PARA-18.7 (PAGE-410-411) AUDIT REPORT 2003-04 NON-APPROVAL OF REVISED PC-I BY ECNEC AND UN-AUTHORIZED REDUCTION IN FEEDING AND MEDICINE COST

viii. PARA-18.8 (PAGE-411) AUDIT REPORT 2003-04 NON-MEASUREMENT OF THE IMPACT OF FEEDING ON THE GROWTH OF GIRLS– Rs. 175.880 MILLION

ix. PARA-18.9 (PAGE-411-413) AUDIT REPORT 2003-04 IRREGULAR EXPENDITURE ON CIVIL WORKS– Rs. 0.393 MILLION

x. **PARA-18.10 (PAGE-413) AUDIT REPORT 2003-04**
IRREGULAR APPROVAL OF POL LIMITS INVOLVING EXPENDITURE – Rs. 0.215 MILLION

xi. **PARA-18.11 (PAGE-414) AUDIT REPORT 2003-04**
IRREGULAR EXPENDITURE ON ACCOUNT OF MOBILE PHONES CHARGES Rs. 0.094 MILLION

xii. **PARA-18.12 (PAGE-415) AUDIT REPORT 2003-04**
IRREGULAR PURCHASE OF VEHICLE – Rs. 1.560 MILLION

xiii. **PARA-18.13 (PAGE-415-417) AUDIT REPORT 2003-04**
SLOW PROGRESS OF THE PROJECT

xiv. **PARA-18.14 (PAGE-417-418) AUDIT REPORT 2003-04**
NON-SUBMISSION OF ACCOUNTS DUE TO SHORTCOMINGS IN ACCOUNTING SYSTEM IN TAWANA PAKISTAN PROJECT

xv. **PARA-18.15 (PAGE-419-420) AUDIT REPORT 2003-04**
INTERNAL CONTROLS IN TAWANA PAKISTAN PROJECT

The Audit pointed out that all above paras relate to the Tawana Pakistan Project and as told by the CADD the record of Tawana Pakistan Project is with FIA. Audit told the above paras were framed due to the reasons that fictitious claims were submitted and paid by the management because of system weakness and improper monitoring of the project.

The PAO informed that Tawana Project in different financial years from 2002-03 to 2007-08 remained with different Ministries (Ministry of Women Development, Bait-ul-Maal, Social Welfare and Special Education). The portion of Tawana Pakistan Project which was devolved with the Social Welfare (now under CADD) was referred to NAB on the direction of Standing Committee and is still under the prosecution of NAB.

The representative of NAB told the Committee that the record of Tawana Pakistan Project pertaining to the year 2003-04 has not been referred to NAB yet.

PAC DIRECTIVE

The Committee directed the PAO of the Ministry of CADD and PAO's of all other Ministries, Division involved after the devolution due to 18th Constitutional amendment, to compile the record, inquire the matter by fixing responsibility about the whole project namely TAWANA Pakistan within thirty days and then refer the case to NAB for criminal proceedings

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CLIMATE CHANGE DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Climate Change Division was examined by the PAC on 13th May and 28th October, 2015.

- 04 grants and 18 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 04 grants and 04 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

CLIMATE CHANGE DIVISION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th May, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of defunct M/o Environment presented by the PAO Ministry of Climate Change are given below:

1. i) GRANT NO. 32-ENVIRONMENT DIVISION

The AGPR pointed out that the Grant closed with a saving of Rs.10,904,578 was 9.69 percent of the total amount. An amount of Rs.10,301,856 (9.15%) was surrendered leaving a net saving of Rs. 602,722 (0.54%).

ii) GRANT NO. 33-FOREST

The AGPR pointed out that the Grant closed with a saving of Rs.8,317,930 was 15.61 percent of the total amount. An amount of Rs.8,012,000 (15.04%) was surrendered leaving a net saving of Rs. 305,930 (0.57%).

iii) GRANT NO. 34-ZOOLOGICAL SURVEY DEPARTMENT

The AGPR pointed out that the Grant closed with a saving of Rs.1,857,870 was 24.49 percent of the total amount. An amount of Rs.1,759,790 (23.20%) was surrendered leaving a net saving of Rs. 98,080 (1.29%).

iv) GRANT NO. 128-DEVELOPMENT EXPENDITURE OF ENVIRONMENT DIVISION

The AGPR pointed out that the Grant closed with a saving of Rs.312,244,356 which was 56.18 percent of the total amount. An amount of Rs.299,934,048 (53.97%) was surrendered leaving a net saving of Rs. 12,310,308 (2.21%).

PAC DIRECTIVE

The Committee regularized the above four grants.

2. AUDIT PARA NO. 3.1, PAGE NO.27, AUDIT REPORT 2003-04
NON-OBTAINING OF AUDITED STATEMENT AND ADJUSTMENT ACCOUNTS FROM DIFFERENT NGOs-Rs.21.56 MILLION

Audit pointed out that Environment Division released Grants-in-Aid amounting to Rs. 21,555,593 to various NGOs during the years 2001-02 and 2002-03. Audit quoted the provisions of rule 207 of GFR Vol.-I, sanction letters should have contained details of purposes for which the grants were given but it was observed that sanction letters did not contain any such information. The sanctions did not even specify that grants were not meant for purchase of vehicles and equipment and payment of salaries / establishment charges as required by the guidelines prepared and circulated by the Ministry for the purpose. Furthermore, Audit Certificates were not obtained from the beneficiaries to meet the requirements of paras 206-207 of GFR, Vol.-I Monitoring reports of the projects were also not obtained in violation of guideline referred above.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry regarding whereabouts of record and submit report to the Committee/Audit within one month.

3. AUDIT PARA NO. 3.2, PAGE NO.27-28, AUDIT REPORT 2003-04
LOSS DUE TO THEFT OF VEHICLE NO. IDH-4648 AND PERSONAL COMPUTER-Rs.0.450 MILLION

Audit pointed out that the Scrutiny of official record of Environment Division indicated that vehicle No. IDH-4648 Suzuki Khyber Model 1996 parked outside CDA Block No.4 was stolen on 7th June, 2002. An FIR was lodged with Aabpara Police Station on the same day and a departmental inquiry was ordered on 15th July, 2002. Inquiry report was, however, not finalized and shown to Audit. A personal computer (Pentium-IV) was also stolen on 31st October, 2002 and FIR for the theft was lodged by the management. Departmental inquiry was, however, not ordered. Both the instances were not reported to the Audit as required under Rule 20 (1) of GFR Vol.-I. Non-holding / non-finalization of departmental inquiries and fixation of responsibility for loss of Rs.450, 000.

PAO informed that the FIR of the vehicle and computer was lodged with the police on the same day. The response from the police is still awaited. An inquiry was initiated but could not be finalized.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry and submit its report to the Audit/PAC within one month.

4. AUDIT PARA NO. 3.9, PAGE NO.33-34, AUDIT REPORT 2003-04
NON-PRODUCATION OF AUDITABLE RECORD IN RESPECT OF PAKISTAN ENVIRONEMTNAL PROTECTION AGENCY LIBRARY PROJECT – Rs.15.00 MILLION

Audit pointed out that Pakistan Environment Protection Agency (PEPA) had incurred expenditure of about Rs. 15.00 million on the PEPA Library Project during the year 1995-96. However, relevant record of expenditure was not made available for audit scrutiny in violation of the provisions of para 17 of GFR, Vol.-I and Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 which is a serious lapse on the part of management.

The PAO informed that the project was executed by the following all codal formalities viz. advertisement in National Press, constitution of a selection Committee with representative of M/o Environment. PAO apprised the Committee that all record of relevant documents including bids, comparative statements were in the possession of deputy director who left for Canada without handing over the charge/record of the project. He told that it depicted from the movement of file that one of the files of project was with Ms. Farzana Altaf Shah, Deputy Director, who was transferred on deputation to OGDCL without giving the file. He also informed that some record of that period was also burnt in Lal Masjid Incident.

PAC DIRECTIVE

The Committee pended the para with the direction to the PAO to conduct inquiry, fix the responsibility and submit report to the PAC/Audit.

5. i) AUDIT PARA NO. 3.11, PAGE NO.35, AUDIT REPORT 2003-04 NON-PRODUCTION OF RECORD IN SUPPORT OF EXPENDITURE OF Rs. 54.580 MILLION

Audit pointed out that in "Terbela Watershed Management Project". Abbottabad an expenditure of Rs. 54.58 million was incurred on various works out of funds provided by the Kreditanstalt Fur Wiederaufbau (KFW) a German organization and World Food Program (WFP) during 2000-01. However, record in support of the expenditure was not produced to Audit in violation of the provisions of para 17 of GFR Vol.-I and Section 14 of Auditor General's (Functions, Powers and Terms and conditions of Service) Ordinance, 2001 which was a serious lapse on the part of management.

ii) AUDIT PARA NO. 3.12, PAGE NO.35-36, AUDIT REPORT 2003-04 IRREGULAR CREATION OF LIABILITIES OF Rs. 51.51 MILLION

Audit pointed out that the management of Tarbela Watershed Project, Abbottabad created liabilities of Rs. 51.51 million from 1983-84 to 1987-88 without prior consent of sponsoring agencies i.e. Water and Power Development Authority (WAPDA) and World Food Program (WFP) and without provision of those items in the approved PC-I.

The PAO informed that the record will be provided to the Audit within one month.

PAC DIRECTIVE

The Committee settled the above two paras subject to verification of record by the Audit.

6. AUDIT PARA NO. 3.13, PAGE NO.36, AUDIT REPORT 2003-04
LOSS TO PAKISTAN FOREST INSTITUTE ON ACCOUNT OF PAYMENT FOR BULK SUPPLY OF ELECTRICITY – Rs. 11.990 MILLION

Audit pointed out that bulk supply of electricity is being made by Water and Power Development Authority (WAPDA) / Peshawar Electric Supply Company (PESCO) to Pakistan Forest Institute (PFI), Peshawar @ Rs.6.10 per unit, however, making recovery from employees who have been provided residential accommodation @ Rs.3 per unit by making less recovery of Rs.3.10 per unit. Total amount so less recovered from the residential consumers during the period form 2000-01 to 2002-03 works out to Rs. 11,990,292. Thus, the management caused a loss of Rs. 11,990,292 to the public exchequer. The practice is going on since late 1960. The Institute has not been to get separate domestic supply connections for the residential colonies through WAPDA/ PESCO despite repeated audit observations in the past.

The PAO informed that the case for shifting the electricity from bulk to domestic metering was taken up with PESCO at the highest level and is in process. Now the matter has been transferred to provinces. WAPDA has recently surveyed in this regard.

PAC DIRECTIVE

The Committee pended the para with the direction to recover the loss from the department concerned.

7. i) AUDIT PARA NO. 3.14, PAGE NO.37, AUDIT REPORT 2002-03
LOSS DUE TO NON-RECOVERY OF STANDARD RENT FROM A PRIVATE SCHOOL –RS.1.060 MILLION

Audit pointed out that in Pakistan Forest Institute Peshawar, a Category-II house has been provided to a private school since 1995. Standard rent of the house fixed by Pak. PWD is Rs. 5,700 per month with a provision for 10% increase for every year. It was, however, observed during the course of audit that no recovery of rent had been made from the school management since 1995 when the school was established. Thus, the public exchequer had been put to a loss of Rs. 1,064,376 due to non-recovery of rent up to June, 2003.

The PAO informed that the school is functioning on self-finance basis and no private person is involved in running the school.

It was apprised to the Committee that the DAC in its meeting held on 8th May, 2015 directed the institute to provide a certificate that school is purely functioning on welfare basis by the employees of the institute and no private party is involved and the certificate should be countersigned by the concerned Ministry.

ii. AUDIT PARA NO. 3.15, PAGE NO.37,38 AUDIT REPORT 2003-04 EXCESS PAYMENT-RS. 0.493 MILLION

Audit pointed out that the Divisional Forest Office Kohistan, under the control of Tarbela Watershed Project, Abbottabad following payments on account of labour charges were shown to have been made vis-à-vis the number of man-days utilized during 2002-03. However, progress report for the same period indicated that either no such work was done or the man days utilized for the purpose were less than those for which payment had been made, thus, a sum of Rs. 493,300 was drawn in excess of the actual work.

iii. AUDIT PARA NO. 3.17, (PAGE NO.38-39), AR 2003-04(FY 2002-03) UN-AUTHORIZED USE OF PROJECT VEHICLES/ NON-RECOVERY OF –RS.0.202 MILLION

Audit pointed out that in Tarbela Watershed Project the Divisional Forest Officer, Daur was using 03 official vehicles at a time instead of 01 vehicle. Two vehicles covered a distance of 67,490 km which was held to be recoverable @ Rs.3/km which resulted a loss of Rs. 202,470 to exchequer.

iv. AUDIT PARA NO. 3.19 (PAGE NO.39-40), AR 2003-04(FY 2002-03) NON-PRODUCTION OF RECORD REGARDING DONATIONS, PROFITS AND EARNEST MONEY OF –RS.14.200 MILLION

Audit pointed out that the management of Quaid-e-Azam Mazar Management Board (QMMB), Karachi informed that they were maintaining 03 PLS Bank accounts and separate cash books were being maintained for each bank account, However, no record/ documents in respect of money coming into the accounts as donations, profits and earnest money and moneys going out, if any, was produced to audit for scrutiny. According to bank statements of these funds following balances were available in these accounts as on 15.03.2001.

It was apprised to the Committee that DAC in its meeting held on 8th May, 2015 directed the PAO to provide record for verification to Audit.

PAC DIRECTIVE

The Committee settled the above four paras.

8. AUDIT PARA NO. 3.16, (PAGE NO.38), AR 2003-04(FY 2002-03) OVERPAYMENT DUE TO WRONG FIXATION OF PAY OF CONTRACT EMPLOYEES –RS.0.283 MILLION

Audit pointed out that in Project Directorate, Tarbela watershed Project services of 29 contract employees were terminated on 30 June 2003. However, these employees were re-appointed during the next financial year and their pay was fixed at the stage at which they were terminated instead of minimum of the relevant time scale as per Government instructions circulated by Finance Division vide letter No. SOR-III (FD)/4-141/98 dated 11 July 1996. Thus, wrong fixation of pay caused overpayment of Rs.282,730 during the years 2001-02 and 2002-03.

PAC DIRECTIVE

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

9. AUDIT PARA NO. 3.18, (PAGE NO.39), AR 2003-04(FY 2002-03) NON-AVAILABILITY/ MISSING PROJECT VEHICLES

Audit pointed out that the Management of Tarbela Watershed Project, Abbottabad own 34 project vehicles and 18 motorcycles out of which availability of 19 vehicles was confirmed and list thereof was provided to Audit. Whereabouts of remaining 15 vehicles and 18 Motorcycles could not be traced out.

The PAO informed that the list of vehicles/motorcycles produced during the Audit process consisted of functional/semi-functional vehicles of the project which are presently available with the project. There is a difference in the number of motorcycles while the number of vehicles is 34 which is correct. The number of motorcycles will be reconciled with the Audit and evidence regarding present existence of project vehicles will be provided to the Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to the verification of record by the Audit. The para will remain pended if Audit is not satisfied through verification of record.

10. AUDIT PARA NO. 35.3, (PAGE NO.62), AR 2003-04

Audit pointed out that the Provision of doubtful debts increased to Rs. 2.953 million in 2001-02, Rs. 3.821 million in 2002-03 and Rs.4.617 million in 2003-04. The increasing trend in provision of doubtful debts showed peer receivables management.

PAO informed that due to the nature of the business, there are ample chances of bad debts along with the many bright prospects. The bad debts has increased to Rs.4.617 million which has accumulated over a period of time. Otherwise, the increase is very nominal i.e. less than 1% in year 2002-03 and similarly in year 2003-04. Provisions are maintained for less stable debts according to the auditor's directions and under the prudence concept of accounting standards. It's a continuous process, efforts are always in progress to recover these receivables.

PAC DIRECTIVE

The Committee directed to recover the outstanding amount within three months and submit report to the PAC in next meeting.

11. AUDIT PARA NO. 35.5, (PAGE NO.62), AR 2003-04

Audit pointed out that the Advances for rendering services to customers amounting to Rs.1.250 million remained static. PEPAC management and staff had not been able to provide services to the clients against the advance received. Reasons for non-rendition of services may be explained. Similarly the employer contribution to Provident Fund was not being made due to poor liquidity position. Management may be advised to satisfy this situation to manage the funds in an appropriate manner.

PAO informed that these advances were provided by the client for the provision of supervision services for their ongoing projects. The services were not being provided as the projects were not reached at the stage to provide supervision. Subsequently, the services were provided and advances were adjusted. Now, all the advances have been completely adjusted. On the availability of more funds, all the outstanding payments will be adjusted.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to adjust the outstanding amount within three months and report to the Audit for verification.

12. i) AUDIT PARA NO. 3.10, PAGE NO.34, AUDIT REPORT 2003-04 NON-UTILIZATION OF FUNDS LYING IN THE PLA-Rs. 5.800 MILLION

ii) AUDIT PARA NO. 35 (PAGE NO.61), ARPSE- 2003-2004

iii) AUDIT PARA NO. 35.2, (PAGE NO.62), ARPSE-AR 2003-04

iv) AUDIT PARA NO. 35.4, (PAGE NO.62), ARPSE 2003-04

PAC DIRECTIVE

The Committee settled the above four paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 28th October, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of defunct M/o Environment presented by the PAO Ministry of Climate Change are given below:

1. i) AUDIT PARA NO. 3.1, PAGE NO.27, AUDIT REPORT 2003-04 NON-OBTAINING OF AUDITED STATEMENT AND ADJUSTMENT ACCOUNTS FROM DIFFERENT NGOs-Rs.21.56 MILLION

Audit pointed out that Environment Division released Grants-in-Aid amounting to Rs. 21,555,593 to various NGOs during the years 2001-02 and 2002-03. Audit quoted the provisions of rule 207 of GFR Vol.-I, sanction letters should have contained details of purposes for which the grants were given but it was observed that sanction letters did not contain any such information. The sanctions did not even specify that grants were not meant for purchase of vehicles and equipment and payment of salaries / establishment charges as required by the guidelines prepared and circulated by the Ministry for the purpose. Furthermore, Audit Certificates were not obtained from the beneficiaries to meet the requirements of paras 206-207 of GFR, Vol.-I Monitoring reports of the projects were also not obtained in violation of guideline referred above.

ii) AUDIT PARA NO. 3.2, PAGE NO.27-28, AUDIT REPORT 2003-04 LOSS DUE TO THEFT OF VEHICLE NO. IDH-4648 AND PERSONAL COMPUTER-Rs.0.450 MILLION

Audit pointed out that the scrutiny of official record of Environment Division indicated that vehicle No. IDH-4648 Suzuki Khyber Model 1996 parked outside CDA Block No.4 was stolen on 7th June, 2002. An FIR was lodged with Aabpara Police Station on the same day and a departmental inquiry was ordered on 15th July, 2002. Inquiry report was, however, not finalized and shown to Audit. A personal computer (Pentium-IV) was also stolen on 31st October, 2002 and FIR for the theft was lodged by the management. Departmental inquiry was, however, not ordered. Both the instances were not reported to the Audit as required under Rule 20 (1) of GFR Vol.-I. Non-holding / non-finalization of departmental inquiries and fixation of responsibility for loss of Rs.450, 000.

The Committee was apprised that the said paras were discussed in the COMMITTEE II of PAC on 8th May, 2015 and PAO was directed to conduct inquiry. Audit was not satisfied from the inquiry report.

PAO informed that the said record is not available because this Ministry was shifted to different buildings many time and later on the record was

burnt due to fire incident. Record is being retrieved from different NGOs and report will be submitted within 15 days.

PAC DIRECTIVE

The Committee pended the above two paras with the direction to the PAO to hold a de-novo enquiry and report to Audit / PAC within 15 days.

2. AUDIT PARA NO. 3.9, PAGE NO.33-34, AUDIT REPORT 2003-04 NON-PRODUCATION OF AUDITABLE RECORD IN RESPECT OF PAKISTAN ENVIRONEMTNAL PROTECTION AGENCY LABORATORY PROJECT – Rs.15.00 MILLION

Audit pointed out that Pakistan Environment Protection Agency (PEPA) had incurred expenditure of about Rs. 15.00 million on the PEPA Library Project during the year 1995-96. However, relevant record of expenditure was not made available for audit scrutiny in violation of the provisions of para 17 of GFR, Vol.-I and Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 which is a serious lapse on the part of management.

The Committee was apprised that the said para was discussed on 13th May, 2015 and the PAO was directed to conduct inquiry regarding the non-production of records.

The PAO informed that all record of relevant documents including bids, comparative statements were in the possession of Deputy Director who left for Canada without handing over the charge/record of the project. He further stated that the matter of non-availability of records is being probed from the officers who performed duties in department after the Director had left for Canada. In this regard show cause has been issued to two officers by yesterday night. He also informed that some record of that period was also burnt in Lal Masjid Incident. The Committee inquired that after the leaving of the responsible officer how many officers remained on that seat. It was also told that many officers remained on that seat during the said period.

PAC DIRECTIVE

The Committee pended the para with the direction that all the concerned officers should be taken on board and the two officers to whom show cause has been issued should also be heard personally.

3. i) AUDIT PARA NO. 3.11, PAGE NO.35, AUDIT REPORT 2003-04 NON-PRODUCTION OF RECORD IN SUPPORT OF EXPENDITURE OF Rs.54.580 MILLION

Audit pointed out that in "Terbela Watershed Management Project" Abbottabad an expenditure of Rs. 54.58 million was incurred on various works out of funds provided by the Kreditanstalt Fur Wiederaufbau (KFW) a German organization and World Food Program (WFP) during 2000-01. However, record in support of the expenditure was not produced to Audit in violation of the provisions of para 17 of GFR Vol.-I and Section 14 of Auditor General's (Functions, Powers and Terms and conditions of Service) Ordinance, 2001 which was a serious lapse on the part of management.

ii) AUDIT PARA NO. 3.12, PAGE NO.35-36, AUDIT REPORT 2003-04 IRREGULAR CREATION OF LIABILITIES OF Rs. 51.51 MILLION

Audit pointed out that the management of Tarbela Watershed Project, Abbottabad created liabilities of Rs. 51.51 million from 1983-84 to 1987-88 without prior consent of sponsoring agencies i.e. Water and Power Development Authority (WAPDA) and World Food Program (WFP) and without provision of those items in the approved PC-I.

iii) AUDIT PARA NO. 3.14, PAGE NO.37, AUDIT REPORT 2002-03 LOSS DUE TO NON-RECOVERY OF STANDARD RENT FROM A PRIVATE SCHOOL –RS.1.060 MILLION

Audit pointed out that in Pakistan Forest Institute Peshawar, a Category-II house has been provided to a private school since 1995. Standard rent of the house fixed by Pak. PWD is Rs. 5,700 per month with a provision for 10% increase for every year. It was, however, observed during the course of audit that no recovery of rent had been made from the school management since 1995 when the school was established. Thus, the public exchequer had been put to a loss of Rs. 1,064,376 due to non-recovery of rent up to June, 2003.

The PAO informed that the school is functioning on self-finance basis and no private person is involved in running the school.

It was apprised to the Committee that the DAC in its meeting held on 8th May, 2015 directed the institute to provide a certificate that school is purely functioning on welfare basis by the employees of the institute and no private party is involved and the certificate should be countersigned by the concerned Ministry.

iv) AUDIT PARA NO. 3.15, PAGE NO.37,38 AUDIT REPORT 2003-04 EXCESS PAYMENT-RS. 0.493 MILLION

Audit pointed out that the Divisional Forest Office Kohistan, under the control of Tarbela Watershed Project, Abbottabad following payments on account of labour charges were shown to have been made vis-à-vis the number of man-days utilized during 2002-03. However, progress report for the same period indicated that either no such work was done or the man days utilized for the purpose were less than those for which payment had been made, thus, a sum of Rs. 493,300 was drawn in excess of the actual work.

v) AUDIT PARA NO. 3.16, (PAGE NO.38), AR 2003-04(FY 2002-03) OVERPAYMENT DUE TO WRONG FIXATION OF PAY OF CONTRACT EMPLOYEES –RS.0.283 MILLION

Audit pointed out that in Project Directorate, Tarbela watershed Project services of 29 contract employees were terminated on 30 June, 2003. However, these employees were re-appointed during the next financial year and their pay was fixed at the stage at which they were terminated instead of minimum of the relevant time scale as per Government instructions circulated by Finance Division vide letter No. SOR-III (FD)/4-141/98 dated 11 July 1996. Thus, wrong fixation of pay caused overpayment of Rs.282,730 during the years 2001-02 and 2002-03.

vi) AUDIT PARA NO. 3.17, (PAGE NO.38-39), AR 2003-04(FY 2002-03) UN-AUTHORIZED USE OF PROJECT VEHICLES/ NON-RECOVERY OF –RS.0.202 MILLION

Audit pointed out that in Tarbela Watershed Project the Divisional Forest Officer, Daur was using 03 official vehicles at a time instead of 01 vehicle. Two vehicles covered a distance of 67,490 km which was held to be recoverable @ Rs.3/km which resulted a loss of Rs. 202,470 to exchequer.

vii) AUDIT PARA NO. 3.18, (PAGE NO.39), AR 2003-04(FY 2002-03) NON-AVAILABILITY/ MISSING PROJECT VEHICLES

Audit pointed out that the Management of Tarbela Watershed Project, Abbottabad own 34 project vehicles and 18 motorcycles out of which availability of 19 vehicles was confirmed and list thereof was provided to Audit. Whereabouts of remaining 15 vehicles and 18 Motorcycles could not be traced out.

The PAO informed that the list of vehicles/motorcycles produced during the Audit process consisted of functional/semi-functional vehicles of the project which are presently available with the project. There is a difference in the number of motorcycles while the number of vehicles is 34 which is correct. The number of motorcycles will be reconciled with the Audit and

evidence regarding present existence of project vehicles will be provided to the Audit for verification.

viii) AUDIT PARA NO. 3.19 (PAGE NO.39-40), AR 2003-04(FY 2002-03) NON-PRODUCTION OF RECORD REGARDING DONATIONS, PROFITS AND EARNEST MONEY OF –RS.14.200 MILLION

Audit pointed out that the management of Quaid-e-Azam Mazar Management Board (QMMB), Karachi informed that they were maintaining 03 PLS Bank accounts and separate cash books were being maintained for each bank account, However, no record/ documents in respect of money coming into the accounts as donations, profits and earnest money and moneys going out, if any, was produced to audit for scrutiny. According to bank statements of these funds following balances were available in these accounts as on 15.03.2001.

It was apprised to the Committee that DAC in its meeting held on 8th May, 2015 directed the PAO to provide record for verification of Audit.

Audit told that the above mentioned paras (3.11, 3.12, 3.14, 3.15, 3.16, 3.17, 3.18 & 3.19) pertain to Tarbella Watershed Management Project.

The department has promised in the DAC to provide the relevant records.

PAC DIRECTIVE

The Committee settled the above eight paras subject to verification of record by the Audit.

4. AUDIT PARA NO. 3.13, PAGE NO.36, AUDIT REPORT 2003-04 LOSS TO PAKISTAN FOREST INSTITUTE ON ACCOUNT OF PAYMENT FOR BULK SUPPLY OF ELECTRICITY – Rs. 11.990 MILLION

Audit pointed out that bulk supply of electricity is being made by Water and Power Development Authority (WAPDA) / Peshawar Electric Supply Company (PESCO) to Pakistan Forest Institute (PFI), Peshawar @ Rs.6.10 per unit, however, making recovery from employees who have been provided residential accommodation @ Rs.3 per unit by making less recovery of Rs.3.10 per unit. Total amount so less recovered from the residential consumers during the period form 2000-01 to 2002-03 works out to Rs. 11,990,292. Thus, the management caused a loss of Rs. 11,990,292 to the public exchequer. The practice is going on since late 1960. The Institute has not been to get separate domestic supply connections for the residential colonies through WAPDA/ PESCO despite repeated audit observations in the past.

The PAO informed that the recovery has been started in the light of the direction of the PAC issued on 13th May, 2015.

PAC DIRECTIVE

The Committee pended the para till the completion of full recovery.

5. AUDIT PARA NO. 35.3, (PAGE NO.62), AR 2003-04

Audit pointed out that the Provision of doubtful debts increased to Rs. 2.953 million in 2001-02, Rs. 3.821 million in 2002-03 and Rs.4.617 million in 2003-04. The increasing trend in provision of doubtful debts showed peer receivables management.

The PAO informed that this institute is not actively working for several years and efforts are being made to activate it. Some Projects have been devolved and shifted to the provinces. It is being tried to reconstitute a new Board of Director and the matter of liquidation of this department will be examined in the Board meeting.

PAC DIRECTIVE

The Committee directed the PAO to recover the outstanding amount with the help of Ministry of Finance through adjuster.

6. AUDIT PARA NO. 35.5, (PAGE NO.62), AR 2003-04

Audit pointed out that the Advances for rendering services to customers amounting to Rs.1.250 million remained static. PEPAC management and staff had not been able to provide services to the clients against the advance received. Reasons for non-rendition of services may be explained. Similarly the employer contribution to Provident Fund was not being made due to poor liquidity position. Management may be advised to satisfy this situation to manage the funds in an appropriate manner.

PAO informed that 0.8 Million has been recovered and remaining 0.2 Million amount will be recovered/adjusted as early as possible.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

M/O COMMERCE

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Commerce was examined by the PAC on 2nd April, 6th May, 4th August and 28th October, 2015 and 6th January 2016.

- 03 grants and 48 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 38 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- It is pointed out that the business of the Ministry which was examined by the Special Committee of 13th PAC in its meeting held on 18th July, 2011, has also been made part of the report.

M/O COMMERCE

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the year 2003-04 pertaining to the Ministry of Commerce were taken up for examination by Special Committee-II of the PAC in the meetings held on July 18th, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2003-04

1. i. GRANT NO. 14 – COMMERCE DIVISION
SAVING OF RS.33, 332,919

AGPR pointed out that the grant closed with a saving of Rs.33, 332,919 which worked out to 2.73 percent of the total grant. An amount of Rs.27, 464,000(2.25%) was surrendered leaving net saving of RS.5, 868,919 (0.48%).

ii. GRANT NO. 15 –EXPORT PROMOTION
SAVING OF RS.59,577,279

The grant closed with a saving of Rs.59,577,279 which worked out to 7.28 percent of the total grant. An amount of Rs.34,391,000 (4.20%) was surrendered leaving net saving of Rs.25,186,279 (3.08%).

iii. GRANT NO. 120 – DEVELOPMENT EXPENDITURE OF COMMERCE DISIVION
SAVING OF RS.31,646,590

The grant closed with a saving of Rs.31,646,590 which worked out to 54.03 percent of the total grant. An amount of Rs.27,889,000 (47.61%) was surrendered leaving net saving of Rs.3,757,590 (6.41%).

PAC DIRECTIVE

The Committee regularized the above three grants with the observation that every effort should be made to surrender all savings before the prescribed date.

AUDIT REPORT FOR THE YEAR 2003-04

2. PARA-2.1 (PAGE 21-A.R-2003-04)
UNAUTHORIZED DRAWAL OF DAILY ALLOWANCE FOR 15 DAYS AMOUNTING TO US$ 6, 025 (RS. 351,077)

Audit pointed out that according to para 10.71 of the FMMA, Daily Allowance(DA) on joining a Mission or on relinquishing a post abroad has been restricted to six days joining time only. The facility of additional 15 days DA in lieu of non-provision of Government accommodation was discontinued vide Ministry of Foreign Affairs O.M. No.Dir (P-I) 1,/98,dated 10th August,1998.

It was observed that Pakistan Mission at Tokyo paid a sum of US$ 10,260 on account of 15 days DA as overlapping period in addition to 6 days DA on joining the Mission to a Commercial Counselor in violation of the rule. The actual excess for 15 days less Foreign Allowance and House Rent Allowance comes to US$6,025 (US$10,260-4,235) The issue was discussed in the DAC meeting held on 27th August,2005 and it was decided to recover the amount within four months.

The PAO informed the Committee that in compliance of DAC directives the officer was approached for recovery vide MoC letter dated 16th December,2008. The officer intimated vide letter No.Nil. dated May 4, 2009 that the payment of DA was in order and made to her after due approval of the Additional Finance Secretary (Expenditure) Finance Division and duly endorsed by the DFA (Commerce). This position was also brought to the notice of Audit vide MoC letter No.2 (14)/2006-Audit dated 24th May, 2007.

PAC DIRECTIVE

The Committee observed that relevant rules should be followed and remanded the Para back to DAC for reconsideration and finalization at DAC level.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

3. PARA-18.2 (PAGE 32- A.R-2003-04
AUDIT COMMENTS

Audit pointed out that an amount of Rs.8.899 million was outstanding against Cess Collection Contractor for Balochistan area for the year 2001-2002.The Contractor filed a suit in the court of Senior Civil Judge, Quetta on the plea that he had not received cess on the by-products of tobacco which was rejected on October 29,2002.The Contractor succeeded in getting stay order from Baluchistan High Court on November 04,2002.The management has not been able to get the stay vacated despite lapse of more than two years which needs justification.

The PAO informed the Committee that the case regarding contractual amount of cess amounting to Rs.8.899 million is still subjudice in the Balochistan High Court. PTB is vigorously pursuing the matter and efforts are underway to settle the matter through the Court.

PAC DIRECTIVE

The Committee asked the PAO to pursue the case more vigorously and directed to submit a report on the progress of the case within one month.

PAKISTAN RE-INSURANCE COMPANY LIMITED

4. PARA-06 (PAGE 17-ARPSE)
NON-SETTLEMENT OF DUES OF RS. 6.157 MILLION REALIZABLE FROM M/S DADABHOY INSURANCE COMPANY LIMITED

Audit pointed out that it was noted during the course of Audit of Pakistan Reinsurance Company Ltd. (PRCL) that an amount of Rs.6.157 million was due from M/s Dadahoy Insurance Company Limited since 1999 on account of acceptance, treaty and retrocession accounts. According to the management of PRCL,M/s Dadabhoy Insurance Company Limited has also submitted claims, in respect of Yellow Cabs, amounting to Rs.50.050 million against PRCL for which they have not submitted the required documentation and details. The matter has not been resolved as a result of which dues of PRCL have been blocked. The matter was discussed in DAC meeting held on May 27,2005, wherein the management was asked to settle the case within 06 months or initiate legal action. Despite lapse of a considerable period the management failed to settle the dispute and the legal action has not yet been taken against the defaulting Company.

The PAO informed the Committee that the PRC pursued the recovery of its dues from the company and Recovery (Mukhtiarkar) was advised to take action against the company vids letters dated 1 1.3.99 and 10.9.99. PRC also pursued the company to clear it dues of Rs.6,157.398 vide its various letters latest being of 10.09.2004. M/s. Dadabhoy Insurance Co. Ltd. responded stating that PRCL has not booked the claims of Yellow Cabs and , if these claims are booked, the position of the balance will change in favour of M/s. Dadabhoy Insurance Co. Ltd. It is further submitted that M/s. Dadabhoy Insurance Company has lodged various claims in respect of Yellow Cabs amounting to Rs.5,049.742 which remain unsettled, interlia, for want of documentation etc. However, the company made payment of Rs.500,000 on 31.03.2005. The case has already been referred to our lawyer Mr. Amanullah Jummani who has filed the suit in the High Court of Sands and the court is in process of issuing notices.

PAC DIRECTIVE

The Committee directed the PAO to pursue recovery of dues more vigorously and asked to submit an updated report within three months.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

5. PARA-07.5 (PAGE 19-ARPSE)

Audit pointed out that a sum of RS.11.403 million was outstanding on account of rent of premises against 48 tenants who had already vacated the State Life Buildings without clearing their dues. The outstanding amount pertained to the period from 1980 to 1997. Non-recovery of the outstanding rent from the tenants before taking over the possession of the permission showed lack of proper control and vigilance. Strenuous efforts are required to be made to recover the same from the quarters concerned.

The PAO informed the Committee that the Commercial Audit observed that a sum of Rs.11.403 Million was outstanding on account of rent of premises against 48 tenants, who vacated State Life Building without clearing their outstanding rent of spaces occupied by them. Legal proceedings were initiated against 24 such tenants against whom a total amount of Rs.8.484 million i.e over 74% of total sum of Rs.11.403 million was recoverable. Under this case possession had taken through court of law and let our premises afresh thus started earning rental revenue. Out of balance of Rs.0.476 million against Government Corporation/Autonomous Bodies for which efforts are being made to recover the dues. The balance Rs.2.458 million was outstanding against those tenants whose recoverable amounts are not much and it is financially not viable to take legal action against them as it involves significant expenditure. For those tenants who are not under litigation or court has passed decree we are going to hire the services of professional agency for recovery. Agency will charge certain %age of amount recovered as its fee. Finally those tenants who had left and will not be in agency net the amount of bad debts will take to Board of Directors for permission to write off the amount.

PAC DIRECTIVE

The Committee expressed displeasure over the delay caused in recovery as it was a very old case and observed that write off procedure should only be initiated (in accordance with prescribed procedure) after concerted efforts of recovery have been made but are unsuccessful. The Committee directed the PAO to make sure that no rental dues are reported in future. A report on action taken should be submitted to the Committee and the Audit **with in one month.**

6. PARA-08 (PAGE 20-ARPSE)
IMPRUDENT INVESTMENT OF RS. 200 MILLION IN CHAKWAL CEMENT COMPANY

Audit pointed out that the State Life Insurance Corporation (SLIC) made equity investment amounting to Rs.200 million in Chakwal Cement Company in 1995

under two different agreements dated August 22,1995 with Khawja Mohammad Jaweed, Chief Executive, Chakwal Group of Industries. Less than one agreement the SL*C* was required to hold those shares for 5 years after which the company would buy back those shares. Under second agreement the company had guaranteed a return of 16% per annum. Accordingly, SLIC subscribed 19,999,980 shares for Rs.199,999,800/-.

However, Chakwal Cement Company defaulted in payment of guaranteed return @ 16% per annum from the first maturity dated August 20,1996 and SLIC filed two suits in Sindh High Court on May 20,1997 and November 27,2000 against Khawja Jaweed. Chief Executive, Chakwal Group of Industries for recovery of Rs.80 million as interest alongwith the principal amount of Rs.1999,999,800. The cases were pending adjudication in the court of law. The investment made in Chakwal Cement Company proved un-productive and tant amounted to extending undue financial favour.

When pointed out by audit on April 7,2003, the management intimated that the cases were pending in the Sindh High Court and there are fair chances of their success in the Court. The matter was also reported to Ministry on December 12,2003. The management in further reply of February 16,2004 stated that SLIC was allowed to invest its funds under provisions of Article 14 (b) of LINO 1972 in any manner that the Corporation may deem fit and that the shares acquired by the Corporation could be taken as security against which payment was made. Further, after entering into agreement Khawja Mohammad Jaweed, defaulted in honoring his commitment and SLIC had filed a suit in the court which is still pending. However, every effort was being made to recover its funds. The reply of management was not convincing, as the ordinary prudence was not applied while making the huge investments. Effective steps were not taken to recover the impugned amount.

The PAO informed the Committee that under one agreement, State Life subscribed 9,999,990 (9,523,800 +476,190) shares of Chakwal Cement Company Ltd at the request, undertaking and guarantee of Khawaja Mohammad Jaweed, Chariman, Chakwal Group of Industries to buy back the above shares after five years at issue price Accordingly, Corporation paid subscription amount of Rs. 99,999,900/= on August 22, 1995. As per this agreement, State Life had an option that after five years from the date of subscription, if shares started trading at higher than the issue price, State Life can cancel the buy back agreement and would become an ordinary shareholder of the company, otherwise Mr. Khawaja Mohammad Jaweed will repurchase the shares at issue price of Rs.10.50 per share. Since the shares as on August 22,2002 were trading at Rs.1 which was much lower then the agreed price, Mr. Khawaja Mohammad Jaweed was requested vide our letter No. InV/CCL-21/187/2000, dated 27-11-2000 to immediately repurchase these shares as per agreement and pay back Rs.99,999,900/= invested by State Life with in fifteen days from the date of issue of the letter and in case of failure/delay, liquidated damages will also be charged

@ per annum as per clause (5) of the said agreement from the date of issue of the letter. Under the second agreement, State Life subscribed with a condition to hold the shares if the Company for a period of 5 years after which as per undertaking Khawaja Mohammad Jaweed was required to buy back these shares at the issue price and to pay to State Life a guaranteed return @ 16% per annum with effect from the date of subscription i.e 23-8-1995 on annualized basis.

The amount of return @ 16% on 2nd agreement first became due on August 22,1996 for which Khawaja Mohammad Jaweed was called upon to pay outstanding amount vide our letter dated 09-09-1996 followed by a reminder dated 13-10-1996. Khawaja Mohammad Jaweed through acknowledged the liability but failed to pay the amount. Inspite of the expiry of the time requested by him for payment of due amount he was served legal notice dated 03-04-1997. Thereafter State Life filed a suit No.692/1997 for the recovery of Rs.15,999,984/= (being the first installment due which remained unpaid by him) in the Sindh High Court. Since the filing of the above suit No 629/1997, other installments also became due. Khawaja Muhammad Jaweed defaulted in honoring his commitment. State Life has filed a suit in the Sindh High Court which is pending and the decision is awaited. The case is being attended by Mr. Shakeel A. Lari, Advocate High Court. The last hearing is scheduled on 25.01.2007 for further proceedings. The payment was made after studying the details of the projected operation of the company. The company was to produce 5500 metric tons of Cement per day and it was expected to be the largest cement producer in the country. The Chakwal Group had investments in textiles, finance companies, banks and synthetic fibres. Collectively the group had total assets of USD 164 million Chakwal Cement was equity financed. Amount equivalent to USD 95.3 million was raised through issuance of Global Depository Receipts (GDRs) to the institutional investors internationally. Based on the financial strength of the group personal guarantee of the Khawaja Muhammad Jaweed was accepted. The payment was approved by the Board of Directors of the Corporation who is competent authority.

PAC DIRECTIVE

The Committee directed the PAO to inquire into the matter, fix responsibility of deviation from rules, take action and submit a report to the Committee within one month. The Committee also directed to furnish a report on the investment policy of SLIC to the Committee.

7. PARA-09 (PAGE 21-ARPSE)
LOSS OF RS. 116.212 MILLION DUE TO BAD INVESTMENT IN THREE COMPANIES

Audit pointed out that State Life Insurance Corporation(SLIC)invested a sum of Rs.252 million in 1995-96 by way of purchasing ordinary shares at par value in three unlisted companies. Two of them were M/s. Pakistan Emerging Venture, an

investment company floated by Muslim Commercial Bank and National Bank of Pakistan, (Rs.125 million) and State Asset Management Company Limited (Rs.27 million). The third company was M/s Schon Refinery wherein an investment of Rs.100 million was made by purchasing its shares at a premium of 100% above par value. ECC directed in 1996 that State Asset Management Company Limited (SAMCO) should be wound up. Thereafter SAMCO went into voluntary liquidation. M/s Pakistan Emerging Venture also went into voluntary liquidation after it incurred a loss of Rs. 99.861 million due to a Badla transaction on May 19,2000 with a broker.M/s Schon Refinery never took off as a business concern and a case for recovery was in the court of law. The book value of the shares of these companies was reduced by Rs.116.212 million viz. Pakistan Emerging Venture (Rs.73.250 million- 58.60%), Schon Refinery (Rs.29.130 million-100%) and State Asset Management Company Limited (Rs.13.832 million _51.23%) as on December 31,2001. A provision of Rs.116.212 million was made in the accounts of SLIC for the year ending December 31,2002, by SLIC's Auditors as relating to diminution in the value of ordinary shares of the above companies. SLIC apparently did not exercise prudence as well as apply sound analytical checks in their decision to invest in the above companies as also substantiated by subsequent events.

The PAO informed the Committee that the State Life invested in shares of Pakistan Emerging Venture Limited for an amount of Rs 125 million alongwith MCB and NBP who also invested Rs 125 million each. The basic mission of the company was to seek venture in growth oriented market thereby providing high returns to investors with their expectation based on risk reward profit of the target investors. The investment in PEVL was approved by the Executive Committee of the Corporation at its 208th meeting held on 11.02.1996. It was expected that PEVL will be a emerging leader in the venture capital going to be floated on Karachi Stock Exchange. The company has earned net income of Rs 16.74 million and Rs 19.49million in the year 1988 & 1999 respectively and declared a dividend of Rupee 0.05 per share in the year 1999. However, the company could not perform according to the plants and the expected results were not achieved.

Due to a Badla transaction on May 19,2000 with a broker for shares, the company sustained abnormal loss of Rs.99.861 million which deteriorated the financial position in the year 2000 and the company showed loss in its annual report for the year ended 30.06.2000. In view of this transaction, the shareholders of the company decided to wind up the company under voluntary liquidation.
The company is still under members' voluntary liquidation. Sate Life has so far received Rs. 12.5 million as dividend for the year 1998 & 99 and liquidation proceeds of Rs.60.584 million. The liquidation process is under way.

SCHON REFINERY

Ms. Schon Refinery Limited and Sate Life made an agreement on 24.12.1995 for setting up a refinery at Port Qasim Karachi. The project envisaged setting up

65000 TPD Oil. The plant and machinery was to be reallocated from two different oil refineries in the USA. The total cost of the project was estimated to be Rs 4,363 million which included a foreign currency component of Rs 2,542 million. State Life invested Rs 100 million in 5 million shares of M/s. Schon Refinery through pre-IPO equity participation. The face value of the shares was Rs. 10 per share and issued to Sate Life at Rs 20 per share i.e. inclusive of premium of Rs 10 per share.

STATE ASSET MANAGEMENT COMPANY LIMITED.

Economic Coordination Committee of Cabinet (ECC) decided in 1996 that SAMCO be wound up and hence the Board of Directors of State Life decided to wind up this company. Since the matter was under investigation of NAB, winding up proceedings were deferred. NAB has now allowed State Life to wind up SAMCO. The matter of appointment of liquidator is being considered by Board of State Life and is expected to be finalized loan, Net asset value of the company as at 31.12.2006 was Rs.16.40 million.

PAC DIRECTIVE

The PAO was directed to investigate whether there was a deviation from the prevalent policy and directed to pursue the court cases more vigorously. The Committee remanded the Para back to the DAC for re-examination and asked to submit a report to the Committee and the Audit **within one month.**

TRADING CORPORATION OF PAKISTAN (PVT) LIMITED

8. PARA-15 (PAGE 28-ARPSE)
LOSS OF RS. 7.475 MILLION DUE TO SALE OF RICE AT LOW RATE

Audit pointed out that Trading Corporation of Pakistan (TCP), on the directives of Cabinet Division, procured 5,000 M. Ton Irri-6 (15-20% broken) rice for donation to the people of Iraq as a part of relief assistance package announced by the then Prime Minister. The Cabinet Division paid an advance of Rs.60 million for the procurement and dispatch of the consignment. The rice was procured @ Rs.11,000 per M. ton at a total cost of Rs.55 million in May 2003. Later on the Ministry of Foreign Affair informed that World Food Programme (WFP) refused to accept the donation of rice from Pakistan in view of its 15-20% broken content. The Cabinet Division on July 26,2003 informed TCP that the Iraqi authorities had refused to accept the donation of rice with existing broken content and directed to dispose of the 5,000 M. tons of rice (15-20% broken) domestically. TCP sold the entire stock of 5,000 M. tons rice @ Rs.90505 per M. ton at a total cost of Rs.47.525 million. Thus, to sale of rice at a low rate TCP/Government sustained a loss of Rs.7.475 million.

The PAO informed the Committee that the Director General, Cabinet Division, Govt. of Pakistan, Islamabad conveyed on 20-03-2003, the directives of the Prime Minister regarding sending 5,000 M.Tons of Irri-6 rice as relief Assistance for the people of Iraq affected by war. An amount of Rs.60 million was provided to TCP by the Cabinet Division as an advance for purchase of rice. TCP purchased 5,000 M. Tons of Irri-6 rice (15-20% broken) through a transparent system of inviting bids through press @ Rs. 11,000/-PMT, total cost being Rs.55 million. TCP had purchased 5000 M. Tons of Irri rice (15-20% broken) in May,2003 on the basis of past practice of sending rice of such broken percentage to friendly countries as gift, by TCP as well as defunct RECP whenever required by the Ministry of Foreign Affairs. The supply of rice by the supplier was completed and goods receipts note issued on 24-05-2003. The WFP requirement of 5% broken Irri rice was however communicated to TCP vide Cabinet Division's letter dated 26-05-2003 after the procurement of rice (15-20% broken) had already been made as mentioned above. Had the TCP been told in time that 5% broken Irri-6 rice was required, it would have endeavored for such procurement. Moreover, RECP (which now stands merged with TCP) had arranged 15-20% broken Irri-6 rice to Iraq as gift under the directive of Ministry of Foreign Affairs during 1996, which means that 15-20% broken rice had earlier been accepted in Iraq as gift from Pakistan. The Cabinet Division vide letter dated 26-07-2003 communicated to TCP, the decision of the inter-ministerial meeting held in the Ministry of Foreign Affairs on 10-07-2003 that 5000 M.Tons of Irri-6 rice already purchased be disposed off by TCP domestically.

PAC DIRECTIVE

The Committee remanded the Para back to the DAC for re-examination and directed to submit a report within one month.

9. PARA-16 (PAGE 29-ARPSE)
NON RECOVERY OF EXCESS AMOUNT OF RS.4.044 MILLION PAID TO KDA AND INTEREST THEREON

PAC DIRECTIVE

The Committee directed the PAO to sit down with the Chief Secretary Sindh and convey the desire of the PAC for settlement of this issue out of court. A report should be submitted to the Committee and the Audit within one month.

NATIONAL INSURANCE COMPANY LIMITED

10. i. AUDIT PARA # 4-PAGE-13-ARPSE-2003-04
AUDIT COMMENTS

ii. AUDIT PARA # 4.1-PAGE-13-ARPSE-2003-04

AUDIT COMMENTS

iii. **AUDIT PARA # 4.2-PAGE-14-ARPSE-2003-04**
AUDIT COMMENTS

iv. **AUDIT PARA # 4.3-PAGE-14-ARPSE-2003-04**
AUDIT COMMENTS

PAKISTAN REINSURANCE COMPANY LIMITED

v. **AUDIT PARA # 5-PAGE-15-ARPSE-2003-04**
AUDIT COMMENTS

vi. **AUDIT PARA # 5.1-PAGE-15-ARPSE-2003-04**
AUDIT COMMENTS

vii. **AUDIT PARA # 5.2-PAGE-16-ARPSE-2003-04**
AUDIT COMMENTS

viii. **AUDIT PARA # 5.3-PAGE-16-ARPSE-2003-04**
AUDIT COMMENTS

ix. **AUDIT PARA # 5.4-PAGE-16-ARPSE-2003-04**
AUDIT COMMENTS

x. **AUDIT PARA # 5.5-PAGE-16-ARPSE-2003-04**
AUDIT COMMENTS

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

xi. **AUDIT PARA # 7-PAGE-18-ARPSE-2003-04**
AUDIT COMMENTS

xii. **AUDIT PARA # 7.1-PAGE-18-ARPSE-2003-04**
AUDIT COMMENTS

xiii. **AUDIT PARA # 7.2-PAGE-19-ARPSE-2003-04**
AUDIT COMMENTS

xiv. **AUDIT PARA # 7.3-PAGE-19-ARPSE-2003-04**
AUDIT COMMENTS

xv. **AUDIT PARA # 7.4-PAGE-19-ARPSE-2003-04**
AUDIT COMMENTS

xvi. **AUDIT PARA # 10-PAGE-22-ARPSE-2003-04**
AUDIT COMMENTS

xvii. **AUDIT PARA # 11-PAGE-23-ARPSE-2003-04**
AUDIT COMMENTS

TRADING CORPORATION OF PAKSITAN(PVT) LIMITED

xviii. **AUDIT PARA # 12-PAGE-24-ARPSE-2003-04**
AUDIT COMMENTS

xix. **AUDIT PARA # 12.1-PAGE-24-ARPSE-2003-04**
AUDIT COMMENTS

xx. **AUDIT PARA # 12.2-PAGE-25-ARPSE-2003-04**
AUDIT COMMENTS

xxi. **AUDIT PARA # 12.3-PAGE-25-ARPSE-2003-04**
AUDIT COMMENTS

xxii. **AUDIT PARA # 12.4-PAGE-25-ARPSE-2003-04**
AUDIT COMMENTS

xxiii. **AUDIT PARA # 12.5-PAGE-25-ARPSE-2003-04**
AUDIT COMMENTS

xxiv. **AUDIT PARA # 16-PAGE 42 ARPSE2003-04**

xxv. **AUDIT PARA # 13-PAGE-26-ARPSE-2003-04**
AUDIT COMMENTS

xxvi. **AUDIT PARA # 14-PAGE-27-ARPSE-2003-04**
AUDIT COMMENTS

xxvii. **AUDIT PARA # 17-PAGE-30-ARPSE-2003-04**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee endorsed the recommendation of the DAC and settled the above 27 paras.

11. **AUDIT REPORT ON MINISTRY OF COMMERCE FOR THE YEAR 2003-04**

PAC DIRECTIVE

The Committee deferred the above Audit Report for next meeting.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd April, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Commerce are given below:

MINISTRY OF COMMERCE

1. i) PARA-18 & 18.1, PAGE-31-32, ARPSE-2003-04

ii. PARA-18.2 , PAGE-32, ARPSE-2003-04

iii. PARA-18.3, PAGE-32, ARPSE-2003-04

iv. PARA-19, PAGE-33, ARPSE-2003-04

v. PARA-2.1, AR-2003-04 (FY 2002-03)

vi. PARA-2.1, PAGE 9-10, AR-2003-04 (FY 2002-03)

vii. PARA-2.2, PAGE 10-11, AR-2003-04 (FY 2002-03)

viii. PARA-2.3, PAGE 11-12, AR-2003-04 (FY 2002-03)

ix. PARA-2.4, PAGE 12-13, AR-2003-04 (FY 2002-03)

x. PARA-2.5, PAGE 11-12, AR-2003-04 (FY 2002-03)

xi. PARA-2.6, PAGE 14-15, AR-2003-04 (FY 2002-03)

xii. PARA-2.7, PAGE 15, AR-2003-04 (FY 2002-03)

xiii. PARA-2.8, PAGE 15-16, AR-2003-04 (FY 2002-03)

AUDIT REPORT PUBLIC SECTER ENTERPRICES FOR THE YEAR 2003-04

xiv. PARA-6, PAGE-17, ARPSE-2003-04

xv. PARA-7.5, PAGE-19, ARPSE-2003-04

xvi. PARA-8, PAGE-20, ARPSE-2003-04

xvii. PARA-9, PAGE-21, ARPSE-2003-04

xviii. PARA-15, PAGE-28, ARPSE-2003-04

xix. PARA-16, PAGE-29, ARPSE-2003-04

The Audit presented the para No. 18 and 18.1 of the Audit Report 2003-04. The PAO stated that the said paras were not communicated to Ministry of Commerce from the Audit before the PAC meeting whereas the said paras were available with the said Ministry in an unsettled form. The Committee also observed that DAC could not be held regarding the Audit Report 2003-04 before the PAC meeting. The Chairman Pakistan Tobacco Board was also absent without prior permission of the Committee.

The Committee took serious notice of statement of Secretary Ministry of Commerce about paras No. 18 and 18.1 of Audit Report which were communicated to the Ministry of Commerce from the Audit before the PAC meeting but the DAC meeting was not held before the PAC meeting. The Committee also took serious concern over the absence of Chairman Pakistan Tobacco Board.

PAC DIRECTIVE

The Committee directed the PAO to hold DAC meetings before the next meeting of PAC and attend the next meeting with full preparation along with all concerned Officers. The Committee also directed the PAC Secretariat to request all Ministries/Divisions/Departments to hold DAC meetings regularly well before the PAC meetings. In case of non compliance, responsibility be fixed.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 6th May, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Commerce (excluding TDAP) are given below:

1. PARA-18 & 18.1, PAGE (31-32) AR 2003-04

Audit pointed out that Pakistan Tobacco Board came into existence in 1968 as a semi-autonomous body under the control of Ministry of Commerce.

Audit further stated that the Board earned an income of Rs. 96.174 million from tobacco cess during 2003-04 against income of Rs. 67.504 million in 2002-03 registering increase of 42.47%. However income from farm products and others declined from Rs.2.026 million and Rs.0.825 million in 2002-03 to Rs.1.749 million and Rs.0.502 million in 2003-04, registering a decrease of 13.67% and 39.15% respectively. The decrease in income and increase in administrative and development expenses in 2003-04 by 17.79% respectively as compared to previous year needs elucidation. The decrease in income from farm products and others needs remedial action.

PAO informed that due to increase in administrative and development expenditure, the income of the Board decreased. He further explained that board was competent under the rules to retain the surplus funds in the banks. PAO stated that audit accounts could not be completed due to technical reasons. Now the Board has hired experts for the completion of accounts. These will be completed up to 30th June 2015. He promised that he will submit a plan regarding the improvement of performance of Pakistan Tobacco Board to the PAC.

PAC DIRECTIVE

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

2. PARA-18.2, PAGE (32) AR 2003-04

Audit pointed out that an amount of Rs. 8.899 million was outstanding against Cess Collection Contractor for Baluchistan area for the year 2001-2002. The Contractor filed a suit in the court of Senior Civil Judge, Quetta on the plea that he had not received cess on the by-products of tobacco which was rejected on October 29, 2002. The Contractor succeeded in getting stay order from Baluchistan High Court on November 04, 2002. The management has not been able to get the stay vacated despite lapse of more than two years which justification.

The PAO informed that Balochistan High Court has decided the case and directed the Chairman to act as arbitrator to decide the case within three months.

PAC DIRECTIVE

The Committee settled the para with the direction to make a comprehensive plan for proper research to improve the performance of Pakistan Tobacco Board.

3. PARA-06, PAGE (17) AR-2003-04
NON-SETTLEMENT OF DUES OF RS.6.157 MILLION REALIZABLE FROM M/S DADABHOY INSURANCE COMPANY LIMITED

Audit pointed out that during the course of audit of Pakistan Reinsurance Company Ltd. (PRCL) that an amount of Rs.6.157 million was due from M/s Dadabhoy Insurance Company Limited since 1999 on account of acceptance, treaty and retrocession accounts. According to the management of PRCL, M/s Dadabhoy Insurance Company Limited has also submitted claims, in respect of yellow cabs, amounting to Rs.5.050 million against PRCL for which they have not submitted the required documentation and details. The matter was not resolved as a result of which dues of PRCL were blocked.

The PAO informed that PRCL pursued the recovery of its dues from the company and Recovery (Mukhtiarkar) was advised to take action against the company vide letters dated 11.3.99 and 10.9.99. PRC also perused the company to clear it dues of Rs. 6,157.398 vide its various letters latest being of 10.09.2004. M/s. Dadabhoy Insurance Co. Ltd. responded stating that PRCL has not booked the claims of yellow cabs and, if these claims are booked, the position of the balance will change in favour of M/s. Dadabhoy Insurance Co. Ltd. It is further submitted that M/s. Dadabhoy Insurance Company has lodged various claims in respect of yellow cabs amounting to Rs.5,049,742 which remain unsettled, interalia, for want of documentation etc. However the company made payment of Rs.500,000 on 31.03.2005. The case has already been referred to our lawyer Mr. Amanullah Jummani who has filed the suit in the High Court of Sindh and the court issued warrants. He told that the recovery of Rs 5 Lac has been verified by the Audit and verification of recovery of Rs. 10 lac was under process.

PAC DIRECTIVE

The Committee directed the PAO to pursue recovery of dues more vigorously and submit an updated report within thirty days to this Secretariat. The Committee also directed the Audit to verify the record of recovery.

4. PARA-07.5, PAGE (19) AR-2003-04

Audit pointed out that a sum of Rs.11.403 million was outstanding on account of rent of premises against 48 tenants, who had already vacated the State Life Buildings without clearing their dues. The outstanding amount pertained to the period from 1980 to 1997. Non-recovery of the outstanding rent from the tenants before taking over the possession of the premises showed lack of proper control

and vigilance. Strenuous efforts are required to be made to recover the same from the quarters concerned.

PAO informed that a sum of Rs.11.403 Million was outstanding on account of rent of premises against 48 tenants, who had vacated State Life Buildings without clearing their outstanding rent of spaces occupied by them. Legal proceedings were initiated against 24 such tenants against whom a total amount of Rs. 8.484 million i.e over 74% of total sum of Rs.11.403 million was recoverable. Under this case possession had taken through court of law and let out such premises afresh thus started earning rental revenue. Out of balance of Rs. 0.476 million against Government Corporations / Autonomous Bodies for which efforts are being made to recover the dues. The balance Rs.2.458 million was outstanding against those tenants whose recoverable amounts are not much and it is financially not viable to take legal action against them as it involves significant expenditure. For those tenants who are not under litigation or court has passed decree we are going to hire the services of professional agency for recovery. Agency will charge certain %age of amount recovered as its fee. Finally those tenants who had left and will not be in agency net the amount of bad debts will take to Board of Directors for permission to write off the amount.

PAO further informed that an amount of Rs.0.418 million have been recovered and an amount of Rs.1.755 have been written off by BoD in its meeting held on September 19th 2012. The same has been verified by the audit. However, balance amount of Rs.9.230 million is a bad debt and will be submitted for write off to the Board of Directors (BoD) because it would not be financially viable to fill suit in court.

PAC DIRECTIVE

The Committee settled the para subject to verification from the Audit by examining the record of recovery and also the written off amount.

5. PARA-08, PAGE(20) AR-2003-04
IMPRUDENT INVESTMENT OF RS.200 MILLION IN CHAKWAL CEMENT COMPANY

Audit pointed out that State Life Insurance Corporation (SLIC) made equity investment amounting to Rs.200 million in Chakwal Cement Company in 1995 under two different agreements dated August 22, 1995 with Khawja Mohammad Jaweed, Chief Executive, Chakwal Group of Industries. Under one agreement the SLIC was required to hold those shares for 5 years after which the company would buy back those shares. Under second agreement the company had guaranteed a return of 16% per annum. Accordingly, SLIC subscribed 19,999,980 shares for Rs.199,999,800. However, Chakwal Cement Company defaulted in payment of guaranteed return @ 16% per annum from the first

maturity dated August 20, 1996 and SLIC filed two suits in Sindh High Court against Khawja Jaweed, Chief Executive, Chakwal Group of Industries for recovery of Rs.80 million as interest alongwith the principal amount of Rs.199,999,800. The cases were pending adjudication in the court of Law. The investment made in Chakwal Cement Company proved un-productive and tantamounted to extending undue financial favour.

The PAO informed that under one agreement, State Life subscribed 9,999,990 (9,523,800 + 476,190) shares of Chakwal Cement Company Ltd at the request, undertaking and guarantee of Khawaja Mohammad Jaweed, Chairman, Chakwal Group of Industries to buy back the above shares after five years at issue price. Accordingly, Corporation paid subscription amount of Rs. 99,999,900/= on August 22, 1995. As per this agreement, State Life had an option that after five years from the date of subscription, if shares started trading at higher than the issue price, State Life can cancel the buy back agreement and would become an ordinary shareholder of the company, otherwise Mr. Khawaja Mohammad Jaweed will repurchase the shares at issue price of Rs. 10.50 per share. Since the shares as on August 22, 2000 were trading at Rs.1 which was much lower then the agreed price, Mr. Khawaja Mohammad Jaweed was requested to immediately repurchase these shares as per agreement and pay back Rs. 99,999,900/= invested by State Life with in fifteen days from the date of issue of the letter and in case of failure/delay, liquidated damages will also be charged @ 20% per annum as per clause (5) of the said agreement from the date of issue of the letter. Under the second agreement, State Life subscribed with a condition to hold the shares of the Company for a period of 5 years after which as per undertaking Khawaja Mohammad Jaweed was required to buy back these shares at the issued price and to pay to State Life a guaranteed return @ 16% per annum with effect from the date of subscription i.e. 23-8-1995 on annualized basis. He was served legal notice and later on filed a suit for the recovery of Rs. 15,999,984/= (being the first installment due which remained unpaid by him) in the Sindh High Court Khawaja Muhammad Jaweed defaulted in honoring his commitment. State Life has filed a suit in the Sindh High Court which is pending and the decision is awaited. Based on the financial strength of the group personal guarantee of the Khawaja Muhammad Javed was accepted. The payment was approved by the Board of Directors of the Corporation who is competent authority.

The Audit informed that under section 48(n) of LINO 1972 investment shall only be made as per rules formed by the Federal Government and MOC SRO 309(K)/70 dated 21-03-1970 (as amended by SROs of 1972 and 1976), SLIC was not authorized to make portfolio investments in unlisted companies.

PAC DIRECTIVE

The Committee directed the PAO to inquire the matter, fix responsibility of deviation from rules, take action and submit a report to the Committee within one month. The Committee also directed to furnish a report on the investment policy

of SLIC to the Committee and directed the PAO to pursue the case in the court vigorously.

6. PARA-09, PAGE(21) AR-2003-04
LOSS OF RS.116.212 MILLION DUE TO BAD INVESTMENT IN THREE COMPANIES

Audit pointed out that the State Life Insurance Corporation (SLIC) invested a sum of' Rs.252 million in 1995-96 by way of purchasing ordinary shares at par value in three unlisted companies. Two of them were M/s. Pakistan Emerging Venture, an investment company floated by Muslim Commercial Bank and National Bank of Pakistan, (Rs.125 million) and State Asset Management Company Limited (Rs.27 million). The third company was M/s Schon Refinery wherein an investment of Rs.100 million was made by purchasing its shares at a premium of 100% above par value. ECC directed in 1996 that State Asset Management Company Limited (SAMCO) should be wound up. Thereafter SAMCO went into voluntary liquidation. M/s Pakistan Emerging Venture also went into voluntary liquidation after it incurred a loss of Rs.99.861 million due to a Badla transaction on May 19, 2000 with a broker. M/s Schon Refinery never took off as a business concern and a case for recovery was in the court of law. The book value of the shares of these companies was reduced by Rs.116.212 million viz. Pakistan Emerging Venture (Rs.73.250 million (– 58.60%), Schon Refinery (Rs.29.130 million (–100%) and State Asset Management Company Limited (Rs.13.832 million (– 51.23%) as on December 31, 2001. A provision of Rs.116.212 million was made in the accounts of SLIC for the year ending December 31, 2002, by SLIC's Auditors as relating to diminution in the value of ordinary shares of the above companies.

The Audit informed that under section 48(n) of LINO 1972 investment shall only be made as per rules formed by the Federal Government. Moreover under MOC SRO 309(K)/70 dated 21-03-1970 (as amended by SROs of 1972 and 1976), SLIC was not authorized to make portfolio investments in unlisted companies.

PAO informed that enquiry was conducted and the enquiry report was signed by the Joint Secretary (Insurance), Section Officer (Insurance) MOC, Section Officer (F&A) MOC and GM (Investment) SLIC. According to the findings of the enquiry Committee the investment was made in accordance with the investment policy framed by the management of SLIC. From the records available with SLIC and discussions of the Committee members, there was no evidence to suggest that there has been any deviation from the investment policy being followed at that time. However, the delegation of financial powers and guidelines were approved by Board of Directors without approval of the Ministry in accordance with Section 49 of LINO, 1972. The authority was competent to make these investments vest with the Board and the Board had approved these investments. Both the cases are pending with the Court of Law. It is the responsibility of SLIC to watch its interest in these court cases and take steps to get the cases decided as soon as possible. He further told that 74 million has been recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit with a report to PAC.

7. PARA-15, PAGE(28) AR-2003-04
LOSS OF RS.7.475 MILLION DUE TO SALE OF RICE AT LOW RATE

Audit pointed out that Trading Corporation of Pakistan (TCP), on the directives of Cabinet Division, procured 5,000 M. Ton Irri-6 (15-20% broken) rice for donation to the people of Iraq as a part of relief assistance package announced by the then Prime Minister. The Cabinet Division paid an advance of Rs.60 million for the procurement and dispatch of the consignment. The rice was procured @ Rs.11,000 per M. Ton at a total cost of Rs.55 million in May 2003. Later on the Ministry of Foreign Affairs informed that World Food Programme (WFP) refused to accept the donation of rice from Pakistan in view of its 15-20% broken content. The Cabinet Division on July 26, 2003 informed TCP that the Iraqi authorities had refused to accept the donation of rice with existing broken content and directed to dispose of the 5,000 M. tons of rice (15-20% broken) domestically. TCP sold the entire stock of 5,000 M. tons rice @ Rs.9,505 per M. ton at a total cost of Rs.47.525 million. Thus, due to sale of rice at a low rate TCP/Government sustained a loss of Rs.7.475 million.

PAO informed that the Director General Cabinet Division, Govt. of Pakistan, Islamabad conveyed on 20-03-2003, the directives of the Prime Minister regarding sending 5,000 M.Tons of Irri-6 rice as relief Assistance for the people of Iraq affected by war. An amount of Rs.60 million was provided to TCP by the Cabinet Division as an advance for purchase of rice. TCP purchased 5,000 M.Tons of Irri-6 rice (15-20% broken) through a transparent system of inviting bids through press @ Rs.11,000/- PMT, total cost being Rs.55 million. TCP had purchased the 5000 M.Tons of Irri rice (15-20% broken) in May, 2003 on the basis of past practice of sending rice of such broken percentage to friendly countries as gift, by TCP as well as defunct RECP whenever required by the Ministry of Foreign Affairs. The supply of rice by the supplier was completed and goods receipts note issued on 24-05-2003. The WFP requirement of 5% broken Irri rice was however communicated to TCP vine Cabinet Division's letter dated 26-05-2003 after the procurement of rice (15-20% broken) had already been made as mentioned above RECP (which now stands merged with TCP) had arranged 15-20% broken Irri-6 rice to Iraq as gift under the directive of Ministry of Foreign Affairs during 1996, which was accepted in Iraq as gift from Pakistan. The Cabinet Division vide letter dated 26-07-2003 communicated to TCP the decision of the inter ministerial meeting held in the Ministry of Foreign Affairs on 10-07-2003 that 5000 Metric Tons of Irri-6 rice already purchased be disposed of by TCP domestically.

PAC DIRECTIVE

The Committee directed the PAO to conduct an enquiry, fix responsibility, take

action against the officers/official involved and submit a report to the Committee containing details of measures taken to avoid such irregularities in future.

8. PARA-16, PAGE(29) AR-2003-04
NON-RECOVERY OF EXCESS AMOUNT RS.4.044 MILLION PAID TO KDA AND INTEREST THEREON

Audit pointed out that Trading Corporation of Pakistan (defunct CEC) was allotted 102.687 acres of land at Korangi Industrial Area, Karachi by Karachi Development Authority (KDA) on September 30, 1975 for construction of cotton storage godowns. The defunct CEC paid full occupancy value Rs.7.455 million to the KDA. Subsequently KDA reduced the allotted area of the land from 102 acres to 41 acres. The defunct CEC had agreed to surrender the land on the understanding that KDA would allot an equivalent area of land to CEC in its some other scheme in Pipri or Landhi. KDA allotted another plot measuring 37,500 sq. yds to CEC in December 1988, adjacent to Korangi plot. After adjusting the payment of this plot the balance amount of Rs.4.044 million remained outstanding with KDA since December 1988. KDA neither allotted the balance area of land to CEC nor refunded the balance amount of Rs.4.044 million to CEC. The defunct CEC now TCP issued legal notice on Director General, KDA in 2001 and also filed the case in High Court of Sindh against City Government, (Ex-KDA) on January 14, 2002 for payment of Rs.4.044 million to TCP with markup @ 20% per annum from 1980 till payment and to execute the lease in respect of balance land of 37,500 sq. yds. plot No.9-13 in favour of TCP. Despite a lapse of more than 23 years, the management of defunct CEC and TCP could not resolve the matter with City Government (Ex-KDA).

PAO informed that the TCP had made maximum possible efforts for the recovery of the said amount. Defunct CEC and presently TCP has tried their best in order to resolve the matter but it could not be resolved due to non co-operation of KDA now local Governments. The suit filed by the defunct CEC now TCP for the recovery of Rs.4.044 million from KDA is under hearing of honorable Sindh High Court Karachi.

PAC DIRECTIVE

The Committee observed that this matter related to two Government departments which needs to be settled amicably. The Committee directed the PAO to held a meeting with the Chief Secretary Sindh for out of Court settlement of this issue. A Report in this regard be submitted to the Committee and the Audit within one month.

9. i. PARA-2.1 AR 2003-04
UNAUTHORISED WITHDRAWL OF DAILY ALLOWANCE FOR 15 DAYS AMOUNTING TO US $.6, 025(Rs.351, 077)

ii. PARA-18.3, PAGE (32) AR 2003-04

iii. PARA-19, PAGE (33) AR 2003-04

PAC DIRECTIVE

The Committee settled the above three paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 4th August, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Ministry of Commerce (only Trade Development Authority of Pakistan) are given below:-

AUDITED REPORT 2003-04

1. PARA.2.1 (PAGE-9-10) AR 2003-04
IRREGULAR INVESTMENT IN TERM DEPOSIT ACCOUNTS-Rs. 857.89 MILLION

The Audit pointed out that in terms of Rule 5 of the Export Market Development Fund (EMDF), Resolution the funds are required to be deposited in a Personal Ledger Account in the Karachi Federal Treasury. It was, however, observed during the course of audit that the management of EMDF invested a sum of Rs. 857.89 million in the following Term Deposit Accounts during the period from 1993-94 to 2000-01 in violation of the provisions of EMDF Resolution. These accounts were subsequently closed by National Bank of Pakistan on the instructions of the State Bank of Pakistan. The management did not produce detailed accounts of these deposits, interest earned thereon, and further utilization of the balances from these accounts. The management of EMDF also could not produce sanction of the Finance Division for opening these accounts.

The PAO informed that this matter does not require any further approval or ratification because the Ministries of Finance and Commerce were represented through the respective Secretaries while the Chairman of the Board was the Minister for Commerce. The approval of the Board was sufficient as per powers vested in it through the EMDF Rules. The PAO further explained that, an amount of Rs. 50 million was deposited into National Saving Account No. 459 on 31-12-1996 for Karachi Expo Centre.

The Audit requested to provide bank reconciliation statement and PC-I of expo Centre.

PAC DIRECTIVE

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

2. PARA.2.2 (PAGE-10-11) AR 2003-04(FY 2002-03)
IRREGULAR EXPENDITURE OUT OF EXPORT MARKET DEVELOPMENT FUND ON ACTIVITIES NOT COVERED UNDER EMDF RULES-RS. 112.58 MILLION

The Audit pointed out that as per the provisions of Export Market Development Fund Resolution, expenditure out of the Fund can be incurred on the following export promotion measures provided that if any expenditure is to be incurred on

any promotional measure which is outside the scope of EMDF Rules. It was told that the management incurred expenditure, out of EMDF, on heads which were not covered under any of the above mentioned heads and scope of item number VI was liberally interpreted to pay salaries to staff, maintenance of building and financial subsidies to individuals.

The PAO informed that the expenditures under objection were incurred after obtaining due approval from the competent authorities to achieve the objective of EMDF for export promotional activities as defined in the EMDF Rules. These authorities include. Board of Administrators of EMDF, The Chairman, the Vice chairman and the Secretary of the Board on case- to-case basis.

PAC DIRECTIVE

The Committee settled the para subject to regularization from the Board of Administrators.

3. PARA.2.3 (PAGE-11-12) AR 2003-04(FY 2002-03)
NON-PRODUCTION OF PROOF OF PAYMENT OF Rs. 4.28 MILLION AND SUPPORTING RECORD FOR Rs. 6.80 MILLION

The Audit pointed out that during the course of audit of the accounts of EMDF, it was observed that the management incurred an expenditure of Rs. 82.74 million on account of contingencies and other miscellaneous charges during the period from 1998-99 to 2000-01. When verification was conducted after a meeting held between Chairman, EPB and Director General Audit, Federal Government on 13 December 2003 record pertaining to the payments for Rs. 71.66 million was produced to audit wherein procurement worth Rs. 2.04 million were made directly from the manufacturers as proprietary items while tenders were called for remaining cases. There were procurements worth Rs. 1,639,265 where sales tax was not got deposited in accordance with the provisions of Sales Tax Act. Supporting vouchers / record of payments, i.e. tender notice, proof of payment of GST, details regarding provision of mobilization advance, measurement book / BOQ amounting to Rs. 11.08 million was not produced for scrutiny and verification. Non-production of record is a violation of the provisions of para 17 of GFR Vol-I and Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The PAO informed that he is personally supervising the task of tracing the concerned record and ensured that it will be provided for verification to the Audit.

PAC DIRECTIVE

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

4. PARA.2.4 (PAGE-12-13) AR 2003-04(FY 2002-03)
GRANT OF SUBSIDY TO TRADE ORGANIZATIONS WITHOUT PROOF OF ACTUAL EXPENDITURE ON RENT, DECORATION ETC.-Rs. 42.81 MILLION

The Audit pointed out that during the period from 1998-99 to 2000-01 the management of EMDF paid a sum of Rs. 42,805,774 to various trade organizations listed below as 50% financing of organizational expenses of fairs and exhibitions. Since the payment was made for participation in exhibitions this could only be paid to the extent of rent, decoration, carriage and freight charges of stalls and exhibitions on actual basis in terms of Rule 4 (v) of the EMDF Resolution for which the respective trade associations should have been required to prefer bills / account which was not done. Due to non-availability of record it could not be ascertained as to whether the amount paid by Export Promotion Bureau (EPB) was 50% of the expenditure or not.

The PAO informed that local fairs are the other distinct category of events for which subsidy has been paid to the Associations. In fact, the local shows are always organized by TDAP (EPB) in collaboration with the Associations in view of the constraints of physical resource available with TDAP (EPB). Expenditure is allowed on case to case basis depending on the profile of the event and the standing of the export sector being subsidized.

PAC DIRECTIVE

The Committee directed the PAO to get the details of payments made to the concerned Association. The Committee settled the para subject to verification of record by the Audit.

5. PARA.2.5 (PAGE-11-12) AR 2003-04(FY 2002-03)
IRREGULAR EXPENDITURE ON ACCOUNT OF PAYMENTS TO CONSULTANTS AND CONTRACT EMPLOYEES-Rs. 30.06 MILLION

The Audit pointed out that contrary to the provisions of EMDF Resolution, the management of EMDF incurred expenditure of Rs. 30,063,051 on the employment of 183 personnel including consultants, project officers, data entry operators, computer personnel, clerks, Naib Qasids etc. It was further noticed that the conditions prescribed by the Establishment Division vide O.M. No. F. No. 8/10/2000-CP.I dated 21 March 2000 for such appointments including appointment on open merit through advertisement in the press were not observed.

The PAO informed that the personel were hired and payments were made with the approval of the board of administrators of EMDF. All necessary record has been provided to the Audit for verification.

PAC DIRECTIVE

The Committee settled the para.

6. PARA.2.6 (PAGE-14-15) AR 2003-04(FY 2002-03)
EXPENDITURE WITHOUT INVITING TENDERS IN VIOLATION OF RULES-RS. 1.41 MILLION

The Audit pointed out that the management of EMDF incurred expenditure of Rs. 1,411,846 on account of purchase of various items, repair of vehicles etc. during 2000-01 but the expenditure was either incurred without inviting open tenders through press or was split-up in order to avoid floating of tenders in the press which deprived the Fund of the benefit of competitive rates. Furthermore, delivery challans and issue registers were not provided to Audit. As such the entire expenditure of Rs. 1,411,846 was incurred in violation of the provisions of Annexure 'A' to Appendix 9 of para 144, GFR, Vol-I.

The PAO informed that the Work Order for each job was issued within the specific financial ceiling on case to case basis. Perusal for the record would bring out that the procurement of printing jobs were processed immediately on requests from the concerned sections of TDAP (EPB). Quotations were invariably called from the suppliers / printers on the panel of TDAP (EPB) and the jobs were awarded to the lowest bidders. No irregularity as such was involved in these cases. Necessary record has been provided to the Audit for verification.

PAC DIRECTIVE

The Committee settled the para.

7. PARA. 2.8 (PAGE-15-16) AR 2003-04(FY 2002-03)
IRREGULAR EXPENDITURE PERTAINING TO EXPO CENTER-RS. 2.51 MILLION

The Audit pointed out that the management of EMDF received a sum of Rs. 2,543,750 on 30 December 2000 from M/s Pegasus Consultancy (Pvt) Ltd, Karachi on account of rental charges of Karachi EXPO Centre in connection with the International Defence Exhibition "IDEAS-2000" held from 14-17 November 2000. Later on the management paid a sum of Rs. 2,511,895 vide Pay Order No. 397247 dated 21 February 2001 to the above named firm on account of miscellaneous work done for organizing IDEAS-2000. The payment so made was irregular as the work was awarded to M/s Pegasus without inviting open tenders and without determining the nature and quantum of work before the start of work. Expenditure account of the works completed by M/s Pegasus was also not obtained from the firm.

The PAO informed that the job was assigned to M/s Pegasus Consultancy Private Limited in a state emergency. During regular inspection and monitoring of the progress of the work assigned to the contractor, it was noticed with grave concern that the contractor would not be able to complete the job within the deadline specified in view of the schedule of "IDEAS 2000", it was therefore decided that a few in escapable job may be assigned to M/s. Pegasus who under a separate arrangements and understanding, had undertaking to

introduced modification in the existing structure for specific requirements of IDEAS 2000. Since the President and Chief Executive as well as other high ranking official of the Armed Forces were scheduled to receive high ranking delegations from different countries and the existing facilities at the Karachi Expo Center did not cater to this requirements. M/s Pegasus was asked to execute the job conceived by the DEPO. In view of the urgency involved in the matter and the security reasons explained by DEPO. The job could not be entrusted to any other contractor through open tender.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount from the defaulter and report to the Audit/PAC within thirty days.

8. PARA 2.7(PAGE-15) AR 2003-04(FY 2002-03)
NON-ACCOUNTAL OF STORE ARTICLES WORTH - RS. 1.19 MILLION

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 28th October, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Commerce (excluding TDAP) are given below:

PAKISTAN TOBACCO BOARD

1. PARA-18 & 18.1, PAGE (31-32) ARPSE 2003-04

The Audit pointed out that Pakistan Tobacco Board came into existence in 1968 as a semi-autonomous body under the control of Ministry of Commerce.

The Audit further stated that the Board earned an income of Rs. 96.174 million from tobacco cess during 2003-04 against income of Rs. 67.504 million in 2002-03 registering increase of 42.47%. However income from farm products and others declined from Rs.2.026 million and Rs.0.825 million in 2002-03 to Rs.1.749 million and Rs.0.502 million in 2003-04, registering a decrease of 13.67% and 39.15% respectively. The decrease in income and increase in administrative and development expenses in 2003-04 by 17.79% respectively as compared to previous year needs elucidation. The decrease in income from farm products and others needs remedial action.

The Audit apprised the Committee that the financial position of Pakistan Tobacco Board has been improved.

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

2. PARA-06, PAGE (17) AR PSE-2003-04
NON-SETTLEMENT OF DUES OF RS.6.157 MILLION REALIZABLE FROM M/S DADABHOY INSURANCE COMPANY LIMITED

Audit pointed out that during the course of audit of Pakistan Reinsurance Company Ltd. (PRCL) that an amount of Rs.6.157 million was due from M/s Dadabhoy Insurance Company Limited since 1999 on account of acceptance, treaty and retrocession accounts. According to the management of PRCL, M/s Dadabhoy Insurance Company Limited has also submitted claims, in respect of yellow cabs, amounting to Rs.5.050 million against PRCL for which they have not submitted the required documentation and details. The matter was not resolved as a result of which dues of PRCL were blocked.

The PAO informed that Rs.0.5 million has been recovered. For the recovery of outstanding amount a suit was filed by PRCL against the defendant (M/s DadaBhoy) and was decreed in the favor of PRCL in 2010. PRCL filed the application to the honorable court for the attachment of the property of Dadabhoy Insurance Co. Ltd and Court has ordered for attachment of the

property. It was told that no property/assets of the defaulter company could be traced and no body from the defaulter is defending the case in the Court.

PAC DIRECTIVE

The Committee showed serious concern over the statement that the properties/assets of the M/s Dadabhoy Insurance Co. Ltd are not traceable. The Committee directed the PAO to conduct inquiry, fix responsibility, take action and submit the report to the PAC/Audit within thirty days.

3. PARA-08, PAGE(20) ARPSE-2003-04
IMPRUDENT INVESTMENT OF RS.200 MILLION IN CHAKWAL CEMENT COMPANY

The Audit pointed out that State Life Insurance Corporation (SLIC) made equity investment amounting to Rs.200 million in Chakwal Cement Company in 1995 under two different agreements dated August 22, 1995 with Khawja Mohammad Jaweed, Chief Executive, Chakwal Group of Industries. Under one agreement the SLIC was required to hold those shares for 5 years after which the company would buy back those shares. Under second agreement the company had guaranteed a return of 16% per annum. Accordingly, SLIC subscribed 19,999,980 shares for Rs.199,999,800. However, Chakwal Cement Company defaulted in payment of guaranteed return @ 16% per annum from the first maturity dated August 20, 1996 and SLIC filed two suits in Sindh High Court against Khawja Jaweed, Chief Executive, Chakwal Group of Industries for recovery of Rs.80 million as interest alongwith the principal amount of Rs.199,999,800. The cases were pending adjudication in the court of Law. The investment made in Chakwal Cement Company proved un-productive and tantamounted to extending undue financial favour.

The Committee was apprised that in the PAC meeting held on 6th May, 2015, the PAO was directed to enquire the matter, fix responsibility, take action and submit a report within one month. The Committee also directed to put up a report on the investment policy of SLIC to the PAC and pursue the case in the court.

The PAO informed that on the direction of the PAC an enquiry was conducted and it has been sent to the management of SLIC for comments. He told that the value of the shares has been increased therefore there is no loss to the Corporation.

PAC DIRECTIVE

The Committee directed the PAO to take action in the light of the enquiry already conducted and submit a comprehensive report along with the enquiry report to the PAC/Audit within ten days.

4. PARA-09, PAGE(21) ARPSE-2003-04
LOSS OF RS.116.212 MILLION DUE TO BAD INVESTMENT IN THREE COMPANIES

The Audit pointed out that the State Life Insurance Corporation (SLIC) invested a sum of' Rs.252 million in 1995-96 by way of purchasing ordinary shares at par value in three unlisted companies. Two of them were M/s. Pakistan Emerging Venture, an investment company floated by Muslim Commercial Bank and National Bank of Pakistan, (Rs.125 million) and State Asset Management Company Limited (Rs.27 million). The third company was M/s Schon Refinery wherein an investment of Rs.100 million was made by purchasing its shares at a premium of 100% above par value.ECC directed in 1996 that State Asset Management Company Limited (SAMCO) should be wound up. Thereafter SAMCO went into voluntary liquidation. M/s Pakistan Emerging Venture also went into voluntary liquidation after it incurred a loss of Rs.99.861 million due to a Badla transaction on May 19, 2000 with a broker. M/s Schon Refinery never took off as a business concern and a case for recovery was in the court of law. The book value of the shares of these companies was reduced by Rs.116.212 million viz. Pakistan Emerging Venture (Rs.73.250 million (– 58.60%), Schon Refinery (Rs.29.130 million (– 100%) and State Asset Management Company Limited (Rs.13.832 million (– 51.23%) as on December 31, 2001. A provision of Rs.116.212 million was made in the accounts of SLIC for the year ending December 31, 2002, by SLIC's Auditors as relating to diminution in the value of ordinary shares of the above companies.

The Audit informed that under section 48(n) of LINO 1972 investment shall only be made as per rules formed by the Federal Government. Moreover under MOC SRO 309(K)/70 dated 21-03-1970 (as amended by SROs of 1972 and 1976), SLIC was not authorized to make portfolio investments in unlisted companies.
The PAO informed that out of 100 million the maximum amount has been recovered and only 29.5 million is remaining balance. The PAO further added that the matter is with the NAB and they have recovered 11 million amount which may be transferred to the accounts of SLIC. The representative of NAB informed that some amount has been recovered and further recovery will be made by selling a property of the defaulter. After the completion of the process of recovery the whole amount recovered will be transferred to the accounts of SLIC.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

5. PARA-15, PAGE(28) ARPSE-2003-04
LOSS OF RS.7.475 MILLION DUE TO SALE OF RICE AT LOW RATE

The Audit pointed out that Trading Corporation of Pakistan (TCP), on the directives of Cabinet Division, procured 5,000 M. Ton Irri-6 (15-20% broken) rice

for donation to the people of Iraq as a part of relief assistance package announced by the then Prime Minister. The Cabinet Division paid an advance of Rs.60 million for the procurement and dispatch of the consignment. The rice was procured @ Rs.11,000 per M. Ton at a total cost of Rs.55 million in May 2003.Later on the Ministry of Foreign Affairs informed that World Food Programme (WFP) refused to accept the donation of rice from Pakistan in view of its 15-20% broken content. The Cabinet Division on July 26, 2003 informed TCP that the Iraqi authorities had refused to accept the donation of rice with existing broken content and directed to dispose of the 5,000 M. tons of rice (15-20% broken) domestically. TCP sold the entire stock of 5,000 M. tons rice @ Rs.9,505 per M. ton at a total cost of Rs.47.525 million. Thus, due to sale of rice at a low rate TCP/Government sustained a loss of Rs.7.475 million.

The PAO informed that as per direction of the PAC an enquiry has been conducted and action has been taken in the light of the enquiry. The PAO told that after taking the action the report will be submitted to the PAC/Audit within 10 days.

PAC DIRECTIVE

The Committee directed the PAO to take action as per findings of enquiry and submit report to the PAC/Audit within 10 days.

6. PARA-16, PAGE(29) ARPSE-2003-04
NON-RECOVERY OF EXCESS AMOUNT RS.4.044 MILLION PAID TO KDA AND INTEREST THEREON

The Audit pointed out that Trading Corporation of Pakistan (defunct CEC) was allotted 102.687 acres of land at Korangi Industrial Area, Karachi by Karachi Development Authority (KDA) on September 30, 1975 for construction of cotton storage godowns. The defunct CEC paid full occupancy value Rs.7.455 million to the KDA. Subsequently KDA reduced the allotted area of the land from 102 acres to 41 acres. The defunct CEC had agreed to surrender the land on the understanding that KDA would allot an equivalent area of land to CEC in its some other scheme in Pipri or Landhi. KDA allotted another plot measuring 37,500 sq. yds to CEC in December 1988, adjacent to Korangi plot. After adjusting the payment of this plot the balance amount of Rs.4.044 million remained outstanding with KDA since December 1988.KDA neither allotted the balance area of land to CEC nor refunded the balance amount of Rs.4.044 million to CEC. The defunct CEC now TCP issued legal notice on Director General, KDA in 2001 and also filed the case in High Court of Sindh against City Government, (Ex-KDA) on January 14, 2002 for payment of Rs.4.044 million to TCP with markup @ 20% per annum from 1980 till payment and to execute the lease in respect of balance land of 37,500 sq. yds. plot No.9-13 in favour of TCP. Despite a lapse of more than 23 years, the management of defunct CEC and TCP could not resolve the matter with City Government (Ex-KDA).

The PAO informed that on the direction of the PAC efforts have been made to resolve the issue by the management of TCP with the City Government out of court. In this regard five meetings have been held between the TCP and City Government. Due to many reasons it could not be finalized.

PAC DIRECTIVES

The Committee directed the PAO to look into the matter personally and consult the Chief Secretary Sindh for out of court settlement so that the issue is resolved at the earliest.

7. PARA-07.5, PAGE (19) ARPSE-2003-04

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 6th January, 2016 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of Ministry of Commerce are given below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04

1. PARA-15 (PAGE 28) ARPSE 2003-04
LOSS OF RS. 7.475 MILLION DUE TO SALE OF RICE AT LOW RATE

Audit pointed out that Trading Corporation of Pakistan (TCP), on the directives of Cabinet Division purchased 5,000 M. Ton Irri-6 (15-20 % broken) rice for donation to the people of Iraq as a part of relief assistance package announced by the Prime Minister for donation to the people of Iraq. The Cabinet Division paid an advance of Rs. 60 million for the procurement and dispatch of the consignment. The rice was purchased @ Rs. 11,000 per M. ton and at a total cost of Rs. 55 million. Later on the Ministry of Foreign Affairs intimated that World Food Programme (WFP) did not accept the donation of rice from Pakistan in view of its poor condition (15-20% broken content). Audit apprised the Committee that in the previous meeting of the PAC held on 28th October, 2015, the Ministry was directed to hold inquiry on the issue.

PAC DIRECTIVE

The Committee referred the para for discussion at DAC level.

M/O COMMUNICATION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Mo Communication was examined by the PAC on 12th May 2015.

- 04 grants and 82 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 04 grants and 48 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 26th July, 2011, has also been made part of the report.

M/O COMMUNICATION

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports for the year 2003-04 pertaining to the Ministry of Communication were taken up for examination by Special Committee-II of the PAC in the meetings held on July 26, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS CIVIL VOL-2003-04

1. GRANT NO. 16-COMMUNICATIONS DIVISION
SAVING OF RS. 211,718,485

Audit pointed out that the grant closed with a saving of R.s 211,718,485/- which works out to 12.42% of the total grant. An amount of Rs. 121,051,942/- (7.11%) was surrendered leaving net saving of Rs. 90,666,543 (5.32%)

The PAO explained that the saving was due to revision of pay scales.

PAC DIRECTIVE

The Committee remanded the above grant back to DAC for reconsideration and directed to report back to the Committee within one month.

2. i. GRANT NO. 17-OTHER EXPENDITURE OF COMMUNICATIONS DIVISION
SAVING OF RS. 2,733,765

ii. GRANT NO.121- DEVELOPMENT EXPENDITURE OF COMMUNICATIONS DIVISION
SAVING OF RS. 26,909,669

PAC DIRECTIVE

The Committee regularized the above two grants.

3. GRANT NO. 150- CAPITAL OUTLAY ON COMMUNICATIONS DIVISION
SAVING OF RS. 235,964,000

Audit pointed out that a supplementary grant of Rs. 24, 6000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that saving against Foreign Exchange is due to exchange rate.

PAC DIRECTIVE

The Committee observed that there should be a system in place to ensure that only those supplementary grants are obtained which are absolutely necessary and saving should not accrue and if so, it should be surrendered in time. The Committee regularized the grant subject to reconciliation with AGPR.

AUDIT REPORT FOR THE YEAR 2003-04(Financial Year 2002-03)

4. PARA-1.2 (PAGE-2 AR-2003-04)
IRREGULAR PAYMENT OF FIXEED DA AMOUNTING TO RS. 3.3 MILLION TO THE ADMINISTRATIVE OFFICERS/ SATFF

Audit pointed out that while considering the terms and conditions of police officials on deputation to Motorway Police, Finance Division vide their O.M No. F.93(20)R.3/96–1022 dated 05 August, 1997 approved fixed DA for 20 days per month to the staff performing patrol duty at the police posts. Later on the payment of 20 days fixed DA was extended to all officers and personnel on operational duty vide Finance Division O. M. No. F-11(1) R-3/98 dated 03 March 2001. Audit holds that operational duty for the purpose of fixed DA was patrol duty at the police posts as defined in Finance Division earlier O.M. dated 05 August 1997.

It was, however, noted during the course of audit that officers posted in IGP office and performing purely administrative duties while claiming normal TA/DA for their official visits were also drawing 20 days fixed DA irregularly and thus deriving double benefit. It was noted that a sum of Rs. 3,295,200 (approx) had been irregularly drawn by these officers on account of fixed DA during the period under audit as detailed below: -

Details of Payment of Fixed DA to Officers Posted in IGP Office

S. No.	Name	Designation	Monthly rates of Fixed TA/DA
1.	Zia ul Hassan Khan	IG NH&MP	11,000
2.	Abdul Hafeez Bungash	DIG	9,000
3.	Dr. Wasim Kausar	DIG	9,000
4.	Tariq Umar Khitab	AIG	8,000
5.	Muhammad Pervaiz Rathore	AIG	9,000
6.	Col. Ihsan ur Rehman	AIG	9,000
7.	Abbas Hussain Malick	SSP	8,000
8.	Shamim Ahmed Khan	Director	9,000
9.	Abdul Rashid Khan	Deputy Director	7,000
10.	Aftab Ahmed	ASP	6,400
11.	Sh. Yaseen Farooq	ASP	6,400
12.	Manzoor Hussain Malik	DSP	2,000

13.	Inam Ellahi	SPO	3,600
14.	Azhar Iqbal	SPO	1,700
15.	Farzand Ali	SPO	3,600
16.	Imtiaz Ali Lashari	SPO	3,600
17.	Imtiaz Gul	SPO	1,700
18.	Aftab Sultan	SPO	3,600
19.	Iqbal Ahmed Khan	SPO	1,700
20.	Javed Iqbal	SPO	1,700
21.	Muhammad Faiq	SPO	1,700
22.	Muhammad Haseeb Raja	SPO	1,700
23.	Muhammad Matiullah	SPO	1,700
24.	Muhammad Siddique	SPO	1,700
25.	Muhammad Yousaf	SPO	1,700
26.	Nasir Aziz Khan	SPO	1,700
27.	Pervez Anwer	SPO	3,600
28.	Sanoober Khan	SPO	1,700
29.	Sardar Khan	SPO	1,700
30.	Sub. Muhammad Ayub Khan	SPO	1,700
31.	Sub. Syed Imdad Hussain Shah	SPO	1,700
32.	Syed Farman Ali Shah	SPO	1,700
Total			**137,300**
Grand total for the period 2001-03		**137,300 X 24**	**3,295,200**

Similarly, officers of DIG office and SSP offices performing administrative duties were drawing fixed daily allowance irregularly.

The PAO explained that the Chief Executive of Pakistan vide No.12(8)SO.1/A.3/CES/2000/1416 dated, 04-09-2000 had approved the 20 days Fixed DA in addition to other incentives to NH&MP personnel. In pursuance of the CE's approval, Finance Division (Regulation Wing) vide O M No.F.11(1)R.3/98- dated, 3rd March 2001 had approved 20 days Fixed DA to NH&MP personnel on operational duties**.** The staff posted in the offices pay surprise visits, hold meetings, attends darbars in camps and conduct inspection etc, the officers pointed out in the audit report are also performing operational duties in addition to administrative duties. These officers don't draw DA for their official visits.

PAC DIRECTIVE

The Committee remanded the Para to DAC for reconsideration and observed that there could be some other way to compensate officers doing good jobs but the rule should be confined to operational duty only. The Committee directed the

department to define and classify operational duty and put up a report to the Committee within one month.

5. i. PARA-1.3 (PAGE-4 AR 2003-04)
NON-DEPOSIT OF SALES PROCEEDS OF VEHICLES AMOUNTING TO RS. 20.92 MILLION INTO GOVERNMENT ACCOUNT

Audit pointed out that being an attached department of the Federal Government, all expenses on procurement of vehicle by National Highways and Motorway Police are met from the Federal Consolidated Fund through regular budget. The sale proceed of vehicle are, therefore, required to be refunded into Government Account. During the review of the list of vehicles it was observed that the management sold 30 vehicles to Islamabad Police for Rs. 9,613,040 and 03 vehicles to National Police Academy for Rs. 1,729,036 during the period from 2000-01 to 2001-02 but the sale proceeds amounting to Rs. 11,342,076 were not deposited into Government Account. Moreover, special rules or orders of the competent authority to dispose off the vehicle before completion of their prescribed life were not provided to audit. It was further observed that 15 vehicles costing Rs. 9,575,095 were shown to have been transferred to Balochistan Police but record / approval of competent authority for transfer of the vehicles as well as receipt / acknowledgment of Inspector General Police, Balochistan was not made available to audit. Non-production of requisite record for audit is violation of para 17 of GFR, Vol.-I and Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The PAO explained that the Finance Division vide sanction No. F.5(1)CF.II/97-1245 dated 8-11-1997 provided Rs 30.00 million to NH & MP through NHA for purchase essential equipment, vehicles and wireless sets etc. The equipment and vehicles were purchased out of the amount provided by NHA as loan through NHA. Sale Proceeds of ten (10) cars and twenty (20) motorcycles, provided to Islamabad Police, was paid by Islamabad Police to NHA through AGPR vide Cheque No H-00635127 dated 30-06-2000. Payment of three cars, given to NPA, Islamabad, has been received which has been deposited into Government Treasury vide challan dated, 12-05-2004 & 21-9-2004

During the inauguration of Jacobabad-Dera Alla Yar Bypass on 23rd April, 2003, The Prime Minister announced that Baluchistan Highway Police would start patrolling on National Highway N-65. NH & MP would provide fifteen replaced Toyota Corolla Cars to Baluchistan Police for patrolling on N-65. In compliance to the orders of Prime Minister Fifteen (15) vehicles had been handed over to Balochistan Police according to the letter # 7723-3/7 (21)/T dated Quetta 30-4-2003 issued by AIGP Telecommunication for Provincial Police Officer Baluchistan Quetta with the approval of Secretary Communications. The vehicles were received by

the representative of the Baluchistan Police. Now, the Provincial Police Officer Baluchistan Quetta has been requested to deposit the sale proceed into Govt. Treasury or return the vehicles so that the same may be auctioned.

ii. PARA-1.15 (PAGE-16 AR 2003-04)
OUTSTANDING RECOVERIES OF RS. 2,282.21 MILLION AGAINST REPORTED MISAPPROPRIATIONS

Audit pointed out that in order to strengthen the internal controls a Vigilance Directorate was established in Communication Division in January, 2001 to act as eyes and ears of the Division and to carry out the duties of vigilance / monitoring and identify the malpractices, both financial and administrative, indiscipline, corruption, irregularities, non-adherence of laid down rules. The internal control should be protective, detective and corrective to minimize the chances of fraud, embezzlement and misappropriation. During the course of audit it was observed that internal control of Communication Division through Vigilance Directorate was only detective but not protective and corrective. A review of relevant reports of Vigilance Directorate for the period January, 2001 to February, 2004 revealed that recovery of Rs. 2,331,222,631 on account of embezzlement in different departments was reported as detailed below:-

Name of Department	**Amount Detected (Rs.)**	**Amount of cases forwarded to NAB (Rs.)**	**Amount Recovered (Rs.)**	**Amount to be recovered/ Balance (Rs.)**
National Highway Authority	389,376.213	285,336,285	25,613,890	363,762,323
Pakistan Post Office	445,121,542	272,728,808	8,930,414	436,191,128
Port & Shipping Wing	1,496,724,876	141,720,733	11,466,999	1,485,257,877
Total	**2,331,222,631**	**699,785,826**	**46,011,303**	**2,282,211,328**

Having gone through the statistics given in the above table it was observed that an amount of Rs. 46,011,303 only (2%) was recovered. Cases involving Rs. 699,785,826 (30%) were forwarded to National Accountability Bureau and the balance of Rs. 2,282,211,328 i.e. 68.7% of the total amount embezzled was still recoverable on the part of the departments concerned up to 01 March 2004 due to defective internal controls.

The PAO explained that Vigilance Directorate is only a reporting agency. Recovery is the responsibility of the respective departments / organizations and Ministry of Communication. Furthermore that position of outstanding recoveries Rs.363.763 million relating NHA will be intimated to the Audit within one week time.

PAC DIRECTIVE

The Committee remanded the above two Paras to DAC for reconsideration and directed to furnish a report within one month.

6. i. PARA-1.4 (PAGE-5 AR 2003-04)
IRREGULAR HIRING OF BUILDINGS AND LOSS OF RS. 1.51 MILLION DUE TO HIRING OF OFFICE BUILDINGS AT HIGHER RENT

Audit pointed out that in terms of serial No. 8 (21) of New system of Financial Control and Budgeting, Heads of Departments have not been empowered to hire office buildings and the power of Ministries / Divisions for hiring of such buildings has been restricted up to a rent of Rs. 25,000 P.M. subject to observance of approved rates and scales. National Highways and Motorway Police is an attached department of Ministry of Communication. Besides the fact that they had no financial power to hire office buildings, house No. 7, F-8/3, Islamabad and House No 1116, Main Double Road G-9/4, Islamabad were hired by the management and that too over and above the approved rates and scales. Rent of these houses was assessed by Pak. PWD at Rs. 20,080 per month and Rs. 4,864 per month but lease agreements were signed by the Director without having such power at Rs. 100,000 per month and 12,000 per month w.e.f 15 September 2002 and 24 October 2002 respectively. Such lease agreements with private persons involving higher than the permissible rent require prior approval of Finance Division (Regulation Wing) under Finance Division O.M. No. F-8(69)R II-83 /2001-152 dated 18 October 2001 which was not done. Thus an overpayment of Rs. 1,976,779 was found to have been made on account of payment of rent for the aforesaid two buildings as under:-

House No.	Monthly rent paid	Monthly rent assessed	Difference per month	Period	Amount
House No.7, F-8/3, Islamabad.	100,000	20,080	79,920	15-09-02 to 29-02-04	1,398,600
House No.1116, G-9/4, Islamabad.	12,000	4,864	7,136	24-10-02 to 29-02-04	115,787
Total:					**1,514,387**

The record of other office building was not produced to audit. The payment of House No.7, Kaghan Road, F-8/3, Islamabad has been made by NHA in the light of above referred decision of Ministry of Communications and approval of the FA's. As far as the payment of House No. 1116, Double Road, G-9/4, Islamabad is concerned the same has not been made so far neither by this office nor by NHA. The management irregularly hired office buildings at higher than the prescribed rates without the approval of Finance Division (Regulations Wing) which resulted in loss of Rs.1.514 million to the public exchequer.

The PAO explained that on completion of Motorway (M-2), the NHA provided official/residential accommodations to NH&MP alongside the Motorway. On taking over the control of N-5, the NH&MP were facing difficulties in locating and hiring the buildings. The matter regarding provision of accommodations to NH&MP by NHA was discussed between Ministry of Communications and NHA. On the direction of Ministry of Communications, the NHA agreed to provide the accommodation to NH&MP alongside N-5 as provided on M-2. With the approval of Ministry of Communications, the FA's Organization was requested to approve the placement of funds at the disposal of NHA for hiring of accommodations on behalf of NH&MP. The FA's Organization accorded approval for placement of funds at the disposal of NHA **.** The sanction letter for transfer of funds to NHA was also got endorsed by the FA's Organization and the cheque was issued in favour of NHA through office of the AGPR Islamabad

ii. PARA-1.5 (PAGE-7 AR 2003-04)
UNAUTHORIZED PAYMENTS OF RS. 7.0 MILLION TO NATIONAL HIGHWAY AUTHORITY FOR HIRING OF OFFICE BUILDINGS

Audit pointed out that according to Rule 15(3) of Rules of Business, 1973 Housing and Works Division has been assigned the business of provision of office and residential accommodation for officers and staff of the Federal Government and fixation of rent of Government owned, hired and requisitioned buildings. National Highways and Motorway Police is an attached department of Ministry of Communication. It was observed that instead of hiring the buildings through Housing and Works Division, the management made an advance payment of Rs. 6,995,000 to National Highway Authority, Islamabad vide Cheque No 790392-93 dated 30 June 2003 for hiring of buildings for their use. It is worth mentioning that no adjustment accounts or detail of building for which the payment was made to National Highway Authority was on record. Thus, action of the management was in violation of the provision of Rules of Business, 1973.

The PAO explained that on completion of Motorway (M-2), the NHA provided official/residential accommodations to NH&MP alongside the Motorway. On taking over the control of N-5, the NH&MP were facing

difficulties in locating and hiring the buildings. The matter regarding provision of accommodations to NH&MP by NHA was discussed between Ministry of Communications and NHA. On the direction of Ministry of Communications, the NHA agreed to provide the accommodation to NH&MP alongside N-5 as provided on M-2. With the approval of Ministry of Communications, the FA's Organization was requested to approve the placement of funds at the disposal of NHA for hiring of accommodations on behalf of NH&MP. The FA's Organization accorded approval for placement of funds to NHA . The sanction letter for transfer of funds to NHA was also got endorsed by the FA's Organization and the cheque was issued in favour of NHA through office of the AGPR Islamabad.

iii. PARA-1.12 (PAGE-13 AR 2003-04)
OVERPAYMENT OF RS. 193,140 ON ACCOUNT OF FOREIGN DA

Audit pointed out that Secretary, Ministry of Communication was overpaid a sum of Rs. 208,521 on account of DA for visits abroad in the following cases.

i) According to the provisions of Finance Division O.M. No. F1 (10)R-10/90-80/96 dated 26 February 1996 Category-I officers for whom accommodation in a hotel is not arranged by the Pakistan Embassy concerned and who stay in hotels at their own arrangement are entitled to Daily Allowance of Category-I officer and actual hotel charges for single room accommodation not exceeding the daily allowance of Category-II officers subject to production of hotel bill / receipt. In cases where no hotel receipt / bill is produced the daily allowance admissible to Category-I officer is to be restricted to the daily allowance of Category-II officer. It was, however, observed that Secretary, Ministry of Communication was allowed DA of Category-I as well as of Category II as hotel charges for his visits abroad without production of any hotel bill / receipt. The officer was thus overpaid a sum of Rs. 96,900 ($1,615 x 60) as under:-

Sanction No. & Date	Description	Venue	Daily Allowance		
			Amount Due US $	Amount Drawn US $	Overpaid US $
NO 3(2)/2001-RT Dated 16-07-2001	International Symposium on Transport Technology Transfer. Florida,USA 29/07/01to 02/08/2001	New York 26/7/01 to28/07/01	612 (204x3)	918 (306x3)	306 (102x3)
		Miami(Florida) 29/7/01 to 2/8/01	612 (153x4)	920 (230x4)	308 (77x4)
		Dallas 3/8/01	109	164	55
		London 4/8/01	222	333	111
9(71)/2000-RT(Vol VIII) Dated 16-10-2002	4th ECO Ministerial meeting on Transport and Communicatio	Istanbul 24/9/02	188	282	94
		Izmir 25,26,27 sep 2002	258 (86x3)	387 (129x3)	129 (43x3)

	n held in IZMIR (Turkey) 26-27th Sep 2002	Istanbul 28/09/02	188	282	94
		Dubai 30/09/02 to 1/10/02	334 (167x2)	502 (251x20	168 (84x2)
6(2)/95-Roads Dated 25-09-03	XXII nd PIARC World Road Congress 19-25 Oct 2003,Durban South Africa		693 (99x7)	1043 (149x7)	350 (50x7)
			Total	**US$1615**	

ii) Secretary, Ministry of Communication was allowed to attend International Symposium on Transport Technology Transfer, Florida, USA from 29 July 2001 to 02 August 2001.It was observed that the Officer left for Miami on 21 July 2001 and stayed at London up to 25 July 2001 at his own but was paid Daily Allowance of Rs. 63,360 (US$ 1,056) for his stay at New York from 26 July 2001 to 28 July 2001 for no-official business there.

iii) Similarly, the officer visited Turkey to attend 4th ECO Ministerial Meeting on Transport and Communication held in IZMIR on 26-27 September 2002. This meeting was preceded by an expert group meeting on 24-25 September. According to para 19/N of file No 9(71)/2000-RT Vol VIII the Secretary was to attend the meeting dated 26-27 September while Brig. Liaqat Rashid, Director (Marketing), NLC and Atiq Ahmad, Director Road were to attend the meeting dated 24-25 September 2002 but Secretary, Communication was paid TA/DA of Rs. 32,880 (US$ 548) for 24-25 September 2002 too.

The PAO explained that no boarding / lodging facility was provided to the Secretary by the Embassy of Pakistan and Secretary stayed under his own arrangements. Hotel bill will be provided. Regarding overpayment for the visit of Izmir (Turkey) on 24-25 September 2002 it was stated that a case for revised sanction is being initiated and audit will be informed as and when finalized. The points regarding overpayment of 03 extra DA for New York were not replied. No hotel bill or revised sanction was however provided till the finalization of the report.

PAC DIRECTIVE

The Committee settled the above three Paras subject to verification by Audit.

7. PARA-1.6 (PAGE-7 AR 2003-04)
OVERPAYMENT OF RS. 222,495 DUE TO DRAWL OF HOUSE RENT CEILING IN ADDITION TO HAVING GOVERNMENT ACCOMMODATION

Audit Pointed out that employees of National Highways and Motorway Police were allowed facility of drawl of house rent ceiling with monthly pay when no residential accommodation is provided to them by the Government. It was

observed that Mr. Saddique Ali, Assistant was drawing house rent ceiling @ Rs. 4,485 P.M. besides residing in a "D" type house in Sector G-9/2, Islamabad allotted to him by Estate office, Islamabad. Thus, the official was irregularly paid a sum of Rs. 222,495 on account of house rent ceiling during the period from 12 February 2000 to 31 March 2004. The drawl of house rent ceiling by Mr. Sadique Ali Assistant is correct. The change statement has been sent to AGPR, Islamabad to stop the payment and to recover the overpaid amount. Payment of rental ceiling in cash to the official living in Government accommodation resulted ion overpayment of Rs.222,495/-

The PAO explained that on pointing out by audit, the department has stopped the payment of HRC and started recovery of over paid amount for irregular drawl of house rent ceiling by Mr. Sadique Ali Assistant. Rs 144398/- have been overpaid to the official w.e.f. 1-8-2000 to 29-2-2004 and Rs 1056500/- has so far been recovered from the official. The remaining amount of Rs 38748/- will be recovered @ 2000/- pm. The Ministry informed that the actual overpayment was Rs 144,398 instead of Rs.222,495 pointed by the Audit and record relating difference between amount will be produced to Audit for verification. An amount of Rs 105,500/- has been recovered from the official and record will be produced to Audit for verification.

PAC DIRECTIVE

The Committee endorsed recommendations of the last DAC and settled the para subject to verification of recovery by Audit.

8. PARA-1.11 (PAGE-12 AR 2003-04)
IRREGULAR EXPENDITURE OF RS. 5.11 MILLION ON ACCOUNT OF RENT OF BUILDINGS HIRED WITHOUT APPROVAL OF COMPETENT AUTHORITY

Audit pointed that in terms of serial No. 8 (21) of New system of Financial Control and Budgeting, Heads of Departments have not been empowered to hire office buildings. The power of Ministries / Divisions for hiring of such buildings has been restricted up to a rent of Rs. 25,000 P.M. for Islamabad / Rawalpindi and Rs. 15,000 for other places. It was, however, observed that DIG N-5 Rawalpindi hired following buildings at monthly rent noted against each without approval of the Finance Division.

S.No	Beat/Office	Location/House	Monthly Rent	Period	Approving Authority	Amount
1	DIG Off	House No. 13-B Valley Raod Westridge-I Rwp	37,000	01/02/03 to 31/08/03 (05 Months)	-	185,000
2	29	H. No B.VIII-351 G.T. Road Sari Alamgir Jehlum	32,364	01/01/02 to 30/04/03 (16 Months)	Secretary (C)	563,644
3	LHQ Jehlum	House No 9/8 Laiqat Road Jehlum Cantt	30,166	15/02/02 to 15/06/03 (16 Months)	Director	482,656

4	DIG Off	House No 19/1 Station Road Nowshera Cantt	30,000	01/04/01 to 30/04/03 (25 Months)	-	750,000
5	LHQ Jehlum	House No 118 (F.F) Kala Gojran Jehlum	29,000	16/06/03 to 30/06/03 (15 days)	Inspector General Police	14,500
6	32	House No Nil Gali No 1 Jamilabad Taxila	26,000	01/12/02 to 30/06/03 (07 Months)	Inspector General Police	182000
7	30	House No B-1(Ground & Upper Floor) G.T.Road Dina Distt,Jeh	25,788	01/01/01 to 30/06/03 (18 Months)	Director	268650
8	32	G.T.Road Jamilabad Taxila	24,500	01/02/01 to 30/04/03 (27 Months)	Inspector General Police	661500
9	27	G.T. Road Dewna, . Distt. Gujranwala	24,000	01/01/03 to 30/06/03 (06 Months)	Inspector General Police	144000
10	35	House Al Sanaad GT Road Sardar Garhi Peshawar	23,000	01/12/02 to 30/06/03 (07 Months)	Inspector General Police	161000
11	28	G.T. Road DewnaMandi Distt, Gujrat	22,000	01/01/03 to 30/06/03 (06 Months)	Inspector General Police	132000
12	35	House No Nil G.T.Road Jeghra	20,000	01/02/01 to 31/01/03 (24 Months)	Inspector General Police	480000
13	LHQ Gujranwala	House No 5 & 6 Saithi Conony G.T. Road Guj	20,000	01/12/02 to 30/06/03 (07 Months)	Inspector General Police	140000
14	31	House No A G.T.Road Banth Mandra	19,219	22/01/02 to 30/06/03 (17 Months 10 Days)	Director	328645
15	26	Aiman Abad Mor Distt, Guj	17,000	01/01/03 to 30/06/03 (06 Months)	Inspector General Police	102000
16	25	G.T.Road Muridkey Distt Sheikhupura	15,000	01/01/03 to 30/06/03 (06 Months)	Inspector Genera Police l	90000
17	29	Bani Banglow Opp Police Check Post Sari Alamgir	14,000	01/05/03 to 30/06/03 (02 Months)	Inspector General Police	28000
18	32	G.T.Road Nawababad Wah Cantt	13,000	01/01/02 to 30/04/03 (14 Months)	-	182000
19	31	House No B-1 G.t.Road Banth Mandra	9,667	22/01/02 to 30/06/03 (17 Months 10 Days)	Inspector General Police	165306
20	31	House (B) Near PSO Petroleum Mandra	4,693	08/12/02 to 07/03/03 (03 Months)	Inspector General Police	14889
21	30	House No 1029/569 Bhora Jungal Jehlum	4,000	05/11/02 to 05/03/03 (05 Months)	Inspector General Police	20000
22	34	G.T.Road Adamzai Distt Nowshera	3,000	01/12/02 to 20/03/03 (03 Months 12 Days)	Inspector General Police	10500
Grand Total						**5,106,290**

The expenditure of Rs. 5,106,290 incurred on rent of buildings hired without the approval of Finance Division was irregular.

The PAO explained that in terms of Sl. No.8(21) of Annexure-II to the Finance Division OM No.F.3(4)Exp.III/2000 dated, 30-06-2000, the Secretary Ministry of Communications is competent to accord sanction of rent as under :-

	Non Residential Build.	**Residential Building**
i)	Upto **Rs. 25,000/-**PM Islamabad/ Rawalpindi/ Lahore/Karachi/Peshawar/Quota.	Upto **Rs.10,000/-**PM
ii)	Upto **Rs. 15,000/-**per month Other Stations	-do-

The Secretary Ministry of Communications had further delegated the full financial powers under above heads to the I.G., NH&MP with the prior concurrence of FA's Organization.

It is submitted that budget was made allocated under the head rent, as per following detail:-

- **Rent of Non-Residential Building**
- **Rent of Residential Building**.
-

The buildings, pointed out in the audit report, were hired separately for residential buildings and offices according to budget allocation, which have been combined by the Audit.

PAC DIRECTIVE

The Committee settled the para.

9. PARA-1.13 (PAGE-15 AR 2003-04)
IRREGULAR PAYMENT OF INSTRUCTIONAL ALLOWANCE AND DEPUTATION ALLOWANCE AMOUNTING TO RS. 63,700

Audit pointed out that according to Finance Division O. M. No. F. 1(3)Imp.11/85 dated 24 October 1986 instructional allowance @ 20% of the minimum of Basic Pay Scale is allowed to officers / staff deployed on instructional duties in training institutions imparting training to Government servants. Mr. Tariq Rashid, an officer of OMG, was posted as Section Officer, Ministry of Communication w.e.f. 11 March 1999 vide Establishment Division Notification No. PF.175/94-OMG-II 11-03-1999. Before this he was working as Assistant Director, Secretariat Training Institute and was drawing instructional allowance. It was observed that the above named officer drew instructional allowance while posted in the Ministry of Communication where he was not performing any instructional duties. Furthermore, the officer belonged to Office Management Group and was posted as Section Officer in Communication Division vide Establishment Division Notification referred to above on regular basis but the officer was also paid Deputation Allowance amounting to Rs. 36,897.

In view of the above the officer was over paid a sum of Rs. 63,700 as under:-

Type of Allowance	Period	Amount P.M.	Total Amount
Instructional Allowance	11-03-99 to 31-03-03 49 months	547	26,803
Deputation Allowance	-do-	753	36,897
Total			**63,700**

The PAO explained that the concerned officer has since been transferred from the Ministry. The audit observation is being sent to the officer and other concerned quarters for justification / recovery of irregular payment.

PAC DIRECTIVE

The Committee remanded the above para to DAC for reconsideration and directed to furnish a report within one month.

10. i) PARA-1.1 (PAGE-1 AR-2003-04)
IRREGULAR RETENTION OF PUBLIC MONEY AMOUNTING TO RS. 389.97 MILLION OUTSIDE THE PUBLIC EXCHEQUER

ii) PARA-1.7 (PAGE-8 AR 2003-04)
IRREGULAR EXPENDITURE OF RS. 670,648 ON SETTING UP OF DISPENSARY IN ISLAMABAD

iii) PARA-1.8 (PAGE-9 AR 2003-04)
IRREGULAR EXPENDITURE OF RS. 1.05 MILLION ON PRINTING OF PAMPHLETS WITHOUT INVITING OPEN TENDERS

iv) PARA-1.9 (PAGE-10 AR 2003-04)
UNAUTHORIZED EXPENDITURE OF RS. 3.10 MILLION

v) PARA-1.10 (PAGE-11 AR 2003-04)
HIRING OF OFFICE BUILDINGS IN EXCESS OF PRESCRIBED SCALES RESULTING IN EXTRA EXPENDITURE OF RS. 2.16 MILLION

vi) PARA-1.14 (PAGE-16 AR 2003-04)
NON-ADJUSTMENT OF RS. 300.0 MILLION COLLECTED AS TOLL TAX FROM M-2

PAC DIRECTIVE

The Committee endorsed the recommendations of the DAC and settled the above 6 paras.

ACTIONABLE POINTS

Actionable Points arising out from the discussion during meeting of PAC held on 12th May, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Communication.

1. i) GRANT NO.16-COMMUNICATIONS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 211,718,485 which worked was out to 12.42% of the total grant. An amount of Rs. 121,051,942 (7.11%) was surrendered leaving net saving of Rs. 90,666,543 (5.32%).

The PAO informed that the saving was due to revision of pay scales, non-posting of PSP officers and non-clearance of some medical bills.

ii) GRANT NO. 18-PAKISTAN POST OFFICE

AGPR pointed out that the grant closed with the saving of Rs. 23,080,210 which worked was out to 0.54% of the total grant.

The Committee observed that the saving was less than 1%.

PAC DIRECTIVE

The Committee regularized the above two grants.

2. PARA-1.2 (PAGE-1) AR 2003-04
IRREGULAR PAYMENT OF FIXED DA TO THE ADMINISTRATIVE OFFICERS / STAFF – RS. 3.300 MILLION

The Audit pointed out that police officials on deputation to motorway police, Finance Division vide their O.M No. F.93(20)R.3/96-1022 dated August 05, 1997 approved fixed DA for 20 days per month to staff performing patrol duty at the police posts. Later on the payment of 20 days fixed DA was extended to all officers and personnel on operational duty on the direction of Finance Division. Audit holds that operational duty for the purpose of fixed DA was patrol duty at the police posts as defined in Finance Division earlier O.M dated August 05, 1997. The officers posted in IGP office were also drawing 20 days fixed DA irregularly while only performing administrative duties. Thus, a sum of Rs. 3,295,200 was irregularly drawn by these officers on account of fixed DA. Similarly, officers of DIG office and SSP offices performing administrative duties were also drawing these fixed daily allowance irregularly.

PAO informed that the department will provide certificate that the officers were performing operational duties in addition to their office duties countersigned by PAO.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record by the Audit.

3. PARA-1.3 (PAGE-4) AR 2003-04
NON-DEPOSIT OF SALES PROCEEDS OF VEHICLES INTO GOVERNMENT ACCOUNT – RS. 20.920 MILLION

Audit pointed out that management sold 30 vehicles to Islamabad police for Rs. 9,613,040 and 03 vehicles to National Police Academy for Rs. 1,729,036 during the period from 2000-01 to 2001-02 but the sale proceeds amounting to Rs. 11,342,076 were not deposited into government account. Further, 15 vehicles costing 9.575.095 were transferred to Baluchistan police but record/approval of competent authority for transfer of the vehicles as well as receipt of IG police Baluchistan was not available to the Audit. Non-production of requisite is a violation of para 17 of GFR, VOL 1 and section 14 of AG's ordinance 2001.

PAO informed that vehicles were purchased by NHA from loan extended by Finance Division. The sale processed of 10 vehicles and 20 motorcycles were paid to National Highway Authority by Islamabad Police. The Audit pointed out that the management should provide evidence of the amount of sale proceed has actually been deposited into NHA account. It was stated that Rs. 1.729 million was deposited into Government Treasury pertaining to auction money of three vehicles given to National Police Academy. PAO further stated that out of 15 vehicles given to Baluchistan Police, one vehicle was stolen and remaining have been received back. Out of these 14 vehicles 10 were auctioned and auction money Rs. 5.500 million was deposited into Government Treasury. The remaining 4 vehicles are in process of auction.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record by the Audit.

4. PARA-1.4 (PAGE-5) AR 2003-04
IRREGULAR HIRING OF BUILDINGS AND LOSS DUE TO HIRING OF OFFICE BUILDINGS AT HIGHER RENT – RS. 1.510 MILLION

Audit pointed out that in terms of serial No. 8 (21) of new system of financial control and budgeting 2000, heads of departments have not been empowered to hire office buildings and the power of ministries/divisions for hiring such buildings has been restricted to rent of Rs. 25000 (subject to observance of approval rates). According to audit findings, house no.7. F8/3 ISB and house no. 1116, main double road G-9/4, Islamabad were hired by management at over the approved rates. Rent of these houses was assessed by Pak PWD at Rs. 20080 per month and at Rs. 4864 per month consecutively but lease agreements were signed by Director without having such power at Rs. 100,000 per month and 12,000 per month w.e.f 15th September, 2002 and 24thOctober 2002 respectively.

Such lease agreements with private persons involving higher than the permissible rent require prior approval of Finance Division. Hence, according to the Audit, management irregularly hired office buildings resulting in the loss of Rs.1.514 million.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of regularization from Ministry of Finance. Otherwise PAC (Monitoring and Implementation) be handed over the para for further examination.

5. PARA-1.5 (PAGE-7) AR 2003-04
UNAUTHORIZED PAYMENTS TO NATIONAL HIGHWAY AUTHORITY FOR HIRING OF OFFICE BUILDINGS-RS. 7.0 MILLION

Audit pointed out that according to rule 15 (3) of rules of business, 1973 Housing and Works division has been assigned the business of provisions and residential accommodation. It was observed by the audit that the management instead of hiring H&W, made a check of Rs. 6,995,000 to NHA ISB. There was no adjustment of accounts. Thus this action violated provisions of rules of business of 1973.

PAO informed that the buildings were hired by NHA for NH&MP and payment was made to NHA with the prior approval of Finance Division as well as works Division. The record regarding adjustment of accounts will be produced to Audit for verification.

It was apprised to the Committee that DAC on 08.05.2015 directed the management to provide the adjustment vouchers and list of buildings hired to Audit for verification.

PAC DIRECTIVE

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

6. PARA-1.6 (PAGE-7) AR 2003-04
OVERPAYMENT DUE TO DRAWL OF HOUSE RENT CEILING IN ADDITION TO HAVING GOVERNMENT ACCOMMODATION-RS. 0.222 MILLION

Audit pointed out that employees of NHA and motorway police were allowed drawl of house rent ceiling when no residential accommodation is provided by Government. Mr. Siddique Ali, assistant was drawling house rent ceiling at Rs. 4,485 per month, besides residing in a D type house in sector G-9/2 Islamabad allotted to him by Estate office ISB. Thus, he irregularly gained an overpayment of Rs. 222,495 from 12 February, 2000 to 31 March, 2004.

PAO informed that actual overpayment of house rent ceiling was Rs. 144,398 instead of Rs. 222,495. PAO stated that an amount of Rs. 47,496 is pending & other amount has been recovered. Deposited challans of remaining amount Rs. 47,496 will be got verified from the Federal Treasury Office, Islamabad and will be provided to Audit for verification.

PAC DIRECTIVE

The Committee settled the para.

7. PARA-1.12 (PAGE-13) AR 2003-04
OVERPAYMENT ON ACCOUNT OF FOREIGN DA-RS. 0.193 MILLION

Audit pointed out that according to the provisions of Finance division officers for whom accommodation was not arranged by the Pakistan embassy concerned and who stayed in hotels at their own arrangement are entitled to daily allowance of category I officer. It was observed by the audit that secretary Ministry of Communication was allowed DA of category I as well as category II as hotel charges for his visits abroad without production of bill. Thus, he was overpaid RS. 96,900. Secretary, Ministry of Communication was allowed to attend international symposium on transport technology transfer Florida USA from 29 July 2001 to 02 August, 2001. Although he was staying there in personal capacity but was allocated fixed DA of 63,360 daily for his stay from 26-28 July 2001 in New York. He also visited turkey on 26-27 September 2002. This meeting was preceded by an expert group meeting on 24-25 September. According to the audit, the Secretary was paid TA/DA of Rs. 32,880 for 24-25 September, 2002 too, however he was not entitled to it.

PAO informed that no lodging/boarding facility was provided to the Secretary by the said Embassy of Pakistan. Secretary stayed under his own arrangements. Documentary proof of Hotel bill etc. will be provided to Audit. He told that the sanction of expenditure incurred on the tour of Turkey has been initiated.
It was apprised to the Committee that DAC has recommended the Para for settlement subject to verification of record by the Audit.

PAC DIRECTIVE

The Committee settled the para.

8. PARA-1.13 (PAGE-15) AR 2003-04
IRREGULAR PAYMENT OF INSTRUCTIONAL ALLOWANCE AND DEPUTATION ALLOWANCE – RS. 0.064 MILLION

The Audit pointed out that according to finance division instructional allowance @ 20% of the minimum basic pay scale is allowed to officers/ staff deployed on instructional duties in training institutions giving training to government servants. It was noted that Mr. Tariq Rashid when he was posted at Ministry of

Communication was drawing this allowance without performing any instructional role. The above officer, according to the audit was paid Rs. 63.700 irregularly in violations of the rules.

PAO assured that the said amount will be recovered and deposited in the Government Treasury.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

9. PARA-1.15 (PAGE-16) AR 2003-04
OUTSTANDING RECOVERIES AGAINST REPORTED MISAPPROPRIATIONS-RS. 2,282.21 MILLION

Audit pointed out that Audit vigilance directorate was formed in order to check the malpractices or embezzlements etc. in January 2001 in the Communication Division. Audit observed that internal control of Communication Division through vigilance directorate was only detective but not protective and corrective. Having gone through statistics, audit observed that an amount of 46,011,303 (2%) only was recovered. That pointed to defective control and losses.

PAO informed that an amount of Rs. 363.762 million and Rs. 436.191 million regarding NHA and Pakistan Post Office are under consideration in the Ministry of Communication and their current status would be provided to Audit. And the amount of Rs. 1,485.258 million pertains to Ministry of Ports and Shipping. Delay is due to the reason that the whole record was with the vigilance team and is untraceable.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally and submit a comprehensive report on the issue to the PAC within 60 days.

10. PARA-1 (PAGE 3) AR 2003-04
IRREGULAR EXPENDITURE OF RS 62.873 MILLION ON PRINTING OF STANTIONERY & FORMS
PAC DIRECTIVE

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

11. PARA-3 (PAGE 6) AR 2003-04
SERVICE CHARGES OF RS. 35.639 MILLION RECOVERABLE FROM PTCL

Audit pointed out that according to an agreement executed between PTCL and Postal Authorities, charges for distribution of telephone bills are required to be

realized from PTCL within 30 days of the receipt of claims. Contrary to the provisions of the agreement, service charges amounting to Rs. 35.639 million were not realized from the PTCL during 2002-03 by Postmaster General Punjab, Lahore.

PAO informed that out of 35 million, 28 million has been recovered and verified from the Audit and for the balance amount efforts are being made.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

12. PARA-4 (PAGE 6) AR 2003-04
LOSSES, FRAUDS AND MISAPPROPRIATION WORTH RS. 29.213 MILLION

Audit pointed out that according to claims of article 24 of PT&T initial account code Vol-1, losses and fraud cases are required to be reported to Audit Offices on occurrence even if loss has been made good. Furthermore, proceedings regarding fraud, embezzlement or similar offences should be held at the earliest possible time against all delinquents and should be conducted adhering to all rules. Audit told that thirteen units of PPO department, 47 cases of misappropriations, frauds, losses, the thefts and dacoity amounting to Rs. 29.213 million as recorded by PPO department in their register of defalcations and losses occurred during 2002-03.

PAO informed that an amount of Rs. 3.139 million has been recovered/written off. Disciplinary action against all the officials has been finalized. A few cases are in the court of law.

PAC DIRECTIVE

The Committee pended the para.

13. PARA-5 (PAGE 8) AR 2003-04
UNAUTHORIZED EXPENDITURE OF RS 16.684 MILLION ON ACCOUNT OF DAILY WAGES

PAC DIRECTIVE

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

14. PARA-6 (PAGE 3) AR 2003-04
UNAUTHORIZED PLACEMENT OF FUNDS AMOUNTING TO RS 13.546 MILLION UNDER HEAD "OTHER DEPOSITS"

PAO informed that on completion of projects, the amount kept under P-Deposit was cleared by making payment to the concerned contractor during 2003-04. PMG Karachi intimated that an amount of Rs. 6,051,188 is still under P-Deposit because the contractor has filed a case for compensation of Rs. 6,567,014 in Sindh High Court under Suit No. 146/04. The last date 09.04.2015 was adjourned without progress. The remaining amount will be utilized after decision of the case. It is further added that the practice to keep the unspent amount under Head-P Deposit has since been stopped.

PAC DIRECTIVE

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

15. PARA-7 (PAGE 11) AR 2003-04
IRREGULAR EXPENDITURE ON CONVEYANCE OF MAIL RS. 4.796 MILLION

Audit pointed out that violating the provisions present in Posts & Telegraphs manual an expenditure of Rs. 4.796 million on account of conveyance of mail was incurred by two formations of the department without calling for open tenders.

PAO informed that the contracts were awarded in s transparent way after fulfilling the codal formalities.

PAC DIRECTIVE

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

16. PARA-9 (PAGE 13) AR 2003-04
UNAUTHORIZED RE-APPROPRIATION OF FUNDS AMOUTING TO RS 3.325 MILLION

PAC DIRECTIVE

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

17. PARA-12 (PAGE 16) AR 2003-04
UNAUTHORIZED EXPENDITURE OF RS. 2.159 MILLION ON RECONSTRUCTION OF POST OFFICE BUILDINGS

PAO informed that the work was under the process on 30.06.02, therefore an amount of Rs. 1,326,763 was kept in P-Deposited in accordance with the article 483 of IAC Vol-I. Now this practice has since been stopped as recommended by the Audit. The building i.e. office & residence of Postmaster Lala Musa was demolished due to poor condition. The new building was constructed, and the expenditure was booked under correct head 21-Capital.

PAC DIRECTIVE

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

18. PARA-13 (PAGE 17) AR 2003-04
SHORT RECOVERY OF RS. 1.340 MILLION ON ACCOUNT OF ADVERTISEMENT CHARGES

Audit pointed out that according to clause (I) of the agreement made on 1st June, 2001 between Director General, PPO and M/s Sign world Communications Karachi, 50% advance payment was to be made by the advertising agency to Pakistan Post Office Department with each print order for advertisement on inland envelopes. Contrary to the agreement, the Chief Controller of Stamps Karachi, did not recover the due amount of 50% advance payment. Moreover, an amount of Rs.1.340 million on account of the advertisement charges was still recoverable from the contractor.

PAO informed that the case was taken up with the DCO Karachi for recovery of remaining amount of Rs. 340,400 and Deputy District Officer (Revenue) and special Judicial Magistrate, Saddar Town Karachi issued notices to the defaulted firm M/s Sign World Communication Karachi. Against these notices the owners M/s Salman Asad and Syed Shahid Bukhari filed petitions in the Honorable High Court Sindh. The case is subjudice.

PAC DIRECTIVE

The Committee pended the para with the direction to pursue the case vigorously in the Court.

19. PARA-14 (PAGE 18) AR 2003-04
IRREGULAR WITHDRAWAL OF CASH FROM POSTAL TREASURIES ON PAPER CHITS AMOUTING TO RS. 1.159 MILLION DISREGARDING STRICT PAC DIRECTIVES

Audit pointed out that withdrawal of cash on paper chits from postal treasuries is not covered by any rule. According to the instructions issued vide DG Pakistan post office dated 16th April 1995, the government money and those found responsible would be dealt with accordingly. PAC in its meeting, held on 5-7 November 2001 while discussing the audit report of department for the year 1999-2000 directed the PAO to evolve some arrangement to stop this practice on a permanent footing. It also pursued that strict action will be taken against person(s) responsible who violated directives of PAC. But in violation, Audit found out that of these directives, four formations of PPO department continued illegal practices by making withdrawal of 1.159 million rupees from GPO treasuries on simple paper chits during 2002-03 which went unaccounted for.

PAO highlighted the problems faced by staff working in different Post Offices in detail. He told that all the paper chits have since been cleared. Clearance certificate issued by the Divl. Supt. (PS) / Chief Postmaster / Sr. Postmaster has been shown to Audit.

PAC DIRECTIVE

The Committee directed the PAO to frame the rules, get them vetted from proper forum and submit report to the Committee/Audit.

20. PARA-15 (PAGE 19) AR 2003-04
NON-DEDUCTION OF WITHHOLDING TAX OF RS. 1.036 MILLION FROM PROFIT ON SPECIAL SAVING ACCOUNTS

Audit pointed out that five formations of the PPO department did not deduct withholding tax at source from profit on Special Saving Accounts during 2002-03 causing thereby a loss of Rs. 1.036 million to the national exchequer by violating the rule 29-B of Post Office Savings Bank Rules.

PAO informed that actual amount of the para is 1,007,702. An amount of Rs. 737,055 has been recovered. An amount of Rs. 31,135 is not due. Remaining amount will be recovered shortly.

PAC DIRECTIVE

The Committee pended the para with the direction to recover the amount.

21. PARA-16 (PAGE 20) AR 2003-04
UNAUTHORIZED EXPENDITURE OF RS. 245,000 ON LAW CHARGES

Audit pointed out that Director General, Pakistan Post Office Department incurred an expenditure of Rs. 245,000 on law charges for engaging a counsel without consultation of Law Division. Ex-post-facto sanction sought by the Department was refused by the law Division which also advised the administrative department to recover the law charges from the office who engaged the counsel.

PAO informed that Minister for Communication has allowed the Director General Pakistan Post Office for engagement of private counsels to defend the Federal Government in court cases. The law Division has allowed the Federal Government Department to engage counsels up to the limit of Rs. 100,000. The amount was paid to the Advocates on the approval of Ex-Director General who has since left the department.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally conduct enquiry and submit a report for Audit verification showing the details of payments as made to all concerned.

22. PARA NO. 6.1, PAGE NO. 93, A.R. 2003-04
UNJUSTIFIED EXPENDITURE DUE TO NON-COMPETITIVE AWARD OF WORKS OF RS. 1,142.831 MILLION

Audit quoting Para No. 1 & 2 of Chapter three of National Highway Authority stated that Code signifies; "all works shall be awarded through open tenders after due publicity in order to achieve most economical and competitive rates". Furthermore, summary approved by the Chief Executive in the month of February, 2002 regarding award of Layari Expressway Project, Karachi to M/s FWO states that the work is to be awarded on negotiated rates below or at par with the similar works at Karachi keeping in view the Engineer's estimate and subject to approval of the negotiated rates. As audit reported, the work "Construction of Layari Expressway, Karachi" was awarded for Rs. 4,892 million to M/s FWO without tendering on negotiation basis at 9.98% above the Engineer's estimate in the month of May 2002, whereas the work of Karachi Northern Bypass Project (Package II) was awarded for Rs. 645.175 million through open bidding to M/s ECI in the same month at 15.78% below the Engineer's estimated cost. Deviation from codal provisions regarding tendering procedure and acceptance of higher rates during negotiation caused unjustified expenditure of Rs. 1,142.831 million.

PAO informed that award of work to FWO on negotiated rates was a policy decision. As far as the item rates are concerned, the BOQ thus fixed is already based on negotiated and reasonably working rates. Comparison of rates of the two totally independent projects with clearly distinct working conditions is not justified. Work site being located in Heart of Karachi city has peculiar problems and to resolve these problems FWO was placed in front. Some projects do have reasons other than economics, keeping in view these reasons, work was negotiated with FWO.

PAC DIRECTIVE

The Committee directed the PAO to arrange a briefing/presentation about the award of construction of Lyari Expressway Karachi and delay in its completion within 2 weeks.

23. i) PARA NO. 6.2, PAGE NO.94,A.R. 2003-04
WASTEFUL EXPENDITURE DUE TO DELAY ON PART OF EMPLOYER OF RS. 478.777 MILLION

ii) PARA NO.6.3 PAGE NO. 94-95
OVER PAYMENT DUE TO PAYMENT OF ESCALATION FOR DELAY ON PART OF CONTRACTOR RS. 302.702 MILLION

PAC DIRECTIVE

The Committee settled the above two Paras on the recommendation of DAC.

24. PARA NO.6.4 PAGE NO. 95-96, A.R. 2003-04
OVER PAYMENT DUE TO APPLICATION OF INCORRECT RATES OF RS. 187.503 MILLION

Audit pointed out that according to clause which states that Specifications of items of work "Asphalt Base Course" and "Asphaltic Wearing Course" were changed from the Kohat Tunnel Project Particular Specifications to National Highway Authority (NHA) General Specifications 1998. Change in specifications warranted that rates of said works should be revised on the basis of new specifications. Since Composite Schedule of Rates 2000 is based on National Highway Authority General Specifications 1998, therefore" new rates should have been based on Composite Schedule of Rates 2000.

Audit pointed out that the Authority did not derive new rates from Composite Schedule of Rates 2000 for the items whose specifications were changed to National Highway Authority General Specifications. Application of rates quoted on the basis of original contract specifications resulted in overpayment of Rs.187.503 million.

Audit requested the Committee to direct the PAO for early recovery from the contractor besides, fixing responsibility for delay in reduction of rates as per changed specification.

PAO informed that the audit calculated the cost due to this change in relation to the cost of the whole material in CSR with the cost of the whole material of the tender rate which in no way was either relevant or in any code of practice for such a change. The equipment is always the same for the production, carriage, laying and compacting for the asphalt item 203c for which the unit is in cubic meters. A slight change in the bitumen content for the mix does not require a change in the type of equipments for accomplishment of work. Regarding the item 305 (a) the cost reduction, approved by the NHA, is for the tests which are done in the laboratory and this has no concern of the usage of main equipments for the asphalt production, carriage, laying & compacting etc.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally and submit a comprehensive report on the issue to the PAC within 60 days.

25. PARA NO. 6.8 PAGE NO. 97-98, AR 2003-04
SHORT REALIZATION DUE TO TERMINATION OF HIGHEST BID CONTRACTS OF TOLL COLLECTION - RS. 59.602 MILLION

Audit pointed out that according to Para-5 (13-b) Chapter Eleven of National Highway Authority Code tolls should be collected through a contractor selected through open auction of the toll collection rights. This regulation is what the audit uses here to make the case. Audit was to witness that the Authority terminated the existing contracts of toll collection rights of National Highway Authority (N-55) which were awarded to private contractors through competitive/ guaranteed bidding. They were to deposit an amount of Rs. 185.199 million as per provisions of their contracts. The contract was awarded to M/s National Logistic Cell (NLC) in the month of December 2001 on revenue sharing formula basis (without open auction). NLC deposited toll receipts amounting to Rs. 125.597 million from December 2001 to June 2003. By denying the successful bidder (private contractors) to run toll operations the Authority was deprived of revenue amounting to Rs. 59.602 million.

PAO informed that at various locations law and order situation was created. Transporters blocked the road, and destroyed toll posts. Concerned District Administration requested to resolve the dispute. But, on the contrary, District Administration forcefully stopped the toll collection by contractors of NHA. Failure to collect toll at Shikarpur (Sindh) is glaring example where the help from local administration to Chief Secretary Sindh level was sought but contractor failed in collection of toll and this situation paved way to switch over to NLC.

PAC DIRECTIVE

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

26. PARA NO. 6.11 PAGE NO.100, AR 2003-04
OVER PAYMENT DUE TO NON-REDUCTION OF CRUSHING COMPONENT FROM QUOTED RATES OF RS. 51.366 MILLION

Audit pointed out that according to analysis of rate and Para 8.7 (iii) of Bid Evaluation Report the bidder considered maximum utilization of excavated rock of Concrete Aggregates and Aggregate Base Course by crushing it through crushing plant. Therefore, rates of these items contained cost of crushing plant. Audit witnessed that the Authority utilized all the excavated rock in the formation of embankment and did not consume the same in concrete or Aggregate Base Course. In view of above, cost crushing component contained in these items of work was required to be reduced. Non-reduction of crushing component from quoted rates resulted in overpayment of Rs. 51.366 million to the contractor.
PAO informed that the general specification Clause 105.3 which requires all material removed from excavation (Roadway and / or tunnel) and following Clause PS-14 shall be used in the formation of embankment, sub-grade,

shoulder, and at such other places as directed unless it is declared unsuitable and ordered to waste by the Engineer. The available rock was first to be used for the embankment work and if available could have been used otherwise in accordance with the Contractors planning. The rock material was therefore used in the embankment in accordance with clause 108.3.2.

PAC DIRECTIVE

The Committee referred back the para to the DAC.

27. PARA NO.6.16 PAGE NO.103-104, AR 2003-04
UNJUSTIFIED PAYMENT DUE TO NON-OBSERVANCE OF CONTRACT CLAUSES OF RS. 17.207 MILLION

Audit pointed out that sub-clause 20.2 of the Contract agreement of Chablat-Nowshera Project (General Obligation) states; "the contractor is responsible to rectify any loss or damages that happen to work or any part thereof during the period of contract". Also clause 2.4.1 (Professional Liability) para-II Conditions of Particular Application of Consultancy Agreement held the consultants responsible for faults, errors in design, construction supervision and other professional duties in connection with the work. Audit also observed that the Authority approved a variation order for an amount of Rs. 17.207 million on account of additional cost for rectification of Khairabad Bridge wherein the sag appeared after its construction. The sag was either due to faulty design / supervision the consultant or because of faulty construction by the contractor or lack of funds. It was therefore, the responsibility of the contractor or the consultants to rectify the sagged portion at their own cost. However, an additional amount of Rs. 17.207 million was paid to the contractor for rectifying sagged portion of the bridge. Non-observance of contract clauses resulted in unjustified payment of Rs. 17.207 million to the contractor.

PAO informed that authority saved Rs. 80 million which would have paid on account of escalation in case of abandonment of work. The Committee did not agree on his reply.

PAC DIRECTIVE

The Committee directed the PAO to conduct enquiry about the loss occurred, fix responsibility, take action and report to Committee/Audit within sixty days.

28. PARA NO.6.17 PAGE NO. 104, AR 2003-04
UNWARRANTED EXPENDITURE DUE TO EXECUTING EXCESSIVE THICKNESS OF WATER BOUND MACADAM OF RS. 16.210 MILLION

Audit pointed out that as per approved typical cross section of the road formation, maximum thickness of Water Bound Macadam (WBM) base course was provided as 20cm which may vary within said limit to adjust slopes. According to findings Director Revenue, Road Asset Management Directorate (RAMD), National

Highway Authority, Islamabad measured and paid excessive thickness of Water Bound Macadam (WBM) base course against the provision of approved typical cross section of road, which resulted in unwarranted expenditure of Rs. 16.210 million.

PAO informed that facts and justification relating to revision of cross section by increasing the thickness of item water bound macadam have been got verified.

PAC DIRECTIVE

The Committee directed the PAO to pursue the para at the DAC level.

29. PARA NO.6.18 PAGE NO. 104-105, AR 2003-04
UNJUSTIFIED PAYMENT OF COMPENSATION TO THE CONTRACTOR AMOUNTING TO RS. 14.524 MILLION

Audit pointed out that according to Addendum-3 of the contract only those firms and joint ventures which were enlisted with Pakistan Engineering Council (PEC) were eligible to submit bids. If the bidder was not already enlisted, the successful bidder should get himself registered with PEC immediately after award of work. According to Audit Authority awarded the work to a bidder M/s Taisei who did not produce registration certificate from PEC nor did the contractor get himself registered after award of work. Consequently, PEC filed writ petition against the company and work was suspended under court orders. As fault was on the part of contractor, therefore, penalty was required to be imposed on the contractor. Instead, National Highway Authority paid Rs. 14.524 million to the contractor on account of compensation for suspended period which was unjustified.

PAO informed that it was a foreign Company and in case of any further dispute it may not complete the Project and the Authority was serious for completion of Project so payment was made.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and submit the recovery statement to Audit for verification. On verification of record of recovery the para will be settled**.**

30. PARA NO.6.20 PAGE NO.106 , A.R.2003-04
UNJUSTIFIED PAYMENT DUE TO REVIEW OF DESIGN BY THE SAME CONSULTANT OF RS. 12.706 MILLION

Audit pointed out that Para-10 of General Financial Rules states; “every public officer is expected to exercise same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money”. Audit found that the Authority incurred an expenditure of Rs. 32.0 million on designing of Kohat Tunnel which proved defective. Instead of penalizing the consultant, an amount of Rs. 12.706 million

was further paid to the same firm on account of review of the said design. Non-observance of canons of financial propriety resulted in unjustified payment of Rs. 12.706 million.

PAO agreed with the stance of the Audit.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount.

31. PARA NO.6.21 PAGE NO.106-107, AR.2003-04
OVER PAYMENT DUE TO MAKING PAYMENT FOR AN INBUILT ITEM OF RS. 11.344 MILLION

The Audit pointed out that item 206.3 and 206.3.2 construction requirement of the item water bound Macadam base item provides that before starting with (WBM) constructions, necessary arrangement shall be made for the lateral confinement of aggregates and no separate payment and measurements was provided under any pay item.It also said As per NHA General Specification item No. 206.4.1 confinement of Water Bound Macadam (WBM) was not to be paid separately. Audit observed that the Authority allowed a separate item "Granular Sub Base" at the rate of Rs. 450 per M^3 for 25855 M^3 quantity for confinement of water bound macadam (WBM). Payment of extra item for a work whose cost was in built in the item of WBM resulted in overpayment of Rs. 11.344 million to the contractor.

PAO informed that the work was consisting of rehabilitation of the existing carriageway by construction of overlay comprising of laying of WBM base on the existing carriageway and both shoulders as per typical cross section. The WBM base was laid in layers in full width in one go i.e. carriageway of 7.30m width and shoulders of 2.50m (outside) and 1.0m (inside). The confinement of 0.50m width using sub-base on the outside constructed separately. The Audit Observation refers to construction of WBM base (General Specification 206.3.3) 3rd paragraph "One method is to construct side shoulders in advance…". Then the Audit has assumed the contract unit price of WBM base laid on the carriageway to include the cost of constructing the shoulders (General Specification 206.4.2 Payment) which is not correct.

PAC DIRECTIVE

The Committee directed to pursue the Para at DAC level.

32. PARA NO.6.24 PAGE NO.108-109, AR. 2003-04
UNDUE PAYMENT ON ACCOUNT OF COMPENSATION FOR DAMAGES OF RS. 7.091 MILLION

Audit pointed out that violating Para No. 4.6(I) of Chapter-4 of Manual of Standard Operating Procedures 2000 Land Acquisition Collector Dera Ghazi Khan (Contract-7 &9) paid compensation for damages structures either to those person(s) who were not real affectees or to those whose due compensations were less as compared with the compensations assessed by the National Highway Authority assessment Committee. Violation of procedures resulted in undue payment of Rs. 7.091 million.

PAO informed that one accused has been punished by the court and is in appeal. Next date of hearing is 20th May 2015.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the court case and expedite recovery of loss from the persons at fault.

33. PARA NO.6.25 PAGE NO.109, AR. 2003-04
IRREGULAR EXPENDITURE DUE TO LAPSE OF GRANT OF RS. 6.901 MILLION

Audit pointed out that Contract for preparation of Turnkey Contract Document, awarded to M/s ECIL was financed through Japanese Grant No. JF-029641 which was to expire on June 30, 2001. Audit observed that the National Highway Authority could not get the job completed within currency of grant due to which funds available under the grant lapsed. However, to meet the remaining liabilities, the expenditure of Rs. 6.901 million was borne from the revenues of the Authority. Due to negligence of officials concerned, the Authority incurred irregular expenditure of Rs. 6.901 million.

PAO informed that a comprehensive plan was made to fully utilize the grant. A process for procurement of consultants for design of contracts under National Highway Improvement Project (NHIP) was initiated and after completion of technical evaluation of proposals, the financial proposals were to be opened in June 1999. However, through a letter from the Ministry of Communications (copy attached), instructions were issued to scrap the tenders and take approval of the Executive Board. The Board directed to refer the case to MOC again, which was done but not agreed. Then again following World Bank procedure, technical and financial proposals were called and evaluated. Contract after negotiation and with the concurrence of World Bank were awarded in first week of June 2001. Due to utmost efforts US$ 341,422/- was utilized from the grant for the work done prior to 30th June 2001. As the grant lapsed on 30th June 2001, it was not possible to incur any expenditure out of grant after 30th June 2001. A portion of grant could not be utilized and lapsed due to circumstances beyond its control.

PAC DIRECTIVE

The Committee directed the PAO to hold enquiry, fix responsibility, take action and report to Committee/Audit within sixty days.

34. PARA NO.6.26 PAGE NO. 109-110, A.R. 2003-04
OVER PAYMENT DUE TO HIGHER PERCENTAGE OF SHARING OF THE MANAGEMENT CONTRACTOR OF RS. 6.762 MILLION

Audit pointed out that according to Clause 3.4 of the Agreement, "NLC shall collect toll and deposit the same in the agreed bank on daily basis as per specified percentage (NHA 75% Escrow 07% NLC 18%)". Also, Clause 3.0 "Scope of Services" provided in the agreement stipulates; that "NLC is required to collect toll from the prescribed section of Lahore-Rawalpindi alongwith weigh stations on the same terms and conditions." Therefore, the contractor was bound for revenue collection on afore-quoted percentage within agreed scope of work. Audit also found that The Authority (Director Revenue Receipt, Road Assets Management Directorate, Islamabad) paid to NLC 50% of total revenue collection from Sangjani weigh station. Adoption of higher percentage of contractor's share resulted in overpayment of Rs. 6.762 million to the contractor.

PAO differ with the formulae of Audit and explained that an agreement was signed between NHA & NLC for collection of toll and weigh bridges revenue on Lahore-Rawalpindi Section for 9 toll plazas located from Ravi Bridge to Mandra on N-5. At Sangjani toll Plaza there was a separate weigh station without any toll revenue collection. Therefore, NLC was asked to share the weigh fine @ 50%.

PAC DIRECTIVE

The Committee referred the para back to DAC with the direction to verify all the facts. The amount should be recovered, if decided otherwise.

35. PARA NO.6.29 PAGE NO.111-112, A.R. 2003-04
IRREGULAR PAYMENT DUE TO APPOINTMENTS BEYOND CONTRACT OF RS. 5.094 MILLION

Audit pointed out that in the PC-I of the project (Islamabad-Peshawar Motorway M-I) two (02) posts of Project Coordinator BPS-18 were provided against which appointments were made. Audit observed that the Authority employed additional Project Coordinators at Headquarter from year 1999 to 2003. To bear the expenditure of their pay, Variation Orders for consultancy agreement were approved and these posts were included in consultant's staff. Appointment of personnel beyond genuine requirement of contract resulted in unjustified payment of Rs. 5.094 million out of project costs.

PAO informed that Mega projects such as Islamabad-Peshawar Motorway Project are also being monitored from NHA Head Office for better project

management. Therefore for assistance on different project activities and for better coordination between Head Office and Site offices on different technical matters, some specialized personnel's are required. To ful fill the above requirement of Head Office, Mr. Atiq Ahmed was mobilized on Consultant's strength as Senior Project Coordinator. Senior Project Coordinator has a pivotal role on the Project and serves as a buffer / coordinator between Consultants / Contractor and Employer. Furthermore, the deployment of Mr. Atiq Ahmed in NHA has duly been approved by Chairman, NHA.

PAC DIRECTIVE

The Committee settled the para.

36. PARA NO.6.30 PAGE NO. 112, A.R. 2003-04
LOSS DUE TO NON-PURSUANCE OF COURT CASE OF RS. 4.426 MILLION

Audit pointed out that National Highway Authority has its own full fledge Legal Directorate, which is meant for pursuing court cases through its Counsels placed at panel to safeguard National Highway Authority's interests in the court. Audit presented that the Authority did not pursue the court case filed by the owners of acquired land in Village MauzaWattar, District Nowshera. Consequently court decreed in favour of expert and the Authority had to pay an additional payment of Rs. 4.426 million. Due to non-pursuance of court case National Highway Authority sustained a loss of Rs. 4.426 million.

PAO did not differ with the Audit.

PAC DIRECTIVE

The Committee directed the PAO to hold enquiry, fix responsibility, take action and report to Audit within 60 days.

37. PARA NO.6.31 PAGE NO. 112-113, A.R. 2003-04
OVER PAYMENT DUE TO ACCEPTANCE OF HIGHER RATES OF RS. 4.308 MILLION

Audit pointed out that Procurement and Contact Administration section National Highway Authority, accepted higher rates for "Rock fill in Gabion in a contract which was awarded without tendering. Rates of Rs. 1,050 per cum was paid instead of the rate of Rs. 481.48 (370.37 (CSR Rate) + 30%) despite the fact that stone was locally available at site. Award of contract at higher rate violating the Para-I of introduction to Composite Schedule of Rates 1995 resulted in overpayment of Rs. 4.308 Million.

PAO informed that at that time there were no PEPRA Rules so this irregularity occurred.

PAC DIRECTIVE

The Committee directed to pursue the Para at DAC level.

38. PARA NO.6.38 PAGE NO.117-118, A.R. 2003-04
WASTEFUL EXPENDITURE DUE TO WRONG DECISION OF THE CONSULTANT RS. 2.0 MILLION

Audit pointed out that Punjab Irrigation Research Institute, Lahore was paid Rs. 2 million to study the site suitability for a bridge to be constructed on M-I project in the year 2001. Accordingly the consultant should not have allowed the commencement of work on the said site before the finalization of site suitability report. Audit also, observed that the authority allowed to execute the work on the bridge without waiting the results of aforementioned study and contractor carried out the work valuing Rs. 110 million till receipt of the aforementioned study wherein model study rejected bridge position determined by the consultant. Another study was got carried out during the year 2002 and payment of Rs. 800,000 was made to devise corrective measures making the site suitable for bridge construction. As a result, the expenditure of Rs. 2.0 million incurred on previous study had gone waste. Additional costs relating to corrective measures for making the site suitable for bridge construction would also add to the amount pointed out in this case.

PAO informed that bridge construction was started prior to receipt of IRI model study report due to avoid heavy cost of idle charges likely to be claimed by the contractor. He told that bridge was completed and no loss was caused to exchequer.

PAC DIRECTIVE

The Committee settled the para.

39. PARA NO.6.39 PAGE NO.118-119, A.R. 2003-04
UNJUSTIFIED PAYMENT ON ACCOUNT OF 5% BONUS BEYOND THE PROVISION OF CONTRACT OF RS. 1.639 MILLION

Audit pointed out that Rules-18 (iv) of General Financial Rules stipulates that no payment to contractor by way of compensation, or otherwise, outside the strict terms of contract or in excess of contract rates may be authorized without prior approval of Ministry of Finance. Audit so observed that the Authority paid bonus to the contractor without any provision/ clause in the original contract. Allowing bonus through a subsequent amendment in the contract resulted in unjustified expenditure of Rs. 1.639 million.

PAO informed that the Payment of Bonus of Rs 1,638,957 @ 5% to M/S Tyco Fire and Security Pakistan (Pvt) Ltd was made in accordance with the application

of the Bonus clause in the contract of M/S Tyco through the approval of competent authority. Now this has been stopped.

PAC DIRECTIVE

The Committee settled the para.

40. i) PARA-2 (PAGE 4) AR 2003-04
VARIATION OF RS 42.188 MILLION IN THE CLOSING BALANCES OF SAVING BANK ACCOUNTS

ii. PARA-8 (PAGE 12) AR 2003-04
NON-RECOVERY OF 5% NORMAL RENT OF RS 4.013 MILLION FROM POST OFFICE EMPLOYEES

iii. PARA-10 (PAGE 14) AR 2003-04
UNAUTHORIZED EXPENDITURE OF RS 2.821 MILLION ON CIVIL WORKS OF CAPITAL NATURE

iv. PARA-11 (PAGE 15) AR 2003-04
NON-DEPOSIT OF INCOME TAX OF RS 2.613 MILLION DEDUCTED AT SOURCE FROM SAVING SCHEMES AND CONTRACTORS

v. PARA-17 (PAGE 21) AR 2003-04
IRREGULAR PAYMENT OF RS 112,431 ON ACCOUNT OF HONORARIUM TO OFFICERS / OFFICIALS OF MINISTRY OF COMMUNICATIONS

vi. PARA NO.6.5, PAGE NO. 96, A.R. 2003-04
LESS DEPOSIT OF REVENUE AMOUNTING TO RS. 106.910 MILLION

vii. PARA NO. 6.6 PAGE NO. 96-97, A.R. 2003-04
UNDUE BENEFIT DUE TO NON-OBSERVANCE OF CLASSIFICATION OF ROCK - RS. 91.557 MILLION

viii. PARA NO. 6.7 PAGE NO. 97, A.R. 2003-04
UNJUSTIFIED/IRREGULAR PAYMENT RECOVERABLE FROM M/S NLC - RS.72.116 MILLION

ix. PARA NO. 6.9 PAGE NO.98-99, A.R. 2003-04
OVERPAYMENT DUE TO PAYMENT AGAINST UNEXECUTED ITEMS-RS.56.215 MILLION

x. PARA NO. 6.10 PAGE NO. 99, A.R. 2003-04
NON-CHARGING OF INTEREST DUE TO LATE DEPOSIT OF REVENUE OF RS. 52.350 MILLION

xi. **PARA NO. 6.12 PAGE NO.100-101, A.R. 2003-04**
NON-ADJUSTMENT OF ADVANCES PAID FOR RELOCATING UTILITIES AMOUNTING TO RS. 42.461 MILLION

xii. **PARA NO. 6.13 PAGE NO.101, A.R. 2003-04**
OVERPAYMENT DUE TO APPLICATION OF HIGHER RATES OF RS. 38.948 MILLION

xiii. **PARA NO. 6.14 PAGE NO.101-102, A.R. 2003-04**
OVERPAYMENT DUE TO NON-OBSERVANCE OF PROVISION OF SPECIFICATION OF RS. 24.016 MILLION

xiv. **PARA NO. 6.15 PAGE NO.102-103, A.R. 2003-04**
WASTEFUL EXPENDITURE DUE TO UNWARRANTED DESIGN CHANGE OF RS. 23.800 MILLION

xv. **PARA NO.6.19 PAGE NO.105-106,A.R. 2003-04**
OVERPAYMENT DUE TO ALLOWING PAYMENTS BEYOND CONTRACTUAL PROVISION OF RS. 14.257 MILLION

xvi. **PARA NO.6.22 PAGE NO.107, A.R.2003-04**
NON-REALIZATION OF RIGHT OF WAY (ROW) REVENUE AMOUNTING TO RS. 8.340 MILLION

xvii. **PARA NO.6.23 PAGE NO.107-108, A.R. 2003-04**
UNNECESSARY PURCHASE OF LAND AMOUNTING TO RS. 8.100 MILLION

xviii. **PARA NO.6.27 PAGE NO. 110, A.R. 2003-04**
UNJUSTIFIED EXPENDITURE DUE TO NON-EXECUTION OF ECONOMICAL ITEM OF RS. 6.223 MILLION

xix. **PARA NO. 6.28 PAGE NO. 111, A.R. 2003-04**
OVERPAYMENT DUE TO EXCESSIVE MEASUREMENT OF RS. 5.698 MILLION

xx. **PARA NO. 6.32 PAGE NO. 113-114, A.R. 2003-04**
OVERPAYMENT DUE TO NON-OBSERVANCE OF SPECIFICATIONS OF RS. 3.978 MILLION

xxi. **PARA NO.6.33 PAGE NO.114, A.R. 2003-04**
UNAUTHORIZED EXPENDITURE ON ACCOUNT OF PAYMENT OF PAY & ALLOWANCES OF RS. 2.588 MILLION

xxii. **PARA NO.6.34 PAGE NO. 115, A.R. 2003-04**
EXTRA EXPENDITURE DUE TO UNJUSTIFIED DELETION OF BILL OF QUANTITIES ITEM RS. 2.550 MILLION

xxiii. **PARA NO.6.35 PAGE NO. 115-116, A.R. 2003-04**
UNJUSTIFIED PAYMENT DUE TO APPLICATION OF HIGHER RATES OF RS. 2.307 MILLION

xxiv. **PARA NO.6.36 PAGE NO.116-117,A.R. 2003-04**
EXECUTION OF BELOW SPECIFICATION WORK AMOUNTING TO RS. 2.237 MILLION

xxv. **PARA NO.6.37 PAGE NO. 117, A.R. 2003-04**
OVER PAYMENT DUE TO EXCESSIVE MEASUREMENT OF RS. 2.187 MILLION

xxvi. **PARA NO.6.40 PAGE NO. 119, A.R. 2003-04**
IRREGULAR CHARGING OF EXPENDITURE TO ESTABLISHMENT ACCOUNT OF RS. 1.633 MILLION

xxvii. **PARA NO.6.41 PAGE NO. 119-120, A.R. 2003-04**
OVERPAYMENT DUE TO APPLICATION OF INCORRECT OVERHEAD CHARGES OF RS.1.429 MILLION

xxviii. **PARA NO.6.42 PAGE NO 120, A.R. 2003-04**
OVERPAYMENT DUE TO NON-OBSERVANCE OF INSTRUCTION OF COMPOSITE SCHEDULE OF RATES (CSR) OF RS.1.421 MILLION

xxix. **PARA NO.6.43 PAGE NO.121, A.R. 2003-04**
OVERPAYMENT ON ACCOUNT OF PRICE ESCALATION PAYMENT FOR TEMPORARY WORKS OF RS.1.386 MILLION

xxx. **PARA NO.6.44 PAGE NO.121-122, A.R. 2003-04**
OVERPAYMENT DUE TO ALLOWING NON-COMPETITIVE RATES OF RS.1.011 MILLION

xxxi. **PARA NO.6.45 PAGE NO.122, A.R. 2003-04**
OVERPAYMENT DUE TO INCORRECT APPLICATION OF BASE RATES OF RS.1.005 MILLION

xxxii. **PARA NO.6.46 PAGE NO.123, A.R. 2003-04**
OVERPAYMENT DUE TO INCORRECT CALCULATION OF PRICE ESCALATION OF RS. 753,000

xxxiii. **PARA NO.6.47 PAGE NO. 123-124, A.R. 2003-04**
OVERPAYMENT DUE TO APPLICATION OF INCORRECT SOURCES OF MATERIALS OF RS. 591,000

xxxiv. **PARA NO.6.48 PAGE NO. 124, A.R. 2003-04**
NON-RECOVERY ON ACCOUNT OF NON-COMPLIANCE OF CONTRACT CONDITIONS OF RS. 0.050 MILLION

xxxv. PARA NO.6.49 PAGE NO. 124-125, A.R. 2003-04
UNJUSTIFIED EXPENDITURE DUE TO EXECUTION OF UNECONOMICAL ITEM OF RS.432, 285

xxxvi. PARA NO.6.50 PAGE NO. 125-126, A.R. 2003-04
EXTRA EXPENDITURE DUE TO EXCESSIVE EXECUTION OF EXPENSIV ITEM OF RS. 0.034 MILLION

PAC DIRECTIVE

The Committee settled the above thirty six paras on the recommendation of the DAC.

COUNCIL OF ISLAMIC IDEOLOGY

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Council of Islamic Ideology was examined by the PAC on 28th July, 2011.

- 01 grant was presented by the Audit Department which were examined by the Committee. Out of which 01 grant was settled whereas appropriate directions were accordingly issued for the remaining paras.

- It is pointed out that the business of the Ministry which was examined by the Sub- Committee of 13th PAC in its meeting held on 28th July, 2011 has also been made part of the report.

COUNCIL OF ISLAMIC IDEOLOGY

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports for the year 2003-04 pertaining to the Council of Islamic Ideology were taken up for examination by Special Committee-II of the PAC in the meetings held on July 28th, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS (CIVIL)- VOL-1 2003-04

1. GRANT NO. 104 COUNCIL OF ISLAMIC IDEOLOGY SAVING RS. 5,777,751/-

A.G.P.R. pointed out that the grant closed with a saving of Rs. 5,777,751/- (33.89 %) of the total grant. An amount of Rs. 4,553,686/- was surrendered leaving net saving of Rs. 1,224,065/-.

The PAO informed the Committee that the minor saving in the grant was due to non receipt of utility bills, vacant posts of officers/staff etc.

PAC DIRECTIVE

The Committee regularized the grant with the observation that full amount should have been surrendered.

ECONOMIC AFFAIRS DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Economic Affairs Division was examined by the Sub-Committee of 13th PAC in its meeting held on 4thAugust, 2011 has also been made part of the report.

- 06 grants and 03 audit paras were presented by the Audit Department which were examined by the Committee. All the grants and audit paras were settled.

ECONOMIC AFFAIRS DIVISION

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the years 2003-04 pertaining to the Economic Affairs Division were taken up for examination by Special Committee-II of the PAC in the meetings held on 4th August, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2003-04

1. GRANT NO.27- ECONOMIC AFFAIRS DIVISION
SAVING (-) RS. 12,036,449/-

AGPR pointed out that the appropriation closed with a saving of Rs.12,036,449 worked out to 3.86% of the total appropriation. An amount of Rs. 949,000 (0.30%) was surrendered leaving net saving of Rs. 11,087,449.

The PAO explained that the saving due to an amount of Rs.8,120,000 was allocated for making payment of "Pakistan Annual Contribution towards Asian Development Bank for the year 2002-03 and 2003-04. Secretary, EAD had given approval for making this payment and sanction was issued on 25-6-2004. But the Executive Director ADB advised that Pakistan may not make contribution on annual basis, since DMCs indirectly contribute sufficient from allocation of net income to Technical Assistance Special Fund (TASF). An amount of 2,580,000 was surrendered on 10-6-2004 after codal date.

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.125- DEVELOPMENT EXPENDITURE OF ECONOMIC AFFAIRS DIVISION

AGPR pointed out that the budget provision was utilized in full.

PAC DIRECTIVE
The Committee regularized the grant.

3. GRANT NO.151- EXTERNAL DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT.
EXCESS (+) RS. 4,458,953,003/-

CHARGED

AGPR pointed out that the appropriation closed with an excess of Rs.4, 458,953,003 which worked out to 27.82% of the total appropriation.

OTHER THAN CHARGED

AGPR pointed out that the appropriation closed with a saving of Rs.6,043,385,176, which worked out to 29.37% of the total appropriation.

The PAO explained that the subject Demand is of uncertain nature, due to which correct forecasting is not possible for expected disbursement of Foreign Aid. The nature of the Demand and associated problems remain the same every year. Since Excess and Savings were appearing each year, therefore the PAC took a serious note and formed IDC while considering Appropriation Accounts 2007-08 of the same demand in its meeting held on 8th December 2010. Report of the IDC was forwarded to the PAC on 15th January, 2011. In order to overcome variations in the B.E. and Actual Expenditure, the IDC report recommends that:

On the pattern of Railways and provinces, Budget Estimates (B/E) and disbursement of loans relent to autonomous bodies will be made part of demands of respective administrative Ministries, Concerned Secretary/PAO, who has full administrative/financial powers, will be accountable for excess/savings before PAC. However, these B/E will continue to be part of existing grant of EAD on notional basis as usual" further "Programme Loans/Budgetary Support which are reflected neither against the Demand of Finance Division nor that of EAD, will be made port of EAD's above noted Demand in future".

PAC DIRECTIVE

In view of the IDC report the Committee regularized the grant.

4. SERVICNG OF FOREIGN DEBT (SFD)
SAVING (-) RS. 4,745,212,646/-

AGPR pointed out that the appropriation closed with a saving of Rs.4,745,212,646 which worked out to 10.20% of the total appropriation.

The PAO explained that the non accountal of surrender order of Rs.4,745,212,606. The surrender order was issued on 30-6-2004 after codal date.

PAC DIRECTIVE

The Committee regularized the grant with the observation that saving should have been surrendered by the codal date.

5. FOREIGN LOANS REPAYMENT (FLR)
EXCESS (+) RS. 1,287,086,182/-

AGPR pointed out that the appropriation closed with a excess of Rs.1,287,086,182 which worked out to 1.16% of the total appropriation.

The PAO explained that the excess is mainly against EURO repayment of SDR loans payable in multi currencies. The excess is mainly against EURO and Japanese Yen which were appreciated at higher rate during this period. The allocation was kept on the basis of parity exchange rate against US$. According to the parity exchange rate 1 Euro was equal to Rs. 62.47178 whereas the close of financial year Euro was equal to Rs.70,9133. Further the excess or saving in the Debt Servicing budget mainly occurs in Pak Rupee due to conversion of the loans currencies in to Pak Rupee. The exchange rate is changeable at the time of every payment and the provision is made on one rate provided by the Finance Division. No excess or saving was occurred in original currencies. Variations between the estimates and actual expenditure are not possible to be avoided due to the reasons.

PAC DIRECTIVE

The Committee regularized the grant.

6. RE-PAYMENT OF SHORT TERM FOREIGN CREDITS (RSTFC)
SAVING (-) RS. 9,462,541,569/-

AGPR pointed out that the appropriation closed with a saving of Rs.9,462,541,569 which worked out to 39.78% of the total appropriation.

The PAO explained that the entire saving was surrendered in time.

PAC DIRECTIVE

The Committee regularized the grant.

ELECTION COMMISSION OF PAKISTAN

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Election Commission of Pakistan was examined by the PAC on 13th May, 2015.

- 01 grant and 06 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 01 grant and 04 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

ELECTION COMMISSION OF PAKISTAN

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th May, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Election Commission of Pakistan are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I (2003-04)

1. CHARGED (ELECTION)

The AGPR pointed out that the Grant closed with a saving of Rs.133,560,674 which was 31.99 percent of the total amount. An amount of Rs.130,530,573 (31.26%) was surrendered leaving a net saving of Rs. 3,030,101 (0.72%).

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT FOR THE YEAR 2003-04

2. PARA NO. 3.2, PAGE NO.17, AUDIT REPORT 2003-04 DESTRUCTION OF RECORD PERTAINING TO EXPENDITURE-Rs. 3.07 MILLION

Audit Pointed out that during the course of audit of the accounts of District Returning Officer (DCO), Karachi Central it was observed that all the accounts record pertaining to expenditure of Rs. 3.07 million was destroyed by the local management ignoring the fact that the expenditure was yet to be audited and that the record was of permanent nature in terms of para 301 and appendix 17 of GFR Vol.-I.

The PAO informed that the amount was dispersed to the polling staff on account of honorarium. It was apprised to the Committee that the DAC in its meeting held on 8th May, 2015 directed the PAO to provide the certificate to the effect that the amount was duly dispersed to the polling staff as honorarium in accordance with the applicable rules. The PAO ensured to provide the said certificate.

PAC DIRECTIVE

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

3. PARA NO. 3.6, PAGE NO.20, AUDIT REPORT 2003-04 NON-RECOVERY OF GENERAL SALES TAX AMOUNTING TO Rs. 211,896 ON AUCTIONED GOVERNMENT VEHICLES

Audit pointed out that Election Commission of Pakistan auctioned Government Vehicles to various persons but General Sales Tax @ 18% amounting to Rs. 211,896 was not charged to the purchasers of the Government property in violation of Government of Pakistan, Central Board of Revenue instructions contained in Circular No. 4(47)STB/98(Pt.I) dated 15 March 2000.

The PAO informed that the matter is being taken up with the Excise and Taxation Office, Islamabad regarding the blockage of the files of above 3 vehicles till the recovery of sales tax from the owner of the vehicles.

PAC DIRECTIVE

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

4. i. PARA NO. 3.1, PAGE NO.17, AUDIT REPORT 2003-04 NON-REFUND OF SAVINGS-RS. 1.23 MILLION

ii. PARA NO. 3.3, PAGE NO.18, AUDIT REPORT 2003-04 VARIATION OF AMOUNT TRANSFERRED AND RECEIVED BY DISTRICT COORDINATION OFFICERS / DEPUTY COMMISSIONERS DADU, BADIN AND THATTA-RS.18.33 MILLION

iii. PARA NO. 3.4, PAGE NO.18, AUDIT REPORT 2003-04 NON-REFUND OF UNSPENT BALANCES RS. 2.04 MILLION TO ECP

iv. PARA NO. 3.5, PAGE NO.19, AUDIT REPORT 2003-04 IRREGULAR PAYMENT TO THE NAZIMS OF UNION COUNCILS-RS.753,000

PAC DIRECTIVE

The Committee settled the above four paras on the recommendation of the DAC.

ESTABLISHMENT DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Establishment Division was examined by the PAC on 13th May, 2015.

- 04 grants and 03 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 01 para and 04 grants were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries and fix responsibility.

ESTABLISHMENT DIVISION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th May, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Establishment Division are given below:

1. i) GRANT NO. 6 - ESTABLISHMENT DIVISION

The Grant closed with a saving of Rs.11,834,858 which was 2.99 percent of the total amount. An amount of Rs.8,161,537 (2.07%) was surrendered leaving a net saving of Rs. 3,673,321 (0.92%).

ii) GRANT NO. 7 - FEDERAL PUBLIC SERVICE COMMISSION

The Grant closed with an excess of Rs.2,191,047 which was 2.11 percent of the total grant.

iii) GRANT NO. 8 - OTHER EXPENDITURE OF ESTABLISHMENT DIVISION

The Grant closed with a saving of Rs.4,137,460 which was 1.24 percent of the total amount. An amount of Rs.1,702,855 (0.51%) was surrendered leaving a net saving of Rs. 2,434,605 (0.73%).

iv) GRANT NO. 119 - DEVELOPMENT EXPENDITURE OF ESTABLISHMENT

The Grant closed with a saving of Rs. 64,900,000 which was 98.48 percent of the total amount. An amount of Rs. 3,500,000 (5.31%) was surrendered leaving a net saving of Rs. 61,400,000 (93.17%).

PAC DIRECTIVE

The Committee regularized the above 4 grant.

2. AUDIT PARA NO. 4.1, PAGE NO.21-22, AR 2003-04
NON-EXECUTION OF DEVELOPMENT SCHEMES-UNNECESSARY BLOCKAGE OF FUNDS WITH CDA- RS. 20.90 MILLION (RS. 19.534 MILLION)

Audit pointed out that the Establishment Division approved 02 development projects "Construction of Additional Building near Ch. Rehmat Ali Community Centre, Islamabad" and "Construction of Hostel for Working Men at Islamabad" in February, 1987 and March, 1988 at a capital cost of Rs. 8.10 million and Rs. 9.99 million respectively. According to PC-I, the schemes were to be completed by the year 1991-92. Execution of the projects was assigned to CDA and an amount of

Rs. 12.42 was released to CDA up to 1991-92 against the construction cost of Rs. 13.48 million. The amounts transferred to CDA accumulated to Rs. 20.90 million (inclusive of furnishing cost) up to June, 2002 but no work was started till 2003. Thus public money was un-necessarily blocked for more than 10 years.

The PAO informed that the CDA will adjust Rs. 5.408 million as cost of land and plot will be also allotted. He further told that Rs. 10.030 million was transferred to CDA for purchase of plot and construction of another project named "Hostel for working men" in Islamabad. The CDA has allotted plot measuring 8888.88 Sq. Yds. in sector H-8/4, Islamabad at a cost of Rs. 1.082 million and the remaining amount of Rs. 8.984 million is still pending with the CDA.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry and submit a comprehensive report on the matter within 30 days.

3. AUDIT PARA NO. 4.2, (PAGE NO.21-22), AR 2003-04
LEASING OF PETROL PUMP AT A MEAGER RENT WITHOUT TENDERS

Audit pointed out that the Staff Welfare Organization, Karachi has a piece of land measuring 14,256 sq.ft. at court Road, Karachi where a petrol pump was installed by PSO (Court View Service Station) in 1962. The first lease agreement was made in 1962 for 30 years. After expiry of the initial 30 year lease period, Staff Welfare Organization was not under any obligation to lease the land to PSO but the management entered into another agreement with PSO in 1992 for further 10 years @ Rs. 4,200 per month without calling open tenders through press in violation of the provisions of para 144 GFR, Vol-I. The prevailing rent rates of petrol pumps are much higher than the rates allowed by Staff Welfare Organization but the management rented out the petrol pump at nominal rate in a non-transparent manner thereby causing loss to the Government.

The PAO informed that disciplinary action was initiated against the two Chief Welfare Officers and one Staff Welfare Officer who were later acquitted by the Supreme Court of Pakistan, Karachi Registry in 2006. Later on the PSO has filed Misc. rent case bearing no. 338 of 2006 before the court of 5th Senior Civil Judge, Karachi South to deposit the rent of the plot with the court. The court accepted the view of PSO and PSO started to deposit the rent with the court upto 14-3-2015. The matter was referred to M/o Law, Justice and Human Rights for advice. According to law division, the lease agreement was void and was not enforceable. The M/o Law, Justice and Human Rights has nominated an advocate to contest the case in the court of law for its vacation so that the same could be rent out through open bidding at market rate. He apprised the Committee that the case is in court of law in Karachi and the department is pursuing it.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally, pursue the case vigorously, update the Committee about the court case within 30 days and submit a comprehensive report on the issue within three months to the PAC.

4. AUDIT PARA NO. 4.3, (PAGE NO.21-22), AR 2003-04
NON-RECOVERY OF SALE TAX –RS.0.145 MILLION

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

FATA SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the FATA Secretariat was examined by the PAC on 13th January, 2016.

- 02 grants and 02 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 grants and 02 paras were settled.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 28th July, 2011 has also been made part of the report.

FATA SECRETARIAT

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the year 2003-04 pertaining to the Fata Secretariat were taken up for examination by Special Committee-II of the PAC in the meeting held on July 28th, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2003-04

1. i) GRANT NO.81-FEDERALLY ADMINISTERED TRIBAL AREAS SAVING (-) RS. 50,411,291/-

AGPR pointed out that the grant closed with a saving of Rs.50,411,291 (1.55% of the total grant). An amount of Rs.312,696,000 was surrendered resulting into net excess of Rs.262,284,709 (8.07%). A supplementary grant of Rs.245,519,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the excess booking of expenditure of Rs.144,100,749 and non accountal of surrender of Rs.162,554,937. However, the department has not provided the copies of reconciliation of expenditure. Surrender order and supplementary schedules.

ii) GRANT NO.138 DEVELOPMENT EXPENDITURE OF FEDERALLY ADMINISTERED TRIBAL AREAS EXCESS (+) RS. 447,176,324/-

The grant closed with a excess of Rs. 447,176,324 (10.91% of the total grant). A supplementary grant of Rs. 500,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO informed the Committee that the saving is spreading in small sums over a number of schemes and also due to non-utilization of funds in certain areas due to law and order situation and due to late release of funds.

PAC DIRECTIVE

The Committee observed that copies of relevant documents of the above two grants should have been provided to Audit in order to reconcile the figures which was not done. The Committee remanded the grants for consideration in the DAC and directed the AGPR to associate SAFRON in the meeting and report back to the Committee within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

2. i) PARA -132 PAGE NO-231 ARPSE-2003-2004
IRREGULAR PROVISION OF RS.21.398 MILLION ON ACCOUNT OF GRATUITY

ii) PARA -133 PAGE NO-232 ARPSE-2003-2004
IRREGULAR PAYMENT OF RS.18.696 MILLION ON ACCOUNT OF HOUSE RENT AND CONVEYANCE ALLOWANCE

PAC DIRECTIVE

The Committee endorsed recommendation of the DAC and settled the above two Paras subject to regularization by the Finance Division. Report shall be submitted to the Committee on the action taken within one month.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th January, 2016 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of FATA Secretariat are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2003-04

1. **GRANT NO. 81- FEDERALLY AMINISTERED TRIBAL AREAS (SAVING OF RS.50,411,291)**

The AGPR pointed out that the grant closed with a saving of Rs.50,411,291 which worked out to 1.55% of the total grant. An amount of Rs.312,696,000 (9.62%) was surrendered resulting into an excess of Rs.262,284,709 (8.07%). A supplementary grant of Rs.245,519,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the grant.

2. **GRANT NO. 138- DEVELOPMENT EXPENDITURE OF FEDERALLY AMINISTERED TRIBAL AREAS (EXCESS OF RS.447,176,324)**

The AGPR pointed out that the grant closed with an excess of Rs.447,176,324 which worked out to 10.91% of the total grant. A supplementary grant of Rs.500,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the grant.

M/O FEDERAL EDUCATION & PROFESSIONAL TRAINING

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Federal Education & Professional Training was examined by the PAC on 18th May, 2015.

- 04 grants and 08 audit paras were presented by the Audit Department which were examined by the Committee. These 04 grants and 08 paras were settled.

M/O FEDERAL EDUCATION & PROFESSIONAL TRAINING

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 18th May, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Federal Education and Professional Training are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. i) GRANT NO. 29 EDUCATION DIVISION
SAVING OF RS.2,659,688/-

The Grant closed with a saving of Rs.2,659,688 which was 1.63 percent of total amount.

ii) GRANT NO.30-EDUCATION
EXCESS OF RS.141,499,545/-

The Grant closed with an Excess of Rs.141,499,545 which was 2.44 percent of total amount.

iii) GRANT NO.127-DEVELOPMENT EXPENDITURE OF EDUCATION DIVISION
SAVING OF RS. 1,185,499,447/-

The Grant closed with a saving of Rs. 1,185,499,447 which was 14.61 percent of total amount. An amount of Rs. 1,223,251,000 (15.07%) was surrendered resulting into an excess of Rs. 37,751,553 (0.46%).

iv) GRANT NO.31-FEDERAL GOVERNMENT EDUCATIONAL INSTITUTIONS IN THE CAPITAL AND FEDERAL AREAS
EXCESS OF RS. 44,266,395/-

The Grant closed with an Excess of Rs. 44,266,395 which was 4.39 percent of total amount. An amount of Rs. 782,000 (0.08%) was surrendered increasing net excess to Rs. 45,048,395 (4.47%).

PAC DIRECTIVE

The Committee regularized the above four grants.

PERFORMANCE AUDIT REPORT ON NATIONAL TALENT POOL 2003-04

2. i) AUDIT PARA NO. 8.1.1, PERFORMANCE AUDIT REPORT 2003-04 NON ACHIEVEMENT OF OBJECTIVES OF DATA COMPILATION PROGRAMME

ii. AUDIT PARA NO. 8.1.2, PERFORMANCE AUDIT REPORT 2003-04 SLOW PACE OF DATA COMPILATION

iii. AUDIT PARA NO. 8.1.3, PERFORMANCE AUDIT REPORT 2003-04 HIGH COST OF DATA COMPILATION

iv. AUDIT PARA NO. 8.1.4, PERFORMANCE AUDIT REPORT 2003-04 UNSATISFACTORY LEVEL OF EMPLOYMENT ABROAD OF SKILLED MANPOWER

v. AUDIT PARA NO. 8.1.5, PERFORMANCE AUDIT REPORT 2003-04 NON-ACHIEVEMENT OF THE TARGETS OF DATA COLLECTION

vi. AUDIT PARA NO. 8.4.1, PERFORMANCE AUDIT REPORT 2003-04

vii. AUDIT PARA NO. 8.4.2, PERFORMANCE AUDIT REPORT 2003-04 NON-ACHIEVEMENT OF QUARTERLY TARGETS OF TOKTEN PROGRAM

viii. AUDIT PARA NO. 8.4.3, PERFORMANCE AUDIT REPORT 2003-04 IGNORING OF DEFICIENT AREAS

PAC DIRECTIVE

The Committee settled the above eight paras.

FEDERAL TAX OMBUDSMAN

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Federal Tax Ombudsman was examined by the PAC on 30th September, 2015.

- 01 grant was presented by the Audit Department which was examined by the Committee. This 01 grant was settled.

FEDERAL TAX OMBUDSMAN

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 30th September, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Federal Tax Ombudsman are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

FEDERAL TAX OMBUDSMAN (CHARGED)
SAVING OF RS. 7,801,444/-

The Appropriation closed with a saving of Rs. 7,801,444 which works out to 22.81 percent of the total Appropriation. An amount of Rs. 6,608,604 (19.32%) was surrendered leaving net saving of Rs. 1,192,840 (3.48%).

PAC DIRECTIVE

The Committee regularized the grant.

M/O FINANCE

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Finance was examined by the PAC on 19th July 2011, 4th August, 2015 and 13th January, 2016.

- 05 grants and 57 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 14 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiry and fix responsibility.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 19th July, 2011 has also been made part of the report.

M/O FINANCE

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the years 2003-04 pertaining to the Ministry of Finance were taken up for examination by Special Committee-II of the PAC in the meetings held on July 19th, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1 2003-04

1. i) GRANT NO. 35 – FINANCE DIVISION
SAVING RS. 56,088,705/-

ii) GRANT NO. 36 – CONTROLLER GENERAL OF ACCOUNTS
SAVING RS. 22,836,828/-

PAC DIRECTIVE

The Committee regularized the above two grants with the observation that a supplementary grant should have been requested for earlier during the course of the year in order to avoid this irregularity. The Committee directed the PAO to sanction supplementary grants on obligatory requirements in a sympathetic manner.

2. i) GRANT NO. 39 – OTHER EXPENDITURE OF FINANCE DIVISION
EXCESS RS. 231,066,912/-

ii) GRANT NO. 40 – SUPERANNUATION ALLOWANCES AND PENSION
SAVING RS. 91,333,964/-
SAVING OF RS. 3,671,347,151/- (OTC)

iii) GRANT NO. 41 – GRANTS-AID AND MISCELLANEOUS ADJUSTMENT BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS
SAVING RS. 2,154,638,000 (OTC)

iv) GRANT NO. 42 –SUBSIDIES AND MISCELLANEOUS EXPENDITURE
SAVING RS. 24,940,361,892/-

v) GRANT NO. 116 –FEDERAL MISCELLANEOUS INVESTMENT
SAVING RS. 1,215,726,748/-

vi) GRANT NO. 117 –OTHER LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT
SAVING RS. 503,056,699/-

PAC DIRECTIVE

The Committee regularized the grant with the direction that proper monitoring of accounts was not done in the grants.

3. i) GRANT NO. 129 – DEVELOPMENT EXPENDITURE OF FINANCE DIVISION
SAVING RS. 7,286,444,050/-

ii) GRANT NO. 153 – DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNEMENT

CHARGED
EXCESS RS. 299,999,000/-

OTHER THAN CHARGED
SAVING RS. 1,171,585,103/-

PAC DIRECTIVE

The Committee remanded the above grants back to DAC for reconsideration and directed to bring back in the next meeting.

4. i) SERVICING OF DOMESTIC DEBT (SDD)
SAVING RS. 8,959,668,871/-

ii) REPYAMENT OF DOMESTIC DEBT (RDD)
SAVING RS. 21,024,122,736/-

iii) AUDIT
EXCESS RS. 298,504/-

PAC DIRECTIVE

The PAC settled the grants.

5. GRANT NO. 152 –CAPITAL OUTLAY ON FEDERAL INVESTMENT
SAVING RS. 12,501,000/-

PAC DIRECTIVE

The Committee regularized the grant.

6. i) DEMAND NO. 37-PAKISTAN MINT (2003-04)

ii) DEMAND NO. 38- NATIONAL SAVINGS (2003-04)

PAC DIRECTIVE

The Committee regularized the above grants with the observation that the surrender should have been made in time.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

ZARAI TARAQIATI BANK LIMITED

7. i) PARA-62.2 (PAGE 104- ARPSE -2003-04)

ii) PARA-62.4 (PAGE 105- ARPSE -2003-04)

PAC DIRECTIVE

The Committee endorsed recommendation of the DAC and settled the above two Paras.

8. PARA-62.6 (PAGE 105- ARPSE -2003-04)

The Audit pointed out that the other assets included the stock in hand valued at Rs.17.368 million as on December 31, 2003 whereas statement of unsold stock of agricultural machinery and spare parts showed Rs.11.965 million. The shortage of stock amounting to Rs.5.403 million needs to be investigated.

The PAO explained that the Court has decreed the said suit with costs. The Bank has filed case for implementation of same. The issue is also being heard in Accountability Court, Lahore.

PAC DIRECTIVE

The Committee directed the PAO to pursue the case vigorously and put up a report in the next meeting.

9. PARA-64 (PAGE 106-07- ARPSE -2003-04)
IRREGULAR GRANT OF RELIEF PACKAGE TO BORROWERS RESULTING IN NON RECOVERY OF RS. 534,689

The Audit pointed out that the ADBP (now ZTBL) vide circular dated October 17, 2000 introduced a relief package for recovery of long outstanding dues. According to which all defaulters who had at least two or more installments in default till October, 16, 2000 eligible.

The PAO explained that the updated recovery status in the case, stating that all the three loan cases haven settled/closed during the year 2000. Against disbursed amount of Rs.0.642 million, an amount of Rs.0.986 million was recovered and recovery of Rs.0.421 was waived off.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

10. PARA-65 (PAGE 107- ARPSE -2003-04)
NON RECOVERY OF HOUSING BUILDING ADVANCE AMOUNTING TO RS. 304,952 FROM EX-EMPLOYEES

The Audit pointed out that the Golden Handshake Scheme Para-6 requires that all amounts outstanding against the employees, will be adjusted at the final settlement of dues. In ZTBL Usta Muhamamd Branch, House Building Advance of Rs.304,952 paid to three employees of the branch was not recovered and the employees were allowed to proceed on retirement with full benefits. The branch manager issued NOC in favour of employees without considering the amount recoverable from them. Thus the amount remained un-recovered as no tangible security was available with the Bank. Non-adjustment of advances at the time of retirement reflected poor management and weak internal controls.

The PAO explained that an amount of Rs 3,41,821 was adjusted out of retiring benefits of ex-employees against their outstanding advances of Rs 6,42,850. The loans are secured against property of the employees mortgaged with the Bank which has value higher than the outstanding amount. Loan case amount of one ex-employee, Mr. Swan Khan, Armed Guard (PP No.90785) has been closed by the effecting recovery, while legal, as well as administrative action is underway for recovery of the outstanding loans from the remaining two ex-employees i.e. Mr. Bakhat Ali and Ithal Khan, Armed Guards. The legal proceedings for auction of their property are under way.

PAC DIRECTIVE

The Committee directed the PAO to make efforts to recover the balance amount and get the recovery already made verified by Audit. The Para settled subject to verification by Audit and submission of an inquiry report on the action taken against officers who were responsible for delay in initiation of legal proceedings.

SMALL AND MEDIUM ENTERPRISES BANK LIMITED

11. PARA-67 (PAGE 112- ARPSE -2003-04)
NON RECOVERY OF RS. 9.885 MILLION FROM BORROWERS

The Audit pointed out that the loan were to be recovered from the borrowers as per repayment schedules, and in case of default from their guarantors or by way of sale of mortgaged properties.

The PAO explained that the loan accounts inherent from SBFC & RDFC have been assigned to NBP since July, 2010.

PAC DIRECTIVE

Report of recovery has to be submitted to the Committee within one month.

12. PARA-68 (PAGE 113-113- ARPSE -2003-04
NON RECOVERY OF RS. 870,000 FROM EX-EMPLOYEES ON ACCOUNT OF HOUSING BUILDING LOANS

The Audit pointed out that the Small Business Finance Corporation (now SME Bank) Board in its meeting held on 31-08-2000, allowed the employees opting for Voluntary Separation Scheme (VSS), to get their house building loans adjusted in lumpsum or to opt for repayment of their loans in monthly installments alonwith 18% mark up per annum (commercial rate). In Sargodha and Gujranwala branches of the bank, three employees retired from service in 2000 under VSS, and opted for repayment of their house building loans in monthly installments with 18% mark up. The employees subsequently defaulted in repayment of these loans. The recoverable loans with mark up stood at Rs869,911 on June 30, 2003.

The PAO explained that in accordance with approval VSS policy, the employees opted to convert their advances into Commercial Loans. They were required to repay the loans along with accrued mark up in monthly installment. There were two employees (Riaz Ali Shah & M. Akram|) at Gujranwala who opted to convert their staff advances into commercial loans. Unfortunately, they would not abide by their commitments and defaulted in repayment. Initially, recovery staff allowed them through personal contacts and by issuing recovery notices. Since their had been no response, management filed suits in Banking Courts to realize the outstanding loan. At present these suits are pending decision in the Court of Law. The next date of hearing is 5-5-2008. It is expected that the court would award a decree in our favor.

PAC DIRECTIVE

The Committee directed the management to pursue court cases under submission of a report within one month.

13. PARA-69 (PAGE 114- ARPSE -2003-04)
NON-RECOVERY OF RS. 625,202 DUE TO DISBURSEMENT OF LOAN WITHOUT SANCTION AND PROPER DOCUMENTATION

The Audit pointed out that Small and Medium Enterprises Bank, loans were required to be disbursed to the borrowers after sanction of the competent authority and with proper documentation. However, in Sargodha Branch a loan amounting to Rs.270,000 was disbursed on November, 15, 1992 to a lady for establishing a business (Nadir Garments) without the sanction of competent authority, verification of Fard-Malkiat through Teshildar, and also most of the

columns of document necessary for sanction of loan were left blank. The borrowers did not pay a single installment, while the outstanding amount rose to Rs.625,202 upto April 30, 2001.

The PAO explained that loan was disbursed to Ms.Rizwana Bhatti following the then approved lending procedures. The borrower later defaulted in repayment of the loan. Her father was guarantor in the loan. As a part of our recovery campaign, her father was arrested on 18-1-2002 and sent to lock up. However, he has to be released on Medical grounds, being a heart patient. The borrower being a lady is difficult to be arrested. All possible social pressures have been exercised. The borrower had lodged a complaint with FIA regarding non receipt of loan amount. It needs to be mentioned that loan amount was disbursed through cross cheques to the borrower. Since then the matter is lying with FIA.

PAC DIRECTIVE

The Committee observed that the department did not properly follow up the case with FIA. The Para was pended for the next meeting with the direction to pursue the case vigorously with FIA and put up a report to the Committee in one month.

14. PARA-70 (PAGE 115- ARPSE -2003-04)
LOSS OF RS 527,776 DUE TO SALE OF MORTGAGED PROPERTY BY GUARANTORS WITHOUT CLEARING BANK DUES

The Audit pointed out that according to loaning procedure, the property mortgaged against a loan cannot be sold till compete realization of bank dues. Small and Medium Enterprises Bank, (then SBFC), Kasur Brach granted a loan of Rs.300,000 in June, 1996 to Muhammad Azeem under National Self Employment Scheme. The loan was secured against the property of the guarantor. The borrower after paying Rs.97,800 went into default and dues of the bank rose to Rs.527,776 on December, 12, 2002. The business for which loan was granted was non-existent. The property mortgaged in favour of the Bank had been sold out.

The PAO explained that a sum of Rs.97,800 has been recovered from the defaulting borrower and recovery proceedings are underway for further recovery. As for the sale of mortgaged property concerned, the Manager of SME Branch Kasur has lodged a complaint against the delinquent borrower in the District Coordination Office (DCO), Kasur. The said DCO has initiated an inquiry under the supervision of Dy.DCO Kasur the Dy.DCO has called the guarantor Mr. Muhammad Yaqoob for his statement.

PAC DIRECTIVE

The Committee directed to vigorously pursue the court case and put up a report within one month.

15. i) PARA-71 (PAGE 115-16- ARPSE -2003-04)
IRREGULAR DISBURSEMENT OF LOAN WORTH RS.200,000 TO A BORROWER AND NON-RECOVERY OF RS.323,443

ii) PARA-72 (PAGE 116-17- ARPSE -2003-04)
IRREGULAR PLACEMENT OF GENERAL INSURANCE BUSINESS WORTH RS. 25.765 MILLION WITH THE PRIVATE INSURANCE COMPANIES

iii) PARA-73 (PAGE 117-18- ARPSE -2003-04)
NON RECOVERY OF OUTSTANDING LOANS OF RS. 1.507 MILLION FROM THE BORROWERS

PAC DIRECTIVE

The Committee settled the above three Paras subject to verification by Audit.

CORPORATE AND INDUSTRIAL RESTRUCTURING CORPORATION

16. i) PARA-74 (PAGE 119-120-ARPSE -2003-04)
LOSS OF RS. 5.653 MILLION DUE TO THEFT OF PROJECT ASSETS AND NON REVISION OF PRICE

ii) PARA-75 (PAGE 120- ARPSE -2003-04)
LOSS OF RS 3.771 MILLION DUE TO PURCHASE OF PROJECT WITHOUT INDEPENDENT EVALUATION

iii) PARA-76 (PAGE 121-122- ARPSE -2003-04)
LOSS OF RS. 931,817 DUE TO RE-ADVERTISING AND IRREGULAR REFUND OF BID MONEY

PAC DIRECTIVE

The Committee directed the PAO to hold a DAC meeting on these Paras and submit a report to the Committee in the next meeting.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

EQUITY PARTICIPATION FUND

17. PARA – 37.1, 37.3, 37.4, 37.6, 37.7, 37.8, 38, 39 & 40, ARPSE-2003-04

PAC DIRECTIVE

The Committee clubbed the above nine Paras with other Paras of Equity Participation Fund and directed to put up in the next meeting.

HOUSE BUILDING FINANCE CORPORATION

18. PARA-41.1 (PAGE 73-ARPSE-2003-04)

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

19. PARA 42-(ARPSE-2003-04)-PAGE-74
LOSS OF RS. 239.181 MILLION DUE TO FRAUD COMMITTED BY THE STAFF OF HBFC

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

20. PARA-43 (PAGE 74-ARPSE-2003-04

PAC DIRECTIVE

The Committee directed the PAO to pursue the recovery vigorously and report in the next meeting.

21. PARA 44-(ARPSE-2003-04)PAGE -75

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by Audit.

22. PARA 46-(ARPSE-2003-04)PAGE -76

PAC DIRECTIVE

The Committee settled the para.

23. PARA-48 (PAGE 78-ARPSE-2003-04)

PAC DIRECTIVE

The Committee remanded the Para to DAC and directed the PAO to follow up the case with NAB/FIA, by taking personal interest in the matter and directed to submit a concrete report to the Committee within one month.

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

24. i) PARA-49.1 (PAGE 79-ARPSE-2003-04)
ii) PARA-49.2 (PAGE 79-ARPSE-2003-04)
iii) PARA-49.4 (PAGE 80-ARPSE-2003-04)

PAC DIRECTIVE

The Committee settled the above three Paras.

25. PARA-49.3 (PAGE 80-ARPSE-2003-04)

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

26. i) PARA-49.5 (PAGE 80-ARPSE-2003-04)

ii) PARA-49.6 (PAGE 80-ARPSE-2003-04)

PAC DIRECTIVE

The Committee remanded the above two Paras to DAC for reconsideration and directed to submit a report to the Committee within one month.

27. i) PARA-50-50.1 (PAGE 81-ARPSE-2003-04)

ii) PARA-50.2 (PAGE 82-ARPSE-2003-04)

iii) PARA-51.2 (PAGE 84-ARPSE-2003-04)

iv) PARA-51.3 (PAGE 84-ARPSE-2003-04)

v) PARA-53 (PAGE 90-ARPSE-2003-04)
FRAUDULENT WITHDRAWAL OF RS 1.274 MILLION BY AN EMPLOYEE THROUGH FORGED/FAKE INSTRUMENTS

vi) PARA-59 (PAGE 97-ARPSE-2003-04)
EXCESS PAYMENT OF RS. 1.798 MILLION DUE TO THE EX-MANAGING DIRECTOR ON ACCOUNT OF PAY AND ALLOWANCE AND PERKS

PAC DIRECTIVE

The Committee directed the PAO to follow up the above Paras and submit a report to the Committee within one month.

28. i) PARA-50.3 (PAGE 83-ARPSE-2003-04)

ii) PARA-51-51.1 (PAGE 83-ARPSE-2003-04)

iii) PARA-51.6 (PAGE 86-ARPSE-2003-04)

PAC DIRECTIVE

The Committee clubbed the above three Paras with other CIRC cases and directed to put up a report within one month.

29. i) PARA-51.4 (PAGE 85-ARPSE-2003-04)

ii) PARA-51.5 (PAGE 85-ARPSE-2003-04)

PAC DIRECTIVE

The Committee settled the above two Paras subject to verification of recovery by Audit.

30. i) PARA-51.7 (PAGE 87-ARPSE-2003-04)

ii) PARA-51.9 (PAGE 88-ARPSE-2003-04)

iii) PARA-52 (PAGE 89-ARPSE-2003-04)
LOSS OF RS. 109 MILLION DUE TO NEGLIGENCE OF AN OFFICER ON CONTRACT

iv) PARA-54.3 (PAGE 93-ARPSE-2003-04)

v) PARA-55 (PAGE 94-ARPSE-2003-04)

vi) PARA-57 (PAGE 95-ARPSE-2003-04)
NON RECOVERY OF OUTSTANDING DUES AMOUNT TO RS. 6.500 MILLION M/S MORGAH VALLEY LIMITED

vii) PARA-58 (PAGE 96-ARPSE-2003-04)
LOSS OF RS 1.994 MILLION DUE TO FORFEITURE OF UPFRONT FEE BY HABIB BANK LIMITED

PAC DIRECTIVE

The Committee endorsed recommendation of DAC and settled the above seven Paras.

31. PARA-51.8 (PAGE 88-ARPSE-2003-04)

PAC DIRECTIVE

The Committee remanded the Para to DAC for consideration with other cases of write off as admissible under the Rules.

32. PARA-56 (PAGE 94-ARPSE-2003-04)
NON RECOVERY OF RS. 12.863 MILLION FROM M/S PIRJEE WEAVING MILLS LIMITED

PAC DIRECTIVE

The Committee settled the para.

ACTIONABLE POINTS

Actionable points arising out from the discussion of meeting of PAC held on 4th, August, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Finance are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

The AGPR apprised the Committee that the following five grants were discussed in meeting of PAC`s COMMITTEE-II on 19th July 2011 and following directive was issued:

"The Committee referred the grant back to DAC for consideration and directed to bring back in the next meeting."

1. i. GRANT NO.129-DEVELOPMENT EXPENDITURE OF FINANCE DIVISION
SAVING OF RS. 7,286,444,050/-

The AGPR pointed out that the grant closed with the saving of Rs. 7,286,444,050 which worked out to 52.22% of the total grant. An amount of Rs. 5,680,388,573(40.72%) was surrendered leaving net saving of Rs. 1,606,055,477(11.51%). A supplementary grant of Rs. 3,443,607,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO replied that savings pertains to foreign aid grants to provinces. This was treated saving due to the reason that foreign aid grant was expected during the year which was not released by the donor agency.

ii) GRANT NO. 153-DEVELOPMENT LOANS AND FINANCES BY THE FEDERAL GOVERNEMENT CHARGED

EXCESS OF RS. 299,999,000/-

The AGPR pointed out that the appropriation closed with an excess of Rs. 299,999,000 which worked out to 30% of the total grant.

OTHER THAN CHARGED
SAVING OF RS.1,171,585,103/-

The AGPR pointed out that the appropriation closed with the saving of Rs.1,171,585,103 which worked out to 4.63% of the total grant. An amount of Rs.2,019,000,000 (7.99%) was surrendered resulting into an excess of Rs.847,897(3.35%).The Audit was of the view that re-appropriation from "other than charged" to charge is not admissible under the rules.

The PAO informed special relaxation was granted by the Secretary Ministry of Finance as there was an urgent and important requirement from other provinces.

PAC DIRECTIVE

The Committee clubbed the above two grants and directed the PAO to look into the matter personally and submit a comprehensive report along with the recommendations/proposals to PAC Wing.

2. SERVICING OF DOMESTIC DEBT
SAVING OF RS. 8,959,668,871/-

The AGPR pointed out that the appropriation closed with the saving of Rs. 8,959,668,871 which worked out to 2.25% of the total grant. An amount of Rs. 8,979,945,000 (5.27%) was surrendered resulting into an excess of Rs. 20,276,129 (0.01%).

The PAO informed that there is a major excess in the head "unfunded debt" which is mainly due to excess in defense saving certificates under National Saving Scheme. Since the saving scheme remained on tap, therefore, investor of scheme has his own discretion to en-cash /invest at any time. As such there may be excess or saving as against anticipation.

PAC DIRECTIVE

The Committee regularized the grant.

3. REPAYMENT OF DOMESTIC DEBT
SAVING OF RS. 21,024,122,736/-

AGPR pointed out that the appropriation closed with the saving of Rs. 21,024,122,736 which worked out to 1.95% of the total grant. An amount of Rs. 25,439,746,000 (2.36%) was surrendered resulting into an excess of Rs. 4,415,623,264 (0.41%).

The PAO informed that excess was mainly on account of permanent debt, floating debt and cash credit accommodation.

The PAO explained that as regard saving in cash credit accommodation, it is used on need basis by Ministry of Food and Agriculture for procurement of food stuff and fertilizers. Because of less requirement reported by the spending agency, the saving occurred.

PAC DIRECTIVE

The Committee regularized the grant.

4. AUDIT
EXCESS OF RS. 298,504/-

AGPR pointed out that the appropriation closed with an excess of Rs. 298,504 which worked out to 0.04% of the total grant.

The PAO informed that excess was due to recruitment of editors and reporting staff in Audit and Accounts Department.

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04
ZARAI TARAQIATI BANK LIMITED

5. PARA-62.6 PAGE-105 ARPSE-2003-2004

The Audit pointed out that the other assets included the stock in hand valued at Rs.17.368 million as on December 31, 2003 whereas statement of unsold stock of agricultural machinery and spare parts showed Rs.11.965 million. The shortage of stock amounting to Rs.5.403 million needs to be investigated.

The PAC took the serious notice of absence of Chairman Zarai Tarqiati Bank Limited and the para was again discussed on next day in the presence of Chairman Zarai Tarqiati Bank Limited.

The PAO informed that this was case for the shortage of 33 Tractors for which bank filed a Civil Suit in the court of Sr. Civil Judge, Islamabad for Rs. 25.807 million which includes market price of 33 tractors, token damages claimed to reputation etc. and markup/interest @ 14% per annum w.e.f. 30.03.1997 upto date of filing of suit i.e. 03.05.1999. The Court has decreed the said suit with costs. The bank has filed case for implementation of the same. This issue is also being heard in Accountability Court, Lahore.

The PAO further added that the Court has decreed the said suit with costs. The Bank has filed case for implementation of the same. The issue is also being heard in Accountability Court, Lahore.

The representative of NAB apprised the Committee that the plea bargain agreement was made with the party and some amount was recovered. Later on the party deviated from the agreement and the NAB again filed the case and now it is in accountability court.

PAC DIRECTIVE

The Committee directed the PAO to pursue the case vigorously and report back in sixty days.

6. i) PARA-62.2 PAGE-104 ARPSE-2003-2004

ii) PARA-62.4 PAGE-105 ARPSE-2003-2004

iii) PARA-64 PAGE-106-107 ARPSE-2003-2004
IRREGULAR GRANT OF RELIEF PACKAGE TO BORROWERS RESULTING IN NON-RECOVERY OF RS.534,689

iv) PARA-65 PAGE-107 ARPSE-2003-2004
NON-RECOVERY OF HOUSE BUILDING ADVANCE AMOUNTING TO RS. 304,952 FROM EX-EMPLOYEES

SMALL AND MEDIUM ENTERPRISES BANK LIMITED

v) PARA-67 PAGE-112 ARPSE-2003-2004
NON-RECOVERY OF RS.9.885 MILLION FROM BORROWERS

vi) PARA-68 PAGE-113-114 ARPSE-2003-2004
NON-RECOVERY OF RS.870,000 FROM EX-EMPLOYEES ON ACCOUNT OF HOUSE BUILDING LOANS

vii) PARA-69 PAGE-114 ARPSE-2003-2004
NON-RECOVERY OF RS.625,202 DUE TO DISBURSEMENT OF LOAN WITHOUT SANCTION AND PROPER DOCUMENTATION

viii) PARA-70 PAGE-115 ARPSE-2003-2004
LOSS OF RS.527,776 DUE TO SALE OF MORTGAGED PROPERTY BY GUARANTORS WITHOUT CLEARING BANK DUES

ix) PARA-71 PAGE-115-116 ARPSE-2003-2004
IRREGULAR DISBURSEMENT OF LOAN WORTH RS.200,000 TO A BORROWER AND NON-RECOVERY OF RS.323,443

x) PARA-72 PAGE-116-117 ARPSE-2003-2004
IRREGULAR PLACEMENT OF GENERAL INSURANCE BUSINESS WORTH RS.25.765 MILLION WITH THE PRIVATE INSURANCE COMPANIES

xi) PARA-73 PAGE-117-118 ARPSE-2003-2004
NON-RECOVERY OF OUTSTANDING LOANS OF RS.1.507 MILLION FROM THE BORROWERS

CORPORATE AND INDUSTRIAL RESTRUCTURING CORPORATION

xii) PARA-74 PAGE-119-120 ARPSE-2003-2004

LOSS OF RS.5.653 MILLION DUE TO THEFT OF PROJECT ASSETS AND NON-REVISION OF PRICE

xiii) **PARA-75 PAGE-120 ARPSE-2003-2004**
LOSS OF RS.3.771 MILLION DUE TO PURCHASE OF PROJECT WITHOUT INDEPENDENT EVALUATION

xiv) **PARA-76 PAGE-121-122 ARPSE-2003-2004**
LOSS OF RS.931,817 DUE TO RE-ADVERTISING AND IRREGULAR REFUND OF BID MONEY

PAC DIRECTIVE

Taking serious notice of absence of heads of the Departments, the Committee pended the above mentioned fourteen paras.

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 13th, January, 2016 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Ministry of Finance are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

1. PARA-62.6 (PAGE 105- ARPSE -2003-04)

The Audit pointed out that the other assets included the stock in hand valued at Rs.17.368 million as on December 31, 2003 whereas statement of unsold stock of agricultural machinery and spare parts showed Rs.11.965 million. The shortage of stock amounting to Rs.5.403 million needs to be investigated.

The PAO informed that a departmental inquiry was made and the matter was referred to the NAB which has recovered the amount from the accused. He requested the Committee to direct the NAB to transfer the amount in the account of ZTBL.

PAC DIRECTIVE

The Committee directed the NAB to transfer the amount in the account of ZTBL and settled the para subject to verification of record by the Audit.

2. i) PARA-67 (PAGE 112)- ARPSE -2003-04
NON-RECOVERY OF RS 9.885 MILLION FROM BORROWERS

ii) PARA-68 (PAGE 113) ARPSE -2003-04
NON RECOVERY OF RS. 870,000 FROM EX-EMPLOYEES ON ACCOUNT OF HOUSING BUILDING LOANS

iii) PARA-69 (PAGE 114- ARPSE -2003-04)
NON-RECOVERY OF RS. 625,202 DUE TO DISBURSEMENT OF LOAN WITHOUT SANCTION AND PROPER DOCUMENTATION

iiii) PARA-70 (PAGE 115- ARPSE -2003-04)
LOSS OF RS. 527,776 DUE TO SALE OF MORTGAGED PROPERTY BY GUARANTORS WITHOUT CLEARING BANK DUES

iiv) PARA-71 (PAGE 115-16- ARPSE -2003-04)
IRREGULAR DISBURSEMENT OF LOAN WORTH RS.200,000 TO A BORROWER AND NON-RECOVERY OF RS.323,443

iv) PARA-73 (PAGE 117-18- ARPSE -2003-04)
NON-RECOVERY OF OUTSTANDING LOANS OF RS. 1.507 MILLION FROM THE BORROWERS

Audit pointed out that the above six paras pertain to Small and Medium Enterprises Bank Limited and the liabilities of the said bank were assigned to the National Bank of Pakistan (NBP). Due to same nature of recovery, the Audit clubbed the above paras. Audit also requested the Committee to direct the Ministry of Finance to provide the record of recovered amount and balance amount to the Audit for verification.

The PAO informed that an amount of 8.7 million has been recovered in one case and efforts are being made to recover the balance amount.

PAC DIRECTIVE

The Committee directed the PAO to prepare a comprehensive report on the issue, discuss the same at DAC level, submit the conclusion in the next meeting and pended the above six paras.

3. i) PARA-74 (PAGE 119-120-ARPSE -2003-04)
LOSS OF RS. 5.653 MILLION DUE TO THEFT OF PROJECT ASSETS AND NON-REVISION OF PRICE

ii) PARA-75 (PAGE 120- ARPSE -2003-04)
LOSS OF RS 3.771 MILLION DUE TO PURCHASE OF PROJECT WITHOUT INDEPENDENT EVALUATION

iii) PARA-76 (PAGE 121-122- ARPSE -2003-04)
LOSS OF RS. 931,817 DUE TO RE-ADVERTISING AND IRREGULAR REFUND OF BID MONEY

Audit pointed out that the above there paras were also to be discussed at DAC meeting held on 10.12.2015 but the required record was not provided in the DAC meeting. The DAC directed to conduct and inquiry at ministry level to examine/verify the facts/record.

During the course of discussion, the Committee came to know that concerned person from the National Bank of Pakistan was not present to respond to the queries raised by the Committee on which the Committee showed its displeasure.

PAC DIRECTIVE

The Committee directed the PAO to conduct an inquiry regarding irregularities in purchase/sale of the projects and provide the relevant record to the Audit for verification within 15 days.

4. PARA-62.4 (PAGE 105- ARPSE -2003-04)

PAC DIRECTIVE

The Committee referred the para for pursuance at DAC level.

5. i) PARA-62.2 - PAGE-104 - ARPSE-2003-2004

ii) PARA-64 - PAGE-106-107 - ARPSE-2003-2004
IRREGULAR GRANT OF RELIEF PACKAGE TO BORROWERS RESULTING IN NON-RECOVERY OF RS.534,689

iii) PARA-65 - PAGE-107 - ARPSE-2003-2004
NON-RECOVERY OF HOUSE BUILDING ADVANCE AMOUNTING TO RS. 304,952 FROM EX-EMPLOYEES

iv) PARA-72 - PAGE-116-117 - ARPSE-2003-2004
IRREGULAR PLACEMENT OF GENERAL INSURANCE BUSINESS WORTH RS.25.765 MILLION WITH THE PRIVATE INSURANCE COMPANIES

PAC DIRECTIVE

The Committee settled the above four paras on the recommendation of DAC.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04

6. i) PARA-37.1 (ARPSE-2003-04)PAGE-66

ii) PARA-37.3(ARPSE-2003-04)PAGE-67

iii) PARA-37.4 (ARPSE-2003-04)PAGE-67

iv) PARA-37.6(ARPSE-2003-04)PAGE-68

v) PARA-37.7 (ARPSE-2003-04)PAGE-68

vi) PARA-37.8(ARPSE-2003-04)PAGE-69

vii) PARA-38 (ARPSE-2003-04)PAGE-69
LOSS OF RS.3.068 MILLION DUE TO NON-RECOVERY FROM A PARTY

viii) PARA-39(ARPSE-2003-04)PAGE-70
NON-RECOVERY OF RS.1.00 MILLION FROM AN INVESTOR

ix) PARA-40 (ARPSE-2003-04)PAGE-71
NON-RECOVERY OF RS.980,000 DUE TO NON-OBTAINING OF SECURITY

Audit pointed out that Equity Participation EPF was an institution which provided financial assistance to industries/businesses on equity basis. It was added that the above nine paras were of the same nature in which EPF sanctioned amounts for equity support to different business organizations but some of them either did not repay any dues of the Fund at all or partially repaid the dues.

The PAO informed that no loss to stake holders because Rs. 1.1 billion was distributed among stakeholders against their investment of Rs. 50 million. PAO added that the sanctions and disbursement of financial assistance was made by the EPF and after its winding up, the record was handed over to Industrial Development Bank of Pakistan (IDBP) as caretaker.

PAC DIRECTIVE

The Committee settled the above nine paras subject to verification of record by Audit.

7. PARA-41.4 (ARPSE-2003-04) PAGE-73

Audit pointed out that the Corporation made investment amounting to Rs.4,324.500 million during the year 2003 and Rs.4,978.150 million in 2002 in share business including Rs.225.000 million and Rs.2.343 million in respect of Certificate of Investment (COI) of Bankers Equity Limited (BEL) and Asset Investment Bank Limited respectively. The BEL went into liquidation and return on the said investment had not accrued. Full provision has been made against the investment. Hence, no payment has been received from the BEL.

The PAO informed that the case of the Assett Investment Bank Limited has been decreed in favor of HBFC and execution of decree has been filed in Banking Court. It was further apprised to the Committee that the Banker Equity Limited (BEL) is under liquidation process. And distribution of dividend is the domain of the High court which approves the percentage in equal measures and proportion to all creditors/depositors on the recommendations of the Learned Official Assignee/Official liquidator of Bankers Equity, once enough funds are accumulated through recovery process. So far an amount of Rs.157.500 million has been recovered. Now 30% i.e. Rs.67.500 million is still outstanding with BEL.

PAC DIRECTIVE

The Committee directed the PAO that the case regarding Assett Investment Bank Limited be pursued vigorously in Court of Law and the part of the para pertaining to Banker Equity Limited is settled subject to verification of record of recovery by the Audit.

8. PARA-41.5-41.6 (ARPSE-2003-04) PAGE-73

Audit pointed out that an amount of Rs.1,162.302 million of housing finance was outstanding against Pakistan Housing Authority (PHA) as on December 31, 2003. Similarly, outstanding against Pakistan Steel Mill Corporation (PSMC) was Rs.521.554 million at the end of 2003. Audit further stated that the Corporation forwarded loan under rent sharing scheme to employees of Pakistan Steel Mills Corporation. Profit on outstanding balance was chargeable at 12.30% per annum on quarterly basis. Basis of charging of interest is disputed between the Corporation and PASMIC, and thus, rental income for the year amounting to Rs.60.081 million has been suspended.

The PAO informed that most of the amount has been recovered/adjusted and only Rs. 218 million is pending with PHA. Similarly, Rs. 113.7 million is outstanding against Pakistan Steel Mills Corporation. He stated that as both the entities belongs to Government of Pakistan so, the balance amounts will be recovered. The matter is being pursued at higher level.

PAC DIRECTIVE

The Committee settled the para subject to recovery of remaining amount.

9. PARA-42(ARPSE-2003-04)PAGE-74
LOSS OF RS.239.181 MILLION DUE TO FRAUD COMMITTED BY THE STAFF OF HBFC

Audit pointed out that the House Building Finance Corporation (HBFC) and its subordinate offices detected 987 cases of fraud involving Rs.100.653 million during the year 2001. Subsequently, 1578 cases of fraud involving Rs.153.524 million also came to the notice of the management in March, 2003. Numbers of frauds show inadequacy of internal controls. As such the employees of the Organization managed to commit frauds in almost all the District Offices and even in the Head Office.

The PAO informed that the recoveries are being made as per prescribed procedure. Mostly the defaulters are people with low incomes and there are only few fraud cases.

PAC DIRECTIVE

The Committee directed the PAO to prepare a recovery schedule in consultation with the Audit within 60 days in which defaulters having low incomes should be accommodated.

10. PARA-43(ARPSE-2003-04)PAGE-74
NON-RECOVERY OF LOAN AMOUNTING TO RS.16.705 MILLION

Audit pointed out that House Building Finance Corporation (HBFC) (Zonal Office), Sukkur sanctioned and disbursed an amount of Rs.16.705 million in 349 cases during the year 1988-89. No recovery was made resulting in accumulation of outstanding amount to Rs.32.276 million upto June 1999.

The PAO informed that disciplinary actions have been taken against the delinquents. In this connection that three officers of the corporation were taken to task. After finalization of disciplinary proceedings against M/s. Muhammad Ayub Khan and Dur Muhammad Laghari, Assistant Managers, were exonerated from the charges levelled against them, as the same were not established. After finalization of disciplinary proceedings against him and having found guilty of the charges, major penalty of dismissal from service was imposed upon Mr. Abdul Sattar. The PAO further added that efforts are being made to recover the balance amount.

PAC DIRECTIVE

The Committee directed the PAO to recover the remaining amount by pursuing each and every outstanding case within 60 days.

11. PARA-48 (ARPSE-2003-04) PAGE-78
DISBURSEMENT OF RS.456,759 AGAINST FORGED DOCUMENTS

Audit pointed out that Assistant Manager, Zonal Office, House Building Finance Corporation (HBFC), Sargodha, disbursed an amount of Rs.456,759 against four accounts on the basis of fake documents and false site inspection reports. The fraud was detected on July 14, 2002. Disciplinary action was initiated by the HBFC management and the accused officer was charge-sheeted. In the meantime the officer attained the age of superannuation on November 29, 2002 and retired from the Corporation's service with all pensionery benefits. The case was however referred to the FIA on January 7, 2003.

The PAO informed that after a proper inquiry, the accused person was found guilty and the case was referred to FIA where the accused person was exonerated. Before the department could take any further action, the accused person expired.

PAC DIRECTIVE

The Committee directed the representative of the FIA to submit a report to Audit/PAC stating within 15 days the grounds, the accused person was exonerated in the inquiry of FIA.

INDUSTRIAL DEVELOPMENT BANK OF PAKISTAN

12. PARA-49.3 (ARPSE-2003-04)PAGE-80

Audit pointed out that the Industrial Development Bank sustained an exchange loss of Rs.95.975 million during the year 2003-04 as compared to Rs.63.529 million of previous year. The PAO may be asked to explain the reason for this.

The PAO agreed to get the record verified from the Audit.

PAC DIRECTIVE

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

13. PARA-49.5-49.6 (ARPSE-2003-04)PAGE-80

Audit pointed out that the Industrial Development Bank had a provision of Rs.8,746.091 million as on June 30, 2004 against the advances of Rs.12,358.889 million. The provision represents contingent provision of Rs.2,078.868 million and provision for non-performing advances of Rs.6,667.151 million. Similarly, a provision of Rs.9,005.992 million was held by the Bank against other assets of Rs.10,631.910 million as on June 30, 2004. This is indicative of the facts that the advances and other assets were not properly secured by the Bank, resultantly a huge provision thereto had to be made by the Bank.

During the year under review the Bank had written off loans amounting to Rs.67.510 million. Circumstances under which these loans were not recovered and written off need to be elucidated.

The PAO informed that an amount of Rs. 834.919 million has been recovered an amount of Rs. 67.510 million has been written off.

PAC DIRECTIVE

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

14. PARA-50-50.1 (ARPSE-2003-04)PAGE-81
NON-RECOVERY OF RS.766.589 MILLION FROM 03 BORROWERS

Audit pointed out that during test audit of Industrial Development Bank of Pakistan (IDBP), the Audit observed that the Bank was neither efficient in lending nor in monitoring and recovery. Thus, a huge amount of public money was stuck-up for recovery. In some cases the Bank also could not recover the amounts decreed by the Court of Law in favour of the Bank. Some of the cases are given hereunder:

The PAO informed that an amount Rs.55.236 million has been recovered and a case of recovery of Rs. 537.202 million subjudice in Court of Law which is being pursued vigorously.

PAC DIRECTIVE

The Committee pended the para till the finalization of the court case.

15. PARA-50.2(ARPSE-2003-04)PAGE-82

Audit pointed out that the Industrial Development Bank of Pakistan (Peshawar Branch) sanctioned financial assistance of Rs.42.932 million to M/s Delta Tyres and Rubber Co. Ltd during 1985-94 for establishing Motor Cycle/Scooter/Light Vans tyre tube manufacturing Unit at Haripur. The project was completed on March 28, 1988 but could not continue its commercial operation successfully and closed down in May, 1997 despite rescheduling facilities provided by the Bank.

The borrowers failed to repay the bank's dues and IDBP filed a recovery suit of Rs.137.200 million on October 18, 1996. ICP and other creditors who had paripassue charge over project assets filed a liquidation petition. The project assets were auctioned on July 3, 2002 for Rs.30.000 million, out of which an amount of Rs.16.433 million was received as share of IDBP. Audit was of the view that the amount of Rs.120.767 million was a loss sustained by IDBP.

The PAO informed that Rs. 42.146 million has been recovered and verified from the Audit and the pending amount is subjudice in the court of law.

PAC DIRECTIVE

The Committee pended the para.

16. PARA-50.3(ARPSE-2003-04)PAGE-83

Audit pointed out that in Industrial Development Bank of Pakistan (IDBP) (Hyderabad Branch) certain financial facilities were extended to M/s Al-Ameen Textile Mills on July 16, 1973 amounting to Rs.13.741 million for the establishment of a textile unit at Kotri. Due to persistent default in repayment of bank dues, the IDBP filed a suit against the Company. The assets of the project were auctioned for Rs.14.879 million against the total outstanding amount of Rs.145.413 million as on May 31, 2001 and IDBP received its share of Rs.11.600 million from sale proceeds.

The PAO informed that further litigation for the recovery cannot be done as the case has got time barred. The balance amount will be now written off.

PAC DIRECTIVE

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

17. PARA-51-51.1(ARPSE-2003-04)PAGE-83

Audit pointed out a loss of Rs.653.900 million due to non-recovery of decreed amount. It was also pointed out that the Industrial Development Bank of Pakistan (IDBP) sanctioned a local currency loan of Rs.10.300 million and a foreign currency loan of US$ 2.695 million to M/s Massive Attack Limited on November 25, 1996 against the mortgage property of Rs.152.672 million for establishing a unit for manufacturing of Pet Bottles. The local and foreign loans were to be repaid by January 31, 2000 and June 30, 2000 respectively.

The PAO informed that an amount of Rs.50.797 million have been recovered & verified by the Audit and an amount of Rs.151.190 million has been written off.

PAC DIRECTIVE

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

18. PARA-51.2(ARPSE-2003-04)PAGE-84

Audit pointed out that the Industrial Development Bank of Pakistan sanctioned a sum of Rs.127.872 million to M/s AL-Joz Industries Limited under various loans facilities. The borrowers failed to repay the dues of the bank and defaulted for Rs.234.316 million. IDBP filed a suit in the court on May 8, 1999. The case was decreed in favour of the bank on June 22, 1999 for the same amount. The project assets were sold for Rs.100 million on March 27, 2001 but the purchaser made down payment of Rs.15.000 million only and out of which IDBP received its share of Rs.11.678 million. The auction purchaser failed to pay the remaining amount of Rs.85.000 million.Out of decreed amount of Rs.234.316 million, the Bank could recover a sum of Rs.11.678 million during the last 06 years. Further, the management failed to trace out the Directors and their personal properties despite a lapse of considerable period.

The PAO informed that the project assets were sold out at Rs.100.000 million and IDBP received its share in the sale proceeds amounting to Rs.83.070 million and the purchaser of the project defaulted for an amount of about Rs. 15 million. A suite has been filed in the Court of Law for the recovery of this amount and efforts are being made for attachment assets of the defaulter.

PAC DIRECTIVE

The Committee directed the PAO to discuss the issue at DAC level and submit a comprehensive report in the next meeting of PAC.

19. PARA-51.3 (ARPSE-2003-04)PAGE-84

Audit pointed out that Industrial Development Bank of Pakistan (Peshawar Branch) sanctioned a financial assistance of Rs.30.541 million to M/s Khyber Bricks Ltd on December 4, 1986 for establishing a building materials unit at Hattar. The project commenced commercial operation on April 23, 1987 but could not continue production and closed down on August 5, 1994. The borrowers failed to repay the dues of the Bank. IDBP filed a recovery suit for Rs.77.402 million on March 12, 1995 in Peshawar High Court. The Court awarded decree in favour of Bank on March 31, 1996. The execution was filed on March 31, 1996. The project assets were put to auction 5 times and in the last auction highest bid amount of Rs.20.100 million was received and accepted. The purchaser deposited entire bid of Rs.20.100 million out of which IDBP received its share of Rs.13.00 million on prorata basis leaving recoverable amount to Rs.64.402 million.

The PAO informed that the project assets had been auctioned by the Joint official Liquidators appointed by the Peshawar High Court, for Rs.20.100 million. The IDBP had received its shares of Rs. 13.000 million out of sale proceeds of the project assets determines by the Court. Being a public Limited company, personal guarantees of collateral security was not required as per terms of sanction.

PAC DIRECTIVE

The Committee settled the para.

20. PARA-51.7 (ARPSE-2003-04)PAGE-87

Audit pointed out that Industrial Development Bank of Pakistan (Islamabad Branch) sanctioned a local currency financial assistance of Rs.7.680 million to M/s Blossom Towel Industries Limited on February 26, 1992 for establishing a Terry Towel Industry at Industrial Area, Haripur.

The project could not be completed and closed down. The borrowers failed to repay the dues of the Bank. Resultantly, IDBP filed a suit in Banking Court, Rawalpindi on June 12, 2001 for recovery of Rs.23.346 million which was decreed in Bank's favour on February 12, 2002 for Rs.17.754 million against which only Rs.2.826 million could have been recovered. The project assets were put to auction on July 2002 but no bidder participated. The borrowers removed the machinery from the project site in August 2002. FIR was lodged on September 12, 2002 in Hattar Police Station, Hairpur. A criminal complaint was also filed on September 07, 2002 in the Banking Court Rawalpindi, but no progress of case was reported.

The PAO informed that the borrowers paid the entire amount i.e. Rs.9.745 million in piecemeal through banking court but they did not pay cost of fund. Out of this

amount the Bank has realized Rs.7.000 million. The Bank has filed an appeal in High Court which is still in process of hearing. The last hearing of the court was on 3rd June, 2015.

PAC DIRECTIVE

The Committee pended the para with the direction to pursue the case in the Court of Law vigorously.

21. PARA-51.9 (ARPSE-2003-04)PAGE-88

Industrial Development Bank of Pakistan sanctioned a foreign currency loan of Rs.4.055 million and local currency loan of Rs.0.700 million to M/s Al-Rahim Industries on June 26, 1982 for establishing Mineral Grinding Unit.

The borrowers failed to repay the dues of the Bank and resultantly IDBP filed a case in Sindh High Court Karachi on November 8, 1990 against the company and its directors for recovery of Rs.10.733 million. The project assets were sold for Rs.2.750 million. Audit considers that the management caused a loss of Rs.7.983 million being the difference of the decreed amount.

The PAO informed that M/s International Credit Information Ltd (ICIL) was asked for tracing out the assets of the guarantors / Directors of the company, but the tracer company could not trace the same. As per direction of the DAC, efforts are being made for recovery of outstanding amount and report on progress will be submitted to Audit/PAC.

PAC DIRECTIVE

The Committee directed the PAO to take effective steps for the recovery of the balance amount and pended the para.

22. PARA-53 (ARPSE-2003-04)PAGE-90
FRAUDULENT WITHDRAWAL OF RS.1.274 MILLION BY AN EMPLOYEE THROUGH FORGED/FAKE INSTRUMENTS

Audit pointed out that in Industrial Development Bank of Pakistan (IDBP) Peshawar Branch, an employee of the Bank committed fraud amounting to Rs.0.641 million during 2001-02 by way of preparation and encashment of forged payorders. The management recovered the fraudulent amount and his services were terminated in October 2002. A detailed departmental enquiry was initiated, which revealed that the accused had also misappropriated/embezzled Rs.1.274 million during 1997-2002 through forged/fake instruments/vouchers. As the service of the official had already been terminated, the amount of Rs.1.274 million has not been recovered from him.

The PAO informed that after the departmental inquiry, a complaint was lodged with FIA, Peshawar for registration of case against Ch. Liaqat Masood, EX-OG-II for the embezzlement of Bank's funds as detected by Audit. The initial investigations were carried out by FIA Peshawar later on proceedings/ investigations were re-started by the NAB Peshawar in October, 2004. It has been learnt that the NAB authorities have filed the case before the concerned Court.

The representative of NAB told that the accused has been convicted and declared as an absconder.

PAC DIRECTIVE

The Committee pended the para.

INVESTMENT CORPORATION OF PAKISTAN

23. PARA-54.3 (ARPSE-2003-04)PAGE-93

Audit pointed out that included in fixed assets was a plot of land in Karachi, possession of which had been taken by the Corporation on November 30, 1992 from Pakistan Railways against a payment of Rs.60.255 million. The Corporation had also obtained indemnity from Pakistan Railways for the full refund of amount paid by the Corporation in the event of their failure to transfer, mutate and register the said plot by means of conveyance of sale deed before the concerned Registrar in the name of the Corporation. The Corporation had written to the Pakistan Railways for obtaining refund of the amount paid to them, as the transfer of title had not been executed. Neither the plot has been transferred in the name of Corporation nor money refunded by Pakistan Railways. Early settlement of the case with Railway authorities is stressed upon.

The PAO informed that the Railway authorities when approached for the refund of total sale consideration, ICP was informed by Ministry of Railways vide letter dated January 07, 1996 that summary submitted to the Cabinet Division for approval of refund of amount which was not approved. Instead, Minister of Defence was asked by the Cabinet to resolve the matter in respect of registration of Sale Deed by Sindh Provincial Government. Later on as directed by Minister for Defence, matter was referred to Law & Justice Division who gave the opinion that Ministry of Railways has already filed a reference in Supreme Court of Pakistan under Article 184 of the Constitution of Pakistan against four provinces. It was further informed by the Ministry of Railways in their letter dated January 07, 1996 that in view of the pendency of the said reference, further decision for disposal of surplus land including transfer it to any other Government Department should be deferred. Till date 40% share of the total sale consideration has not been paid by Ministry of Railways to Government of Sindh despite many follow-up reminders resulting in non-execution of Sale Deed. For execution of Sale Deeds of subject plots, attempts were made to personally approach Member

Land Utilization, Sindh Board of Revenue to quantify the amount payable to Government of Sindh enabling ICP to request Ministry of Finance for reimbursing the quantified amount to Government of Sindh and getting the Sale Deed executed in favour of IDBP as (Defunct) ICP has been merged with IDBP but unfortunately Member did not meet due to his pre-occupation.

PAC DIRECTIVE

The Committee pended the para with the direction to the PAO to coordinate with the Ministry of Railway and Government of Sindh at higher level to resolve the matter.

24. i. PARA-55(ARPSE-2003-04)PAGE-94
LOSS OF RS.12.867 MILLION DUE TO NON-RECOVERY FROM M/S TAJ PAPER BOARD MILLS LIMITED

Audit pointed out that Investment Corporation of Pakistan (ICP) granted financial assistance of Rs.10 million to M/s Taj Paper Board Mills Limited. Financial assistance in the shape of Short Term-Term Finance Certificates and Long Term-Term Finance Certificates amounting to Rs.2.300 million and Rs.7.700 million were disbursed on September 08, 1988 and April 18, 1990 respectively, repayable in 16 equal quarterly installments commencing from December 31, 1993 with completion date as December 31, 1997. The company did not follow the repayment schedule resultantly a recovery suit was filed in the Court Law on May 28, 1997 for outstanding amount of Rs.14.540 million including principal amount of Rs.10.00 million as on June 31, 1997. The company was wound-up by Court orders dated June 04, 2000.

ii. PARA-57 (ARPSE-2003-04)PAGE-95
NON-RECOVERY OF OUTSTANDING DUES AMOUNTING TO S.6.500 MILLION M/S. MORGAH VALLEY LIMITED

Investment Corporation of Pakistan (ICP) led consortium in its meeting held on May 24, 1980 and August 17, 1982 agreed to extend financial assistance by way of bridge loan/debenture loan and long term participation term certificates amounting to Rs.8.00 million (ICP share 1.990 million) to M/s Morgah Valley Limited for expansion of its existing units at Rawalpindi and setting up a new unit at Karachi.

The disbursement of the above loan was completed by ICP-led consortium by January, 1984. But the company's project uptill 1988 was lying unpacked with incomplete building at Rawalpindi whereas proposed unit at Karachi was not setup.

On failure of the company to meet their contractual obligation, ICP decided in 1989 to initiate liquidation proceedings against the company for recovery of ICP-led consortium's dues/over-dues. In the meantime the company approached ICP for an amicable settlement and requested to enter into a court compromise. The ICPs Board of Directors in its meeting held on November 14, 1991 agreed for entering into a compromise agreement for full and final settlement, of ICP led consortium dues. But the company paid only a sum of Rs.1.000 million to ICP in September, 1991 and the balance amount of Rs.6.500 million was not paid.

iii) PARA-59(ARPSE-2003-04)PAGE-97
EXCESS PAYMENT OF RS.1.798 MILLION TO THE EX-MANAGING DIRECTOR ON ACCOUNT OF PAY AND ALLOWANCES AND PERKS

Deputy Managing Director of Investment Corporation of Pakistan (ICP) was appointed as Managing Director of I.C.P. on February 22, 1995 as notified by Finance Division Islamabad. The incumbent was not granted M-I on the plea that MDs functioning under Federal Government in other Corporations were in M-II and M-III scale. In contravention of Government orders, the management allowed the Managing Director while he was entitled to draw pay of grade was given a package of pay of Rs.125000 alongwith other perquisites as was drawn by MD NIT w.e.f. Oct. 8, 1997. This resulted into an excess payment of Rs.1.798 million on account of pay and allowance and perks drawn by him from Oct 8, 1997 to Sept 1999. However, Government of Pakistan finally decided to grant MI to MD concerned with effect from June 6, 1998.

The PAO informed that the matter was discussed in the last DAC wherein the management explained before the Committee that the above three paras are subjudice in court of law for final decision.

PAC DIRECTIVE

The Committee pended the above three paras being subjudice and directed the PAO to pursue the court cases vigorously.

25. i) PARA-41.3 (PAGE 73- ARPSE -2003-04)

ii) PARA-44 (PAGE 75- ARPSE -2003-04)

iii) PARA-47 (PAGE 77- ARPSE -2003-04)

iv) PARA-54.2 (PAGE 93- ARPSE -2003-04)

PAC DIRECTIVE

The Committee referred the above paras for pursuance at DAC level.

26. i. PARA-37–PAGE (PAGE 66- ARPSE -2003-04)

ii. PARA-41.1 – PAGE (PAGE 72 - ARPSE -2003-04)

iii. PARA-41.2– PAGE (PAGE 72 - ARPSE -2003-04)

iv. PARA-45– PAGE (PAGE 34 - ARPSE -2003-04)

v. PARA-51.4– PAGE (PAGE 85 - ARPSE -2003-04)

vi. PARA-51.5– PAGE (PAGE 85 - ARPSE -2003-04)

vii. PARA-51.6– PAGE (PAGE 86 - ARPSE -2003-04)

viii. PARA-51.8– PAGE (PAGE 88 - ARPSE -2003-04)

ix. PARA-51.10– PAGE (PAGE 89 - ARPSE -2003-04)

x. PARA-52– PAGE (PAGE 89 - ARPSE -2003-04)

xi. PARA-60.1– PAGE (PAGE 99 - ARPSE -2003-04)

xii. PARA-60.2– PAGE (PAGE 100 - ARPSE -2003-04)

xiii. PARA-61– PAGE (PAGE 101- ARPSE -2003-04)

xiv. PARA-61.1 – 61.2– PAGE (PAGE 101- ARPSE -2003-04)

PAC DIRECTIVE

The Committee settled the above fourteen paras on the recommendation of the DAC.

M/O FOREIGN AFFAIRS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Foreign Affairs was examined by the PAC on 10th August 2011 and 19th May, 2015.

- 19 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 10th August, 2011 has also been made part of the report.

M/O FOREIGN AFFAIRS

ACTIONABLE POINTS

Appropriation Accounts /Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to the M/o Foreign Affairs were taken up for examination by Special Committee-II of the PAC in the meeting held on 10th August 2011, in Committee Room No.2, Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACOUNTS OF M/O FOREIGN AFFAIRS VOL-V, 2003-04

1. GRANT NO. 52 FOREIGN AFFAIRS DAVISION (HEADQUARTERS)

The AGPR pointed out that there was overall saving of Rs. 14, 255,253/- against final grant of Rs. 601,080,397/- which comes to 2.37% of the grant.

The PAO explained that the saving was due to non filling of the post lying vacant in different cadres and strict economy measures over the expenditure during the financial year.

PAC DIRECTIVE

The Committee regularized the grant with the observation that the saving should have been surrendered in time.

2. GRANT NO. 53 FOREIGN AFFAIRS DAVISION (MISSIONS ABROAD)

The AGPR pointed out that overall saving of Rs. 267,912,363/- against final grant of Rs. 3,910,417,000/- which comes to 6.85% of the grant. The savings related to more than 100 missions abroad and 6.85% is accumulative amount. It often becomes difficult to foresee the expenditure under various heads. The mission keeps a small amount for excegencies and that amount if un-spent result in to saving. The accumulative effect under the demand is only 6.85% which is negligible.

The PAO explained the reasons of savings that some posts of officers and officials remained vacant during the fiscal year 2003-04, and due to economy measures taken by the ministry to curtail the expenditure. Excess was due to increase expenditure on the maintenance of mission's official cars, machinery and equipment and furniture & fixture.

PAC DIRECTIVE

The Committee observed that supplementary grant had been obtained but savings more than the supplementary grant had been made. The Committee expressed its displeasure at the extremely poor financial management by the Ministry and with these observations the Committee regularized the grant.

3. GRANT NO. 54 OTHER EXPENDITURE OF FOREIGN AFFAIRS DAVISION

The AGPR pointed out that overall saving of Rs. 20,321,417/-/- against final grant of Rs. 700,283,000/- which comes to 2.90% of the grant. The savings under this demand constituting 2.90% as it was due to less demand for the mandatory contribution to the International Organization.

The PAO explained that the saving in charged portion was due to political development in region, the President had to pay extra visits to the friendly countries. The savings/excess in other than charged portion was due to more visits for participation in the international Conferences and UN General Assembly session, other unforeseen meetings abroad and less receipt of demand for Pakistan's share to UN and other International Organizations. Further excess of Rs. 7.053 million was due to more visits abroad of Prime Minister due to changing regional/International Situation.

PAC DIRECTIVE

The Committee expressed its displeasure at the extremely poor management by the Ministry in the Other than Charged portion of the grant where an amount more than the supplementary grant was surrendered which converted the grant into excess .While regularization of the grant, the Committee directed the PAO to bring about substantial improvements in budgetary systems to ensure that such highly objectionable lapses do not occur in future.

AUDIT REPORT ON ACCOUNTS OF M/O FOREIGN AFFARIS FOR THE YEAR 2003-04

4. i) PARA NO.1.1-PAGE 1 AR
NON-ADJUSTMENT OF ADVANCES OF RS.26.913 MILLION FROM GOVERNMENT EMPLOYEES BRIEF OF PARA

ii) PARA NO.1.2-PAGE 2 AR
UNAUTHORIZED EXPENDITURE OF RS.14.900 MILLION OUT OF PAKISTAN COMMUNITY WELFARE AND EDUCATION FUND

iii) PARA NO.1.3-PAGE 3 AR
PURCHASES OF RS.16.293 MILLION NOT TAKEN ON CHARGE/STOCK

iv) PARA NO.1.4-PAGE 4 AR
IRREGULAR AND UNECONOMICAL PURCHASE OF FURNITURE AND EQUIPMENT AMOUNTING TO RS.9.665 MILLION

v) PARA NO.1.5-PAGE 5 AR
PAYMENT OF RS.4.600 MILLION IN EXCESS OF THE ENTITLEMENT OF OFFICIALS AT HEADQUARTERS AND MISSIONS ABROAD

vi) **PARA NO.1.6-PAGE 6 AR**
UNAUTHORIZED RE-IMBURSEMENT OF RS.3.721 MILLION ON ACCOUNT OF MEDICAL CHARGES

vii) **PARA NO.1.7-PAGE 7 AR**
UNAUTHORIZED PAYMENT OF RS.1.921 MILLION ON ACCOUNT OF RENT OF VACANT RESIDENCES

viii) **PARA NO.1.8-PAGE 8 AR**
NON-RECOVERY OF RS.792,281 ON ACCOUNT OF TELEPHONE CHARGES PAID OVER AND ABOVE THE CEILING FOR OFFICERS

ix) **PARA NO.1.10-PAGE 9 AR**
NON-RECONCILIATION OF THE DIFFERENCE OF RS.423.000 IN CASH BOOK AND BANK STATEMENT

x) **PARA NO.1.11-PAGE 10 AR**
NON-RECOVERY ON ACCOUNT OF UTILITY CHARGES RS.358,939

xi) **PARA NO.1.12-PAGE 11 AR**
NON-RECOVERY OF RS.353.100 ON ACCOUNT OF COST OF UNUTILIZED AIR TICKETS

xii) **PARA NO.1.13-PAGE 11 AR**
NON-DEPOSIT OF RS.409,897 INTO CONSULAR RECEIPTS ACCOUNT

xiii) **PARA NO.1.14-PAGE 12 AR**
NON-MAINTENACE AND IMPROPER MAINTENACE OF PASSPORT AND VISA RECORD

xiv) **PARA NO.1.17-PAGE 14 AR**
IRREGULARITIES IN THE CONSTRUCTION OF CHANCERY BUILDING AT WASHINGTON,D.C

xv) **PARA NO.1.18-PAGE 15 AR**
AWARD OF ARCHITECTURAL CONTRACT TO M/S DANIEL MANN JOHNSON MENDENHALL WITHOUT PRE-QUALIFICATION OF ARCHITECT

xvi) **PARA NO.1.19-PAGE 15 AR**
IRREGULAR EXPENDITURE OF US$469,712 (RS.27.370 MILLION) ON PURCHASE OF NEW FURNITURE OUT OF PROJECT MONEY

xvii) **PARA NO.1.20-PAGE 16 AR**
PAYMENT OF US$360,215 AND US$75,296 (RS.25.377 MILLION) ON ACCOUNT OF ADDITIONAL FEES TO ARCHITECT AND CONSTRUCTION MANAGER RESPECTIVE FOR DESIGNING INADEQUACIES

xviii) **PARA NO.1.21-PAGE 17 AR**
IRREGULAR PAYMENT OF US$9,324 (RS.543,309) TO M/S DMJM ON ACCOUNT OF DEVELOPING COMPUTER MODEL OF PROPOSED CHANCERY BUILDING

xix) **PARA NO.1.24-PAGE 20 AR**
IRREGULAR AWARD OF CONTRACT TO M/S DATA LINK FOR SUPPLY AND INSTALLATION OF TELEPHONE/DATA SYSTEM

PAC DIRECTIVE

The Committee clubbed the above Paras and directed to report to the Committee after making full recovery within one month.

5. i) **PARA NO. 1.9-PAGE-9-AR-2003-04**
IRREGULAR EXPENDITURE OF RS 688,000 ON REPAIR OF OFFICIAL VEHICLES

ii) **PARA NO. 1.15-PAGE-13-AR-2003-04**
NON MAINTENANCE OF CASH RECEIPT BOOKS CONTROL REGISTER AND MISSING OF CASH RECEIPT BOOKS

iii) **PARA NO. 1.16-PAGE-13-AR-2003-04**
ISSUANCE OF PASSPORT ON BOGUS IDENTITY CARD

iv) **PARA NO. 1.22-PAGE-18-AR-2003-04**
FAULTY DESIGN OF CANOPY (DOME) OF CHANCERY BUILDING RS. 13.920 MILLION

v) **PARA NO. 1.23-PAGE-18-AR-2003-04**
INADEQUATE FACILITATION IN THE NEW CHANCERY BUILDING FOR EXPATRIATE COMMUNITY REQUIRING CONSULAR SERVICES

vi) **PARA NO. 1.25-PAGE-20-AR-2003-04**
NON MAINTENANCE OF STOCK REGISTERS

PAC DIRECTIVE

The Committee endorsed recommendation of the DAC and settled the above (06) paras.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 19th May, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Foreign Affairs are given below:

AUDIT REPORT FOR THE YEAR 2003-04

1. PARA-1.1, PAGE 1, AR2003-04
NON-ADJUSTMENT OF ADVANCES OF RS. 26.913 MILLION FROM GOVERNMENT EMPLOYEES

Audit pointed out that as per the provisions of para 269 of GFR, Vol.-I, the adjustment of advances drawn by Government employees is required to be made upon return of the Government servant to headquarters or 30th June whichever is earlier. Similarly, as per Rule 668 of FTR, Vol.-I, advances granted under special orders of competent authority to Government officers for departmental or allied purposes are subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

Audit further added that M/o Foreign Affairs and its missions abroad paid an amount of Rs. 26.913 million on account of TA/DA, purchase of gifts, transportation charges and purchase of air tickets were paid to 66 officials during the period from 2001-02 to 2002-03 in seven cases. However, the advances had neither been adjusted nor recovered from the officials by the time of audit despite lapse of considerable period as shown in the following table:

PAO informed that the instructions have been issued to deduct the balance amount at source from their salaries / pensions and it will be done by Chief Finance and Accounts Officer of the Ministry.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

2. PARA-1.2 PAGE 2 AR 2003-04
UNAUTHORIZED EXPENDITURE OF RS. 14.900 MILLION OUT OF PAKISTAN COMMUNITY WELFARE AND EDUCATION FUND

Audit pointed out that as per para 10.11 of Financial Management at Missions Abroad (FMMA) Vol.-I, the Head of Mission is competent to authorize expenditure from Pakistan Community Welfare and Education Fund (PCW &EF) for the following purposes:

1 Welfare Schemes for Pakistani Schools
2 Improvement of Pakistani Schools

3 Any legitimate expenditure on the maintenance of destitute Pakistanis
4 Provision of legal aid through local lawyers to protect Pakistani workers abroad from exploitation by foreign employers
5 Financial assistance for projection of Pakistan culture, and
6 Expenditure on consular visits to different parts of the country of their accreditation

Audit noted that an amount of Rs. 14,900,532/- was incurred on printing, payment of salaries, purchase of furniture and improvement of embassy building out of Pakistan Community Welfare & Education Fund (PCW&EF) for the purposes not specified in the FMMA, Vol.-I.

Audit stressed that the irregularity should be got regularized from M/o Finance.

The PAO agreed and assured the Committee that the irregularity should be got regularized from M/o Finance.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of regularization from the competent authority by the Audit.

3. PARA-1.3 PAGE 3 AR 2003-04
PURCHASES OF RS.16.293 MILLION NOT TAKEN ON CHARGE/STOCK

Audit pointed out that According to para 148 of GFR, Vol.-I, all materials received should be examined, counted, measured or weighed as the case may be and taken on charge in the stock register by a responsible officer. Furthermore, as per para 154 of GFR, Vol.-I an inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number of items receive, number of items disposed of and the balance in hand for each kind of article.

Audit noted that the Ministry of Foreign Affairs at Headquarters and Missions Abroad purchased various durable items valuing Rs. 16.293 million during July, 2000 to June, 2003. Audit objected that purchases were not accounted for in the relevant stock register contrary to rules.

PAO informed that as regard the foreign mission at New Delhi, the record has been updated. The record at headquarter could not be updated due to shifting and other difficulties. He requested to be given some time to provide the record to Audit for verification.

PAC DIRECTIVE

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

4. PARA-1.4 PAGE 4 AR 2003-04
IRREGULAR AND UNECONOMICAL PURCHASE OF FURNITURE AND EQUIPMENT AND EQUIPMENT AMOUNTING TO RS. 9.665 MILLION

Audit pointed out that according to para 144&145 of GFR, Vol.-I, open tenders are required to be invited to achieve the benefit of competitive rates. Furthermore, in accordance with para 96 of GFR, Vol.-I, it is contrary to the interest of state that money should be spent hastily or in an ill-considered manner merely because it is available or to avoid the lapse of grant. A rush of expenditure particularly in the closing months of the financial year will be regarded as a breach of financial regularity.

Audit further added that that expenditure of Rs. 9.665 million was incurred by the M/O Foreign Affairs on account of purchase of furniture, fixtures, machinery and equipment, during June, 2003 without inviting tenders, and obtaining sanction of the competent authority.

PAO informed that recovery is being made in individual cases and in some cases there are technical difficulties which will be solved.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action and report to the Audit / PAC within one month.

5. PARA-1.5 PAGE 5 AR 2003-04
PAYEMENT OF RS. 4.600 MILLION IN EXCESS OF THE ENTITLEMENT OF OFFICIALS AT HEADQUARTERS AND MISSIONS ABROAD

Audit pointed out that the according to para 11 of GFR, Vol-I, each Head of Department is responsible for enforcing financial order and strict economy at every step. He is responsible for ensuring observance of all relevant financial rules and regulations by all disbursing officers. Audit noted that the Ministry at Headquarters and Missions abroad paid a sum of Rs.4.600 million to gazetted and non-gazetted officers/officials on account of traveling allowance/daily allowance and pay and allowances over and above their entitlement in violation of rules.

PAO informed that the recovery is being made from most of the officers but some officers have left the country and disappeared. The pension of said disappeared officers has been withheld.

PAC DIRECTIVE

The Committee directed the PAO to make recovery at source from the pension of defaulters within 30 days and report to the Audit / PAC.

6. PARA-1.6 PAGE 6 AR 2003-04
UN-AUTHORIZED RE-IMBURSEMENT OF Rs. 3.721 MILLION ON ACCOUNTS OF MEDICAL CHARGES

Audit pointed out that Pakistani Mission in Montreal, Canada irregularly reimbursed a sum of Canadian $15,138 to four officials on account of inadmissible dental treatment in violation of the provisions of para 6.9 of FMMA, Vol.-II. Similarly, in another case a sum of US$53,187 was irregularly reimbursed to an officer by the Pakistan Mission at Los Angeles on account of infertility at Government expense.

PAO informed that the draft paras pertaining to C.G Montreal and C.G Los Angeles have been settled with Audit and the para pertaining to an amount of C$ 5,303 of C.G Montreal is still pending.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount from the responsible officer who paid rent after vacant buildings and get it verified from the Audit within one month.

7. PARA-1.7 PAGE 7 AR 2003-04
UNAUTHORIZED PAYMENT OF Rs.1.921 MILLION ON ACCOUNT OF RENT VACANT RESIDENCES

Audit pointed out that the per provisions of para 10 of GFA, Vol.-I every public officer is expected to exercise the same vigilance in respect of expenditure as a person of ordinary prudence would exercise in respect of his personal expenditure.

Audit explained that two missions (Muscat and Madrid) retained vacant buildings hired for residences and paid an amount of Rs.1.921 million on account of rent of the vacant residences during September, 2002 to June, 2003 without any justification.

PAO informed that the irregularity has got regularized because the accommodation was retained by the mission with the permission of the M/o Foreign Affairs.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and settled the para subject to verification of documents/record by the Audit.

8. PARA-1.8 PAGE 8 AR 2003-04
NON-RECOVERY OF Rs. 792,281 ON ACCOUNT OF TELEPHONE CHARGES PAID OVER AND ABOVE THE CEILING FOR OFFICERS

Audit pointed out that in three Missions abroad and certain formations of Ministry of Foreign Affairs in Pakistan an amount of Rs.792,281 was paid on account of telephone charges over and above the prescribed ceiling on residential telephones during the period from July, 2001 to June, 2003 which was unjustified.

The PAO informed that most of the amount has been recovered and efforts are being made for the recovery of balanced amount.

PAC DIRECTIVE

The Committee settled the para.

9. PARA-1.10 PAGE 9 AR 2003-04
NON- RECONCILIATION OF THE DIFFERENCE OF RS. 423,000 IN CASH BOOK AND BANK STATEMENT

Audit pointed out that the as per Rule 77 (v) of FTR, Vol.-I, para 3 (c) of New System of Financial control and Budgeting and Chapter VI of FMMA, Vol.-I (Appendix-D), the head of Mission is responsible for ensuring that the departmental accounts are reconciled every month.

Review of the accounts of Pakistan Mission at Madrid revealed that there was a difference of Euro 5,885 and US$197 in balances as per cash book and bank statement in October, 2000. However, neither these differences had been investigated nor adjusted. Similarly, in Pakistan High Commission, New Delhi reconciliation with the Bank was not carried out from 2001 to 2003. The authenticity of the accounts cannot be confirmed without reconciliation/ adjustment.

PAO informed that as regard the para pertaining to PAHIC, New Delhi, accounts has been reconciled. He further informed that as far as the accounts of Pakistan Mission at Madrid are concerned it was due to error/omission on part of an Accountant Mr. Muhammad Hayat. It has been decided to recover the amount from him.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and get it verified from the Audit within one month.

10. PARA-1.11 PAGE 10 AR 2003-04
NON-RCOVERY ON ACCOUNT OF UTILITY CHARGES RS.358,939

Audit pointed out that the as per para 8.20 of FMMA, Vol.-II, the Head of Mission is required to pay 25% share of utility bills (electricity, gas, water) and as per para 8.22 of FMMA, Vol.-II, other officers and members of the Staff are required

to pay services and other tenant's charges themselves in cases where house rent bill in respect of the accommodation rented for officers and staff includes services and other tenant's charges for heating, electricity and water. Recovery should be made from the occupant concerned @ 2% each of monthly rent for heating, lighting and water charges.

Audit explained that in two missions (Doha and Pyong Yong), recovery on account of utility charges was not made from 11 officials during the period from January, 1989 to October, 1999 and from July, 2001 to October, 2003 in violation of rules.

PAO informed that the recovery involved in the Pyong Yong Mission amounting to Rs. 1,23,797/= has been made. He further informed that instructions for recovery of balance amount have been issued.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and get it verified from the Audit within one month.

11. PARA-1.12 PAGE 11 AR 2003-04
NON-RECOVERY OF RS.353,100 ON ACCOUNT OF COST OF UNUTILIZED AIR TICKETS

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

12. PARA-1.13 PAGE 11AR 2003-04
NON-DEPOSIT OF RS.409, 897 INTO CONSULAR RECEIPTS ACCOUNT

Audit pointed out that according to Rule 7 of Federal Treasury Rules (FTR), Vol.-I all moneys received by or tendered to Government officers on account of revenues of the Federal Government shall be paid in full into a treasury or into the Bank without undue delay, Such receipts shall not be appropriated to meet Departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No Department of the Government may keep any revenue of the Federal Government received out of the Federal consolidated Fund.

Scrutiny of monthly cash accounts, cash control register and bank statements for the years 2001-02 and 2002-03 pertaining to Consulate General, hong Kong revealed that an amount of Rs. 409,8979 (369,729 + 29,688+10,480) was short-deposited in the Government account in violation of the above rules. The receipts were receipts were retained outside Federal Consolidated Fund from July, 2001 to June, 2003 due to lack of effective financial management and internal controls.

PAO informed that an inquiry was conducted by the Ministry who held an official responsible for shortfall. The said official has been absconded from duty since July, 2008. His GP Fund and pension has been withheld and recovery will be made accordingly.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount and get it verified from the Audit within one month.

13. PARA-1.14 PAGE 12 AR 2003-04
NON-MAINTENANCE AND IMPROPER MAINTENANCE OF PASSPORT AND VISA RECORD

Audit pointed out that all passports and Visa issuing authorities have to maintain records and registers according to the instructions contained in paras 84, 85 and 162 of the Passport and Visa Manual issued by the Director General, Immigration and Passports, Islamabad.

Contrary to the above mentioned instructions, the missions at Manchester, Brussels, Bradford and Muscat either did not maintain record of Passports and Visas at all or the record was not maintained in the prescribed form.

PAO informed that the copies of record pertaining to passports and visas have been provided to Foreign Audit.

PAC DIRECTIVE

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

14. i) PARA-1.17 PAGE 14 AR 2003-04
IRREGULARITIES IN THE CONSTRUCTION OF CHANCERY BUILDING AT WASHINGTON, D.C

The Audit pointed out that the construction of a Chancery building at Washington was approved by the Prime Minister of Pakistan out of loan of US$15 million from the National Bank of Pakistan in 1997. The building was completed at a total cost of US$17.613 million on a piece of land measuring 46,982 Sqft purchased for US$728,212 in 1988. It was observed in audit that the requisite legal formalities were not completed contrary to the assurance contained in the summary for the Chief Executive wherein the Ministry of Foreign Affairs had stated that all the legal, procedural and other formalities for the construction of the Chancery building have been completed by their embassy at Washington, D.C.
During the course of execution of the project, the Head of Mission at Washington, D.C, incurred an expenditure of US$17.613 million (Rs.1026.310 million) on the recommendation of Supervisory Committee

without seeking the formal sanction of the Ministry. As per S.No. 8(3) of Finance Division O.M. No.F.3(4)Exp-III/2000, dated 30th June, 2000, Head of a Mission is not empowered to incur such expenditure as no such dispensation was specifically made for this project by the Ministry of Finance. These powers vest in the Ministry of Foreign Affairs.

ii) PARA-1.18 PAGE 15 AR 2003-04
AWARD OF ARCHITECTURAL CONTRACT TO M/s DANIEL MANN JOHNSON MEDENHALL WITHOUT PRE-QUALIFICATION OF ARCHITECT

iii) PARA-1.19 PAGE 15 AR 2003-04
IRREGULAR EXPENDITURE OF US$469,712 (Rs.27.370 MILLION) ON PURCHASE OF NEW FURNITURE OUT OF PROJECT MONEY

iv) PARA-1.20 PAGE 16 AR 2003-04
PAYMENT OF US$360,215 AND US$75,296 (Rs.25.377 MILLION) ON ACCOUNT OF ADDITIONAL FEES TO ARCHITECT AND CONSTRUCTION MANAGER RESPECTIVELY FOR DESIGNING INADEQUACIES

v) PARA-1-21 PAGE 17 AR 2003-04
IRREGULAR PAYMENT OF US$9,324 (RS.543,309) TO DMJM ON ACCOUNT OF DEVELOPING COMPUTER MIDEL OF PROPOSED CHANCERY BUILDING

vi) PARA-1.24 PAGE 20 AR 2003-04
IRREGULAR AWARD OF CONTRACT TO M/s DATA LINK FOR SUPPLY AND INSTALLATION OF TELEPHONE / DATA SYSTEM

It was apprised to the Committee that the DAC in its meeting held on 8th June, 2005 directed the Ministry to establish a Committee headed by the Special Secretary and comprising of Director General, Pakistan PWD (PPWD) and Financial Advisor to verify the facts in above mentioned six paras and submit its report to Audit for further discussion.

The PAO informed that the signed copy of the inquiry report will be provided to Audit for verification.

PAC DIRECTIVE

The Committee clubbed the above six paras pertaining to Embassy of Pakistan, Washington D.C, USA and directed the PAO to provide the signed copy of the inquiry report to Audit for examination/verification and the same with the recommendation of the Audit should be forwarded to the PAC wing within one month.

HIGHER EDUCATION COMMISSION (HEC)

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Higher Education Commission (HEC) was examined by the PAC on 10th July, 2015.

- 40 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 29 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

HIGHER EDUCATION COMMISSION (HEC)

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 10th July, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Higher Education Commission (HEC) are given below:

AUDIT REPORT 2003-04

1. PARA-7.1 (PAGE-93-94) AR 2003-04
EXPENDITURE ON IRREGULAR APPOINTMENTS IN CIIT WITHOUT ADVERTISMENT – RS.18.040 MILLION

The Audit pointed out that according to item 8 (6) of First Schedule to COMSATS Institute of Information Technology Ordinance, 2000 functions of Selection Board are to consider all applications for teaching, other posts received in response to an advertisement and recommend to the Board the names of suitable candidates for appointment to such post. Furthermore, Serial No. 12 of COMSATS Employees (Services) Regulations, 1999 requires that the posts should be advertised before making appointments. Contrary to the above mentioned provisions of law and rules, management of COMSATS Institute of Information Technology, barring a few cases, made a large number of appointments without advertising the vacancies in national press. The appointments were, therefore, made in a non-transparent and irregular manner and the expenditure of Rs. 18.04 million incurred on the salary of such appointees is held as irregular.

The PAO informed that the employees were rehired through open competition process after making advertise in the Press. He further apprised the Committee that Board of Governors has granted ex-post facto approval of the appointments along with the approval of the expenditure.

PAC DIRECTIVE

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

2. PARA-7.2 (PAGE-94) AR 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF MACHINERY, EQUIPMENT AND FURNITURE – RS.11.130 MILLION

The Audit pointed out that the Management of COMSATS Institute of Information Technology incurred expenditure of Rs. 11,128,620 on purchase of machine, equipment and furniture during 1997-98 to 2002-03 without calling open tenders through press. The value of purchases in each case was over and above the limit for which tenders were required to be invited through press as required under Standing Order No. 4 “Adoption of GOP rules relating to establishment matters” read with Standing Order No.3 “Calling of Tenders” issued by COMSATS.

According to the above stated Standing Orders COMSATS adopted Government rules and regulations with amendments where necessary. Amendment in this case was that purchases from the recurring receipts of COMSATS Institute of Information Technology in excess of Rs. 50,000 were to be advertised through press but the same was not done in the cases which rendered the purchases as irregular.

The PAO informed that the Board of Governors has granted ex-post facto approval of the expenditure of Rs. 11.13 million incurred on purchasing without calling open tender.

PAC DIRECTIVE

The Committee directed the PAO to regularize the irregular expenditure from Finance Division within 30 days.

3. PARA-7.3 (PAGE-94-95) AR 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF DIFFERENT STORE ITEMS –RS.16.770 MILLION

The Audit pointed out that as per para 144 of GFR Vol-I purchases should be made after inviting open tenders in cases where the amount of items to be purchased exceeds the prescribed limit. In addition to this codal formalities issued under letter No. 2(15)/Ministry (S&T) dated 16.7.2001 of Ministry of Science and Technology for incurring expenditure out of funds allocated by the Ministry to different offices to execute projects stipulate that "All funds released by the Government will be subjected to Government audit procedures and other Government rules and regulation". Serial No. 5 of these codal formalities requires that advertisement may be published in the newspapers if purchases exceed the prescribed limit of Rs. 25,000. Contrary to above CIIT, Tobe Camp, Abbottabad and CIIT, Islamabad purchased furniture, fixtures, computer systems, electrical equipment, paint, hardware and stationery costing Rs. 16,768,836 without calling open tender from the allocation of projects "Establishment of COMSATS Institute of Information Technology Campus at Tobe Camp, Abbottabad and "Capacity Building at COMSATS Institute of Information Technology, Abbottabad" which is held as irregular.

The PAO informed that copy of the approval of BOG has been provided to audit because purchases were made in urgency as the Chief Executive Secretariat advised Ministry of Defense and Information Technology and Telecommunication division to immediately complete the formalities for handing/ taking over of 350 Canals of land at Tobe Camp and ensure to start the classes.

PAC DIRECTIVE

The Committee directed the PAO to regularize the irregularity from Finance Division within 30 days.

4. PARA -7.4 (PAGE 96) AR 2003-04
UNECONOMICAL EXPENDITURE ON PURCHASE OF DIFFERENT STORE ITEMS – RS.3.390 MILLION

The Audit pointed out that the Management of CIIT purchased various store items including furniture, fixture, computer systems, multimedia and other electrical equipment amounting to Rs. 3,378,806 from the allocations of projects namely "Strengthening of COMSATS Institute of Information Technology" and "Medical Transcription Training" without calling open tenders. The value of each item was more than the prescribed tender limit of Rs. 25,000. Violating the General Financial Rules. The irregularity was waived off by the Rector, while he was not competent to relaxed the provision of GFR and restrictions imposed by the Ministry of Science & Technology. Audited was of the view that expenditure of Rs. 3.390 Millions on purchase of store items was irregular.

The PAO informed that the Board of Governors has validated the action of relaxing the requirements for the purchase of different store items.

PAC DIRECTIVE

The Committee directed the PAO to regularize the irregularity from Finance Division within 30 days.

5. PARA-7.5 (PAGE-96-97) AR 2003-04
UNAUTHORIZED / EXCESS EXPENDITURE OVER AND ABOVE THE ALLOCATIONS-RS.11.670 MILLION

The Audit pointed out that the management of COMSATS Institute of Information Technology did not observe the head-wise budget allocation made in the PC-I of seven projects approved by the DDWP. Audit Further explained that expenditure of Rs. 11.67 millions under certain heads was incurred in access of the allocation for various project and re-appropriation was made without approval of Competent Authority.

It was apprised to the Committee that DAC in its meeting held on 3rd Jul, 2015 recommended the para for settlement subject to provision of administrative approval of the revised PC-Is.

PAC DIRECTIVE

The Committee settled the para.

6. PARA-7.6 (PAGE-97-98) AR 2003-04
UNAUTHORIZED EXPENDITURE OVER AND ABOVE THE APPROVED PROJECT COST –RS.7.610 MILLION

The Audit pointed out that a project namely "Construction of Academic Block of COMSATS Institute of Information Technology, Islamabad" was approved by the

DDWP in its meeting held on 2.4.2001 at a cost of Rs. 30.00 million. Later on PC-I was revised by the management which was approved by the DDWP in its meeting held on 9.4.2002 at a total cost of Rs. 39.00 million. As against the said approved cost of Rs. 39.00 million, the management incurred total expenditure of Rs. 46.61 million resulting in excess expenditure of Rs. 7.61 million over and above the approved cost. The expenditure also included payment of fee amounting to Rs. 2.36 million to a consultant firm for which no provision existed in the original or revised PC-I. Thus resultant increase in the cost of project comes to 19.5% of the revised approved cost. The above project was partly financed by the CIIT from its own sources but the PC-I was not got revised from CDWP. According to New System of Financial control and budgeting DDWP is empowered to approve development projects up to Rs. 40 million in each case. In the above case total cost of the project was Rs. 46.61 million. Therefore, approval of this project should have been obtained from CDWP but this was not done.

The PAO informed that expected increase in the cost of project as against the approved cost of Rs. 39.000 millions was will within the 15% limit as permissible under the rules.

Audit stressed to provide the approval of CDWP for verification.

PAC DIRECTIVE

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

7. PARA-7.7 (PAGE-98-99) AR 2003-04
EXPENDITURE ON IRREGULAR APPOINTMENT OF PROJECTS EMPLOYEES –RS.7.010 MILLION

The Audit pointed out that the Management of COMSATS Institute of Information Technology, Johar Campus, Islamabad appointed employees for different projects without open advertisement in national press. Moreover, the management irregularly made payment to all the projects employees from allocation of one project i.e. Legal Transcriptions Training (LTT) and later on from other projects without keeping in view the sanctioned strength of each project. The sanctioned posts of all the projects were less and payment was made to extra employees without keeping in view PC-I of the projects approved by the DDWP without fulfilling the Codal Formalities prescribed by the Ministry of Science of Technology.

The PAO informed that PC-I was approved and all appointments were made by the following the prescribed procedure to the Selection Committee / Board. It was apprised to the Committee that the DAC in its meeting held on 3rd July, 2015 recommended the Para for settlement subject to provision of copy of revised PC-I.

PAC DIRECTIVE

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

8. PARA-7.8 (PAGE-100) AR 2003-04
MISCLASSIFICATION OF EXPENDITURE – RS.3.770 MILLION

The Audit pointed out that the Management of COMSATS Institute of Information Technology unauthorized / irregularly charged expenditure of Rs. 3,768,912 to the head of account "Miscellaneous / Unforeseen" instead of charging the expenditure to proper heads of accounts. Violating Codal formalities issued by the Ministry of Science & Technology. Audit told that expenditure of Rs. 3.77 million was irregularly charged to head Miscellaneous / unforeseen.

The PAO informed that the revised PC-I was approved. Its copy will be provided to the Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the audit.

9. PARA-7.9 (PAGE-101) AR 2003-04
LOSS TO PUBLIC EXCHQUER FOR NON-DEPOSIT OF SALES TAX – RS.1.430 MILLION

The Audit pointed out that in terms of Finance Division Letter No. F.4(II)/98-Coord-II dated 18.4.1998 and F.5(1)-TR.I/96 dated 21.5.1998 all Government departments, public sector organizations including DFIs are required to insist on production of Sales Tax Invoices whenever they buy taxable goods from any manufactures / importer / suppliers / contractors etc. Contrary to the above, the management of COMSATS Institute of Information Technology, Tobe Camp, Abbottabad made purchases of different items valuing Rs. 7,958,936 from firms not registered with the Sales Tax Department. The management of CIIT also did not require the unregistered suppliers to deposit sales tax @ 18% amounting to Rs. 1,432,608 in Government Treasury thereby causing a loss to the public exchequer.

The PAO informed that the mostly supplier of building material are not registered with the sale tax departments and it was difficult to trace sales tax registered firms for supply of such materials.

The Committee directed the PAO to get the irregularity, regularized from Ministry of Finance.

PAC DIRECTIVE

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

10. PARA-7.10 (PAGE-101-102) AR 2003-04
UNAUTHRIZED / IRREGULAR CLEARANCE OF LIABILITIES –RS.1.010 MILLION

The Audit pointed out that the Management of COMSATS Institute of Information Technology unauthorizedly charged its liabilities of Rs. 1,013,671 pertaining to internet charges, telephone bills, stationery, printing and publication, entertainment charges, salaries etc. to different projects of Information Technology and Telecommunication Division besides obtaining professional charges of Rs. 16,945,000, in violation of the Codal formalities prescribed by the Ministry of Science & Technology. Audit further added that the CIIT irregularly cleared its liabilities amounting to Rs. 1.010 million from the allocation of various projects including charging professional fee.

PAO informed that revise PC-I was approved and its copy will be provided to the Audit for verification.

PAC DIRECTIVE

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

11. PARA-7.11 (PAGE-102-103) AR 2003-04
UNAUTHORIZED EXPENDITURE UNDER DIFFERENT HEADS NOT APPROVED BY DDWP-RS.0.439 MILLION

The Audit pointed out that the management of COMSATS Institute of Information Technology purchased air conditioners, furniture and fixture, computers and printers and incurred expenditure on entertainment from the allocation of project Data Entry Operator although there was no provision under the heads Machinery and Equipment, Furniture and Fixture and Entertainment. The management charged expenditure of Rs. 439,430 million to the head Miscellaneous which was unauthorized and irregular.

PAO informed that revise PC-I was approved and its copy will be provided to the Audit for verification.

PAC DIRECTIVE

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

12. PARA-7.12 (PAGE-103-104) AR 2003-04
IRREGULAR EXPENDITURE ON MOBILE PHONES –RS.0.301 MILLION

The Audit pointed out that according to para (I) of Cabinet Division O.M. No. 2/21/89-GC dated 18.1.2000 in future permission for Cellular / Mobile phones will be allowed by the Cabinet division in consultation with Finance Division. In terms of items No. 1 and 4 of codal formalities issued by Information Technology and Telecommunication Division funds may be exclusively utilized for the purposes

for which these have been sanctioned. Expenditure should be incurred only on those heads for which provision of funds has been provided in the PC-I. Contrary to the above the management unauthorizedly purchased few mobile phones and paid monthly bills of Rs. 300,558 including reimbursement of monthly bills of some personal mobile phones from the allocation of different projects without authorization if PC-I or approval of Cabinet Division. A sum of Rs. 24,510 was paid from the Miscellaneous / Unforeseen head of accounts and a sum of Rs. 276,048 was paid from the heads Postage and Telephones. Audit told that purchasing of Mobile Phone and payments of monthly bills amount to Rs. 300,558/- without approval of the Cabinet Division and without provision for the Mobile Phone in the PC-I is irregular.

PAO informed that the purchasing of Mobile Phone was in the PC-I which was approved and its copy will be provided to the Audit for verification.

PAC DIRECTIVE

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

13. i. PARA-7.13 (PAGE-104-105) AR 2003-04
OVERPAYMENT PAID AS ARREARS-RS.0.200 MILLION

ii. PARA-7.14 (PAGE-105-106) AR 2003-04
UNAUTHORIZED EXPENDITURE ON THE APPOINTMENT OF CONSULTANT –RS.0.115 MILLION

PAC DIRECTIVE

The Committee settled the above two Paras on the recommendation of DAC.

AUDIT REPORT 2003-04

PERFORMANCE AUDIT REPORT ON SCHOLARSHIP SCHEME FOR INFORMATION TECHNOLOGY HUMAN RESOURCE DEVELOPMENT

PAC DIRECTIVE

The Committee settled all paras contained in Performance Audit Report.

M/O HOUSING AND WORKS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Housing and Works was examined by the PAC on 20th January, 11th March and 28th October, 2015 and 6th January, 2016.

- 04 grants, 01 PAR and 61 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 04 grants and 31 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- The Committee referred 02 paras to NAB.

M/O HOUSING AND WORKS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC's COMMITTEE-II held on 20th January, 2015 while examining Audit Reports/Special Audit Reports for the years 2003-04 of Ministry of Housing and Works are given below:

Appropriation Accounts Civil Vol-I 2003-04

1. i. GRANT NO.58-HOUSING AND WORKS DIVISION
NET SAVING RS. 603,135/=

The AGPR pointed out that the grant closed with a saving of Rs. 603,135 which works out to 1.82% of the total grant. An amount of Rs. 73,899 (0.22%) was surrendered leaving net saving of Rs. 529,236 (1.60%). A supplementary grant of Rs.926,101 was sanctioned but not included in the supplementary schedule of authorized expenditure.

ii. GRANT NO.60-ESTATE OFFICES
NET SAVING RS. 1964,164/=

The AGPR pointed out that the grant closed with a saving of Rs.1,964,164 which works out to 0.17% of the total grant. An amount of Rs.71,000 was surrendered leaving net saving of Rs. 1,893,164 (0.16%).

The PAO requested for regularization of above grants as there was very small savings in the grants.

PAC DIRECTIVE

The PAC regularized the saving in the above two grants.

AUDIT REPORT FOR THE YEAR 2003 - 04
(PAK. PWD & ESTATE OFFICE)

2. PARA NO. 9.1 PAGE-165 AR-2003-04
UNAUTHORIZED BLOCKADE OF DEVELOPMENT FUNDS AND NON-SURRENDER OF BUDGETARY GRANTS FOR RS. 283.920 MILLION

According to Finance Division Budget Wing notification No.F-3(20)BC-II/313 dated 13th April, 1997 budgetary grants/ADP grants received from Federal Government are kept funds nor surrendered to Government. Lapsable ADP grant received from Ministry of Education in the last dates of the month of June, 2003 were placed in PLA III (Non-lapsable) instead of placing the funds in PLA-I (For

ADP grant lapsable). Violation of the approved procedure/rules resulted in un-authorized retention of the development funds for Rs. 283.920 million.

PAO replied that the generally maximum amount of funds were released in the last month of the year resultantly the major portion of funds remained inbalance and carried forward to the next year and placed in PLA-III non-lapsable. The DG PWD told that it is allowed under para 396 of cpw-4.

PAC DIRECTIVE

The Committee directed the PAO to convene a DAC with the representative of M/o of Education and report to PAC.

General Direction of PAC

PAC directed Audit to make a report to identify who was responsible for the violation of rule. Whether it was Ministry of Finance who released the fund very late or was it Ministry of Education for whom the fund was released or was it the executing agency i.e. Pak PWD (Ministry of Housing and Works) who deposited the lapsable fund in the non-lapsable Person Ledger Account (PLA-1). The Audit was also directed to submit recommendations for evolving a system to avoid such irregularity in future.

3. PARA NO. 9.2 PAGE-166 AR-2003-04
NON-RECOVERY OF UTILITY BILLS AND RENT OF RS. 56.966 MILLION FROM ALLOTTEES/OCCUPANTS OF GOVERNMENT OWNED ACCOMMODATION

Audit presented the para statin that under Fundamental Rule 45(VI), Payment of electric/energy, gas, water supply and sewerage charges was the responsibility of the allottees of the government accommodation. And as per SRO 911)/92 dated 1St June 1992 states; "All dues on account of accommodation (including arrears) food, losses, damages and breakage shall be paid in cash by the resident to the receptionist against signed receipt before the departure or on the first day of each month, whichever is earlier. Eight (8) Divisions of Pakistan Public Works Department made payments of water and gas charges on behalf of allottees of government residential colonies but could not recover from the allottees/occupants.

PAO replied that the recovery was to be made by Estate Office through AGPR and there had not been any irregularity on the part of the Pakistan Public Works Department.

PAC DIRECTIVE

The Committee directed the PAO to reconcile the accounts, check the difference and examine the issue at DAC level.

4. PARA NO. 9.4 PAGE-167-168 AR-2003-04
UNJUSTIFIED EXPENDITURE OF RS. 19.085 MILLION DUE TO EXCESSIVE PAYMENT TO WORK CHARGED ESTABLISHMENT

Audit pointed out that CPWD Code Chapter-II, Para 2.03 (b) states that the work charged Establishment shall not be engaged on any work unless provided for in the estimate as a separate subhead of the estimate of that work. Central Civil Division, Islamabad made a payment on account of pay & allowances to the work charged employees appointed against the projects/works which had since been completed. More than 50% maintenance grant was spent towards pay and allowances without proper budget approval in relevant head. Due to unnecessary retention of work charged employees beyond the scope of the works, unjustified expenditure of Rs. 19.085 million was incurred upto June 2003.

PAO replied that in the past 35% of the budget was spent on salaries and other was fixed for maintenance and now the position is contrary to this. Approximately Rs1350000000/- will be spent on salaries and only Rs 130000000/will be spent on maintenance. Due to this shortage of budget, the residential blocks are not being repaired and their life is being affected severely. Finance Division had approved budget for maintenance work including salaries of work charged staff deployed on maintenance work.

PAC DIRECTIVE

The Committee took a serious notice and directed to cap the further employment and if necessary recruitment may be made with a proper criteria because due to a huge strength of employees the budget of maintenance of precious assets/buildings is being affected and directed the PAO to move a summary to the Cabinet in this regard.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES2003-04
NATIONAL CONSTRUCTION LIMITED& PAKISTAN HOUSING AUTHORITY (PHA)

5. PARA-79.3 PAGE-134 ARPSE-2003-2004

Audit pointed out that stock of construction material at the close of the year under review amounted to Rs.13.606 million after making provision for obsolete items worth Rs. 1.331 million. The obsolete material needs early disposal.

PAO replied that the provision for obsolete items/inventory reduced from Rs. 1.663 Million (2002-03) to Rs. 1.331 Million (2003-04). In compliance with the

recommendation of Commercial Auditor two Auctions were held to dispose of the obsolete Material /inventory/assets. Procedure For auctions has been streamlined.

PAC DIRECTIVE

The Committee settled the para subject to verification and satisfaction of Audit.

6. PARA-79.4 PAGE-134 ARPSE-2003-2004

The Audit pointed out that trade debtors included sum of Rs. 42.886 million receivable from government adjustor on account of outstanding bills and claims pending since long. No provision in the accounts was made. Audit stressed to give reasons for non-creation of provision for pending cases.

PAC DIRECTIVE

The Committee clubbed the para with para 88.2 and directed the PAO to reconcile the amounts pertaining to public sector through Ministry of Finance and deferred the para.

7. PAKISTAN HOUSING AUTHORITY (PHA)
ANNEXURE-I SERIAL NO. 16
NON SUBMISSION OF ACCOUNTS

Audited Accounts of Pakistan Housing Authority for the year 2002-03 to 2003-04 was required to be provided to the Director General, Commercial Audit & Evaluation, Lahore by January 20, 2003. Despite repeated reminders the authority fails to provide the accounts on due dates.

PAO replied that the accounts are ready to be got vetted from Board of Directors in its next meeting. He also told that now the system has been improved and the accounts are being audited in time.

PAC DIRECTIVE

The Committee directed the PAO to strengthen the accounting system in the PHA and accounts may be got audited from Audit within the stipulated time.

8. PARA-81 PAGE-136 ARPSE-2003-2004
NON-IMPOSITION OF LIQUIDATED DAMAGES AMOUNTING TO RS.25.260 MILLION AND NON-TERMINATION OF CONTRACT

Audit pointed out that contract agreements of PHA clause 47.1 stipulates that liquidated damage charges @ 10% of contract price were to be imposed in case of delay.

Pakistan Housing Authority awarded two contracts of the Projects to M/s Hajvairy Associates (Pvt) Ltd. for the construction of 368 and 180 apartments in Islamabad, against a total tender price of Rs.169.600 million and Rs.83 million respectively. The apartments were to be completed within 15 months and 12 months respectively, but construction of both the Projects could not be completed even after 54 months and 25 months, respectively. The Management neither imposed the liquidated damage charges of Rs 25.260 million nor the contracts were terminated at the risk and cost of the contractor. The PAO replied that the contractor is agreed to complete the work and requested to settle the para.

PAC DIRECTIVE

The Committee settled the para subject to completion of work and verification by the audit.

9. PARA-83 PAGE-137-138 ARPSE-2003-2004
LOSS OF RS.5.145 MILLION DUE TO NON-ENCASHMENT OF BANK GUARANTEE AND NON-IMPOSITION OF LIQUIDATED DAMAGES AMOUNTING TO RS.9.591 MILLION

Audit pointed out that the contract agreement between Pakistan Housing Authority and M/s Mazcon Engineer (Pvt) Limited required construction of 216 apartments to be completed within 15 months. In case of delay, clause 47.1 required imposition of liquidated damage charges @ 10% of contract price. The Contractor absconded after completing only 65 % of work and the bank guarantee provided against mobilization advance could not be encashed due to stay order obtained by the Contractor and liquidated damages @ 10% of contract price were also not imposed. PHA sustained a loss of Rs.5.145 million due to non-encashment of bank guarantee in time

PAO replied that the whole project was handed over to KPK Government. However an inquiry has been ordered and its findings will be provided to Audit.

PAC DIRECTIVE

The Committee directed the PAO to finalize the enquiry within one month and submit a report in the next meeting.

10. PARA-84 PAGE-139 ARPSE-2003-2004
EXCESS PAYMENT MADE TO MARKETING AGENCY AMOUNTING TO RS.2.674 MILLION

Audit pointed out that as per contract agreement between Pakistan Housing Authority and M/s VIP Marketing, M/s VIP Marketing shall be paid 0.87% of the actual total sale value of apartments under PHA's Housing programme and the initial payments will be made on the total sale valuing Rs.4.5 billion. The total excess payment amounting to Rs.2.674 million (Rs. 1.399 million + Rs.1.276

million) was required to be recovered. A guarantee of Rs.10 million provided by M/s VIP had been released without adjusting the amounts due. This shows irresponsibility and weak internal control. Audit pointed out that in a DAC it was decided to refer the issue to NAB but it could not be done.

PAO agreed with the Audit remarks and promised to recover the amount.

PAC DIRECTIVE

The Committee directed to recover the amount with compliance to the Audit within thirty days and lodge an FIR against the responsible for overpayment.

11. MINISTRY OF HOUSING AND WORKS

Paras No. 11 to 14 could not be discussed because these paras could not be discussed at DAC level.

PAC DIRECTIVE

The Committee directed the PAO to hold DAC on the above paras within 15 days and submit report in the next meeting.

(PAK PWD, NCL & PHA)

12. i. PARA NO. 9.3 PAGE-167 AR-2003-04
UNJUSTIFIED ACCEPTANCE OF CONDITIONAL TENDER AMOUNTING TO RS. 23.152 MILLION RESULTING IN EXCESS EXPENDITURE OF RS. 15.635 MILLION

ii. PARA NO. 9.6 PAGE-169 AR-2003-04
UN-AUTHENTIC EXPENDITURE OF RS. 6.512 MILLION DUE TO NON-SUBMISSION OF VOUCHED ACCOUNTS.

iii. PARA NO. 9.11 PAGE-173 AR-2003-04
WASTEFUL EXPENDITURE OF RS. 0.940 MILLION ON RESTORATION/IMPROVEMENT OF CARGO LIFT

iv. PARA NO. 9.13 PAGE-174 AR-2003-04
OVERPAYMENT OF RS. 0.805 MILLION DUE TO BELOW SPECIFICATION WORK

v. PARA NO. 9.17 PAGE-176-177 AR-2003-04
UNJUSTIFIED EXPENDITURE OF RS. 0.592 MILLION WITHOUT PROVISION IN THE ESTIMATE AND APPROVED PLAN

vi. **PARA NO. 9.18 PAGE-177-178 AR-2003-04**
UNAUTHORIZED ISSUANCE OF HEAVY TOOLS AND PLANTS AND NON-RECOVERY OF HIRE CHARGES OF RS. 0.584 MILLION

vii. **PARA NO. 9.19 PAGE-178-179 AR-2003-04**
OVERPAYMENT OF RS. 0.580 MILLION DUE TO INCORRECT MEASUREMENTS

viii. **PARA NO. 9.20 PAGE-179 AR-2003-04**
NON-RECOVERY OF RISK AND COST OF RS. 0.422 MILLION FROM DEFAULTING CONTRACTOR

ix. **PARA NO. 9.21 PAGE-179-180 AR-2003-04**
NON-RECOVERY OF RENT OF RS. 0.206 MILLION FROM THE OCCUPANT OF NON-ENTITLED DEPARTMENT.

x. **PARA-79 PAGE-133 ARPSE-2003-2004**

xi. **PARA-79.1 PAGE-133-134 ARPSE-2003-2004**

xii. **PARA-79.2 PAGE-134 ARPSE-2003-2004**

xiii. **PARA-79.5 PAGE-134 ARPSE-2003-2004**

xiv. **PARA-80 PAGE-135-136 ARPSE-2003-2004**
UNJUSTIFIED PAYMENT OF RS.51.803 MILLION TO WAPDA IN VIOLATION OF NATIONAL HOUSING POLICY

xv. **PARA-82 PAGE-137 ARPSE-2003-2004**
LOSS OF RS.8.823 MILLION ON THE SALE OF PROJECT NO. 007 MISRI SHAH, LAHORE

PAC DIRECTIVE

The above un-highlighted Audit Paras were settled by the Committee.

PARAS RECOMMENDED FOR PURSUANCE AT DAC LEVEL (PAK PWD & ESTATE OFFICE)

13. i. **PARA NO. 9.5 PAGE-168-169 AR-2003-04**
IRREGULAR AWARD OF WORKS FOR RS. 12.294 MILLION DUE TO ACCEPTANCE OF TENDERS AT HIGHER RATE

ii. **PARA NO. 9.7 PAGE-170 AR-2003-04**
WASTEFUL EXPENDITURE OF RS. 2.992 MILLION DUE TO DEFECTIVE AND INCOMPLETE WORK

iii. **PARA NO. 9.8 PAGE-170-171 AR-2003-04**
UNDUE RETENTION OF GOVERNMENT MONEY OF RS. 2.584 MILLION DUE TO NON-CREDITING OF LAPSED/CONFISCATED DEPOSITS

iv. **PARA NO. 9.9 PAGE-171-172 AR-2003-04**
PROVISION OF BELOW SPECIFICATION ITEM OF ALUMINUM WINDOWS FOR RS. 2.188 MILLION

v. **PARA NO. 9.10 PAGE-172 AR-2003-04**
NON-RECOVERY OF RS. 0.908 MILLION ON ACCOUNT OF UNAUTHORIZED OCCUPATION OF GOVERNMENT ACCOMMODATION

vi. **PARA NO. 9.12 PAGE-173-174 AR-2003-04**
OVERPAYMENT OF RS. 0.932 MILLION DUE TO PAYMENT OF PREMIUM ON NON-SCHEDULED ITEMS

vii. **PARA NO. 9.14 PAGE-175 AR-2003-04**
OVERPAYMENT OF RS. 0.693 MILLION DUE TO DEVIATION FROM ESTIMATE AND APPROVED DESIGN

viii. **PARA NO. 9.15 PAGE-175-176 AR-2003-04**
NON-RECOVERY OF OUTSTANDING RENT AMOUNTING TO RS. 0.692 MILLION

ix. **PARA NO. 9.16 PAGE-176 AR-2003-04**
UN-AUTHORIZED ISSUANCE OF ROAD ROLLER AND NON-RECOVERY OF HIRE CHARGES OFF RS. 0.683 MILLION

PAC DIRECTIVE

The Committee settled the above nine paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 11th March, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Housing and Works are given below:

AUDIT REPORT 2003-04
MINISTRY OF HOUSING AND WORKS

1. PARA-8.1 (PAGES 117-118) AR 2003-04
NON-IMPLEMENTATION OF PRIME MINISTER'S INSPECTION COMMISSION REPORT

Audit pointed out that a comprehensive study on the Estate Office was made by the Prime Minister Inspection Commission. In the said report some instructions / recommendations / objectives were set to promote the Housing Activities so that shelter could be provided to the citizens as per requirement of the Country. Audit stated that ministry has taken no action in response to the instructions contained in the report.

The PAO informed the Committee that the recommendation / instructions given by the Prime Minister Secretariat are being implemented in letter and spirit. He further added that the after the Judgment of Supreme Court dated 19-10-11 allotments of houses are being made purely in the basis of General waiting list and on merit. He promised to provide certificate regarding implementation of instructions issued by the Prime Minister Secretariat.

PAC DIRECTIVE

The Committee settled the para.

2. i. PARA-8.2 (PAGES 118-119) AR 2003-04
WASTAGE OF RESOURCES ON FUNCTIONING OF ESTATE WING OF THE MINISTRY OF HOUSING AND WORKS AS A PARALLEL ORGANIZATION TO ESTATE OFFICE

Audit pointed out the Committee that according to Rules of Business, 1973 it is the function of ministry of Housing and Works to provide office and residential accommodation to officers and staff of the Federal Government including acquisition, requisition and hiring of such accommodation and payment of compensation or rent. In pursuance of Rule 15 (3) of Rules of Business, 1973 also stipulate that Estate office will carry out the above mentioned responsibilities. Contrary to rules, Ministry of Housing and Works with necessary support staff is functioning parallel to the Estate Office and is performing all functions of Estate Office. This is duplication of work which is against the policy decisions of the Government.

The PAO informed that Estate office is fully embowered to prepare and update General Waiting List, make the allotments from the general list to all grades, allow the retention/ change of accommodation as permissible under Allocation Rules 2002. The Estate Offices are also empowered to initiate action against the defaulters/ violators under Rule 16 to Rule 24 of the Accommodation Allocation Rules.

The Estate Office is also engaged in the recovery of rent from the allottees of the government accommodation. Therefore, the perception that the Ministry of Housing and Works is performing executive functions is not correct. The Ministry deals with only those matters where the incumbents are aggrieved by the action of Estate Office under Rules 29 of Accommodation Allocation Rules, 2002. He further added that after the incident burning of record in the Shaheed – e- Millatt Secretariat, it has become difficult to trace the record.

ii. PARA-8.4(PAGES 120-122) AR 2003-04
NON-PRODUCTION OF RECORD OF ESTATE WING, MINISTRY OF HOUSING AND WORKS

Audit pointed out that an Estate wing is functioning in the Ministry of Housing and Works, Islamabad. Following requisitions were submitted to the Ministry for providing record of the Wing but the record was not provided. In this regard letter No. DGA/Audit–H&W/2002-2003 dated 24.02.2003 was issued by the Directorate General of Audit, Federal Government, Islamabad and Meetings were held with Secretary, Deputy Secretary (E) and Deputy Secretary (A) were also present but in spite of their assurances to provide record of Estate Wing the record was not provided for audit. Non-production of record is not only violation of para 17 of GFR but is also against the provisions of Section 14 of Auditor General's (functions, powers and terms and Conditions of Service) Ordinance, 2001 Government Servants (E&D) Rules,1973.

The PAO informed the Committee that Ministry is trying to retrieve the relevant record, on its retrieval it will be forwarded to Audit. He also added that efforts are being made to contact those officials who were posted in the concerned sections of this Ministry at that time so that the required record could be collected.

iii. PARA-8.5 (PAGES 122-123) AR 2003-04
IRREGULAR CHANGE OF GOVERNMENT ACCOMMODATION OF EMPLOYEES OF MINISTRY OF HOUSING AND WORKS

The Audit pointed out that rule 13 of Pakistan Allocation Rules, 1993 allows change of accommodation of an employee or exchange of accommodation between two allotters of same category of

accommodation by the Estate Office and for different categories by the Government subject to production of a certificate by their employers to the effect that they are not expected to be retired or transferred during the next one year. A sample size of 50 cases was selected for audit out of which only 7 files were produced by the ministry. Perusal of these files indicated that in 6 cases out of 7, higher category accommodation was allowed to the employees of the Ministry which depict favoritism to the employees.

The PAO informed that according to rule 13 of Pakistan Allocation rule, 1993 changing from one accommodation to other or exchange of accommodations between two allottees of the same category of accommodation is allowed by the Estate Office. Therefore the changes (i.e such allotments) were in according to the rules. The PAO informed that the necessary record will be provided to Audit.

PAC DIRECTIVE

The Committee clubbed the above three paras and directed the PAO to provide the record to audit within one week, inquire the non issuance of record to audit, fix responsibility and report to the Committee within one month.

3. PARA-8.3 (PAGES 119-120) AR 2003-04
NON- IMPLEMENT OF HOUSING POLICY, 2001

Audit pointed out that According to Census 1998, total number of housing units throughout the Country were 193 million. There was a shortage of 4.3 million units. Up to 2001, there was a shortfall of 2700000/= units. Keeping in view the requirement of the country, M/o Housing & Works announced a National Housing Policy 2001 as required in the Rules of Business 1973. No effort has been made to achieve any objection of the said policy. Audit required the Committee to ask the PAO to explain status of implementation of Housing Policy, 2001.

The PAO informed that the authority has constructed 32000 houses. He also informed that the Ministry task is limited to policy formation, while implementation is the responsibility of other stack holders especially Provincial Government. However, Ministry has decided to address the problem with a best planning.

PAC DIRECTIVE

The Committee settled the para.

4. PARA-8.6 (PAGES 123-124) AR 2003-04
IRREGLAR ALLOTMENT OF HOUSES NO.22-1, F-6/3,29-B, F-8/1 AND 41 CAT-I, I-8/1, ISLAMABAD

Audit pointed out that according to Rule 16 (14) of Pakistan allocation Rules 1993, in the event of allotter's death or retirement allotment of accommodation may be transferred to one of the serving member of his family provided he is otherwise eligible for the same category of house. Audit noted that Ministry of Housing and Works allotted three houses to persons who did not fulfill the criteria laid down in PAR, 1993.

The PAO agreed with the Audit objections and promised to take action against the responsible.

PAC DIRECTIVE

The Committee directed the PAO to provide the relevant record to Audit within one week. The Committee also directed the PAO to investigate the matter of irregular allotment, fix responsibilities and take action against the officials who allotted the houses to in-eligible people and report to the PAC within the thirty days.

5. PARA-8.7 (PAGE 125) AR 2003-04
UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF PAYMENT MADE TO POLICE SQUAD- Rs.1.710 MILLION

Audit stated that during the course of audit of Estate Office, Karachi it was observed that a police squad comprising of 1 ASI and 5 constables was posted in the office. Additional Estate officer, Karachi sanctioned and paid a sum of Rs. 221, 400 to SSP, District South, Karachi during 1999-2000 to 2000-01 on account of pay and allowances and others benefits like cash award, POL charges leave and pension contributions. The payment was made under the detailed object "59800 – Cost of Other Stores". Audit observed that the Additional Estate Officer had no power to make payment under the head "Cost of Other Stores" as per delegation of powers made vide Ministry of Housing and Works letter No. 16 (9)/97 dated 11.08 .2001. The expenditure so made was irregular. The irregularity was being committed since 1995-96 to 1998-99.

The PAO informed that delegation of power of Estate Office Karachi for sanctioning of expenditure will be provided to the Audit.

PAC DIRECTIVE

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

6. DIRECTORATE GENERAL AUDIT (FEDERAL GOVERNMENT), ISLAMABAD.

POOR PERFORMANCE OF THE NATIONAL HOUSING AUTHORITY

PAC DIRECTIVE

The Committee directed the PAO that it is a policy matter and may be forwarded to Standing Committee on Housing and Works for consideration.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

7. PARA -79.4, PAGE-134, ARSE-2003-2004

Audit pointed out that trade debtors included a sum of Rs. 42.886 million receive able from Government adjuster on account of outstanding bills and claim pending since long. No provision was made in the accounts. Audit requested the Committee to direct the Ministry to elaborate for non creation of provision for pending cases.

It was apprised the Committee that the DAC directed the management of NCL to get approval of return of bad debts from the BOD and verify the same from Audit. The DAC also directed to pursue the court cases actively to recover all outstanding claims.

The PAO informed that the said para was not in my notice.

PAC DIRECTIVE

The Committee took serious notice of irresponsible behavior of the PAO and Officers of the Ministry and termed it nothing but wastage of time. The Committee directed the PAC Secretariat to convey the apprehension of the Committee to Honorable Prime Minister of Pakistan through Chairman Public Accounts Committee and deferred the pending paras till next meeting.

8. i. PARA -79, PAGE-133, ARSE-2003-2004

ii. PARA -79.1, PAGE-133-134, ARSE-2003-2004

iii. PARA -79.2, PAGE-134, ARSE-2003-2004

iv. PARA -79.3, PAGE-134, ARSE-2003-2004

v. PARA -80, PAGE-135-136, ARSE-2003-2004

vi. PARA -82, PAGE-137, ARSE-2003-2004

PAC DIRECTIVE

The Committee settled the above six paras on the recommendation of Audit.

9. i . PARA -79.5, PAGE-134, ARSE-2003-2004

ii. PARA -81, PAGE-136, ARSE-2003-2004

iii. PARA -83, PAGE-137-138, ARSE-2003-2004

iv. PARA -84, PAGE-139, ARPSE- 2003-2004

ANNEXURE I SERIAL NO. 16
NON SUBMISSION OF ACCOUNTS

PAC DIRECTIVE

The Committee pended the above four paras till next meeting.

ACTIONABLE POINTS

Actionable points arising out of the discussion during meeting of PAC held on 28th October, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of M/o Housing and Works are given below:-

AUDIT REPORT FOR THE YEAR 2003-04

1. i) PARA NO. 8.2 PAGE NO. 118-119
WASTAGE OF RESOURCES ON FUNCTIONING OF ESTATE WING OF THE MINISTRY OF HOUSING AND WORKS AS A PARALLEL ORGANIZATION TO ESTATE OFFICE

The Audit pointed out that contrary to the provisions of rules, Estate Wing of the Ministry of Housing and Works consisting of 01 Deputy Secretary and 08 Section Officers with necessary support staff is functioning parallel to the Estate Office and is performing all functions of Estate Office. This is duplication of work which is against the policy decisions of the Government and undue intervention in the affairs of the lower functionaries / formations.

ii) PARA NO. 8.4 PAGE NO. 120-122
NON-PRODUCTION OF RECORD OF ESTATE WING, MINISTRY OF HOUSING AND WORKS

Audit pointed out that an Estate Wing is functioning in the Ministry of Housing and Works, Islamabad. Various requisitions were submitted to the Ministry for providing record of the Wing but the record was not provided. In this regard letter No. DGA/Audit-H&W/2002-2003 dated 24.02.2003 was issued by the Directorate General of Audit, Federal Government, Islamabad and meetings were held with Secretary, Ministry of Housing and Works on 25.02.2003 and 26.03.2003 during which Joint Secretary, Deputy Secretary (E) and Deputy Secretary (A) were also present but in spite of their assurance to provide record of Estate Wing the record was not provided for audit. Non-production of record is not only violation of para 17 of GFR but is also against the provisions of Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 which entails initiation of disciplinary proceedings against the concerned officials under Government Servants (E&D) Rules, 1973. Non-production of record was also against the directive of PAC circulated vide letter No. P-10 (1)/99-2000/2002 dated 16.04.2002.

iii) PARA NO. 8.5 PAGE NO. 122-123
IRREGULAR CHANGE OF GOVERNMENT ACCOMMODATION OF EMPLOYEES OF MINISTRY OF HOUSING AND WORKS

Audit pointed out that Rule 13 of Pakistan Allocation Rules, 1993 allows change of accommodation of an employee or exchange of accommodation between two allottees of same category of accommodation by the Estate Office and for different categories by the Government subject to production of a certificate by their employers to the effect that they are not expected to be retired or transferred during the next one year. A sample size of 50 cases was selected for audit out of which only 7 files were produced by the Ministry. Perusal of these files indicated that in 6 cases out of 7, higher category accommodation was allowed to the employees of the Ministry which speaks of favoritism to the employees.

The PAO informed that in compliance of direction of PAC (Sub Committee-II) which were issued for the paras Nos. 8.2, 8.4 and 8.5 of Audit Report 2003-04, an inquiry has been ordered and the matter of non-production of records to the Audit is being probed and the report will be submitted to the PAC/Audit within one week.

PAC DIRECTIVE

The Committee clubbed the above three paras and directed the PAO to finalize the inquiry, fix responsibility, take action and report to the PAC/Audit within one week.

2. PARA NO. 8.6 PAGE NO. 123-124
IRREGULAR ALLOTMENT OF HOUSES NO. 22-I, F-6/3, 29-B, F-8/1 AND 41 CAT-I, I-8/1, ISLAMABAD

Audit pointed out that according to Rule 16(14) of Pakistan Allocation Rules 1993, in the event of allottee's death or retirement allotment of accommodation may be transferred to one of the serving member of his family provided he is otherwise eligible for the same category of house. Audit noted that Ministry of Housing and Works allotted three houses to persons who did not fulfill the criteria in PAR, 1993.

The PAO informed that all the rules in support of allotment were provided to Audit but Audit was not satisfied. However the Ministry of Housing and Works stressed that all the allotments made are covered under the rules.

Audit further stressed that the rule 16 (14) of PAR 1993 allows such allotment lonely if no one desirous of that category of accommodation. Similarly Ministry of Housing and Works was empowered to allot residential accommodation against his quota to those officials only after the approval of the out of turn allotment Committee. Audit told that record of rules provided by the Ministry of Housing and Works does not prove that allotments were given on merit.

The PAO informed that the inquiry has been ordered to probe the issue of allotments to inadmissible persons as pointed out by Audit. He ensured that its report will be submitted to the PAC/Audit shortly.

PAC DIRECTIVE

The Committee pended the para.

3. PARA NO. 8.7 PAGE NO. 125
UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF PAYMENT MADE TO POLICE SQUAD– RS. 1.710 MILLION

The Audit pointed out that during the course of audit of Estate Office, Karachi it was observed that a police squad comprising of 1 ASI and 5 constables was posted in the office. Additional Estate officer, Karachi sanctioned and paid a sum of Rs. 221,400 to SSP, District South, Karachi during 1999-2000 to 2000-01 on account of pay and allowances and others benefits like cash award, POL charges, leave and pension contributions. The payment was made under the detailed object "59800 - Cost of Other Stores". Audit observed that the Additional Estate Officer had no power to make payment under the head "Cost of Other Stores" as per delegation of powers made vide Ministry of Housing and Works letter No. 16(9)/97 dated 11.08.2001. Audit also observed that the payment was made under the head "59800 Cost of Other Stores" rather than the head "59600 - Payments to Others for Services Rendered". The expenditure so made is, therefore, held as irregular. The irregularity was being committed since 1995-96 and irregular expenditure of Rs. 1,487,400 had been incurred from 1995-96 to 1998-99.

The Audit told that the Ministry of Housing and Works has apprised the Audit in the DAC meeting dated 6th March, 2015 that now the expenditures is being incurred for the object for which budget is allocated.

PAC DIRECTIVE

The Committee settled the para.

4. PARA -79.4, PAGE-134, ARSE-2003-2004

Audit pointed out that trade debtors included a sum of Rs. 42.886 million receive able from Government adjuster on account of outstanding bills and claim pending since long. No provision was made in the accounts. Audit requested the Committee to direct the Ministry to elaborate for non-creation of provision for pending cases.

It was apprised by the Committee that the DAC directed the management of NCL to get approval of return of bad debts from the BOD and verify the same from

Audit. The DAC also directed to pursue the court cases actively to recover all outstanding claims.

The PAO informed that Rs. 17 million are pending due to the reason that these cases are subjudice in the Court of law and efforts are being made for recovery of bills due from contractors amounting to Rs.5.2 million.

PAC DIRECTIVE

The Committee pended the para till next meeting.

5. PARA-79.5, PAGE-134, ARPSE-2003-04

The Audit pointed out that mobilization advance including a sum of Rs 8.600 million which carried markup equivalent to the applicable bank rate. The Audit requested that status regarding repayment/adjustment of mobilization advance and detail of markup paid thereon may be explained before the Committee.

The PAO informed that mobilization advance has been recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification of records of recovery by the Audit.

6. ANNEXURE-I SERIAL NO. 16
NON SUBMISSION OF ACCOUNTS

Audit pointed out that Pakistan Housing Authority was established under resolution of Cabinet Division dated May 19, 1999 and further reorganized by resolution of the Ministry and Works dated March 8, 2000. The main objection of the Authority is to provide shelter to low income groups.

Audit further pointed out that Audit Accounts of Pakistan Housing Authority for the years 2002-03 to 2003-04 were required to be provided to the Director General, Commercial Audit & Evaluation, Lahore by January 20, 2003. Despite repeated reminders the authority fails the accounts on due dates.

Audit told that Audit Accounts have been provided to the Audit.

PAC DIRECTIVE

The Committee settled the para.

7. PARA-81-PAGE-136, ARPSE-2003-2004
NON-IMPOSITION OF LIQUIDATED DAMAGES AMOUNTING TO RS.25.260 MILLION AND NON-TERMINATIONOF CONTRACT.

Audit pointed out that contract agreements of PHA clause 47.1 stipulates that liquidated damage charges @ 10% of contract price were to be imposed in case of delay.

Pakistan Housing Authority awarded two contracts of the Projects to M/s Hajvairy Associates(Pvt) Ltd. for the construction of 368 and 180 apartments in Islamabad, against a total tender price of Rs.169.600 million and Rs.83 million respectively. The apartments were to be completed within 15 months and 12 months respectively, but construction of both the Projects could not be completed even after 54 months and 25 months, respectively. The Management neither imposed the liquidated damage charges of Rs.25.260 million nor the contracts were terminated at the risk and cost of the contractor.

PHA Management could not monitor the time frame for the construction, therefore, it was unable to hand over the apartments to its clients. PHA not only lost face and credibility, but it also had to bear extra overhead charges.

The PAO informed that the contractor has completed all the work. Some payments of contractor is pending. After payment of the balance amount the project will be handed over to the Pakistan Housing Authority.

PAC DIRECTIVE

The Committee pended the para and referred to PAC (Monitoring and Implantation) for fair investigation.

7. (i) PARA-83, PAGE-137-138, ARPSE-2003-2004
LOSS OF RS.5.145 MILLION DUE TO NON-ENCASHMENT OF BANK GUARANTEE AND NON-IMPOSITION OF LIQUIDATED DAMAGES AMOUNTING TO RS.9.591 MILLION

ii) PARA-84, PAGE-139, ARPSE-2003-2004
EXCESS PAYMENT MADE TO MARKETING AGENCY AMOUNTING TO RS.2.674 MILLION

iii) PARA-9.1, PAGE 165, AR2003-04
UNAUTHORIZED BLOCKADE OF DEVELOPMENT FUNDS AND NON-SURRENDER OF BUDGETARY GRANTS FOR RS. 283.920 MILLION

iv) PARA-9.2, PAGE 166, AR2003-04
NON-RECOVERY OF UTILITY BILLS AND RENT OF RS. 56.966 MILLION FROM ALLOTTEES / OCCUPANTS OF GOVERNMENT OWNED ACCOMMODATION

v) PARA-9.4, PAGE 167-168, AR2003-04

UNJUSTIFIED EXPENDITURE OF RS.19.085 MILLION DUE TO EXCESSIVE PAYMENT TO WORK CHARGED ESTABLISHMENT

vi) **PARA-9.5, PAGE 168-169, AR2003-04**
IRREGULAR AWARD OF WORKS FOR RS.12.294 MILLION DUE TO ACCEPTANCE OF TENDERS AT HIGHER RATE

vii) **PARA-9.7, PAGE 170, AR2003-04**
WASTEFUL EXPENDITURE OF RS.2.992 MILLION DUE TO DEFECTIVE AND INCOMPLETE WORK

viii) **PARA-9.8, PAGE 170-171, AR2003-04**
UNDUE RETENTION OF GOVERNMENT MONEY OF RS. 2.584 MILLION DUE TO NON-CREDITING OF LAPSED / CONFISCATED DEPOSITS

ix) **PARA-9.9, PAGE 171-172, AR2003-04**
PROVISION OF BELOW SPECIFICATION ITEM OF ALUMINIUM WINDOWS FOR RS.2.188 MILLION

x) **PARA-9.10, PAGE 172, AR2003-04**
NON-RECOVERY OF RS.0.908 MILLION ON ACCOUNT OF UNAUTHORIZED OCCUPATION OF GOVERNMENT ACCOMMODATION

xi) **PARA-9.12, PAGE 173-174, AR2003-04**
OVERPAYMENT OF RS. 0.932 MILLION DUE TO PAYMENT OF PREMIUM ON NON-SCHEDULED ITEMS

xii) **PARA-9.14, PAGE 175, AR2003-04**
OVERPAYMENT OF RS. 0.693 MILLION DUE TO DEVIATION FROM ESTIMATE AND APPROVED DESIGN

xiii) **PARA-9.15, PAGE 175-176, AR2003-04**
NON-RECOVERY OF OUTSTANDING RENT AMOUNTING TO RS. 0.692 MILLION

xiv) **PARA-9.16, PAGE 176, AR2003-04**
UN-AUTHORIZED ISSUANCE OF ROAD ROLLER AND NON-RECOVERY OF HIRE CHARGES OF RS.0.683 MILLION

PAC DIRECTIVE

The Committee showed serious concern over the non-compliance on its directions issued in the previous meeting and pended the above fourteen paras till next meeting.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 6th, January, 2016 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Ministry of Housing and Works are given below:

1. PARA NO. 8.4 PAGE NO. 120-122
NON-PRODUCTION OF RECORD OF ESTATE WING, MINISTRY OF HOUSING AND WORKS

Audit pointed out that an Estate Wing is functioning in the Ministry of Housing and Works, Islamabad. Following requisitions were submitted to the Ministry for providing record of the Wing but the record was not provided. In this regard letter No. DGA/Audit-H&W/2002-2003 dated 24.02.2003 was issued by the Directorate General of Audit, Federal Government, Islamabad and meetings were held with Secretary, Ministry of Housing and Works on 25.02.2003 and 26.03.2003 during which Joint Secretary, Deputy Secretary (E) and Deputy Secretary (A) were also present but in spite of their assurance to provide record of Estate Wing the record was not provided for audit. Non-production of record is not only violation of para 17 of GFR but is also against the provisions of Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 which entails initiation of disciplinary proceedings against the concerned officials under Government Servants (E&D) Rules, 1973. Non-production of record was also against the directive of PAC.

The PAO informed that this pertains to the matters of Estate Offices and falls under the jurisdiction of Director General Audit, Works, Lahore and that office has carried out audit for the year 2001-02. He promised that record will be provided to Audit in the next DAC meeting.

PAC DIRECTIVE

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

2. i) PARA NO. 8.2 PAGE NO. 118-119
WASTAGE OF RESOURCES ON FUNCTIONING OF ESTATE WING OF THE MINISTRY OF HOUSING AND WORKS AS A PARALLEL ORGANIZATION TO ESTATE OFFICE

ii. PARA NO. 8.5 PAGE NO. 122-123
IRREGULAR CHANGE OF GOVERNMENT ACCOMMODATION OF EMPLOYEES OF MINISTRY OF HOUSING AND WORKS

iii. PARA NO. 8.6 PAGE NO. 123-124
IRREGULAR ALLOTMENT OF HOUSES NO. 22-I, F-6/3, 29-B, F-8/1 AND 41 CAT-I, I-8/1, ISLAMABAD

The Audit informed the Committee that the above three paras have been recommended by the DAC for settlement.

PAC DIRECTIVE

The Committee settled the above three paras on the recommendation of DAC.

3. PERFORMANCE AUDIT REPORT FOR THE YEAR 2003-04

The Audit permitted from the Committee to submit a performance Audit Report on the Accounts of National Housing Authority under control of Ministry of Housing and Works for the year 2003-04.

The PAO informed that the said Performance Audit Reporthas been forwarded to Standing Committee on Housing & Works for consideration as directed by the PAC in its meeting held on 11th March, 2015.

PAC DIRECTIVE

The Committee settled all the findings/paras in the Performance Audit Report.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (2003-04)
NATIONAL CONSTRUCTION LIMITED

4. PARA-79.4 - PAGE-134 ARPSE-203-2004

Audit pointed out that trade debtors (unsecured) included a sum of Rs.42.886 million receivable from government adjustor on account of outstanding bills and claims pending since long. No provision in the accounts was made. Reasons for non-creation of provision for pending cases may be elaborated.

PAO informed that 117 million has been written off in the BOD meeting and claims of Rs. 17 million are in the in litigation in the court of law.PAO further informed that if the department wins the case, it will only get an amount of 6 lac from the concerned person who has died. Therefore, it will be also written off in the next meeting of BODs.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to write-off the pending amount against the deceased person in the next BOD meeting and follow the other court cases vigorously.

5. PARA-79.5 - PAGE-134 ARPSE-2003-2004

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

PAKISTAN HOUSING AUTHORITY

6. PARA-83 - PAGE-137-138 ARPSE-2003-2004
LOSS OF RS.5.145 MILLION DUE TO NON-ENCASHMENT OF BANK GUARANTEE AND NON-IMPOSITION OF LIQUIDATED DAMAGES AMOUNTING TO RS.9.591 MILLION

Audit pointed out that the contract agreement between Pakistan Housing Authority and M/s Mazcon Engineer (Pvt) Limited required construction of 216 apartments to be completed within 15 months. In case of delay, clause 47.1 required imposition of liquidated damage charges @ 10% of contract price. M/s Mazcon commenced the construction work of apartments after receiving the mobilization advance of Rs 11.510 million in 2001. The contractor could complete only 65% of the construction work upto June 30, 2002 and adjustment of Rs 6.365 million only against the mobilization advance could be made from his running bills. Thereafter, the Contractor absconded and the bank guarantee provided against mobilization advance could not be encashed due to stay order obtained by the Contractor. Furthermore, liquidated damages @ 10% of contract price were also not imposed despite slow pace of work which amounted to Rs.9.591 million. The process of encashment of performance bond could not be initiated by the management, although the validity period of the bond was upto December 03, 2004.PHA sustained a loss of Rs.5.145 million due to non-encashment of bank guarantee in time and improper monitoring of the performance of the contractor.

PAO informed that as the 65% of the work was completed so an amount of Rs. 6.365 million has been adjusted. . He also informed that as per pervious direction of the PAC, the inquiry has been made. The bank guarantee was presented to the Bank of Khyber for encashment prior to the expiry date. The matter of encashment of bank guarantee has been also brought in the notice of State Bank of Pakistan. The matter is subjudice in the court of law

PAC DIRECTIVE

The Committee directed the PAO to discuss the inquiry report at DAC level and submit a report to PAC for final decision.

7. PARA-84 - PAGE-139 ARPSE-2003-2004
EXCESS PAYMENT MADE TO MARKETING AGENCY AMOUNTING TO RS.2.674 MILLION

Audit pointed out that contract agreement between Pakistan Housing Authority and M/s VIP Marketing dated November 27, 2000 stipulates that M/s VIP

Marketing shall be paid 0.87% of the actual total sale value of apartments under PHA's Housing Programme. For the purposes of initial payments, the total sale value will be taken as Rs.4.5 billion.As per agreement M/s VIP Marketing was entitled to receive a sum of Rs.8.389 million as professional fee on the actual basis, whereas a payment of Rs.9.788 million was made resulting in excess payment of Rs.1.399 million, while Rs. 1.276 million on account of telephone bills, cost of brochures etc. were also recoverable from M/s VIP Marketing. Thus total excess payment amounting to Rs.2.674 million (Rs. 1.399 million + Rs.1.276 million) was required to be recovered. A guarantee of Rs.10 million provided by M/s VIP had been released on February 13, 2001 without adjusting the amounts due. Later on Pakistan Housing Authority tried to obtain a fresh bank guarantee of Rs.4.000 million which was not provided. The excess payment of Rs.2.674 million was made due to lack of proper understanding of contract clauses and weak internal control of the management. The matter was referred to NAB for investigation and recovery. An amount of Rs. 2.674 million has been recovered by the NAB but still not transferred to the account of PHA.

The representative of NAB informed that an amount of Rs. 2.674 million has been recovered and will be transferred to PHA.

PAC DIRECTIVE

The Committee directed the NAB to transfer the recovered amount of Rs. 2.674 million to PHA within thirty days.

8. i) ANNEXURE-I SERIAL NO. 16 NON SUBMISSION OF ACCOUNTS

ii) PARA-81 PAGE-136 ARPSE-2003-2004 NON-IMPOSITION OF LIQUIDATED DAMAGES AMOUNTING TO RS.25.260 MILLION AND NON TERMINATIONOF CONTRACT

PAC DIRECTIVE

The Committee referred the above two pars for pursuance at DAC level.

AUDIT REPORT (2003-04)
PAK. PWD & Estate Office

9. PARA NO. 9.1 PAGE-165 AR-2003-04
UNAUTHORIZED BLOCKADE OF DEVELOPMENT FUNDS AND NON-SURRENDER OF BUDGETARY GRANTS FOR RS. 283.920 MILLION

Audit pointed that according to Finance Division Budget Wing notification No.F-3(20)BC-II/313 dated 13th April, 1997 budgetary grants/ADP grants received from Federal Government are kept funds nor surrendered to Government. Lapsable ADP grant received from Ministry of Education in the last dates of the month of June, 2003 were placed in PLA III (Non-lapsable) instead of placing the

funds in PLA-I (For ADP grant lapsable). Violation of the approved procedure/rules resulted in un-authorized retention of the development funds for Rs. 283.920 million.

The PAO informed that the amount has been reconciled with the Audit and previously the said para was recommended for settlement in the DAC however, the Audit has raised some objections again. He added that this practice has been stopped since the Audit raised it.

PAC DIRECTIVE

The Committee settled the para.

10. PARA NO. 9.2 PAGE-166 AR-2003-04
NON-RECOVERY OF UTILITY BILLS AND RENT OF RS. 56.966 MILLION FROM ALLOTTEES/OCCUPANTS OF GOVERNMENT OWNED ACCOMMODATION

Audit presented the para stating that under Fundamental Rule 45(VI), Payment of electric/energy, gas, water supply and sewerage charges was the responsibility of the allottees of the government accommodation. And as per SRO 911)/92 dated 1St June 1992 states; "All dues on account of accommodation (including arrears) food, losses, damages and breakage shall be paid in cash by the resident to the receptionist against signed receipt before the departure or on the first day of each month, whichever is earlier. Eight (8) Divisions of Pakistan Public Works Department made payments of water and gas charges on behalf of allottees of government residential colonies but could not recover from the allottees/occupants. Audit was of the view that despite repeated DAC and PAC directive no substantial amount has been recovered.

The PAO informed that previously one bulk meter was to be installed for provision of gas and water to the allotees and the Pak PWD has to pay the over and above charges resulting in imbalance in payments. Presently individual meters have been installed and an amount of Rs. 12 Million has been recovered and efforts are being made to recover the remaining amount.

PAC DIRECTIVE

The Committee pended the para till verification of recovery and writing off the irrecoverable amount from the competent forum.

11. PARA NO. 9.4 PAGE-167-168 AR-2003-04
UNJUSTIFIED EXPENDITURE OF RS. 19.085 MILLION DUE TO EXCESSIVE PAYMENT TO WORK CHARGED ESTABLISHMENT

Audit pointed out that CPWD Code Chapter-II, Para 2.03 (b) states that the work charged Establishment shall not be engaged on any work unless provided for in

the estimate as a separate subhead of the estimate of that work. Central Civil Division, Islamabad made a payment on account of pay & allowances to the work charged employees appointed against the projects/works which had since been completed. More than 50% maintenance grant was spent towards pay and allowances without proper budget approval in relevant head. Due to unnecessary retention of work charged employees beyond the scope of the works, unjustified expenditure of Rs. 19.085 million was incurred up to June 2003.

PAO informed that presently 6200 employees are working out of which only 1800 employees have been regularized. All employees are availing the facilities of regular employees and being paid from the head of accounts for maintenance. A summary for the regularization of these employees has been prepared and will be submitted for the approval by the Prime Minister shortly.

PAC DIRECTIVE

The Committee referred the para to be discussed at DAC level to authenticate the appointments being made during the previous years and number of employees regularized by the Cabinet Committee of the previous Government and report thereof be sent to the Committee.

12. PARA NO. 9.7 PAGE-170
WASTEFUL EXPENDITURE OF RS. 2.992 MILLION DUE TO DEFECTIVE INCOMPLETE WORK

Audit pointed out that Central Civil Division-II, Peshawar allowed the payment of certain items of the work “Construction of Branch Registry Supreme Court of Pakistan at Peshawar" which was either not actually executed or was incomplete/defective. Ineffective supervisory control resulted in wasteful expenditure of Rs.2.992 million violating the clauses of PWD manual.

Audit further added that recovery has been made; however, approval of technical sanction has not been verified so far.

PAC DIRECTIVE

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

13. PARA NO. 9.8 PAGE-170-171 AR-2003-04
UNDER RETENTION OF GOVERNMENT MONEY OF RS. 2.584 MILLION DUE TO NON-CREDITING OF LAPSED/CONFISCATED DEPOSITS

Audit pointed out that Central Civil Division-I, Karachi and Director Budget & Accounts Islamabad could not credit the unclaimed balances of deposits to government accounts even after lapse of three years which resulted in undue retention of government money of Rs.2.584 million which was violation of Pars 399 of Central Public Works Accounts Code.

The PAO agreed to provide the documents of recovery to the Audit for verification.

PAC DIRECTIVE

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

14. PARA NO. 9.10 PAGE-172 AR-2003-04
NON-RECOVERY OF RS.0.908 MILLION ON ACCOUNT OF UNAUTHORIZED OCCUPATIONOF GOVERNMENT ACCOMMODATION

Audit pointed out that in Estate Office, Karachi did not recover standard rent from the officers as the government owned flats were occupied un-authorizedly since November/December 1999. The Department could neither evict the un-authorized occupants nor recover the outstanding dues which was against the rules. This resulted in non-recovery of standard rent of Rs.0.908 million.

The PAO informed that the recovery has been effected and the same will be got verified from Audit.

PAC DIRECTIVE

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

15. i) PARA NO. 9.14 PAGE-175 AR-2003-04
OVERPAYMENT OF RS. 0.693 MILLION DUE TO DEVIATION FROM ESTIMATE AND APPROVED DESIGN

ii) PARA NO. 9.15 PAGE 175-176 AR-2003-04
NON-RECOVERY OF OUTSTANDING RENT AMOUNTING TO RS. 0.692 MILLION

PAC DIRECTIVE

The Committee referred the above two paras to be examined at DAC level and report to the Committee.

16. i) PARA NO. 9.5 PAGE
IRREGULAR AWARD OF WORKS FOR RS. 12.294 MILLION DUE TO ACCEPTANCE OF TENDERS AT HIGHER RATES

ii) PARA NO. 9.9 PAGE
PROVISION OF BELOW SPECIFICATION ITEM OF ALUMINUM WIDOWS FOR RS.2.188 MILLION

iii) PARA NO. 9.12 PAGE

OVERPAYMENT OF RS. 0.932 MILLION DUE TO PAYMENT OF PREMIUM ON NON-SCHEDULED ITEMS

iv) **PARA NO. 9.16 PAGE**
UN-AUTHORIZED ISSUANCE OF ROAD ROLLER AND NON-RECOVERY OF HIGHER CHARGES OF RS. 0.683 MILLION

PAC DIRECTIVE

The Committee settled the above four paras on the recommendation of DAC

M/O INDUSTRIES AND PRODUCTION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Industries and Production was examined by the PAC on 18th June and 21st October, 2015.

- 05 grants, 01 PAR and 142 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 04 grants, 01 PAR and 124 paras were settled whereas appropriate directions were accordingly issued for the remaining paras and grants.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- The Committee referred 01 para to the NAB.

M/O INDUSTRIES AND PRODUCTION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 18th June, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Ministry of Industries & Production are given below:-

APPROPIRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. i) GRANT NO.62-INDUSTRIES AND PRODUCTION DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 1,798,394 which worked out to 3.02% of the total grant. An amount of Rs. 1,254,000 (2.10%) was surrendered leaving net saving of Rs. 544,394 (0.91%).

ii) GRANT NO. 63-DEPARTMENT OF INVESTMENT PROMOTION AND SUPPLIES

AGPR pointed out that the grant closed with the saving of Rs. 3,094,285 which worked out to 13.70% of the total grant. An amount of Rs. 2,768,000 (12.26%) was surrendered leaving net saving of Rs. 326,285 (1.44%).

iii) GRANT NO. 64-OTHER EXPENDITURE OF INDUSTRIES AND PRODUCTION DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 9,673,433 which worked out to 3.15% of the total grant. An amount of Rs. 10,000,000 (3.25%) was surrendered leaving net excess of Rs. 326,567 (0.11%). A supplementary grant of Rs.770,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

iv) GRANT NO. 113-CAPITAL OUTLAY ON MISCELLANCEOUS STORES

AGPR pointed out that the grant closed with the saving of Rs. 75,692 which worked out to 11.53% of the total grant. An amount of Rs. 69,000 (10.52%) was surrendered leaving net saving of Rs. 6,692 (1.02%).

PAC DIRECTIVE

The Committee regularized the above four grants on the recommendation of DAC.

2. GRANT NO. 155-CAPITAL OUTLAY ON INDUSTRIAL DEVELOPMENT

AGPR pointed out that the grant closed with the saving of Rs. 461,371,764 which worked out to 98.53% of the total grant. An amount of Rs. 400,000,000 (85.42%) was surrendered leaving net saving of Rs. 61,371,764 (13.11%).

The PAO informed that there was no saving only in one project, the consultant did not completed the work and his payment was stopped. Later payment was made to him when he completed the project so there was no saving. Detail of the expenditure will be provided to Audit for verification. Audit was of the view that this was a procedural lapse.

PAC DIRECTIVE

The Committee regularized the grant subject to verification of record by the Audit.

AUDIT REPORT FOR THE YEAR 2003-04

3. PARA-9.1 (PAGE-137) AR 2003-04 IRREGULAR / UNAUTHORIZED PAYMENT TO "SYSTEX" – RS. 2.69 MILLION

Audit pointed out that during the review of record of Pakistan Industrial Technical Assistance Center (PITAC), Lahore it was observed that the management executed an agreement with "Systex" to establish PITAC Information Technology Center for imparting computer training. For this purpose a sum of Rs. 2,692,273 was paid to "Systex" through cheques during the fiscal year 2002-03. Audit explained that the center was established without the approval of Board of Governors, secondly the agreement was not vetted by the Ministry of Law Justice and Human Rights, Finance Division and Ministry of Industries. Besides this, the contract was awarded without any competition and the record was not shown to the Audit.

The PAO informed that Pakistan Industrial Technical Assistance Center (PITAC) entered into collaboration with M/s SYSTEX Institute of Technology in 2002 to commence graduate and post graduate course at PITAC, I.T center located in premises of PITAC. The students and their parents were satisfied with this institution. Unfortunately, Higher Education Commission did not approve the campus so as a result MOU with SYSTEX was terminated by the Board of Governors.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix responsibility and take action against the responsible person and report to the Audit / PAC within thirty days.

4. PARA-9.3 (PAGE-138-139) AR 2003-04
IRREGULAR PURCHASE OF TOYOTA COROLLA CAR 1300 CC FOR - RS.0.624 MILLION

Audit pointed out that as per instruction contained in Para 4 (i) of Finance Division (Expenditure Wing) O.M. No.F.8(1)/Exp.-IV/96 dated 28.07.1996, purchase of cars was banned. The ban was equally applicable to autonomous bodies. Scrutiny of record revealed that PITAC, Lahore purchased a 1300 CC Toyota Corolla Car No. LXA-6135 in September, 1996 and incurred expenditure of Rs. 624,000 on the purchase in spite of a ban on the purchase of cars. Therefore, expenditure incurred on the purchase of car is held as irregular.

The PAO informed that the vehicle was purchased in September, 2006 from the funds of a project titled 'JICA After Care Program' and funds were released by Finance Division and the letter of ban was received after the purchase of vehicles.

The Committee was appraised that the DAC has directed to get the irregularity regularized from the Finance Division.

PAC DIRECTIVE

The Committee directed the PAO to get the irregularity regularized from the Finance Division and submit the report to the Audit for verification. The para was pended.

5. PARA-9.6 (PAGE-140) AR 2003-04
NON-REALIZATION OF PURCHASE PRICE OF DIPLOMATIC CARS FROM CUSTOMS AUTHORITIES - RS.0.285 MILLION

Audit pointed out that during scrutiny of file No. Dis/Diplomatic Cars/248/96 it was observed that the Department of Supplies received 04 diplomatic vehicles valuing Rs. 285,281 (for disposal through auction as per State Trading Scheme of Diplomatic Cars). These diplomatic cars could not be disposed off by the department due to exorbitant custom duty levied on them by Customs authorities resulting in escalation of prices of vehicles.

Later on the Disposal Wing surrendered 04 diplomatic cars to the Customs authorities to arrange disposal of the same under their own arrangement but the department could not realize the amount from custom authorities. The management did not pursue the matter with custom authorities for realization of dues and the amount of Rs. 0.28 Million is still outstanding.

The PAO informed that the record is not traceable. Two officials have been deputed to trace the record. He further added that the custom authorities will be asked for the realization of dues after retrieving the record.

PAC DIRECTIVE

The Committee directed the PAO to constitute an inquiry Committee in order to trace the record, realize the dues from custom authorities, to fix the responsibility upon the officials who did not provide the record, take action and report to the Audit/PAC within thirty days.

6. i) PARA-9.7 (PAGE-140-141) AR 2003-04
IRREGULAR PURCHASE OF STORES VALUING RS. 0.233 MILLION

Audit pointed out that against indent No. IP-2(3)/Photo goods/2001-02 dated 04.04.2001 of Pakistan Meteorological Department, Karachi for procurement of different items of photo goods, the Department of Supplies, Karachi (which has been devolved) advertised tender enquiry on 03 January 2002. Three firms participated in the bid and tenders were opened on 15.01.2002. Inspection Wing evaluated the tenders and offered their comments for acceptance of offer of the firms for the items offered by them. The management did not procure the stores as per Tender Enquiry disregarding clause 7(j) of Tender Enquiry. Hence, the purchase amounting to Rs. 232,895 is held as irregular.

ii) PARA-9.8 (PAGE-142-143) AR 2003-04
LOSS DUE TO AWARD OF CONTRACT AT HIGHER RATE IGNORING THE LOWEST BIDDER - RS.0.168 MILLION

iii) PARA-9.9 (PAGE-143) AR 2003-04
LOSS DUE TO REJECTION OF ACCEPTED OFFER - US$ 1,703 (RS. 0.104 MILLION)

On the presentation of above three paras, the PAO informed that record of all paras related to the Department of Supply (which has been devolved) is not traceable. The necessary record pertaining to Department of Supplies it will be hopefully retrieved in thirty days.

PAC DIRECTIVE

The Committee clubbed the above three paras and directed the PAO to constitute an inquiry Committee in order to trace the record, probe the issue, fix the responsibility upon the officials who did not provide the record, take action and report to the Audit/PAC within thirty days.

7. **PERFORMANCE AUDIT REPORT OF PAKISTAN INDUSTRIAL TECHNICAL ASSISTANCE** CENTRE LAHORE- 2003-04

PAC DIRECTIVE

The Committee settled the above performance Audit report.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04

SINDH ENGINEERING LTD.

8. i) PARA-89.4, ARPSE 2003-04
AUDIT COMMENTS

STEEL MILLS CORPORATION (PVT) LTD.

ii) PARA-92.5, ARPSE 2003-04

AUDIT COMMENTS

iv) PARA-92.6, ARPSE 2003-04

AUDIT COMMENTS

iv) PARA-92.7, ARPSE 2003-04
AUDIT COMMENTS

PAKISTAN STEEL FABRICATING COMPANY (PVT) LTD.

v) PARA-96.4, ARPSE 2003-04
AUDIT COMMENTS

PAC DIRECTIVE

The Committee deferred the above five paras till next meeting.

EXPORT PROCESSING ZONES AUTHORITY

9. i. PARA-17, ARPSE 2003-04
NON-SUBMISSION OF ACCOUNTS

PAKISTAN INSTITUTE OF MANAGEMENT

ii. PARAS-85, 85.1, 85.2, ARPSE 2003-04
AUDIT COMMENTS

PAKISTAN AUTOMOBILE CORPORATION LTD.

iii. PARAS-86, 86.1, 86.2, 86.3, ARPSE 2003-04
AUDIT COMMENTS

PAKISTAN MOTOR CAR COMPANY (PVT) LTD.

iv. PARAS-87, 87.1, 87.2, 87.3, ARPSE 2003-04
AUDIT COMMENTS

REPUBLIC MOTOR (PVT) LTD.

v. **PARAS-88, 88.1, 88.2, 88.3, 88.4, ARPSE 2003-04**
AUDIT COMMENTS

SINDH ENGINEERING LTD.

vi. **PARAS-89, 89.1, 89.2, 89.3, ARPSE 2003-04**
AUDIT COMMENTS

TDC VEHICLES EINGINEERING (PVT) LTD.

vii. **PARA-18, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (PVT) LTD.

viii. **PARAS-90, 90.1, 90.2, 90.3, 90.4, 90.5, ARPSE 2003-04**
AUDIT COMMENTS

PIDC MEDICAL CENTRE, KARACHI

ix. **PARAS-91, 91.1, ARPSE 2003-04**
AUDIT COMMENTS

PIDC TALPUR TEXTILE MILLS

x. **PARA-21, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

PIDC SPECIALIZED REFACTORY PROJECT

xi. **PARA-22, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

PIDC DIR FOREST INDUSTRIES

xii. **PARA-23, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

PIDC SHAHDADKOT TEXTILE MILLS (PVT) LTD.

xiii. **PARA-24, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

STEEL MILLS CORPORATION (PVT) LTD.

xiv. **PARAS-92, 92.1, 92.2, 92.3, 92.4, 92.8, ARPSE 2003-04**
AUDIT COMMENTS

xv. **PARA-93, ARPSE 2003-04**
LOSS OF RS. 1.754 MILLION DUE TO AWARD OF CONTRACT TO THE 2ND LOWEST BIDDER AT HIGHER RATE

xvi. **PARA-94, ARPSE 2003-04**
LOSS OF RS. 445,958 DUE TO RE-TENDERING ON EXPIRTY IN VALIDITY OF OFFER OF THE LOWEST BIDDER

xvii. **PARA-95, ARPSE 2003-04**
LOSS OF RS. 218,400 DUE TO AWARD OF CONTRACT TO THE 3RD LOWEST BIDDER

PAKSITAN STEEL FABRICATING COMPANY (PVT) LTD.

xviii. **PARA-19, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

xix. **PARAS-96, 96.1, 96.2, 96.3, 96.5, ARPSE 2003-04**
AUDIT COMMENTS

NOKKUNDI IRON ORE PROJECT

xx. **PARA-20, ARPSE 2003-04**
NON-SUBMISSION OF ACCOUNTS

STATE CEMENT CORPORATION OF PAKISTAN LTD.

xxi. **PARAS-97, 97.1, 97.2, 97.3, ARPSE 2003-04**
AUDIT COMMENTS

xxii. **PARA-98, ARPSE 2003-04**
NON-RECOVERY OF RS. 500,000 FROM CHIEF ORGANIZER OF CRICKET COMMITTEE

ASSOCIATED CEMENT ROHRI LTD.

xxiii. **PARAS-99, 99.1, 99.2, 99.399.4, 99.5, 99.6, ARPSE 2003-04**
AUDIT COMMENTS

JAVEDAN CEMENT LTD.

xxiv. **PARAS-100, 100.1, 100.2, 100.3, ARPSE 2003-04**
AUDIT COMMENTS

MUSTEHKAM CEMENT LTD.

xxv. **PARAS-101, 101.1, 101.2, ARPSE 2003-04**
AUDIT COMMENTS

PAKISTAN MACHINE TOOL FACTORY (PTVT) LTD

xxvi. **PARAS-103, 103.1, 103.2, ARPSE 2003-04**
AUDIT COMMENTS

ENAR PETROTECH SERVICES (PVT) LTD.

xxvii. **PARAS-109, 109.1, ARPSE 2003-04**
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above 27 paras on the recommendation of DAC.

10. **i)** **PARA-9.2 (PAGE-137-138) AR 2003-04**
LOSS TO PUBLIC EXCHEQUER DUE TO IRREGULAR APPOINTMENT OF GENERAL MANAGER, PITAC – RS. 0.71 MILLION

ii) **PARA-9.4 (PAGE-139) AR 2003-04**
IRREGULAR DRAWL OF OVERTIME ALLOWANCE AMOUNTING TO RS.0.586 MILLION

iii) **PARA-9.5 (PAGE-139-40) AR 2003-04**
LOSS DUE TO SALE OF VEHICLES AT LESS THAN RESERVE PRICE - RS.0.688 MILLION

PAC DIRECTIVE

The Committee settled the above three paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 21st October, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Industries and Production are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES
SIND ENGINEERING LIMITED

1. PARA-89.4, PAGE-152 (ARPSE-2003-04)

Audit pointed out that trade debts stood at Rs.26.870 million as on June 30, 2004 against which a provision of Rs.26.011 million was made as doubtful debts which amount to 96% of the debts. Audit stated that Rs.17.306 million are recoverable from Automobile Corporation of Pakistan and Rs. 0.804 million from New Dawn Autos. And Rs. 5 Million which were recoverable from different firms have been written off without any proper justification by the board of Sindh Engineering Limited. The circumstances under which such a huge provision was made need to be explained.

The PAO informed that the amount recoverable from Automobile Corporation of Pakistan pertains to the period of Awami Motors. Its liabilities were shifted to Sindh Engineering Limited 30 years before. It was tried to recover the amount through court but the case was not accepted by the court because it was time barred. Later on an enquiry was held to probe that who was responsible for time barred and two officers MD (Mr. Shujaahuddin) and Manager Marketing (Mr. Iftikhar) were held responsible. MD has been expired and the other one is not traceable. Efforts are being made to trace him. He further stated that the minutes of the meeting of board in which an amount of 5 million (recoverable) was written off has not been shown to me. The said minutes are being traced and will be provided to Audit for verification.

PAC DIRECTIVE

The Committee directed the PAO to trace the officer held responsible in the previous enquiry, take action against him and report to Audit. If he is not alive inform the Audit within 15 days

PAKISTAN STEEL MILLS CORPORATION

2. PARA-92.5, PAGE-157 (ARPSE-2003-04)

Audit pointed out that advance amounts of Rs.23.486 million which had been given to nine contractors in excess of the bills submitted. These matter were in arbitration or litigations. The reasons for payment to the contractors in excess of their bills need to be justified.

PAO informed that the advances made to 09 contractors the cases are under litigation. The factual position would apprised to audit as & when the case(s) arc adjudicated by the courts of law.PAO further added that there are five cases which are subjudice in court of Law. These payments were made during the installation of Pakistan Steel Mills.

PAC DIRECTIVE

The Committee pended the Para with direction to the PAO to submit detail of cases to Audit. The Committee also directed the PAO to pursue the cases in Court of Law vigorously and to check performance of the legal team strictly.

PAKISTAN STEEL MILLS CORPORATION

3. PARA-92.6, PAGE-157 (ARPSE-2003-04)

Audit pointed out that an amount of Rs.68.478 million as on June 30, 2004 was receivable from various downstream projects and customers on account of rent, maintenance charges, late payment surcharge and water charges. Out of which Rs.11.311 million considered doubtful for which provision for doubtful debts has been made in the accounts. The reasons for non-recovery of above charges from down stream project/customers need to be elucidated.

PAO informed that an amount of Rs.21,276,598 (Rs.16,807,147 on account of enhanced rent and Rs.4,469,451 on account of O&M charges) is outstanding against them.Pakistan Steel has been continuously struggling for recovery of the said amount. In the result of effective efforts by PSM, a meeting between officials of Pakistan Steel and TDAP was held on 12.04.2012. In that meeting, the official of M/s TDAP was principally agreed for payment of outstanding dues against them and it was decided to continue meeting to settle amicably this long outstanding issue. About the recoveries from the PTCL, PAO told that according to instruction of Finance Division this amount will be recovered after handing over the properties to M/s Iteslat. The PAO told that as regard the recoveries from down streem coustemers it is stated that eight cases are subjudice in the court of law.

PAC DIRECTIVE

The Committee pended the para and directed the PAO:-

i) To resolve the issue of recovery from TDAP at Secretries level between the M/o Commerce and M/o Industries and Production.

ii) To request the M/o Finance to recover the balance amount from PTCL.

iii) To persue the Court cases vigorously and strictly observe the

performance of the legal team and submit the comprehensive report about the Court Cases within 15 days.

PAKISTAN STEEL MILLS CORPORATION

4. PARA-92.7, PAGE-158 (ARPSE-2003-04)

Audit pointed out that Freehold land and improvements included 445.13 acres and 3,088.31 acres un-mutated and un-notified land respectively up to June 30, 2004. A land of 2000 acres still un-mutated. An early settlement of the disputed land was stressed by the Audit.

PAO informed that at the end of fiscal year 2003-2004, out of total 19,087 acres of acquired land only 9,329 acres were mutated in the name of the Corporation. However, efforts have been made by the Pakistan Steel's management and further 7435 acres of land has been got mutated in the name of Corporation, leaving behind 2122 acres un-mutated. The management of Pakistan Steel is very keen to get all the acquired land, but the Revenue department, Government of Sindh is reluctant for the mutation of land in the name of the Corporation and is demanding for the reversion of un-utilized land to them. However, the matter is being persuaded with the Revenue Department, Government of Sindh for the mutation of balance un-mutated land in the name of the Corporation. He further added that Pakistan Steel Mills is under consideration for privatization but this peace of land will be dealt separately.

PAC DIRECTIVE

The Committee pended the para till next meeting.

PAKISTAN STEEL FABRICATING COMPANY (PVT) LIMITED

5. PARA-96.4, PAGE-163 (ARPSE-2003-04)

Audit pointed out that the Privatization Commission paid an amount of Rs.100 million as loan with a markup of 18% per annum to the PSFCL for payment to its workers/officers on account of VRS. The company has paid only Rs.48.741 million on VRS and Rs.24.379 million and Rs.26.045 million was incurred on gratuity and other dues. The Privatization Commission has disputed the payment of normal gratuity and other legal dues from the above amount. The utilization of amount other than the purpose for which the same was granted needs to be justified.

PAO informed that this amount was received by PSFCL during the yew 1992-93 and 1993-94 from the privatization commission for payment to its employee under voluntary retirement scheme. The company was facing financial constraints and therefore, the settlement of employees who availed the voluntary retirement scheme was made through aforesaid funds. The matter of loan of Rs.

100 million of Privatization Commission was discussed in the Board meeting and in the light of the decision of Board the matter has been forwarded to privatization commission for treating the sad loan is grant and for the waiver of 18% interest.

PAC DIRECTIVE

The Committee pended the para till next meeting.

6. PARA – 102 & 102.1, PAGE – 173 ARPSE –2003-04

Audit pointed out that State Engineering Corporation, was incorporated in 1973 under the Companies Act, 1913 (now Companies Ordinance 1984) with a paid up capital of Rs.836 million fully subscribed by the Federal Government. The Company sustained losses for the years {2003-04:(Rs0.641 million)}, {2002-03:(Rs27.741 million)}, {2003-04:Rs5.654 million)), and {2000-01:(Rs2.731 million)}.

The Committee was apprised that DAC in its meeting held on 5th October, 2012 recommended the para for settlement subject to verification of record that the financial position of the Company has been improved.

PAC DIRECTIVE

The Committee settled the para subject to verification of record and satisfaction of Audit.

7. PARA – 102.4, PAGE – 174 ARPSE –2003-04

Audit pointed out that short term loans to units increased to Rs.17.015 million as on June 30, 2004 from Rs.9.415 million as on June 30, 2003 registering an increase of 80.72%. The loans reflected that units of SEC were not in a financial position to meet their working capital requirements.

Audit also told that an other amount of 19 million was also outstanding against the HMC which was reflecting in the accounts of SEC.

PAO informed that the only 0.9 million is outstanding against the HMC which will be recovered soon because HMC is active and functioning. Now as regard the 19 million amount pointed out by the Audit it will be discussed in Board meeting.

PAC DIRECTIVE

The Committee referred the para back to DAC and directed the PAO to report the Committee within one month.

8. i) PARA – 104.2 PAGE – 178 ARPSE –2003-04

ii. PARA – 107 & 107.1 PAGE – 181 ARPSE –2003-04

iii. PARA –107.2 PAGE – 182 ARPSE –2003-04

iv. PARA – 104 & 104.1 PAGE – 177 ARPSE –2003-04

Audit pointed out that Heavy Electrical Complex (HEC) was incorporated as a private limited company on December 9, 1991 and is fully owned by State Engineering Corporation (Pvt) Limited. The Company is engaged in the manufacture of new power transformers as well as repair of damaged power transformers. Sales of the Company could not absorb the cost of sales during the year under review and the Company suffered a gross loss of Rs.17.781 million whereas in the previous year it earned gross profit of Rs.14.073 million.

PAO informed that the financial results/indicators of the company are showing continuous improvement. During financial year 2005-06 the company earned sales revenue of Rs.587.796 million, gross profit Rs.54.350 million and net profit Rs.8.728 million. He further stated that till June, 2015 the company is in profit.

PAC DIRECTIVE

The Committee settled the above four paras.

9. PARA –108.3 PAGE – 184 ARPSE –2003-04

Audit pointed out that the Privatization Commission of Pakistan confirmed the loan liability of Rs. 468.619 million which was Rs.134.013 million higher than the liability appearing in the books of accounts of the Company. The difference was due to additional gratuities paid by the Company on behalf of Privatization Commission during the period 1993 to 1996. As per record of Privatization Commission there was no such order for adjustment of Rs.134.013 million. The matter was under consideration of State Engineering Corporation, State Bank of Pakistan and Finance Division. Liabilities appearing in books of the Company and those assessed by Privatization Commission may be reconciled.

PAO informed that DAC has directed to take up the matter with privatization Commission for early disposal of land to liquidate the loans of companies.

PAC DIRECTIVE

The Committee settled the para.

10. PARA – 117 PAGE –200 ARPSE –2003-04
UNAUTHORIZED EXPENDITURE OF RS.1.862 MILLION ON ACCOUNT OF EMPLOYMENT ON CONTRACT BASIS

Audit pointed out that Guidelines for recruitment circulated vide Establishment Division memo No.6/2/ 2000-R-3 dated May 06, 2000 require recruitment of employees on contract basis through a transparent process i.e. after properly advertising the positions. The management of National Fertilizer Marketing Limited during the year 2002-03, appointed 20 employees on contract basis on taking interviews, without advertising the posts in National Dailies. The contract appointments were made in a non-transparent manner in violation of the government instructions.

The PAO agreed with the stance of Audit that the appointment of 18 Officers was not made on merit. Only one Officer was posted on the merit who was on deputation in the National Fertilizer Marketing Limited.

PAC DIRECTIVE

The Committee directed the PAO to refer the matter to the NAB for investigation.

11. PARA –119.4 PAGE –204 ARPSE –2003-04

The Audit pointed out that the title of lease hold land and building at Roti Plant, Karachi acquired by the Corporation in 1999 from Privatization Commission, at a cost of Rs.3.660 million had not been transferred in the name of the Corporation. Further progress needs to be intimated.

PAO informed that the said land is under the possession of utility stores corporation. The matter of transfer of title of deed in favor of Utility Stores Corporation is under process with the concerned Authorities.

PAC DIRECTIVE

The Committee settled the para.

12. PARA –119.5 PAGE –204 ARPSE –2003-04

Audit pointed that in amount of Rs.143.192 million (Rs.84.752 million from stores Incharge, 30.754 millions as shops rent,06.510 million of Insurance claim and an amount of Rs. 21.176 from others) was receivable upto June 2003-2004.Such heavy provisions for doubtful receivables reflected weak receivable management. Reasons for non-recovery may be highlighted.

PAO informed that an amount of Rs.11.385 million has been recovered where as an amount of Rs.131.727 millions is outstanding due to cases in the court of law.

PAC DIRECTIVE

The Committee directed the PAO to pursue the cases in Court of Law vigorously.

13. i. PARA –120 PAGE –204 ARPSE –2003-04
LOSS OF RS.1.019 MILLION DUE TO INSECURE ADVANCE TO A FIRM ON ACCOUNT OF WEB PORTAL SERVICES

Audit pointed that advance payments need to be safeguarded by obtaining bank guarantees from parties to whom advances are given. Small and Medium Enterprises Development Authority (SMEDA) entered into an agreement with M/s Infinitek for development of web portal services on March 01, 2001 and made payment of Rs 1.019 million as per provisions of clause 5.2 of the agreement. The Authority did not earn any subscription as the afore- mentioned party went into bankruptcy.SMEDA had to sustain a loss of Rs 1.019 million as no security/bank guarantee was obtained from the firm to safeguard its interest.

ii. PARA –121 PAGE – ARPSE –2003-04
LOSS OF RS.696,611 DUE TO VIOLATION OF FINANCE DIVISION INSTRUCTIONS

Establishment Division vide its letter No F-40/650 S.E.I dated June 21, 1950 requires the appointing authority to verify the age and educational qualifications of the prospective officials.

Management of SMEDA appointed Mr. Azfar Khan as manager regional business centre, Karachi on June 10, 2002 on contract basis for a period of two years at a monthly pay of Rs.45,000. On verification the qualification of the official was found bogus and experience concocted. The official resigned from SMEDA on April 15, 2003 and the management closed the Centre. The owner of the building neither returned the equipments nor refunded the cost of renovation causing a further loss of Rs.246,611 to SMEDA.

Audit apprised the Committee that above two para were recommended for settlement subject to provision of some documents which were not provided.

The PAO informed that as the above two Paras were recommended for settlement in the DAC meeting, therefore the concerned officer of SMEDA was not called in this meeting. It is, therefore requested that discussion on these paras may be deferred

PAC DIRECTIVE

The Committee clubbed the above two paras and pended them till next meeting.

14. i) PARA – 102.5 PAGE – 174 ARPSE –2003-04.

ii. **PARA –102.2 PAGE – 174 ARPSE –2003-04**

iii. **PARA – 102.3 PAGE – 174 ARPSE –2003-04**

iv. **PARA – 104.3 PAGE – 178 ARPSE –2003-04**

v. **PARA – 105 PAGE – 179 ARPSE –2003-04**
LOSS OF RS.499,800 DUE TO VIOLATION OF PURCHASE PROCEDURE

vi. **PARA – 106 PAGE – 179 ARPSE –2003-04**
OVERPAYMENT OF RS.237,346 ON ACCOUNT OF GRATUITY TO EX-DEPUTY GENERAL MANAGER (ADMN)

vii. **PARA –107.3 PAGE –182 ARPSE –2003-04**

viii. **PARA –108 &108.1 PAGE – 183 ARPSE –2003-04**

ix. **PARA –108.2 PAGE –184 ARPSE –2003-04**

x. **PARA – 111 & 111.1 PAGE – 189 ARPSE –2003-04**

xi. **PARA – 111.2 PAGE –190 ARPSE –2003-04**

xii. **PARA – 111.3 PAGE –190 ARPSE –2003-04**

xiii. **PARA – 111.4 PAGE –190 ARPSE –2003-04**

xiv. **PARA – 112 & 112.1 PAGE – ARPSE –2003-04**

xv. **PARA – 112.2 PAGE – ARPSE –2003-04**

xvi. **PARA – 113 & 113.1 PAGE – ARPSE –2003-04**

xvii. **PARA – 113.2 PAGE – ARPSE –2003-04**

xviii. **PARA – 114 PAGE – ARPSE –2003-04**

xix. **PARA – 114.2 PAGE – ARPSE –2003-04**

xx. **PARA – 114.3 PAGE – ARPSE –2003-04**

xxi. **PARA – 114.4 PAGE – ARPSE –2003-04**

xxii. **PARA – 115 & 115.1 PAGE – ARPSE –2003-04**

xxiii. **PARA – 115.2 PAGE – ARPSE –2003-04**

xxiv. **PARA – 116 & 116.1 PAGE – ARPSE –2003-04**

xxv. **PARA – 116.2 PAGE – ARPSE –2003-04**

xxvi. **PARA – 116.3 PAGE – ARPSE –2003-04**

xxvii. **PARA – 118 & 118.1 PAGE – ARPSE –2003-04**

xxviii **PARA – 118.2 PAGE – ARPSE –2003-04**

xxix. **PARA – 119 & 119.1 PAGE –203 ARPSE –2003-04**

xxx. **PARA – 119.2 PAGE – ARPSE –2003-04**

xxxi. **PARA – 119.3 PAGE – ARPSE –2003-04**

PAC DIRECTIVE

The Committee settled the above 31 paras on the recommendation of DAC.

M/O INFORMATION, BROADCASTING AND NATIONAL HERITAGE

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Information, Broadcasting and National Heritage was examined by the PAC on 18th May 2011, 13th May and 2nd September, 2015.

- 07 grants and 14 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 07 grants and 08 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 18th July, 2011, has also been made part of the report.

M/O INFORMATION, BROADCASTING AND NATIONAL HERITAGE

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the year 2003-04 pertaining to the M/o Information & Broadcasting were taken up for examination by Special Committee-II of the PAC in the meeting held on July 18th, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-2004

1. i) GRANT NO. 65-INFROMATION AND BROADCASTING
SAVING OF RS.22,662,061/-

AGPR pointed out that the grant closed with a saving of Rs.22,662,061 which worked out to 17.29% of the total grant. An amount of Rs.17,295,000 (13.19%) was surrendered leaving net saving of Rs.5,367,061 (4.10%).

The PAO informed the Committee that the saving pertains to 20 Cost Centers and more than 200 detailed object heads.

ii) GRANT NO. 66-DIRECTORATE OF PUBLICATIONS NEWSREELS AND DOCUMENTARIES
SAVING OF RS. 7,703,544/-

AGPR pointed out that the grant closed with a saving of Rs. 7,703,544/- which worked out to 16.56% of the total grant. An amount of Rs.5,835,000 (12.55%) was surrendered leaving net saving of Rs.1,868,544 (4.01%).

The PAO informed the Committee that the saving was due to change of incumbents and vacant posts during the year, control over contingent & other allowances and postponement of the Directorate General of Films & Publication's project.

iii) GRANT NO. 68- INFORMATION SERVICES ABROAD
SAVING OF RS.11,932,724/-

AGPR pointed out that the grant closed with a saving of Rs.11,932,724 which worked out to 7.67% of the total grant.

The PAO informed the Committee that the saving was mainly due to the vacant posts of Press Atache in Tokho, Washington and Dhaka. Similarly, some post of Pak based official at Information Section Washington, London and Kabul remained vacant.

iv) GRANT NO. 69-OTHER EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION
EXCESS OF RS.74,999,000

AGPR pointed out that the grant closed with an excess of Rs.74,999,000 which worked out to 40.91% of the total grant. A supplementary grant of Rs.75,000,000 was sanctioned but not included in the supplementary schedule of authorized expenditure. After taking it into account the excess shall be converted into net saving of Rs 1,000.

The PAO informed the Committee that the excess was due to clear pending bills of advertising agencies.

PAC DIRECTIVE

The Committee regularized the above grants with the observation that the savings should have been surrendered by the prescribed date.

2. GRANT NO. 67- PRESS INFORMATION DEPARTMENT
EXCESS OF RS.12,682,871

AGPR pointed out that the grant closed with an excess of Rs.12,682,871 which worked out to 12.16% of the total grant. An amount of Rs.910,000 (0.87%) was surrendered leaving net excess of Rs.13,592,871 (13.03%). A supplementary grant of Rs.10,905,000 was sanctioned but not included in the supplementary schedule of authorized expenditure

The PAO informed the Committee that excess was mainly due to grant of adhoc relief w.e.f. 01-7-2003 to the government servants.

PAC DIRECTIVE

The Committee observed that where pay and allowance are involved it is possible to anticipate and ask for full amount of supplementary grant in order to avoid excess and there has been surrender in spite of excess which displays bad financial management. The Committee, however, regularized the grant subject to reconciliation of figures with AGPR.

3. GRANT NO. 134-DEVELOPMENT EXPENDITURE OF INFORMATION AND BROADCASTING DIVISION
SAVING OF RS.26,805,829

AGPR pointed out that the grant closed with a saving of Rs.26,805,829 which worked out to 62.99% of the total grant. An amount of Rs.1,700,000 (3.99%) was surrendered leaving net saving of Rs.25,105,829 (59.1%).

The PAO informed the Committee that the saving was due to non finalization of the bills for procurement.

PAC DIRECTIVE

The Committee expressed it displeasure over the huge saving and observed that PC-1 clearly lays down the phasing of allocations. The Committee directed the Finance Division to make efforts to release funds for procurement in the first quarter.

AUDIT REPORT FOR THE YEAR 2003-04

4. PARA-5.3 (PAGE 36-AR 2003-04)
NON-ADJUSTMENT OF TA/DA ADVANCES AMOUNTING TO RS. 723, 903

Audit pointed out that as per the provisions para 269 of GFR, Vol-I, the adjustment of advances drawn by Government employees is required to be made upon return of the Government servant to headquarters or 30th June whichever is earlier. Similarly, as per Rule 668 of FTR, Vo.-I, advances granted under special orders of competent authority to government officers for departmental or allied purposes are subject to adjustment by submission of detailed accounts supported by vouchers by refund, as may be necessary.Scrutiny of the record of Pakistan High Commission, London, however, revealed that TA/DA advances amounting to Rs 723,903 drawn by Minister (Press) during 2000-01 on his posting to the Mission had not been adjusted even after the lapse of three years.

The PAO informed the Committee that the TA/DA adjustment bill of Mr. Javed Akhter after meeting the audit objections has already been sent to office of the CAO, M/o Foreign Affairs for settlement.

PAC DIRECTIVE

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

5. PARA-5.4 (PAGE 36-AR 2003-04)
IRREGULAR EXPENDITURE OF POUND. 1, 570.79 (RS. 166,022) ON ACCOUNT OF REPAIR AND MAINTENANCE OF STAFF CAR NO. 227-D-413

Audit pointed out that the as per S.No.5 of Finance Division O.M.No.F.3(4)-Exp-III/2000 dated 20th June, 2000 Head of Mission is empowered to incur expenditure upto US$700 on repair and maintenance of government owned vehicles at any one time to one or any number of vehicles used by the Mission. Contrary to above, Information Wing at Pakistan High Commission, London irregularly incurred an expenditure of £1,570.79 (US$2,356.19) on repair and maintenance of official car No. 227-D-413.

The PAO informed the Committee that the repair was got done according to prevailing rules after obtaining quotations/approval.

PAC DIRECTIVE

The Committee settled the para subject to regularization by the Finance Division and verification of record by Audit.

6. i) AUDIT PARA # 5.1-PAGE-34)-AR-2003-04
UNNECESSARY EXPENDITURE OF JP¥11 MILLION (RS.5.790 MILLION) ON ACCOUNT OF PAY AND ALLOWANCES

ii) AUDIT PARA # 5.2-PAGE-34)-AR-2003-04
IRREGULAR CASH PAYMENT OF RS 1.945 MILLION

PAC DIRECTIVE

On the recommendation of the DAC the Committee settled the above two paras.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

ASSOCIATED PRESS OF PAKISTAN

7. PARA-123 (PAGE 213-AR 2003-04)
PAYMENT OF RS. 2.532 MILLION TO OFFICERS ON ACCOUNT OF HOUSE RENT ALLOWANCE AGAINST WAGE AWARD

Audit pointed out that in accordance with 7th Wage Board Award, House Rent Allowance@60% of initial salary in respective grades was admissible to officers. In Associated Press of Pakistan (APP), House Rent Allowance was being paid @50% of progressive salary of officers, instead of 60% of initial of the salary. As a result an amount of Rs.2.532 million was overpaid to its 54 officer during the period from July 2001 to April 2003.

The PAO explained that house rent allowance @50% on progressive salary was granted to APP employees under CBA Union Management Agreement, 1977. Section 19 of the Newspaper Employees (Conditions of Service) Act 1973 also stipulates that provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law or in the terms of any award, agreement or contact of service, whether made before or after the coming into force of this Act. Under section 73 of the West Pakistan E mployee's Social Security Ordinance, 1965 a newspaper employee is entitled to benefits in respect of any matter which are more favouable to him than those to which he would be entitled under this Act. Moreover, Clause 51 of the 7th Wage Board Award authorities the employers to pay higher wages either unilaterally or on own initiatives or by collective agreement in view of any consideration including

experience or higher cost of debars every newspaper establishment to curtail "any more favouable terms, if already in vogue in any establishment".

The PAO submitted the Committee that it is audit interpretation that clause 19 pertains to social security is not correct as it relates to privileges to employees. Under this clause the employer may grant benefits in respect of any matter, which are more favourable that he receives benefits in respect of other matter under this act. So HRA in view of higher cost of living is also benefit. Moreover, the pay and allowances of APP employees are governed under Newspaper Employees (Condition of Service) Act, 1973, which is enforced till finalization of rules following change of APP's status as corporation. As per clause 2 of Newspaper Employees (Condition of Service) act 1073 any person employee to do any work in or relation to, any newspaper establishment is newspaper employee. This act covers all those employees in newspaper establishment regardless of their designation, pay or nature of duties. All whole time employee's from highest to the lowest in any capacity are cover. As such the HRA paid to the officer for the period in question is very much protected under law.

PAC DIRECTIVE

The Committee directed the PAO to carry out a detailed inquiry regarding the question of APP officers being members of a Labor Union by not having their own association and deriving benefits of labour employees. Representatives of Audit and the Finance Division should also be associated in the inquiry as to who was responsible for this irregularity, what was the content of emoluments taken since beginning and examine the possibility of recovering this amount. A report has to be submitted to the Committee within one month.

8. PARA-124.1-PAGE-215-216-ARPS-2003-2004

Audit pointed out that income of the Corporation increased by Rs 45.596 million during the 2002-03 over the previous year due to increase in subsidy from the Government of Pakistan by Rs 32 million and advertisement income by Rs 11.041 million. Surplus of the Corporation decreased by Rs 43.880 million in the year 2002-03 due to disproportionate increase in the expenditure.

The PAO informed the Committee that the DAC recommended the para for settlement and desired that efforts may be made to reduce deficit of the Corporation.

PAC DIRECTIVE

The Committee directed the PAO to submit a Summary to the Prime Minister for nomination of Board Members against vacant posts of the Board of PBC so that this department is duly guided. Since the Board is incomplete therefore the

business plan submitted to the Ministry is yet to be approved. This is for the Board of the PBC to take decisions about the future business plan of PBC.

The Committee further observed that an organization as important as PBC cannot be let to function without any Board which has not met since last year. The Committee reiterated that the Board must be reconstituted to review the future business plan. A report in this regard should be submitted to the Committee within one month.

PAKISTAN BROADCASTING CORPORATION

9. PARA-124.3 (PAGE 216- ARPS-2003-2004

Audit pointed out that the financial charges which increased from Rs.0.762 million in 2000-01 to Rs.27.807 million in 2000-02, again decreased to Rs.0.830 million during the year 2002-03. Charging of heavy financial expenses during the year 2001-02 needs to be disclosed.

The PAO informed the Committee that as per directions of DAC, a two members Committee was constituted to enquire the reason for non-payment of employees GP fund contributions to PF Trust. The Committee prepared and submitted its report in the Board of Directors 357th meeting held March 7,2008. the Board considered and approved the matter.

PAC DIRECTIVE

The Committee settled the para.

10. PARA-124.4 (PAGE -216- ARPS-2003-2004

Audit pointed out that the Grant-in-aid received from the Government of Pakistan for capital and development expenditure increased from Rs.1,435,080 million as on June 30,2002 to Rs.1,515,683 million as on June 20, 2003 due to receipt of grant-in-aid of Rs 80,603 million (2002:Rs176.627 million) during the year 2002-03. These grants, as per sanction letters, are repayable in 20 years including a grace period of 5 years with interest at prevailing rate, which remained un-specified. However, the Corporation has not accepted these terms and has requested the government for conversion into non-repayable grants. Pending decision on this request, no interest has been provided in the account. Government may take a policy decision in this regard.

The Director General PBC informed the Committee that after discussing the matter in Internal Board meeting has written to the Additional Secretary M/o Information & Broadcasting vide UONo.FW-6(23)/2004-05/Prog dated 30-12-2004 very comprehensively stating the full facts that PBC is not in a position and will not be commercially viable to repay the cash development loans unless PBC

Act 1973 approved by the Parliament is changed and the objective of setting of the Corporation are changed from a service Department to a Commercial Department. On the advice of PAC a meeting was held under the Chairmanship of Secretary I&B on 20-7-2010 in the Ministry. The Committee unanimously decided that the Prime Minister's Secretariat may be approached for conversion/regularization of these development loans into grant-in-aid for PBC. M/o I&B has submitted a summary to the Principal Secretary to the Prime Minister, PM Secretariat duly authorized by the Minister of I&B vide UO No.4(9)/92-Dev(PBC) dated 13-8-2010 with the following recommendations:

"Finance Division may convert the cash development loan amounting to Rs.2.09 billion, as advanced to PBC till 30-6-2009 and after into grants-in-aid so as to settle this long outstanding issue. This also will be in uniformity with Section 13(a) of the PBC Act 1973"

The Prime Minister Secretariat referred the case to the Finance Division for consideration. The case was examined by the Finance Division and returned to the Principal Secretary to the Prime Minister vide UO No. 1(1)-CF0iv/98-2002/2293 dated 24-9-2010 with the remarks that 'The M/o I&B may be advised to direct the PBC to prepare credible business plan and have its shared with Ministry of Finance before putting the same into implementation'. The Prime Minister Secretariat asked M/o I&B vide UO No.139-S/FSA/2010 dated 30-9-2010 to pursue the views/comments of the Finance Division. In response to M/o I&B UO letter No.4(9)/92-Dev dated 19-10-2010 the matter was thoroughly discussed in PBC Board meeting held on 16-11-2010. The recommendations of the BOD on the issue have been sent to the M/o I&B vide letter No.FW-3(4)/2010-11 dated 11-12-2010. the Ministry has take up the case with the Prime Minister Secretariat vide UO No.4(9)/92-Dev-(PBC) dated 23-12-2010 for kind consideration/ decision. The creditable business plan of PBC has been submitted to the Law Division through M/O I&B for kind consideration.

PAC DIRECTIVE

The Committee directed the PAO to get the decision on this matter expedited and put up a report to the Committee within one month.

11. PARA-125 (PAGE 217-AR 2003-04)
IRREGULAR PAYMENT OF ALLOWANCES AMOUNTING TO RS. 92.741 MILLION

Audit pointed out that the Finance Division (Regulation Wing) vide OM dated December 4, 1991 requested Ministries/Divisions to issue specific instructions to all such bodies under their administrative control, not to sanction excess benefits which are admissible under provisions of Wage Award/Pay Committee Report or the Government's standing instructions.

Pakistan Broadcasting Corporation (PBC) management paid certain allowances like House Rent, Entertainment, Winter, Un-attractive area, High Power Transmission Allowance etc., amounting to Rs 92.741 million to its employees in excess of their admissibility. The Corporation being a government funded body, payment of allowances in excess of admissibility, violation of Finance Divisions instructions in irregular expenditure and extra burden on the Corporation/ Government. In this connection, Finance Division enquired from PBC the reasons for payment of allowances in excess of their admissibility.

The PAO informed the Committee that the Radio Pakistan was converted into Corporation in December 1972. In exercise of the power conferred by section 20 of the PBC Ordinance 1972 (LXVI of 1972) the PBC Board of Directors made the regulations with regard to Pay and Allowances and introduced Corporation Pay Scales w.e.f. 20-12-1972, which were duly approved by the Federal Government.

The PBC Employees Federation submitted a Charter of demands in July 1974. The case was referred to the NIRC, being the competent forum in the regard. The NIRC authorized PBC management to negotiate with Federation and decide the issue. The PBC management through agreement/settlement with PBC Employees federation introduce new pay scales and allowances of PBC employee w.e.f. 1-6-1974. A copy each of the settlement circulated between the PBC and the PBC Employees Federation was forwarded to Financial Advisor M/O I&B Islamabad.

In 1978 the Finance Division vide their OM No.F-1(2)-Imp/77 dated 25-5-1978 (Sub clause-III) authorized corporation like PBC, which had allowed to its employees pay scales and allowances at rates different from the scheme of National Pay Scales and Allowances, to let them continue to enjoy their pay scales & allowances. In the light of this authority, PBC has been revising its pay scales and allowances with the approval of Federal Government/PBC Board from time to time.

PAC DIRECTIVE

The Committee directed the Representative of the Finance Division to take a decision on merits and put up a report within one month.

PAKISTAN TELEVISION CORPORATION LIMITED

12. PARA-126.2 (PAGE 219-ARPSE 2003-04)

Audit pointed out that the net trade debts of the Corporation increased by 12.86% from Rs.1,292,471 million as on June 30, 2003 to Rs.1,458,695 million as on June 30, 2004. The provision for doubtful debts amounting to Rs 19.318 million and unadjusted credit balances amounting to Rs 261.706 million had been provided. The trade debtors included receivables of Rs. 123.843 million

recoverable since more than three years, but provision had been made for Rs 19.318 million @ 1% of the gross billing on income from advertising. The less provision for doubtful debts resulted in understanding of operating loss to that extent. The non-recovery of trade debtors forced the corporation to depend upon the short term bank borrowings for working capital requirements with enhanced to Rs 300 million as June 30, 2004 from 228.582 million as on June 30, 2003.

The PAO informed the Committee that after taking into account the recovery/adjustment made during the period from July 2004 to March 2007, amount of receivable against advertisers has been reduced to Rs.572.024 million (Rs.552.780 plus 19.244 million), which includes the amount relating to litigation cases/doubtful debts and PLS.

The amount of Rs.19.318 million which has been increased to Rs.42.123 million in 2004-05, considered as doubtful debts, is included in the amount relating to hugation cases. PTV is trying to recover the amount through legal process.

PAC DIRECTIVE

The Committee settled the para.

13. PARA-130 (PAGE 223-224-ARPSE 2003-04)
IRREGULAR PAYMENT OF RS. 314,934 ON ACCOUNT OF HOUSE RENT ALLOWANCE

Audit pointed out that the in terms of Finance Division (Regulation Wing) OM No.F.2(1)-R-5/91 dated August 25, 1991, House Rent Allowance was not admissible in cases where both of the husband/wife were employed in an Autonomous Organization and posted at the same station with one of them being provided with accommodation by the Autonomous Organization.

In violation of above instruction payment of Rs.314.934 on account of House Rent Allowance was made during 2001-02 in PTV Centre, Islamabad. Four employees whose husband/wife were working in the centre, and one of them was provided with residential accommodation while, the other was drawing house rent allowance in violation of the above rule.

The PAO informed the Committee that similar audit observation, for the House Rent Allowance paid to the spouse during the year 2004-05, was recommended for settlement in DAC meeting held on 19-3-2007. However, audit observation of year 2003-04 on the same grounds and desired to refer the case to Ministry of Finance (Regulation Wing) for necessary ruling.

PAC DIRECTIVE

The Committee remanded the Para back to DAC with the instructions to follow the provisions of the rules and the precedents and asked to put up a report within one month. The Deputy Auditor General pointed out that the recommendation of the DAC should reflect observance of government rules.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th May, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of defunct Ministry of Minorities, Culture, Sports, Tourism and Youth affairs division (now under Ministry of Information, Broadcasting and National Heritage) are given below:

1. GRANT NO.19-MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION

The AGPR pointed out that the Grant closed with a saving of Rs.5,705,770 was 2.23 percent of the total amount. An amount of Rs.9,146,631(3.58%) was surrendered resulting into an excess of Rs. 3,440,861 (1.35%).

2. GRANT NO. 20 OTHER EXPENDITURE OF MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION

The AGPR pointed out that the Grant closed with a saving of Rs.4,804,511 was 0.94 percent of the total amount. An amount of Rs.783,200 (0.15%) was surrendered leaving a net saving of Rs. 4,021,311 (0.78%).

3. GRANT NO. 122-DEVELOPMENT EXPENDITURE OF MINORITIES, CULTURE, SPORTS, TOURISM AND YOUTH AFFAIRS DIVISION

The AGPR pointed out that the Grant closed with a saving of Rs.295,885,552 was 43.62 percent of the total amount. An amount of Rs.272,020,000 (40.10%) was surrendered leaving a net saving of Rs. 23,865,552 (3.52%).

PAC DIRECTIVE

The Committee regularized the above 3 grants.

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 2nd September, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Ministry of Information, Broadcasting and National Heritage are given below:

AUDIT REPORT 2003-04

1. PARA-5.3 (PAGE-35) AR 2003-04
NON-ADJUSTMENT OF TA/DA ADVANCES – RS.0.724 MILLION

The Audit pointed out that contrary to General Financial Rules and Rule No. 668 of Federal Treasury Rules, in Pakistan High Commission, London, TA/DA advances amounting to Rs.723,903/- drawn by Minister (press) during financial year 2000-01 on his posting to the mission had not been adjusted even after the lapse of 14 years.

The PAO informed that the copies of the bills were sent to the M/o Foreign Affairs for adjustment. However, no compliance has been made to the Audit so far.

Audit was of the view that due to considerable delay in the matter, it needs to be regularized/approved the M/o Finance.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the M/o Finance within 30 days.

2. PARA-5.4 (PAGE-36) AR 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF REPAIR AND MAINTENANCE OF STAFF CAR NO. 227-D-413 – Rs. 0.166 MILLION (UK £1,570.79)

The Audit pointed out that as per instructions of Finance Division, head of mission is empowered to incur expenditure up to US $700 on repair and maintenance of Government owned vehicles at any one time to one or any number of vehicles used by the mission but information wing at Pakistan High Commission, London incurred an expenditure of UK £1,570.79 (US $2,345.19) on repair and maintenance of official cars.

The PAO informed that the said para was recommended for settlement by the PAC in its meeting held on 18th July, 2011 subject to verification of record of regularization by the Audit.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the M/o Finance within 30 days.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04

3. PARA-123 (PAGE-213) ARPSE 2003-04
PAYMENT OF RS.2.532 MILLION TO OFFICERS ON ACCOUNT OF HOUSE RENT ALLOWANCE AGAINST WAGE AWARD

The Audit pointed out that in accordance with 7th Wage Board Award, house rent allowance @ 60% of the initial salary in respective grades was admissible to officers. In Associated Press of Pakistan (APP), house rent allowance was being paid @ 60% of the progressive salary of officers instead of 60% of initial salary. As a result, an amount of Rs.2.532 million was overpaid to its 54 officers during the period from July, 2001 to April, 2003. Audit further told that it is still being paid.

It was brought to the notice of the Committee that the PAC in its meeting held on 18th July, 2011 directed the PAO to hold inquiry to investigate that why the officers of APP were being members of Labor Union and deriving benefits of labor employees. PAC also directed to fix the responsibility and report within month.

The PAO informed that an inquiry Committee has been constituted and assured the Committee that its findings will be finalized within 30 days. He further told that payment of house rent has been stopped.

PAC DIRECTIVE

The Committee directed the PAO to inquire the matter, fix responsibility on the officers/officials responsible for the irregularity, propose the action to be taken against them and submit a report to PAC/Audit within 30 days. The Committee also directed the PAO to get the irregularity regularized from the M/o Finance.

4. PARA-125 (PAGE-217) ARPSE 2003-04
IRREGULAR PAYMENT OF ALLOWANCES AMOUNTING TO RS.92.741 MILLION

The Audit pointed out that contrary to Finance Division (Regulation Wing) specific instructions, Pakistan Broadcasting Corporation (PBC) paid certain allowances like house rent, entertainment, winter, unattractive area, high power transmission allowance, etc., amounting to Rs. 92.741 million to its employees in excess of their admissibility.

The PAO informed that there is a difference between the scales of Government of Pakistan and PBC. There are 22 scales in Government of Pakistan while there are 9 scales in PBC. The PBC increases the pay of its employees with the same percentage as it is announced by the Government of Pakistan. To clear the ambiguity of scales, he told that it has been decided to take this matter on the agenda of the next meeting of the board. The PAO, ***quoting the clauses of PBC Act (Act No. XXXII) of 1973***, stated that PBC is authorized to formulate rules for its own pay and scales. The Committee and the Audit were not convinced with the reply of the PAO.

PAC DIRECTIVE

The Committee directed the PAO to frame the financial rules, get them vetted from M/o Law, Justice and Human Rights and get them approved by the M/o Finance. The Committee also directed the PAO to discontinue the payment of inadmissible allowances.

5. i) PARA-124.4 (PAGE-216) ARPSE 2003-04
AUDIT COMMENTS

ii) PARA-130 (PAGE-223-224) ARPSE 2003-04
IRREGULAR PAYMENT OF RS.314,934 ON ACCOUNT OF HOUSE RENT ALLOWANCE

PAC DIRECTIVE

The Committee referred the above two paras for pursuance at DAC level.

6. PARA-124, 124.1, 124.2, ARPSE 2003-04
AUDIT COMMENTS

PAC DIRECTIVE

The Committee settled the above para on the recommendation of DAC.

M/O INTERIOR

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Interior was examined by the PAC on 2nd July, 2015.

- 09 grants and 119 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 09 grants and 53 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O INTERIOR

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd July, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Ministry of Interior are given below:-

MINISTRY OF INTERIOR

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.71-INTERIOR DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 3,826,108,710 which worked out to 94.65% of the total grant.

PAO informed that it was released late and subsequently it was spent for the purpose for which it was granted.

PAC DIRECTIVE

The Committee regularized the grant.

2. i. GRANT NO. 72-ISLAMABAD

AGPR pointed out that the grant closed with the excess of Rs. 65,409,859 which worked out to 4.11% of the total grant.

ii. GRANT NO. 73-PASSPORT ORGANIZATION

AGPR pointed out that the grant closed with the saving of Rs. 2,418,176 which worked out to 0.84% of the total grant.

iii. GRANT NO. 74-CIVIL ARMED FORCES

AGPR pointed out that the grant closed with the excess of Rs. 234,805,349 which worked out to 4.70% of the total grant. An amount of Rs. 67,482,000 (1.35%) was surrendered increasing net excess of Rs. 302,287,349 (6.05%).

iv. GRANT NO. 75-PAKISTAN COAST GUARDS

AGPR pointed out that the grant closed with the saving of Rs. 11,907,291 which worked out to 4.48% of the total grant. An amount of Rs.

10,290,000 (3.87%) was surrendered leaving net saving of Rs. 1,617,291 (0.61%).

v. GRANT NO. 76-PAKISTAN RANGERS

AGPR pointed out that the grant closed with the excess of Rs. 92,045,451 which worked out to 2.95% of the total grant. An amount of Rs. 131,326,000 (4.21%) was surrendered increasing net excess of Rs. 223,371,451 (7.17%).

vi. GRANT NO. 77-OTHER EXPENDITURE OF INTERIOR DIVISION

AGPR pointed out that the grant closed with the excess of Rs. 132,633,378 which worked out to 7.56% of the total grant. An amount of Rs. 16,784,537 (0.96%) was surrendered increasing net excess of Rs. 149,417,915 (8.52%).

vii. GRANT NO. 80-FRONTIER CONSTABULARY

AGPR pointed out that the grant closed with the saving of Rs. 24,696,481 which worked out to 2.03% of the total grant. An amount of Rs. 20,450,000 (2.02%) was surrendered leaving net saving of Rs. 4,246,481 (0.35%).

viii. GRANT NO. 136-DEVELOPMENT EXPENDITURE OF INTERIOR DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 1,914,399,039 which worked out to 55.50% of the total grant. An amount of Rs. 700,065,000 (20.30%) was surrendered leaving net saving of Rs. 1,214,334,039 (35.20%).

PAC DIRECTIVE

The Committee clubbed the above eight grants and regularized.

AUDIT REPORT FOR THE YEAR 2003-04

3. PARA-4.1 (PAGE-59) AR 2003-04
NON-PRODUCTION OF ADJUSTMENT ACCOUNT IN RESPECT OF FUNDS ALLOCATED FOR ARMS CONTROL – RS.28.040 MILLION (Rs.31.050 Million)

The Audit pointed out that the Chief Executive Secretariat directed the Finance Division to allocate Rs. 100.00 million for Media Campaign and Reward Money

for the informers as required by Arms Control Policy approved by the Cabinet on 16 May 2001. As per approval an amount of Rs. 50,000 was to be placed at the disposal of each Police Station of Provincial Governments. A sum of Rs. 31.050 million was released (An amount of Rs 15.150 Million for Punjab, an amount of Rs 10.820 Million for Sindh and an amount of Rs 5.080 Million for Khyber Pakhtunkhwa) by the Ministry of Interior on 20 June 2001. The Audit explained that adjustment account / record of payments made out of allocations to the provinces of Punjab and Sindh was not made available to the Audit to ascertain if the money was spent for the purpose for which the same was allocated. A review of account submitted by the Inspector General Police (IGP), Khyber Pakhtunkhwa revealed that reward amounting to Rs. 5.080 million was paid to police officers and raiding parties instead of the informers with disregard to the approved policy.

The Audit was of view that payment to police officials and non-submission of adjustment account of Rs. 28.4 million (Rs.31.050 million) was totally against the rules.

PAO informed that provincial governments have been repeatedly requested to furnish the adjustment accounts. As far as audit observations against the Government of Khyber Pakhtunkhwa, it was stated that according to the information provided by IGP Khyber Pakhtunkhwa , police officials were required to pay the amount to the informer/raiding team as reward money. The position will be further clarified upon receipt of reply from Government of Khyber Pakhtunkhwa and other provincial Governments.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry to probe that whether the money has been disbursed as per official requirement or was misused and submit report to PAC within thirty days.

4. PARA-4.2 (PAGE-60-61) AR 2003-04
NON-PRODUCTION OF RECORD OF DISBURSEMENT FROM THE DISCRETIONARY GRANT OF MINISTER – RS. 1.650 MILLION

The Audit pointed out that the record of disbursement out of discretionary grant of Minister for Interior amounting to Rs. 1,650,000 was not produced to the Audit despite repeated requests. The Audit quoted the Section 14 of Ordinance of Auditor General's (Functions, Powers and Terms of Conditions of Service) Ordinance, 2001 non production of record is a serious lapse for which action should be taken against the concerned officials under Government Servants (E&D) Rules, 1973.

PAO informed that the copy of register/cashbook has been provided to the audit and we are trying to get the bank statements. It was told by the PAO that after getting the statements reconciled with bank, record will be provided to the Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of the record by the Audit with a report to PAC.

5. PARA-4.3 (PAGE-61-62) AR 2003-04
NON-RECOVERY ON ACCOUNT OF EXCESS EXPENDITURE ON RESIDENTIAL TELEPHONES - RS. 0.123 MILLION

The Audit pointed out that Cabinet Division has fixed monthly ceiling for use of official as well as residential telephones for different categories of officers vide O.M. No.1/2/98-GC dated 02 September 1999. However, the ceilings fixed by Cabinet Division were not being observed by the officers of Ministry of Interior. Thus excess calls amounting to Rs. 122,625 were made and an amount of Rs. 22,308/= was also recoverable from the Officers who made calls beyond their ceiling fixed by the M/o Law and Justice which could not be recovered.

PAO informed that an amount of Rs. 64,895 was condoned by the Secretary Ministry of Interior, Rs. 30,535 has been recovered and the remaining amount is under process of recovery/regularization.

PAC DIRECTIVE

The Committee settled the para.

6. PARA-4.4 (PAGE-62-63) AR 2003-04
MIS-UTILIZATION PAYMENT MADE TO PAK. PWD FOR CONSTRUCTION OF JUDICIAL AND ADMINISTRATIVE COMPLEX – Rs. 27.320 MILLION

The Audit pointed out that construction work of ICT Judicial and Administrative Complex at Islamabad was entrusted to Pak. PWD vide Prime Minister's Secretariat U.O.No.2930/S.O.(C)/ 92-C dated 27 December 1992. An amount of Rs. 27.320 million was released to Pak. PWD out of Tameer-e-Watan Program for this purpose during the financial years 1992-93 and 1993-94 without possessing the land and approval of PC-I. The construction work was subsequently transferred to CDA on 19 October 2000 but amount previously paid to Pak. PWD was not refunded or transferred to the CDA. Ministry of Housing and Works vide D.O. No. 2(16)/2002-Works dated 09 April 2002 informed that the funds were misused on some other works by Executive Engineer, Central Civil Division III, PWD. The release of above money before approval of the scheme on other projects and availability of land was irregular.

The PAO informed that the amount of this project was transferred from PWD to CDA & was misused. F.I.R was lodged with FIA and later on it was transferred to NAB.

The representative of NAB told that this case is not with the NAB.

PAC DIRECTIVE

The Committee directed the PAO to check the record whether the case is with FIA or NAB and initiate the case for recovery and report back to the Committee in next meeting.

7. PARA-4.5 (PAGE-63-64) AR 2003-04
IRREGULAR RETENTION IN NON-LAPSABLE PLA TO AVOID LAPSE OF FUNDS - RS. 9.490 MILLION

The Audit pointed out that a non-lapsable Personal Ledger Account (PLA) of Chief Commissioner, Islamabad was opened under the provisions of rule 623 (a) Federal Treasury Rules (FTR). It was observed that management of Fisheries and Police Department of ICT and the Interior Division drew savings of Rs.9.490 million, available in regular budget at the end of fiscal years, and deposited the same into non-lapsable PLA of Chief Commissioner Office to avoid the lapse of funds. The amount was later on used to meet the expenditure of next year for which separate allocation was obtained.

The PAO informed that the Audit was satisfied of the amounts given to fisheries department. The Audit is demanding the record/detail of remaining amount Rs. 8.225 Million relating to Police and Interior Division. The PAO informed that this amount was spent fairly and receipts are available and can be provided to the audit for verification. This expenditure was made in an extra ordinary situation after the 9/11 incident.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to resolve the issue at DAC level within 30 days.

8. PARA-4.6 (PAGE-64) AR 2003-04
UNAUTHORIZED / IRREGULAR EXPENDITURE ON ENTERTAINMENT / FOOD CHARGES - RS.0.503 MILLION

The Audit pointed out that a sum of Rs. 503,484 was spent on account of "Iftari"/food served to the ICT police personnel from the Grant of Rs. 8.00 million (available in the PLA opened for Commissioner's Office) provided by the Interior Division to meet the expenses on law and order. It was also noted that the expenditure was sanctioned beyond the delegated financial powers and open bids were not invited to obtain competitive rates.

PAO informed that after 11th September, 2001, 600 officials were deputed for extra ordinary duty at various points in ICT, Islamabad. Refreshment items were purchased according to the daily requirement and served on their place of duty. The security arrangements were made in emergency and entertainment items were purchased on daily basis. While the issuance of bill without date was firm's fault who later on rectified the fault and issued bills after removing deficiencies.

PAC DIRECTIVE

The Committee refers the para to the DAC and directed the PAO to report to the PAC within 30 days.

9. PARA-4.8 (PAGE-65-66) AR 2003-045
IRREGULAR RETENTION IN THE PRESENCE OF CLAIMS OF COOPERATIVE AFFECTEES – RS. 12.710 MILLION

The Audit pointed out that during scrutiny of paid claims of the depositors up to Rs. 25,000 who had held their accounts in defaulted co-operative finance societies / corporations, it was observed that the an amount of Rs. 60.00 million was placed at the disposal of Registrars Cooperative Societies by the Finance Division in May, 1994 for creation of a Revolving Fund for making payments to the depositors / affectees of amounts up to Rs. 25,000 registered in Islamabad. The Audit observed that out of the above said amount of Rs. 60.00 million, a sum of Rs. 47,294,263 had been paid to 4,900 affectees till the date of audit but the balance amount of Rs. 12,705,737 was lying un-disbursed in a current bank account while 1,092 duly verified claims and another 1,911 unverified claims were pending with the management . Action of the management to retain the amount rather than disbursing the same to the affectees or refunding it to the Government was irregular.

PAO informed that 3,570 claims having amount of Rs.21,571,866 were pending and these could not be verified due to miscellaneous reasons i.e. not availability of record, no response from the claimants, absence of succession certificates where the claimants had died, change of address of the claimants and missing of original documents by the claimants etc. The balance amount has been deposited into Federal Treasury.

PAC DIRECTIVE

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

10. PARA-4.11 (PAGE-68-69) AR 2003-04
UN-JUSTIFIED EXPENDITURE ON MAINTENANCE OF 15 VEHICLES AFTER COMPLETION OF PROJECTS - RS.0.775 MILLION

The Audit pointed out that the Soil Conservation, ICT retained 6 motor vehicles and 8 motorcycles of five completed projects without approval of the Cabinet Division. These vehicles were required to be returned to the Cabinet Division on completion of the projects but were either retained in office or used by the non-entitled officers/ officials irregularly by showing 'general duty' in the relevant record which resulted in unjustified expenditure of Rs. 774,882.

PAC DIRECTIVE

The Committee directed the PAO to get the NOC for regularization from Cabinet Division to use the said vehicle and get it verified by the Audit within thirty days.

11. PARA-4.13 (PAGE-71) AR 2003-04
NON-PRODUCTION OF RECORD PERTAINING TO EXPENDITURE INCURRED ON PURCHASE OF POL ETC – RS.1.730 MILLION

The Audit pointed out that Federal Investigation Agency, Karachi incurred an expenditure of Rs. 1,734,783 on purchase of POL and repair of vehicles during 1997-2000 but the relevant record of vehicles i.e. Movement Registers / Log Books and petrol account was not produced to the audit for scrutiny. Non-production of record is not only a violation of Para-17 of GFR Vol-I and Section 14 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 but in absence of the record the authenticity of expenditure can also not be verified by the audit.

PAO ensured to provide the record to the Audit for verification.

PAC DIRECTIVE

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

12. PARA-4.14 (PAGE-71) AR 2003-04
IRREGULAR EXPENDITURE AND NON-DEDUCTION OF INCOME TAX - RS. 3.900 MILLION

The Audit pointed out that in the office of the Inspector General, FC, Khyber Pakhtunkhwa, Peshawar an expenditure of Rs. 3,900,000 was incurred on 3 different works out of the share of reward money for the welfare of troops. It was, however, observed that in all the three cases the contracts were awarded without inviting open tenders as required under para 144 of GFR, Vol. I. Thus the whole expenditure on this account was considered as irregular. It was also noted that in all these cases the contractors belonged to settled areas but income tax @ 5% of the payment (total amount Rs. 195,000) was not recovered / deducted at source from the bills of the contractors.

The PAO stated that the construction work had been executed at Miranshah and Mirali (North Waziristan Agency) which was tax free zone, hence recovery of income tax in this case was not admissible. While, in the other case rupees 7,800 on account of stamp duty was recovered from the contractors. He also told that tenders were forwarded to all approved/ registered contractors.

PAC DIRECTIVE

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

13. PARA-4.15 (PAGE-72) AR 2003-04
LOSS TO PUBLIC EXCHEQUER DUE TO MANIPULATION IN TENDER DOCUMENTS – RS. 3.290 MILLION

The Audit pointed out that in the office of the IGFC, Khyber Pakhtunkhwa, Peshawar the lowest bid of Rs. 35 per meter for the supply of khaki cloth offered by a Nowshera based firm was over-written and changed to Rs. 55 per meter. As such the next bid of Rs. 45.98 per meter offered by a Karachi based firm became the lowest and was accepted accordingly. The firm supplied a quantity of 300,000 meter cloth during 2001-2002 for all the units of Frontier Corps. Thus due to tampering with the quotation of the lowest bidder the management put the public exchequer to a loss of Rs. 3,294,000/= The Audit stressed that the enquiry report may be sent provided to the PAC through M/o Interior.

PAO informed that M/s Suleman Corporation Nowshera was the lowest bidder but his rate was not considered for acceptance by the board made for opening/ scrutinizing quotation because he was not on the approved list of contractors for the year 2001-02 with this organization which was a pre-requisite. However, the firm itself overwrote/ tempered with the quotation. In this regard, inquiry is under process.

PAC DIRECTIVE

The Committee settled the para subject to satisfaction of the Audit on the Enquiry Report.

14. PARA-4.16 (PAGE-72-73) AR 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF MILK PACK INSTEAD OF FRESH MILK – RS. 2.480 MILLION

The Audit pointed out that in Thall Scouts, payment for the supply of fresh milk at the scale of 248 ml per head per day was made to the contractor in light of contract agreement executed with the contractor as per scale fixed by the GHQ in Scale of Ration and Supplies. The contract was later extended to another financial year up to 30 June 2001. It was, however, observed that the contractor had supplied milk pack instead of fresh milk at the scale of 110 ml / head / day instead of 248 ml. It was also noted that supply was being received in packs but the record was maintained for supply of fresh milk. The supply of milk pack was made in compliance with F.C. (Headquarters) wireless circular dated 22 May 1998.The supply of milk pack instead of fresh milk was irregular. Furthermore, by changing the scale of fresh milk of 248 ml / day / head to 110 ml/head/day of milk

pack the required amount of nutrition / food was reduced without the approval of any authority. This was violation against the terms of contract agreement.

The PAO informed that the milk pack was not issued to troops as a matter of routine it was only issued when troops move at short notice to troubled spot in connection with operation to avoid deprivation of men from milk at all. PAO told that men preferred milk pack to milk powder and better and costly milk was provided to soldiers/men. No loss was given to public exchequer.

PAC DIRECTIVE

The Committee directed the PAO to get the irregularity regularized from competent forum and provide the record of regularization to the Audit for verification.

15. PARA-4.22 (PAGE-77) AR 2003-04
LOSS TO PUBLIC EXCHEQUER DUE TO NON-DEDUCTION OF PROFESSIONAL TAX AND REGISTRATION RENEWAL FEE FROM CONTRACTORS – RS.0.605 MILLION

The Audit pointed out that in the office of IGFC, Peshawar 94 contractors / suppliers have been registered for the supply of various items. Out of these, 27 made supplies during the year 2001-02. Professional tax amounting to according to Rs.135,000 was not deducted from them which was necessary under the rules.

The PAO informed that the contractors belonging to tribal areas are exempted from professional tax. However, as desired by Audit recovery of Rs.5000 Registration Fee and Rs.2,000 Renewal Fee has been started.

PAC DIRECTIVE

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

16. PARA-4.24 (PAGE-78) AR 2003-04
IRREGULAR DEPOSIT OF GOVERNMENT RECEIPT INTO REGIMENTAL FUND – RS.0.246 MILLION

The Audit pointed out that in the office of the Commandant Dir Scouts, Timergara, 35 shops and 2 Canteens constructed on Government land were rented out at monthly rates of Rs. 500 and Rs. 3,000 each. An amount of Rs. 246,000 was recovered from the occupants as rent / lease money during 1997-98 and deposited into the regimental fund instead of Government account in disregard of Rule -7(1) Federal Treasury Rules (FTR) Vol-I.

17. PARA-4.27 (PAGE-80) AR 2003-04
UNAUTHORIZED DEDUCTION FROM SALARY – RS. 2.040 MILLION

The Audit pointed out that in Mahsud Scouts at Fort Slop Bara, scrutiny of the record pertaining to pay and allowances of jawans revealed that a sum of Rs. 85 per month is being deducted from each of the 2,000 *jawan* for the Medical, benevolent fund for the welfare of jawans.

The PAO informed that as per direction of PAC, draft Regimental Welfare Fund, rules have been prepared by M/o Interior and forwarded to CGA, Islamabad for vetting. Decision still awaited, action will be taken on receipt of decision. He further told that the net income was spent on the collective Welfare of regiment.

PAC DIRECTIVE

The Committee clubbed the above two paras and directed the PAO to frame the rules for regimental fund get them approved from competent forum and submit to the Audit for verification within thirty days.

18. PARA-4.28 (PAGE-81) AR 2003-04
BLOCKAGE OF PUBLIC MONEY SINCE JUNE, 2000 DUE TO PURCHASE OF MACHINERY – RS. 1.070 MILLION

The Audit informed that in terms of para 145, GFR, Vol. I, stores should not be purchased in advance without actual requirements. Audit apprised the Committee that Pakistan Rangers, Lahore purchased machinery and equipment worth Rs. 1,066,890 for wheel balancing / alignment on 29 June 2000 but the machinery / equipment was lying uninstalled / idle and packed till close of audit.
PAO informed that in order to save financial losses, the equipment were installed in Mechanical Transport shed for necessary balancing and wheel alignment, which was genuine requirement at that time. The room had been constructed for fitting of machinery i.e. wheel balancer and wheel alignment was installed and are still functioning.

PAC DIRECTIVE

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

19. PARA-4.29 (PAGE-81-82) AR 2003-04
LOSS DUE TO EXCESS PAYMENT ON ACCOUNT OF PURCHASE OF UNIFORM ITEMS - RS. 0.482 MILLION

The Audit pointed out that Pakistan Rangers, Punjab, Lahore incurred excess expenditure of Rs. 482,344 on account of purchase of Vest Cotton half sleeves by paying extra rate of Rs. 35.60 per piece. As a result the Government had to sustain a loss of Rs. 482,344 which was violation of the instructions contained in

para 10 (i) of GFR Vol-I.As per these instructions every public officer is expected to exercise the same vigilance in respect of expenditure incurred from the public money as a person of ordinary prudence would exercise in respect of expenditure from his own pocket.

PAO informed that the procurement plan was approved by the Ministry of Industry and Production. After approval of procurement plan from M/o Industries and Production, 2 different tenders were called for procurement of above mentioned Vest Cotton having different specification. On opening of tenders, M/s Bukhsh Enterprises Lahore was awarded the contract of the supply.

Further, he told that quality and the texture was strictly observed and purchasing was made after adopting all codal formalities. Therefore, no loss was occurred to national exchequer.

PAC DIRECTIVE

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

20. PARA-4.30 (PAGE-82) AR 2003-04
IRREGULAR EXPENDITURE WITHOUT BUDGET – RS. 1.500 MILLION

The Audit informed that in Pakistan Rangers, Lahore under the administrative control of Ministry of Interior, a sum of Rs. 1,495,000 was available under the head 59900-Others during the year 2000-01 which was spent for the Repair of Buildings for which there exists a separate head viz. 44000-Repair of Buildings. This was done in disregard of the provisions of para 12 of GFR Vol-I which requires that funds must be expended on the object for which these are provided. The management did not re-appropriate the funds from one head to the other for the purpose.

PAO informed that Rs.1,495,000 were allotted to Pakistan Rangers (Punjab) under head 59904-Others Miscellaneous for purchase of miscellaneous items. The expenditure was incurred on required basis. All items were entered in stock register properly and item wise details of receipts/ utilization were also entered. The expenditure has been re-appropriated.

PAC DIRECTIVE

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

21. PARA-4.32 (PAGE-83-84) AR 2003-04
LOSS DUE TO THEFT OF 32,674 PASSPORTS BOOKLETS – RS. 4.510 MILLION

The Audit pointed out that during the course of audit of Directorate General of Immigration and Passports, Islamabad and Regional Passport Office Abbottabad

it was noted that a total number of 32,674 blank passport booklets for which the cost comes to Rs. 4.51 million were stolen from Regional Passport Offices during the period from 1995 to 2002.

PAO informed that despite all efforts provincial governments did not provide armed police guards to protect the offices from any untoward incident and loss of passport booklets. At few stations the services of police guards were obtained by using their good offices by the officers posted at those stations but this arrangement could not prolonged for the reasons that the police authorities removed those guards for law and order duties. All the lost/stolen passport booklists were cancelled. Now the readable Passports are being issued at Central level. He told that Rs 1.000 million has been recovered from a Company in Faisalabad which was responsible for security of Passports but the Passport booklets were misplaced.

PAC DIRECTIVE

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

22. PARA-4.33 (PAGE-84-85) AR 2003-04
IMPROPER MANAGEMENT OF THE CONTRACT FOR SECURITY SERVICES VALUING - RS. 0.545 MILLION

The Audit pointed out that an agreement dated 02 May 2002 for Rs. 548,554 was made between M/s OREL Security Management Services and Directorate General of Immigration and Passport, Islamabad for a period of 05 months commencing from 02 May 2002 under which security services were to be provided at 27 Regional Passport Offices. (The quantum of security services to be provided by the company was laid down in para 2 of the agreement and in para 2(a) of the agreement the equipment to be installed under Mechanical Security System was described. As per para 2(c) of the agreement 5% security deposit of the company was to be forfeited if the performance of the company was unsatisfactory. The agreement also laid down that responsibility of any loss or damage due to such unsatisfactory performance will be that of the Company. The performance of the Company was poor in the sense of absence, poor attendance and improper functioning of mechanical system installed by the Company).

The Audit apprised the Committee that within 12 days of the deployments of Security Guards of the company a robbery occurred on at Regional Passport Office, Sukkur wherein 1,400 passport booklets were taken away by the robbers. The Law, Justice and Human Rights Division approved on 09 September 2002 a Legal Notice to be served on the Company for claiming damages on account of theft of 1,400 passport booklets. But neither action was taken in this regard nor was 5% security of the company forfeited.

The PAO informed that total loss was 4.5 million as calculated by Audit and out of which an amount of Rs. 1.00 million has been recovered from Security Company and deposited in the Federal Treasury Islamabad. The case of balance amount has been submitted for write off. Now due to strict measures taken by Ministry / department it is not possible to steal the passport.

PAC DIRECTIVE

The Committee settled the para.

NADRA

23. PARA-11.3 (AR-2003-04)
AWARD OF CONTRACT AMOUNTING TO RS.796.43 MILLION TO A NON-RESPONSIVE BIDDER.

The Audit pointed out that NADRA authorities invited applications for Data entry of 65,775,826 National Data Forms to prepare a database of all citizens of Pakistan for issuance of new Computerized National Identity Cards through a short tender notice dated 30th March, 2000 from contractors or their consortium. Last date of submission of proposal was 10 April, 2000. Five parties participated in bidding and four were disqualified due to non-submission of financial proposal, earnest money, bank guarantee and non-refundable deposit. Bid of M/s Jaffar Brothers (Pvt.) Ltd. (JBL) was also shown as "Disqualified on technical ground" in the documents of NADRA. However, M/s JBL was awarded the contract for Data Entry and supply of equipment amounting to Rs.822,197,825 on 11th May, 2000 in spite of the fact that the bid submitted by the firm was deficient in all those respects on the basis on which bids of other firms were rejected and was, therefore, non-responsive. The firm also did not fulfill the criteria like 10 years of experience in respective field, demonstrated capabilities to set up, develop and maintain database to handle several tera-bytes of data as given in the tender notice. The amount of contract was subsequently enhanced to Rs.850,211,284 through issuance of a change over and after settlement of a few issues arising out of the contract a sum of Rs.796,429,186 was finally paid to M/s JBL by the NADRA.

PAO informed that the contract was awarded to the best available firm out of the total bidders. He clarified that JBL is not a subsidiary of M/s Ahmed Jaffer, it is an independent private Limited Company incorporated under the Companies Ordinance 1984.He was of the view that M/s JBL undertook this huge task of data entry of National Database Forms (NDFs) which provided as a base for the establishment of first ever National Data Warehouse in Pakistan. He informed that the contract was awarded by a Technical Experts Committee after a proper examination / scrutiny. PAO added that the copy of the report of the Technical experts Committee has been provided to Audit for verification.

PAC DIRECTIVE

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

24. PARA-11.4 (AR-2003-04)
IRREGULAR EXPENDITURE OF RS.230.0 MILLION ON AWARD OF DATA SCANNING CONTRACT TO A NON-RESPONSIVE FIRM

The Audit pointed out that NADRA authorities invited application through a short tender notice dated 30-3-2000 from contractor or their consortium. Last date for submission of bids was 10th April, 2000. NADRA received 06 bids in response to the tender notice out of which five were rejected due to non-submission of financial proposal, earnest money, non-refundable deposits and bank guarantee. The bid of M/s Image Systems Marketing (Pvt.) was accepted and subsequently agreement for scanning of Rs.65, 775,826 NDF was made with M/s ISM on 5th May, 2000 at total cost of Rs.195,993,344. The contract was subsequently enhanced to Rs.241,240,714 through issuance of change orders. After settlement of few issues, M/s ISM (Pvt.) Ltd. were paid a sum of Rs.230,004,704. Audit noted that M/s ISM (Pvt.) Ltd. too did not fulfill the conditions mentioned in the tender notice like minimum 10 year experience in respective field, demonstrated capabilities to develop, support and maintain hardware and software to handle several terabytes of data, proven capabilities of supporting huge setups (databases) located and internationally and ISO certification and was, thus, non-responsive like other bidders.. The Company was established in January, 2000 and participated in the bid in April 2000. Therefore, the contract was irregularly awarded and its organization was deprived of the benefit of competitive rates because of the lack of competition.

PAO informed that Data Scanning and Data Entry contracts were the integral contracts for establishment of National Data Warehouse. Based on the scanning of NDFs, the entire data entry was made. The process for selection of bidder was started in 1998 and finally scanning contract was awarded to Image System Marketing (ISM) in May, 2000, which was a subsidiary of NIFT (National Institution for Facilitation Technology- a subsidiary of State Bank of Pakistan). After evaluation of the technical and financial bids of all the bidders,no other firm fulfilled the specific requirements of the tender, therefore, the contract was awarded to M/s ISM.ISM provided bank guarantee regarding payment and performance, therefore, M/s ISM could not be rated a non-responsive company, as pointed out by the audit.

He also added that regarding the 10 years' experience condition, it may be clarified that none of the bidders, including M/s ISM (Pvt) Ltd has been rejected on this technical evaluation as carried out by the technical experts.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action and report to the audit within 30 days under intimation to the PAC.

24. PARA-11.5 (AR-2003-04)
SHORT RECOVERY OF RS.73.29 MILLION FROM PROVINCIAL/REGIONAL HEAD QUARTERS ON ACCOUNT OF SALE OF CNIC FORMS.

The Audit pointed out that 102,271,000 CNIC forms were got printed at a cost of Rs.45,597,350 at rates ranging from Rs.0.29 to 0.66 per form up to 30th June, 2002. Audit further told that NADRA was not able to sell 35.81 million forms costing Rs.107.43 million. It was further noted that against sale of 66.46 million CNIC forms, a sum of Rs.199.38 million was recoverable @ Rs.3/- per forms from Provincial/Regional Headquarters but the management of NADRA received a sum of Rs.125.61 million only. Therefore, an amount of Rs.73.29 million was less recovered from 8 Regions of NADRA.

PAO informed that an amount of Rs. 125 million was received from Regions on account of sale of forms(@ Rs. 2.5/- perform. The sale of forms continued after 30th June 2002, (i.e. audit period) and total amount of Rs. 164 million on account of sale of forms was received by NADRA Headquarters. (copy of general ledger of sale proceeds of forms is attached). It is clarified that the Regional Headquarters were allowed to utilize Rs. 0.50 per form for their operations and functions This fact can be verified by the Audit. He also added that it was allowed under section 24 of NADRA Ordinance.

PAC DIRECTIVE

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

25. PARA-11.6 (AR-2003-04)
IRREGULAR AWARD OF WORK AMOUNTING TO RS.131.50 MILLION TO NCR ON ACCOUNT OF FACILITY MANAGEMENT CONTRACT.

The management of NADRA invited two Proposals for Database and Data warehousing but the work regarding Facility Management was not included in any of the two proposals. Work relating to Facility Management amounting to Rs.131,469,586 was subsequently awarded to M/s NCR without calling open tender as required vide Para 144 of GFR, Vol. I.

PAO informed that it is worth mentioning that NDW was set up as a State of the Art Teradata facility in Pakistan, which was first of its kind. No expertise existed at that time in Pakistan to manage such a huge state of the art facility, therefore, NADRA management decided to assign this task to the NCR for 22 months.

Subsequently NADRA took over the facility management of NDW, therefore, the contention of the Audit is incorrect.

PAC DIRECTIVE

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

26. PARA-11.7 (AR-2003-04)
MISSING CNIC FORMS COSTING RS. 95.49 MILLION

The Audit pointed out that NADRA Regional Head Quarter, Multan received a total number of 43,706,000 Computerized National Identity Card Forms on 08 June 2002 from NADRA HQ Islamabad and other printers out of which 11,576,000 were sent to District Registration Officers/ Utility Stores and 300,000 CNIC forms were available on 08 June 2002. Whereabouts of the remaining 31,830,000 CNIC forms costing Rs.95,490,000 @ Rs.3 per form were not known.

PAO informed that Regional Head Quarter Multan only received 14,614,000 CNIC forms and not 43,706,000 as mentioned in the audit Para. This fact can be verified by the Audit.

PAC DIRECTIVE

The Committee settled the para.

27. PARA-11.8 (AR-2003-04)
EXCESS PAYMENT OF RS.92.71 MILLION ON ACCOUNTS OF DATA ENTRY OF URDU NATIONAL DATA FORMS

The Audit pointed out that a Sum of Rs.607,247,055 was paid by NADRA to M/s JBL (Pvt.) Ltd as cost data entry of 62,267,950 National Data Forms. After examination of technical evaluation certificate and closeout report of the contract it was noticed that a number of 52,791,465 forms were correctly entered where as payment was made for data entry of 62,267,950 forms,. In this regard page 118 of the JBL contract Administrative closeout report also showed that a sum of Rs.515,479,513 to payable on this account thus excess payment of Rs.92,708,769 (calculated pro rate basis) was made to M/s JBL as shown below which was to be recovered from the firm.

PAO informed that the JBL (Pvt.) Ltd. entered the data of 62.2 Million data and provided the same to NADRA. As the firm entered this data also, therefore, as a contractual obligation NADRA paid the cost of 62.2 million records. It may be mentioned here that NADRA did not pay the JBL additional claim of Rs. 29.5 million for their services rendered for data entry of 3.5 million NDFs not scanned. He further informed that none of the documents as referred to by the Audit contain more than 60 pages. Hence, the observation is based on incorrect

assumption. A census survey was made by Army and due to those data firm, some data was entered twice.

PAC DIRECTIVE

The Committee settled the para subject to regularization of irregularity from the competent forum and verification by the Audit for settlement.

28. PARA-11.10 (AR-2003-04)
LOSS OF RS.66.66 MILLION ON ACCOUNT OF DAMAGES.

The Audit pointed out that as per clause 8.4 of contract agreement dated 31st January, 2001 entered between NADRA and Fauji Foundation, NADRA were to provide 100,000 NICs per working day (Minimum Production Data) to Fauji Foundation. Furthermore NADRA was required to provide 700,000 NICs as buffer stock to Fauji Foundation which was to be maintained by NADRA all the time. Under clause 8.7 of the said agreement in case of failure of NADRA to provide minimum productive data, damages were to be paid by NADRA to Fauji Foundation as per formula given in clause 8.8 of the agreement. Audit observed that by scrutinizing the paid vouchers record that an amount of Rs.66,655,325 was paid by NADRA to Fauji Foundation as damages.

PAO informed that a contract was signed with Fauji Foundation for production of CNICs at a central location in NADRA HQ, Islamabad. As per the Contract, NADRA was required to provide 100,000 data per day for printing of cards. It was originally planned to produce CNICs from the National Data Forms (NDFs), collected from general public in 1998 Census, which remained stored in the District headquarters for over 2 years. However, due to bad condition of NDFs, it was not possible for NADRA to provide the requisite data to Fauji Foundation. Therefore, FF raised the penalty against NADRA for shortfall in the data as per the Agreement signed between both the parties. Initially NADRA refused to pay the above damages, however, Fouji Foundation took up the matter with the Government and Secretary M/o Defense, Secretary M/o Interior and Chairman NADRA after a thorough discussion (in a meeting was held in M/o Interior on 9th August 2001) decided to pay the said amount.

PAC DIRECTIVE

The Committee settled the para with displeasure.

29. PARA-11.13 (AR-2003-04)
LOSS OF RS. 35.50 MILLION ON ACCOUNT OF PURCHASE OF ADDITIONAL SCANNERS, OVERPAYMENT OF RS.1.41 MILLION ON ACCOUNT OF HIGHER PURCHASE RATE AND NON-RECOVERY OF LATE DELIVERY CHARGES AMOUNTING TO RS.0.27 MILLION.

The Audit pointed out that NADRA entered into a data scanning contract with ISM (Pvt.) Ltd. on 05th May, 2000 which included a sum of Rs.159,793,344 (US $ 2,959,136) for purchase of hardware, software & services from overseas for scanning of 65,775,826 National Data Forms. Schedule VIII captioned "Calculation Assumption" revealed that 14 scanners were required to scan 65,775,826 NDFs within the scheduled time. After adding backup percentage a total 16 scanners were purchased. However, another agreement was entered into with M/s ISM for Rs.35,499,144 (US $ 622,792) on 31st August, 2000 for purchase of 4 more scanners along with all similar requisite hardware configuration & licenses. Payment amounting to Rs.35,499,144 was made by NADRA for the purchase of equipment by opening of a letter of credit in favor of the company. As per contract it was the responsibility of ISM (Pvt.) Ltd. to achieve the targeted load with in stipulated time with hardware resources in the contract as agreed by the contractor. Thus through this action, NADRA was put to loss of Rs.35,499,144. It was also noted that price of "Application Servers" of same specification purchased on 31st August, 2000 through change order was much higher (US $ 15,000 each) than the price of servers (US $ 8,820) purchase under initial agreement dated 05th May 2000.

The PAO informed that four out of six scanners were procured through change order and two scanners were provided by the vender free of cost. NADRA completed the Project well in time. As the vender assisted NADRA by providing two free of cost scanners, therefore, imposition of penalty was not considered by NADRA. As regards, the excess payment of Rs.1.41 million for purchase of additional four scanners, it is added that scanners were imported and due to fluctuation in dollar rate at that time, NADRA had to pay more for import of four additional scanners. Therefore, NADRA was compelled to pay the extra prices to complete the project of national interest within stipulated time line. He ensured to provide the concerned documents to Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of required record by the Audit otherwise the para will remain pended.

30. PARA-11.14, 11.15, 11.16 (AR-2003-04)
NON-RECOVERY OF DAMAGES OF RS.36.19 MILLION ON ACCOUNT OF LATE DATA SCANNING.

As per clause 22 of the Data scanning contract entered between NADRA and M/s IMS (Pvt.) Ltd. it was agreed that "in case the company fails to meet the stipulated Project milestone in term of cost, time and or quality during implementation of the project as per the project plan, NADRA will be entitled to receive and the company is bound to pay damages and make good all loss resulting there-from in accordance with the schedule XV". Further clause 3 of

schedule II to the agreement provides that "if the scanning of 65,775,862 NDFs exceeds beyond 180 days, from the date of start of scanning operation on account of any default by the company then the company will pay damages". Scrutiny of administrative closeout report revealed that M/s ISM (Pvt.) Ltd. did not achieve planned targets.

The PAO informed that NADRA made a contract with a party to scan 65 million NDFs. The vendor started scanning of these forms initially at Karachi, Lahore and Islamabad. In the meantime, NADRA was assigned the task by the Government/Election Commission of Pakistan to update and print electoral rolls for local bodies election 2000. Therefore, the scanning operations got multiplied and project timelines agreed with the vendor in the contract regarding scanning of NDFs resulted in a delay of 104 days as worked out by audit. The delay was beyond the control of any one and actually it was due to stringent election schedule of local bodies, which was not conceived at the time of original contract of NDFs scanning. Audit stressed to provide the documentary evidence in support of this claim.

PAC DIRECTIVE

The Committee settled the paras subject to verification of record by the Audit with a report to PAC.

31. PARA-11.22 (AR-2003-04)
IRREGULAR EXPENDITURE OF RS.11.2 MILLION ON APPOINTMENT OF LEGAL CONSULTANTS AND OVERPAYMENT OF RS.2.95 MILLION.

The Audit pointed out that NADRA advertised a short tender notice for hiring of long-term legal consultancy services on 28th July, 1999. Last date for submission of bids was 12 August, 1999. According to the comparative statement provided to the audit, only two law firms namely Legal Associates, and Kundi and Kundi Advocates participated in tender.

The PAO informed that both the firms participated with the equal bids. Keeping in view the long association with the Authority, M/s Kundi & Kundi had come to possess an intimate knowledge and experience of the working and operations of NADRA. All laws, rules, regulations and contracts of NADRA had been drafted by M/s Kundi&Kundi as stated earlier. As such, being well-placed to offer sound and experienced legal advice to the Authority, their services were continuously retained by the Authority.

PAC DIRECTIVE

The Committee referred the para to the DAC with direction to resolve the issue at the DAC level.

32. PARA-11.24, 11.25 (AR-2003-04)
IRREGULAR EXPENDITURE OF RS.6.35 MILLION ON ACCOUNT OF PAYMENT TO M/S. NCR FOR SUPPLY OF ELECTRICAL AND FURNITURE SUPPLIES AND CONSTRUCTION OF WALL.

The Audit pointed out that the management instead of making the purchases worth Rs.6,355,130 of following electrical and furniture items and getting the civil works completed from firms/agencies engaged in the relevant businesses through open tenders as required under Para 144 of GFR, Vol-I, procured these items from M/s NCR through a change order. It was further noted that specifications of various items of furniture and fixtures and the wall were also not given in the change order.

The PAO informed that the ex-post facto approval of the some item have been taken by the Chairman NADRA and remaining items will also be got regularized.

PAC DIRECTIVE

The Committee directed the PAO to get the ex-post facto approval from the competent forum.

33. PARA-11.11 (AR-2003-04)
PURCHASE OF EQUIPMENT COSTING RS.48.64 MILLION AT EXORBITANT PRICES/MISSING EQUIPMENT OF RS.4.96 MILLION

The Audit pointed out that NADRA management advertised a short tender notice on 9th April, 2001 in Daily Khabrain, Islamabad of bid or before 12 April 2001 for procurement of goods and services for establishment of a conference room. Four firms namely Engram Technology, Hassan Enterprises, Royal Business and SA Computer submitted their bids. The purchase Committee selected M/s Royal Business and SA Computer for supply of equipment. The supply orders of Rs.40.99 million and Rs.7.65 million were issued to Royal Business and SA computer respectively. Later in May 2002, NADRA management having noted that price quoted by Royal Business System for supply of IBM ThinkPad laptop was exorbitantly high so ordered investigation into the purchases made from Royal Business. The court of inquiry appointed by NADRA pointed out that 47 items costing Rs.4.96 million were part of supply order but these items were not available in NADRA and that either the contractor had not supplied these items or these items had been misappropriated. The Deputy Director Project recorded a certificates date 24 July, 2001 that all the items of the control room and conference system were received but he could not satisfy the court of inquiry about the supply of these items by the contractors. The Audit told that regard the missing of equipment of Rs. 4.96 million, the inventory has been shown and verified by the Audit.

PAO informed that all equipment of control room and conference room was duly received at NADRA and is under use. He also apprised the Committee the matter was referred to NAB and NAB has acquitted the accused.

PAC DIRECTIVE

The Committee directed the PAC Wing to invite the senior officers of NAB to update the Committee about the para and it was pended till next meeting.

34. PARA-11.12 (AR-2003-04)
NON-RECOVERY OF RECEIPT OF RS.50.0 MILLION ON ACCOUNT OF BOOKING OF FILLED IN FORMS BY NADRA SALES AGENTS

The Audit pointed out that Management of PHQ, NADRA, Lahore entered into agreement with various individuals / companies called sales agent for booking of filled in forms. These sale agents were allowed to further recruit private persons as NADRA representatives for this task. Each Sales Agent was assigned a specific area / district called zone for sale and booking of forms. The Sales Agent was further required to recruit a minimum of 100 representatives for each zone or 2 representatives for 100,000 populations. Consequently, a large number of collection counters were set up in various zones.. Each Sales Agent was also required to deposit a sum equal to 10% of total population of zone as refundable security.

PAO confirmed that Mr. Imran Jaffery of M/s Sign Tech has duly cleared all dues (Rs.4,17000/-) on PHQ, NADRA Lahore. As regards the recovery from M/S Chauhdary, it is stated that the case has been filed in the court of law for payment of defaulted amount of Rs. 1,035,500 and through the honorable court, house of the proprietor Mr. Tariq Chaudhry has been attached on 05 July 2003 for recovery of the defaulted amount. Four Officers were also charged but they were exonerated by the High Court. He told that the issue was also investigated by the NAB.

PAC DIRECTIVE

The Committee directed the PAC Wing to invite the senior officers of NAB to update the Committee about the para and it was pended till next meeting.

35. PARA-11.23 (AR-2003-04)
IRREGULAR AND WASTEFUL EXPENDITURE OF RS.15.08 MILLION ON CONSULTANCY SERVICES FOR GRAPHIC INFORMATION SYSTEM (GIS)/ LAND INFORMATION SYSTEM (LIS).

The Audit pointed out that the NADRA invited bids for award of consultancy services to develop a GIS/LIS system. The consultant was required to have at least five year experience in management of gigantic projects of national

importance and sensitive nature, experience in designing and implementation of large GIS/LIS on LANs and WANs and proven capability to have run GIS/LIS System and working experience in Digital Terrain Modeling (DTM).

The PAO informed that the Geographic Inland Survey (GIS)/Land Information System (LIS) Project was entrusted to NADRA by the Federal Government and a sum of Rs.333 million was allocated. This project envisaged computerization of land records, revenue records and digitalization of maps available with Survey of Pakistan. He informed that the project could not be materialized due to lack of necessary input from the Provincial Governments and the survey of Pakistan and the project was dropped by the Federal Government. The amount worked was changed in contingencies. PAO apprised the Committee that all the payments made to M/s Engram by the NADRA are being investigated by the NAB.

PAC DIRECTIVE

The Committee directed the PAC Wing to invite the senior officers of NAB to update the Committee about the para and it was pended till next meeting.

36. i. **PARA-11.25 (AR-2003-04)**
IRREGULAR EXPENDITURE OF RS.6.19 MILLION ON SETTING UP OF NADRA SWIFT REGISTRATION CENTERS.

ii. **PARA-11.26 (AR-2003-04)**
IRREGULAR AWARD OF SOFTWARE DEVELOPMENT CONTRACT VALUING RS.4.0 MILLION AND NON-RECOVERY OF MOBILIZATION ADVANCE OF RS.1.05 MILLION.

iii. **PARA-11.27 (AR-2003-04)**
EXPENDITURE RS.4.23 MILLION ON ACCOUNT OF PROCUREMENT OF NIC APPLICATION FORMS M/S TRADE AND PROJECTS.

iv. **PARA-11.28 (AR-2003-04)**
LOSS OF RS.4.01 MILLION ON ACCOUNT OF PAYMENT TO M/S INTERFLOW COMMUNICATION PVT. LTD.

v. **PARA-11.29 (AR-2003-04)**
IRREGULAR AND WASTEFUL EXPENDITURE OF RS.3.51 MILLION ON PREPARATION OF DATA ENTRY SITE.

vi. **PARA-11.30 (AR-2003-04)**
EXCESS PAYMENT OF RS.3.46 MILLION FOR SINDHI NATIONAL DATA FORMS.

vii. **PARA-11.32 (AR-2003-04)**
IRREGULAR TRANSFER OF ASSETS VALUING RS.3.13 MILLION.

viii. **PARA-11.34, 11.35,11.37,11.44,11.45,11.48 (AR-2003-04)**
IRREGULAR PURCHASE OF RS.2.67 MILLION WITHOUT OPEN TENDER.

xiv. **PARA-11.35 (AR-2003-04)**

x. **PARA-11.36 (AR-2003-04)**
IRREGULAR EXPENDITURE OF RS.1.72 MILLION ON ACCOUNT OF RENOVATION WORKS

xi. **PARA-11.37 (AR-2003-04)**
IRREGULAR EXPENDITURE OF RS.7.92 MILLION ON ACCOUNT OF PROCUREMENT OF ENVELOPS

xii. **PARA-11.38 (AR-2003-04)**
AVOIDABLE EXPENDITURE OF RS.1.10 MILLION ON SUPPLY OF BAR CODE STICKERS DUE TO IMPROPER PLANNING.

xiii. **PARA-11.39 (AR-2003-04)**
IRREGULAR EXPENDITURE OF RS.1.05 MILLION ON ESTABLISHMENT OF PRINTED CARD DELIVERY UNIT AND EMPLOYMENT OF PERSONNEL AGAINST ABC PROJECT.

xiv. **PARA-11.40,11.42,11.54,11.57,11.71,11.75 (AR-2003-04)**
NON-PRODUCTION OF RECORD OF RS.1.00 MILLION PAID TO M/S N-PROMOTION FOR PROMOTION OF PAKISTAN ORIGIN CARD.

xv. **PARA-11.46 (AR-2003-04)**
MISSING COMPUTER ITEMS WORTH RS.665,000.

xvi. **PARA-11.50 (AR-2003-04)**
WASTEFUL EXPENDITURE OF RS.420,000 ON ACCOUNT OF NON OCCUPATION OF HIRED BUILDING.

xvii. **PARA-11.51 (AR-2003-04)**
NON AVAILABILITY OF THE PARTICULARS OF DONORS FOR DONATIONS AMOUNTING TO RS. 400,313 AT NADRA (REGIONAL HEADQUARTER), ISLAMABAD.

xviii. **PARA-11.53 (AR-2003-04)**
IRREGULAR PAYMENT OF RS.319,500 ON ACCOUNTS OF MOBILE PHONE BILLS.

xix. **PARA-11.54 (AR-2003-04)**
IRREGULAR EXPENDITURE OF RS.221,842 ON PROCUREMENT OF COMPUTER ACCESSORIES FROM M/S JBL

xx. **PARA-11.55 (AR-2003-04)**
EXCESS PAYMENT OF RENT OF RS. 153.078.

xxi. **PARA-11.57 (AR-2003-04)**
IRREGULAR/ UNECONOMICAL EXPENDITURE OF RS.37.77 MILLION ON PURCHASE OF DIFFERENT ITEMS.

xxii. **PARA-11.59 (AR-2003-04)**
DOUBTFUL PAYMENT OF RS.10.29 MILLION ON ACCOUNT OF SITE PREPARATION AND DEVELOPMENT.

xxiii. **PARA-11.61 (AR-2003-04)**
NON-PRODUCTION OF RECORD RELATING TO THE PURCHASE OF SOFTWARE AMOUNTING TO RS.4.20 MILLION.

xxiv. **PARA-11.65 (AR-2003-04)**
IRREGULAR/ UNECONOMICAL EXPENDITURE OF RS.1.51 MILLION ON ACCOUNT OF PURCHASE OF BROWN PAPER FROM M/S SIGMA PRESS, RAWALPINDI- LOSS OF RS.0.30 MILLION.

xxv. **PARA-11.67 (AR-2003-04)**
UNNECESSARY EXPENDITURE OF RS.839.000 ON ACCOUNT OF PURCHASE OF CISCO SWITCHES (IT EQUIPMENT).

xxvi. **PARA-11.68 (AR-2003-04)**
NON-RETURN OF 1,624 REAMS OF PAPER COSTING RS.503,134 TO ECP.

xxvii. **PARA-11.69 (AR-2003-04)**
EXCESS PAYMENT OF RS.320,000 TO M/S JAFFER BROTHERS (PVT) LTD; ISLAMABAD ON ACCOUNT OF SERVICE CHARGES.

On the presentation of above paras the Committee observed that these paras need special enquiry / investigation by the NAB.

The PAO informed that special Audit of the NADRA was conducted by a team of Auditor General Office on the specific instruction of the NAB. Therefore, the updated position on the above mentioned paras may be obtained from NAB. Consequently NAB filed reference in the Accountability Court Rawalpindi / Islamabad on 17th October, 2007 against them for causing laws to the ex-chequer worth Rs. 4,12,28,233/-. Later on they were exonerated by the Lahore High Court Rawalpindi Bench. He stated that as the Audit was conducted on the instruction of NAB also filed case with the Court, therefore, the updated position may only be obtained from NAB.

PAC DIRECTIVE

The Committee clubbed the above 27 paras and directed the PAC Wing to invite responsible Officer from NAB to explain the Committee whether the said judgment (vide which Mr. Zahid Ihsan and others were acquitted) was challenged in the appellate forum or attained finality and brief latest position to the Committee in the next meeting.

37. i. PARA-4.7 (PAGE-65) AR 2003-04
UNAUTHORIZED ADVANCE PAYMENT OF RS. 30.00 MILLION TO CDA FOR CONSTRUCTION OF BARI IMAM COMPLEX AND LOSS OF INTEREST OF RS. 6.19 MILLION.

ii. PARA-4.9 (PAGE-66-68) AR 2003-04
IRREGULAR UTILIZATION OF GOVERNMENT RECEIPTS FOR DEPARTMENTAL EXPENDITURE – RS. 9.330 MILLION.

iii. PARA-4.10 (PAGE-68) AR 2003-04
FAILURE TO TAKE POSSESSION OF 2.25 ACRES LAND AGAINST THE PAYMENT OF RS. 2.00 MILLION.

iv. PARA-4.12 (PAGE-70-71) AR 2003-04
IRREGULAR PAYMENT OF SALARIES TO OFFICIALS NOT ACTUALLY WORKING IN THEIR RESPECTIVE OFFICES – RS. 4.240 MILLION.

v. PARA-4.17 (PAGE-73-74) AR 2003-04
NON-DEPOSIT OF SALES TAX FROM FIREWOOD SUPPLIERS NOT REGISTERED WITH SALES TAX DEPARTMENT – RS. 1.160 MILLION.

vi. PARA-4.18 (PAGE-74-75) AR 2003-04
LOSS DUE TO PAYMENT OF REWARD TO CUSTOMS WELFARE FUND RS. 1.06 MILLION.

vii. PARA-4.20 (PAGE-76) AR 2003-04
LOSS TO PUBLIC EXCHEQUER DUE TO NON- RECOVERY OF STAMP DUTY FROM THE SUPPLIERS – RS. 0.519 MILLION.

viii. PARA-4.21 (PAGE-76) AR 2003-04
LOSS DUE TO NON-DEPOSIT OF SALES TAX - RS. 0.614 MILLION.

ix. PARA-4.23 (PAGE-77-78) AR 2003-04
IRREGULAR EXTENSION OF CONTRACT FOR THE PURCHASE OF CHAPLIS.

x. **PARA-4.25 (PAGE-79) AR 2003-04**
LOSS DUE TO MANIPULATION OF RATES - RS.0.105 MILLION.

xi. **PARA-4.26 (PAGE-79-80) AR 2003-04**
LOSS TO GOVERNMENT DUE TO PROVISION OF MUTTON IN LIEU OF EGGS - RS. 0.128 MILLION.

xii. **PARA-4.31 (PAGE-82-83) AR 2003-04**
UN-DUE RETENTION OF PUBLIC MONEY OUTSIDE THE GOVERNMENT TREASURY - RS. 0.200 MILLION.

xiii. **PARA-4.34 (PAGE-86) AR 2003-04**
IRREGULAR EXPENDITURE ON ACCOUNT OF PROCUREMENT OF AIR-CONDITIONERS - RS. 0.115 MILLION.

xiv. **PARA-13.1 (PAGE-145) AR 2003-04**
NON-REALIZATION OF STILL HEAD DUTY-RS. 6.036 MILLION.

xv. **PARA-13.2 (PAGE-145-146) AR 2003-04**
NON-REALIZATION OF STAMP DUTY ON DOCUMENTS OF LEASE HOLD RIGHTS OF RS. 2.048 MILLION.

xvi. **PARA-13.3 (PAGE-147) AR 2003-04**
NON-REALIZATION OF MUTATION FEE-RS. 6.455 MILLION.

PAC DIRECTIVE

The Committee settled the above mentioned sixteen paras on the recommendation of DAC.

38. i. **PARA # 11.1**
NADRA NOT FULLY CONSTITUTED, ALL DECISIONS ARE CONTRARY TO LEGAL PROVISIONS.

ii. **PARA # 11.2**
NON-SUBMISSION OF ANNUAL REPORTS TO FEDERAL GOVERNMENT

iii. **PARA #11.9**
NON-RECOVERY OF DAMAGES AMOUNTING TO RS.76.34 MILLION

iv. **PARA #11.17**
EXCESS PAYMENT OF RS.15.81 MILLION TO PAKISTAN POST OFFICE FOR DELIVERY OF CNICS.

v. **PARA #11.18**
IRREGULAR EXPENDITURE OF RS.15.74 MILLION OUT OF SALE PROCEEDS OF RS.0.5 PER BLANK CINC FORM RETAINED BY PROVINCIAL HEADQUARTER (PHQ), LAHORE.

vi. **PARA #11.19**
IRREGULAR EXPENDITURE OF RS.15.41 MILLION ON HIRING OF CONSULTANCY SERVICES FOR SCANNING AND DATA ENTRY.

vii. **PARA #11.20**
IRREGULAR EXPENDITURE OF RS.15.02 MILLION ON APPOINTMENT OF CONSULTANT FOR PRODUCTION OF NICS AND OVERPAYMENT OF RS.11.17 MILLION.

viii. **PARA #11.21**
NON-PRODUCTION OF RECORD OF EXPENDITURE OF RS.12.46 MILLION PERTAINING TO PROCUREMENT, REPAIR, MAINTENANCE AND UP GRADATION OF COMPUTERS

ix. **PARA #11.31**
LOSS OF RS.3.26 MILLION ON ACCOUNT OF NON-CREDIT OF SALE PROCEEDS OF CNIC FORMS

x. **PARA #11.33**
IRREGULAR PAYMENT OF RS.2.78 MILLION FOR PURCHASES AND SERVICE AND MAINTENANCE CHARGES OF HINO BUS.

xi. **PARA #11.41**
IRREGULAR EXPENDITURE OF RS.0.98 MILLION ON ACCOUNT OF APPOINTMENT OF MEDIA ADVISOR.

xii. **PARA #11.42 – see above highlited**
IRREGULAR EXPENDITURE OF RS.0.92 MILLION ON ACCOUNT OF DATA ENTRY SOFTWARE

xiii. **PARA #11.43**
IRREGULAR EXPENDITURE OF RS.730,650 ON ACCOUNT OF HIRING OF RESIDENTIAL ACCOMMODATION

xiv. **PARA #11.44**
IRREGULAR EXPENDITURE OF RS.697.000 ON PARTITION OF OFFICE ACCOMMODATION OF REGIONAL HEADQUARTER, ISLAMABAD

xv. **PARA #11.45**
IRREGULAR EXPENDITURE RS.674.050 ON ACCOUNT OF MAINTENANCE OF COMPUTER HARDWARE.

xvi. **PARA #11.47**
OVERPAYMENT OF RS.600,000 ON ACCOUNT OF PURCHASE OF CORRUGATED CARTONS.

xvii. PARA #11.48
IRREGULAR EXPENDITURE OF RS.474.308 MILLION ON ACCOUNT OF PROCUREMENT OF TONERS, CARTRIDGE ETC.

xviii. **PARA #11.49**
PAYMENT OF RS.462,645 TO NCR FOR WIRING AND INSTALLATION OF METERS WITHOUT SUPPORTING INVOICES.

xix. **PARA #11.52**
NON-DEDUCTION OF INCOME TAX OF RS.473,112

xx. **PARA #11.56**
NON-ISSUANCE OF CNIC ON THE BASIS OF NDFs

xxi. **PARA #11.58**
IRREGULAR/ UNECONOMICAL EXPENDITURE OF RS.13.19 MILLION ON PACKAGING AND JANITORIAL SERVICES.

xxii. **PARA #11.60**
EXCESS PAYMENT OF RS.4.43 MILLION ON ACCOUNT OF PACKING AND PALLETING.

xxiii. PARA #11.62
IRREGULAR/DOUBLE CHARGING OF RS.3.30 MILLION AS MANAGEMENT FEE

xxiv. PARA #11.63
LOSS OF RS.2.89 MILLION DUE TO NON-DEPOSIT OF GST.

xxv. PARA #11.64
LOSS OF RS.1.79 MILLION DUE TO NON DEPOSIT OF GST.

xxvi. PARA #11.66
PAYMENT OF RS.1.39 MILLION FOR MATERIAL PRINTED AFTER ELECTION AND UN-AUTHENTIC PAYMENT OF RS.5.32 MILLION

xxvii. PARA #11.70
UNJUSTIFIED RELEASE OF RS.333,500 ON ACCOUNT OF COST OF WHITE PAPER TO M/S JAFFER BROTHERS (PVT) LIMITED.

xxviii. PARA #11.71
IRREGULAR EXPENDITURE OF RS.278,492 ON ACCOUNT OF HIRING OF VEHICLES.

xxix. **PARA #11.72**
NON-RECOVERY OF INCOME TAX AMOUNTING TO RS.221,778.

xxx. **PARA #11.73**
IRREGULAR PAYMENT OF RS.255,095 ON ACCOUNT OF HONORARIUM, ANNUAL SUBSCRIPTION AND EXAMINATION FEE PAID TO EMPLOYEES OF NADRA.

xxxi. **PARA #11.74**
IRREGULAR PAYMENT OF RS.60,000 PAID TO MR. LIAQAT ALI, DEPUTY DIRECTOR FOR PERFORMING UMRA.

xxxii. **PARA #11.75**
IRREGULAR / UNECONOMICAL EXPENDITURE OF RS.6.67 MILLION ON ACCOUNT OF PURCHASE OF PAPER - LOSS OF RS.1.84 MILLION.

PAC DIRECTIVE

The Committee settled the above mentioned 32 paras on the recommendation of the DAC.

M/o INTER-PROVINCIAL COORDINATION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Inter-Provincial Coordination was examined by the PAC on 13th January, 2016.

- 08 audit paras were presented by the Audit Department which were examined by the Committee. No para was settled whereas appropriate directions were accordingly issued for the remaining paras.

M/O INTER-PROVINCIAL COORDINATION

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 13th, January, 2016 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Ministry of Inter Provincial Coordination are given below:

MINISTRY OF INTER PROVINCIAL COORDINATION

1) i. PARA NO. 2.1 – PAGE NO. 21-22
NON-RECOVERY ON ACCOUNT OF SAF GAMES SECRETARIAT SHARE FROM M/S ARY — RS. 9.450 MILLION

ii. PARA NO. 2.4 – PAGE NO. 23-24
NON-RECEIPT ON ACCOUNT OF SPONSORSHIP FOR GUN CLUB RS. 7.000 MILLION

iii. PARA NO. 2.6 – PAGE NO. 25
NON-RECOVERY FROM PAKISTAN POST OFFICE ON ACCOUNT OF SHARE OF SAF GAMES — RS. 1.020 MILLION

PAC DIRECTIVE

The Committee settled the para on the recommendation of the DAC.

2) i. PARA NO. 2.2 – PAGE NO. 22
LESS REALIZATION AS SHARE OF 9TH SAF GAMES SECRETARIAT FROM HERO CARD SCHEME – RS. 16.980 MILLION

ii. PARA NO. 2.3 – PAGE NO. 22-23
UN-AUTHORIZED RETENTION AND UTILIZATION OF SALE PROCEEDS OF HERO CARDS — RS. 16.840 MILLION

iii. PARA NO. 2.5 – PAGE NO. 24 - 25
FAILURE TO RETURN LOAN TO SAVER FUND - RS. 150 MILLION

iv. PARA NO. 2.7 – PAGE NO. 25-26
LOSS DUE TO DIFFERENCE OF 22,015 CARDS IN THE INVENTORY OF CARDS — RS. 0.220 MILLION

v. PARA NO. 2.8 – PAGE NO. 26
NON-RECOVERY OF UNSPENT BALANCE FROM DIRECTORATE OF HAJJ / MADINA-TUL-HUJJAJ, ISLAMABAD —RS. 0.758 MILLION

PAC DIRECTIVE

The Committee settled the above five paras subject to verification of record by the Audit on the recommendation of DAC.

M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Information Technology and Telecommunication was examined by the PAC on 12th March and 28th October, 2015.

- 02 grants and 53 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 grants and 46 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 12th March, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Information Technology and Telecommunication are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. i. GRANT NO. 70 INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS DIVISION

The Grant closed with a saving of Rs.14,493,144 which was 1.86 percent of total amount.

ii. GRANT NO. 135 DEVELOPMENT EXPENDITURE OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS DIVISION

The Grant closed with a saving of Rs.613,622,429 which was 28.05 percent of total amount. An amount of Rs.602,164000 (27.53)was surrendered leaving a net saving of Rs11,458,429(0.52%)

PAO stated that due to paucity of time and some other official engagements DAC could not be held on these grants and requested to grant sometime for holding DAC on these two grants.

PAC DIRECTIVE

The Committee pended the above mentioned two grants and directed the PAO to examine the same by holding a DAC.

AUDIT REPORT TELECOMMUNICATION SECTOR 2003-04

2. AUDIT PARA NO. 1.3.2 & 1.3.3, PAGE NO.5, AUDIT REPORT 2003-04

Audit Pointed out that according to the report of the Chartered Accountants, revenue of Rs.227.000 million receivable from M/s Catalyst Communications (Private) Limited (CATCOM) was not recognized in respect of share of international incoming traffic for the period from 2001 to 2004 due to which the profit for the year had been understated by Rs. 5.678 million and the opening retained earnings had also been understated by Rs. 221.234 million.

Audit further stated that NTC with the approval of the Ministry of Science and Technology (IT&T) executed two contracts with M/s CATCOM and Zahra Communication to setup, operate, market and maintain, prepaid calling card

services, Payphone Services and international gateway exchanges. As per NTC contention, the trial operations of these exchanges were suspended by the Ministry on 9th January,2003. However, the record did not show issuance of any direction by the Ministry for the suspension of operations under these contracts. On an appeal from M/s CATCOM, the matter was investigated by the Minister of State for Information Technology and Telecommunications. The operations were restarted by M/s CATCOM from 10thJanuary, 2004 and by M/s Zahra Communications from 9the August, 2004 after an out of court settlement.

The PAO informed that the issue between the companies and the NTC regarding receivables was challenged in Islamabad High Court and Sindh High Court. Because the NTC was not agreed with the decision of arbitrator. The Islamabad High Court has decided the case by endorsing the decision of arbitrator and distributed the amount in NTC and the companies. Total amount was 1.1 billion and out of it 390 million was given to the companies and the remaining amount was given to NTC. The Islamabad High Court has finalized the case. The NTC is in appeal against the decision of Islamabad High Court and the case with the Sindh High Court is still subjudice. The PAO further apprised the Committee that the negligence at the part of the officials of the NTC had been probed two times in the past.

PAC DIRECTIVE

The Committee directed the PAO to pursue the cases in the courts vigorously. The Committee further directed the PAO to hold a de-novo inquiry, fix responsibility of negligence / mollified intentions of officers of NTC and take action as per findings of the inquiry. A comprehensive report on the issue may be submitted to the PAC Secretariat/Audit within 30 days.

3. AUDIT PARA NO. 1.6, PAGE NO.9-10, AUDIT REPORT 2003-04

Audit pointed out that according to terms & conditions of supply orders placed to M/s Telephone Industries of Pakistan (TIP), Haripur, the liquidated damages @ 0.5% per week of the delayed works or part thereof subject to maximum of 10% of the contract value were required to be recovered in case of non-completion of works within the stipulated period. NTC Headquarter made 50%, advance payment of Rs. 69.439 million against four orders to M/s TIP Haripur during October, 2000 to April, 2001 for expansion of NTC exchanges. Works were not completed by the firm within the stipulated period, but the management did not recover the liquidated damages to the extent of Rs. 6.834 million from the firm.

Audit further apprised the Committee that an additional amount of Rs. 3.189 million has been recovered and efforts are being made for the balance amount and recommended the Para for settlement.

PAC DIRECTIVE

The Committee settled the para subject to verification of record / recovery by the Audit.

4. AUDIT PARA NO. 1.8, PAGE NO.11-12, AUDIT REPORT 2003-04 IRREGULAR EXPENDITURE ON LEAVE ENCASHMENT-RS2.301 MILLION

Audit pointed out that according to rules, leave encashment upto 180 days is admissible to a civil servant who has thirty years qualifying service at his credit or is retiring on superannuation. There is no provision in any rule that 100% leave encashment at the time of retirement shall be paid. Moreover, no rule permits leave encashment during service. NTC framed a policy allowing leave encashment upto 90 days to those employees who had two years continue or service and 100% leave encashment at the time of retirement, resignation or death. This policy was against the standing instructions of the Finance Division issued vide their letter No. F.4(2)R-4/99 dated 13th January, 2000 under which corporations could not revise financial benefits to employees without prior approval of the Finance Division.It was noted that leave encashment of Rs. 2.301 million was paid to the staff in three formations of the NTC during 2001-2003. Audit apprised the Committee that it was discontinued later on but the irregularity occurred needs regularization from Finance Division.

The PAO informed that the matter was referred to Ministry of Finance for ex-post facto approval to regularize the expenditure and no response has been still received from Ministry of Finance.

The representative of Ministry of Finance stated that the Ministry of Finance has not agreed to the stance of the Ministry of Information Technology and Telecommunication and rejected the request for ex-post facto approval to regularize the expenditure.

The PAO informed that the budget including the leave encashment was approved by the Ministry of Finance.

PAC DIRECTIVE

The Committee directed the PAO to provide the relevant record of budget approval including leave encashment for verification to Audit. The Committee settled the para subject to verification of record by the Audit.

5. PARA NO. 1.9, PAGE NO.12, AUDIT REPORT 2003-04 IRREGULAR PAYMENT ON REQUISITION OF HOUSES AT UNSPECIFIED STATIONS – RS. 1.134 MILLION

Audit pointed out that according to Work's Division O.M No. F.2(21)90-Estate-VI dated 5th December, 1991 and Rule 2(xiii) of Pakistan Allocation Rules, 1993,

house requisition is admissible at Islamabad, Rawalpindi, Lahore, Quetta and Peshawar. Contrary to this an amount of Rs. 1.134 million was paid by the Director NTC, Peshawar during 2002-03 in 49 cases of house requisition for employees posted at Nowshera, Mangora, Mardan, D.I. Khan, Bannu, Swabi, Kohat and Karak Agency instead of the specified stations.

The PAO informed that the PTCL policy was adopted for NTC employees in pursuance of Ministry of Communication letter No. 5(4)/94-PTC dated 15-12-1997 because the employees were vested in NTC from PTCL. Since PTCL allows its employees house requisition facility at unspecified stations, therefore, the same are being paid to employees of NTC after the approval of NTC Management Board which is empowered for the same. He apprised the Committee that the matter has been forwarded to M/o Finance for clarification regarding powers of the NTC Management Board. The M/o Finance has not decided on it till now.

The Committee asked the representative of M/o Finance to explain the reason why the matter is not being finalized by the M/o Finance. The representative M/o Finance told that the decision of the board contrary to Government rules and regulations are not endorsed by the M/o Finance.

PAC DIRECTIVE

The Committee directed the M/o Finance to finalize the matter within thirty days otherwise PAO M/o Finance will appear before the Committee in next meeting to explain why the M/o Finance could not give its final verdict on this issue. The Committee settled the para if the M/o Finance agrees with the stance of M/o Information Technology and Telecommunication. Otherwise it will be discussed in the next meeting.

6. AUDIT PARA NO. 1.11, PAGE NO.13-14, AUDIT REPORT 2003-04 PROMOTION IN BPS-20 BEYOND POWERS

Audit pointed out that as per Serial No. 14 of Annexure-A to SRO No. 171 (1)/99, dated 8th February, 1999, the Chairman/Management Board of NTC has been delegated full powers for promotions upto BPS-19 within approved organizational set up. Contrary to this, an officer was promoted by the NTC management in (BPS-20) on 5th May, 2000 by creating a new post beyond the delegated powers of the Board.

The PAO informed that under section 41(4a) of the Telecommunication Act, 1996, the corporation has powers to appoint, promote, remove and exercise discipline and control over its staff and make appointments thereof. The PAO also informed that the Establishment and Finance Division have also issued NOC on the promotion/creation of post by NTC. The PAO apprised the Committee that

in the light of NOC's of Establishment and Finance Division, revised SRO will be published within one month.

PAC DIRECTIVE

The Committee settled the para subject to verification/satisfaction of Audit.

AUDIT REPORT M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION 2003-04

7. AUDIT PARA NO. 10.1, PAGE NO.157, AUDIT REPORT 2003-04
IMPROPER PLANNING AND IMPLEMENTATION OF PROJECTS, ABSENCE OF A MECHANISM FOR IMPACT ASSESSMENT AND LACK OF CONTROL OVER EXPENDITURE ON DEVELOPMENT PROJECTS

Audit pointed out that according to para 309 of GFR Vol-I responsibility of departmental officers with respect to collection of Government dues or expenditure is to see that proper accounts are maintained in such form as may be prescribed for all financial transactions and render accurately all such accounts and returns relating to them to the controlling authorities concerned. Furthermore, para 1.49 of Chapter-1 of Manual for Development Projects (Revised) issued by the Planning and Development Division in May, 1997 prescribes the procedure for preparation and implementation of development schemes i.e. preparation of project proposals (PC-I and PC-II), progress of ongoing projects (PC-III) and project completion, operation and maintenance reports (PC-IV and PC-V). It was, however, noted that Information Technology and Telecommunication Division made releases of Rs. 3,457 million from 01.07.2000 to 30.06.2002 to various development schemes / projects throughout the country for development of information technology without paying any attention to the above mentioned provisions of the rules.

The PAO informed that these paras were created when the Ministry was part of Ministry of Science and Technology so, some of the projects referred here are carried forward from Ministry of Science and Technology. Therefore, some of the relevant record is still with Ministry of Science and Technology.

PAC DIRECTIVE

The Committee directed the PAO to provide a list of projects showing completion status, present running status and impact of these projects /objectives to PAC Secretariat / Audit within 60 days.

8. AUDIT PARA NO. 10.2, PAGE NO.159-160, AUDIT REPORT 2003-04
DELAY OF 14 MONTHS IN SHIFTING OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION DIVISION TO A RENTED BUILDING RESULTING IN WASTAGE OF PUBLIC MONEY-RS. 15.84 MILLION

Audit pointed out that the Information Technology and Telecommunication Division and Science and Technology Division, hired 4th floor of the Evacuee Trust Property Board Complex, 5-Agha Khan Road, F-5/1, Islamabad, at a monthly rent of Rs. 1,131,460 (29,673 sq.ft. office area @ Rs. 37 per sq.ft. and 1,814 sq.ft. corridor area @ Rs. 18/50 per sq.ft.) being 43% share of the spaced allotted to the Division. An amount of Rs. 39,942,858 was paid as advance rent for three years from 01.09.2000 by the Division as its share in the total rent of Rs. 93,200,000. Perusal of shifting of record to new premises from PTA building showed that the Division actually occupied the premises in January 2002-after a delay of 14 months. This resulted in unnecessary expenditure of Rs. 15,840,440 @ Rs. 1,131,460 per month. The expenditure was also in violation of the provisions of para 11 of GFR Volume-I which stipulates that each head of department is responsible for enforcing financial order and strict economy at every step.

The PAO informed the Committee that practically it was not possible to shift to that building because it was an open hall which needed partition and finishing. The delay in shifting was due to the reason that work of partition and finishing was completed after a lapse of 14 months.

PAC DIRECTIVE

The Committee settled the para with displeasure and directed to be careful in future to avoid such sluggishness again.

9. AUDIT PARA NO. 10.3, PAGE NO.160-161, AUDIT REPORT 2003-04 DISPROPORTIONNATE EXPENDITURE WITHOUT KEEPING IN VIEW THE ALLOCATION IN PC-I BY IRREGULARLY PLACING THE PROJECT FUNDS IN THE BANK ACCOUNT OF PAKISTAN SOFTWARE EXPORT BOARD-RS. 10.95 MILLION

Audit pointed out that from the scrutiny of payment record of Training in Information Technology for Federal Government Employees Project it was observed that the management incurred expenditure without keeping in view the approved allocation for the project. Details in the following table show that year-wise actual expenditure was disproportionate to the allocations for various years for the Training in Information Technology for Federal Government Employees. All this happened because of the fact that lapsable yearly allocations of the project were drawn from the treasury and irregularly put in the bank account of Pakistan software Export Board. The management could also not account for the interest earned on the deposits kept in the bank account of Pakistan Software Export Board.
Audit also apprised the Committee that the DAC in its meeting held on 9th March, 2015 directed the PAO to carry out a fact finding inquiry within 15 days.

PAC DIRECTIVE

The Committee endorsed the decision of DAC and directed the PAO to complete a fact finding inquiry report within 15 days and submit it to the PAC Secretariat/Audit.

10. AUDIT PARA NO. 10.4, PAGE NO.161-162, AUDIT REPORT 2003-04 NON-VETTING OF CONTRACT AGREEMENT BY THE FINANCE DIVISION AND LAW, JUJSTICE AND HUMAN RIHTS DIVISION-RS. 1.82 MILLION

Audit pointed out that from the scrutiny of record it was observed that the management of Pakistan Computer Bureau entered into a contract agreement with M/s IBM for maintenance and repair of Computer Systems and incurred expenditure of Rs. 1,820,981 on this account. According to para 19 (ii) of GFR Vol-I, legal and financial advice should be taken in the drafting of contracts before they are finally entered into but no such advice was obtained from the Law, Justice and Human Rights Division and Finance Division. The whole expenditure incurred on this account was, therefore, considered as irregular.

The PAO informed that the Pakistan Computer Bureau paid maintenance charges on account of computer system installed in the Bureau for processing of various applications of users' organizations. This is priority system and maintenance of the system was only possible through original equipment manufacturer (OEM) i.e. M/s IBM as its part are not available in the open market. The allocations on this account are properly budgeted in the Finance Division each year. PCB has already requested M/o Information Technology to refer to case to the quarter concerned for clarification as desired by DAC dated 05th, April, 2004.

PAC DIRECTIVE

The Committee settled the para with displeasure and directed to be careful in future to avoid such negligence again.

11. AUDIT PARA NO. 10.5, PAGE NO.162-163, AUDIT REPORT 2003-04 LOSS OF PUBLIC ASSETS TAKEN AWAY BY OFFICERS OF PCB

Audit pointed out that according to Para 23 of GFR Vol-I every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on the part any other Government Officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence. Scrutiny of dead / non-consumable Stock Registers of Pakistan Computer Bureau revealed that items mentioned in the table below were missing from the office premises. The Items were taken away by the officers but were not returned thereby causing loss of public assets.

The PAO informed the Committee that physical verification of computer equipment was carried out in the light of audit observation and it was proved that the IT equipment was missing. However on the request of PCB the competent authority written of the irrecoverable value of store. PAO further apprised the Committee that to probe the issue and inquiry was made. As per finding of the inquiry the depreciated value of the missing item was one lac fourteen thousand. The official had been retired so only write off of the value was possible.

PAO further informed that serious steps are being taken to avoid such incidents in future.

PAC DIRECTIVE

The Committee settled the para with displeasure and directed to be careful in future to avoid such incidents again.

12. AUDIT PARA NO. 10.6, PAGE NO.163-164, AUDIT REPORT 2003-04 IRREGULAR DISTRIBUTION OF GOVERNMENT RECEIPTS-RS. 0.321 MILLION.

Audit pointed out that Pakistan Computer Bureau provided technical services to Government / Semi Government Organization and Autonomous Bodies on payment basis and receipts were generally deposited into Government account. In five organization receipts amounting to Rs. 321,099 were neither in the cash book not deposited into Government account violating the rules.

PAO informed that Pakistan Computer Bureau provided technical services to Government / Semi Government Organization and Autonomous Bodies on payment basis and receipts were generally deposited into Government account. However, in the case of following organizations receipts amounting to Rs. 321,099 were neither entered in the cash book nor deposited into Government account. The said amount was Government receipt but management obtained open cheques in the name of DDO instead of Pakistan Computer Bureau and the same were cashed and distributed between officers/staff unauthorizedly / irregularly in violation of the provisions of Rule 7(3) of FTR VOl-I.

The PAO informed that the amount paid to the officials of Pakistan Computer Bureau has been recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

13. i. ADIT PARA NO. 10.7, PAGE NO.164-165, AUDIT REPORT 2003-04 IRREGULAR EXPENDITURE AS LECTURE FEE PAID TO EMPLOYEES IN ADDITION TO HONORARIUM-RS. 0.120 MILLION

Audit pointed out that in PC-I of Training in Information Technology Project for Federal Government Employees there was no provision for lecture fee but the management of Pakistan Computer Bureau irregularly paid lecture fee amounting to Rs. 121,800 to 08 persons as per details given below. The payment of lecture fee was made in violation of the provisions of PC-I of the project and without approval of the rates of lecture fee by the Finance Division. In addition the said employees were also paid honorarium.

The PAO informed the Committee that in the light of DAC direction dated 9th March, 2015, efforts will be made to recover the amount from the then DG Pakistan Computer Bureau who authorized the payment.

ii. AUDIT PARA NO. 10.8, PAGE NO.165-166, AUDIT REPORT 2003-04 UNAUTHORIZED PAYMENT OF ADDITIONAL CHARGES-RS.0.107 MILLION

Audit informed that from the scrutiny of paid of vouchers of Y2K Project it transpired that the management had paid additional charges amounting to Rs. 107,013 to different officials without any provision under any head of account in the PC-I. It was also noted that approval of additional charge assignments were not on record. The amount was not drawn from AGPR but from project account. The whole expenditure of Rs. 107,013 was, therefore, irregular.

The PAO informed that formula for compensation to the officials was advised on assignment basis. The compensation was only for the extra work done by employees of PCB in addition to their normal duties after office hours. Payment @ 20% for the additional work done by the individuals is far less than the work done by them. He further added that there is no provision in the rules and the PC-I for payment at a fixed rate for additional work. As per rules additional charge allowance @ 20% is admissible for holding charge of another post for more than one month.

PAC DIRECTIVE

The Committee clubbed the above two paras and directed the PAO to recover the amount from the then DG Pakistan Computer Bureau and provide the record of recovery to Audit for verification. The para would be settled subject to verification by the Audit.

14. AUDIT PARA NO. 10.9, PAGE NO.165-166, AUDIT REPORT 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF PRESENTATION CHARGES PAID TO OFFICERS OF PAKISTAN COMPUTER BUREAU FOR A JOB WHICH WAS THEIR NORMAL DUTY – RS. 0.062 MILLION

Audit pointed out that from the scrutiny of paid of vouchers of Y2K Project it was noted that the management had irregularly paid a sum of Rs. 62,000 as presentation charges to 03 officers during Workshops / Seminars on Y2K or Millennium Bug problem without any allocation under the relevant head of accounts in PC-I. Moreover, the presentation charges were paid in addition to TA/DA for a job which formed part of their normal duties.

PAO informed that the main focus of the project and the donor agency was to devise a plan for raising awareness on the seriousness of the problem relating to Y2K or Millennium Bug. The Steering Committee for Information Technology constituted a Task Force on Y2K headed by Director General, Pakistan Computer Bureau for this purpose. Prime Minister's directive was also issued that DG, PCB must take immediate measures for Y2K compliance. Thus seminars were held at provincial headquarters to create awareness. In case Bureau hired the services of foreign experts / local experts on each occasion in this field to brief the participants of workshops. The expenditure must have been on the high side. So, the services of Bureau's experts were utilized by paying a very minimum fee for delivering lectures from the available budget "Workshop / Seminar" in the project.

PAC DIRECTIVE

The Committee settled the para.

AUDIT REPORT M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION 2003-04

15. AUDIT PARA NO. 8.1, PAGE NO.172-173, AUDIT REPORT 2003-04
TOO GENERAL / VAGUE NATURE OF PROJECT OBJECTIVES

Audit pointed out that a study of the objectives of various projects being undertaken under the E-Government initiative revealed that generally the project objectives for various projects were as under:-

- Improvement of delivery of services to the general public.
- Optimal utilization of Government resources.
- Minimization of use of paper in the Ministries / Divisions and Departments through enhanced usage of e-mail.

- Development of information systems and establishment of databases in the Government.
- Providing public access to Government information and services through websites.
- Ensuring that cases are processed in Government at electronic speed to meet the challenges of the 21st century.
- Achieving the goal of good governance through IT.
- Ensuring transparency in all process in the Government.
- Evolving IT culture within Government organizations.

Audit pointed out that all project objectives were neither quantifiable nor measurable and monitor-able. In such a situation the extent of achievement of project objectives cannot be measured and impact created by large investments in these projects cannot be assessed.

PAO informed the Committee that nature of Public Sector IT/e-Government projects is rather different from other development sector projects world over. The laid down objectives are the standard objectives set by the e-Government initiatives in the countries where the e-Government implementation is being carried out successfully.

PAC DIRECTIVE

The Committee settled the para.

16. AUDIT PARA NO. 8.2, PAGE NO.173, AUDIT REPORT 2003-04
INSIGNIFICANT PROGRESS TOWARDS PAPERLESS GOVERNMENT

Audit pointed out that Information Technology and Telecommunication Division has incurred expenditure in excess of Rs. 5.0 billion during the fiscal years 2000-01 and 2001-02 for the promotion of IT infrastructure and education in the country and is working for the achievement of the goal of electronic or paperless Government for which various projects have been undertaken. In spite of these investments, no big signs of E-Government yet appear in Government Departments except a few websites and some isolated cases where Government functionaries are using computers as a normal way of working and the vast majority of public functionaries continue to work with the files in the same old way. In this regard expenditure of Rs. 0.193 million as against the project cost of Rs. 1.053 million in the project "Survey for LAN at Federal Divisions" suggests that not significant work has been done for moving towards a paperless government.

The PAO replied that the achievement of less paper government is gradual. At the time of audit report; E-Government was a relatively new concept in Pakistan it required a lot of basic work on which foundation for less paper government could be laid. The work was duly started and business processes common to all

Federal Divisions were identified on the basis of "e-Office at Ministry of IT" project was initiated as Pilot Project with a view to replicate it in all Federal Divisions and Provinces. It was a success; therefor, the project is under implementation in various Federal Government Division/Secretariats/Offices. Furthermore, E-Government system implementation is a sociotechnical challenge. Currently technical part is almost completed and social issues like ownership and change management is in progress for less paper environment in Federal Government.

PAC DIRECTIVE

The Committee settled the para.

17. AUDIT PARA NO. 8.3, PAGE NO.173-174, AUDIT REPORT 2003-04 EXPENDITURE ON PROJECTS WHICH DO NOT FALL IN THE DOMAIN OF GOVERNMENT

Audit pointed out that the management incurred expenditure of Rs. 16.78 million (being 50% of cost) on the installation of 18 ATMs by National Bank of Pakistan in Rawalpindi / Islamabad area for disbursement of salaries. This was not a legitimate charge on public exchequer as National Bank of Pakistan is a financial institution who should have picked up the whole cost of this project for providing ATM service to its clients, at its own terms, as is being done by its competitors on this account. The selection of this project by the Electronic Government Directorate and disbursement of expenditure of Rs. 16.785 million for the project reflects upon the "expenditure focus" of the department rather than a serious effort to promote the use of IT culture in the country / government. The use of ATMs by a small number of salaried persons maintaining their accounts with National Bank of Pakistan, may be, a couple of times per month cannot contribute to the type of objectives as were fixed by the Electronic Government Directorate for itself in the project documents.

PAO informed that this initiative was taken to introduce and promote the latest technologies in the country**.**

PAC DIRECTIVE

The Committee settled the para.

18. AUDIT PARA NO. 8.4, PAGE NO.174, AUDIT REPORT 2003-04 FOCUS ON PURCHASE OF HARDWARE RATHER THAN STRENGTHENING INSTITUTIONAL CAPABILITY TO IMPART TRAINING IN IT

Audit pointed out that the evaluation of various aspects of E-Government project indicated that major emphasis of the management was on procurement of equipment and services rather than making real headway in the promotion of IT culture in Government entities. For example, one of the projects of Electronic

Government Directorate named "Computer Labs at 12 Civil Service Academies" was aimed at provision of computer labs for various training institutes / academies in the public sector where computer equipment was provided at a cost of Rs. 26.20 million. However, inquiries with the Secretariat Training Institute, Foreign Trade Institute, Postal Staff College and Information Services Academy revealed that whereas computer labs had been provided by the Electronic Government Directorate there was no qualified in-house faculty to impart IT training. These institutions were, therefore, relying on the services of guest speakers or lower level technical staff for imparting IT training to probationer officers and other trainees which put the effective utilization of these labs into question. Non-availability of qualified staff for imparting training and maintenance of equipment may lead to wastage of whole investment in a short span of time.

PAO informed that in the Project provision of teachers in the labs was the responsibility of concerned departments. The impact of Project was good and staff of many Government Institutes got its benefit. PAO further added that as per PC-I scope of work the requisite hardware to setup IT training.

PAC DIRECTIVE

The Committee settled the para.

19. i. AUDIT PARA NO. 8.5, PAGE NO.174, AUDIT REPORT 2003-04 LIMITED UTILITY OF WEB PORTALS

Audit pointed out that a few web portals were created for provision of information to users / citizens by various departments with the help of Electronic Government Directorate. These portals only have scanty information and are rarely updated. Thus in spite of incurring huge expenditure on the creation of these web portals, they are of only limited utility to the general public. The Directorate has also no mechanism to monitor the utility of these web portals and upgrade them according to the needs of users.

The PAO replied that the State of the art Web Portal for Federal Government Ministries / Division / Departments was developed with effective Content Management System. All the stakeholders were duly trained on this system. Various measures including meetings with the Focal Points of e-Government in ministries/Divisions/Department were held to create awareness about website content, update and maintenance. Key performance indicator were developed and all the stakeholders were monthly updated about their performance in this connection.

ii. AUDIT PARA NO. 8.6, PAGE NO.174, AUDIT REPORT 2003-04 EXECUTION OF DEFECTIVE CONTRACT AGREEMENTS

Audit pointed out that during the scrutiny of contract agreements executed between E-Government Directorate and various suppliers for procurement of computer etc. It was observed that penalty clause was not included in any of the contract agreements. Although there were no glaring instances of delayed supply of equipment in the past yet absence of such a clause may cause problems / complications in future. In order to avoid such problems the insertion of penalty clause in necessary besides in future. In order to avoid such problems the insertion of penalty clause is necessary besides clearance of the draft contracts by the Ministry of Law, Justice and Human Rights and the Finance Division.

The PAO informed that the in pursuance to performance Audit Report 2003-04, the "Penalty Clause" issue was duly addressed. The clause was duly included in all the contracts in 2004 and thereafter it is an integral part of the contracts; and no contact / agreement is signed without prior vetting /advice from Law, Justice, and Human Rights Division.

PAC DIRECTIVE

The Committee settled the above two Paras.

20. AUDIT PARA NO. 8.7, PAGE NO.175, AUDIT REPORT 2003-04 WASTEFUL EXPENDITURE ON IT COMMISSION

Audit pointed out that the IT Commission was established in 1997 which was subsequently renamed as Electronic Government Directorate in 2002. The Commission could not do any significant work in the five year period of its existence nor was the statement of expenditure for the five-year period provided to Audit. Thus, the expenditure incurred on the functioning of the IT Commission appears to have gone waste.

The PAO informed that to gain ownership and top management support; IT Commission was established under the direct control of Prime Minister of Pakistan which laid down the foundation of IT promotion and subsequently Ministry of IT and E-Government Directorate were formulated.

PAC DIRECTIVE

The Committee settled the para.

21. Audit Para No. 8.8, Page No.175, Audit Report 2003-04
ABSENCE OF A MECHANISM FOR IMPACT ASSESSMENT OF IT PROJECTS

Audit pointed out that Information Technology and Telecommunication Division had spent a sum of Rs. 2,343 million in 2000-01 and another sum of Rs. 3,169 million in 2001-02 on development and promotion of information technology infrastructure and IT education in the country it was noted that no mechanism had been developed for undertaking assessment of the impact that was being created through huge investment of money in this domain. In the absence of such a mechanism no lessons can be learnt from the past's mistakes nor can useful inputs be fed into the system for successful implementation of projects in future.

PAO informed the Committee that nature of Public Sector IT/e-Government projects is rather different from other development sector projects world over. The laid down objectives are the standard objectives set by the e-Government initiatives in the countries where the e-Government implementation is being carried out successfully.

PAC DIRECTIVE

The Committee settled the para.

AUDIT REPORT M/O INFORMATION TECHNOLOGY AND TELECOMMUNICATION 2003-04

22. PERFORMANCE AUDIT REPORT ON THE ACCOUNTS OF PERFORMANCE AUDIT REPORT ON SCHOLARSHIP SCHEME FOR IT HUMAN RESOURCE DEVELOPMENT.

PAC DIRECTIVE

The Committee directed the Audit to discuss this report alongwith the Higher Education Commission.

23. i.. AUDIT PARA NO. 1.1, PAGE NO.4, AUDIT REPORT 2003

ii. AUDIT PARA NO. 1.2, PAGE NO.4, AUDIT REPORT 2003-04

iii. AUDIT PARA NO. 1.3, PAGE NO.4, AUDIT REPORT 2003-04

iv. AUDIT PARA NO. 1.3.1, PAGE NO.5, AUDIT REPORT 2003-04

v. AUDIT PARA NO. 1.3.4, PAGE NO.6, AUDIT REPORT 2003-04

vi. AUDIT PARA NO. 1.3.5, PAGE NO.6, AUDIT REPORT 2003-04

vii. AUDIT PARA NO. 1.3.6, PAGE NO.6, AUDIT REPORT 2003-04

viii. **AUDIT PARA NO. 1.3.7, PAGE NO.6, AUDIT REPORT 2003-04**

ix. **AUDIT PARA NO. 1.3.8, PAGE NO.6-7, AUDIT REPORT 2003-04**

x. **AUDIT PARA NO. 1.3.9, PAGE NO.7, AUDIT REPORT 2003-04**

xi. **AUDIT PARA NO. 1.3.10, PAGE NO.7, AUDIT REPORT 2003-04**

xii. **AUDIT PARA NO. 1.4, PAGE NO.8, AUDIT REPORT 2003-04**

xiii. **AUDIT PARA NO. 1.5, PAGE NO.8-9, AUDIT REPORT 2003-04**

xiv. **AUDIT PARA NO. 1.7, PAGE NO.10-11, AUDIT REPORT 2003-04**

xv. **AUDIT PARA NO. 1.10, PAGE NO.12-13, AUDIT REPORT 2003-04**

xvi. **AUDIT PARA NO. 2.1, PAGE NO.15, AUDIT REPORT 2003-04**

xvii. **AUDIT PARA NO. 2.2, PAGE NO.15, AUDIT REPORT 2003-04**

xviii. **AUDIT PARA NO. 2.3, PAGE NO.15, AUDIT REPORT 2003-04**

xix. **AUDIT PARA NO. 7.2, PAGE NO.179-180, AUDIT REPORT 2003-04**

xx. **AUDIT PARA NO. 7.3, PAGE NO.180, AUDIT REPORT 2003-04**

xxi. **AUDIT PARA NO. 7.4, PAGE NO.180-181, AUDIT REPORT 2003-04**

xxii. **AUDIT PARA NO. 7.5, PAGE NO.181, AUDIT REPORT 2003-04**

xxiii. **AUDIT PARA NO. 7.6, PAGE NO.181, AUDIT REPORT 2003-04**

xxiv. **AUDIT PARA NO. 7.7, PAGE NO.181-182, AUDIT REPORT 2003-04**

xxv. **AUDIT PARA NO. 7.8, PAGE NO.182, AUDIT REPORT 2003-04**

xxvi. **AUDIT PARA NO. 7.9, PAGE NO.182-183, AUDIT REPORT 2003-04**

xxvii. **AUDIT PARA NO. 7.10, PAGE NO.183-184, AUDIT REPORT 2003-04**

xxviii. **AUDIT PARA NO. 7.11, PAGE NO.185, AUDIT REPORT 2003-04**

PAC DIRECTIVE

The Committee settled the above twenty eight paras on the advice of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 28th October, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Information Technology and Telecommunication are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. i) GRANT NO. 70 INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS DIVISION
Saving of Rs.14,493,144

ii) GRANT NO. 135 DEVELOPMENT EXPENDITURE OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS DIVISION
Saving of Rs.613,622,429

PAC DIRECTIVE

The Committee regularized the above mentioned two grants.

INFORMATION TECHNOLOGY AND TELECOMMUNICATION

2. AUDIT PARA NO. 10.1, PAGE NO.157, AUDIT REPORT 2003-04
IMPROPER PLANNING AND IMPLEMENTATION OF PROJECTS, ABSENCE OF A MECHANISM FOR IMPACT ASSESSMENT AND LACK OF CONTROL OVER EXPENDITURE ON DEVELOPMENT PROJECTS

Audit pointed out that according to para 309 of GFR Vol-I responsibility of departmental officers with respect to collection of Government dues or expenditure is to see that proper accounts are maintained in such form as may be prescribed for all financial transactions and render accurately all such accounts and returns relating to them to the controlling authorities concerned. Furthermore, para 1.49 of Chapter-1 of Manual for Development Projects (Revised) issued by the Planning and Development Division in May, 1997 prescribes the procedure for preparation and implementation of development schemes i.e. preparation of project proposals (PC-I and PC-II), progress of ongoing projects (PC-III) and project completion, operation and maintenance reports (PC-IV and PC-V). It was, however, noted that Information Technology and Telecommunication Division made releases of Rs. 3,457 million from 01.07.2000 to 30.06.2002 to various development schemes / projects throughout the country for development of information technology without paying any attention to the above mentioned provisions of the rules.

The PAO informed that these paras were related to Ministry of Science and Technology so, some of the projects referred here are carried forward from Ministry of Science and Technology to this Ministry. Therefore, some of the

relevant record is still with Ministry of Science and Technology. The PAO informed that a fresh DAC has not been called due to shortage of time and he also stated that without fresh DAC this para may not be discussed.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to call a fresh DAC and submit its report to Committee.

3. AUDIT PARA NO. 10.3, PAGE NO.160-161, AUDIT REPORT 2003-04 DISPROPORTIONNATE EXPENDITURE WITHOUT KEEPING IN VIEW THE ALLOCATION IN PC-I BY IRREGULARLY PLACING THE PROJECT FUNDS IN THE BANK ACCOUNT OF PAKISTAN SOFTWARE EXPORT BOARD-RS. 10.95 MILLION

Audit pointed out that from the scrutiny of payment record of Training in Information Technology for Federal Government Employees Project it was observed that the management incurred expenditure without keeping in view the approved allocation for the project. Details in the following table show that year-wise actual expenditure was disproportionate to the allocations for various years for the Training in Information Technology for Federal Government Employees. All this happened because of the fact that lapsable yearly allocations of the project were drawn from the treasury and irregularly put in the bank account of Pakistan software Export Board. The management could also not account for the interest earned on the deposits kept in the bank account of Pakistan Software Export Board.

The PAO informed that as per direction of the DAC inquiry has been completed and report has been compiled and forwarded to Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of record/report by the Audit.

4. (i) Audit Para No. 10.6, Page No.163-164, Audit Report 2003-04 IRREGULAR DISTRIBUTION OF GOVERNMENT RECEIPTS-RS.0.321 MILLION.

The Audit informed that Pakistan Computer Bureau provided technical services to Government / Semi Government Organization and Autonomous Bodies on payment basis and receipts were generally deposited into Government account. However, in the case of following organizations receipts amounting to Rs. 321,099 were neither entered in the cash book nor deposited into Government account. The said amount was Government receipt but management obtained open cheques in the name of DDO instead of Pakistan Computer Bureau and the same were

cashed and distributed between officers/staff unauthorizedly / irregularly in violation of the provisions of Rule 7(3) of FTR VOl-I.
The PAO informed that the recovery process has been started and notice has been issued to the officer who have already retired. The PAO apprised the Committee that the amount included in this was Rs. 300,000 and this was distributed as honoraria for employees who were engaged in this training process over and above their normal duties.

(ii) AUDIT PARA NO. 10.7, PAGE NO.164-165, AUDIT REPORT 2003-04 IRREGULAR EXPENDITURE AS LECTURE FEE PAID TO EMPLOYEES IN ADDITION TO HONORARIUM-RS. 0.120 MILLION

Audit pointed out that in PC-I of Training in Information Technology Project for Federal Government Employees there was no provision for lecture fee but the management of Pakistan Computer Bureau irregularly paid lecture fee amounting to Rs. 121,800 to 08 persons as per details given below. The payment of lecture fee was made in violation of the provisions of PC-I of the project and without approval of the rates of lecture fee by the Finance Division. In addition the said employees were also paid honorarium.

(iii) AUDIT PARA NO. 10.8, PAGE NO.165-166, AUDIT REPORT 2003-04 UNAUTHORIZED PAYMENT OF ADDITIONAL CHARGES-RS.0.107 MILLION

Audit informed that from the scrutiny of paid of vouchers of Y2K Project it transpired that the management had paid additional charges amounting to Rs. 107,013 to different officials without any provision under any head of account in the PC-I. It was also noted that approval of additional charge assignments were not on record. The amount was not drawn from AGPR but from project account. The whole expenditure of Rs. 107,013 was, therefore, irregular.

PAC DIRECTIVE

The Committee settled the above three paras.

TELECOMMUNICATION SECTOR

5. AUDIT PARA NO. 1.3.2 & 1.3.3, PAGE NO.5, AUDIT REPORT 2003-04

Audit Pointed out that according to the report of the Chartered Accountants, revenue of Rs.227.000 million receivable from M/s Catalyst Communications (Private) Limited (CATCOM) was not recognized in respect of share of international incoming traffic for the period from 2001 to 2004 due to which the

profit for the year had been understated by Rs. 5.678 million and the opening retained earnings had also been understated by Rs. 221.234 million.
Audit further stated that NTC with the approval of the Ministry of Science and Technology (IT&T) executed two contracts with M/s CATCOM and Zahra Communication to setup, operate, market and maintain, prepaid calling card services, Payphone Services and international gateway exchanges. As per NTC contention, the trial operations of these exchanges were suspended by the Ministry on 9th January, 2003. However, the record did not show issuance of any direction by the Ministry for the suspension of operations under these contracts. On an appeal from M/s CATCOM, the matter was investigated by the Minister of State for Information Technology and Telecommunications. The operations were restarted by M/s CATCOM from 10thJanuary, 2004 and by M/s Zahra Communications from 9the August, 2004 after an out of court settlement.

The PAO informed that in compliance of PAC directive dated 12th March 2015 a de-novo enquiry has been conducted, responsibility has been fixed and its report will be shared with the PAC/Audit.

PAC DIRECTIVE

The Committee pended the para till next meeting.

6. AUDIT PARA NO. 1.11, PAGE NO.13-14, AUDIT REPORT 2003-04 PROMOTION IN BPS-20 BEYOND POWERS

The Audit pointed out that as per Serial No. 14 of Annexure-A to SRO No. 171 (1)/99, dated 8th February, 1999, the Chairman/Management Board of NTC has been delegated full powers for promotions up to BPS-19 within approved organizational set up. Contrary to this, an officer was promoted by the NTC management in (BPS-20) on 5th May, 2000 by creating a new post beyond the delegated powers of the Board.

The PAO informed that the NTC Management Board was competent to promote the officer to BPS-20. He quoted the act vide which that Management Board was competent to promote the officer to the post of BPS-20 but the PAC and Audit did not agree with the stance of the PAO. The representative of law apprised the Committee that only PM is competent for promotion/Appointment in BPS-20.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to get it regularized from the Ministry of Finance.

7. (i) AUDIT PARA NO. 1.6, PAGE NO.9-10, AUDIT REPORT 2003-04 NON-RECOVERY OF LIQUIDATED DAMAGES.

(ii) AUDIT PARA NO. 1.8, PAGE NO.11-12, AUDIT REPORT 2003-04 IRREGULAR EXPENDITURE ON LEAVE ENCASHMENT-RS2.301 MILLION

(iii) PARA NO. 1.9, PAGE NO.12, AUDIT REPORT 2003-04 IRREGULAR PAYMENT ON REQUISITION OF HOUSES AT UNSPECIFIED STATIONS – RS. 1.134 MILLION

PAC DIRECTIVE

The Committee settled the above three paras on the recommendation of DAC.

M/O KASHMIR AFFAIRS AND GILGIT BALTISTAN

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Kashmir Affairs and Gilgit Baltistan was examined by the PAC on 6th August and 28th October, 2015.

- 04 grants and 42 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 04 grants and 36 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O KASHMIR AFFAIRS AND GILGIT BALTISTAN

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 6th August, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Ministry of Kashmir Affairs and Gilgit Baltistan are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.83-OTHER EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 365,377,611which worked out to 6.79% of the total grant. An amount Rs. 424,104,031 (7.88%) was surrendered resulting into an excess of Rs. 58,726,420 (1.09%).

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO. 85-NORTHERN AREAS

AGPR pointed out that the grant closed with an excess of Rs. 201,350,769 which worked out to 13.02% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

3. GRANT NO. 114-CAPITAL OUTLAY ON PURCHASES BY KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 265,675 which worked out to 0.03% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

4. GRANT NO. 137- DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION

AGPR pointed out that the grant closed with an excess of Rs. 296,303,859 which worked out to 11.70% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

The Committee settled the whole report.

AUDIT REPORT FOR THE YEAR 2003-04

5. PARA NO. 7.1 PAGE 131-A.R. 2003-04
IRREGULAR AWARD OF WORK AMOUNTING TO RS.300.501 MILLION

Audit pointed out that as per Para 7-12 of Pakistan Public Works Department Code, the tenders must be invited in the most open and public manner to achieve competitive rates. The Management of Northern Areas Public Works Department awarded the work "Construction of road Thalichi-Astore-Chilim Chowki (102 km)" to M/s Frontier Works Organization (FWO) without calling tenders in violation to above rules. This resulted in irregular award of work amounting to Rs.300.501 million during the month of March, 2002.

The PAO informed that the contract of a road was awarded, Frontier Works Organization (FWO) on the direction of the President of Pakistan who was on the tour of Northern Areas. He directed to award the contract of the road to FWO and it should be completed in time. The road was completed in time.

PAC DIRECTIVE

The Committee directed the PAO to forward a reference to Ministry of Finance to inquire whether any contract could be awarded to Frontier Works Organization (FWO) without adopting the open tender procedure. If it is not allowed, it should be got regularized by the competent forum within thirty days.

6. PARA NO. 7.4, PAGE 132-133-A.R. 2003-04
NON-RECOVERY OF ADVANCE PAYMENT OF RS.9.508 MILLION AND UNJUSTIFIED RELEASE OF SECURITY DEPOSIT

Audit pointed out that as per Para 229 of Central Public Works Department Code, the advance payment should not be made in excess of the value of actual work done. Water and Power Division, Gilgit made advance payment of Rs.63.309 million to M/s Techno Trade for supply of G.I pipes but the contractor made supply of pipe for Rs.53.801 million. Thus, the contractor received extra payment of Rs.9.508 million. Subsequently, the Department also released the security deposit to the contractor in contravention to the rule without adjusting outstanding advance of Rs.9.508 million.

The PAO informed that the responsibility was fixed on the person who paid the advance payment to contractor for purchase of G.I Pipe and released his security

deposit. Later on he was exonerated by an inquiry Committee. After that the matter was taken in the court and is still subjudice in the court of law.

PAC DIRECTIVE

The Committee directed the PAO to submit a progress report in this matter within sixty days.

7. PARA NO. 7.6, PAGE 133-134-A.R. 2003-04
NON-RECOVERY OF SECURED ADVANCE AMOUNTING TO RS.6.715 MILLION

Audit pointed out that as per clause 5 and 7 of Indenture Bond for secured advance (Form 31), the contractor would not on any account remove the material from site of work. In case of default, the recovery would be made immediately alongwith interest @ 12% per annum from the date of payment to the date of recovery. Water and Power Division, Chilas allowed secured advance of Rs.33.430 million against five works during the month of June 2003. Material for Rs.6.715 million was taken away by the contractor. The Department could not initiate action under clause 7 of Indenture Bond to recover Rs.6.715 million and interest due @ 12% per annum.

Audit further explained that the recovery has been made but record has not been provided yet to the Audit for verification.

The PAO informed that the amount has been recovered and record will be provided to Audit for verification.

PAC DIRECTIVE

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

8. PARA NO. 7.7, PAGE 135-A.R. 2003-04
OVERPAYMENT OF RS.5.863 MILLION DUE TO ACCEPTANCE OF TENDERS AT HIGHER RATES

Audit pointed out that para No. 2 (b) of Northern Areas Delegation of Financial Powers 1999 states; “the rates quoted and/or amounts tendered are such that the total cost of the project/work will not exceed the amount for which technical sanction has been accorded by more than 4.5%”.

Various Divisions of Northern Areas Public Works Department accepted the tenders at higher rates beyond the permissible limit of 4.5% resulting in overpayment of Rs.5.863 million.

The PAO informed that as per para no.6.21 of the Pakistan Public Works Department code, 15% above the estimated cost was admissible and revised PC-I has been got approved. The record will be provided to Audit for verification.

PAC DIRECTIVE

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

9. PARA NO. 7.11 PAGE 136-137- A.R. 2003-04
OVERPAYMENT OF RS.3.122 MILLION DUE TO PAYMENT OF QUANTITIES NOT ACTUALLY EXECUTED AT SITE

Audit pointed out that para No. 209(d) of Central Public Works Accounts Code states: "all payments for work done or supplies shall be based on the quantities recorded in the Measurement Book; it is incumbent upon the person(s) taking measurement to record the quantities clearly and accurately." Water and Power Division, Northern Areas Public Works Department, Ghanche measured and paid some items/quantities of work not actually executed at site. Payment for non-executed items/quantities resulted in overpayment of Rs.3.122 million to the contractors during the month of June, 2000 and August, 2001.

Audit also appraised the Committee that 1.7 million has been recovered and its record has not been provided for verification.

The PAO informed that 1.7 million has been recovered. A further amount of 1.3 million was pending and the contractor has done further work against that amount. The documentary proof of recovery and further work done by the contractor will be provided to Audit for verification.

PAC DIRECTIVE

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

10. PARA NO. 7.22 PAGE 143- A.R. 2003-04
UN-JUSTIFIED UTILIZATION OF GOVERNMENT RECEIPT - RS.602,211

Audit pointed out that rule 26 General Financial Rules Volume-I states; "it is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited to public accounts". Buildings and Roads Division, Chillas utilized the government receipt realized on account of 8% storage charges from different contractors and sister Divisions unauthorizedly towards expenditure under head 44000-Building and 47000-Others. This was a violation of rules.

The PAO informed that the reference has been made to Finance Department Gilgit Baltistan for regularization.

PAC DIRECTIVE

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

11. PARA NO. 7.27 PAGE 146-A.R. 2003-04
EXCESS RELEASE OF SECURITY DEPOSIT AMOUNTING TO RS.338,449

Audit pointed out that under clause-I of condition of contract, while making payments to the contractor under the contract, a certain sum of money is held by the government by way of security deposit. Building and Roads Divisions, Gilgit and Ghizer released security deposits in excess of the actual deposits of the contractors. Violation of rules resulted in excess release of deposit of Rs.338,449 up to June, 2000.

The PAO informed that inquiry has been ordered to fix the responsibility on the individual responsible for excess release of security deposit. Simultaneously, the orders have been issued to recover the amount from contractor within one month.

PAC DIRECTIVE

The Committee directed to finalize the inquiry, fix responsibility, take action against the individual responsible for excess release of security deposit and recover the amount from the contractor within one month.

12. i) PARA NO. 7.2, PAGE 131-132- A.R. 2003-04
OVERPAYMENT OF RS.39.874 MILLION DUE TO CHARGING INCORRECT COST PER KILOMETER

ii. PARA NO. 7.3, PAGE 132-A.R. 2003-04
OVERPAYMENT OF RS.10.751 MILLION ON ACCOUNT OF ITEM NOT EXECUTED

iii. PARA NO. 7.8, PAGE 134-135
IRREGULAR EXPENDITURE OF RS.5.295 MILLION DUE TO INCURRING OF EXPENDITURE IN EXCESS OF BUDGET ALLOCATION

iv. PARA NO. 7.9 PAGE 135
OVERPAYMENT OF RS.3.801 MILLION DUE TO APPLYING OF INCORRECT WEIGHTAGE

v. PARA NO. 7.12 PAGE 137- A.R. 2003-04
OVERPAYMENT OF RS.3.035 MILLION ON ACCOUNT OF ALLOWING FULL RATE FOR LESSER USE OF BITUMEN

vi. PARA NO. 7.13 PAGE 138-A.R. 2003-04
NON-ADJUSTMENT OF SECURED ADVANCE OF RS.2.739 MILLION

vii. **PARA NO. 7.14 PAGE 138-139**
SANCTION OF ESTIMATES OF RS.1.971 MILLION BEYOND COMPETENCY

viii. **PARA NO. 7.15 PAGE 139**
UNJUSTIFIED ISSUE OF MATERIAL OF RS.1.970 MILLION

ix. **PARA NO. 7.16 PAGE 139-140**
NON-RECOVERY OF RS.1.433 MILLION DUE TO UNJUSTIFIED ISSUANCE OF MATERIAL

x. **PARA NO. 7.17 PAGE 140**
UNAUTHORIZED PAYMENT OF RS.974,987 DUE TO ADOPTION OF LONGER ROUTE

xi. **PARA NO. 7.18 PAGE 141**
OVERPAYMENT OF RS.908,602 DUE TO EXECUTING EXCESS QUANTITY OF ITEM HAVING HIGHER RATE

xii. **PARA NO. 7.19 PAGE 141-142**
NON-RECOVERY OF RS.825,000 ON ACCOUNT OF MATERIAL ISSUED

xiii. **PARA NO. 7.21 PAGE 142-143**
LESS RECOVERY OF COST OF BITUMEN AMOUNTING TO RS.635,770

xiv. **PARA NO. 7.23 PAGE 144**
OVERPAYMENT OF RS.578,000 DUE TO PAYMENT OF COST OF POLES THAT WERE ISSUED FROM STOCK

xv. **PARA NO. 7.25 PAGE 145**
OVERPAYMENT OF RS.433,976 DUE TO EXCESSIVE MEASUREMENTS

xvi. **PARA NO. 7.26 PAGE 145-146**
NON-RECOVERY OF RS.346,726 DUE TO DIFFERENCE OF COST OF WORK

xvii. **PARA NO. 7.28 PAGE 147**
UNJUSTIFIED PAYMENT OF RS.212,479 WITHOUT ANY PROVISION IN TECHNICALLY SANCTIONED ESTIMATE

xviii. **PARA NO. 7.29 PAGE 147-148**
OVERPAYMENT OF RS.175,282 DUE TO WRONG CALCULATION

PAC DIRECTIVE

The Committee settled the above eighteen paras on the recommendation of DAC.

13. i) PARA NO. 7.5, PAGE 133-A.R. 2003-04
OVERPAYMENT OF RS.8.735 MILLION DUE TO EXCESS MEASUREMENT

ii. PARA NO. 7.10, PAGE 136-A.R. 2003-04
NON-RECOVERY OF HIRE CHARGES OF RS.3.650 MILLION AND NON-RETRIEVAL OF ROAD ROLLER

iii. PARA NO. 7.20 PAGE 142-A.R. 2003-04
NON-RECOVERY OF RS.747,100 ON ACCOUNT OF RENTAL CHARGES

iv. PARA NO. 7.24 PAGE 144-145-A.R. 2003-04
OVERPAYMENT OF RS.441,000 DUE TO PAYMENT OF AVAILABLE QUANTITY AT HIGHER RATE

PAC DIRECTIVE

The Committee directed to pursue the above four paras at DAC level.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 28th October, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Ministry of Kashmir Affairs and Gilgit Baltistan are given below:-

AUDIT REPORT FOR THE YEAR 2003-04

1. PARA NO. 7.1 PAGE 131-A.R. 2003-04
IRREGULAR AWARD OF WORK AMOUNTING TO RS.300.501 MILLION

Audit pointed out that as per Para 7-12 of Pakistan Public Works Department Code, the tenders must be invited in the most open and public manner to achieve competitive rates. The Management of Northern Areas Public Works Department awarded the work "Construction of road Thalichi-Astore-Chilim Chowki (102 km)" to M/s Frontier Works Organization (FWO) without calling tenders in violation to above rules. This resulted in irregular award of work amounting to Rs.300.501 million during the month of March, 2002.

The PAO informed the Committee that the contract of a road was awarded to Frontier Works Organization (FWO) on the direction of the Chief Executive of Pakistan who was on the tour of Northern Areas. He directed to award the contract of the road to FWO and it should be completed in time. The road was completed in time. He also stated that this was awarded to FWO because this area was near the Line of Control.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the competent forum and report to the Audit / Committee within thirty days.

2. PARA NO. 7.4, PAGE 132-133-A.R. 2003-04
NON-RECOVERY OF ADVANCE PAYMENT OF RS.9.508 MILLION AND UNJUSTIFIED RELEASE OF SECURITY DEPOSIT

Audit pointed out that as per Para 229 of Central Public Works Department Code, the advance payment should not be made in excess of the value of actual work done. Water and Power Division, Gilgit made advance payment of Rs.63.309 million to M/s Techno Trade for supply of G.I pipes but the contractor made supply of pipe for Rs.53.801 million. Thus, the contractor received extra payment of Rs.9.508 million. Subsequently, the Department also released the security deposit to the contractor in contravention to the rule without adjusting outstanding advance of Rs.9.508 million.

The PAO informed that the matter is in court of law and the department is pursuing the case vigorously. He further informed that as the case is subjuidice in the court of law no action is possible against the contractor

PAC DIRECTIVE

The Committee directed the PAO to enquire the issue of extra payment of Rs. 9.508 Million to the contractor and fix the responsibility upon the concerned officer/official, take action against them as per rules and submit a report to the Audit / Committee within thirty days.

3. PARA NO. 7.5 A.R. 2003-04
OVERPAYMENTS OF RS. 8.735 MILLION DUE TO EXCESS MEASUREMENT

Audit pointed out that Buildings and Roads Division, Astore paid base course and leveling course for a length of 84. 02 KM instead of actual length of 75.02 Km of work "Construction of road Thalichi-Astore-Chilliam Chowki". This resulted in overpayment of Rs. 8.735 million to the contractor during the month of December, 2003.

The PAO accepted the point of view of the Audit and stated that it was a procedural irregularity because the contract was awarded on MOU basis without preparing any PC-1. However, the work was done on the ground and its completion certificate will be provided to Audit.

PAC DIRECTIVE

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

4. PARA NO. 7.6, PAGE 133-134-A.R. 2003-04
NON-RECOVERY OF SECURED ADVANCE AMOUNTING TO RS.6.715 MILLION

Audit pointed out that as per clause 5 and 7 of Indenture Bond for secured advance (Form 31), the contractor would not on any account remove the material from site of work. In case of default, the recovery would be made immediately alongwith interest @ 12% per annum from the date of payment to the date of recovery. Water and Power Division, Chilas allowed secured advance of Rs.33.430 million against five works during the month of June 2003. Material for Rs.6.715 million was taken away by the contractor. The Department could not initiate action under clause 7 of Indenture Bond to recover Rs.6.715 million and interest due @ 12% per annum.

Audit further explained that the recovery has been made but record has not been provided yet to the Audit for verification.

The PAO informed that a sum of Rs. 18.148 million has been adjusted against total secured advance. A sum of Rs.15.282 million is still outstanding against two works, which will be recovered /adjusted as soon as possible.

PAC DIRECTIVE

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

5. **PARA NO. 7.7, PAGE 135-A.R. 2003-04**
OVERPAYMENT OF RS.5.863 MILLION DUE TO ACCEPTANCE OF TENDERS AT HIGHER RATES

Audit pointed out that para No. 2 (b) of Northern Areas Delegation of Financial Powers 1999 states; "the rates quoted and/or amounts tendered are such that the total cost of the project/work will not exceed the amount for which technical sanction has been accorded by more than 4.5%". Various Divisions of Northern Areas Public Works Department accepted the tenders at higher rates beyond the permissible limit of 4.5% resulting in overpayment of Rs.5.863 million.

The PAO informed that the original PC-1 is available with us and will be provided to Audit for verification.

PAC DIRECTIVE

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

6. PARA NO. 7.10 A.R. - 2003-04
NON-RECOVERY OF HIRE CHARGES OF RS.3.650 MILLION AND NON-RETRIEVAL OF ROAD ROLLER

The Audit pointed out that according to the Para- 157 of the Central Accounts Code the hire charges should be recovered from the users of machinery regularly. Para 144 of the code provides that machinery should be received from the users without unnecessary delay and in good condition. Audit further told that Water and Power Division, Skardu neither recovered the hire charges nor received back the roller from an Army unit. Non-compliance of rules resulted in non-recovery of hire charges of Rs.3.650 million from the month of March, 2001 to April, 2002.

The PAO informed that the machinery has been taken back from army and the amount has been recovered.

PAC DIRECTIVE

The Committee settled the para.

7. PARA NO. 7.11 PAGE 136-137- A.R. 2003-04
OVERPAYMENT OF RS.3.122 MILLION DUE TO PAYMENT OF QUANTITIES NOT ACTUALLY EXECUTED AT SITE

Audit pointed out that para No. 209(d) of Central Public Works Accounts Code states: "all payments for work done or supplies shall be based on the quantities recorded in the Measurement Book; it is incumbent upon the person(s) taking measurement to record the quantities clearly and accurately." Water and Power Division, Northern Areas Public Works Department, Ghanche measured and paid some items/quantities of work not actually executed at site. Payment for non-executed items/quantities resulted in overpayment of Rs.3.122 million to the contractors during the month of June, 2000 and August, 2001.

Audit also appraised the Committee that 1.7 million has been recovered and its record has not been provided for verification.

The PAO informed that all amount has been recovered and got verified by the Audit.

PAC DIRECTIVE

The Committee settled the para.

8. PARA 7.20 – A.R 2003-04
NON-RECOVERY OF RS.747,100 ON ACCOUNT OF RENTAL CHARGES

The Audit pointed out that according to Para-8 of General Financial Rules Chapter-2 it is the duty of the Administrative Department concerned to see that the dues of Government are correctly and promptly assessed, collected and paid into the treasury. Audit told that Building and Roads Division, Gilgit could not recover rental charges of Northern Areas House Islamabad from various officers and private persons for the year 2002-03. Violation of rules resulted in non-recovery of Rs.747,100.

The PAO informed that 0.15 million has been recovered and the recovery of the balance amount has become difficult because one defaulter has died. This amount will be written off.

PAC DIRECTIVE

The Committee settled the para.

9. PARA NO. 7.22 PAGE 143- A.R. 2003-04
UN-JUSTIFIED UTILIZATION OF GOVERNMENT RECEIPT - RS.602,211

Audit pointed out that rule 26 General Financial Rules Volume-I states; "it is the duty of controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited to public accounts". Buildings and Roads Division, Chillas utilized the government receipt realized on account of 8% storage charges from different contractors and sister Divisions unauthorizedly towards expenditure under head 44000-Building and 47000-Others. This was a violation of rules.

The PAO informed that the matter has been forwarded to Ministry of Finance for regularization.

PAC DIRECTIVE

The Committee settled the para.

10. PARA NO. 7.24-A.R 2003-04

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

11. PARA NO. 7.27 PAGE 146-A.R. 2003-04
EXCESS RELEASE OF SECURITY DEPOSIT AMOUNTING TO RS.338,449

Audit pointed out that under clause-I of condition of contract, while making payments to the contractor under the contract, a certain sum of money is held by the government by way of security deposit. Building and Roads Divisions, Gilgit and Ghizer released security deposits in excess of the actual deposits of the contractors. Violation of rules resulted in excess release of deposit of Rs.338,449 up to June, 2000.

The PAO informed that the recovery has been started from the individual responsible for excess release of security deposit.

PAC DIRECTIVE

The Committee settled the para.

PERFORMANCE AUDIT REPORT ON GREATER WATER SUPPLY SCHEME GILGIT

DIRECTORATE GENERAL AUDIT WORKS (FEDERAL), ISLAMABAD

12. i) PARA NO.1- PAGE 152- P.A.R. 2003-04
OPENING OF THE PROJECT

ii. PARA NO.2 (ii) (iii) - PAGE 152-154- P.A.R. 2003-04
CONTRACT MANAGEMENT

iii. PARA NO.3 (1) - PAGE 154-155 - P.A.R. 2003-04
UN-HYGIENIC WATER SUPPLY

iv. PARA NO.3(2) - PAGE 155- P.A.R. 2003-04
USE OF INAPPROPRIATE MATERIAL

v. PARA NO.3(3)- PAGE 155-156- P.A.R. 2003-04
TIME OVERRUN

vi. PARA NO. 3(4) - PAGE 157- P.A.R. 2003-04
NON ACHIEVEMENTS OF OBJECTIVES

PAC DIRECTIVE

The Committee settled the above 6 paras pertaining to Performance Audit Report on Greater Water Supply Scheme Gilgit.

13. PARA NO. 2(i) PAGE 152- P.A.R. 2003-04
CONTRACT MANAGEMENT

PAC DIRECTIVE

The Committee directed the PAO to pursue the matter in the court of law vigorously.

M/O LAW JUSTICE AND HUMAN RIGHTS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Law Justice and Human Rights was examined by the PAC on 9th July, 2nd September, 2015 and 13th January, 2016.

- 09 grants and 09 paras were presented by the Audit Department which were examined by the Committee. These 09 grants and 08 paras were settled whereas one para remained unsettled.

M/O LAW JUSTICE AND HUMAN RIGHTS

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 9th July, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Law, Justice and Human Rights are given below:-

MINISTRY OF LAW, JUSTICE AND HUMAN RIGHTS

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. GRANT NO.88-LAW, JUSTICE AND HUMAN RIGHTS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 47,461,228/- which worked out to 36.97% of the total grant. An amount of Rs. 46,706,990/- (36.38%) was surrendered leaving net saving of Rs. 754,238/- (0.59%).

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.89 OTHER EXPENDITURE OF LAW, JUSTICE AND HUMAN RIGHTS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 40,867,558/- which worked out to 11.47% of the total grant. An amount of Rs. 14,037,198/- (3.94%) was surrendered leaving net saving of Rs. 26,830,360/- (7.53%).

PAC DIRECTIVE

The Committee regularized the grant.

3. GRANT NO.140 LAW, JUSTICE AND HUMAN RIGHTS DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 341,467,893/- which worked out to 30.76% of the total grant. An amount of Rs. 253,524,754/- (22.84%) was surrendered leaving net saving of Rs. 87,943,139/- (7.92%).

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT FOR THE YEAR 2003-04

4. PARA NO. 12.1 – PAGE 275 – AR-2003-04
UNAUTHORIZED USE OF SECURITY DEPOSIT FOR DEPARTMENTAL EXPENDITURE-RS. 3.750 MILLION.

Audit pointed out that Federal Service Tribunal receives a sum of Rs. 100 per appeal from each appellant as security deposit which is refundable after disposal of the cases. The amount of security deposits so collected from the appellants is deposited in account No. SB018576-9 maintained with National Bank of Pakistan, Main Branch, Islamabad.

Audit further explained that from the said security deposits, an amount of Rs. 3,749,308 was paid to Capital Development Authority as cost of plot measuring 2,777.77 square yards in Sector G-5/2, Islamabad allotted to the Federal Service Tribunal by CDA which was irregular.

PAO informed that the amount was drawn from the said account and was paid to CDA as cost of plot for the construction of Federal Services Tribunal building but later on when the regular funds for the said purpose were released, the said amount was deposited back.

PAC DIRECTIVE

The Committee settled the para.

5. PARA NO. 12.4 – PAGE 277 – AR-2003-04
NON-ACCOUNTAL OF RECEIPTS OF RS. 2.99 MILLION

Audit pointed out that according to Rule 77 (i) of Federal Treasury Rules (FTR) Vol.-I, every officer receiving money on behalf of the Government is required to maintain a cash book in form TR-4. Sub rule (v) of rules ibid provides that the head of the office should also compare the FTO receipt on the challan or the pass book with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited into the treasury or not. Para 3 (d) of New System of Financial Control and Budgeting, 2000 requires that in the matters of receipts pertaining to the Ministry/Attached Department / Subordinate Offices, the Principal Accounting Officer is expected to ensure that adequate machinery exists for due collection and bringing to account all receipts of any kind connected with the functions of the departments under his control. It was, however, noted that in Income Tax Appellate Tribunal Bench I, II and III, Islamabad the management had not maintained cash book and supporting challans for government receipts which were deposited by appellants in different cases. Figures of receipts of Rs. 2.994 million were given to the Audit by the management. When asked to provide the cash book and supporting copies of the deposited challans and its reconciliation statement duly verified by Federal

Treasury Office the management verbally responded that no cash book was maintained for receipts and copies of challans are available in the concerned case files and it is difficult for management to reconcile the figures of the receipts with FTO on whole Pakistan. Receipts amounting to Rs. 2.99 million were not properly accounted for by the Income Tax Appellant Tribunal in violation of the rules nor were these reconciled with the FTO.

PAO informed that there is neither misappropriation nor embezzlement in the account but due to non-availability of system, receipts could not be properly accounted for. Now, amounts are being deposited in Government Treasury so that these could be accounted for and could be reconciled.

PAC DIRECTIVE

The Committee settled the para.

6. i) PARA NO. 12.5 – PAGE 278 – AR-2003-04
IRREGULAR APPOINTMENT OF STAFF

Audit pointed out that the Special Court for suppression of terrorist activities at Bahawalpur was established vide Law, Justice and Human Rights Division Notification No. F(8)95-AIII dated 03 August 1995. Some posts of officers / officials were also sanctioned. The appointing authority in case of the officials mentioned below was Secretary, Ministry of Law, Justice and Human Rights. No power was delegated by the Secretary to any officer of the Court regarding appointment of staff. However, the appointments of following officials were irregularly made by the presiding officer, Special Court for Suppression of Anti Terrorist Activities, Bahawalpur.

Audit requested that the ex-post facto approval accorded by the competent authority may be shown to audit for verification.

ii) PARA NO. 12.6 – PAGE 278-279 – AR-2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF PURCHASE OF DURABLE GOODS Rs. 0.577 MILLION

Audit pointed out that Special Court for Control of Narcotics Substances, Karachi under Ministry of Law, Justice and Human Rights incurred an expenditure of Rs. 577,015 on the purchase of durable goods.

The following irregularities were noticed in respect of the above expenditure:-

1. Expenditure was incurred without delegation of powers.

2. The expenditure was split up to avoid calling of open tenders in violation of the provisions of paras 144-146 of GFR, Vol.-I.
3. Items purchased were not entered in the relevant stock register violating the provision of para 148 of GFR, Vol.-I.
4. Income tax was not deducted from the bills of the suppliers.

Audit requested that irregularity may be got regularized from the Finance Division.

PAC DIRECTIVE

The Committee clubbed the above two paras and settled subject to verification of record by the Audit.

7. PARA NO. 12.9 – PAGE 281 – AR-2003-04
LOSS DUE TO PAYMENT OF RESIDENTIAL UTILITIES – Rs. 0.125 MILLION AND OVERPAYMENT AS HOUSE RENT ALLOWANCE – Rs. 0.062 MILLION

Audit pointed out that in Banking Court, Abbottabad electricity and gas charges of the residence of the Banking Judge wre paid from the government exchequer which otherwise were not admissible under prevalent rules. The irregular payment resulted in a loss of Rs. 124,958 for the period from September, 1996 to June, 2003. Furthermore, the officers resided in the government rented building but also drew House Rent Allowance for the period from August, 1998 to May, 2000 @ Rs. 2003 per month. Total overpayment on this account comes to Rs. 61,772.

Audit requested the Committee to direct the PAO to recover the outstanding amount of Rs. 175,523 from concerned.

PAC DIRECTIVE

The Committee directed the PAO to recover the outstanding amount within thirty days.

8. i) PARA NO. 12.2 – PAGE 275-276 – AR-2003-04
NON DEPOSIT OF PROFIT EARNED FROM COURT DEPOSIT ACCOUNT INTO THE TREASURY – Rs. 1.43 MILLION

ii) PARA NO. 12.7 – PAGE 279-280 – AR-2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF DURABLE GOODS – Rs. 0.532 MILLION

iii) PARA NO. 12.8 – PAGE 280-281 – AR-2003-04
SPLITTING OF EXPENDITURE TO AVOID CALLING OF OPEN TENDERS Rs. 0.296 MILLION

PAC DIRECTIVE

The Committee settled the above three paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd September, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Women Development, Social Welfare and Special Education (now under M/o Law, Justice and Human Rights) are given below:-

MINISTRY OF WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.109-WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION

AGPR pointed out that the grant closed with the excess of Rs. 676,246 which worked out to 0.02% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.110-OTHER EXPENDITURE OF WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION

AGPR pointed out that the entire budget provision was utilized in full.

PAC DIRECTIVE

The Committee regularized the grant.

3. GRANT NO.148-DEVELOPMENT EXPENDITURE OF WOMEN DEVELOPMENT, SOCIAL WELFARE AND SPECIAL EDUCATION DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 610,030,434 which worked out to 59.36% of the total grant. An amount of Rs. 566,153,025 (55.09%) was surrendered leaving net saving of Rs. 43,877,409 (4.27%).

PAC DIRECTIVE

The Committee regularized the grant.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 13th, January, 2016 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Ministry of Law, Justice and Human Rights (Federal Judicial Academy) are given below:

FEDERAL JUDICIAL ACADEMY

1. PARA NO. 12.3 – PAGE NO. 33
NON-DISCLOSURE OF RECEIPTS IN THE BUDGET PRPOSAL

Audit pointed out that in terms of Section 13 of Federal Judicial Academy Act, 1997 the Director General, Federal Judicial Academy is required to submit, in respect of each financial year, budget estimates showing estimated receipts vis-a-vis estimated expenditure - current as well as development, and funds required as grant-in-aid from the Government. The provisions of the Act were disregarded and expected receipts for the year were not shown in the budget proposals. Federal Judicial Academy did not disclose its receipts and unspent budget in its budgetary estimates in succeeding years. Audit told the Committee that the Finance has granted ex-post facto approval, therefore the para is recommended for settlement.

PAC DIRECTIVE

The Committee settled the para.

NARCOTICS CONTROL DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Narcotics Control Division was examined by the PAC on 1st September, 2015.

- 01 audit para, 01 PAR and 02 grants were presented by the Audit Department which were examined by the Committee. Out of which 02 grants were settled whereas 01 para and PAR remained unsettled.

- The Committee also directed the PAO to provide necessary requirements and verify the recovery from the Audit Department in some paras.

NARCOTICS CONTROL DIVISION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st September, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Narcotics Control Division are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1) i) GRANT NO.91-NARCOTICS CONTROL DIVISON
SAVING OF RS.89,295,521/-

The grant closed with a saving of Rs.89,295,521 which works out to 23.02 percent of the total grant. An amount of Rs. 69,183,979(17.83%) was surrendered leaving net saving of Rs. 20,111,542 (5.18%). A supplementary grant of Rs. 600,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

ii) GRANT NO.142-DEVELOPMENT EXPENDITURE OF NARCOTICS CONTROL DIVISION
SAVING OF RS.97,976,501/-

The grant closed with a saving of Rs.97,976,501 which works out to 56.94 percent of the total grant. An amount of Rs. 66,610,000(38.71%) was surrendered leaving net saving of Rs.31,366,501(18.71%).

PAC DIRECTIVE

The Committee regularized the above two grants.

AUDIT REPORT FOR THE YEAR 2003-04

2. 4.19 (PAGE-75-76) AUDIT REPORT 2003-04
OVERPAYMENT DUE TO ALLOWING OF RATES HIGHER THAN COMPOSITE SCHEDULE RATE– RS. 0.806 MILLION

Audit pointed out that in Mehmand Area for the construction of a road under a Development Project named "Construction of Shingle Road Bocha to Yousaf Baba" the work regarding "Excavation as in Shingle gravel / hard rock requiring blasting for quantity of 20,581 m^3" was awarded at the rate of Rs. 75 / m^3 whereas the exact rate of the item under Composite Schedule of Rates 1993 at serial No. 3.12-a was Rs. 48 / m^3. Thus due to incorrect application of rate the contractor was overpaid an amount of Rs. 805,746/= The incorrect application of rate has resulted into an overpayment of Rs. 805,746.Audit requested for provision of record for verification.

PAO informed that the necessary record required by the Audit will be provided for verification.

PAC DIRECTIVE

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

3. PERFORMANCE AUDIT REPORT ON BAJAUR TRIBAL AGENCY AGRICULTURE AND AREA DEVELOPMENT PROJECT

Audit Summarizing the above performance Audit Report 2003-04 stated that a project was started in the poppy growing area to provide the other sources of income in the area in 1989 but all the objectives of the project could not be obtained. The performance report was discussed in the DAC meetings wherein the Ministry told that maximum objectives were obtained as per revised PC-1.

The Ministry also promised to provide record regarding finding No.7.1.4.2,7.1.8.2,7.1.9,7.1.11.2,7.2.6,7.3.1,7.3.2,7.3.4,7.3.6,7.4.2 and outcome of the inquiry regarding Audit finding No.7.3.7relating to fictitious/doubtful payments.

The PAO informed that the Audit observation were made on the basis of basic PC-1 of the project but later on the PC-1 was revised. The project was started in the poppy growing Area to divert the poppy growers to other crops and enhance their income through other sources. The Narcotics Control Division successfully obtained the targets specified in revised PC-1 with the help of provincial government as a result the United Nations Drug Control Wing declared the Pakistan as a poppy free country. However the record/findings of the inquiry as required by the Audit will be provided.

PAC DIRECTIVE

The Committee directed the PAO to provide the revised PC-1/record and the outcome of the inquiry to the Audit and settled the whole report subject to verification of record by the Audit.

NATIONAL ACCOUNTABILITY BUREAU (NAB)

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o National Accountability Bureau (NAB) was examined by the PAC on 1st September, 2015.

- 01 grant was presented by the Audit Department which was examined by the Committee. This was settled by the Committee.

NATIONAL ACCOUNTABILITY BUREAU (NAB)

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st September, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of National Accountability Bureau are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

GRANT NO.10 NATIONAL ACCOUNTABILITY BUREAU EXCESS OF RS.4,890,571/-

The grant closed with an excess of Rs.4,890,571 which works out to 0.79 percent of the total grant. A supplementary grant of Rs.15,397,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the above grant.

NATIONAL ASSEMBLY SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the National Assembly Secretariat was examined by the PAC on 30th December, 2015.

- 01 grant and 04 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 01 grant and 01 para were settled whereas appropriate directions were accordingly issued for the remaining paras.

NATIONAL ASSEMBLY SECRETARIAT

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 30th December, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of National Assembly Secretariat are given below:-

NATIONAL ASSEMBLY SECRETARIAT

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.92-NATIONALASSEMBLY
CHARGED
SAVING OF RS. 24,718,626/=

AGPR pointed out that the grant closed with the saving of Rs. 24,718,626 which worked out to 11.06% of the total grant. An amount of RS.20,425,000 (9.14%) was surrendered leaving net saving of Rs.4,293,626 (1.92%).

OTHER THAN CHARGED
SAVING OF RS. 72,462,973/=

AGPR pointed out that the grant closed with the saving of Rs. 72,462,973 which worked out to 14.21% of the total grant. An amount of Rs.47,229,000 (9.26%) was surrendered leaving net saving of Rs.25,233,973 (4.95%).

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT FOR THE YEAR 2003-04

2. PARA-13.1 PAGE.NO 285-291AR 2003-04
NON-ADJUSTMENT OF ADVANCES AMOUNTING TO RS. 43.54 MILLION DRAWN FOR FOREIGN TOURS

Audit pointed out that in the National Assembly Secretariat has not framed their own rules to regulate the TA / DA claims of MNAs. Audit further pointed out that an amount of Rs. 43.54 million was paid as advance of TA / DA which was not adjusted through submission of TA adjustment claims violating the Government rules.

PAO informed that as agreed with the Audit in the DAC meeting held on 15th October, 2015, it will be got regularized from the Finance Committee.

PAC DIRECTIVE

The Committee settled the para subject to regularization by the Finance Committee and verification by the Audit.

3. PARA-13.2 PAGE.NO 285-291 AR 2003-04
VISITS ABROAD OF DELEGATIONS WITHOUT THE APPROVAL OF TOURS BY THE PRIME MINISTER

Audit pointed out that in the National Assembly Secretariat it was noted that a Parliamentary delegation preceded abroad prior to approval of the summary whereas the summary was finally not approved by the Prime Minister. Similarly additional delegates were included in the approved tours without obtaining revised approval of the Prime Minister violating the instructions issued by the Cabinet Division. Audit was of the view that the delegation proceeded abroad on the day before the return of summary by the Prime Minister Secretariat. The proceeding of a delegation abroad without formal approval of the Prime Minister was irregular.

The PAO informed that under Rule 21-A of the National Assembly Finance Committee Rules, 1973, Honorable Speaker has the power to accord administrative approval of delegation for tour abroad.

PAC DIRECTIVE

The Committee settled the para.

4. i. PARA-13.3 PAGE.NO 285-291 AR 2003-04
OVERPAYMENT OF RS. 2.47 MILLION TO CATEGORY-1 OFFICERS ON ACCOUNT OF PAYMENT OF HOTEL CHARGES PERTAINING TO FOREIGN TOURS

Audit pointed out that officers of Category-I visiting abroad were allowed additional DA of Category-II as hotel charges without production of any hotel bill / receipt by them in violation of the rules. Audit told that after reviewing of a few cases an overpayment of Rs. 2,474,945 was calculated. Audit requested the Committee that the expenditure may be got regularized from the competent authority and record be provided for verification.

The PAO informed that as agreed with the Audit in the DAC meeting held on 15th October, 2015, it will be got regularized from the Finance Committee

ii. PARA-13.4 PAGE.NO 285-291 AR 2003-04
OVERPAYMENT OF TA/DA AMOUNTING TO RS. 293,986 DUE TO PAYMENT OF DAILY ALLOWANCE AT HIGHER RATES

Audit pointed out that officers of the National Assembly Secretariat falling under Category-II and Category-III were paid TA / DA specified for Category-I officers. In this regard 07 cases were reviewed and it was found that an overpayment of Rs. 293,986 was made to the officers violating the rules. Audit stressed that the expenditure needs regularization from the competent authority.

The PAO informed that as agreed with the Audit in the DAC meeting held on 15th October, 2015, it will be got regularized from the Finance Committee.

PAC DIRECTIVE

The Committee clubbed the above two paras and settled the same subject to regularization by the competent authority and verification by the Audit.

M/O NATIONAL FOOD SECURITY AND RESEARCH

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o National Food Security and Research was examined by the PAC on 30th September, 2015.

- 06 grants and 33 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 06 grants and 14 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O NATIONAL FOOD SECURITY AND RESEARCH

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 30th September, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of M/o National Food Security and Research are given below:

MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH

Appropriation Accounts Civil Vol-I 2003-04

1. i. GRANT NO.49- FOOD, AGRICULTURE AND LIVESTOOK DIVISION

SAVING OF RS. 6,696,476/-

The grant with the saving of Rs. 6,696,476 which works out to 5.93 percent of the total grant. An amount of Rs. 1,3507,291 (3.10%) was surrendered leaving net saving Rs. 3,189,185 (2.82%). A supplementary grant of Rs 1,501,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

ii. GRANT NO.50 – AGRICULTURE REASEARCH

The entire budget provision was utilized in full.

iii. GRANT NO.51- OTHER EXPENDITURE OF FOOD, AGRICULTURE, AND LIVESTOCK DIVISION
SAVING OF RS. 4,652,821/-

The grant closed with a saving of Rs. 4,652,821 which work out 1.38 percent of the total grant. An amount of Rs.2,381,166 (0.70%) was surrendered leaving net saving of Rs.2,271,655 (0.67%).

iv. GRANT NO.112- CAPITAL OUTLAY ON PURCHASE OF FERTILIZER
SAVING OF RS. 370,957/-

The grant closed with the saving of Rs. 370,957 which works out to 3.26 percent of the total grant. An amount of Rs. 269,000 (2.36%) was surrendered leaving net saving of Rs. 101,957 (0.90%).

v. GRANT NO.132- DEVELOPMENT EXPENDITURE OF FOOD, AGRICULTURE RESEARCH
SAVING OF RS.190,450,000/-

The grant closed with the saving of Rs.190,450,000 which works out to 61.88 percent of the total grant. An amount of Rs.190,250,000 (61.81%) was surrendered leaving net saving of Rs. 200,000 (0.07%).

PAC DIRECTIVE

The Committee regularized the above five grants.

2. GRANT NO.131-. DEVELOPMENT EXPENDITURE OF FOOD, AGRICULTURE AND LIVESTOCK DIVISION
EXCESS OF RS. 226,414,735/-

The grant closed with an excess of Rs. 226,414,735 which works out to 18.75 percent of the total grant. An amount of Rs.262,486,688 (21.74%) was surrendered increasing net excess to Rs. 4,88,901,423 (40.49%). A supplementary grant of Rs.949,083,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the above grant.

AUDIT REPORT FOR THE YEAR 2003-04

3. i. PARA NO. 5.1 PAGE NO. 27 AR-2003-04
NON-APPROVAL OF PA RC MEDICAL AND TREATMENT REGULATIONS, 1991 AND IRREGULAR EXPENDITURE – RS. 25.990 MILLION

Audit pointed out that according to Section 25 of PARC Ordinance, 1981 the Federal Government may, by notification in official gazette, make rules for carrying out purpose of Ordinance, in particular, the functions and powers of the Chairman. Section 26 of the said Ordinance further provides that the Council, with prior sanction of Federal Government may make regulations not inconsistent with the Ordinance. However, perusal of record revealed that the organization framed PARC Employees (Medical Attendance and Treatment) Regulations, 1990 without approval of the Government (Health Division) and notified vide SRO No. 276(1)/90 dated 18.03.1990. Thus, expenditure of Rs. 14.06 million as detailed below incurred on medical treatment from July, 2000 to June, 2003 was irregular / un-authorized. The payment of cash medical allowance was also objected upon by the Finance Division.

PAO informed that the payments has been stopped and for the payments already made , the case has been forwarded to Ministry of Finance for regularization.

ii. **PARA NO. 5.3 PAGE NO. 29 2003-04**
IRREGULAR / UN-AUTHORIZED PAYMENT OF INCENTIVE ALLOWANCE AND FAMILY SUBSISTENCE ALLOWANCE WITHOUT ENTITLEMENT / APPROVAL – RS. 2.200 MILLION

Audit pointed out that according to Section 25 of PARC Ordinance, 1981, the Federal Government may, by notification in official gazette, make rules for carrying out the purposes of the PARC Ordinance, in particular, the functions and powers of the Chairman. Section 26 of the Ordinance *ibid* further provides that the Council, with prior sanction of Federal Government may make regulations not inconsistent with the Ordinance. Contrary to above, the Executive Committee of PARC in its meeting held on 22.10.1995 decided to allow incentive allowance @ Rs. 200 per month to employees in BPS-1 to BPS-15, without approval of the Government, which resulted in irregular payment of Rs. 2,200,820 from 01.07.1999 to 30.11.2001. Incentive allowance was subsequently withdrawn without affecting recovery of the already paid amount. Similarly the payment of subsistence allowance was also irregular and unauthorized.

PAO informed that the case for its regularization has been sent to M/o Finance.

The Representative of Ministry of Finance told the Committee that he has recently received the case for regularization and it will be finalized within 15 days.

PAC DIRECTIVE

The Committee clubbed the above 2 paras and directed the PAO to get the irregularities regularized from Ministry of Finance within 30 days, otherwise amount should be recovered.

4. **PARA NO. 5.2 PAGE NO. 28, 2003-04**
IRREGULAR EXPENDITURE ON PURCHASE OF PHOSPHANE GAS MONITOR – RS. 0.575 MILLION

Audit pointed out that according to the provisions of para 144 of GFR, Vol-I, all purchases exceeding Rs. 40,000 should be made by adopting open tender system. It was, however, observed during the course of audit that while international tenders were invited through press for purchase of laboratory equipment and the contract was awarded to M/s TORU Corporation, there was an error in the original invoice which was referred back to the Principal for rectification. However, towards the close of financial year the order was placed with M/s Shack Scales who did not participate in the bid.Thus, the purchase was

made in a non-transparent manner and in violation of the provisions of rule 144 of GFR, Vol-I just to avoid lapse of funds. The expenditure of Rs. 0.580 million was, therefore, irregular. Purchase of equipment worth Rs. 575,000 from a firm which had not participated in the bidding process was in violation of the provisions of para 144 of GFR, Vol.-I.

The PAO informed that tender was advertised and two firms participated but they were not the sole distributor of the product so the contract was awarded to M/s Shanck Scale, Lahore who was the sole agent in Pakistan and quoted price Rs. 5,75,000 for four Phosphine Gas Monitors. In this regard documentary evidence has been provided to Audit.

PAC DIRECTIVE

The Committee settled the para.

5. PARA NO. 5.4 PAGE NO. 30-31, 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF DIFFERENT STORES – RS. 3.600 MILLION

Audit pointed out that contrary to Rule 28 of Appendix 9 to Annexure A of para 144, GFR, Vol.-I and instructions of Finance Division, National Agriculture Research Centre, Islamabad during financial year 2002-03 incurred expenditure of Rs. 1,849,702 on purchase of consumable stores without calling tenders. Similarly, during financial year 2002-03, the management incurred expenditure of Rs. 345,000 on purchase of plain paper copier from M/s Jaffer Brothers (Pvt.) Ltd; Islamabad without calling open tenders through press. According to clause 4 of the supply order dated 27.12.2002, delivery was to be made within 03 days from the issue of supply order but in fact the delivery was made on 08.01.2003. Neither the delivery period was extended by the competent authority nor any penalty was imposed for late delivery .Audit also noted that the management made payment of Rs. 393,625 to M/s Rajput Traders, Rawalpindi on 30.06.2002 for purchase of fertilizer under Potash Research Program without inviting open tenders in violation of the rules.

The PAO informed that an inquiry has been ordered and its report will be provided to Audit.

PAC DIRECTIVE

The Committee settled the para subject to examination of outcome of the inquiry by the Audit.

6. **PARA NO. 5.6 PAGE NO. 33, 2003-04**
IRREGULAR EXPENDITURE ON ITEMS OUTSIDE THE SCOPE OF APPROVED PC-I – RS. 2.970 MILLION

Audit pointed out that in the PC-I there was no provision for construction of Underground Water Tank and Generator Room nor was the purchase of furniture and employment of daily wages staff provided for in the approved PC-I. Hence, all the expenditure incurred beyond the scope of PC-I is held as irregular. Expenditure of Rs. 2.970 million incurred in violation of rules and outside the scope of approved PC-I is considered as irregular.

The PAO informed that as per project manual Planning and Development 15 % deviation is allowed and in this case it is 2% of the total cost the Project.

PAC DIRECTIVE

The Committee settled the para.

7. PARA NO. 5.7 PAGE NO. 34, 2003-04
AVOIDABLE EXPENDITURE ON ACCOUNT OF DEMURRAGE CHARGES – RS. 0.494 MILLION

Audit pointed out that contrary to the General Financial Rules, Department of Plant Protection made payment of Rs. 494,009 to M/s Karachi Port Trust on account of demurrage charges on the consignment imported from China in respect of the Development Project, Expansion of Plant Quarantine Section.

The PAO informed that the documents were in Chinese language and after translation these were submitted to Custom Authorities so it took some time to clear the consignment.

Audit told that after checking the record, it is recommended that para may be settled.

PAC DIRECTIVE

The Committee settled the para.

8. PARA NO. 5.10 PAGE NO. 37, 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF PURCHASE OF SPARE PARTS OF AIRCRAFT – RS. 1.500 MILLION

Audit pointed out that contrary to rule 379 of FTR, Vol.-I the department of Plant Protection (Hanger), Karachi paid an amount of Rs. 1.50 million through a crossed cheque No. H7175/H717416 dated 30.06.2003 issued by AGPR, Karachi to M/s Hi-Tech Communication Service on 27.09.2003 against their pre-receipted bill dated 08.05.2003 for Rs. 1.500 million. It was also noted that out of

Rs. 1.5 million, stores worth Rs. 446,712 were not received till the close of audit on 31.10.2003 and stores worth Rs. 216,350 were not received as per specifications.

The PAO informed that during the inspection, it was observed that some items were not as per specification and super-ceded numbers. Hence the department returned the same to the supplier for replacement and pended the stock entry in the stock register. The actual payment of Rs. 1.5 million was not made to the supplier till they supplied all the items except two items of value Rs. 69,214 and the same amount was deposited to Government Treasury vide challan No. 3, dated 15.03.2004. The store was duly inspected on 03.01.2004 and entered in stock register accordingly, which can be seen and verified.

PAC DIRECTIVE

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

9. PARA NO. 5.11 PAGE NO. 37, 2003-04
IRREGULAR / UN-AUTHORIZED EXPENDITURE ON ACCOUNT OF PURCHASE OF COMPUTERS AND ACCESSORIES – RS. 0.117 MILLION

Audit pointed out that contrary to para 145 of GFR, Vol.-I, Department of Plant Protection (HQ), Karachi incurred expenditure of Rs. 117,000 on account of purchase of computers and accessories from Development Fund without inviting open tenders. Furthermore, no provision for the purchase of computer and accessories was made in the PC-I pertaining to the development project "Vapor Heat Treatment (VHT)".

PAO informed that an amount of Rs. 1.5 million was reflected as operational fund in PC-I, a tender dated 07.06.2002 was published in the newspaper for different items and two firms for the purchase of computer and printer with accessories. The unit prices quoted by them was Rs. 84,000 and Rs. 47,000. Due to high variation in price quoted by the bidders the tender was rejected by the competent authority. As the funds were allocated on 03.06.2006, therefore, very short time was available for procuring the necessary items for the project. Since the fund were going to be lapsed, by hand quotations were collected from local market for the procurement of these essential items.

PAC DIRECTIVE

The Committee settled the para.

10. PARA NO. 5.14 PAGE NO. 40, 2003-04
NON-CREDIT OF SALE PROCEEDS OF WHEAT TO AGRICULTURE RESEARCH ENDOWMENT FUND – RS. 200.000 MILLION

Audit pointed out that an agreement No. G-391-9/350-00 was signed between Governments of Pakistan and United States of America in Islamabad on 08.01.1999 and in Washington D.C., USA on 14.01.1999 according to which 200,000 metric tons of soft white wheat under monetization program was to be provided to Government of Pakistan. According to the agreement, sale proceeds of wheat were to be utilized by Pakistan Agricultural Research Council for establishing an Agricultural Linkage Program (ALP) to promote long-term scientific cooperation between Pakistan and United States in Agricultural Sciences. Financial statements of Agricultural Linkage Program (ALP) of PARC revealed that Ministry of Food, Agriculture and Livestock provided Rs. 1,100 million to PARC out of the sales proceeds of 200,000 MT of wheat amounting to Rs. 1,300 million to create an endowment fund titled "Agriculture Research Endowment Fund" while another sum of Rs. 200.000 million was not credited to Endowment Fund inspite of the lapse of five (05) years. Ministry of Food, Agricultural and Livestock failed to credit part of the sale proceeds of 200,000 MT wheat amounting to Rs. 200 million to the Agriculture Research Endowment Fund for more than 05 years.

The PAO informed that that Rs.200 million was received and deposited in Agriculture Research Endowment Fund and the record in support of the receipt of amount has been provided for verification to the Audit.

PAC DIRECTIVE

The Committee settled the para.

11. PARA NO. 5.23 PAGE NO. 48, 2003-04
IRREGULAR EXPENDITURE AND LOSS ON PURCHASE OF MULTIMEDIA PROJECTOR – RS. 0.425 MILLION

Audit pointed out that in contravention to para 144 of GFR, Vol.-I, Project Director, Integration of Agricultural Research and Extension Activities incurred expenditure of Rs. 425,000 on purchase Multimedia Projector from M/s Mastec Services, Islamabad. The management purchased Multimedia Projector Panasonic 2,000 lumen from M/s Mastech Services, Islamabad for Rs. 425,000 without assigning any cogent reason for the change of specifications or without re-advertising the tender notice. The expenditure of Rs. 425,000 was therefore irregular.

The PAO informed that an inquiry has been initiated and its outcome will be provided to Audit / PAC.

PAC DIRECTIVE

The Committee directed the PAO to hold inquiry, fix responsibility and take action within thirty days.

12. PARA NO. 5.24 PAGE NO. 49, 2003-04
UNJUSTIFIED EXPENDITURE ON PURCHASE OF VEHICLES – RS. 3.090 MILLION

Audit pointed out that Crop Maximization of Project (Productivity Enhancement on sustainable basis) was approved by ECNEC in case No 5212/ 2002 dated 03.05.2002 at a total cost of Rs. 500 million. The project inter alia included purchase of two 4 × 4 diesel vehicles at a total cost of Rs. 3.400 million. According to the summary submitted to Chief Executive for purchase of vehicle the Secretary, Ministry of Food, Agriculture and Livestock stated that the project was to be implemented in 109 villages of 20 Union Councils in 15 districts in all the four provinces and AJK and the Federal Coordination Unit established in the Ministry will monitor the project all over the country for which two 4 × 4 diesel vehicles were necessary. Two KIA Grand Sportage 2000 cc vehicles IDM-2504 and IDM-2503 were accordingly purchased at a total cost of Rs. 3.09 million from M/s Dewan Farooque Motors Limited. Audit also observed that the two vehicles were not used for the purpose for which these were purchased as the vehicles very rarely moved out of Islamabad as per the entries in the log book. Therefore, expenditure of Rs. 3.09 million incurred on the purchase of vehicles is considered as unjustified.

The PAO informed that these paras pertain to defunct Ministry of Food and Agriculture. Efforts are being made to get the record from devolution cell of Cabinet Division. As and when it will be traced, it will be provided to Audit.

PAC DIRECTIVE

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

13. PARA NO. 5.25 PAGE NO. 50, 2003-04
UN-AUTHORIZED AND IRREGULAR USE OF GOVERNMENT VEHICLES

Audit pointed out that vehicle No. AD-64-657 was under the exclusive use of Agriculture Development Commissioner – a BPS-21 officer, since 01.07.2002 in addition to vehicle No. IDG-2450 which was provided to him with provision of 180 liters petrol as entitled officer in terms of Cabinet Division U.O. No 12/43/93-CS dated 19.12.1994. The provision of car No. AD-64-657 (2400 cc) over and above his entitlement as an additional vehicle was, therefore, irregular and un-authorized. Movement registers and log book of vehicle were also not produced to the Audit. Total mileage covered by the vehicle while under the use of the officer, therefore, needs to be worked out and cost thereof is liable to be recovered from the officer. Similarly, the vehicle No IDG-8520 was in the exclusive use of a non-entitled officer - wheat Commissioner (BPS-20) since 01.07.2002. The log books and movement registers of the vehicle were not produced to the Audit.

PAO informed that the BPS-21 Officer was assigned the duties of monitoring as per approved PC-I. The movement register / log book of the vehicle has been maintained which can be verified by the Audit. The vehicle No. IDG-8520 was being used by the project Director of the project being an entitled officer and not by the wheat Commissioner.

PAC DIRECTIVE

The Committee settled the para with displeasure and directed the PAC Secretariat to issue reprimand note to Ministry of National Food Security and Research on the issue.

14. PARA NO. 5.26 PAGE NO. 51, 2003-04
NON-RECOVERY ON ACCOUNT OF EXTRA TELEPHONE CONNECTIONS INSTALLED OVER AND ABOVE ENTITLEMENT – RS. 0.599 MILLION

Audit pointed out that in the Ministry of Food, Agriculture and Livestock, extra telephone connections were installed at the offices and residences of officers over and above their entitlement in violation of the instructions of Cabinet Division. The expenditure of Rs. 599,085 incurred on these telephones is considered as irregular. Extra telephone connections were provided to the officers in violation of the rules which resulted in irregular expenditure of Rs.599, 085.

The Committee was apprised that the matter was referred to Cabinet Division for regularization but request was not approved.

PAO informed that at that time Federal Minister, Minister of State and Parliamentary Secretaries were entitled with no limit ceilings in using of phone facility. The Ministry will submit the documentary evidence after consultation with the Cabinet Division to Audit.

PAC DIRECTIVE

The Committee directed that either the cases should be got regularized from the Cabinet Division otherwise the recoveries should be made.

15. PARA NO. 5.27 PAGE NO. 52, 2003-04
NON-RECOVERY ON ACCOUNT OF SPECIAL SCIENCE AND TECHNOLOGY ALLOWANCE – RS. 0.120 MILLION

Audit pointed out that violating the instructions of Regulation Wing of the Ministry of Finance, the Chairman was in receipt of special science and technology allowance since July, 2001. Audit is of the view that Agricultural Prices Commission is not a Research and Development Organization. The Chairman is holding an administrative / executive post and is not actively engaged in any research work. Furthermore, the officer was Ph.D. degree in Agriculture Economics which is not included in the approved list of subjects for the purpose of grant of science and technology allowance. He, therefore, does not fulfill the

conditions laid down in Finance Division's O.M dated 08.03.2002 and was not entitled to draw the said allowance. The total amount paid from July, 2001 to June, 2003 @ Rs. 5,000 per month comes to Rs. 120,000 was irregular / unauthorized.

PAO informed that notice was issued to the concerned officer for recover of amount. But the officer filed a case in court of law against the notice and now the matter is subjudice in the court of law.

PAC DIRECTIVE

The Committee settled the para.

16. **PARA NO. 5.28 PAGE NO. 53, 2003-04**
IRREGULAR EXPENDITURE ON PURCHASE OF STATIONERY – RS. 0.130 MILLION

Audit pointed out that Pakistan Oilseed Development Board (PODB) incurred an expenditure of Rs. 129,956 on purchase of stationery during 2001-02 and 2002-03. Out of this amount expenditure of Rs. 69,330 pertained to the purchases made during 1999-2000 and expenditure of Rs. 60,626 pertained to the fiscal year 2000-01 which were paid from the allocations for the years 2001-02 and 2002-03 respectively in violation of the provisions of Rule 289 of FTR Vol.-I. The purchases of Rs. 60,626 were also made without calling open tender through press in violation of the provisions of para 144, GFR, Vol.-I. Expenditure of Rs. 129,956 incurred to discharge the liability of previous years from the budgetary allocation of following years without the approval of Finance Division is considered as irregular Audit recommended the para for settlement because a very meager amount was involved.

PAC DIRECTIVE

The Committee settled the para.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

17. The Committee recommended the whole report for settlement containing para no. 78 & 78.1, 78.2, 78.3 and 78.4 on the recommendation of DAC.

18. i. **PARA NO. 5.5 PAGE NO. 32, 2003-04**
NON-MAINTENANCE OF RECORD OF EXPENDITURE ON ACCOUNT OF POL AND REPAIR OF VEHICLE – RS. 3.550 MILLION

ii. **PARA NO. 5.8 PAGE NO. 35, 2003-04**

NON-RECOVERY OF COST OF MACHINERY AND OILSEED FROM M/S PAL-AGRO & ASSOCIATE INDUSTRIES, NOWSHERA – RS. 3.340 MILLION

iii. **PARA NO. 5.12 PAGE NO. 38, 2003-04**
OUTSTANDING RECOVERIES ON ACCOUNT OF SALE PROCEEDS OF WHEAT – RS. 5,640.000 MILLION

iv. **PARA NO. 5.13 PAGE NO. 39, 2003-04**
LOSS DUE TO LATE PREPARATION OF CHECK WEIGHMENT CERTIFICATE – RS. 5.970 MILLION

v. **PARA NO. 5.15 PAGE NO. 41, 2003-04**
NON-RECOVERY OF RECEIVABLES – RS. 1,910.000 MILLION

vi. **PARA NO. 5.16 PAGE NO. 42, 2003-04**
BLOCKAGE OF A HUGE SUM – RS. 303.000 MILLION

vii. **PARA NO. 5.17 PAGE NO. 42, 2003-04**
UNDUE LEVY OF INTEREST BECAUSE OF LATE / NON-RELEASE OF SUBSIDY

viii. **PARA NO. 5.18 PAGE NO. 43, 2003-04**
IMPROPER UTILIZATION OF FUNDS FROM ALLOCATION – RS. 20.000 MILLION

ix. **PARA NO. 5.19 PAGE NO. 44, 2003-04**
UN-AUTHORIZED TRANSFER OF FUNDS – RS. 1.390 MILLION

x. **PARA NO. 5.20 PAGE NO. 45, 2003-04**
IRREGULAR EXPENDITURE ON PURCHASE OF TELEPHONE EXCHANGE – RS. 0.245 MILLION

xi. **PARA NO. 5.21 PAGE NO. 45, 2003-04**
UN-ECONOMICAL PURCHASE OF EQUIPMENT – RS. 0.210 MILLION

xii. **PARA NO. 5.22 PAGE NO. 46, 2003-04**
NON-PRODUCTION OF RECORD OF UTILIZATION – RS. 35.670 MILLION

The Committee was apprised by the Audit that the Ministry of National Food Security and Research is of view that these paras do not come under the domain of Ministry of Food Security and Research because after devolution they have not received the record pertaining to these paras.

PAC DIRECTIVE

The Committee directed the Audit to refer the above 12 paras to the concerned Ministry in consultation with the devolution cell under intimation to PAC Secretariat.

19. PARA NO. 5.9 PAGE NO. 36, 2003-04
IRREGULAR CLEARANCE OF LIABILITIES PERTAINING TO PREVIOUS YEARS FROM THE BUDGET OF THE FOLLOWING YEARS – RS. 1.840 MILLION

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

M/O NATIONAL HEALTH SERVICES, REGULATIONS AND COORDINATIONS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Population Welfare was examined by the PAC on 10th July, 1st September and 30th September, 2015 and 13th January 2016.

- 06 grants, 1 PAR and 15 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 grants and 04 paras were settled whereas appropriate directions were accordingly issued for the remaining paras and grants.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- The Committee referred 01 para to Provincial Audit and 01 PAR (containing 43 paras) to the concerned Provincial Government.

M/O NATIONAL HEALTH SERVICES, REGULATIONS AND COORDINATIONS

ACTIONABLE POINTS

Actionable Points arising out of the discussion during meeting of PAC held on 10th July, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 of devolved M/o Health now under M/O National Health, Services, Regulation and Coordination are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. i) GRANT NO.55-HEALTH DIVISION

AGPR pointed out that the grant closed with the excess of Rs. 1,823,608 which worked out to 1.69% of the total grant. An amount of Rs. 17,400 was surrendered increasing net excess of Rs. 1,841,008 (1.70%).

ii) GRANT NO. 56-MEDICAL SERVICES

AGPR pointed out that the grant closed with the saving of Rs. 19,865,237 which worked out to 1.13% of the total grant. An amount of Rs. 15,488,100 (0.88%) was surrendered leaving net saving of Rs. 4,377,137 (0.25%).

iii) GRANT NO. 57-PUBLIC HEALTH

AGPR pointed out that the grant closed with the saving of Rs. 87,429,732 which worked out to 39.79% of the total grant. An amount of Rs. 4,427,100 (2.01%) was surrendered leaving net saving of Rs. 83,002,632 (37.78%).

iv) GRANT NO. 133-DEVELOPMENT EXPENDITURE OF HEALTH DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 671,384,810 which worked out to 15.35% of the total grant. An amount of Rs. 621,636,550 (14.21%) was surrendered leaving net saving of Rs. 49,748,260 (1.14%).

The Committee was apprised that the Ministry has not provided working paper upto 8th July, 2015.

PAC DIRECTIVE

The Committee constituted an Inter Departmental Committee (IDC) to investigate the reasons of savings in the grants and also not providing of relevant record to

the Audit by the Ministry. IDC should be chaired by the PAO and comprising of one member (not less than BPS-20) from the Ministry of National Health, Services, Regulation and Coordination, one member (not less than BPS-20) of Devolution Cell of Cabinet Division and the concerned DG Audit, headed by the PAO and report to the Audit within 30 days.

AUDIT REPORT FOR THE YEAR 2003-04

2. PARA-6.1 (PAGE-55) AR 2003-04
NON-MAINTENANCE OF RECORD OF GOVERNMENT RECEIPTS-RS.81.710 MILLION

The Audit pointed out that according to para (V) of rule 77 of FTR, Vol.-I Government receipts should first be deposited into public accounts. Before attesting the entry in the case book, it is the responsibility of Principal Accounting Officer to satisfy himself that the amounts have already been deposited into public account and get the amount reconciled with Federal Treasury Officer (FTO). Contrary to above, Drugs Wing of Health Division did not maintain the cash book of Government receipts and did not reconcile Government receipts deposited by pharmaceutical firms through treasury challans in SBP / NBP throughout Pakistan under the head of Drug Manufacture License Fee, License Renewal Fee, Site Verification and Layout Plan Fee, Repacking Fee, Drug Registration Fee and Advertisement Fee etc. during July, 2002 with the Federal Treasury Office.

PAO informed that they have the register in which the deposit chalan was recorded. These are all receipts and no expenditure is involved in this regard. All the concerned data will be provided to Audit after reconciliation with Federal Treasury Office.

PAC DIRECTIVE

The Committee settled the para subject to verification of the record by the audit.

3. PARA-6.2 (PAGE-55-57) AR 2003-04
NON-RECOVERY ON ACCOUNT OF CENTRAL RESEARCH FUND – RS.5.550 MILLION

The Audit pointed out that according to Rule 19 (14) and (15) of Drug Rules, 1976 the Licensee shall contribute 1% of his Gross Profit before deduction of Income Tax towards Central Research Funds to be maintained by the Federal Government and utilized by it in accordance with Drug (Research) Rules, 1978. The Licensee shall on or before the 31st July of each year submit a duly signed profit and loss statement along with evidence viz. Treasury challan, of deposit of 1% of Gross Profit towards Central Research Fund (CRF). Scrutiny of the profit and loss statements of the concerned firms revealed that the firms deposited a sum of Rs. 5,550,802 which was less than the actual payable amount.

PAO informed that all the pending amount has been recovered from the concerned firm and its detail will be provided to the audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the audit.

4. PARA-6.4 (PAGE-59-60) AR 2003-04
IRREGULAR APPOINTMENTS ON AD-HOC BASIS

The Audit pointed out that certain appointments were made by the management of National Institute of Health (NIH) on ad-hoc basis without advertising the posts in the press and in violation of Employees Service Regulations, 1989 which do not provide for ad-hoc appointments. Meeting of the Departmental Promotion Committee (DPC) was also not held for making such appointments which rendered the whole process of appointment as non-transparent. It was also noted that approval was obtained for making ad-hoc appointments whereas the terms offered to the appointees were those pertaining to temporary employees. Audit further added that extension in the period of appointment was not made as required in all cases of ad-hoc appointment.

PAO informed that the services of the majority of people have been regularized and the regularization of services of others is under process.

PAC DIRECTIVE

The Committee directed to conduct an inquiry and fix responsibility of irregularity, take action and submit report to the audit within 30 days. After the inquiry, the case be submitted to competent forum for regularization.

5. PARA-6.5 (PAGE-60) AR 2003-04
PURCHASE OF MEDICINES THROUGH LOCAL PURCHASE INSTEAD OF BULK PURCHASE-RS.5.450 MILLION

The Audit pointed out that in terms of Medical Attendance Rules, 1990 there is no provision for local purchase of medicines. This practice can only be resorted through specific permission of the Ministry of Health. It was, however, observed during the course of audit that during 2000-01 and 2001-02 hospital wing of National Institute of Health made local purchases of medicines worth Rs. 5,452,656 out of the total expenditure of Rs. 5,594,000 made on this account without seeking any relaxation of rules from the Ministry of Health. This means that total expenditure incurred on bulk purchase of medicines was Rs. 141,344 which worked out to a meager of 2.53% while 97.47% of the total expenditure was utilized on local purchase without any emergency.

PAO agreed with the stance of the Audit.

PAC DIRECTIVE

The Committee constituted to Inter Departmental Committee (IDC) to investigate the issue of the purchase of medicines through local purchase instead of bulk purchase amounting to Rs.5.450 million. The IDC should be headed by the PAO and comprising of one member (not less than BPS-20) from the Ministry of National Health Services Regulation and Coordination and one member (not less than BPS-20) from the Audit and report to the Audit within 30 days.

6. PARA-6.6 (PAGE-60-61) AR 2003-04
UNAUTHROIZED EXPENDITURE FROM WELFARE FUND OF NATIONAL INSTITUTE OF HEALTH – RS.1.390 MILLION

The Audit pointed out that according to item 3 of Constitution and Regulations of the Welfare Fund of National Institute of Health (NIH), the aims and objectives of the fund are to provide financial assistance to the employees of the Institute for recreational, social and cultural activities and also provide advances and donations to the employees and their dependants for specific occasions as mentioned in the regulations. Contrary to the above, the management of National Institute of Health irregularly incurred expenditure of Rs. 1,394,588 out of welfare fund.

PAO admitted the irregularity and further informed that the expenditure was incurred for the welfare of the employees. This was a slight violation of rules but it was not embezzlement. PAC ensured that the irregularity will be regularized from competent Authority within 30 days and the rules framed have been sent to M/o Finance for vetting.

PAC DIRECTIVE

The Committee directed the PAO to approach the Finance Division for approval of the Welfare Fund rules and irregularity may be got regularized from Finance Division within one month.

7. PARA-6.7 (PAGE-61-62) AR 2003-04
IRREGULAR APPOINTMENTS OF STAFF ON DAILY WAGE BASIS

The Audit pointed out that there does not exist any provision regarding appointment of daily wages staff in National Institute of Health (NIH) Employees Service Regulations, 1989. Appointments on daily wages basis were also made up to BPS-10 whereas such appointments can only be made in BPS-1 and BPS-2. The expenditure of Rs. 0.59 million incurred from July, 2000 to November, 2001 on such appointment is, therefore, considered as irregular.

PAO informed that there was acute shortage of auxiliary staff at that time. Maximum staff was appointed on regular basis. It is pointed that in contingent paid staff as approved by the BOG is being paid from the budgetary allocations.

The BOG has regularized the already employed contingent staff, this allowed future employment on contingent basis.

PAC DIRECTIVE

The Committee directed the PAO to conduct an inquiry, fix responsibility of irregularity, take action and report to the Committee/Audit within 30 days.

8. PARA-6.8 (PAGE-62-63) AR 2003-04
IRREGULAR CHARGING OF 40% LABORATROY TEST FEE FROM FEDERAL GOVERNMENT SERVANTS

Audit pointed out that according to the rule 2 (f) of Federal Service Medical Attendance Rules, 1990 entitled hospital means a hospital maintained by Government or under autonomous arrangement under the Federal / Provincial Government or by a local authority. Furthermore, rule (1) stipulates that a Government Servant shall be entitled to a free of charge medical attendance by the authorized medical attendant / hospital. Contrary to the above mentioned provisions of rules, Board of Governors of National Institute of Health (NIH) in its meeting held on 7 February 2002 decided to charge 40% of laboratory test fee from Federal Government employees. Federal Services Medical Attendance Rules, 1990 were framed with the approval of President of Pakistan therefore Board of Governors of NIH was not empowered to act against these rules. Thus, charging of 40% laboratory test fee from entitled patients was in violation of the provisions of Federal Services Medical Attendance Rules, 1990. The Audit recommended the para for settlement.

PAC DIRECTIVE

The Committee settled the para.

9. PARA-6.9 (PAGE-63) AR 2003-04
NON-RECOVERY OF BOND MONEY

The Audit pointed out that the Health Services Academy, Ministry of Health was extended technical assistance for Human Resource Development of its academic staff by the German Government. Examination of record of the academy indicated that the management did not devise a plan for utilization of the grant and deputed for training certain personnel working with the Academy on deputation from various Government Departments. Before deputing the officers for training abroad, the trainees submitted bond to the effect that they will serve the Academy for 5 years upon return from training but some of the trainees did not serve the Academy for the period specified in the bond.

PAO informed that the case of recovery in respect of Dr. Zobia Mumtaz is under consideration of Ministry of Health and other trainees were repatriated to their departments in compliance with the Order of the Establishment Division. The said lady is out of country, however, notices are being served to guarantors.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount from the individual concerned / guarantors within 90 days.

10. PARA-6.3 (PAGE-57-59) AR 2003-04
NON-REVIEW OF PRICES OF DRUGS / MEDICINES KEEPING IN VIEW THE RATES QUOTED BY PHARMACEUTICAL COMPANIES IN COMPETITIVE BIDS

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

11. PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF 200 BEDDED HOSPITAL AT D.I KHAN

PAC DIRECTIVE

The Committee directed Audit to forward the above performance Audit Report to Provincial Government (Khyber Pakhtunkhwa Government) because the said Hospital is now with the KPK Government.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st September, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of devolved Ministry Of Population Welfare under M/o National Health Services, Regulations and Coordination are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. i) GRANT NO.99 POPULATION WELFARE DIVISION
SAVING OF RS.23,126,057/-

The grant closed with a saving of Rs.23,126,057 which works out to 18.02 percent of the total grant. An amount of Rs. 12,755,000(9.94%) was surrendered leaving net saving of Rs.10,371,057(8.08%).

ii) GRANT NO.145 DEVELOPMENT EXPENDITURE OF POPULATION WELFARE DIVISION
SAVING OF RS.788,808,106/-

The grant closed with a saving of Rs.788,808,106 which works out to 25.32 percent of the total grant. An amount of Rs.768,521,000 (24.67%) was surrendered leaving net saving of Rs.20,287,106 (0.65%).

PAC DIRECTIVE

The Committee regularized the above two grants.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 30th September, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of devolved M/o Population Welfare (under M/o National Health, Services and Regulations and Coordination are given below:

AUDIT REPORT FOR THE YEAR 2003-04

1. PARA-15.3 (PAGE-305) AUDIT REPORT 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF PUBLICITY CAMPAIGN LAUNCHED THROUGH CINEMAS – Rs. 2.140 MILLION

The Audit pointed out that Ministry of Population Welfare incurred an expenditure of Rs. 2,140,980 on account of publicity campaign launched through cinemas without inviting open tenders and awarded the contract to M/s Rawalpindi Publicity Services, Rawalpindi violating the para 144 of GFR, Vol.-I. No bids were obtained for competitive rates. There was no mechanism to monitor the campaign and the campaign was launched outside the stipulations of PC-I. The whole expenditure of Rs. 2,140,980 incurred on the campaign was irregular.

The PAO informed that the Ministry of Population Welfare was devolved and the record was handed over to Ministry of National Health Services, Regulations and Co-ordination through Devolution Cell Cabinet Division. As per record available, the campaign was approved for release in two hundred B and C category cinemas in different cities. Since the publicity right was with the firm Rawalpindi Publicity Services therefore the campaign to release to said firm through an agency (M/s interflow) which was already at the panel of Ministry of Population Welfare. Only tender document is not being traced.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix responsibility and take action and report to PAC/Audit within thirty days.

2. PARA-15.4 (PAGE-306-307) AUDIT REPORT 2003-04
PAYMENT TO FAMILY PLANNING ASSOCIATION OF PAKISTAN FOR SERVICES DELIVERED WITHOUT PROPER DOCUMENTS / EVIDENCE – Rs. 0.530 MILLION

The Audit pointed out that the Family Planning Association of Pakistan (FPAP) wrote a letter on 27 August 2002 to the Secretary, Population Welfare Department, AJ&K and stated that the Association has been working in AJ&K since 1970 for the provision of reproductive health services including contraceptive surgery through extension / mobile team as a partner of Population Welfare Program. As per laid down procedure, Ministry of Population Welfare

were making reimbursement of cost to FPAP on the basis of predetermined rate per case of contraceptive surgery performed and Family Planning Association working in AJ&K may be extended this privilege. The association submitted claim of 1,059 contraceptive surgery cases amounting to Rs. 529500. But the association neither provided the details of clients nor verification of any authority from any hospital (CMH, DHOs or THQs). This made the payment doubtful,

The PAO informed that the said record was got verified from the concerned hospitals and the record has been provided to the Audit for verification.

PAC DIRECTIVE

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

3. PARA-15.5 (PAGE-307) AUDIT REPORT 2003-04
NON-RECOVERY OF SALE PROCEEDS OF CONTRACEPTIVES– Rs. 5.820 MILLION

The Audit pointed out that Scrutiny of record of Central Warehouse and Supplies Department, Karachi for the period 2002-03 indicated that an amount of Rs. 5,824,027 was outstanding for the year 2002-03 against District Welfare Offices in all the provinces on account of supply of contraceptives as detailed below. The Record does not indicate any efforts by the management to realize the outstanding dues.

The PAO informed that these amounts were outstanding from the four provinces. At that time there was a body which was constituted to recover the amount and later on the body was devolved and the record was with them. The record available with us has been provided to the Audit.

PAC DIRECTIVE

The Committee directed the Audit to refer the said para to the Provincial Audit for further action.

4. PARA-15.6 (PAGE-307) AUDIT REPORT 2003-04
LOSS DUE TO SHORTAGE OF CONTRACEPTIVE VIALS – Rs. 1.880 MILLION

The Audit pointed out that during scrutiny of the receipt / dispatch stock register (CLR 5) of contraceptives of Central Warehouse, Karachi it was observed that 38,706 Depo Provera Vials costing Rs. 1.879 million were provided to National Program for Family Planning and Primary Health Care in lieu of the quantity misappropriated by the store supervisor. An inquiry was conducted into the case by the Ministry of Population Welfare and the Store Supervisor was compulsorily

retired. Recovery of loss was, however, not made in clear violation of rule 5 (ii) to (iv) of appendix 2 of GFR, Vol-I. The official has resorted to litigation and the decision from the court is awaited.

PAO informed that the defaulter has been dismissed from service and his pension/benefits has been confiscated. The case is in the court of law for recovery of the remaining amount.

The Audit requested the PAC to direct the department to provide the record of disciplinary actions and criminal proceedings against the culprit to the Audit for verification.

PAC DIRECTIVE

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

5. i. PARA-15.1 (PAGE-303-304) AUDIT REPORT 2003-04
LOSS DUE TO NON-RECOVERY OF 6% GOVERNMENT DISCOUNT ON MEDIA CAMPAIGN – Rs. 1.890 MILLION

ii. PARA-15.2 (PAGE-304) AUDIT REPORT 2003-04
NON-CONDUCTING OF IMPACT ASSESSMENT OF MEDIA CAMPAIGN – Rs. 47.80 MILLION

PAC DIRECTIVE

The Committee settled the paras for settlement on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th January, 2016 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of National Health Services, Regulation and Coordination are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2003-04

1. **GRANT NO. 55- HEALTH DIVISION**
(EXCESS OF RS.1,823,608)

The AGPR pointed out that the grant closed with an excess of Rs.1,823,608 which worked out to 1.69% of the total grant. An amount of Rs.17,400 was surrendered increasing net excess to Rs.1,841,008 (1.70%). A supplementary grant of Rs.975,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the grant.

2. i. **GRANT NO. 56- MEDICAL SERVIES**
(SAVING OF RS.19,865,237)

The AGPR pointed out that the grant closed with a saving of Rs.19,865,237 which worked out to 1.13% of the total grant. An amount of Rs.15,488,100 (0.88%) was surrendered leaving net saving to Rs.4,377,137 (0.25%).

ii. **GRANT NO. 57- PUBLIC HEALTH**
(SAVING OF RS.87,429,732)

The AGPR pointed out that the grant closed with a saving of Rs.87,429,732 which worked out to 39.79% of the total grant. An amount of Rs.4,427,100(2.01%) was surrendered leaving net saving to Rs.83,002,632 (37.78%).

iii. **GRANT NO. 133- DEVELOPMENT EXPENDITURE OF HEALTH DIVISION**
(SAVING OF RS.671,384,810)

The AGPR pointed out that the grant closed with a saving of Rs.671,384,810 which worked out to 15.35% of the total grant. An amount of Rs.621,636,550 (14.21%) was surrendered leaving net saving to Rs.49,748,260 (1.14%). A supplementary grant of Rs.200,028,000 was

sanctioned but not included in supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the above three grants.

M/O OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Overseas Pakistanis and Human Resource Development was examined by the PAC on 1st September, 2015.

- 03 grants, 01 PAR and 48 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 12 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT

ACTIONABLE POINTS

Actionable Points rising from the discussion of meeting of PAC held on 1st September, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of M/o Overseas Pakistanis and Human Resource Development are given below:

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.86-LABOUR,MANPOWER AND OVERSEAS PAKISTANIS SAVING OF RS. 5,65184/-

The AGPR pointed out that the grant closed with the saving of Rs5,65184/- which worked out to 2.24 % of the total grant. An amount of Rs4238000. (1.68 %) was surrendered leaving net saving of Rs.1413184/ (.56%).

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.87-OTHER EXPENDITURE OF LABOUR,MANPOWER AND OVERSEAS PAKISTANIS DIVISION SAVING OF RS.1,372,023/-

The AGPR pointed out that the grant closed with the saving of Rs.1,372,023/- which worked out to 0.02 % of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

3. GRANT NO.139-DEVELOPMENT EXPENDITURE OF LABOUR,MANPOWER AND OVERSEAS PAKISTANIS DIVISION SAVING OF RS. 66,009,139/-

The AGPR pointed out that the grant closed with the saving of Rs. 66,009,139/- which worked out to 70.30 % of the total grant. An amount of Rs. 63,565,600 (67.70 %) was surrendered leaving net saving of Rs.2,443,539/ (2.60%).

PAC DIRECTIVE

The Committee regularized the grant.

4. PERFORMANCE AUDIT REPORT ON WORKERS' WELFARE FUND MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT

The Audit, while briefing the Committee about the Performance Audit Report on Workers' Welfare Fund, highlighted the following main issues noted in the Performance Audit Report.

1. The devolution of issues of labor to the provinces, as a consequence of 18th Amendment has posed administrative issues. The worker welfare funds are collected by the Federation and is subsequently placed at the disposal of provincial worker welfare boards, without any uniform criterion. Ministry has no oversight role in the management of funds by provinces.

2. As per policy, housing facility was to be provided to the registered workers on temporary basis against payment of rent. But in contravention to the policy, many houses/ flats were doled out on the basis of ownership. In some instances, these houses were allotted to non-deserving people which resulted in creation of law and order situation. Many houses are lying vacant on account of non-allotment by the concerned department.

3. The plots were also allotted which was not the mandate of the WWF.

4. The rent was not recovered from the allottee of the houses.

5. The Industrial Units of Sialkot Chamber stop the 2% contribution towards Worker Welfare which is required to be collected from them along with penalty.

6. COMSATS Center, Lahore, constructed in the premises of WWF, had agreed for 30% share in the admissions in various classes for the children of registered workers, which needs to be checked by the management that this facility is extended to the employees.

7. Federal Government is in receipt of significant funds as contribution for worker's welfare which is not being transferred to WWF for its utilization on labor welfare.

8. The Board made investment in various categories, details of which is required to be provided.

The PAO replied that in the previous five years, Rs.224.028 billion funds were collected but only 75 billion were released for the welfare projects for the workers. He further told that the workers' welfare fund is being collected by the Federal Government and is dispersed to the provincial Workers' Welfare Boards who are operating/running the welfare projects. He told that the Punjab Government has filed a case in court for the devolution of Workers' Welfare Fund to the provinces but the two provinces Baluchistan and the KPK are against its devolution because the contribution of Workers' Welfare Fund is nominal in the

said provinces. He further told that the funds for the welfare projects are released on the receipt of vouchers/receipts from the provinces. Now, the M/o Finance has constituted a Committee for the release of workers' welfare funds to the provinces.

The Committee was surprised to know that the funds are released to the provinces only after the expenditure is incurred by the provinces.

PAC DIRECTIVE

The Committee directed the PAO to examine all the issues at the DAC level including the issue of workers' welfare fund and to submit a comprehensive report to the PAC/Audit within 30 days.

OVERSEAS EMPLOYMENT CORPORATION (PVT.) LTD.

5. PARA 136 AND 136.1

The Audit pointed out that Overseas Employment Corporation could not achieve targets set for sending Pakistani workers abroad due to which services charges declined from Rs. 15.193 million in 2002-03 to Rs. 9.579 million in 2003-04. OEC remained focused on Middle East for most of its operations and did not explore the markets of Europe and America. Certain contracts and MOUs were reported regarding recruitment of 300,000 Pakistani nationals in Korea and Malaysia but it is not clear whether these were finalized or not.

The PAO replied that Overseas Employment Corporation (OEC) is in competition with various private overseas employment promoters in business. Being a government corporation, there are certain hindrances including bindings by certain laws which OEC has to face and private overseas employment promoters are not bound by them. This makes private overseas employment promoters more competent. Despite of this, the OEC is trying its best efforts to enhance the business and delegations are being sent from government-to-government level. During the period 2005-09, 1179 persons were dispatched to South Korea and Malaysia.

PAC DIRECTIVE

The Committee directed the PAO to enhance the business of the corporation and settled the para.

OVERSEAS PAKISTANIS FOUNDATION

6. i. PARA 137.3 PAGE-245, ARPSE-2003-2004

The Audit pointed out that income from Housing Division consisting of profit on PLS account and miscellaneous income slightly increased by

Rs.0.015 million from Rs.0.069 million in 2002-03 to Rs.0.084 million in 2003-04. Whereas, expenditure of the Division increased by Rs.2.354 million from Rs.10.932 million in 2002-03 to Rs.13.286 million in 2003-04. This showed that despite noticeable administrative expenditure, no income was earned from housing schemes by way of sale of plots etc.

The PAO replied that the housing scheme was to be completed in 1998 but due to negligence, it could not be completed. At that time, the lowest bidder KARCON Construction was not awarded the contract of development and later on the contract was awarded to Frontier Works Organization (FWO) on four times higher rate on a single bid in 2008. He told that the development of the scheme is in the final stages and hopefully will be completed by the end of this year. He further added that unsuitable site for the scheme was chosen.

ii. PARA 137.4, PAGE-245, ARPSE-2003-2004

The Audit pointed out that the position of land and development cost incurred on plots was Rs.1146342/- and advances received against allotment of plots were Rs 942.533 in June 2003 and in June 2004 Rs942533/-.Audit told that non-completion of housing schemes badly affected the confidence of Overseas Pakistanis in activities of the Foundation.

iii. PARA 137.6, PAGE-246, ARPSE-2003-2004

The Audit pointed out that Housing scheme in Islamabad Zone-V was launched in 1994. Implementation of the scheme was delayed for eight years and the Board of Governors of the Foundation in its meeting held on March 22, 2001 decided to go ahead for the development work of the project. After press tenders, the BOG in its meeting held on February 11, 2002 approved the award of development work for package-I to the lowest bidder M/s KARCON with a quoted rate of Rs.595.037 million against the engineers estimate of Rs.780.00 million. In September 2002, CDA also allowed commencement of development work at project site. The management issued the letter of intent to M/s KARCON on September 20, 2002. The NAB also cleared the project. The then Minister/Chairman Board of Governors, approved the case for signing of formal agreement with M/s KARCON on November 19, 2002. However, even after approval of the Authority in November 2002, the contract for development work for the project could not be signed.

The PAO replied that the housing scheme was to be completed in 1998 but due to negligence, it could not be completed. At that time, the lowest bidder KARCON Construction was not awarded the contract of development and later on the contract was awarded to Frontier Works Organization (FWO) on four times higher rate on a single bid in 2008. He

told that the development of the scheme is in the final stages and hopefully will be completed by the end of this year. He further added that unsuitable site for the scheme was chosen.

PAC DIRECTIVE

The Committee clubbed the above three paras and directed the PAO to hold inquiry, fix responsibility, take action and submit a comprehensive report to the PAC/Audit within 60 days and if deem necessary, the matter may be inquired by an investigation agency.

7. PARA 137.9, PAGE-247, ARPSE-2003-2004

The Audit pointed out that income from Education Division increased by Rs.12.902 million from Rs. 72.705 million in 2002-03 to Rs.85.607 million in 2003-04. Increase in income could not absorb Education Division's expenses which increased by Rs. 8.984 million from Rs.90.567 million in 2002-03 to Rs.99.550 million in 2003-04. Deficit/loss of Rs.17.862 million in 2002-03 and Rs.13.944 million in 2003-04, indicated that schools of the Foundation were running in losses. Necessary steps need to be taken for successful running of schools to avoid losses.

The PAO informed that Overseas Pakistanis Foundation (OPF) is running 24 schools for the children of overseas Pakistanis but all of them are running in loss of except for one or two. It has been decided that Board of Directors on education will examine the current condition from school to school and action will be taken in the light of its findings.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to make his best efforts for running of schools instead of closing them.

8. PARA 139, PAGE-249, ARPSE-2003-2004
LOSS OF RS.1.340 MILLION DUE TO LOOSE INTERNAL CONTROLS

The Audit pointed out that due to lack of preventive controls and proper monitoring mechanism lead to frauds, wastage of resources and inefficiency. In Overseas Pakistanis Foundation, an amount of Rs.1.340 million was deposited by two overseas Pakistanis for allotment of plot in OPF Housing Scheme Zone-V, Islamabad. The allottees were refused possession of plots on the ground that the money deposited had been refunded to them. On scrutiny, it revealed that the amount had already been withdrawn fraudulently by the employees of the Foundation by opening fake bank accounts. The original allotment files were also missing.

The PAO replied that the case was referred to the NAB by OPF and two persons (an employee of OPF and another person) were held responsible for the

embezzlement by the NAB. The persons were penalized and now they have filed an appeal in the high court. The matter is subjudice and is being pursued by the NAB.

PAC DIRECTIVE

The Committee settled the para.

9. PARA 140, PAGE-250, ARPSE-2003-2004

The Audit pointed out that Kaghan Brick Works Limited (KBWL) was established as a Public Limited Company on April 16, 1977 and purchased by Overseas Pakistanis Foundation (OPF) w.e.f. June 06, 1983. The Company was principally engaged in manufacturing of all kinds of Clay Bricks. The Company is a wholly owned subsidiary of the OPF. The OPF Board of Governors (BOG) decided in its 61st meeting held on December 8, 1996 to close the Factory and dispose of the entire assets through an open auction and convert the status of KBWL land into Agro Farming Units/Cluster houses with the approval of CDA. The Factory operations were closed on September 30, 1996. The proposal for conversion of land into Agro Farming Units could not be started. The accumulated losses rose to Rs.88.888 million as on June 30, 2004, and completely eroded its capital of Rs.6.500 million.

The PAO informed that Kaghan Brick Works Limited was closed in September 1996. The brick kiln was constructed on the leased land from Capital Development Authority (CDA). The lease agreement ended in 1996 and was not extended. The PAO and the MD OPF gave different statements in the meeting. The Managing Director of OPF told that the OPF has moved a summary to the Prime Minister of Pakistan for joint venture with the CDA on the disputed land while the PAO was of the view that the land should be surrendered to CDA as it no longer belongs to OPF.

PAC DIRECTIVE

The Committee directed the PAO to examine the issue at the DAC level and its outcome be submitted to the PAC/Audit before the next meeting.

10. PARA 140.4, PAGE-250, ARPSE-2003-2004

The Audit pointed out that an amount of Rs.2.292 million was shown receivable under head “trade debtors” and advances, deposits, pre-payments and other receivables. There was no movement in these balances since long. The confirmation of these balances from the concerned parties could not be made. The Board of Directors in its meeting held on December 30, 2003 had directed to prepare a comprehensive note regarding receivables and to recover the amount from all debtors and employees from their salaries in installments, but no action

had been taken by the management as yet. It appeared that loose internal controls had resulted in inadequate documentation of trade debtors.

The PAO replied that at the time of closing of the Kaghan Brick Works Limited (KBWL), its Board of Directors (BODs) examined the position of receivable and liabilities of the KBWL and found that the receivable and liabilities were almost equal so, they decided to write off the amounts of debtors and creditors. Luckily, no claim was made by the debtors.

PAC DIRECTIVE

The Committee directed the PAO to provide a copy of decision of the Board to the Audit. The Committee settled the para subject to verification of documents by the Audit.

11. i PARA 136.2 PAGE-239 ARPSE-2003-04

ii. PARA 136.4 PAGE-240 ARPSE-2003-04

iii. PARA 137.2 PAGE-244-245 ARPSE-2003-04

iv. PARA 137.5 PAGE-245-246 ARPSE-2003-04

v. PARA 137.7 PAGE-246-247 ARPSE-2003-04

vi. PARA 137.8 PAGE-247 ARPSE-2003-04

vii. PARA 137.10 PAGE-247 ARPSE-2003-04

viii. PARA 138 PAGE-248 ARPSE-2003-04

ix. PARA 140.1 PAGE-250 ARPSE-2003-04

x. PARA 140.2 PAGE-251 ARPSE-2003-04

xi. PARA 140.3 PAGE-250 ARPSE-2003-04

PAC DIRECTIVE

The Committee directed the PAO to examine the above mentioned 11 paras at DAC level.

WORKERS' WELFARE BOARDS
AUDIT REPORT 2003-04

12. PARA 10.1 PAGE-183 AR-2003-04
NON-RECOVERY OF OUTSTANDING DUES FROM ALLOTTEES OF LABOUR COLONIES – RS.6.934 MILLION

The Audit pointed out that terms and condition No.2(1),(2)and (3) of Allotment Order of Flat/House in Labour Colony states that the allottee shall pay the cost by regular monthly installment upto 10th of each calendar month, failing which

surcharge will be levied. If the installment or other charges are in arrears for three months, allotment shall be liable to cancellation. Sindh Workers Welfare Board, Karachi could not recover the cost of flats allotted on hire/purchase basis. Violation of rules resulted in non-recovery of Rs. 6.934 million including surcharge payment of houses and flats.

The PAO informed an amount of Rs. 2,130,483/- has been recovered from allottees and a sum of Rs. 4,145,744/- is pending. However, the flats/houses which are illegally occupied will be vacated by the Police.

PAC DIRECTIVE

The Committee directed the PAO to vacate the houses/flats from the illegal occupants within 3 months.

13. i. PARA 10.2 PAGE-183-184 AR-2003-04
OVERPAYMENT DUE TO CHANGING OF BID RATES – RS.1.557 MILLION

The Audit pointed out as per clause 9(i) of the tender, the tenderer shall work out the amount against each item of work in the bit schedule and will indicate the total amount of his tender (including the cost of non-schedule items rates for which the rate and amount has already been filled in by the Engineer incharge in the bid schedule)on which he is willing to complete the works. Punjab Workers Welfare Board, Lahore paid steel reinforcement at manipulated rate of Rs.36,000 as evident from the fact that amount calculated with reference to given quantity did not correspond with the manipulated unit rate. This resulted in overpayment of Rs.1.557 million.

The PAO informed that an inquiry has been ordered to investigate the matter.

ii. PARA 10.4 PAGE-184-185 AR-2003-04
OVERPAYMENT DUE TO MANIPULATION OF RATE WATER SUPPLY ITEM – RS.1.194 MILLION

The Audit pointed out that general rules and guidance of contractor (para No.3) states: ”the rates of each item of work should be written in figures as well as in words”. Sindh Workers Welfare Board Karachi, accepted bid in which rates were not given in words. Consequently, the rate of an item, G.I. pipe ¾ i/d was enhanced from Rs. 45 to Rs. 450 per rft through manipulation .Non-adherence to rules resulted in overpayment of Rs.1.194 million to the contractor.

PAC DIRECTIVE

The Committee clubbed the above two paras and directed the PAO to hold an inquiry, fix responsibility, and take action within 30 days.

14. i) PARA 10.3 PAGE-184 AR-2003-04
IRREGULAR ENHANCEMENT OF TENDERED AMOUNT BY MANIPULATION – RS.1.218 MILLION

ii) PARA 10.5 PAGE-185 AR-2003-04
NON-RECOVERY OF RENT OF SHOPS – RS.0.616 MILLION

PAC DIRECTIVE

The Committee directed the PAO to purse the above two paras at DAC level as proposed by the DAC.

15. i) PARA 10.6 PAGE-185-186 AR-2003-04
UNJUSTIFIED EXPENDITURE DUE TO NON-OBSERVANCE OF SPECIFICATIONS – RS.0.576 MILLION

ii) PARA 10.7 PAGE-186 AR-2003-04
OVERPAYMENT DUE TO LESS RECOVERY OF CONSULTANCY FEE RS.0.519 MILLION

PAC DIRECTIVE

The Committee settled the above two paras on the recommendation of DAC.

EMPLOYEES OLD-AGE BENEFITS INSTITUTION

16. PARA-134.3 PAGE-236 (ARPSE-2003-04)

The Audit pointed out that a provision of Rs.0.408 million was made against rent receivable during 2003-04. Similarly, provisions of Rs.175.325 million and Rs.228.964 million were made in the previous years against Banker's Equity Limited and FIB Repo-deal. Further, one of the accused persons had given under taking in 2001 to pay Rs.22 million to NAB within one year. Despite lapse of more than 03 years the amount has not been recovered. No provision to this effect has been made in the books of accounts. Efforts need be made for realization of the outstanding amount before its conversion into bad debts.

The PAO informed that the case was referred to the NAB. The representative of the NAB informed that the plea bargain was made and all assets of the guilty were confiscated to recover the amount and the guilty has died later on.

PAC DIRECTIVE

The Committee directed the PAO to submit a report on the issue to the PAC/Audit within 30 days.

17. PARA-134.5 PAGE-236 (ARPSE-2003-04)

The Audit pointed out that Employees Old-age Benefits Institution (EOBI) purchased shares amounting to Rs.27.043 million during the year 1994-95 in 10 companies but no return on the investment have been received from their purchase date, thus an amount of Rs.27.043 million has been blocked for the last 9 years. Further the value of the shares has also decreased. The position in this regard needs to be elucidated.

The PAO informed that Employees Old-age Benefits Institution (EOBI) with the permission of its board invested in Stock Market but the price of shares fell down and the institution suffered a loss. As investment in the stock market was covered under the law therefore the previously the Departmental Accounts Committee has recommended the para for settlement in its meetings.

PAC DIRECTIVE

The Committee settled the para with displeasure and directed the PAO to be more vigilant while investing the funds of institution and high risk investment should be avoided.

EMPLOYEES OLD-AGE BENEFITS INSTITUTION

18. i. PARA-135 (ARPSE-2003-04)

ii. PAGE-237
NON-RECOVERY OF CONTRIBUTION AMOUNTING TO RS.26.775 MILLION FROM AN EMPLOYER

The Audit pointed out that as per clause No.9 (i) of chapter-III of Employees Old-Age Benefits Institution (EOBI) Act 1976, "On and from the first day of July, 1976 contributions shall be payable every month by the employer to the Institution in respect of every person in his insurable employment, at the rate of five percent of his wages in the prescribed manner".

Contrary to the above M/s Co-operative Model Town Society Limited registered with regional office at Lahore of the Employees Old Age Benefit Institution failed to pay its due share of contribution amounting to Rs.26.775 million from 1976 to April 2004.

PAO informed that M/s. Cooperative Model Town Society Limited, Lahore is registered with Lahore South Region under Registration No.BIB01548 with effect from July 1976. The Society challenged applicability of the Act before the Hon'ble High Court at Lahore (Petition No.3590/88) who directed the Society to exhaust remedies available under the EOB ACT, 1976. The Society filed an appeal (97/2000) under Section-33 of the EOB Act, 1976 which was decided in favour of the Institution on 10-06-2001. Then the Society filed appeal before the BOT under Section-35 of EOB ACT, 1976 which was also decided in favour of the Institution on 14-06-2002. A Demand (SL-004) bearing No. 11053 amounting to Rs.26.775 million for the period July 1976 to April 2004 was issued the Society on 26-05-2004. Notice under Section 81 of the Land Revenue Act, 1967 was issued on 19-10-2004. Warrant of Distraint under Section 83 of band Revenue Act, 1967 for attachment of property was issued on 19-12-2004 but could not be executed. The Society challenged the decisions under Section 33 & 35 of EOB ACT, 1976 as well as the Demand before the Hon'ble Lahore High Court vide W.P. N0.10726 dated 11-7-2006.The Lahore High Court has decreed the case in the favour of Employees Old-age Benefits Institution (EOBI).

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

19. **i.** **PARA 136.2, PAGE-239, ARPSE 2003-04**

ii. **PARA 136.4, PAGE-240, ARPSE 2003-04**

iii. **PARA 137.2, PAGE-244-245, ARPSE 2003-04**

iv. **PARA 137.5, PAGE-245-246, ARPSE 2003-04**

v. **PARA 137.7, PAGE-246-247, ARPSE 2003-04**

vi. **PARA 137.8, PAGE-247, ARPSE 2003-04**

vii. **PARA 137.10, PAGE-247, ARPSE 2003-04**

viii. **PARA 138, PAGE-248, ARPSE 2003-04**

ix. **PARA 140.1, PAGE-250, ARPSE 2003-04**

x. **PARA 140.2, PAGE-251, ARPSE 2003-04**

xi. **PARA 140.3, PAGE-250, ARPSE 2003-04**

PAC DIRECTIVE

The Committee referred the above mentioned 11 paras to be pursued at the DAC level.

20. i. PARA 136.3 PAGE-239, ARPSE-2003-04

ii. PARA 137 & 137.1, PAGE-243-244, ARPSE-2003-04

iii. PARA 137.11 PAGE-247, ARPSE-2003-04

iv. PARA-134 PAGE-235 (ARPSE-2003-04)

v. PARA-134.1 PAGE-235 (ARPSE-2003-04)

vi. PARA-134.2 PAGE-235 (ARPSE-2003-04)

vii. PARA-134.4 PAGE-236 (ARPSE-2003-04)

PAC DIRECTIVE

The Committee settled the above seven paras on the recommendation of the DAC.

PAKISTAN ATOMIC ENERGY COMMISSION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Pakistan Atomic Energy Commission was examined by the PAC on 9th July, 2015.

- 02 grants were presented by the Audit Department which were examined by the Committee. These 02 grants were settled.

PAKISTAN ATOMIC ENERGY COMMISSION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 9th July, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Pakistan Atomic Energy Commission are given below:-

APPROPRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. GRANT NO.12-ATOMIC ENERGY

The entire budget provision was fully utilized.

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.149-CAPITAL OUTLAY ON DEVELOPMENT OF ATOMIC ENERGY
EXCESS OF RS. 2,722,800,000/-

AGPR pointed out that the grant closed with excess of Rs. 2,722,800,000/- which worked out to 446.39% of the total grant. A supplementary grant of Rs. 2,722,800,000/- was sanctioned but not included in the supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the grant.

M/O PARLIAMENTARY AFFAIRS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Parliamentary Affairs was examined by the PAC on 1st September, 2015.

- 01 grant was presented by the Audit Department which was examined by the Committee. This was settled by the Committee.

M/O PARLIAMENTARY AFFAIRS

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st September, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Parliamentary Affairs are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

GRANT NO.94 PARLIMENTARY AFFAIRS DIVISION
Saving of Rs.22,313,738/-

The grant closed with a saving of Rs.22,313,738 which works out to 31.70 percent of the total grant. An amount of Rs. 17,886,000(25.41%) was surrendered leaving net saving of Rs.4,427,738(6.29%).

PAC DIRECTIVE

The Committee regularized the grant.

M/O PETROLEUM AND NATURAL RESOURCES

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Petroleum and Natural Resources was examined by the PAC on 27th February, 17th April, 30th April, 13th May, 20th May and 31st December, 2014 and 4th February and 18th February, 2015.

- 08 grants and 83 audit paras were presented by the Audit Department which were examined by the Committee. All grants and 72 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

M/O PETROLEUM AND NATURAL RESOURCES

ACTIONABLE POINTS

Actionable points arising from discussion of the meeting of PAC held on 27th February, 2014 for examination of Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Petroleum and Natural Resources are as below:-

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

SUI SOUTHREN GAS PIPLINE LTD.

1. i) PARA 160, PAGE 288 - ARPSE-2003 04
NON-RECOVERY OF OUTSTANDING GAS BILLS AMOUNTING TO RS.25.370 MILLION FROM ZEAL PAK CEMENT LIMITED AND SINDH ALKALIES

ii) PARA 161, PAGE 288- ARPSE-2003-04
NON-RECOVERY OF Rs.5.082 MILLION FROM M/S AL-MAKKAH BLEACHING WORKS

PAC DIRECTIVE

On the presentation of above 02 Paras, the Committee directed the PAO to pursue the case in the court of law vigorously and inform the updates of the above said paras to the PAC secretariat.

APPROPRIATION ACCOUNTS (CIVIL VOL-I) 2003-04

2. GRANT NO, 143 (2003-04)-DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES
EXCESS OF RS. 805,210,000

AGPR pointed out that a grant was closed with an excess of Rs. 805,210,000 which worked out to 33.45% of the total grant.

The PAO informed the Committee that a supplementary grant of Rs. 895,210,000 was sanctioned but not included in supplementary schedule of authorized expenditure. The PAO further told basically it was an accounting error.

PAC DIRECTIVE

The Committee directed to call the representative of the Cabinet Division for the clearance of issue of above mentioned grant and pended the grant.

3. i. GRANT NO.95 – PETROLEUM AND NATURAL RESOURCES DIVISION
SAVINGS OF Rs. 2,365,836

ii. GRANT NO. 156-CAPITAL OUTLAY ON PETROLEUM AND NATURAL RESOURCES
SAVINGS OF Rs. 162,000,000

PAC DIRECTIVE

After the explanation given by the PAO on the above mentioned 02 grants, the Committee regularized the grants.

4. GRANT NO. 97-OTHER EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES DIVISION
EXCESS OF Rs. 61,557,919

PAC DIRECTIVE

After the explanation given by the PAO on the above grant, the Committee regularized the grant.

GEOLOGICAL SURVEY OF PAKISTAN (CIVIL VOL-I) 2003-04

5. i. GRANT NO. 98
SAVINGS OF RS. 129,810

ii. GRANT NO. 158
SAVINGS OF Rs. 2,039,000

iii. GRANT NO. 96
SAVINGS OF Rs. 5,302,335

PAC DIRECTIVE

After the explanation given by the PAO on the above mentioned 03 grants, the Committee regularized the grants.

ACTIONABLE POINTS

Actionable Points arising from the discussion of the meeting of PAC on the Audit Paras of Oil & Gas Development Company, Ltd. (OGDCL) for the year, 2003-04 under the Ministry of Petroleum and Natural Resources held on 17th April, 2014 in Committee Room No. 2, Parliament House, Islamabad.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR, 2003-04

1. PARA- 164 & 164.1
PERFORMANCE OF OGDCL

The Audit briefed the Committee about performance of OGDCL and informed that quantities sold by OGDCL during the year 2003-04 were less as compared to sales during the previous year.

A decrease in production of solvent oil and high speed diesel oil was 21.20% and 9.50%. The decrease in production needs corrective action.

The Committee asked the Acting M.D. OGDCL as to why it was decided to increase the production of Kerosene Oil and decrease the High Speed Diesel Oil, it was replied that condensate was produced from three products i.e. Naphtha, Diesel and LDO, the position of condensate changed, due to which cut of one product increased and cut of another product decreased, it was unintentional. However, in accordance with the management reply, the reason for decrease in production of high speed diesel was due to increase in production of Kerosene Oil. Hence, the DAC held on 30-07-2011 and 13-02-2014 recommended the para for settlement.

PAC DIRECTIVE

The Committee directed the PAO to investigate the reason of low production of Naphtha, Diesel and LDO, etc. and report to the Committee in its next meeting.

2. i. PARA-164.2
OUTSTANDING AMOUNT OF RS.14.751 MILLION ON ACCOUNT OF LONG TERM LOAN OBTAINED BY THE GOVT. OF PAKISTAN FROM USSR FOR UTILIZATION OF OGDCL

ii. PARA-164.3
OUTSTANDING AMOUNT AGAINST M/S UCH POWER LIMITED (UPL) ACCUMULATED TO RS.4,328.675 MILLION.

iii. PARA-164.4
SHUT-IN-FIELDS COST INCREASED TO RS.2,948.339 MILLION AS ON JUNE 30, 2004 & 2002-03 - RS.2,622.878 MILLION.

iv. **PARA-164.7**
THE GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR WERE SHOWING A DECREASING TREND, BUT THERE WAS AN INCREASE IN HEAD OF ACCOUNTS.

v. **PARA-164.8**
MANAGEMENT CHARGED AN AMOUNT OF RS. 143.511 MILLION TO GENERAL & ADMINISTRATIVE EXPENSES. THIS ADJUSTMENT NEEDED TO BE ELUCIDATED.

vi. **PARA-165**
EXPECTED LOSS DUE TO NON-RECOVERY OF PAK Rs. 77.410 MIIILION (US S 1.981 MILLION) FROM A DEFAULTER FIRM

vii. **PARA-169**
NON-RECOVERY OF ADVANCE PAYMENT OF RS 2.489 MILLION (US$ 40,140) MADE BEFORE GRANT OF VISA.

PAC DIRECTIVE

The Committee settled the above seven (7) paras

3. **PARA-164.5**
TRADE DEBTS & OTHER RECEIVABLES AMOUNTED TO RS.13,127.338 MILLION AND RS.6,506.421 MILLION AS ON JUNE 30, 2004.

Audit pointed out that receivables were lying pending. The management had to take up the matter with WAPDA for recovery / settlement of Rs.14.046 million and the amount of Rs.0.793 million to be recovered from Abdal Lime Kiln, efforts could be made to locate movable and immovable property of the defaulter but no attention was taken by the management. They should reach to the conclusion. During verification on 01.04.2014 it was transpired that neither inquiry has been conducted nor the amount recovered from WAPDA.

The Secretary/PAO informed the Committee an amount of Rs.13,112.448 million had been recovered out of total outstanding amount of Rs.13,127.338 million. 99% amount has been collected. Efforts are being made to resolve the matter with WAPDA for recovery / settlement of Rs.14.046 million, the amount of Rs.0.793 million to be recovered from Abdal Lime Kiln, and report will be submitted to PAC within a month after getting recovery.

PAC DIRECTIVE

The Committee expressed displeasure on unsatisfactory situation of recovery of the receivables. The Committee directed the PAO to review the para in DAC,

resolve the issue after making recovery through OGDCL and report to PAC/Audit.

4. PARA-164.6
CONTINUATION OF GAS SUPPLY DESPITE NON-PAYMENT OF RS.1.976 MILLION BY ABDAL LIME KILN

PAC DIRECTIVE

The Committee clubbed the above para with Para No. 164.5 and pended till its next meeting.

5. PARA-164.9 PAGE-294 ARPSE-2003-04
DURING THE YEAR PROJECTS COSTING RS.2,045.167 MILLION WERE IN PROGRESS. MANAGEMENT FAILED TO ELABORATE THE DATE OF START OF PROJECTS AND REASONS FOR NON-COMPLETION OF PROJECTS. EARLY COMPLETION OF THE SAME IS STRESSED UPON THE MANAGEMENT

Audit briefed the Committee on the para and pointed out that during verification on 01.04.2014 management provided the requisite report. The report was incomplete as details with regard to each project showing the date of initiation, the cost of the project, the stage of progress / completion of the project, the causes of delay in completion of the project, if any, and a comparative analysis with regard to the planning of each project viz-a-viz its progress along-with the time and cost overrun were not given in the report. Therefore report was not according to DAC directives dated 30.07.2011.

The Secretary/PAO informed the Committee that report will be submitted to PAC after getting into a fresh DAC on it.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue in DAC and report to the Committee in its next meeting.

6. PARA-166 PAGE-296 ARPSE-2003-04
UN-NECESSARY PURCHASE OF CHEMICAL WORTH RS.55.130 MILLION (US $ 1.219 MILLION) AND LOSS OF RS.5.630 MILLION ON ACCOUNT OF ITS SALE BELOW COST PRICE.

The Audit stated that Ministry of Petroleum and Natural Resources on July 13, 2000 directed Oil and Gas Development Company to switch over different grades of petrol to single grade petrol. The reply of the management was not convincing as order was placed after issuance of directives of Ministry of Petroleum and Natural Resources. The DAC in its meeting held on May 07, 2005 advised the

management to review the case with reference to purchase dates of chemicals and a fact finding inquiry be initiated.

The Audit pointed out that inquiry regarding purchase of chemicals needed to be finalized at the earliest as per directives of DAC.

The management reviewed the case to comply with the directives of DAC, with reference to purchase dates of chemicals, it is stated that decision from Govt. of Pakistan was issued on 13.07.2000, whereas the letter of intent already stand issued on 03-07-2000. If it would have been cancelled, the supplier may go to the court of law.

The Secretary/PAO informed the Committee that report will be submitted, after getting the facts finding inquiry, in its next meeting.

PAC DIRECTIVE

The Committee directed the PAO to finalize the inquiry and report to the Committee in its next meeting.

7. i. PARA-167 PAGE-297 ARPSE-2003-04
LOSS OF RS. 10.108 MILLION DUE TO NEGLIGENCE OF M/S ENAR PETROTECH SERVICES IN EXECUTION OF THE KUNNAR LPG PROJECT

The Committee clubbed the above Para with Para No.166 and directed the PAO to finalize the inquiry and report to the Committee in its next meeting.

ii. PARA-168 PAGE-298 ARPSE-2003-04
LOSS OF RS.2.885 MILLION DUE TO MISAPPROPRIATION OF HSD AT TANDOALAM OIL COMPLEX

Audit pointed out that latest position of the Court Case may please be intimated to Audit. The management, to comply with the directives of DAC meeting held on 07.05.200.5, reviewed the whole case of mis-appropriation of HSD at Tando Alam thoroughly at the management level and concluded the already conducted enquiry covers all the facts and responsibility fixed by the Committee and approved by the management is in line with rules. It is pertinent to mention that the OGDCL management is pursuing to recover the balance amount from individual through court.

The PAO assured the Committee to look into it to strengthen the internal control and mechanism.

PAC DIRECTIVE

The Committee showed displeasure on the issue. The Committee directed the PAO to take steps to strengthen the internal control system. The Committee deferred the para till its next meeting.

8. PARA-170 PAGE-300 ARPSE-2003-04
LOSS OF RS.662.893 MILLION DUE TO NON-RECOVERY OF LIOUIDATED DAMAGES

Audit pointed out that the Project was delayed, no penalty was imposed and DAC could not resolve the matter. Case was investigated by NAB. Nothing was clear what has happened.

The PAO informed the Committee that accused was acquitted by NAB and NRO cancelled the acquittal of the accused.

PAC DIRECTIVE

The Committee expressed displeasure over the unclear factual position of the case, directed to PAO to look into it and place the status of complete facts with clarity before the Committee in its next meeting.

ACTIONABLE POINTS

Actionable Points arising from discussion of the meeting of PAC held on 30th April, 2014 pertaining to Pakistan Petroleum Limited for the year 2003-04 are given below:

AUDIT REPORT PUBLIC SECTOR INTERPRISES FOR THE YEAR, 2003-04

1. (i) PARA-150, PAGE-273
SALE AGREEMENT SIGNED BETWEEN THE SSGCL, SNGPL AND PPL, THE SUI GAS PURIFICATION PLANT WAS TAKEN OVER BY PPL ON JULY 1, 2002.

(ii) PARA-150.1, PAGE-273
THE WORKING RESULTS OF THE COMPANY FOR THE YEAR 2003-04 AS COMPARED WITH THOSE OF THE PREVIOUS YEARS.

(iii) PARA-150.2, PAGE-274
AN AMOUNT OF RS. 1,113.281 MILLION AND RS.1,856.083 MILLION OUTSTANDING AGAINST WAPDA AND SNGPL RESPECTIVELY.

PAC DIRECTIVE

The Committee settled the above three paras.

2. The Committee could not finish its agenda due to absence of Managing Directors of National Refinery Ltd; Pakistan State Oil Company Ltd; State Petroleum Refining & Petrochemical Co; Sindak Metals Ltd; Sui Southern Gas Ltd; B.P. Pakistan Exploration & Production INC. The Committee expressed its displeasure over irresponsible attitude on their part and deferred the remaining business till its next meeting.

3. The Committee directed the PAC Wing to convey its displeasure on the situation and direct them to explain their position within seven working days. The Committee also directed all the MDs/Heads of Departments working under the M/O Petroleum & Natural Resources to inform the PAC well in-time, if someone is unable to attend the meeting due to other official obligations, failing which they will be liable for disciplinary proceedings.

4. The Committee also expressed its displeasure on not attending the meeting of Auditor General of Pakistan. His presence, in the meeting, was utmost necessary to answer points that were to be raised in the Committee's meeting. The Committee further directed the Auditor General of Pakistan to attend the meetings of the Committee on regular basis.

ACTIONABLE POINTS

Actionable Points arising from discussion of the meeting of PAC held on 13th May, 2014 for examination of Audit Reports/Special Audit Reports for the years, 2003-04 of M/o Petroleum and Natural Resources are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

NATIONAL REFINERY LIMITED

1. i) PARA-147, PAGE-269
INTRODUCTORY PARA

ii) PARA-147.1, PAGE-269
WORKING RESULTS OF THE COMPANY FOR THE YEAR 2003-04 AS COMPARED TO THE PREVIOUS YEARS.

iii) PARA-147.2, PAGE-270
TRADE DEBTS INCREASED TO RS.2, 406.093 MILLION AS ON JUNE 30, 2004 AGAINST THE AMOUNT OF RS.1,477.659 MILLION AS ON JUNE 30, 2003.

iv) PARA-147.3, PAGE-270
DURING THE YEAR 2003-2004 OTHER RECEIVABLES INCREASED TO RS.6,062 MILLION AS COMPARED TO RS.5,232 MILLION DURING THE YEAR 2002-03.

v) PARA-147.4, PAGE-270
CAPITAL WORK IN PROGRESS INCREASED BY 287.27% TO RS.301.558 MILLION DURING 2003-04 FROM RS.77.867 MILLION OF THE YEAR 2002-03.

vi) PARA-147.5, PAGE-270
THE AMOUNT OF CURRENT ACCOUNT WAS INCREASED FROM RS.97.651 MILLION OF PREVIOUS YEAR TO RS.886.311 MILLION DURING THE YEAR 2003-04.

vii) PARA-148, PAGE-271
IRREGULAR PAYMENT OF RS.4.198 MILLION ON CONTRACT WITHOUT APPROVAL

viii) PARA-149, PAGE-271 (ARPSE-2003-04)
IRREGULAR REVISION OF PAY AND ALLOWANCES OF NRL EMPLOYEES IN VIOLATION OF FINANCE DIVISION ORDERS

PAC DIRECTIVE

The Committee settled the above eight paras.

PAKISTAN STATE OIL COMPANY LIMITED

2. i) **PARA-151, PAGE-275**
INTRODUCTORY PARA

ii) **PARA-151.1**
WORKING RESULTS OF THE COMPANY FOR THE YEAR 2003-04 AS COMPARED WITH THOSE OF THE PREVIOUS YEARS

iii) **PARA-151.2, PAGE-276**
DESPITE A SIZEABLE EXPENDITURE ON SALES PROMOTION AND ADVERTISEMENT, THE MARKET SHARE WAS REDUCED FROM 71.4% IN 2000-01 TO 62% IN 2003-04.

iv) **PARA-151.3**
INCREASE IN TRANSPORTATION CHARGES OF THE COMPANY FROM RS.1,389 MILLION IN 2002-03 TO RS.2,617 MILLION IN 2003-04

v) **PARA-151.4**
CASH IN HAND AND CASH AT BANKS IN CURRENT ACCOUNT AT THE END OF THE YEAR 2004 STOOD AT RS.1,577 MILLION AS AGAINST RS.1,222 MILLION ON JUNE 30, 2003 DEPICT COMPANY'S HEAVY INCREASING TREND OF KEEPING THE FUNDS IN CURRENT ACCOUNTS

vi) **PARA-151.5**
PROVISION FOR DOUBTFUL TRADE DEBTS (UNSECURED) AMOUNTING TO RS.231 MILLION WAS MADE IN THE YEAR 2003-04. EQUIVALENT PROVISION WAS ALSO MADE DURING THE PREVIOUS YEAR

vii) **PARA-151.6, PAGE-277**
CAPITAL WORK IN PROGRESS INCREASED BY 13.74% AT RS.1,724 MILLION COMPARED TO RS.1,487 MILLION IN THE PREVIOUS YEAR

viii) **PARA-152, PAGE-278 IRREGULAR INCREASE IN PAY AND ALLOWANCES OF PSO EMPLOYEES/ MANAGEMENT AMOUNTING TO RS.412 MILLION WITHOUT APPROVAL OF STANDING COMMITTEE OF FINANCE DIVISION**

ix) **PARA-153, PAGE-279**
BLOCKAGE OF CAPITAL AMOUNTING TO RS.14.968 MILLION DUE TO ILL-PLANNED PURCHASE OF STORE ITEMS

x) **PARA-154, PAGE-280**
PURCHASE AND USE OF SUB-STANDARD MATERIAL WORTH RS.12.79 MILLION BY CHEMICAL DEPARTMENT

xi) **PARA-155, PAGE-281**
INCREASE OF REMUNERATION OF THE MANAGING DIRECTOR IN VIOLATION OF SECTION 6 OF MARKETING OF PETROLEUM PRODUCTS ACT, 1974.

PAC DIRECTIVE

The Committee pended the above eleven paras due to absence of the Managing Director, Pakistan State Oil, till its next meeting.

STATE PETROLEUM REFINING AND PETROCHEMICAL CORPORATION (PVT) LIMITED

3. i) **PARA-156, PAGE-282**
INTRODUCTORY PARA

ii) **PARA-156.1**
WORKING RESULTS OF THE CORPORATION FOR THE YEAR 2003-04 AS COMPARED WITH THOSE OF THE PREVIOUS YEAR 2002-03

iii) **PARA-156.2, PAGE-283**
THE CORPORATION HAD A FREEHOLD LAND OF RS.33.844 MILLION AS ON JULY 01, 2003. IT INCLUDE A SUM OF RS.4.312 MILLION, DETERMINED BY AN ARBITRATOR AS AMOUNT PAID IN EXCESS BY THE CORPORATION TO CERTAIN PARTIES IN PRIOR YEARS.

iv) **PARA-156.3, PAGE-283**
ADVANCES, OTHER RECEIVABLES AND LONG TERMS LOANS AMOUNTING TO RS.0.484 MILLION, RS.20.273 MILLION AND RS.2.900 MILLION RESPECTIVELY WERE CONSIDERED DOUBTFUL AND PROVISIONS TO THAT EXTENT WERE MADE DURING THE YEAR

v) **PARA-156.4**
LOSS OF RS.572.672 MILLION

vi) **PARA-156.5**
FIVE VEHICLES HAVING AN AGGREGATE COST OF RS.2.434 MILLION WERE IN THE USE OF CABINET DIVISION OF GOVERNMENT OF PAKISTAN

PAC DIRECTIVE

The Committee pended the above six paras due to absence of the Managing Director, State Petroleum Refining and Petrochemical Corporation (Pvt.) limited, till its next meeting.

SAINDAK METALS (PVT) LIMITED

4. i) **PARA-(40), PAGE-355(ARPSE-2003-04)**
NON-COMPILATION OF ACCOUNTS

ii) **PARA-157, PAGE-284**
LOSS OF RS.53.260 MILLION DUE TO NON COMPLETION OF 94 C TYPE HOUSES

PAC DIRECTIVE

The Committee pended the above two paras due to absence of the Managing Director of the Company till its next meeting.

SUI SOUTHERN GAS COMPANY LIMITED

5. i) **PARA-158, PAGE-285**
SUI SOUTHERN GAS COMPANY LIMITED (SSGCL) IS A PUBLIC LIMITED COMPANY INCORPORATED IN PAKISTAN AND IS LISTED IN KARACHI, LAHORE, AND ISLAMABAD STOCK EXCHANGES.

ii) **PARA-158.1**
WORKING RESULTS OF THE COMPANY FOR THE YEAR 2003-04 AS COMPARED TO PREVIOUS YEARS

iii) **PARA-158.2, PAGE-286**
TRADE DEBTORS WERE RS.7,945.140 MILLION ON JUNE 30, 2004 AGAINST RS.8,091.04 MILLION ON JUNE 30, 2003 OUT OF WHICH A PROVISION OF 1,239 MILLION FOR DOUBTFUL DEBTORS WAS MADE DURING THE YEAR UNDER REVIEW AS AGAINST RS.999.976 MILLION DURING THE PRECEDING YEAR.

iv) **PARA-159, PAGE-287**
IRREGULAR APPOINTMENT AND TERMINATION OF EMPLOYEES RESULTING IN AVOIDABLE LEGAL EXPENSES OF RS.34 MILLION

v) **PARA-162, PAGE-289**
IRREGULAR AND UNAUTHORIZED EXPENDITURE OF RS.0.650 MILLION ON PURCHASE OF CELLULAR TELEPHONES.

PAC DIRECTIVE

The Committee settled the above five paras.

6. **PARA-158.3**
UNACCOUNTED FOR GAS (UFG) LOSSES WERE 8.36% IN 2000-01, 8.25% IN 2001-02 AND 8.05% IN 2002-03., GAS VALUING RS.8,303 MILLION HAS BEEN WASTED DURING THOSE THREE YEARS

PAC DIRECTIVE

The Committee settled the para subject to compliance of DAC directive.

B.P. PAKISTAN EXPLORATION AND PRODUCTION INC

7. **PARA-(41), PAGE-355**
NON-COMPILATION OF ACCOUNTS FOR THE YEAR 2002-03 & 2003-04

PAC DIRECTIVE

The Committee settled the above para.

ACTIONABLE POINTS

Actionable Points arose from the discussion of the meeting of PAC held on 20-05-2014 on the Appropriation Accounts/Audit Reports/Special Audit Reports for the years 2003-04 pertaining to the Ministry of Petroleum & Natural Resources are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1/2003-04

1. **GRANT NO. 143- DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES (EXCESS OF RS.805,210,000)**

AGPR pointed out that the grant closed with an excess of Rs.805,210,000 which worked out to 33.45% of the total grant. A supplementary grant of Rs.895210,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO, M/o Petroleum and Natural Resources apprised the Committee that procedural and accounting error has been corrected in the basic account. The representatives of the Cabinet Division may clarify the issue on the grants.

The Additional Secretary, Cabinet Division apprised the Committee that this particular grant does not relate to the Cabinet Division. Cabinet Division has no record of the Grant. It must have gone directly to the Finance Division.

Audit pointed out that this supplementary grant was sanctioned but was not included in the supplementary schedule so it was not voted.

PAC DIRECTIVE

The Committee directed the PAO to get its authorization from the National Assembly during budget session for inclusion in the supplementary schedule of authorized expenditure.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

PIRKOH GAS COMPANY (PVT) LIMITED

2. **i. PARA 163 & 163.1 (PAGE 290**
SUI NORTHERN GAS PIPELINES LIMITED

ii. PARA 171 (PAGE 302

iii. PARA 171.1 (PAGE 303

iv. **PARA 171.2 (PAGE 304**

v. **PARA 172 (PAGE 305**

vi. **PARA 174 (PAGE 307**

vii. **PARA 175 (PAGE 308**

PAKISTAN MINERAL DEVELOPMENT CORPORATION

viii. **PARA 177 (PAGE 310**

ix.

x. **PARA 177.1 (PAGE 310**

xi. **PARA 177.2 (PAGE 310**

xii. **PARA 177.3 (PAGE 311&312**

xiii. **PARA 177.4 (PAGE 312**

xiv. **PARA 177.5 (PAGE 312**

xv. **PARA 177.6 (PAGE 313**

xvi. **PARA 177.7 (PAGE 313**

PAC DIRECTIVE

The Committee settled the above mentioned 15 paras.

SUI NORTHERN GAS PIPELINES LIMITED

3. PARA 173 (PAGE 306-ARPSE-2003-04
DELAY IN DELIVERY AND NON-RECOVERY OF LIQUIDATED DAMAGES OF RS.23.190 MILLION

Audit pointed out that in accordance with Clause 6 of purchase order, the liquidated damage charges were required to be recovered from supplier for late delivery of material at the rate of 1% of the total value per week but not exceeding 10% of the total value. Sui Northern Gas Pipelines Limited placed a purchase order dated July 06, 2002 on M/s Data Steel Pipe Industries, Karachi for supply of 56,000 meters of 20" dia steel line pipe at a cost of Rs.231.904 million. The delivery of material was to be made from September 30, 2002 to November 30, 2002. However the delivery was started from February 10, 2003 and was completed on April 16, 2003, resulting in a delay of 135 days. Hence an amount of Rs.23.190 million equal to 10% of the value of the Purchase Order became recoverable from the supplier on account of liquidated damages of 23 million. Audit pointed out that bank guarantee was not en-cashed which can be en-cashed in 2004-05 and if the management en-cash the bank guarantee during the time of DAC held in 2005 and remove the liquidated damages at that time,

the supplier may not be able to get enough time to secure his interest by going to Court of Law.

The Management replied that the supplier has represented against imposition of liquidated damages on the grounds that procurement of material was delayed due to reasons beyond their control and the LD charges may be waived in the light of force majeure clause of the purchase order. A Committee was constituted to review the case in light of documentary evidence produced by the supplier. After thorough examination of the case, the representation of the supplier to waive of the LD charges has not been accepted. Accordingly, the company invoked the performance/warranty bond guarantee on 26.08.09. However, the supplier obtained stay orders on encashment in Sindh High Court; therefore, the matter is subjudice now. Further action will be taken after receipt of court orders.

PAC DIRECTIVE

The Committee directed the Management to include the remarks in this para that "This case has not been pursued diligently by the lawyers of Sui Northern Gas Pipelines and the money recovered". The Committee pended the para till its next meeting.

4. **PARA 176 (PAGE 309-ARPSE-2003-04)**
LOSS OF RS.1.139 MILLION DUE TO PURCHASE OF PLUG VALVES FROM THE 2ND LOWEST BIDDER

Audit pointed out that in the DACs dated 4.6. 2005 and 29.7.2011 the management was directed to hold an inquiry and intimate the result to Audit/Ministry. Audit pointed out that 14years have passed and huge amount will have been spending on TA/DA. According to the recommendation of inquiry Committee total cost of 206 valves procured through subject tender enquiry has been worked out to Rs 31 million. The under contention amount of Rs. 1.139 million becomes 3.67% of the total cost of the subject tender enquiry.

The management apprised the Committee that the decision of trial purchase order placement appears to be a wise decision instead of risking the whole amount of Rs 31 million by procuring total quantity of 206 plug valves from relatively less known manufacturer i-e Galli & Cassian Italy. In fact, placement of trial purchase order was a practical way of examining the performance of Galli & Cassina plug valves, but its performance was poor. The management could not take risk. As per enquiry the action of the management was upheld to place the order on 2nd lowest bidder.

PAC DIRECTIVE

The Committee directed the Management to hold another inquiry within a month. The Committee pended the para for discussion in its next meeting if conducted, otherwise in PAC.

5. **PARA 9.8 (PAGE 74-AR-2003-04)**
NON-REALIZATION OF INTEREST ON LATE PAYMENT OF DEVELOPMENT SURCHARGE –RS.134.648 MILLION

The Management of SNGPL replied that the liability of GDS on month to month basis as provision of natural gas (Development surcharge) Ordinance, 1967 and Rules cannot be calculated. As per loan agreement No. 3252-pak between World Bank and SNGPL was signed on 22.10.1990 and annual return is guaranteed @ 17.5% on average current net value of SNGPL's fixed assets in operations. The Company pays GDS on provisional basis during the year and when prescribed prices remains to be decided and notified by government can lead to access or less payment on month to month basis but finally squared up at the end of financial year. Therefore, the provision of Natural Gas Development Surcharge Ordinance, 1967 and Rules 1967 are not applicable in case of SNGPL.

Audit is of the view that department reply is contradictory to the rule 3 of Natural Gas (Development Surcharge) Rules, 1967. As per law differential margin by which sale price exceeds the prescribed price is to be paid as GDS on monthly basis within Sixty days. In case of non/short payment within due date,, interest @ 20% was recoverable. Therefore, the company should pay the full amount of GDS determined as per prevailing notification on monthly basis within stipulated time and withholding of GDS want of determination by OGRA after close of financial year, was not justified.

PAC DIRECTIVE

The Committee directed the PAO to hold inquiry on the issues raised in the para within one month and take appropriate action.

PAKISTAN STATE OIL COMPANY LIMITED

6. **(i) PARA-151, PAGE-275**

ii. PARA-151.1

iii. PARA-151.2, PAGE-276

iv. PARA-151.4, PAGE-276

v. PARA-151.6, PAGE-277

vi. PARA-152, PAGE-278

vii. PARA-153, PAGE-279

viii. PARA-154, PAGE-280

ix. PARA-155, PAGE-281

PAC DIRECTIVE

The Committee settled the above nine paras.

7. **PARA-151.3, PAGE-276**

The Audit pointed out that the transportation charges of the company increased from Rs.1,389 million in 2002-03 to Rs.2,617 million in 2003-04, thereby registering 88% increase in the cost. The abnormal increase in the transportation cost needs to be justified.

The Management apprised the Committee that the amount of transportation expenses as written in the report (audit comment 151.3) for the fiscal years 2004 and 2003 is not correct. The correct numbers are Rs 262 million and Rs 139 million for financial years 2004 and 2003 respectively.

The PAO apprised the Committee that the Management could not classify the figures which can be reconciled.

PAC DIRECTIVE

The Committee directed the MD, PSO to reconcile the figures of abnormal increase in the transportation cost and report to Committee in the next meeting.

8. **PARA-151.5**
PROVISION FOR DOUBTFUL TRADE DEBTS (UNSECURED) AMOUNTING TO RS.231 MILLION WAS MADE IN THE YEAR 2003-04. EQUIVALENT PROVISION WAS ALSO MADE DURING THE PREVIOUS YEAR.

The PAO apprised the Committee that no new provision was made during the year under audit and following is a break-up of Rs. 231 million appearing in the books as provision.

	2004
Hajveri Airlines	69.4
Raji Airlines	15.55
KESC	32.1
Before Merger	4.4
General	60
Carriage Contractor	50
Total provision	231.45

Efforts are being made to recover the above bad debts, however, due to lengthy litigation process, the amount have not yet been recovered.

PAC DIRECTIVE

The Committee pended the para till its next meeting.

STATE PETROLEUM REFINING AND PETROCHEMICAL CORPORATION (PVT) LIMITED

9. i PARA-156, PAGE-282

ii. PARA-156.1, PAGE-282

iii. PARA-156.2, PAGE-283

iv. PARA-156.3, PAGE-283

v. PARA-156.4, PAGE-283

vi. PARA-156.5, PAGE-283

The Audit apprised the Committee on a query that there was no blatant para out of the above paras.

PAC DIRECTIVE

The Committee settled the above six paras.

SAINDAK METALS (PVT) LIMITED

10. **PARA-(40), PAGE-355**
NON-SUBMISSION OF ACCOUNTS

PAC DIRECTIVE

The Committee settled the above para subject to submission of Accounts.

11. **PARA-157, PAGE-284**
LOSS OF RS.53.260 MILLION DUE TO NON COMPLETION OF 94 C TYPE HOUSES

Audit stated that Saindak Metals (Pvt.) Limited (SML) awarded a contract on September 27, 1994 to M/s Building Systems (Private) Limited (BSL) for the construction of 94 "C" type houses at a contractual cost of Rs.71.986 million with the completion period of one year. Up-to January 30, 1995 only 7 units out of 94 were substantially completed but SML released payment of Rs.46.061 million (64% of the contract value) up-to June 30, 1996. The contractor had submitted a performance bond (10% of the contract value) for one year validity of which was never renewed.

The SML filed a suit against the contractor for recovery of Rs.53.260 million on January 6, 2001 i.e. after 06 years. The case was decreed in favour of SML on December 11, 2001 for Rs.53.260 million. In Execution Application filed on May 16, 2002 SML informed the court that the Director of the company had disappeared when decree orders were passed. Consequently the moveable and immoveable properties of M/s BSL could not be traced out and there are remote chances of recovery of decreed amount.

The Management apprised the Committee that the contractor completed the 7 units of houses and brought material of all the houses there and demanded payment. Then he went to Court due to non-payment.

The PAO apprised the Committee that similar nature of such ParaNo.181.5 of AR-2005-06 was discussed in the DAC dated 24-08-2012 which can be clubbed with the above Para.

PAC DIRECTIVE

The Committee pended the para.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 31st December, 2014 while examining Audit Reports/Special Audit Reports for the year 2003- 04 of Ministry of Petroleum and Natural Resources are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04
HYDROCARBON DEVELOPMENT INSTITUTE OF PAKISTAN

1. PARA-14.4 (PAGES-299-300) AR 2003.04
UN-AUTHORIZED EXPENDITURE FROM DEVELOPMENT GRANT- Rs. 4.050 MILLION.

Audit pointed out that a sum of Rs.8.000 million was allocated under PSDP grant of CNG/BMR, Islamabad (Development) during the year 2000-01 which was deposited in NBP, civic center, Islamabad but later on it was withdrawn from there and transferred to CNG Operations for the Procurement of compressors, etc. Thereafter Rs.4, 050,000 was transferred back to Headquarters for purchase of CNG kits in 2001-02. Audit was of the view that allocation for purchase of compressors could not be utilized for the procurement of CNG kits. Furthermore, the use of 2000-01 funds in 2001-02 was violation of rules. The DAC has directed the Department to get the irregularity regularized from the Finance Division on Immediate basis.

PAO replied that the delay was due to the time spend on manufacturing of equipment, LC and transportation process of CNG kits, which took considerable time, otherwise no irregularity took place. The final payment was, made on receipt of shipping document. Moreover, the Trial Balance of development account was also shown to Audit and the same has already been verified.

The PAO replied that it was directed by the Audit to get it regularized from Mb Finance so it took long time.

PAC DIRECTIVE

The Committee pended the para till its regularization from Board of Governors and its resubmission in PAC for settlement.

2. PARA-14.5 (PAGES-300.3011 AR 2003-04:
NON-RECOVERY OF LONG OUTSANDING DUES- RS.20.015 MILLION

Audit pointed out that different kinds of charges as CNG station Inspection Fee, Cylinder Testing Fee and Laboratory Chargers. Audit observed that an amount of Rs.20.014,655 was outstanding against different parties since 1991. HDIP had not recovered the outstanding amounts from the concerned persons/ parties despite lapse of a period of 20 years.

Department replied that some of the clients had not paid the fee, so far. For the recovery of outstanding dues efforts were being made including issuance of regular reminders to the clients. The major outstanding amount Pertains to PAL for providing services to the Government agencies for maintaining the quality of POL Products. The comments on the outstanding amount of POL charges were that the major outstanding amount pertains to POL for providing services to the Government agencies for maintaining the quality of POL products. The major outstanding amount pertains to PLO for providing services to Government agencies for maintaining the quality of POL products. The quality control is chartered function of the HDIP and to this effect,the government is providing budget to HDIP. Therefore, the concerned government agencies do not make any payment to HDIP on the plea that no separate budget was allocating resources to HDIP to assist the government agencies in the implementation of the quality control of the POL products. However, the outstanding amount pertaining to the pursued and hopefully will be recovered soon.

Audit also explained that out of claimed recovered amount Rs.7.115 million, record of recovery amounting to Rs.2.905 million was verified by Audit and record for remaining recovered amount Rs.4.210 million still needs verification.

PAC DIRECTIVE

The Committee directed to reconcile the figures and get them verified by the Audit. The para will be settled by the Committee on the recommendations of the audit

3. PARA-14.7(PAGE-301-302I AR 2003-04
NON-FRAMING OF ACCOUNTING PROCEDURE

Audit informed that Clause 8(1) of the Resolution dated 26.07.1984 states that the Institute is required to maintain complete and accurate accounts and other relevant record in such manner and Form as may be prescribed by the Federal Government in consultation with the Auditor General of Pakistan. Audit observed that HDIP had not framed any accounting procedure in consultation procedure in consultation with the Auditor General of Pakistan and approval of Government of Pakistan despite Lapse of 20 Years which is a serious lapse on the part of the management. Audit stated that it was the requirement of Act that the Accounting Procedure must be approved by BoG, CGA and approved by Ministry of Finance. Progress in the matter is still awaited.

The management replied that HDIP has been following standard accounting procedure. During the course of audit some discrepancies have been observed, discussed and removed. The HDIP would, however, make further improvements in the light of audit observations which may be verified. It has been got approved from BoG and vetted by CGA and is with Ministry of Finance for final approval.

PAC DIRECTIVE

The Ministry of Finance and provide this approval to the Audit for verification. The para will be settled on the recommendations of the Audit.

4. PARA-14.8 (PAGES-295-296) AR 2003.04
NON-APPROVAL OF THE FEE/CJARGES BY THE GOVERNING BODY / MINISTRY OF FINANCE

Audit presented the Para stating that HDIP was In receipt of different kinds of charges such as CNG station inspection fee, cylinder testing fee, consultancy fee and different laboratory charges. In the absence of its own rules to be prepared in consultation with the Government, HIDP was required to get these fees / charges / rates approved from the Governing Body and the Ministry of Finance in terms of para 25 of GFR Vol-1 Audit observed that approval of the Governing Body and Ministry of Finance for these charges was not obtained which is a lapse on the part of management.

Management replied that the fixing of fee charges was the prerogative of board and Board of Governors has approved it. Therefore it is requested that Para maybe settled.

The Audit did not stress more.

PAC DIRECTIVE

The Committee settled the para on the statement of PAO that the approval from the Board of Governors has been obtained.

OIL AND GAS DEVELOPMENT COMPANY LIMITED

5. PARA-164 & 164.1

Audit pointed out that Oil and Gas Development Company Limited was incorporated on October 2, 1997 and is deemed to own all the properties, rights, assets obligations and liabilities of Oil and Gas Development Corporation (OGOC) as on that date.The Company is engaged in the exploration and development of Oil and Gas resources, including production and sale of Oil and Gas and related activities. It is the larger Oil and Gas producing Company in the Country and currently operates 17 exploration licenses and 35 leases besides Interest in 28 non-operated leases. The Company carries out, seismic surveys, data processing, and drilling of exploration wells in the blocks allocated/licensed by the Government of Pakistan. The Company had 23 producing fields of Its own and 24 joint ventures producing fields. Beside these several own and joint ventures wells were in progress. The fields of companies showed a decrease in production of solvent oil and high speed diesel oil by 21-20% and 9-50%

respectively during the year under review. The decrease in production of above said products needs attention of management for corrective action.

The management intimated that the produced quantities were depended on the fluid composite of Dhodak field well which vary with time. In 2003-04 the condensate had a higher percentage of Kerosene Oil as compared to the 1-15D consequently. The percentage yield of Kerosene had Increased and percentage yield of HSD had decreased. The management further informed the Committee that Naptha value increased by Rs. 27.9 million and Kerosene by Rs. 14.3 million. Keeping the overall satisfactory performance of the company in view, the DAC on 13.02.14 recommended the para for settlement.

PAC DIRECTIVE

The Committee agreed with the reasons given by the PAO and settled the paras.

6. PARA-164.5 & 164.6

The Audit pointed out that trade debts & other receivable amount was to Rs. 13, 127.338 million and out of which Rs. 13, 112.448 million has been recovered. Only Rs. 14.046 million are recoverable from WAPDA and Rs. 793,000 are pending with Abdal Line Klin.

PAO stated that the management has won the case from Abdal Line Klin and filed a case for property attachment. No property is being traced from it. Beside this, it was further told that independent Inquiry is in final stage. Whenever It will he finalized, its findings will be submitted to the PAC.
As far as the recovery from WAPDA is concerned, the management stated that efforts are being made to resolve the issue.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to provide the details of action on findings of inquiry report to Committee in its next meeting.

7. PARA-I64.9 PAGE-294 ARPSE-2003-04

The Audit pointed out that during the year under review Projects costing Rs. 2, 045.167 million were in progress. Management failed to elaborate the date of start of projects and reasons for non-completion of projects. Early completion of the same Is stressed upon the management.

Management replied that project in progress cost as on 30.06.2004 was Rs. 2, 045.20 million as compared to Rs. 2, 944.00 million in previous year. It is a routine matter that completed projects are transferred to fixed assets and new projects costs are recorded under projects in progress. Accordingly, some new

projects e.g. BadarPanjpir, Mithrao, Misan, Loti, Lashari Centre Korangi Base, 1-9 Base Stores, Pasaki and Pindori were started in 2005 and 2006. And some projects e.g. Bobi, Kunnar, Uch, Nandpur, Sadcial, Fimkassar, Manzali and Pindori having costs of Rs. 1,600.00 million were transferred from project in progress to fixed assets during the years 2005 & 2006. As a result costs shown in projects in progress amounting to Rs. 2, 045.00 million relating to the year 2004 was reduced to Rs. 445.00 million at the end of June 30, 2006. All projects were capitalized and detail has been provided to Audit.

PAC DIRECTIVE:

The Committee referred the para to DAC for discussion/settlement.

8. PARA- 166 PAGE-296 ARPSE-2003-04
UN-NECESSARY PURCHASE OF CHEMICAL WORTH RS. 55.130 MILLION (US $ 1.219 MILLION) AND LOSS OF RS. 5.630 MILLION ON ACCOUNT OF ITS SALE BELOW COST PRICE

The Audit pointed out that Ministry of Petroleum and Natural Resources on July 13, 2000 directed Oil and Gas Development Company to switch over different grades of petrol to single grade petrol. OGDCL contrary to the above, placed an order for the procurement of 88 metric ton TEL-B (a chemical used to enhance the Research Octane Number (RON] of Naphtha from 60 RON to 80 RON on September 02, 2000, at a total cost of Rs. 55.130 million (US $ 1.219 million/. As per above noted directives of the Government, the stocks of the chemical became redundant. Therefore, the Board of Directors in their 33'd meeting held on 24 to 26 December, 2001 decided to dispose of 279.50 drums of TEL-8 chemical at cost price i.e. Rs. 626.48 per K.G. OGDCL sold 20,000 K.G. (50 drums) to M/s Attock Refinery and 32, 000 K.G. (80 Drums) to M/s National Refinery @ Rs. 518.213 per K.G. including 15% GST. Thus due to sale of 52,000 K.G. TEL-8 chemical below the cost price, management sustained a loss of Rs. 5.630 million (Rs. 626.48-Rs. 518.213=108.267x52,000).

The management replied that to comply with the directives of DAC, the case has been reviewed with reference to purchase dates of chemicals, it is stated that decision from Govt. of Pakistan was issued on 13.07.2000, whereas the letter of Intent already stand issued on 03.07.2000. If it would have been cancelled, the supplier may go to the court of law. It was further informed that Audit inadvertently has included the cost of Indemnity bond. Therefore, it depicted loss. Indemnity bond has been returned. Net gain by OGDCL was Rs. 223 million. In the light of the PAC directive dated 17.04.14, a fact finding inquiry was initiated.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to explain the case in next meeting.

9. PARA-167 PAGE — 297 ARPSE-2003-04
LOSS OF RS. 10.108 MILLION DUE TO NEGLIGENCE OF M/S ENAR PETROTECH SERVICES IN EXECUTION OF THE KUNNAR LPG PROJECT

Audit pointed out that under the Agreement M/s ENAR Petrotech Limited was not entitled to make any modification in the Plant. In February 2000, certain faults developed due to wrong modification of M/s ENAR Petrotech. M/s Towa International of Canada was paid extra charges of Rs. 10.108 million for rectification of the faults. The expert of M/s Towa vide their report held M/s ENAR responsible for the faults and stated that M/s ENAR lacked requisite expertise to commission the plant. So, M/s ENAR Petrotech Ltd, was responsible for the loss, and this should have been recovered from them. But the OGDCL management, giving a possible favour, to M/s ENAR Petrotech Services (Pvt) Ltd did not recover any thing.

The management replied that according to the Agreement the design and Engineering to carry out LPG plant modification for enabling the plant to process Kunnar gas at 9.0 MMSCED was not included in ENAR's scope of work. Initially M/s Tormont (supplier for refrigeration package) sent a representative to check the machine and make It ready for commissioning who got certain changes done under his supervision but when the time came for star-up of the Refrigeration package M/s Tormont backed out and did not send its representative On non-availability of start-up engineers from M/s. Tormont OGDCL asked ENAR to assist So, on the suggestion of ENAR, OGDCL got the services of two technicians, who had previously worked for Tormont Engineers, through another agency M/s Tawa International. These technicians went through trial and error exercise to start-up as they were not fully conversant with the machines and did not have the expert backing of the original manufacturer. The experts when questioned on the delay put the blame on someone else, and here ENAR were an easy scapegoat. Due to the above mentioned facts the report of M/s Tawa Is biased and should be Ignored.

ENAR had no control or role in this regard. There is no one at fault as the guarantee period of original supplier M/s. Sembawang had expired and M/s Tormont the supplier of the machine also refused to send their representative. The alternate was either not to start the plant or make alternative available resources to OGDCL for starting up the plant. The plant is now working smoothly and giving revenue of Rs. 1, 400 million per annum. The management stated that the contract for modification and commissioning for plant was duly approved by the Board of Directors which Is the authority.

Audit apprised the Committee that Ministry of Petroleum and Natural Resources has now constituted inquiry Committee on 28.03.2014 with the direction to complete inquiry within one month but no progress was noticed till December 2014.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to explain the case in next meeting.

10. PARA-168 PAGE-298 ARPSE-2003-04
LOSS OF RS. 2.885 MILLION DUE TO MISAPPROPRIATION OF HSD AT TANDOALAM 011 COMPLEX

Audit pointed out that Stores Procedure, note 18 requires that the Store Personnel Incharge must make a physical check of the POL stocks every week and thereafter every month on the fixed day and verify his findings with the relative stock card balances. Further, according to Board Resolution No. 1102, stores personnel dealing/handling POL are to provide Fidelity Guarantee Insurance cover. ln OGDCL High Speed Diesel (1-lSD) worth Rs. 2, 884, 943 was misappropriated by the store officials at its field location Tandoalam Oil Complex. The inquiry Committee concluded that 90% of HSD was misappropriated by the Store Assistant and 10% by the Assistant Store man. The Store Assistant was dismissed from service but the cost of misappropriated HSD could not be recovered. Further, he was also allowed encashment of 4 months leave i.e. from February 1, 2000 to May 31, 2000. In this specific case the above mentioned insurance cover was also not obtained in violation of Board Resolution. The misappropriation of HSD on such a large scale proved that no checks were being exercised. The above facts show loose internal control and monitoring at the field location, which consequently resulted in misappropriation of HSD.

The management intimated that on recommendation of enquiry Committee 90% recovery was ordered against Mr. Kama! Para, Ex-Store Assistant which could not be recovered, the case is at execution level in civil court. As regard balance 10% recovery from Mr. Talib All, an amount of Rs. 256, 901 has been recovered through monthly installments leaving a balance of Rs. 31, 393.The management told that in the result of inquiry conducted, punishment was awarded to M/s Kamal Pasha, Store Assistant, Talib All, Assistant Store man and All Akbar Memon. The amount was apportioned between Mr. Kamal Pasha and Mr. Talib Ali as 90:10%. In this inquiry only three officials have been held responsible for this misappropriation. A suit for recovery has also been file in the civil court by the management which has been decreed in favor of the company.

PAC DIRECTIVE

The Committee directed the PAO to provide complete list of measures taken to avoid such misappropriations in future and a report as to why payment of leave encashment was allowed to a guilty official. The Committee also directed to report the actions taken to recover the amount.

11. PARA-170 PAGE-300 ARPSE-2003-04
LOSS OF RS. 662.893 MILLION DUE TO NON-RECOVERY OF LIQUIDATED DAMAGES

Audit pointed out that Clause 42.1 and 42.4 of Contract Agreement of OGDCL stipulates that liquidated damages charges @1% per week, subject to maximum of 10% of contract price was to be imposed in case of delay. The development of UCH Gas Project was undertaken by the OGDCL In 1994-95 through three Engineering, Procurement, and Construction (EPC) contractors on turnkey basis. The project was belatedly completed and capitalized in June 2000 resulting in time overrun by 100%. It was found that M/s Gregory & Cook of USA were to complete up-stream facilities like Production facilities, H25 Removal plant, Dehydration plant, Power generation System and Water supply system. There was an inordinate delay in completion of these activities and as such M/s Gregory & Cook, USA was liable to pay LD charges (at 10% of the contract price, amounting to Rs. 653.565 million lUS $ 11.883 million) and Rs. 9.328 million. The loss occurred due to non-recovery of LD Charges from the contractor as per requirement of contract. The Committee constituted by the Board could not resolve the matter even after a lapse of four years. Management should also take effective steps to finalize the issue at the earliest and intimate the latest progress of the case regarding flaws in EPC contract which is under investigation with NAB.

The representative of NAB informed that four cases were filed in court but all have been acquitted and NAB is in appeal and trying for fixation of date.

PAC DIRECTIVE

The Committee pended the para with the direction that the NAB lawyer should provide a detailed report regarding withdrawal of the case from the court.

(SUI NORTHERN GAS PIPELINES LIMITED)

12. PARA-173/PAGE-306 ARPSE-2003-04
DELAY IN DELIVERY AND NON-RECOVERY OF LIQUIDATED DAMAGES OF RS. 23.190 MILLION

Audit pointed out that in accordance with Clause 6 of Purchase Order, the liquidated damages charges were required to be recovered from supplier for late delivery of material at the rate of 196 of the total value per week but not exceeding 10% of the total value.Sul Northern Gas Pipelines Limited placed a Purchase Order dated July 6, 2002 on M/s Data Steel Pipe Industries, Karachi for supply of 56, 000 meters of 20" dia steel line pipe at a cost of Rs. 231.904 million. The delivery was to be made from September 30, 2002 to November 30, 2002. However the delivery was started from February 10, 2003 and was completed on April 16, 2003, resulting in a delay of 135 days. Hence an amount of Rs. 23.190 million equal to 10% of the value of the Purchase Order became

recoverable from the supplier on account of liquidated damages. The Supplier, M/s Data Steel Pipe Industries, vide their letter dated May 29, 2003 attributed the delay In delivery to problems In procuring raw material (HR Coils) etc. the management vide their letter dated June 2, 2003 did not accept the above reasons given by the supplier as falling within the "Force majeure" Clause of the Purchase order and asked the supplier to settle their claim by June 17, 2003. However the management did not en-cash the bank guarantee but continued to give extensions in the validity period to the supplier. directed the management to decide the matter promptly prior to expiry of the bank guarantee.

Management replied that the supplier represented against imposition of liquidated damages on the grounds that procurement of material was delayed due to reasons beyond their control and the LD charges may be waived in the light of force majeure clause of the purchase order. A Committee was constituted to review the case in light of documentary evidence produced by the supplier. After thorough examination of the case, the representation of the supplier to waive of the LD charges has not been accepted. Accordingly the company has invoked the performance/warrantee bond guarantee on 26.08.09. However, supplier obtained stay orders on encashment in Sindh High Court; therefore, the matter is subjudice now. Further action will be taken after receipt of court orders. The management told that bank guarantee will remain valid till decision of court.

PAC DIRECTIVE

The Committee directed the PAO to submit application immediately for vacation of stay order. The Committee also directed that no further business be given to the company concerned.

13. PARA-176/PAGE-309 ARPSE-2003-04
LOSS OF RS. 1.139 MILLION DUE TO PURCHASE OF PLUG VALVES FROM THE 2" LOWEST BIDDER

The Audit pointed out that the tending procedure of SNGPL requires that order be placed on the lowest bidder if the quality of item provided is in accordance with the acceptable standard. SNGPL, Lahore invited tenders on March 11, 2002 for the supply of plug valves (17 items). Out of the three quotations received, the second lowest bidder M/s Pakmaco (Pvt.) Limited, Karachi was accepted, while the lowest bidder M/s T.H. Syed (Pvt.) Limited Lahore (representing M/s Galli and Cassma, Italy) was rejected on technical grounds and that the risk of placing order for 81' die and larger valves could not be taken without practically using and establishing the performance of Galli and Cassina valves. Additionally, it was apprehended that the supplier (M/s T H Syed (Pvt.) Limited) would delay the delivery. On the other hand the offer of the 2" lowest bidder M/s Pakmaco was termed as technically responsive hence purchase order dated December 29, 2002 was placed on them. It involved FOB value of $191,088. The period of shipment was 14 weeks after receipt of operative letter of credit dated January 30, 2003. The supplier made shipment of the ordered valves during the period

from May 2003 to August 2003.The rejection of the ft lowest offer and purchase of plug valves from the 2" lowest bidder resulted in extra expenditure of Rs. 1.139 million.

The management replied that at that time there were no PEPRA rules. After opening the bids the management came to know that M/s Galli and Cassina had not provided smaller diameter plug valves to SNGPL in the past and their sales references in large diameter were not encouraging as such plug valves were purchased from the 2" lowest bidder. The reply was not convincing as the management was required to first approve plug valves acceptable to SNGPL and then it should have called tenders from pre-qualified bidders.

The management also informed that enquiry proceedings has been completed and enquiry report is under finalization.

PAC DIRECTIVE

The Committee directed the PAO to provide a comprehensive report in the matter in the next meeting.

14. i. PARA NO. 14.1 PAGE 295-296 AR 2003-04
SHORTFALL IN THE CONTRIBUTORY PROVIDENT FUND - RS. 17.704 MILLION

ii. PARA NO. 14.2 PAGE 296-298 AR 2003.04
UNAUTHORIZED TRANSFER OF FUNDS FROM ASSIGNMENT ACCOUNT — RS. 9.150 MILLION

iii. PARA NO. 14.3 PAGE 298-299 AR 2003-04
IRREGULAR PAYMENT FOR REPAIR AND MAINTENANCE OF RESIDUAL BUILDINGS — RS. 0.531 MILLION

iv. PARA NO. 14.6 PAGE 300 AR 2003-04
FAILURE TO FRAME THE RULES EVEN AFTER LAPSE OF 20 YEARS

PAC DIRECTIVE

The Committee settled the above four paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 4th February, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Petroleum and Natural Resources are given below:

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04
HYDROCARBON DEVELOPMENT INSTITUTE OF PAKISTAN

1. GRANT NO. 143-DEVELOPMENT EXPENDITURE OF PETROLEUM AND NATURAL RESOURCES (EXCESS OF R5.805,210,000)

AGPR pointed out that the grant closed with an excess of Rs.805,210,000/- which worked out to 33.45% of the total grant. A supplementary grant of Rs.2,305,448,000/- was sanctioned for the development of Sui Northern Gas Company but not included in supplementary schedule of authorized expenditure. The COMMITTEE on 20th May, 2015 directed the PAO to get its authorization from the National Assembly during budget session for inclusion In the supplementary schedule of authorized expenditure.

PAO replied that needful will be done in the next budget.

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT FOR THE YEAR 2003-04

2. PARA-14.4 (PAGES-299-300) AR 2003-04 UN-AUTHORIZED EXPENDITURE FROM DEVELOPMENT GRANT- RS. 4.050 MILLION

Audit pointed out that a sum of Rs.8.000 million was allocated under PSDP grant of CNG/BMR, Islamabad (Development) during the year 2000-01 which was deposited in NBP, civic center, Islamabad but later on it was withdrawn from there and transferred to CNG Operations for the procurement of compressors, etc. Thereafter Rs.4,050,000 was transferred back to Headquarters for purchase of CNG kits in 2001-02. Audit was of the view that allocation for purchase of compressors could not be utilized for the procurement of CNG kits. Furthermore, the use of 2000-01 funds in 2001-02 was violation of rules. The DAC has directed the Department to get the irregularity regularized from the Finance Division on Immediate basis.

PAO replied that the delay was due to the time spend on manufacturing of equipment, LC and transportation process of CNG kits, which took considerable

time, otherwise no irregularity took place. The final payment was, made on receipt of shipping document. Moreover, the Trial Balance of development account was also shown to Audit and the same has already been verified.

The audit further cold the Committee that in the previous meeting of PAC, PAO was directed to get the Irregularity regularized from Board of Governors but still It could not be done.

PAC DIRECTIVE

The Committee pended the para till its regularization from Board of Governors and its resubmission in PAC for settlement.

3. PARA-14.5 (PAGES-300.3011) AR 2003-04:
NON-RECOVERY OF LONG OUTSANDING DUES Rs. 20.015 MILLION

Audit pointed out that different kinds of charges as CNG station Inspection Fee, Cylinder Testing Fee and Laboratory Chargers. Audit observed that an amount of Rs.20.014,655 was outstanding against different parties since 1991. HDIP had not recovered the outstanding amounts from the concerned persons/ parties despite lapse of a period of 20 years.

PAO replied that some of the clients had not paid the fee, so far. For the recovery of outstanding dues efforts were being made including issuance of regular reminders to the clients. The major outstanding amount Pertains to PAL Tor providing services to the Government agencies for maintaining the quality of POL Products. The comments on the outstanding amount of POL charges were that the major outstanding amount pertains to POL for providing services to the Government agencies for maintaining the quality of POL products. The major outstanding amount pertains to PLO for providing services to Government agencies for maintaining the quality of POL products. The quality control is chartered function of the HDIP and to this effect, the government is providing budget to HDIP. Therefore, the concerned government agencies do not make any payment to HDIP on the plea that no separate budget was allocating resources to HDIP to assist the government agencies in the implementation of the quality control of the POL products. However, the outstanding amount pertaining to the pursued and hopefully will be recovered soon.

PAO further informed that 5.4 million is pending with government agencies and 1.7 million is pending with private sector. The PAO promised to recover the receivable from government agencies especially from PS0.

Audit also explained that out of claimed recovered amount Rs.7.115 million, record of recovery amounting to fts.2.905 million was verified by Audit and record for remaining recovered amount Rs.4.210 million still needs verification.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount, get the recovery verified from audit and report to Committee.

4. PARA-14.7(PAGE-301-302) AR 2003-04
NON-FRAMING OF ACCOUNTING PROCEDURE

Audit informed that Clause 8t1) of the Resolution dated 26.07.1984 states that the Institute Is required to maintain complete and accurate accounts and other relevant record in such manner and Form as may be prescribed by the Federal Government in consultation with the Auditor General of Pakistan. Audit observed that HDIP had not framed any accounting procedure in consultation procedure in consultation with the Auditor General of Pakistan and approval of Government of Pakistan despite Lapse of 20 Years which is a serious lapse on the part of the management. Audit stated that it was the requirement of Act that the Accounting Procedure must be approved by BoG, CGA and approved by Ministry of Finance. Progress in the matter is still awaited.

The PAO replied that HDIP has been following standard accounting procedure. During the course of audit some discrepancies have been observed, discussed and removed. The HDIP would, however, make further improvements in the light of audit observations which may be verified.It has been got approved from BoG and vetted by CGA and is with Ministry of Finance for final approval.

The representative of Finance informed that this will be finalized within one week.

PAC DIRECTIVE

The Committee directed the management to get the accounting procedure approved by the Ministry of Finance and provide this approval to the Audit for verification. The para will be settled on the satisfaction of the Audit.

5. PARA-151.3, PAGE-276

The Audit pointed out that the transportation charges of the company increased from Rs.1,389 million in 2002-03 to Rs.2,617 million in 2003.04, thereby registering 88% increase in the cost. The abnormal increase in the transportation cost needs to be justified.

Audit inform that the figures have been reconcile. The DAC in its meeting on 14th February 2014 recommended the para for settlement.

PAC DIRECTIVE

The Committee settled the para.

6. PARA-151.5
PROVISION FOR DOUBTFUL TRADE DEBTS (UNSECURED) AMOUNTING TO Rs. 231 MILLION WAS MADE IN THE YEAR 2003-04. EQUIVALENT PROVISION WAS ALSO MADE DURING THE PREVIOUS YEAR.

The PAO informed that efforts are being made to recover the bad debts of 231.45 million, however, due to lengthy litigation process, the amount have not yet been recovered.

PAC DIRECTIVE

The Committee directed the PAO to pursue the cases vigorously and keep informing the MC about the progress in the subject para.

SAINDAK METALS (PVT) LIMITED

7. PARA (40), PAGE-355
NON-SUBMISSION OF ACCOUNTS

The audit pointed out that the Saindakk Metals (Pvt) limited (SML) failed to submit their audited accounts for the year 2003-04 by the prescribed date of January 15, 2005.

The Committee on 20" May 2015 directed the PAO to submit accounts on priority basis.

Audit apprised the Committee that accounts has been received and recommended the para for settlement.

PAC DIRECTIVE

The Committee settled the para.

8. PARA-157. PAGE-284
LOSS OF RS.53.260 MILLION DUE TO NON-COMPLETION OF 94 C TYPE HOUSES

Audit stated that Saindak Metals (Pvt.) Limited (SML) awarded a contract on September 27, 1994 to M/s Building Systems (Private) Limited (BSL) for the construction of 94 "C" type houses at a contractual cost of Rs.71.986 million with the completion period of one year. Up-to January 30, 1995 only 7 units out of 94 were substantially completed but SML released payment of Rs.46.061 million (64% of the contract value) up-to June 30, 1996. The contractor had submitted a performance bond (10% of the contract value) for one year validity of which was never renewed.

The SML filed a suit against the contractor for recovery of Rs.53.260 million on January 6, 2001 i.e. after 06 years. The case was decreed in favour of SML on December 11, 2001 for Rs.53.260 million. In Execution Application filed on May 16, 2002 SML informed the court that the Director of the company had disappeared when decree orders were passed. Consequently the moveable and immoveable properties of M/s BSI. could not be traced out and there are remote chances of recovery of decreed amount.

The PAO apprised the Committee that the contractor completed the 7 units of houses and brought material of all the houses there and demanded payment then he went to Court due to non-payment.

The PAO replied that its non-bail able warrant of an accused has been issued. The next date of hearing is 10" February 2015.

PAC DIRECTIVE

The Committee pended the para till the next meeting.

SUI NORTHERN GAS PIPEUNES LIMITED

9. PARA-158.3(ARPSE-2003-04) Page-286

Audit pointed out that unaccounted for gas (UFO) losses were 8.36% in 2000-01, 8.25% m 2001-02 and 8.05% In 2002-03. The same were over and above the standardized rate of 6%. Thus, gas valuing Rs. 8,303 million has been wasted during those three years. Management was stressed to take effective steps to control these losses.

The PAO replied that company has developed a comprehensive plan to bring down the unaccounted for gas (UFG) losses. A special Committee of the Board of Directives has been constituted to review the UFG and effective remedial steps are been taken. The Committee meets every month in this regard.

PAC DIRECTIVE:

The Committee directed to submit a detail of steps to control the UFG losses to the PAC and to settle the para.

SUI SOUTHERN GAS COMPANY LIMITED

10. PARA 160 PAGE 288 (ARPSE-2003.04)
NON-RECOVERY OF OUTSTANDING GAS BILLS AMOUNTING TO RS. 25,370 MILLION FROM ZEAL PAK CEMENT LIMITED AND SINDH ALKALIES

Audit points out that Sui Southern Gas Company Limited (SSDCL) gas charges amounting to Rs. 7.084 million were outstanding against M/s Zeal Pak Cement Factory Limited since September, 2001 .Similarly , an amount of Rs. 182286 million was outstanding against M/s Sindh Alkalies (now under liquidation) since June, 2000.

PAO Reply M/s Zeal Pak cleared their normal bills upto November and December 2000 amounting to Rs. 25,872,350.47 by 91" January, 2002. Gas Supplyy disconnected on 12-12-2001 due curtailment of supplies to all cement plants. The Company had also raised an arrear bill of Rs. 6.2113 million for rate difference covering period 9.04.2001 to 31.5.2001. The customer challenged the said bill In the High Court of Sindh, Hyderabad in directing the customer to deposit, the outstanding amount in the court. The said petition is still pending alongwith the amount the High Court, Hyderabad. He told that cases are being pursued actively. He told that a principal outstanding amount against Sindh Alkalies is Rs. 59, 136,.886.78. The customer has gone in liquidation and the SSGCL as filed claim of Rs. 19,734, 341 with the official assignee. Out of which 88% has been recovered.

DAC in its meeting on 15-01-2015 as directed the company to take steps for recovery of balance amount and further directed to pursue the case in court vigorously.

11. PARA 161 PAGE 288 (ARPSE-2003.04)
NON-RECOVERY OF RS. 5.082 MILLION FROM M/S AL-MAKKAH BLEACHING WORKS

PAC DIRECTIVE

The Committee clubbed the above two Paras and directed to pursue the cases vigorously and up-date the Committee from day to day basis and pended the Para.

12. PARA 9.8, PAGE-74
NON-REALIZATION OF INTEREST ON LATE PAYMENT OF DEVELOPMENT SURCHARGE— RS.134.648 MILLION

According to Section 3 of the Natural Gas (Development Surcharge) Ordinance, 1967 read with Rule 3 of the Natural Gas (Development Surcharge) Rules, 1967, every gas company shall pay to the Federal Government, gas development surcharge (GDS) le. the differential margin by which sale price of gas exceeds the prescribed price. The GDS is based on sales of gas companies during a calendar month and is required to be deposited within two months of the close of that month. Failure to deposit the same within stipulated period attracts interest of 20% per annum on the GDS amount due.

Audit Is of the view that as per iaw differential margin by which sale price exceeds the prescribed price is to be paid as GDS on monthly basis within sixty days. In case of non/short payment within due date, interest @ 20% was recoverable. Therefore, the company should pay the full amount of GDS determined as per prevailing notification on monthly basis within stipulated time and withholding of GM want of determination by OGRA after close of financial year, was not justified.

The PAO replied that an inquiry Committee has been re-constituted to probe the issue. The findings of the inquiry Committee will be submitted to the PAC when its finalized.

PAC DIRECTIVE

The Committee pended the para till its next meeting.

13. PARA-164.5 & 164.6

The Audit pointed out that trade debts & other receivable amount was to Rs. 13, 127.338 million and out of which Rs. 13, 112.448 million has been recovered. Only Rs. 14.046 million are recoverable from WAPDA and Rs. 793,000 are pending with Abdal Line Klin.

PAO stated that the management has won the case from Abdal Line Klin and filed a case for property attachment. The recovery will be made within six month. As far as the recovery from WAPOA is concerned, the matter is being presented before the Board of Governors for write-off.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery record by the audit.

14. PARA-164.9 PAGE-294 ARPSE-2003-04

The Audit pointed out that during the year under review Projects costing Rs. 2, 045.167 million were in progress. Management failed to elaborate the date of start of projects and reasons for non-completion of projects. Early completion of the same is stressed upon the management.

The PAO replied that project in progress cost as on 30.06.2004 was Rs. 2, 045.20 million as compared to Rs. 2, 944.00 million in previous year. It is a routine matter that completed projects are transferred to fixed assets and new projects costs are recorded under projects in progress. Accordingly, some new projects e.g. BadarPanjpir, Mithrao, Misan, Lott, Lashed Centre Korangi Base, 1-9 Base Stores, Pasaki and Pindori were started in 2005 and 2006. And some

projects e.g. Sabi, Kunnar, Uch, Nandpur, Sadrial, Fimkassar, Manzall and Pindori having costs of Rs. 1,600.00 million were transferred from project in progress to fixed assets during the years 2005 & 2006. As a result costs shown in projects in progress amounting to Rs. 2, 045.00 million relating to the year 2004 was reduced to Rs. 445.00 million at the end of June 30, 2006. All projects were capitalized and detail has been provided to Audit.

PAC DIRECTIVE

The Committee referred the para to DAC for discussion/settlement.

15. i. PARA- 166 PAGE- 296 ARPSE-2003-04
UN-NECESSARY PURCHASE OF CHEMICAL WORTH RS. 55.130 MILLION (US S 1.219 MILLION) AND LOSS OF RS. 5.630 MILLION ON ACCOUNT OF ITS SALE BELOW COST PRICE

ii. PARA-167 PAGE — 297 ARPSE-2003-04
LOSS OF RS. 10.108 MILLION DUE TO NEGLIGENCE OF M/S ENAR PETROTECH SERVICES IN EXECUTION OF THE KUNNAR LPG PROTECT

iii. PARA-168 PAGE-298 ARPSE-2003-04
LOSS OF RS. 2.885 MILLION DUE TO MISAPPROPRIATION OF HSD AT TANDOALAM OIL COMPLEX)

iv. PARA-170 PAGE-300 ARPSE-2003-04
LOSS OF RS. 662.893 MILLION DUE TO NON-RECOVERY OF LIQUIDATED DAMAGES

SUI NORTHERN GAS PIPELINES LIMITED

v. PARA-173/PAGE-306 ARPSE-2003-04
DELAY IN DELIVERY AND NON•RECOVERY OF LIQUIDATED DAMAGES OF RS. 23.190 MILLION

PAC DIRECTIVE:

The Committee pended the above five paras till next meeting.

16. PARA-176/PAGE-309 ARPSE-2003.04 (UN-HIGHLIGHTED)
LOSS OF RS.1.139 BILLION DUE TO PURCHASE OF PLUG VALVES FROM 2ND LOWEST BIDDER

PAC DIRECTIVE

The Committee pended the above para.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 18th February, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Petroleum and Natural Resources are given below:

AUDIT REPORT FOR THE YEAR 2003-04

1. PARA-14.4(PAGES-299-300) AR 2003-04
UN-AUTHORIZED EXPENDITURE FROM DEVELOPMENT GRANT- Rs. 4.050 MILLION.

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

2. PARA-14.5 (PAGES-300-301) AR 2003-04:
NON-RECOVERY OF LONG OUTSANDING DUES- Rs.20.015 MILLION

Audit pointed out that HDIP was in receipt of different kinds of charges as CNG station Inspection Fee, Cylinder Testing Fee and Laboratory Chargers. Audit observed that an amount of Rs.20.014,655 was outstanding against different parties since 1991. HDIP had not recovered the outstanding amounts from the concerned persons/ parties despite lapse of a period of 20 years.

The PAO informed the Committee that HDIP board has regularized the outstanding receivables of rupees 7.330 millions against District Administration as regard the amount receivable from PSO a meeting has been held with PSO, the copies of bill have been handed over to PSO, Shell Pakistan and Chevron/Caltex after reconciliation, the amount will be recovered within 30 days.

PAC DIRECTIVE

The Committee settled the para with the direction to recover the amount and get it verified by the Audit.

3. PARA-14.7(PAGE-301-302) AR 2003-04
NON-FRAMING OF ACCOUNTING PROCEDURE

Audit informed that Clause 8(1) of the Resolution dated 26.07.1984 states that the Institute is required to maintain complete and accurate accounts and other relevant record in such manner and Form as may be prescribed by the Federal Government in consultation with the Auditor General of Pakistan. Audit observed that HDIP had not framed any accounting procedure in consultation with the Auditor General of Pakistan and approval of Government of Pakistan despite Lapse of 20 Years is a serious lapse on the part of the management. Audit stated that it was the requirement of Act that the Accounting Procedure must be

approved by BoG, CGA and approved by Ministry of Finance. Progress in the matter is still awaited.

In the previous meeting of COMMITTEE the PAO replied that HDIP has been following standard accounting procedure. During the course of audit some discrepancies have been observed, discussed and removed. The HDIP would, however, make further improvements in the light of audit observations which may be verified. It has been got approved from BoG and vetted by CGA and is with Ministry of Finance for final approval. The representative of Finance promised in that meeting that this will be finalized within one week.

The representative of M/o Finance informed the Committee that the matter has been referred to Auditor General Office for vetting.

PAC DIRECTIVE

The Committee pended the para with displeasure on the reply of M/o Finance and directed to ensure the presence of Secretary of M/o Finance in the next meeting.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

4. PARA-151.5
PROVISION FOR DOUBTFUL TRADE DEBTS (UNSECURED) AMOUNTING TO RS.231 MILLION WAS MADE IN THE YEAR 2003-04. EQUIVALENT PROVISION WAS ALSO MADE DURING THE PREVIOUS YEAR

PAC DIRECTIVE

The Committee settled the para.

5. PARA-157, PAGE-284
LOSS OF RS.53.260 MILLION DUE TO NON-COMPLETION OF 94 C TYPE HOUSES

Audit stated that Saindak Metals (Pvt.) Limited (SML) awarded a contract on September 27, 1994 to M/s Building Systems (Private) Limited (BSL) for the construction of 94 “C” type houses at a contractual cost of Rs.71.986 million with the completion period of one year. Up-to January 30, 1995 only 7 units out of 94 were substantially completed but SML released payment of Rs.46.061 million (64% of the contract value) up-to June 30, 1996. The contractor had submitted a performance bond (10% of the contract value) for one year validity of which was never renewed.

The SML filed a suit against the contractor for recovery of Rs.53.260 million on January 6, 2001 i.e. after 06 years. The case was decreed in favour of SML on December 11, 2001 for Rs.53.260 million. In Execution Application filed on May

16, 2002 SML informed the court that the Director of the company had disappeared when decree orders were passed. Consequently the moveable and immoveable properties of M/s BSL could not be traced out and there are remote chances of recovery of decreed amount.

The PAO apprised the Committee that the Ministry has requested the Court to transfer the case to Islamabad Court so that the accused could be arrested easily because the Court has issued its bail-able warrants.

PAC DIRECTIVE

The Committee directed to PAO to pursue the case in the Court and pended the para till next meeting.

6. PARA-158.3(ARPSE-2003-04), PAGE-286

Audit pointed out that unaccounted for gas (UFG) losses were 8.36% in 2000-01, 8.25% in 2001-02 and 8.05% in 2002-03. The same were over and above the standardized rate of 6%. Thus, gas valuing Rs. 8,303 million has been wasted during those three years. Management was stressed to take effective steps to control these losses.

The PAO replied that company has developed a comprehensive plan to bring down the unaccounted for gas (UFG) losses. A special Committee of the Board of Directors has been constituted to review the UFG and effective remedial steps are being taken. The Committee holds a meeting every month in this regard.

The following measures have been taken to reduce the loss unaccounted Gas:-

- Segmentation will be carried out prior to rehabilitation/leak repairs work to determine base UFG.
- Major focus will be on underground leak repairs, rehabilitation will be carried out when pipeline is beyond repairs.
- Old leaking steel pipes will be rehabilitated /replaced with PE pipes.
- Defective meters will also be replaced in the target areas.
- Field work will be carried out through dedicated teams. Sindh Government also helping to catch the theft cases by providing Police.

PAC DIRECTIVE

The Committee settled the para.

7. PARA 160 PAGE 288 (ARPSE-2003-04)
NON–RECOVERY OF OUTSTANDING GAS BILLS AMOUNTING TO RS. 25,370 MILLION FROM ZEAL PAK CEMENT LIMITED AND SINDH ALKALIES.

Audit pointed out that Sui Southern Gas Company Limited (SSDCL) gas charges amounting to Rs. 7.084 million were outstanding against M/s Zeal Pak Cement Factory Limited since September, 2001 . Similarly , an amount of Rs. 182286 million was outstanding against M/s Sindh Alkalies (now under liquidation) since June, 2000.

PAO replied that the matter is subjudice in the Court of Law and next date of hearing is 26 or 27th February, 2015. As far as Sindh Alkalies is concerned, it is under liquidation process. The SSGC has lodged its claim from the consumer. The Company has wrote a letter to official assignee for early realization of SSGCL's claim.

8. PARA 161 PAGE 288 (ARPSE-2003-04)
NON-RECOVERY OF RS. 5.082 MILLION FROM M/S AL-MAKKAH BLEACHING WORKS

PAC DIRECTIVE

The Committee pended the above two paras with the direction to pursue the cases in Court of Law vigorously.

AUDIT REPORT FOR THE YEAR 2003-04
FEDERAL AUDIT

9. PARA 9.8, PAGE-74
NON-REALIZATION OF INTEREST ON LATE PAYMENT OF DEVELOPMENT SURCHARGE – RS.134.648 MILLION

Audit pointed out that according to Section 3 of the Natural Gas (Development Surcharge) Ordinance, 1967 read with Rule 3 of the Natural Gas (Development Surcharge) Rules, 1967, every gas company shall pay to the Federal Government, gas development surcharge (GDS) i.e. the differential margin by which sale price of gas exceeds the prescribed price. The GDS is based on sales of gas companies during a calendar month and is required to be deposited within two months of the close of that month. Failure to deposit the same within stipulated period attracts interest of 20% per annum on the GDS amount due.
The PAO informed that the inquiry report has been completed by the Ministry. He told that SNGPL authorities provided clarification issued by OGRA dated 27-1-2015 that increase in prescribed price as rupees 4.71/MMBTU was allowed in estimated revenue requirements and rupees 3.48/MMBTU allowed in final revenue requirement as stand alone basis w.e.f 1st July, 2002. He further told

that DAC has accepted the finding of the inquiry report and requested for settlement of para.

PAC DIRECTIVE

The Committee settled the para.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04 OGDCL

10. PARA-164.5 &164.6

The Audit pointed out that trade debts & other receivable amount was to Rs. 13, 127.338 million and out of which Rs. 13, 112.448 million has been recovered. Only Rs. 14.046 million are recoverable from WAPDA and Rs. 793,000 are pending with Abdali Line Klin.

PAO stated that the management has won the case from Abdali Line Klin and filed a case for property attachment. The recovery will be made within six month. As far as the recovery from WAPDA is concerned, the matter is being presented before the Board of Governors to write-off.

It was brought in the notice of Committee that DAC in its meeting held on 19th January, 2015 has directed to recover the amount from the defaulters with in six months.

PAC DIRECTIVE

The Committee referred the para to DAC for reconsideration.

11. i. PARA-164.9 PAGE-294 ARPSE-2003-04

ii. PARA- 166 PAGE- 296 ARPSE-2003-04
UN-NECESSARY PURCHASE OF CHEMICAL WORTH RS. 55.130 MILLION (US $ 1.219 MILLION) AND LOSS OF RS. 5.630 MILLION ON ACCOUNT OF ITS SALE BELOW COST PRICE

iii. PARA-167 PAGE – 297 ARPSE-2003-04
LOSS OF RS. 10.108 MILLION DUE TO NEGLIGENCE OF M/S ENAR PETROTECH SERVICES IN EXECUTION OF THE KUNNAR LPG PROJECT

PAC DIRECTIVE

The Committee settled the above three paras.

12. PARA-168 PAGE-298 ARPSE-2003-04
LOSS OF RS. 2.885 MILLION DUE TO MISAPPROPRIATION OF HSD AT TANDOALAM OIL COMPLEX

Audit pointed out that note 18 of store procedure requires that the store personnel in charge must make of physical checkup the POL stock every week and every month on the fix day and verify is finding with the relative stock and balances. And according to board relation no 1102, store personnel handling POL are to provide Fidelity guarantee Insurance cover.

Audit further informed that high speed diesel worth Rs. 2,884,943/- was misappropriated by the store officers at its field location Tandoalam Oil Complex.

PAO replied that the inquiry was held and action has been taken against the accused involved. Recovery has been started from one official and to make recovery from the other suit for recovery has been filed in the Civil Court which has been decreed in favor of the Company.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery and record by the Audit.

13. PARA-170 PAGE-300 ARPSE-2003-04
LOSS OF RS. 662.893 MILLION DUE TO NON-RECOVERY OF LIQUIDATED DAMAGES

While presenting the para Audit stated that Clause 42.1 and 42.4 Contract Agreement of OGDCL stipulates that liquidated damages charges @1% per week, subject to maximum of 10% of contract price was to be imposed in case of delay.

The development of UCH Gas Project was undertaken by the OGDCL in 1994-95 through three Engineering, Procurement, and Construction (EPC) contractors on turnkey basis. The project was belatedly completed and capitalized in June 2000 resulting in time overrun by 100%. It was found that M/s Gregory & Cook of USA were to complete up-stream facilities like Production facilities, H2S Removal plant, dehydration plant, Power Generation System and Water supply system. There was an inordinate delay in completion of these activities and as such M/s Gregory & Cook, USA was liable to pay LD charges @ 10% of the contract price, amounting to Rs. 653.565 million (US $ 11.883 million) and Rs. 9.328 million. The loss occurred due to non-recovery of LD Charges from the contractor as per requirement of contract.

The PAO stated that the matter is with the National Accountability Bureau and NAB representative will explain the latest status.

The NAB representative informed the Committee that on our request for early hearing the date was fixed on 12th February, 2015 but Court could not hear the case on the said date and neither announced next date. The NAB is pursuing the matter for next hearing.

PAC DIRECTIVE

The Committee pended the para with the direction to pursue the case in Court for early hearing.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04
SUI NORTHEREN GAS PIPE LINE LTD

14. PARA-173/PAGE-306 ARPSE-2003-04
DELAY IN DELIVERY AND NON-RECOVERY OF LIQUIDATED DAMAGES OF RS. 23.190 MILLION

Audit apprised the Committee that according to the clause 6 of purchase order, the liquidated damages charges were required to be recovered from supplier for late delivery of material at the rate of 1% of the total value per week but not exceeding 10% of the total value. Sui Northern Gas Pipelines Limited placed a Purchase Order dated July 06, 2002 on M/s Data Steel Pipe Industries, Karachi for supply of 56,000 meters of 20" dia steel line pipe at a cost of Rs. 231.904 million. The delivery was to be made from September 30, 2002 to November 30, 2002. However the delivery was started from February 10, 2003 and was completed on April 16, 2003, resulting in a delay of 135 days. Hence an amount of Rs. 23.190 million equal to 10% of the value of the Purchase Order became recoverable from the supplier on account of liquidated damages.

The PAO informed that the Company invoked the warranty bond guarantee but the supplier obtained stay order on its encashment in Sindh High Court and the matter is subjudice. The last hearing was on 13th January, 2015. The Court has granted two weeks time to the opposite party to provide the record. The case will be soon finalized.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to make efforts to settle the case out of Court.

15. PARA-176/PAGE-309 ARPSE-2003-04 (UN-HIGHLIGHTED)
LOSS OF RS.1.139 BILLION DUE TO PURCHASE OF PLUG VALVES FROM 2ND LOWEST BIDDER

PAC DIRECTIVE

The Committee settled the para on the recommendation of the DAC.

M/O PLANNING DEVELOPMENT AND REFORMS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Planning Development and Reforms was examined by the PAC on 9th July, 2015.

- 02 grants and 09 audit paras were presented by the Audit Department which were examined by the Committee. These 02 grants and 09 paras were settled by the Committee.

M/O PLANNING DEVELOPMENT AND REFORMS

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 9th July, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Planning Development and Reform are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.98- PLANNING AND DEVELOPMENT DIVISION
SAVING OF RS. 4,591,476/-

AGPR pointed out that the grant closed with the saving of Rs. 4,591,476 which worked out to 2.42% of the total grant. An amount of Rs. 9,617,400 (5.06%) was surrendered resulting into an excess of Rs. 5,025,924 (2.65%).

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.144- DEVELOPMENT EXPENDITURE OF PLANNING AND DEVELOPMENT DIVISION
SAVING OF RS. 73,916,578/-

AGPR pointed out that the grant closed with the saving of Rs. 73,916,578 which worked out to 16.40% of the total grant. An amount of Rs. 72,281,533 (16.04%) was surrendered leaving net saving of Rs. 1,635,045 (0.36%).

PAC DIRECTIVE

The Committee regularized the saving of the grant.

NATIONAL LOGISTIC CELL

3. PARA-178.4

The Audit pointed out that amounts recoverable from four private contractors were written off/adjusted without any proper logic. Rs. 2.600 million was recoverable from private contractors on account of shortages and risk purchase claim due to non-supply of transport.

The PAO informed that total recoverable amount was 8.8 million and out of which 7.9 million was recovered and 0.972 million was written off by the competent authority. In the response of the objection of the Audit, PAO told that the said amount was written off due to the reason that one company was not traceable.

He told that the original amount was recovered from the companies and the penalties imposed were written off.

PAC DIRECTIVE

The Committee settled the para.

4. i PARA-178 & 178.1

ii. PARA-178.2

iii. PARA-178.3

iv. PARA-178.5

v. PARA-178.6

vi. PARA-178.7

vii. PARA-178.8

PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

viii. PARA-179
IRREGULAR AND UNJUSTIFIED PAYMENT OF HONORARIUM AMOUNTING TO RS. 6.796 MILLION

PAC DIRECTIVE

The Committee regularized the above eight paras on the recommendation of the DAC.

M/O PORTS AND SHIPPING

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Ports and Shipping was examined by the PAC on 9th July, 2015.

- 41 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 06 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O PORTS AND SHIPPING

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 9th July, 2015while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Ports & Shipping are given below:-

KORANGI FISHERIES HARBOUR AUTHORITY

1. i. PARA-77, PAGE-125 (ARPSE-2003-04)

ii. PARA-77.1, PAGE-125 (ARPSE-2003-04)

iii. PARA-77.2, PAGE-126 (ARPSE-2003-04)

iv. PARA-77.3, PAGE-126 (ARPSE-2003-04)

Audit, presenting the above four clubbed paras, pointed out that the Korangi Fisheries Harbour Authority (KFHA) was established in 1982 under Korangi Fisheries Harbour Authority Ordinance No.XVI of 1982. The objective of the Authority was planning, construction, operation and maintenance of Korangi Fisheries Harbour near Port Qasim area in Karachi. The Audit objected that the Harbour was completed in 1992 with project cost of Rs.938.139 million but was not operational till 2003. It further objected that the KFHA sustained an operating loss of Rs.40.059 million during 2003-04 as against Rs.41.379 million during 2002-03. Its loss decreased only in one financial year due to receipt of grant of Rs. 20.463 million from the Government. The losses were due to non-operation of the harbor at the maximum capacity since its completion. Audit also objected that the liquidity position of the KFHA was worsened due to non-clearance of its obligations. Audit was of the view that commercial liability of the Authority was uncertain, its reasons need investigation. Also necessary measures/steps are required to make the Authority commercially viable so that the entire investment can be saved.

The PAO informed that the Authority was in loss at that time due to the reason that it had to pay the loan to the Government with interest. Due to its efforts and deep sea fishing policy, the loss of the Authority is decreasing. Seventy local boats are operating on regular basis and six fish processing factories are functioning. He further added that fourteen letters of intent have been issued for the grant of deep sea fishing licenses and expression of interest is being invited from foreign companies for issuance of licenses to them.

PAC DIRECTIVE

The Committee settled the paras. The Committee directed the PAO to devise a comprehensive plan so that the objectives of the establishment of the Authority could be achieved and its commercial viability could be assured.

2. PARA-180.2, PAGE-324 (ARPSE-2003-04)

Audit pointed out that Freight, hire and service fee receivable increased from Rs.181.496 million of previous year to Rs.227.133 million during 2003-04. All possible efforts are required to be made for early realization/recovery of the outstanding amount.
The PAO informed that 81% of the total receivables have been recovered and only Rs.42.96 million are outstanding which will be recovered through court.

PAC DIRECTIVE

The Committee directed the PAO to recover the outstanding amount within 30 days under intimation to the Audit/PAC.

PAKISTAN NATIONAL SHIPPING CORPORATION

3. PARA-181, PAGE-325 (ARPSE-2003-04)
MISAPPROPRIATION OF RS. 56 MILLION IN EMPLOYEES PROVIDENT FUND

Audit pointed out that in Pakistan National Shipping Cooperation (PNSC), misappropriation of Rs. 56 million in Employees Provident Fund was detected in April 2000. An inquiry was held and case was referred to FIA, Islamabad and later on to NAB Sindh. Certain officers and employees of the Cooperation were found involved in the misappropriation from PNSC Employees Contributory Provident Fund since 1993.

PAO informed that on the detection of misappropriation of Rs. 56.7 million, the accounts of the Employees Contributory Provident Fund were again audited and examined by the M/s A.F. Ferguson which confirmed the misappropriation. After holding official inquiry, the case was first referred to the FIA and later on to the NAB. The cases were filed in the court of law where two officials were sentenced for seven years in jail and one officer was sentenced for three years in jail. The officers who were sentenced for seven years in jail filed appeal in Sindh High Court which set aside the conviction, sentences and acquitted the appellants. NAB filed an appeal in the Supreme Court of Pakistan which upheld the judgment of Sindh High Court but Supreme Court did not accept the appeal because it was time barred. So, the said amount was written off. Another private person Mr. Amjad Ali who was also involved, as detected by FIA, accepted plea bargain in NAB court and deposited cash security of Rs. 1.150 million in the court. He further added that besides taking legal actions, a number of precautionary measures were taken to avoid such incident in the future.

The representative of the NAB apprised the Committee that an inquiry was held within the NAB to fix the responsibility that why the appeal was not filed in Supreme Court in time and was time barred. The enquiry Committee held Mr.

Hussain Baloch of NAB as responsible and reference has been filed against him in NAB Accountability Court, Karachi in July, 2015.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of judgments of Court by the Audit. The Committee also directed the NAB to pursue the matter vigorously.

PORT QASIM AUTHORITY (PQA)

4. PARA-182, PAGE-326 (ARPSE-2003-04)
LOSS OF RS.42.256 MILLION DUE TO NON-RECOVERY FROM PARTIES

Audit pointed out that in Port Qasim Authority (PQA), an amount of Rs.42.256 million was recoverable from seven parties on account of annual ground rent, maintenance charges and penalty on delayed payments. The outstanding amount pertains to the period of 1992-93 to 2001-02.No legal action was taken for recovery of the outstanding dues.
The PAO informed that Rs. 31 million has been recovered and the cases of balance amount are in court and being pursued vigorously.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to get the record of the recovered amount verified from the Audit and pursue the cases in the court of law vigorously.

5. PARA-183, PAGE-326 (ARPSE-2003-04)
AVOIDABLE RECURRING EXPENDITURE OF RS.18.776 MILLION ON NEW APPOINTMENTS

Audit pointed out that the HRM Department of Port Qasim Authority (PQA), appointed 136 new persons against vacant posts in violation of Ministry of Communications circular No. 7(14) 2002-Admn dated June 16, 2003, imposing ban on appointments.

Out of 136 employees, 108 were appointed on the posts, which were recently vacated by employees who had opted for Voluntary/Early Retirement Benefits Scheme (ERBS/ERSS). Hence, the Authority would bear recurring expenditure of Rs.18.776 million per annum on account of pay & allowances to new appointees. The appointments were also against the spirit of Voluntary/Early Retirement Benefits Scheme (ERBS/ERSS).

The matter was brought to the notice of the management on January 19, 2004. The management in reply dated March 19, 2004 stated that the employees were released/retired under ERSS/ERBS with the approval of the Chairman and due

to retirement of the employees, the posts of operational nature were advertised in the press and accordingly 136 qualified persons were selected. The reply furnished by the management is not convincing as the persons wanted most could have been retained and their experience, skill and knowledge utilized. Besides, extra benefits paid to the retired persons could also have been saved and recurring expenditure as a result of fresh appointments could have been avoided.

Audit requested the Committee to direct the PAO to provide record of golden handshake posts and posts vacated through promotions and disciplinary cases and the details of recruitments which were made after the implementation of the golden handshake scheme.

The PAO informed that the recruitments were made partially on the same posts which were vacated through golden handshake scheme but not all of them.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to provide the required record to Audit and resolve the issue at DAC level.

ESTATE MANAGEMENT AT KARACHI PORT TRUST (KPT)

6. PARA-4.1.2, PAGE-311 (PAR-2003-04)
NON-ISSUE OF NOC TO CERTAIN PARTIES

Audit pointed out that it was further noted that during the year 1989 and 1990 seven different parties applied for allotment of land in oil installation area for the purpose of construction of storage tanks of different products. The land was allotted to all the seven parties subject to the condition that they would obtain NOC from Naval HQ but only two of them were given NOC in 1995 while others were refused. Similarly, five other parties who were already doing their business applied for extension of existing capacity to a further capacity of 92,500 MT but they were also declined permission. The issuance of NOC to 2 parties, while Defense Committee of the Cabinet and the Minister for Communication had imposed the ban, and refusal to issue NOC to the other 5 parties for similar purposes is not understood.

The PAO informed that the Cabinet Division forbid Karachi Port Trust from building new infrastructure but its existing capacity should be utilized to the maximum which is being implemented. Two parties were allotted land on the NOC from Naval Headquarters but later on those allotments were also cancelled and no further allotment has been issued.

PAC DIRECTIVE

The Committee settled the para.

7. (i) PARA-4.1.3, PAGE-311-312 (PAR-2003-04)
ENCOROACHMENT OF KPT LANDS MEASURING 385.56 ACRES

Audit pointed out that the limits of KPT land were notified through SRO No. 307(KE)91 dated 5 October 1991 published in the Gazette of Pakistan but the management had neither notified the boundary schedule nor geographical power system (GPS) for demarcation. Resultantly, several encroachments have been made by different agencies / individuals besides construction of Katchi Abadies on KPT land. This is substantiated by the fact that 276 flats and 138 shops were constructed by KDA at Maripur Road, Karachi on an area of 2,350 square meters unauthorizedly in 1976 which was taken back by KPT through a court of law in 1998.Furthermore, examination of record revealed that since 1960 as many as 11 Katchi Abadies have unauthroizedly been established by the encroachers at different locations on a total area of 583.56 acres of KPT land but no evidence of any concrete efforts having been made by the KPT managements to get the land vacated was produced to Audit.

(ii) PARA-4.1.4, PAGE-312-313 (PAR-2003-04)
IRREGULAR TRANSFER OR SEIZURE OF LAND (1,325 ACRES) BY ENCROACHERS

Audit pointed out that it was also noted during the course of audit that KPT land had either been irregularly transferred to Government of Sindh and certain other organizations or it had been grabbed by encroachers but the KPT had not been able to get back its land in spite of lapse of a considerable long period of time.

The PAO informed that para 4.1.3 and para 4.1.4 are of the same nature. The PAO said that the issues of encroachments, demarcation and ownership of the land could not be finalized because most of the cases are subjudice in the Court of Law. In one of these cases, there is a dispute of ownership of land with the Sindh Government in which efforts are being made to settle the issue out-of-court. He further stated that the dispute with the Karachi Water Board was of 16 Acres which was resolved. He further informed that 72 Acres of land has been retrieved due to hectic efforts of the Anti-Encroachment department of the KPT.

PAC DIRECTIVE

The Committee clubbed the above two paras and directed the PAO to submit a comprehensive report, updating the position of court cases in detail, efforts being made by the legal team of the KPT and progress of retrieving land from land grabbers in the next PAC meeting.

8. PARA-4.1.5, PAGE-313-314 (PAR-2003-04)
EXTRAORDINARY DELAY IN RENEWAL OF LEASE OF LAND

Audit pointed out that the renewal of lease is required after the expiry of lease periods but in 222 cases, the renewal of lease had not been done even after lapse of a considerable long period of time and because of non-renewal of leases use and occupation charges were being charges at the old rates which is causing financial loss to KPT. The management of KPT could not produce any evidence of the efforts made or action taken for renewal of leases or ejection of tenants.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to submit a comprehensive report on the issue within 30 days.

9. PARA-4.1.6, PAGE-314 (PAR-2003-04)
NON-UPDATION OF PROPERTY SPECIFIED IN SCHEDULE "A"

Audit pointed out that as per Section 27 of KPT Act, all the rights, titles and interest of the state of Pakistan in lands, buildings, workshops, piers, break waters, groynes, embankments, bridges, light houses, signal stations, jetties, quay, graving dock and railway lines together with all the fittings and other appurtenances thereof detailed in Schedule "A" is the property vested in the Board / KPT. Schedule "A" is required to be completed and updated from time to time but the same has not been done since 1886 through assets of the above mentioned classes have increased manifold. For example, as per Schedule "A" total land under the possession of KPT has been shown as 369 acres whereas at present total area under the possession of KPT is 119,841.39 acres.

The PAO informed that the updated list of the properties of the KPT will be notified by the Ministry of Ports and Shipping on 31st December, 2015.

PAC DIRECTIVE

The Committee directed the PAO to provide an interim report showing the updated position of list of properties to the Audit/PAC within 30 days.

10. PARA-4.2.2, PAGE-315 (PAR-2003-04)
LOSS OF RS. 25.110 MILLION PER ANNUM DUE TO NON-REALIZATION OF SUBLETTING FEE

Audit pointed out that as per Board resolution No. BR-736 dated 24th June, 1998 subletting fee @ 20% of the rent was to be charged from the parties who sublet their building or portion of buildings. The files of M/s Bahria Complex and M/s Pakistan National Shipping Corporation revealed that M/s PNSC had rented out an area of 6567.72 square meter and were earning annual rent of Rs. 41,678,853 but subletting fee amounting to Rs. 8,335,770 @ 20% of the rent was

not being realized from them. Similarly M/s Bahria Complex had rented out an area of 13,210 square meters. The details of rent were not available in file nor were these details provided for the purpose of audit. However, on the basis of rent charged by PNSC the Bahria Complex is earning around Rs. 83,830,660 per annum and as such 20% of the same comes of Rs. 16,776,132 which was not being realized from Bahria Complex. Thus, there was a loss of Rs. 25.11 million per annum.

The PAO informed that the amount has been recovered from Bahria Foundation and the balanced dues will be recovered from PNSC within two months.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount from PNSC within 30 days and get it verified from the Audit.

11. PARA-4.2.4, PAGE-316-317 (PAR-2003-04)
LOSS DUE TO SALE OF LAND TO 2 DIFFERENT PARTIES AT DIFFERENT RATES

Audit observed that KPT entered into lengthy correspondence with DHA for settlement of the issue of encroachment of land in Clifton without any success. In 1985, KPT filed Civil suit No. 240/85 against DHA which is still pending in the court of law. Scrutiny of correspondence on this account reveals that Estate Committee of KPT Board recommended allotment of 207.22 acres of land for 99 years lease @ 2.50 per square meter. Audit is of the view that the recommendation was not in the interest of KPT.

The PAO informed that the leased lands were located in different areas and had different values so the land leased at different rates.

PAC DIRECTIVE

The Committee settled the para with displeasure mentioning that the past wrong decisions cannot be rectified.

12. PARA-4.2.7, PAGE-319 (PAR-2003-04)
LOSS OF RENT OF RS. 6.99 MILLION DUE TO DELAY IN FINALIZATION OF TENDER

Audit pointed out that the scrutiny of the record revealed that 14 shops each measuring 1,200 square feet constructed by the Engineering Department of KPT were handed over to the Estate Department in May, 1994. Estate Department published a tender notice to invite offers for renting out the shops. In response to advertisement dated 9th June 1994 as many as 41 bidders participated and quoted their rates but the bids were not accepted. It was then decided to re-tender but it took more than 3 years when the tender notice was re-published on

6th September 1997 but finalization of the lease agreements of various shops took from 7 to 39 months. Thus the shops could be leased after 42 to 78 months of their handing over to Estate Department of KPT. Non-leasing of the shops for the above said long period of time resulted in a loss of Rs. 6.99 million. Audit further observed that the offers received in response to the first invitation to tenders in June, 1994 ranged from 2,666 to 13,000 per month. Similarly, in response to the second tender notice published in September, 1997 bids received were in the range of Rs. 5,200 to 13,200 per month. However, the management decided to lease out all the shops @ Rs. 10,000 per shop per month. The leasing of those (6) shops for which the bidds were more than Rs. 10,000 per month at a monthly rent of Rs. 10,000 could not be explained.

The PAO informed that inquiry has been ordered in this case and outcome of the inquiry will be submitted to the Audit/PAC within 30 days.

PAC DIRECTIVE

The Committee directed the PAO to finalize the inquiry already ordered, fix responsibility, take action and report to the Audit/PAC within 30 days.

MINISTRY OF PORTS AND SHIPPING

13. PARA-6.1, PAGE-151(AR-2003-04)
IRREGULAR EXPENDITURE WITHOUT INVITING TENDERS-RS.12.40 MILLION

Audit pointed out that violating the rules that tenders are required to be invited from pre-qualified firms Rs. 50,000 Stores department Karachi Ports (KPT) Karachi made purchases of Rs. 10.28 Millions without inviting tenders. Similarly Chief Medical Officer Karachi Ports Trust Hospital made purchases amount to Rs. 2.12 Millions without inviting tender.

The PAO informed that procurements are made from pre-qualified contractor.

PAC DIRECTIVE

The Committee directed the PAO to provide notified list of pre-qualified contractors and directed to discontinue the procurement from imprest money.

14. PARA-6.2, PAGE-151 (AR-2003-04)
IRREGULAR EXPENDITURE ON ACCOUNT OF LOCAL PURCHASE OF MEDICINES-RS. 48.92 MILLION

Audit pointed out that the CMO, KPT Hospital under the M/o Communication made local purchases of medicines to the tune of Rs. 48.92 million from the chemists during the period from 2001-02 to 2002-03 but contracts were not made

by inviting open tender through press in violation of the provisions of para 144, GFR, Vol.-I which deprived the KPT of benefit of competitive market rates. Audit pointed out some more irregularities i.e. purchase of medicine and laboratory on higher rates, the signature of recipients of medicine were not available in some cases and record of i.e.(stock register, patient sheet) of medicines involving Rs. 978,153 for ICU was not available.

The PAO informed that in DAC meeting it was decided that the procedure of procurement of medicine and equipment for the hospital should be streamline and improve to minimize the cost. The DAC recommended the Para for settlement. On the direction of the DAC the relevant record of purchase of medicine and other Laboratory items will be provided to audit for verification.

PAC DIRECTIVE

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

15. (i) PARA-6.4, PAGE-153 (AR-2003-04)
IRREGULAR PAYMENT ON ACCOUNT OF SPECIAL HOUSE RENT – RS. 32.79 MILLION

Audit pointed out that para violating the 25 of GFR, Vol.-I all departmental regulations having financial impact should be made with prior approval of Finance Division. KPT, Karachi allowed Special House Rent @ Rs. 1,000 per month to the officers in addition to house ceiling facility without the approval of Finance Division. As such the entire payment of Rs. 32,793,000 paid to the officers was treated as inadmissible.

ii) PARA-6.5, PAGE-153 (AR-2003-04)
EXCESS PAYMENT OF CONVEYANCE ALLOWANCE TO THE EMPLOYEE OF KPT AMOUTING TO-RS.0.645 MILLION

Audit pointed out that as per M/o Finance letter No. F.(12)-Imp/94(i) dated 15 June 1994 and No. F.(15) imp/2001 dated 4 September 2001Conveyance Allowance was fixed by the Government as Rs. 193 PM and Rs. 340 PM respectively. Contrary to above, it was noticed that Planning Division and Manager Traffic Department, KPT, Karachi were making payment of conveyance allowance @ 15% of running Basic Pay to their officers instead of at prescribed rates which was irregular and against above rules.

iii) PARA-6.6, PAGE-153 (AR-2003-04)
NON-RECOVERY ON ACCOUNT OF 5% HOUSE RENT–RS. 0.391

Audit pointed out that the according to Fundamental Rule 45A, all employees shall pay 5% of their running Basic Pay to Government from the date of allotment of Government accommodation / availing hiring

facility Contrary to the above, it was observed that the officers of Planning Division and Traffic Department, KPT were availing hiring facility but monthly deduction towards 5% House Rent was not being made from the concerned officers which was irregular and against the above referred rule.

iv) PARA-6.9, PAGE-153 (AR-2003-04)
IRREGULAR PAYMENT ON ACCOUNT OF SPECIAL HOUSE RENT – RS. 32.79 MILLION

Audit pointed out that the Pakistan Marine Academy, Karachi started a self finance scheme with the approval of M/o Communication and Finance Division. The scheme was to be operated through a lapsable Personal Ledger Account and funds available under the scheme were to be expended on certain specified objects. It was, however, noted that neither the scheme was formally notified nor was a proper accounting procedure issued with the approval of Auditor General and Finance Division. It was also noted that various authorities in the Academy including Commandant, PMA had not been delegated any administrative and financial powers with respect to the operation of the scheme on the relevant file and that in the absence of any formal accounting procedure and delegated powers the Commandant, PMA continued to incur expenditure on various items including those which were outside the purview of the scheme. It was also noted that funds from the scheme were transferred to a bank account where from the expenditure was subsequently made which was against the approved mechanism for operation of the scheme through lapsable PLA. Non-preparation of a proper accounting procedure and non-delegation of powers has therefore given rise to many irregularities.

PAC DIRECTIVE

The Committee clubbed the above four paras and directed the PAO to frame rules/accounting procedure get them approved from the competent authority and submit to the Audit/PAC within ninety days.

16. PARA-6.10, PAGE-153 (AR-2003-04)
NON-DEDUCTION OF INCOME TAX FROM THE INSTRUCTORS – RS. 3.930 MILLION

Audit pointed out that during review of distribution sheets of shares, counterfoils of cheque books and register for payment, it was observed that an amount of Rs. 16.24 million was paid to the instructors against their claims during the period from 1993-94 to 2002-03 but income tax amounting to Rx. 3.93 million as required under Income Tax Ordinance, 1979 and 2001 was not deducted at source. Non-deduction of Income Tax is a serious irregularity on the part of PMA as authorities responsible for making payments are withholding agents for the purpose of deduction of income tax.

The PAO informed that the record is being examined wherever it is found that tax has not been deducted. It will be recovered from the concerned employees at source.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount of Income Tax within thirty days and report to PAC/Audit.

17. PARA-6.11, PAGE-153 (AR-2003-04)
IRREGULAR EXPENDITURE ON PURCHASE OF GLOBAL MARITIME DISTRESS AND SAFETY SYSTEM (GMDSS) FOR-RS.2.260 MILLION

Audit pointed out that during review of relevant record it was observed that the management of PMA spent a sum of Rs. 2,262,813 on purchase of Global Maritime Distress and Safety System (GMDSS). The purchase was made from M/s. Trade Com. Corporation, Karachi. Purchase was held irregular because the payment was made in advance without the approval of Finance Division and sanction was not accorded by the competent authority, the whole amount was paid before the installation of system and it was not purchased through the department of supplies.

The PAO informed that the accounting procedure is being framed and the irregularity will be got regularized from the Finance Division.

PAC DIRECTIVE

The Committee directed the PAO accounting procedure may be framed with the approval of competent authority.

18. PARA-6.12, PAGE-153 (AR-2003-04)
IRREGULAR PURCHASE OF MISCELLANEOUS ITEMS WORTH RS. 2.26 MILLION AND LOSS OF RS.0.350 MILLION

Audit pointed out that during review of paid vouchers, stock register and counterfoils of cheque books it was observed that the management of PMA spent as amount of Rs. 2,260,357 on purchase of miscellaneous durable goods from local market in violation of the provisions of paras 144-145 of GFR, Vol.-I.

The PAO informed that the bidding documents and comparative statements / minutes of tender Committee will be provided to audit for verification.

PAC DIRECTIVE

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

19. PARA-6.15, PAGE-153 (AR-2003-04)
IRREGULAR PURCHASE OF FURNITURE WITHOUT INVITING TENDERS RS.0.363 MILLION

Audit pointed out that the management of PMA spent as amount of Rs. 362,900 on purchase of furniture from local market. Purchase was held irregular because the purchases were held irregular because the tender from open market were not called, purchases were made piecemeal and NOC were not obtained from departments of supplies.

The PAO informed that the bidding documents and comparative statements / minutes of tender Committee will be provided to audit for verification.

PAC DIRECTIVE

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

20. PARA-6.16, PAGE-153 (AR-2003-04)
IRREGULAR RETENTION / DRAWAL FROM ACCOUNT NO. 393-2, NATIONAL BANK OF PAKISTAN –RS.0.315 MILLION

Audit pointed out that as per the Self Finance Scheme approved by the Finance Division, Pakistan Marine Academy was authorized to operate a lapsable Personal Ledger Account. It was, however, noted during the course of audit that the management of PMA issued a cheque bearing No. HM 702395 dated 25 November, 1996 from National Bank of Pakistan A/c No. 393-2 (known as local account) in favor of Business Link (K.B Sarkar) for purchase of equipment instead of issuing the PLA cheque which was available for the same purpose. Thus the management of PMA did not observe the Government instruction and irregularly retained the funds in National Bank of Pakistan, Mauripur Branch, Karachi for making payments. The retention of funds in a bank account and expenditure there from is held as irregular.

The PAO informed that some transactions were made through current account 393-2 in National Bank of Pakistan Pak Marine Academy Mauripur. The PAO further explained that the amount has been withdrawn from the National Bank and deposited in the Government treasury. The record will be provided to audit for verification.

PAC DIRECTIVE

The Committee directed the PAO to provide the relevant record to audit. The Committee settled the para subject to verification of record by the Audit.

21. (i) PARA-180, PAGE-323 (ARPSE-2003-04)

(ii) PARA-180.1, PAGE-323 (ARPSE-2003-04)

(iii) **PARA-180.3, PAGE-324 (ARPSE-2003-04)**

(iv) **PARA-180.4, PAGE-324 (ARPSE-2003-04)**

(v) **PARA-180.5, PAGE-324 (ARPSE-2003-04)**

(vi) **PARA-(45), PAGE-355 (ARPSE-2003-04)**

(vii) **PARA-(46), PAGE-355 (ARPSE-2003-04)**

(viii) **PARA-(47), PAGE-355 (ARPSE-2003-04)**

(ix) **PARA-(49), PAGE-355 (ARPSE-2003-04)**

(x) **PARA-184, PAGE-327 (ARPSE-2003-04)**
UNJUSTIFIED PAYMENT OF FAR DISTANCE COMPENSATORY ALLOWANCE TO STAFF AMOUNTING TO RS.5.908 MILLION PER ANNUM

(xi) **PARA-185, PAGE-328 (ARPSE-2003-04)**
UNJUSTIFIED PAYMENT OF FAR DISTANCE COMPENSATORY ALLOWANCE TO OFFICERS AMOUNTING TO RS.1.312 MILLION PER ANNUM

(xii) **PARA-186, PAGE-329 (ARPSE-2003-04)**
LOSS OF RS.1.210 MILLION DUE TO NON-RECOVERY OF RENTAL CHARGES

(xiv) **PARA-4.1.1, PAGE-310-311 (PAR-2003-04)**
NON-UTILIZATION OF 409,122 SQUARE METERS OF DEVELOPED AREA

(xv) **PARA-4.2.1, PAGE-314-315 (PAR-2003-04)**
NON-RECOVERY OF HEAVY OUTSTANDING DUES OF RS.660.49 MILLION

(xvi) **PARA-6.17, PAGE-153 (AR-2003-04)**
IRREGULAR INSTALLATION OF TELEPHONE EXCHANGE FOR RS. 285,000 AND LOSS OF RS. 87,000

(xvii) **PARA-4.2.3, PAGE-315-316 (PAR-2003-04)**
HEAVY BALANCE OF RS. 199.73 MILLION IN DEPOSIT AND REFUND ACCOUNT

(xviii) **PARA-4.2.5, PAGE-317-319 (PAR-2003-04)**
EXPENDITURE OF RS. 157.92 MILLION ON PURCHASE / TRANSPORTATION OF WATER

(xix) PARA-4.2.6, PAGE-319 (PAR-2003-04)
NON-PRODUCTION OF RECORD OF SECURITY DEPOSIT

(xx) PARA-6.3, PAGE-153 (AR-2003-04)
WASTEFUL EXPENDITURE ON ISSUANCE OF MEDICINES TO THE PATIENTS BY PRIVATE HOSPITALS-RS.1.420 MILLION

(xxi) PARA-6.7, PAGE-153 (AR-2003-04)
IRREGULAR PAYMENT ON DEPUTATION ALLOWANCE IN EXCESS OF AUTHORIZED RATE-RECOVERY OF RS.0.130 MILLION

(xxii) PARA-6.8, PAGE-153 (AR-2003-04)
IRREGULAR PAYMENT ON ACCOUNT OF BATMAN PAY-RS.0.150 MILLION

(xxiii) PARA-6.13, PAGE-153 (AR-2003-04)
IRREGULAR EXPENDITURE ON PURCHASE OF VEHICLES-RS.2.260 MILLION

(xxiv) PARA-6.14, PAGE-153 (AR-2003-04)
IRREGULAR PURCHASE OF LIFE BOAT AMOUNTING TO – RS. 0.263 MILLION

PAC DIRECTIVE

The Committee settled the 24 paras subject to verification of record by the Audit.

PRESIDENT`S SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the President`s Secretariat was examined by the PAC on 1st September, 2015.

- 01 grant was presented by the Audit Department which were examined by the Committee. This 01 grant was settled.

PRESIDENT`S SECRETARIAT

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st September, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of President's Secretariat are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

STAFF, HOUSE HOLD AND ALLOWANCES OF THE PRESIDENT(CHARGED) SAVING OF RS.6,338,868/-

The Appropriation closed with a saving of Rs.6,338,868 which works out to 3.15 percent of the total Appropriation. An amount of Rs. 6,347,461(3.15%) was surrendered resulting into an excess of Rs.8,593. A supplementary grant of Rs.1,000,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

PAC DIRECTIVE

The Committee regularized the above grant.

PRIME MINISTER OFFICE

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Prime Minister`s office was examined by the PAC on 1st September, 2015 and 13th January 2016.

- 02 grants were presented by the Audit Department which were examined by the Committee. Both grants were settled.

PRIME MINISTER OFFICE

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st September, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Prime Minister's Secretariat are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

GRANT NO.9- PRIME MINISTER'S SECRETARIAT
Saving of Rs.41,436,922/-

The grant closed with a saving of Rs.41,436,922 which works out to 15.23 percent of the total grant. An amount of Rs.1,129,140(0.42%) was surrendered leaving net saving of Rs.40,307,782 (14.81%).

PAC DIRECTIVE

The Committee regularized the above grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 13th January, 2016 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of National Reconstruction Bureau now working under Prime Minister Office are given below:

APPROPRIATION ACCOUNTS (CIVIL) VOL-1-2003-04

1. **GRANT NO. 11- NATIONAL RECONSTRUCTION BUREAU (SAVING OF RS.8,792,888)**

The AGPR pointed out that the grant closed with a saving of Rs.8,792,888 which worked out to 12.04% of the total grant. An amount of Rs.98,633 (0.14%) was surrendered leaving net saving of Rs.8,694,255 (11.90%).

PAC DIRECTIVE

The Committee regularized the grant.

PRIVATIZATION COMMISSION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Privatization Commission was examined by the PAC on 2nd September, 2015.

- 01 grant was presented by the Audit Department which was examined by the Committee. This 01 grant was settled.

PRIVATIZATION COMMISSION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd September, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Privatization Commission are given below:-

PRIVATIZATION COMMISSION

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.100-PRIVATIZATION DIVISION

AGPR pointed out that the grant closed with the saving of Rs. 93,992,398,283 which worked out to 99.96% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

M/O RAILWAYS

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Railways was examined by the PAC on 30th September, 2015.

- 03 grants and 24 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 13 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O RAILWAYS

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 30th September, 2015 while examining Audit Reports/Special Audit Reports for the year 2003-04 of M/o Railways are given below:

PAKISTAN RAILWAY

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO 157-CAPITAL OUTLAY ON PAKISTAN RAILWAY

The AGPR pointed out that the grant closed without any saving/excess.

PAC DIRECTIVE

The Committee regularized the grant.

2. i) GRANT NO 102-(REVENUE)
SAVING OF RS. 1,311.828/-

The Audit pointed out that the grant closed with a saving of Rs. 1,311.828 million which was worked out to 5.97% of the total grant.

ii) GRANT NO 157-(CAPITAL OUTLAY)
SAVING OF RS. 1,005.831/-

Audit pointed out that the grant closed with a saving of Rs. 1,005.831 million which was worked out to 13.21% of the total grant.

PAC DIRECTIVE

The Committee regularized the above two grants.

AUDIT REPORT FOR THE YEAR 2003-04

3. PARA-2.1.1, AR 2003-04
WASTEFUL EXPENDITURE OF RS. 9.154 MILLION DUE TO INADEQUATE PLANNING

Audit pointed out that the work of extension of loops to accommodate 72 wagons load and providing Standard III Signalling system at six stations on Jacob Abad-Kashmor Section was approved by Railway Board in February 1979 at a cost of Rs 5.273 million. The work was started in 1976-77 prior to approval of PC-I. The expenditure of Rs 4.845 million incurred on structural portion of the work upto

August 1978 had gone waste as the provision of Standard III Signalling system was dropped. This issue was taken up vide Para 4.3 of Audit Report 1982-83 and discussed in PAC meeting held in April 1986 wherein it was directed by the PAC to fix responsibility for lack of planning and intimate the names of the defaulters with their explanation.

The work was restored and PC-1 was revised for the six stations at a cost of Rs 24.187 million and got approved by the DDWP in July 1990. Only two stations, Dil Murad and Haibat Shaheed, were completed at a cost of Rs 3.551 million and remaining four stations were left incomplete/unfinished after incurring an expenditure of Rs 9.154 million.

The PAO informed that the funds were partially released and full funds for the project were not made available at any stage therefore the work also progressed at slow pace. He further stated that two stations have been completed and the work is in progress while in other stations the funds are being spent in proper way. It is a very old case, therefore, it is not possible to inquire the issue and fix the responsibility because officers responsible for the delay may have died.

PAC DIRECTIVE

The Committee directed the PAO to hold enquiry to probe the non-completion of Civil works in time and their start without approval of PC-I, fix responsibly take action & report within one month.

4. PARA-2.5.1 2003-04
LOSS OF RS. 41.722 MILLION DUE TO NON-REPLACEMENT OF DEFECTIVE MATERIAL

Audit pointed out that Railway administration procured certain material during the period from November 1992 to August 1997 from M/s Valtec Pakistan Lahore, on behalf of their foreign Principal M/s Valtec Locomotive, Canada. Material valuing Rs. 42.015 million (Us $ 807,985.44xRs. 52) was found short, of wrong specifications, damaged or defective. On issuing the Show Cause Notice to the firm on 2nd December 1999, the firm deposited Rs 0.293 million on 16th September 2000. However, despite lapse of a considerable period, the firm neither replaced the remaining defective material nor refunded the cost of material i.e. Rs 41.722 million.

The PAO informed that an inquiry Committee was constituted to probe the subject Audit para. According to the findings of the inquiry Committee, an amount of US$ 335535/- has been settled/recovered from the firm and only US$ 60568/- are yet to be recovered from M/s Valtec Locomotive, Canada. For the recovery of the balanced amount, Canadian Mission in Islamabad was contacted which informed that the said company has been dissolved on 10th June, 2004 and the dissolution certificate was issued on the same day. However, the bank guarantee was cashed and firm was blacklisted.

PAC DIRECTIVE

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

5. PARA-2.5.3 2003-04
IRREGULAR PROCUREMENT OF A SELF DRIVEN TRACK CRANE VALUING RS.11.080 MILLION

Audit pointed out that Railway administration procured a Self Driven Track Crane from a firm of China in terms of agreement dated 10th September 1996 at a cost of Rs 11.080 million. The said Track Crane was purchased against Railway specifications and did not perform its function satisfactorily even during its warranty period. In order to accommodate the wrong purchase decision, an amendment of specification in the contract was made after the lapse of warranty period in 1999. The crane was out of order since 14th April, 2002 and needed major overhauling. It indicated that the decision of procurement of the said Track Crane was not processed according to rules, procedures and specifications which resulted in wasteful expenditure of Rs 11.080 million.

The PAO informed that the objection of the Audit was correct and to fix the responsibility, an inquiry was conducted. Mr. Nasir Amin, Chief Engineer, was held responsible in the finalization of tender for gross neglect of tender specifications clause and recommending hydraulic system without ensuring supply of quality product from the supplier. Further proceedings in the light of the inquiry report could not be finalized.

PAC DIRECTIVE

The Committee directed the PAO to finalize the inquiry report within 30 days and submit report to the PAC/Audit.

6. PARA-2.7.1, 2003-04
ENCROACHMENT OF VALUABLE LAND COSTING RS 14.910 MILLION

Audit pointed out that a piece of land measuring 24 Kanals & 17 Marlas was acquired by the Railway administration in 1918 for providing a siding known as Hayat Siding at Jhelum at a total cost of Rs 19,918. Later on siding was dismantled and due to negligence of the Railway administration, this valuable land was encroached by the outsiders. Most of them constructed residential buildings on it. Railway administration could not get the said land vacated. The encroachers approached the Railway administration for sale of land to them at market rate but no action was taken. Non-vacation of land resulted in a loss of Rs 14.910 million on account of cost of land at the prevailing market rate of Rs 30,000 per Marla.

The PAO informed that there is 24 kanals of land out of which, only 11 kanals have been utilized in the construction of road and 11 kanals is lying with the Railways department. There are seven houses which have encroached a few feet of the Railway land.

PAC DIRECTIVE

The Committee directed the PAO to remove the encroachments within 30 days and submit a report to the PAC/Audit.

7. PARA-2.9.1 2003-04
FRAUDULENT DRAWL OF RS. 1.156 MILLION FROM BENEVOLENT FUND

Audit pointed out that an official of Personnel Branch of Peshawar Division had fraudulently drawn Rs. 1.156 million from Benevolent Fund Account during the year 1998 to 2001 by tampering/altering the figures of the cheques issued to various widows. The matter was got probed into by an Inquiry Committee in March 2002 who held the dealing official responsible for the embezzlement. The accused was dismissed from service w.e.f. 29th March 2003 but without any recovery, which resulted in a loss of Rs 1.156 million to the Pakistan Railway.

The PAO informed that in the light of the findings of the inquiry Committee, Mr. Farman Ullah UDC, was held responsible for embezzlement. Disciplinary and criminal proceedings were started against him and he was handed over to the NAB for recovery. Later on, on the direction of DAC, the recovery of embezzlement has been started from Mr. Farman Ullah from his salary. Till now, an amount of Rs. 3.8 million has been recovered. Moreover, the court has dismissed the case being in fructuous as the recovery is already being made from the defendant.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

8. i) PARA-2.1.22003-04
WASTEFUL EXPENDITURE OF RS 0.748 MILLION DUE TO MIS-UTILIZATION OF LABOUR

ii) PARA-2.3.2 2003-04
LOSS OF RS 2.105 MILLION DUE TO NON- RECOVERY OF MIS-APPROPRIATED AMOUNT BY AN EMPLOYEE

iii) **PARA-2.8.1 2003-04**
OVER-PAYMENT OF RS 2.528 MILLION ON ACCOUNT OF SPECIAL ADDITIONAL ALLOWANCE

PAC DIRECTIVE

The Committee directed the PAO to pursue the above three paras at DAC level.

9. i) **PARA-2.4.2 2003-04**
ILLEGAL DRAWL OF OVERTIME ALLOWANCE AMOUNTING TO RS 1.981 MILLION BY THE ELECTRICAL STAFF OF KARACHI DIVISION

ii) **PARA-2.7.2 2003-04**
NON RECOVERY OF RS. 8.804 MILLION FROM ILLEGAL OCCUPANTS OF RAILWAY LAND

iii) **PARA-2.7.3 2003-04**
LOSS OF RS 2.160 MILLION DUE TO LITIGATION AND SETTLEMENT CHARGES ON THE CANCELLATION OF LEASE DEED

PAC DIRECTIVE

The Committee directed the PAO to pursue the court cases vigorously related to above three paras and update the PAC/Audit quarterly.

10. i) **PARA 2.1.32003-04**
LOSS OF RS 0.732 MILLION DUE TO POOR WORKMANSHIP OF RAILCOPLABOUR

ii. **PARA 2.2.12003-04**
NON-RECOVERY OF RS. 174.454 MILLION FROM SUPPLIER ON ACCOUNT OF LIQUIDATED DAMAGES AND CONSUMABLE STORES

iii. **PARA-2.2.22003-04**
OVER PAYMENT OF RS 1.618 MILLION ON ACCOUNT OF TRANSFER OF TECHNOLOGY

iv. **PARA 2.2.32003-04**
LOSS OF RS 0.306 MILLION DUE TO NON-RECOVERY OF RENTAL CHARGES

v. **PARA 2.3.12003-04**
NON-RECOVERY OF PENALTY CHARGES OF RS 0.118 MILLION FROM PRACS

vi. **PARA 2.3.32003-04**
SALE OF BOGUS TICKETS VALUING RS 2.013 MILLION AND MISPLACEMENT OF TICKETS WORTH RS 52,000

vii. **PARA 2.3.42003-04**
NON-REMITTANCE OF CASH AND SURCHARGES OF RS 0.127 MILLION INTO THE TREASURY BY A CITY BOOKING AGENCY

viii. **PARA 2.3.52003-04**
NON-RECOVERY OF RS 0.136 MILLION FROM AN EMPLOYEE

ix. **PARA 2.4.12003-04**
LOSS OF RS 5.050 MILLION DUE TO BLOCKAGE OF CAPITAL OF RS. 4.119 MILLION

x. **PARA-2.5.22003-04**
SUPPLY OF DEFECTIVE MATERIAL WORTH RS 27.054 MILLION

xi. **PARA 2.6.12003-04**
NON REMITTANCE OF RS 4.026 MILLION IN THE RAILWAY ACCOUNT

xii. **PARA 2.8.22003-04**
EXCESS PAYMENT OF RS. 0.105 MILLION DUE TO IRREGULAR GRANT OF SPECIAL INCREMENT

xiii. **PARA-2.8.32003-04**
IRREGULAR EXPENDITURE OF RS. 0.548 MILLION ON ACCOUNT OF PAY AND ALLOWANCES DUE TO APPOINTMENT OF AN UN-QUALIFIED DRAFTSMAN

PAC DIRECTIVE

The Committee settled the above thirteen paras on the recommendation of the DAC.

M/O RELIGIOUS AFFAIRS AND INTER-FAITH HARMONY

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Religious Affairs and Inter-Faith Harmony was examined by the PAC on 1st April and 21st October, 2015.

- 02 grants and 36 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 02 grants and 28 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O RELIGIOUS AFFAIRS AND INTER-FAITH HARMONY

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 1st April, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Religious Affairs and Inter-faith Harmony (old name M/o Religious Affairs, Zakat and Ushr) are given below:

APPROPIRIATION ACCOUNTS (CIVIL) VOL-I 2003-04

1. i. GRANT NO. 103-RELIGIOUS AFFAIRS AND ZAKAT AND USHR DIVISION

The AGPR pointed out that Grant closed with a saving of Rs. 4,726,663 which was 0.89 percent of total grant. An amount of Rs. 766,000 (1.44%) was surrendered resulting into an excess of Rs. 293,337 (0.55%). A supplementary grant of Rs. 3,450,000 was sanctioned but not included in the supplementary schedule of authorize expenditure.

ii. GRANT NO. 105–OTHER EXPENDITURE OF RELIGIOUS AFFAIRS AND ZAKAT AND USHR DIVISION

The AGPR pointed out that Grant closed with a saving of Rs.14,101,764 which was 9.88 percent of total grant. An amount of Rs.923,000(0.65%) was surrendered leaving a net saving of Rs. 13,178,764(9.23%).

PAC DIRECTIVE

The Committee regularized the above mentioned two grants.

AUDIT REPORT FOR THE YEAR 2003-04

2. i. PARA-4.1 AR 2003-04
UNAUTHORIZED PAYMENT DUE TO HIRING OF ACCOMMODATION OVER AND ABOVE THE ADMISSIBLE LODGING CAPACITY – SR. 13.860 MILLION (EQUIVALENT TO Rs. 215.800 MILLION)

ii. PARA-4.2 AR 2003-04
UN-AUTHORIZED PAYMENT ON ACCOUNT OF CAPACITY OF HIRED BUILDINGS UTILIZED FOR MEDICAL MISSION – SR 464,400 (Rs. 7.231 MILLION)

iii. PARA-4.3 AR 2003-04
UN-AUTHORIZED HIRING OF ACCOMMODATION AND PAYMENT OF ADVANCE RENT – SR 273,000 (Rs. 4.251 MILLION)

iv. **PARA-4.4 AR 2003-04**
EXCESS DEDUCTION OF RENT FROM HUJJAJ– SR157,625 (Rs. 2.454 MILLION)

v. **PARA-4.5 AR 2003-04**
NONRECOVERY OF RENT FOR THE SPACE PROVIDED TO MAKTABS – SR 98,100 (Rs. 1.527 MILLION)

vi. **PARA-4.6 AR 2003-04**
UN-AUTHORIZED PAYMENT OF DAILY ALLOWANCE TO MEDICAL MISSION/ SEASONAL STAFF– SR91,160 (Rs.1.419 MILLION)

vii. **PARA-4.7 AR 2003-04**
EXCESS PAYMENT OF RENT IN RESPECT OF BUILDINGS HIRED BEYOND THE PRESCRIBED DISTANCE – SR 87,900 (Rs. 1.369 MILLION)

viii. **PARA-4.8 AR 2003-04**
UNAUTHORIZED INCURRENCE OF EXPENDITURE PERTAINING TO PREVIOUS YEAR 2001-02 OUT OF BUDGET GRANT FOR 2002-03 – SR 59,791 (Rs. 0.931 MILLION)

ix. **PARA-4.9 AR 2003-04**
UNAUTHORIZED PAYMENT DUE TO HIRING OF ACCOMMODATION OVER AND ABOVE THE TASREEH – SR 51,500 (Rs.0.802 MILLION)

x. **PARA-4.10 AR 2003-04**
UN-AUTHORIZED EXPENDITURE – SR34,079 (Rs. 0.531 MILLION)

xi. **PARA-4.11 AR 2003-04**
EXCESS EXPENDITURE OVER THE PRESCRIBED CEILING OF REPAIR OF VEHICLE – SR 7,992 (Rs. 0.124 MILLION)

xii. **PARA-4.12 AR 2003-04**
UN-LAWFUL HIRING OF BUILDINGS AT A DISTANCE OFMORE THAN PRESCRIBED LIMITS OF 2,000 METERS FROM HARAM SHARIF

xiii. **PARA-4.13 AR 2003-04**
DEVIATION FROM THE PAKISTAN HAJJ POLICY AND RULES OF KINGDOM OF SAUDI ARABIA REGARDING SPACE OF 3 SQUARE METERS PER PILGRIMS

The PAO informed the Committee that out of thirteen paras, nine paras are of the same nature. The Ministry is trying to get record from the offices in Saudi Arabia. He also apprised the Committee that DAC in its meeting held on 30th March, 2015 has also stressed to provide the relevant record. Fruitful DAC could not be held due to non-availability of relevant record.

PAC DIRECTIVE

The Committee showed its serious concern over the non-provision of record to Audit and directed the PAO to provide the relevant record to the Audit and hold DAC meeting before next meeting of the Committee. The Committee also directed the PAC Secretariat to request all the Ministries/Divisions/Departments to hold DAC meetings in time, in case of failure, responsibility will be fixed against the concerned PAO for non-holding of DAC in proper time.

3. i) PARA-1 SUB PARA 1.1 AR2003-04
EXTRA CHARGES ON ZAKAT FUND – RS. 11.397 MILLION

The Audit pointed out that the Health Welfare Committees (HWCs) of seven Hospitals charged a sum of Rs 11,397 to Zakat Fund on account of diet charges, CT scan charges, hospital charges, advertisement charges, staff share and salary. The action of the management was held irregular as services available in the hospital were required to be provided free of charge to mustahiq patients as per para (iv) (8) of Zakat &Ushr Division letter No. 1(1)/95/ZD dated 13-7-1995.

The PAO informed that the expenditure on material of CT Scan, the concerned patients get benefit of free treatment more than above limits with reasons duly recorded by the HWC as per procedure. The material used in the CT scan is not Hospital borne rather the same is purchased from the market by the hospital management and is provided to the patients on concessional rates. The PAO promised that the required record will be provided to Audit for verification.

It was apprised to Committee that the DAC in its meeting held on 26-03-2015 directed the PAO to get the reply verified through substantive evidence within 15 working days.

ii) PARA-1 SUB PARA 1.3 AR2003-04
EXTRA CHARGES ON ZAKAT FUND – RS. 11.397 MILLION

Audit pointed out that the Health Welfare Committee (HWCs) of seven Hospitals charged a sum of Rs 11,397,449 to Zakat Fund on account of diet charges, CT scan charges, hospital charges, advertisement charges, staff share and salary. The action of the management was held irregular as services available in the hospital were required to be provided free of charge to mustahiq patients as per para (iv) (8) of Zakat &Ushr Division letter No. 1(1)/95/ZD dated 13-7-1995.

The PAO informed that the HWC treats it patients on subsidized rates i.e. Rs 390 per bed per day. This is a package treatment which includes consultancy tests, medicines, diet and air-conditioned beds.

It was apprised to Committee that the DAC in its meeting held on 26-03-2015 directed the Ministry to produce data of all mustahiq patients and details of expenditure against them for verification by Audit.

iii) PARA-1 Sub Para 1.4 AR2003-04
EXTRA CHARGES ON ZAKAT FUND – RS. 11.397 MILLION

Audit pointed out that the Health Welfare Committee (HWCs) of seven Hospitals charged a sum of Rs 11,397,449 to Zakat Fund on account of diet charges, CT scan charges, hospital charges, advertisement charges, staff share and salary. The action of the management was held irregular as services available in the hospital were required to be provided free of charge to mustahiq patients as per para (iv) (8) of Zakat &Ushr Division letter No. 1(1)/95/ZD dated 13-7-1995.

The PAO informed that the amount charged to HWC covers the cost of dialysis consumables i.e dialyzer, BTL, Fistula Needle, Bicarb Powder etc. Zakat fund were exclusively used against these consumables, which we consumed in the process of dialysis carried out at the hospital on Zakat Mustahiq Patients.

It was apprised to Committee that the DAC in its meeting held on 26-03-2015 directed the management of hospital to produce data of all mustahiq patients and details of expenditure against them for verification by Audit.

PAC DIRECTIVE

The Committee settled the above three paras subject to verification of record by the Audit.

4. PARA-1 SUB PARA 1.6 AR2003-04
EXTRA CHARGES ON ZAKAT FUND – RS. 11.397 MILLION

Audit pointed out that the Health Welfare Committee (HWCs) of seven Hospitals charged a sum of Rs 11,397,449 to Zakat Fund on account of diet charges, CT scan charges, hospital charges, advertisement charges, staff share and salary.

The action of the management was held irregular as services available in the hospital were required to be provided free of charge to mustahiq patients as per para (iv) (8) of Zakat &Ushr Division letter No. 1(1)/95/ZD dated 13-7-1995.

The PAO informed that in year 1993 audit authority raised the same point. After detail discussion and practically checked, the Director Audit on 24 Aug, 1993 they waived the objection and permission was granted for payment of staff share vide their letter No. 728/DZA/IR/P-8/91-92 of 01-09-1993,

It was apprised to Committee that the DAC in its meeting held on 26-03-2015 directed the PAO to recover the amount which was paid to the staff and provide the record of recovery to Audit.

PAC DIRECTIVE

The Committee directed the PAO to recover the amount which was paid to staff from Zakat Fund. The Committee settled the para subject to verification of record of recovery from the Audit.

5. i) PARA-2 SUB PARA 2.1 AR2003-04
PURCHASE OF MEDICINES WITHOUT OPEN TENDERING – RS. 12.997 MILLION

Audit pointed out that the Health Welfare Committees (HWCs) of five Hospitals purchased medicines Rs 12,996,895 without adopting open tender system.

The PAO informed that the Health Welfare Committee PMCH Hospital Nawabshah in its meeting has decided to call quotation hence Quotation called by convener from Twenty M/Store vide letter No. 11215/18. The comparative statement was prepared and lowest offer of medical store was approved. All codal formalities were completed only tender was not called. All transparency measures has been adopted and approved quotation of highest bid for discount on Zakat Medicine.

ii) PARA-2 SUB PARA 2.2 AR2003-04
PURCHASE OF MEDICINES WITHOUT OPEN TENDERING – RS. 12.997 MILLION

Audit pointed out that the Health Welfare Committees (HWCs) of five Hospitals purchased medicines worth Rs 12,996,895 without adopting open tender system.

The PAO informed that in year 2002-03 there were no practices for calling tenders. Before this audit, there was no observation raised in any previous Audit. Therefore, this hospital called the quotation instead of tender. PAO further added that in the past such amount was regularized by the Central Zakat Council but now the Secretary Ministry of Religious Affairs and Inter-faith Harmony is competent to regularize the amount. He told that a Committee will be constituted to scrutinize the issue of purchase of Medicines without open tendering. Then if found that the Medicines were purchased on market rate then it will be regularized.

It was apprised to Committee that the DAC in its meeting held on 26-03-2015 directed the PAO to refer the matter to Central Zakat Council for action.

iii) **PARA-2 Sub Para 2.3 AR2003-04**
PURCHASE OF MEDICINES WITHOUT OPEN TENDERING – RS. 12.997 MILLION (HWC LYARI GENERAL HOSPITAL, KARACHI-RS. 948,330)

Audit pointed out that the Health Welfare Committees (HWCs) of five Hospitals purchased medicines worth Rs 12,996,895 without adopting open tender system.

iv) **PARA-2 Sub Para 2.4 AR2003-04**
PURCHASE OF MEDICINES WITHOUT OPEN TENDERING – RS. 12.997 MILLION (HWC GULAB DEVI HOSPITAL, LAHORE-RS. 1,755,756)

Audit pointed out that the Health Welfare Committees (HWCs) of five Hospitals purchased medicines worth Rs 12,996,895 without adopting open tender system.

PAC DIRECTIVE

The Committee clubbed the above four paras directed the PAO to constitute an inquiry Committee to probe the issue of purchase of Medicines without tendering and if the Secretary deems proper that the Medicines were purchased on market price and the order was placed on merit, he may regularize the amount under intimation to PAC Secretariat and Audit.

6. i. **PARA 3 SUB PARA 3.1 AR 2003-04**
PAYMENT WITHOUT DETERMINATION OF ISTEHQAQ OF PATIENTS BY THE LZCS – RS. 0.380 MILLION (HWC CICIL HOSPITAL, KARACHI – RS. 247, 965)

Audit pointed out that a sum of RS. 380, 482 was dispersed by Health Welfare Committees (HWCs) of three hospitals on treatment of patients out of zakat fund without obtaining istehqaq certificates, which was irregular in contravention of para 18 of the Zakat Disbursement Procedure for Health Institutions approved by the Central Zakat Council in its meeting held on 16-05-1998.

ii. **PARA 3 SUB PARA 3.2 AR 2003-04**
PAYMENT WITHOUT DETERMINATION OF ISTEHQAQ OF PATIENTS BY THE LZCS – RS. 0.380 MILLION (HWC CICIL HOSPITAL, LARKANA – RS. 42,207)

Audit pointed out that a sum of RS. 380, 482 was dispersed by Health Welfare Committees (HWCs) of three hospitals on treatment of patients out of zakat fund without obtaining istehqaq certificates, which was

irregular in contravention of para 18 of the Zakat Disbursement Procedure for Health Institutions approved by the Central Zakat Council in its meeting held on 16-05-1998.

iii. PARA 4 - AR 2003-04
PAYMENT OF RS. 6.878 MILLION TO SUPPLIERS IN CASH

Audit pointed out that The Health Welfare Committees (HWC), Sir Ganga Ram Hospital, Lahore made payment of RS.6,878,348 to suppliers of medicines in cash instead of crossed cheques, which was in violation of Para-19 of Zakat Disbursement Procedure approved by the CZC in its 73rd meeting held on 16-05-1998.

iv. PARA-6 Sub Para 6.1 AR2003-04
NON-SURRENDER OF UNSPENT BALANCES – RS. 2.695 MILLION

Audit pointed out that the Health Welfare Committees (HWCs) of three Hospitals did not surrender unspent balance of Rs 2,695,411 lying with them on the year-end. The amount was not refunded to the Central Zakat Fund and carried forward to the next financial year.

The PAO informed that the practice of procuring medicines/disposables out of Zakat fund was in bulk. The manufacturers / distributers made the partial supplies and the payment were to be made after the completion of their supply orders. Keeping in view that the outstanding payments were to be made after the completion of supply orders and the balance amount after the clearance of outstanding payments were refunded to concerned quarter.

PAC DIRECTIVE

The Committee clubbed the above four paras and directed the PAO to regularize the irregularity and settled the para subject to verification of record of regularization by the Audit.

7. i) PARA-1 Sub Para 1.2 AR2003-04
EXTRA CHARGE ON ZAKAT FUND-RS. 11.397 MILLION

ii) PARA-1 Sub Para 1.5 AR2003-04
EXTRA CHARGE ON ZAKAT FUND-RS. 11.397 MILLION

iii) PARA-1 Sub Para 1.7 AR2003-04
EXTRA CHARGE ON ZAKAT FUND-RS. 11.397 MILLION

iv) **PARA-3 Sub Para 3.3 AR2003-04**
PAYMENT WITHOUT DETERMINATION OF ISTEHQAQ OF PATIENTS BY THE LZC's-RS. 0.380 MILLION

v) **PARA-5 Sub Para 5.1 AR2003-04**
UN-AUTHORIZED DEDUCTION OF BANK CHARGES-RS. 0.056 MILLION

vi) **PARA-5 Sub Para 5.2 AR2003-04**
UN-AUTHORIZED DEDUCTION OF BANK CHARGES-RS. 0.056 MILLION

vii) **PARA-5 Sub Para 5.3 AR2003-04**
UN-AUTHORIZED DEDUCTION OF BANK CHARGES-RS. 0.056 MILLION

viii) **PARA-5 Sub Para 5.4 AR2003-04**
UN-AUTHORIZED DEDUCTION OF BANK CHARGES-RS. 0.056 MILLION

ix) **PARA-6 Sub Para 6.2 AR2003-04**
NON-SURRENDER OF UNSPENT BALANCES-RS. 2.695 MILLION

x) **PARA-6 Sub Para 6.3 AR2003-04**
NON-SURRENDER OF UNSPENT BALANCES-RS. 2.695 MILLION

xi) **PARA-7 AR2003-04**
NON-DEDUCTION OF INCOME TAX-RS. 0.448 MILLION

PAC DIRECTIVE

The Committee settled the above eleven paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 21st October. 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Religious Affairs and Inter-faith Harmony are given below:

AUDIT REPORT FOR THE YEAR 2003-04

1. PARA NO. 4.5, AR 2003-04
NONRECOVERY OF RENT FOR THE SPACE PROVIDED TO MAKTABS – SR. 98,100 (RS.1.527 MILLION)

Audit pointed out that some space was provided to Maktabs from the buildings hired for pilgrims (Hujjaj).The rent amounting to SR 98,100 was not recovered from two Maktabs.. The recovery of SR 98,100 is still due from remaining two Maktabs may be effected.

PAO apprised the Committee that in past the space was provided to Makatib in lieu of tentage accommodation in Mina. The Hajj Directorate established the welfare offices and dispensaries in the tentage accommodation provided by the Makatib and in lieu thereof space was provided to Makatib in the buildings on bilateral arrangements. However, the practice for providing space free of cost to Makatib has been stopped since Hajj-2004.

PAC DIRECTIVE
The Committee settled the para.

2. PARA NO. 4.10,AR 2003-04
UN-AUTHORIZED EXPENDITURE – SR. 34,079 (RS. 0.531 MILLION)

The Audit pointed out that in order to hire the buildings for pilgrims (Hujjaj) in Saudia Arabia agreements were made with the owners and first payment of 15% made to them in advance. Subsequently, both the buildings were not booked for hiring on the advice of Deputy Director (Hajj), Makkah. However, the aforesaid 15% advance payments made to the owner were not recovered from them.

PAO informed that both the buildings were hired by Pakistan Hajj Mission and according to clause 22(i) of the agreement 1st installment @ 15% of the total rental value was paid. The owner at later stage back ou**s**ted and committed both the buildings to any other group. The matter was immediately taken up with Saudi Ministry of Hajj. As an alternative, another building was hired to accommodate the arriving Hujjaj. The case is still pending in Saudi Ministry of Hajj. Saudi Ministry of Hajj is being requested for refund of the SR 34,079.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

3. PARA NO. 4.13, AR 2003-04
DEVIATION FROM THE PAKISTAN HAJJ POLICY AND RULES OF KINGDOM OF SAUDI ARABIA REGARDING SPACE OF 3 SQUARE METERS PER PILGRIMS

The Audit pointed out that the Kingdom of Saudi Arabia has fixed space per pilgrim for hiring Hujjaj accommodation at Makkah and Madinah. During examination of accommodation file of Building No.290(Account No.109), it was noticed that while carrying out Tamteer, the hiring Committee had approved the hiring capacity @ 2.80 square meters per pilgrim instead of three square meters. The same was hired accordingly by the Hajj Office. The Committee's decision not only violated the provisions of Pakistan Hajj Policy but also rules of host country. The deviation from the prescribed parameters fixed by the Cabinet had benefited the owners/Mustajirs and undoubtedly caused hardships to the pilgrims.

The PAO informed that no complaint about space was made by the pilgrims during their stay. The number of Hujjaj agreed upon was booked by the Ministry and were accommodated without any difficulty. The agreement was attested by Saudi Ministry of Commerce. He informed that old Tasreeh (permission) was adopted by the Audit whereas the buildings were hired on the basis of fresh Tasreeh (permission).

PAC DIRECTIVE

The Committee settled the para.

4. i. PARA NO. 4.1, AR 2003-04
UNAUTHORIZED PAYMENT DUE TO HIRING OF ACCOMMODATION OVER AND ABOVE THE ADMISSIBLE LODGING CAPACITY – SR. 13.860 MILLION (EQUIVALENT TO RS. 215.800 MILLION)

ii. PARA NO. 4.2, AR 2003-04
UN-AUTHORIZED PAYMENT ON ACCOUNT OF CAPACITY OF HIRED BUILDINGS UTILIZED FOR MEDICAL MISSION – SR 464,400 (RS. 7.231 MILLION)

iii. PARA NO. 4.3, AR 2003-04
UN-AUTHORIZED HIRING OF ACCOMMODATION AND PAYMENT OF ADVANCE RENT – SR. 273,000 (RS.4.251 MILLION)

iv. PARA NO. 4.4, AR 2003-04
EXCESS DEDUCTION OF RENT FROM HUJJ

v. **PARA NO. 4.6, AR 2003-04**
UN-AUTHORIZED PAYMENT OF DAILY ALLOWANCE TO MEDICAL MISSION/ SEASONAL STAFF– SR. 91,160 (RS. 1.419 MILLION)

vi. **PARA NO. 4.7, AR 2003-04**
EXCESS PAYMENT OF RENT IN RESPECT OF BUILDINGS HIRED BEYOND THE PRESCRIBED DISTANCE – SR. 87,900 (RS. 1.369 MILLION)

vii. **PARA NO. 4.8, AR 2003-04**
UNAUTHORIZED INCURRENCE OF EXPENDITURE PERTAINING TO PREVIOUS YEAR 2001-02 OUT OF BUDGET GRANT FOR 2002-03 – SR. 59,791 (RS. 0.931 MILLION)

viii. **PARA NO. 4.9, AR 2003-04**
UNAUTHORIZED PAYMENT DUE TO HIRING OF ACCOMMODATION OVER AND ABOVE THE TASREEH – SR. 51,500 (RS. 0.802 MILLION)

ix. **PARA NO. 4.11. AR 2003-04**
EXCESS EXPENDITURE OVER THE PRESCRIBED CEILING OF REPAIR OF VEHICLE – SR. 7,992 (RS. 0.124 MILLION)

x. **PARA NO. 4.12, AR 2003-04**
UN-LAWFUL HIRING OF BUILDINGS AT A DISTANCE OFMORE THAN PRESCRIBED LIMITS OF 2,000 METERS FROM HARAM SHARIF

PAC DIRECTIVE

The Committee settled the above ten paras on the recommendation of DAC.

REVENUE DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Revenue Division was examined by the PAC on 18th August, 2015.

- 111 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 45 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

- It is pointed out that the business of the Ministry which was examined by the Sub-Committee of 13th PAC in its meeting held on 26th July, 2011, has also been made part of the report.

REVENUE DIVISION

ACTIONABLE POINTS

Appropriation Accounts / Audit Reports / Special Audit Reports for the year 2003-04 pertaining to the Federal Board of Revenue were taken up for examination by Special Committee-II of the PAC in the meetings held on 26th July, 2011, in Committee Room No.2 Parliament House, Islamabad. Decisions taken are summarized below:

The Committee was informed by Audit that DAC meetings pertaining to Audit Paras of FBR had been held but not represented by the department at appropriate level which is the Chairman and consequently the status of all paras discussed in the DAC held in 2004 remains the same.

The Committee expressed its displeasure for not holding DAC meeting which could have been convened even one week before the present scheduled meeting of PAC-II. The Committee further observed that all other Ministries have managed to hold DAC meetings even at a short notice of one week prior to appearing before the PAC and it was really disappointing and a sad state of affairs that an important organization such as FBR should come up with the excuse that DAC has not been held hence some Paras should be deferred. The Committee directed the Senior Member FBR to convey displeasure of the Committee to the Chairman FBR.

The Senior Member FBR extended his apologies for not convening a DAC meeting prior to the meeting of the Special Committee-II.

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. i. GRANT NO. 43-REVNUE DIVISION
EXCESS OF RS. 2, 433, 523

AGPR pointed out that the grant closed with a excess of Rs. 2, 433, 523 which worked out to 5.29% of the total grant.

The PAO explained the Committee that the saving was mainly.

ii. GRANT NO. 44-CENTRAL BOARD OF REVENUE
SAVING OF RS. 53, 941, 510

AGPR pointed out that the grant closed with a saving of Rs. 53, 941, 510 which worked out to 17.67% of the total grant.

The PAO informed the Committee that the surrendered order amounting to Rs. 41,815,000 was not taken into accounts. The said surrender orders were issued after 15th May and therefore these were not accounted for.
The PAO further explained that the saving was mainly due to vacant posts.

iii. GRANT NO. 45-SEA CUSTOMS
SAVING OF RS. 105,846,450

AGPR pointed out that the grant closed with a saving of Rs. 105,846,450 which worked out to 20.82% of the total grant. An amount of Rs. 115,000,000 (22.56% was surrendered resulting into net excess of Rs. 9,153,550 (22.63%). A supplementary grant of Rs 1,363,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving was mainly due to vacant posts and Adhoc relief to the Government Servants for which no separate budget grant was provided.

iv. GRANT NO. 46- LAND CUSTOMS AND CENTRAL EXCISE
EXCESS OF RS. 114,400,948

AGPR pointed out that the grant closed with a excess of Rs. 114,400,948 which worked out to 13.63% of the total grant. A supplementary grant of Rs.86,024,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving was mainly due to vacant posts and Adhoc relief to the Government Servants for which no separate budget grant was provided.

v. GRANT NO. 47- SALES TAX
EXCESS OF RS. 75,377,313

AGPR pointed out that the grant closed with a excess of Rs. 75,377,313 which worked out to 17.71% of the total grant. An amount of Rs. 250,000 (0.05% was surrendered resulting into net excess of Rs.75,627,313 (0.06%%). A supplementary grant of Rs.61,902,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving was mainly due to vacant posts, Adhoc relief to the Government Servants for which no separate budget grant was provided and some personal claims of Medical charges, Leave salary and contingent paid staff and Honoraria remained un-finalized.

vi. GRANT NO. 48-TAXES ON INCOME AND CORPORATION TAX
EXCESS OF RS. 57, 296,729

AGPR pointed out that the grant closed with a excess of Rs.57, 296,729 which worked out to 4.54% of the total grant. A supplementary grant of Rs.10, 275,000 was sanctioned but not included in supplementary schedule of authorized expenditure.

The PAO explained that the saving was mainly due to vacant posts and 15% Special Relief Allowance sanctioned by the Government but no additional budget was allowed by the Finance Division.

vii. GRANT NO. 130-DEVELOPMENT EXPENDITURE OF REVENUE DIVISION EXCESS OF RS. 272,634

AGPR pointed out that the grant closed with a excess of Rs. 272,634 which worked out to 0.15% of the total grant.

The PAO explained to the Committee that the excess is due to fluctuation of dollar rate.

PAC DIRECTIVE

The Committee observed that supplementary grant should have been obtained to meet expenditure due to less billing of utilities. The Committee regularized the above seven grants subject to reconciliation of figures / verification by Audit.

AUDIT REPORTS REVENUE RECEIPTS
(Indirect Taxes & Expenditure Audit)
AUDIT REPORTS REVENUE RECEIPTS
(Direct Taxes)

On presentation of Audit Reports on Direct Taxes and (Indirect Taxes & Expenditure Audit) for the years 1998-99, 2002-03 & 2003-04 to the Committee Audit reported that in 64% case no reply had been received from the FBR and the amount Admitted but not recovered was more that Rs. 4.2 billion so these reports may be remanded to the DAC for re-consideration.

PAC DIRECTIVE

The Committee observed the situation as highly unsatisfactory and desired that the Chairman should have been here to note all these figures. The Committee directed Senior Member FBR to hold meaningful DAC meeting at an appropriate level and report back on these three Reports to the Committee within one month.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 18th, August, 2015 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Revenue Division are given below:

AUDIT REPORT 2003-04

1. PARA-9.1-PAGE-67-AR 2003-04
NON-RECOVERY OF REVENUE DUE TO DELAYED IMPLEMENTATION OF PRESCRIBED PROCEDURE - RS. 1, 102.490 MILLION

Audit pointed out that section 48 of the Sales Tax Act, 1990, Section 202 of the Customs Act, 1969 and Section 11 of the Central Excises Act, 1944 read with rules made there under empower tax collecting departments to recover government taxes pending for recovery from the defaulters. The prescribed procedure for recovery of arrears of Rs.1102.490 million (plus additional tax and penalties to be calculated at the time of recovery of government dues) was not applied on time in 99 cases. These cases were pending recovery for the last one to five years up to 2003-04.

The PAO informed that about 90% of the total receivables have been recovered/written off/adjusted and 10% are pending. He added that some cases are subjudice in the court of law and are being pursued vigorously. The latest recovery record will be verified from the Audit in next DAC meeting.

PAC DIRECTIVE

The Committee settled the para to the extent of recovery subject to verification by the Audit and directed the PAO to pursue the court cases vigorously.

2. PARA 9.2(B) - PAGE 69 - AR 2003-2004
BLOCKAGE OF REVENUE DUE TO VIOLATION OF ENACTED PROVISIONS REGARDING WAREHOUSING OF NON-PERISHABLE GOODS – RS. 97.582 MILLION

Audit pointed out that according to section 98 of the Customs Act, 1969, non-perishable imported goods can remain warehoused deferring payment of Customs dues for a period of one year. This period is extendable subject to the condition of payment in advance a surcharge at the rate of 2% per month of duties and taxes leviable for the extended period. Failing this, the importer is liable to pay full amount of duty along with rent, penalty, surcharge and other leviable under the law. Contrary to this certain imported goods remained warehoused beyond stipulated period. Monitoring system in the Collectorate of Customs (Appraisement) Karachi was thus ineffective. This resulted in blockage of revenue of Rs 97.582 million. Similar instances are common in all other

Collectorates. The issue is therefore systemic. Out of Rs. 97.582 million, Rs. 48.577 million has been recovered and Rs.49.005 million is still pending.

The PAO informed that there were a total of 132 consignments out of which 82 consignments have been ex-bonded and 14 consignments were destroyed because of expiry. The balance consignments will be auctioned and the amount received will be deposited into Government treasury.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit with a report to PAC.

3. PARA-9.2 (C)- PAGE-69-AR 2003-04
BLOCKAGE OF REVENUE DUE TO DELAY IN DISPOSAL OF THE CONFISCATED GOODS RS. 59.571 MILLION

Audit pointed out that customs General Order No.43/99 of 26th October, 1999 provides multiple options for disposal of confiscated goods to authorized outlets like Canteen Stores Department, Utility Stores Corporation, Duty Free Shops etc. or through public auction. The confiscated goods of Rs.59,571,210 were not disposed of by four Collectorates with a delay ranging from 2 to 5 or more years.

The PAO informed that an amount of Rs.50.920 million has been recovered and some items approximate worth of Rs. 5.66 million are still require disposal. These are tempered vehicles and will be auctioned after dismantling the tempered chassis according to ECC policy.

PAC DIRECTIVE

The Committee directed the PAO to auction the remaining goods within 30 days and settled the para subject to verification of record by the Audit with a report to PAC.

4. PARA-9.4- PAGE-71- AR 2003-04
DELETION PROGRAM INCONSISTENT WITH GOVERNMENT NOTIFICATIONS RS. 74.656 MILLION

Audit pointed out that manufacturers/Assemblers of automobile industry were given a deletion program by the Engineering Development Board (EDB), Ministry of Industries to indigenize their production of automotive components/ assemblies within five years. However, the CBR, vide SRO No. 436(I)/20()1 dated 18th June, 2001 allowed the import of components only at a concessionary import duty @ 35%.Contrary to the aforementioned provisions, Collectorate of Customs, Lahore cleared Assembly Kits at concessionary rate applicable only to components which resulted in short-realization of Rs.74,655,625.

The PAO informed that the Engineering Development Board (EDB) under the Ministry of Industries and Production has categorically decided that the items mentioned in Performa B and C of the deletion policy program are importable irrespective of stage of manufacturing. The letter of EDB will be shown to Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to the verification of record by the Audit with a report to PAC.

5. PARA 9.5- PAGE 72- AR 2003-2004
NON SEIZURE OF TEMPORARILY IMPORTED VEHICLES INVOLVING FINANCIAL IMPLICATION OF MORE THAN RS. 53 MILLION

Audit pointed out that according to the of Rule 78 of the Customs Rules, 2001, no citizen of Afghanistan is permitted to import a vehicle into Pakistan on road pass but if such person imports a vehicle temporarily he may be given delivery thereof without payment of customs duties for its retention in Pakistan for a period of 30 days against recommendation of Consulate General or Embassy of Pakistan in Afghanistan. This period is extendable to further 90 days on furnishing of bank guarantee. In case any vehicle so imported is not exported out of Pakistan within the stipulated period, it shall be, wherever it maybe, seized and dealt with in accordance with the provisions of the Customs Act, 1969. The Collector of Customs, Central Excise and Sales tax Quetta did not seize 47 various types of luxury vehicles such as Land Cursers, Pajero, Toyota Surf, Toyota Hiace Vans, etc. temporarily imported into Pakistan during the period from March 1999 to October, 2002, which were not re-exported after the expiry of the stipulated period. This omission resulted in financial loss of revenue of more than Rs 53 million calculated on the basis of estimated reserve price of vehicles (which includes the value, duty, taxes etc.)

The PAO informed that the record of vehicles was with the Consulate General of Pakistan, Kandhar and the Revenue Division requested the Foreign Office for the same record. The Foreign Office has confirmed that the said record was destroyed when Consulate General was attacked by mob and ransacked premises after the fall of Taliban regime. However, the Customs Authority has requested the Afghan Ministry for re-confirmation of availability of record. He further added that only two vehicles had been identified, seized and legal action has been taken.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility for not maintaining the record of the vehicles by concerned department on Pak-Afghan border or others responsible for not pursuing the matter, take action in the light of

findings of inquiry against the defaulters and submit report to PAC/Audit within 45 days.

6.

(i) PARA-9.9 (a) – PAGE-75-AR 2003-04
NON-ENFORCEMENT OF INDEMNITY BONDS - RS.152.323 MILLION

(ii) PARA-9.9 (b)-PAGE-76- AR 2003-04
NON-ENFORCEMENT OF INDEMNITY BONDS - RS.151.432 MILLION

(iii) PARA-9.9 (c)-PAGE-77-AR 2003-04
NON-ENFORCEMENT OF INDEMNITY BONDS – RS 80.367 MILLION

(iv) PARA -9.9(d)- PAGE 78-AR 2003-04
NON ENFORCEMENT OF INDEMNITY BOND - RS 36.678 MILLION

(v) PARA-9.9(g)-PAGE-81-AR 2003-04
NON-ENFORCEMENT OF INDEMNITY BOND RS 18.634 MILLION

(vi) PARA 9.9 (i)- PAGE 82- AR 2003-04
NON ENFORCEMENT OF INDEMNITY BOND RS 16.492 MILLION

Audit pointed out that the authorities did not recover the Government dues from the units who imported material, components and sub-components temporarily on submission of bank guarantees or indemnity bonds or postdated cheques but did not produce consumption/re-exportation certificates within the prescribed period of one year or the extended period of eighteen months.

The PAO informed that there were approximately 800 cases out of which about 40 cases are pending. He further added that in some cases amount has been written off.

PAC DIRECTIVE

The Committee clubbed the above six paras and directed the PAO to recover the balance recoverable amount and write off wherever deem necessary. Afterwards, discuss the para at DAC level again and submit the report to the PAC in the next meeting.

7. PARA-10.3 (a)- PAGE-93-AR 2003-04
SHORT-REALIZATION OF CUSTOMS DUES OWING TO UNDER-VALUATION OF IMPORTED GOODS - RS. 5.207 MILLION

Audit pointed out that Carbon Steel Wire Rods imported by four importers-cum-manufacturers were cleared by the Collectorate of Customs, Lahore and simultaneously referred to the Controller of Valuation to determine their correct

value. The Controller of Valuation, Karachi confirmed under-valuation of the imported Carbon Steel Wire Rods and affixed its higher C&F value at US$335 per metric ton during the contracting period from June, 2002 to December, 2002. Upon this advice, the concerned Collectorate did not re-open the cases that led to short-realization of customs dues of Rs. 5,207,542.

The PAO informed that the valuation advice was issued on 25-10-2003 and relates to the specific case whereby final assessment was made as per valuation advice. In view of the foregoing facts and figures, the subject para pertaining the final assessment prior to the complaint and valuation advice is not justifiable. He further added that contention of Audit about application of assessable value of US $335 per metric ton in other bills of entry previously cleared is not supported under any legal consideration. The previous bills of entry had been finalized by the appropriate officer earlier, keeping in view of the relevant considerations provided under section 25 of the Customs Act 1969.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to resolve the issue at DAC level within 30 days and submit the report to the PAC in the next meeting.

8. PARA-10.4- PAGE-94-AR 2003-04
NON-REALIZATION OF CONSOLIDATED FEE – RS. 6.110 MILLION

Audit pointed out that according to SRO 367(1)794 of 9th May, 1994, a 3% Consolidated Fee is leviable on the total invoice value of the equipment, materials, specialized vehicles, accessories, spares, chemicals and consumables, imported by Exploration & Production (E&P) Companies of petroleum on an annual basis after the first commercial discovery in the area. The same was, however, not realized by the Deputy Collector Customs (Air Freight Unit), Islamabad for the year 2002-03. This resulted in non-realization of revenue of Rs.6,109,946 from 18 petroleum E&P companies.

The PAO informed that, as per rules it was not possible to charge 3% consolidated fee from the exploration and production companies, their contractors, sub-contractors and service companies unless the DG (petroleum) notifies the commercial discovery (i.e. the commercial production has been started from the well digged for oil and gas).

PAC DIRECTIVE

The Committee pended the para and directed the PAO to resolve the issue at DAC level within 30 days and submit the report to the PAC in the next meeting.

9. PARA 10.5 (B)- PAGE 96-AR 2003-04
SHORT REALIZATION OF REVENUE DUE TO NON APPLICATION OF "FINALLY ADVISED VALUE" AGAINST PROVISIONALLY CLEARED GOODS RS. 1.939 MILLION

Audit pointed out that in five cases the imported goods were assessed provisionally and the cases were referred to the Controller Valuation for determination of fair value of the goods. The valuation department ascertained the value of the goods higher than the provisionally assessed value and intimated the same to the quarter concerned within the time period prescribed for finalization of the cases, which was not enforced by the Collectorate of Customs (Appraisement) Karachi. This resulted in short realization of revenue amounting to Rs 1.939 million.

The PAO informed thatRs.0.175 million has been recovered and recovery of 1.73 million is under process. The defaulter belongs to Federally Administered Tribal Area (FATA) therefore, efforts are being made to recover the amount through RTO Peshawar.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to recover the amount and present the progress of recovery in the next meeting of the PAC.

10. PARA 1.1
SHORT-LEVY OF TAX AMOUNTING TO RS. 947.327 MILLION

During the course of audit of selected cases it was noticed that in 140 cases, assessment of income and computation of tax were not made according to the relevant provisions of the Income Tax Ordinance, 1979. This resulted in short-levy of tax of Rs. 947.327 million. Audit requested the PAC to ask the PAO to explain the reasons for delay in the under process recovery of Rs. 29.577 million and the reasons for cases becoming time-barred and could not be filed in court of law.

The PAO informed that as per direction of DAC held in August, 2015, a Committee has been constituted to examine the time barred cases. Audit told that no such decision was made in the DAC.

PAC DIRECTIVE

The Committee pended the para till its next meeting.

11. PARA 1.2
NON-TAXATION OF INCOME - LOSS OF RS. 94.722 MILLION

Audit pointed out that in eight cases, the income of the assesses were not assessed by the department according to different [provisions of the Income Tax Ordinance, 1979. This resulted in short levy of tax amounting to Rs.94.722 million. Audit told that an amount of Rs.94.088 million has been recovered / settled. The recovery of an amount of Rs. 0.634 million is in process as stated by the Revenue Division.

The PAO informed that 99.3% of the total recovery has been effected and only 0.634 million is pending and it will be recovered within one month.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit with a report to PAC.

12. PARA 1.3
DEFECTIVE ORDERS OF CANCELLATION OF ASSESSMENT – LOSS OF RS. 5.760 MILLION

Audit pointed out that violating the Section 122-A of the Income Tax Ordinance, 2001 empowers the Commissioner of Tax to revise any order passed by a taxation officer. The Commissioner of Income Tax, Zone-C, and Karachi revised assessment orders of an assesses for the years 1990-00 to 2002-03 and deleted the tax demand of Rs.5.760 million only on the point of jurisdiction of the taxation officer. The Commissioner did not discuss the substantive issue of concealment involved in these assessment orders. Such revision being defective resulted in loss of revenue of Rs.5.760 million.

The PAO informed the Committee that the para was recommended for settlement in the DAC meeting held on 27th March, 2015.

PAC DIRECTIVE

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

13. PARA 1.5 PAGE 12
DEFECTIVE RECTIFICATION OF MISTAKES' UNDER SECTION 156 - RS. 4.751MILLION

Audit pointed out that according to Section 156 of the Income Tax Ordinance, 1979 provided for the amendment of an order passed by income tax authority to rectify any mistake apparent from the record before the expiry of four years from the date of order sought to be amended but in three cases amendments were not correctly made by the Department. This resulted in short-levy of tax amounting to Rs.4.751 million.

The PAO proposed that an Inter-Departmental Committee (IDC) having representatives from Ministry of Law, Audit and Revenue Division may be constituted to consider the paras where Audit and Revenue Division have different opinions in implementing the rules, regulations and SROs.

PAC DIRECTIVE

The Committee constituted an IDC comprising of Members from M/o Law ,Justice and Human rights, Audit and Revenue Division to examine the Para 1.5 and other such paras (pertaining to the year 2003-04) where Audit and Revenue Division have discrepancy in implementing the rules, regulations and SROs and report to Committee within one month.

14. i. PARA 2.1 PAGE 19
SHORT-LEVY OF TAX DUE TO INADMISSIBLE DEDUCTIONS RS. 359.194 MILLION

Audit pointed out that in 42 cases inadmissible expenses were allowed by the assessing officers which resulted in under assessment of income involving short levy of tax of Rs.359.194 million.

The PAO informed that an amount of Rs. 907 million has been recovered / adjusted and efforts are being made for the balance recovery. The PAO ensured that balance amount will be recovered within 2 months.

The Audit apprised the Committee that this para and following 13 paras are of the same nature and should be clubbed.

(ii) **PARA 3.1 PAGE 23**
NON-INVOKING THE PROVISIONS OF SECTION 52 - RS. 33.281 MILLION

(iii) **PARA 3.2 PAGE 23**
SHORT-LEVY OF TAX ON CONTRACTS, SUPPLIES AND COMMERCIAL IMPORTS – RS. 6.753 MILLION

(iv) **PARA 3.3 PAGE 24**
NON-LEVY OF TAX ON EXPORTS – RS. 11.591 MILLION

(v) **PARA 4.1 PAGE 31**
SHORT-LEVY OF TAX DUE TO GRANT OF INADMISSIBLE DEPRECIATION ALLOWANCE – RS. 185.509 MILLION

(vi) **PARA5.1 PAGE 35**
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO DEDUCT OR PAY TAX – RS. 31.497 MILLION

(vii) **PARA 5.2 PAGE 35**
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE TAX – RS. 14.881 MILLION

(viii) **PARA 5.3 PAGE 36**
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE TAX – RS. 10.004 MILLION

(ix) **PARA 5.4 PAGE 36**
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ASSESSED TAX OR PENALTY – RS. 20.642 MILLION

(x) **PARA 6.1 PAGE 47**
NON-LEVY OF TAX DUE TO APPLICATION OF INCORRECT RATES – RS. 117.187 MILLION

(xi) **PARA 6.2 PAGE 47**
NON-LEVY OF SURCHARGE – RS. 62.334 MILLION

(xii) **PARA 7.1 PAGE 55**
NON-IMPOSITION OF PENALTY UNDER SECTION 108 – RS. 7.462 MILLION

(xiii) **PARA 7.2 PAGE 55**
NON-IMPOSITION OF PENALTY IN CONCEALMENT CASES – RS. 21.308 MILLION

(xiv) **PARA 8.1 PAGE 61**
NON-REALIZATION OF WORKERS' WELFARE FUND – RS. 22.506 MILLION

PAC DIRECTIVE

The Committee clubbed the above 14 paras and directed the PAO to recover the balance amount and submit a progress report to the PAC within 60 days.

15. PARA 9.1 (12) TO (22) PAGE-67
NON-RECOVERY OF REVENUE DUE TO DELAYED IMPLEMENTATION OF PRESCRIBED PROCEDURE – RS. 2,273.644 MILLION

Audit pointed out that Section 48 of the Sales Tax Act 1990 and Section-2 of the Central Excise Act 1944 provide powers to the tax collecting departments to recover government revenue pending for recovery from the defaulters. The non-taking of timely action in 589 illustrated cases caused non-recovery of government dues amounting to Rs. 2,273.644 million for a period of more than 5

years in respect of Collectorates of Sales Tax & Federal Excise Rawalpindi, Peshawar and Karachi.

The Committee was apprised that the PAC in its previous meeting held on 26th July, 2011 directed the Revenue Division to hold meaningful DAC and report to the PAC within 1 month.

The PAO informed that 75% of the total amount has been recovered/settled however, in cement sector, the case of recovery of an amount of Rs. 942 million was withdrawn due to cancellation of previous order. He further added that recovery of an amount of Rs.583 million is pending.

PAC DIRECTIVE

The Committee directed the PAO to devise a comprehensive plan of recovery, take action against the responsible officers for the delay in recoveries and not pursuing the court cases. It further directed to examine the efficiency of legal teams, take measures/steps to improve the recovery system, examine the progress of recovery in the DAC meeting and submit a comprehensive report to the PAC within 60 days. The Committee also proposed to establish a recovery wing in the Revenue Division.

16. (i) **PARA 9.6**
SHORT-REALIZATION OF CENTRAL EXCISE DUTY DUE TO UNDER VALUATION OF UN-PROCESSED TOBACCO – RS. 45.274 MILLION

The Audit pointed out that Pakistan Tobacco Board (PTB), Ministry of Commerce fixes the Minimum Support Price (MSP) of various varieties of tobacco. PTB fixed MSP for tobacco crop of 2002 effective for the FY 2002-03. Tobacco Companies are required to pay CED @ 20% Ad cal. On MSP of unprocessed tobacco consumed in the production of cigarettes, as required under SRO No.333(I)/2002 dated 15th June, 2002. Contrary to this, tobacco companies under the jurisdiction of Peshawar and Rawalpindi deposited CED on unprocessed tobacco at values lower than the MSP fixed by the Government. Resultantly, the government was deprived of revenue of Rs.45.274 million worked out on the MSP basis.

The Committee clubbed the following 28 paras with para 9.6.

(ii) **PARA 9.7 PAGE-73**
CONCEALMENT OF IMPORTED GOODS ON WHICH INPUT TAX WAS PAID BY IMPORTERS – RS. 124.956 MILLION

(iii) **PARA 11.1PAGE-107**
NON-VERIFICATION OF EXPORTS TO AFGHANISTAN – RS. 137.048 MILLION

(iv) **PARA 11.3 AR 2003-04 PAGE-109**
NON-REALIZATION OF CENTRAL EXCISE DUTY ON INSURANCE PREMIUM – RS. 1,494 MILLION

(v) **PARA12.1V AR 2003-04 PAGE-113**
NON-REALIZATION OF CENTRAL EXCISE DUTY IN SALES TAX MODE ON TELECOMMUNICATION SERVICES - RS. 426.811 MILLION

(vi) **PARA12.2(A)(I) AR 2003-04 PAGE-114**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 197.929 MILLION

(vii) **PARA12.2(A)(II) AR 2003-04 PAGE-114**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 5.677 MILLION

(viii) **PARA12.2(C)(I) AR 2003-04 PAGE-116-117**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 13.326 MILLION

(ix) **PARA12.2(C)(II) AR 2003-04 PAGE-116-117**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 6.097 MILLION

(x) **PARA12.2(C)(III) AR 2003-04 PAGE-117**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 2.765 MILLION

(xi) **PARA 12.2(D)(I) AR 2003-04 PAGE-118**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 31.169 MILLION

(xii) **PARA 12.2(D)(II) AR 2003-04 PAGE-118**
INADMISSIBLE ADJUSTMENT OF INPUT TAX – RS. 1.742 MILLION

(xiii) **PARA12.2(e) AR 2003-04 PAGE-118-119**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS.14.383 MILLION

(xiv) **PARA12.2(F) AR 2003-04 PAGE-119**
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX – RS. 3.101 MILLION

(xv) **PARA 12.3(A) AR 2003-04 PAGE-119**
NON-REALIZATION/ SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX, ADDITIONAL TAX AND PENALTIES- RS 69.445 MILLION

(xvi) **PARA 12.3(D) AR 2003-04 PAGE-121**
NON-REALIZATION/ SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX, ADDITIONAL TAX AND PENALTIES- RS 4.052 MILLION

(xvii) **PARA 12.3(F) AR 2003-04 PAGE-122-123**
NON-REALIZATION/ SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX, ADDITIONAL TAX AND PENALTIES- RS 0.774 MILLION

(xviii) **PARA 12.4(A) AR 2003-04 PAGE-123**
NON- REALIZATION OF ADDITIONAL TAX AND PENALTY ON LATE PAYMENT OF SALES TAX – RS 47.630 MILLION

(xix) **PARA 12.5 AR 2003-04 PAGE-124**
NON- REALIZATION OF ADDITIONAL TAX AND PENALTY ON LATE PAYMENT OF SALES TAX – RS 71.970 MILLION

(xx) **PARA 12.6(A) AR 2003-04 PAGE-125**
SHORT –REALIZATION OF GOVT. REVENUE DUE TO APPLICATION OF INCORRECT LOWER RATE OF SALES TAX- RS6.380 MILLION

(xxi) **PARA 12.6(B) AR 2003-04 PAGE-125**
SHORT –REALIZATION OF REVENUE DUE TO APPLICATION OF INCORRECT LOWER RATE OF SALES TAX- RS2.511 MILLION

(xxii) **PARA 12.6(D) AR 2003-04 PAGE-126**
SHORT –REALIZATION OF GOVERNMENT REVENUE DUE TO APPLICATION OF INCORRECT LOWER RATE OF SALES TAX- RS 1.286 MILLION

(xxiii) **PARA 12.6(E) AR 2003-04 PAGE-127**
SHORT –REALIZATION OF GOVERNMENT REVENUE DUE TO APPLICATION OF INCORRECT LOWER RATE OF SALES TAX- RS 1.059 MILLION

(xxiv) **PARA 12.6(F) AR 2003-04 PAGE-127**
SHORT –REALIZATION OF GOVERNMENT REVENUE DUE TO APPLICATION OF INCORRECT LOWER RATE OF SALES TAX- RS 0.323 MILLION

(xxv) **PARA 12.7 AR 2003-04 PAGE-127**
NON REALIZATION OF FURTHER TAX RS 10.171 MILLION

(xxvi) **PARA 12.8 AR 2003-04 PAGE-128**
SHORT REALIZATION OF SALES TAX DUE TO UNDER VALUATION OF SUPPLIES – RS 8.498 MILLION

(xxvii) **PARA 12.9 AR 2003-04 PAGE-128**
HORT REALIZATION OF GOVERNMENT REVENUE DUE TO APPLICATION OF INCORRECT LOWER RATE OF SALES TAX- RS 3.370 MILLION

(xxviii) **PARA 12.11- AR 2003-04 PAGE 129**
NON –REALIZATION OF SALES TAX –RS 1.825 MILLION

PAC DIRECTIVE

The Committee clubbed the above 28 paras and directed the audit to prepare a list of all paras showing recoverable amounts and forward it to the Revenue Division. The Committee directed the PAO to recover the balance amount and submit a progress report to PAC/Audit within 60 days.

17. (i) PARA 9.2(A)- PAGE 68- AR 2003-04
NON-DISPOSAL OF IMPORTED PERISHABLE GOODS WITHIN THE PERIOD PRESCRIBED UNDER LAW RS. 11.179 MILLION

(ii) PARA-9.3 PAGE-70 AR 2003-04
NEGLIGENCE OF CUSTOMS/PRINTING PRESS FUNCTIONARIES RS. 15.665 MILLION

(iii) PARA 9.9(E) AR 2003-2004 PAGE 79
NON ENFORCEMENT OF INDEMNITY BOND – RS. 35.714 MILLION

(iv) PARA-9.9 (F) AR 2003-04 PAGE-80 DP 9510
NON-ENFORCEMENT OF INDEMNITY BONDS - RS. 31.755 MILLION

(v) PARA-9.9 (H) AR 2003-04 PAGE-81
NON-ENFORCEMENT OF INDEMNITY BONDS – RS. 18.369 MILLION

(vi) PARA-10.1 (A) AR 2003-04 PAGE-89
SHORT-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTS - RS. 3.474 MILLION

(vii) **PARA-10.1 (B) AR 2003-04 PAGE-90**
SHORT-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTS - RS. 2,129,905

(viii) **PARA-10.1 (C) AR 2003-04 PAGE-90**
(DP 9625,9533 & 9297-CUS)
SHORT-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTS - RS. 1.022 MILLION

(ix) **PARA-10.1 (D)AR 2003-04PAGE-91**
SHORT-REALIZATION OF REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTS - RS. 510,336

(x) **PARA 10.2(A) AR 2003-2004 PAGE 91**
(PDP NO.2344-CD/K MR-PAGE)
NON-REALIZATION OF WAREHOUSING SURCHARGE RS. 10.196 MILLION NON-REALIZATION OF WAREHOUSING SURCHARGE - RS.1.623 MILLION

(xi) **PARA-10.3 (B) AR 2003-04 PAGE-94**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO UNDER-VALUATION OF IMPORTED GOODS - RS. 1,642,843.

(xii) **PARA-10.3 (C) AR 2003-04 PAGE-94**
SHORT-EALIZATIONOF CUSTOMS DUES OWING TO NDER-VALUATION OF IMPORTED GOODS - RS. 504,406.

(xiii) **PARA 10.5 (A) AR 2003-2004 PAGE 95**
(PDP NO.2224-CD/K)
SHORT REALIZATION OF REVENUE DUE TO NON-APPLICATION OF "FINALLY ADVISED VALUE" AGAINST PROVISIONALLY CLEARED GOODS RS.2. 991 MILLION SHORT-REALIZATION OF CUSTOMS DUES OWING TO UNDER-VALUATION OF IMPORTED GOODS - RS. 504,406.

(xiv) **PARA 10.5 (A) AR 2003-2004 PAGE 95**
(PDP NO.2224-CD/K
SHORT REALIZATION OF REVENUE DUE TO NON-APPLICATION OF "FINALLY ADVISED VALUE" AGAINST PROVISIONALLY CLEARED GOODS RS. 2. 991 MILLION

(xv) **PARA-10.6 PAGE-97 AR 2003-04**
SHORT-REALIZATION OF REVENUE DUE TO WRONG COMPUTATION OF IMPORT VALUE - RS. 4.094 MILLION

(xvi) **PARA-10.7 PAGE-98 AR 2003-04**
NON-REALIZATION OF CENTRAL EXCISE DUTY AT IMPORT STAGE RS. 3.918 MILLION

(xvii) **PARA-10.8 AR 2003-04 PAGE-98**
SHORT-REALIZATION OF PETROLEUM DEVELOPMENT LEVY DUE TO APPLICATION OF INCORRECT RATE - RS. 3.567 MILLION

(xvii) **PARA-10.9 (A)AR 2003-04 PAGE-99**
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(xviii) **PARA-10.9 (B)AR 2003-04 PAGE-99**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO MISCLASSIFICATION OF IMPORTED GOODS – RS. 0.887 MILLION

(xix) **PARA-10.9 (C)AR 2003-04 PAGE-100**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO PARA-10.10 AR 2003-04

(xx) **PARA-10.10 AR 2003-04 PAGE-101**
NON-REALIZATION OF REDEMPTION FINE - RS.0.965 MILLION

(xxi) **PARA-10.11 (A) AR 2003-04 PAGE-101**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO APPLICATION OF INCORRECT ATE OF DUTY/TAX, NON-REALIZATION OF REGULATORY DUTY ETC. RS. 610,453

(xxii) **PARA-10.11 (B) AR 2003-04 PAGE-102 (DP 9304)**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO APPLICATION OF INCORRECT RATE OF DUTY/TAX, NON-REALIZATION OF REGULATORY DUTY ETC. RS. 257,98

(xxiii) **PARA-10.11 (C) AR 2003-04 PAGE-102**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO APPLICATION OF INCORRECT RATE OF DUTY/TAX, NON-REALIZATION OF REGULATORY DUTY ETC. RS. 228,205

(xxiv) **PARA-10.11 (D)-PAGE-103-AR 2003-04**
SHORT-REALIZATION OF CUSTOMS DUES OWING TO APPLICATION OF INCORRECT RATE OF DUTY/TAX, NON-REALIZATION OF REGULATORY DUTY ETC. RS.190,572

(xxv) PARA 11.2 (A) AR 2003-04 PAGE-108
NON-REALIZATION OF CENTRAL EXCISE DUTY AND SALES TAX ON NON –ACCOUNTED MANUFACTURED GOODS – RS. 3.478 MILLION

(xxvi) PARA 1.4 AR 2003-04 PAGE 11
TAX CREDIT ALLOWED UNDER SECTION 50 & 53 IN EXCESS OF ACTUAL PAYMENTS – RS. 5.148 MILLION

(xxvii)PARA 4.2 AR 2003-04 PAGE 31
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(xxviii)PARA 8.2 AR 2003-04 PAGE 61
NON-REALIZATION OF ADDITIONAL AMOUNT OF WORKERS' WELFARE FUND – RS. 1.185 MILLION

(xxix) PARA 11.2 (B) AR 2003-04 PAGE-109
NON-REALIZATION OF CENTRAL EXCISE DUTY AND SALES TAX ON NON –ACCOUNTED MANUFACTURED GOODS – RS 1.690 MILLION

(xxx) PARA 11.4 AR 2003-04 PAGE-110
NON-REALIZATION OF CENTRAL EXCISE DUTY FROM INSURANCECOMPANIES –RS. 1.251 MILLION

(xxxi) PARA 11.5 AR 2003-04 PAGE-111
SHORT-REALIZATION OF CENTRAL EXCISE DUTY DUE TO INCORRECT ASSESSMENT –RS. 1.072 MILLION

(xxxii)PARA 11.6 AR 2003-04 PAGE-111
SHORT -REALIZATION OF CENTRAL EXCISE DUTY DUE TO VARIATION BETWEEN ANNUAL AND MONTHLY FIGURES – RS. 0.868 MILLION

(xxxiii)PARA 11.7 AR 2003-04 PAGE-112
SHORT-REALIZATION OF CENTRAL EXCISE DUTY THROUGH CONCEALMENT OF PRODUCTION OF EXCISABLE GOODS–RS 0.094MILLION

(xxxiv)PARA 12.2 (A) (III)AR 2003-04 PAGE-115
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX RS. 0.949 MILLION

(xxxv)PARA 12.2 (B)AR 2003-04 PAGE-115
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(xxxvi)PARA 12.2 (C) (IV)AR 2003-04 PAGE-117
INADMISSIBLE ADJUSTMENT OF INPUT TAX AGAINST OUTPUT TAX RS. 1.939 MILLION

(xxxvii)PARA 12.3 (B) AR 2003-04 PAGE -120
NON-REALIZATION/SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX AND PENALTIES –RS. 18.025 MILLION

(xxxviii)PARA 12.3 (C) AR 2003-04 PAGE-120
NON-REALIZATION/SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX AND PENALTIES –RS. 14.697 MILLION

(xxxix)PARA 12.3 (E) (I) AR 2003-04 PAGE-122
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(xl) PARA 12.3 (E) (II) AR 2003-04 PAGE-122
NON-REALIZATION/SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX AND PENALTIES –RS. 0.336MILLION

(xli) PARA 12.4 (B) AR 2003-04 PAGE-122-123
NON-REALIZATION/SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX AND PENALTIES ON LATE PAYMENT OF SALE TAX –RS. 9.111MILLION

(xlii) PARA 12.4 (C) AR 2003-04 PAGE-124
NON-REALIZATION/SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX AND PENALTIES ON LATE PAYMENT OF SALE TAX –RS. 0.636MILLION

(xliii) PARA 12.4 (D) AR 2003-04 PAGE-123
NON-REALIZATION/SHORT-REALIZATION OF SALES TAX, ADDITIONAL TAX AND PENALTIES ON LATE PAYMENT OF SALE TAX –RS. 0.6376MILLION

(xliv) PARA 12.6(C) AR 2003-04 PAGE-126
SHORT-REALIZATION OF GOVERNMENT REVEUN DUE TO APPLICATION OF IN INCROTECT LOWER RATE OF SALES TAX, –RS 2.049 MILLION

(xlv) PARA 12.10 AR 2003-04 PAGE-129
SHORT-REALIZATION FARTHER TAX DUE TO APPLICATION OF IN INCORRECT RATE OF SALES TAX, –RS. 2.869 MILLION

PAC DIRECTIVE

The Committee settled the above 45 paras on the recommendation of DAC.

M/O SCIENCE AND TECHNOLOGY

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Science and Technology was examined by the PAC on 11th June, 2015.

- 03 grants and 85 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 03 grants and 75 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O SCIENCE AND TECHNOLOGY

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 11th June, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Science and Technology are given below:

APPROPRIATION ACCOUNTS CIVIL VOL-I, 2003-04

1. i) GRANT NO. 106-SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION

AGPR pointed out that the Grant closed with a saving of Rs.47,928,786 was 22.98 percent of the total amount. An amount of Rs.12,796,500 (6.13%)was surrendered leaving a net saving of Rs.35,132,286 (16.85%).

ii) GRANT NO. 107-OTHER EXPENDITURE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION

AGPR pointed out that the Grant closed with a saving of Rs.5,261,258 was 0.57 percent of the total amount. An amount of Rs.149,000 was surrendered leaving a net saving of Rs.5,112,258 (0.55%).

iii) GRANT NO. 146-DEVELOPMENT EXPENDITURE OF SCIENTIFIC AND TECHNOLOGICAL RESEARCH DIVISION

AGPR pointed out that the Grant closed with a saving of Rs.284,502,464 which was 19.56 percent of the total amount. An amount of Rs. 263,621,000 (18.12%) was surrendered leaving a net saving of Rs.20,881,464(1.44%).

PAC DIRECTIVE:

The Committee regularized the above three grants**.**

AUDIT REPORT FOR THE YEAR 2003-04

2. PARA-16.3 (PAGE-325-326) AR 2003-04
NON-PRODUCTION OF RECORD OF EXPENDITURE -Rs. 12.15 MILLION

Audit pointed out that according to PC-I of the project "Consultancy Programme for Industrial Technology Development" approved on 01 July, 1994 at a total cost of Rs. 18.50 million, requests were to be invited from the industrial sectors to help small and medium size enterprises to improve industrial productivity and product quality and to develop new market opportunities through use of special consultancy services. The proposals were to be short listed by the project

monitoring and evaluation Committee headed by the Secretary and the short listed projects were to be handed over to the experts to determine whether the project requests actually required grants. The experts were to be paid fee of Rs. 1,000 per request evaluation. Based on the recommendations of experts, Terms of Reference of the project were to be prepared and consultants were to be appointed at an appropriate fee. Maximum amount of the project grant was Rs. 50,000. Such grants were payable on satisfactory completion of the project. Audit observed that monitoring / progress reports of the projects were not on record. Cash Book of the account and details of payments made to the consultants and grants given to small and medium size enterprises were also not available. It was also noted that a sum of Rs. 14.00 million was released out of project cost of Rs. 18.50 million up to June, 2002 but record of expenditure of Rs. 12.15 million was not produced for audit scrutiny. Non-production of record is also a violation of Para 17 of GFR, Vol. I and Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001.

The PAO informed that the record was burnt in Shaheed-E-Millat Secretariat building, therefore it could not be provided.

PAC DIRECTIVE

The Committee directed the PAO to retrieve the concerned documents/record for verification of Audit and submit report in the next meeting.

3. PARA-16.5 (PAGE-327-328) AR 2003-04
LOSS DUE TO PURCHASE OF USED EQUIPMENT – OF RS. 0.835 MILLION

Audit pointed out that the National Physical and Standard Laboratory purchased equipment named "Comparator Balance of Mass Model No. LP-1200S Balance" for Rs. 967,500 from M/s Diagnostic Technology (Pvt.) Ltd. This instrument was not included in the list of equipment to be procured under the PC-I for the project Modernization of NPSL. Audit told that according to inspection note of equipment supplied by M/s Diagnostic Technology the equipment had been used earlier. Thus the management not only indulged into a non-ethical practice, violated the provisions of para 145 of GFR, Vol.-I which requires that the purchases be made in the most economical manner but also caused a loss of Rs. 835,212 (967,500 - 132,288) to the public exchequer besides ending up with the purchase of used equipment. The management caused a loss of Rs. 835,212 to the public exchequer by not accepting the lowest bid besides purchasing used equipment.

The PAO informed that the equipment was not used. It was new and the Audit team has inspected the equipment and issued a certificate which verified the equipment as new.

PAC DIRECTIVE

The Committee directed the PAO to constitute an Inter Departmental Committee comprising of representative of the Ministry of Science and Technology and an officer of Ministry of Finance (not less than BPS-20), probe the issue, fix responsibility, take action and report to the PAC within thirty days.

4. PARA-16.6 (PAGE-328-329) AR 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF PURCHASE OF COMPUTERS AND PRINTERS - RS. 0.260 MILLION

Audit pointed out that according to para 145 of GFR Vol-I purchases must be made in the most economical manner in accordance with definite requirements of the public service. Para 146 of GFR Vol-I provides that purchase order should not be split up to avoid the necessity for obtaining the sanction of higher authority. Contrary to above provisions National Physical and Standard Laboratory purchased computers and printers amounting to Rs. 259,517 during the year 2001-02 from M/s Future Soft Computer and other firms. No tender was called for through press to make the purchases and expenditure was split up to avoid sanction of higher authority in violation of para 144, 145 and 146 of GFR Vol.-I. Expenditure of Rs. 0.26 million made by the management on the purchase of computers etc. without inviting open tenders and by splitting the purchases is considered as irregular**.**

The PAO promised that the said expenditure will be got regularized from Ministry of Finance.

PAC DIRECTIVE

The Committee directed the PAO to get the irregularity regularized from the Ministry of Finance and report to PAC.

5. PARA-16.7 (PAGE-329) AR 2003-04
EXPENDITURE ON PURCHASE OF EQUIPMENT NOT INCLUDED IN PC-I - RS. 2.53 MILLION

Audit pointed out that the National Physical and Standards Laboratory, Islamabad invited tenders for purchase of an instrument named Null Detector Model 155 Keithley or equivalent that was not included in the items mentioned in the PC-I of the project "Modernization of National Physical and Standards Laboratory, Islamabad". Three firms M/s Intermark (Pvt.) Ltd; M/s Diagnostic Technology (Pvt.) Ltd; Rawalpindi and M/s Chisty Trader, Lahore participated in the tender. As per comparative statement M/s Intermark quoted lowest price of Rs. 469,260 but supply order No NPSL/Pur-1/2002/06 dated 19 June 2002 was issued in favor of M/s Andleeb Associates, Rawalpindi at a total cost of Rs. 919,770 although the firm had not participated in the bid for the said instrument. Similarly liquid bath model 7380 hart scientific / fluke was purchased from M/s

Andleeb Associates, Rawalpindi on single tender basis vide supply order No NPSL/Pur-1/2002/06 dated 19 June 2002 at a price of Rs. 1,606,406. The equipment was also not included in PC-I of the project "Modernization of National Physical and Standard Laboratory, Islamabad." The expenditure incurred on these account was, therefore, irregular. Expenditure of Rs. 2.53 million was considered irregular as it was not included in the PC-I, the lowest bid was not accepted and the purchase was made from a firm who did not participate in the bid**.**

The PAO informed that the equipment purchased was not part of PC-I and it was included through the decision of DDWP on 04.01.2005 on later stage. He told that the relevant record was provided to Audit. The Committee was not satisfied on his reply

PAC DIRECTIVE

The Committee directed the PAO to constitute an Inter Departmental Committee comprising of representative of the Ministry of Science and Technology and an officer of Ministry of Finance (not less than BPS-20), probe the issue, fix responsibility, take action and report to the PAC within thirty days.

6. PARA-16.8 (PAGE-330-331) AR 2003-04
OVER PAYMENT TO M/S DIAGNOSTIC TECHNOLOGY (PVT.)LTD – RS. 3.68 MILLION

Audit pointed out that it was noted during the course of audit that a tender notice was issued on 22 February 2001 by NPSL in Daily News (Rawalpindi / Islamabad) for supply of laboratory equipment and accessories, chemical and glassware. All the participating firms quoted prices in foreign currency while M/s Diagnostic Consultancy quoted the prices in local currency. The management decided to purchase equipment from M/s Diagnostic Technology and allowed the firm exchange rate of Rs. 136 to US$ 1 and Rs. 215 to £ 1 which was much higher than the prevailing exchange rates. The firm opened letters of credit in the name of NPSL and the imported equipment was exempted from all kinds of rates and taxes as noted on the Bills of Entry. The management paid a total sum of Rs. 6,556,686 to M/s Diagnostic Technology for the purchase of equipment which resulted in excess payment of Rs. 3,678,012.

The PAO informed that inquiry has been ordered to probe the issue and will be finalized soon.

PAC DIRECTIVE

The Committee directed the PAO to constitute an Inter Departmental Committee comprising of representative of the Ministry of Science and Technology and an

officer of Ministry of Finance (not less than BPS-20), probe the issue, fix responsibility, take action and report to the PAC within thirty days.

7. PARA-16.9 (PAGE-331-332) AR 2003-04
UNAUTHORIZED RETENTION OF PUBLIC FUNDS OUTSIDE THE PLA - RS. 10.46 MILLION

Audit pointed out that in terms of Ministry of Finance O.M. No. F.3(1) Exp-III/92 dated 07 March 1994 withdrawal of funds to avoid surrender of saving at the end of financial year for utilization in the next year is against the financial discipline and should, therefore, be stopped. Para 95 of GFR Vol.-I and rule 209 of FTR also provide that all anticipated savings should be surrendered to Ministry of Finance before 15 May of each financial year. It was, however, observed during the course of audit that contrary to the above instructions, National Physical and Standards Laboratory, drew an amount of Rs. 10,465,286 from PLA and deposited the same into different commercial bank accounts to avoid lapse of funds.

The PAO did not oppose the stance of the Audit.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action and submit report to the PAC Secretariat within thirty days.

8. PARA-16.12 (PAGE-334) AR 2003-04
IRREGULAR TRANSFER OF FUNDS FROM DEVELOPMENT TO NON-DEVELOPMENT BUDGET - RS. 4.59 MILLION

Audit pointed out that according to item 4-II (c) of Annexure-II to Finance Division O.M. No. F.3 (4) Exp. III /2000 dated 30 June, 2000 no re-appropriation can be made from development to current expenditure and vice versa. It was, however, noted during the course of audit that in Drainage Research Centre, Tando Jam under Ministry of Science and Technology an amount of Rs. 4.59 million was irregularly transferred from development budget to non-development budget during the years 1999-2000 to 2002-03. Transfer of funds amounting to Rs. 4.59 million from development budget to non-development budget was irregular.

The PAO did not oppose the stance of the Audit.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action and submit report to the PAC Secretariat within thirty days.

9. PARA-16.15 (PAGE-335-336) AR 2003-04
NON-SURRENDER OF UN-SPENT BALANCES ON CLOSING OF DEVELOPMENT SCHEMES - RS. 1.05 MILLION

Audit pointed out that in Drainage Research Centre, Tando Jam two development projects "Salt Affected Soil and their Reclamation'' and "Alternative Project for Development of Irrigated Land'' were completed on 30 June 2000. The management did not surrender the unspent balances amounting to Rs. 1.05 million in violation of para 209 of GFR Vol-I.

The PAO informed that the copy of deposit challan Rs.0.543 million duly verified by Federal Treasury Office has been provided by the department to the Audit.

PAC DIRECTIVE

The Committee directed the PAO to provide the utilization record of remaining amount of Rs. 0.503 million to the audit for verification and pended the para till next meeting.

10. PARA-16.17 (PAGE-337) AR 2003-04
IRREGULAR PAYMENT OF CASH REWARD / HONORARIUM - RS.0.261 MILLION

Audit pointed out that the National Institute of Oceanography, Karachi paid an amount of Rs. 260,530 to its employees on account of "Cash Reward / Honorarium" during the period from 1999-2000 to 2001-02. Audit observed that an amount of Rs. 62,501 was paid during the ban on such payment by the Ministry of Finance. Audit stated that DFA, Ministry of Science and Technology, was not competent to allow cash award / honorarium to himself, his staff, staff of Ministry of Science and Technology and officers of BPS-19 and above. In view of the above mentioned observations all expenditure incurred on Cash Reward / Honorarium was irregular.

The PAO assured the Committee that the case will be referred to Ministry of Finance for regularization.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the Ministry of Finance with a report to PAC/Audit.

11. PARA-16.18 (PAGE-338-339) AR 2003-04
IRREGULAR APPOINTMENT OF CONTRACT EMPLOYEES ON REGULAR BASIS

Audit pointed out that in National Institute of Oceanography Karachi, two contract officers of Polar Research Cell were appointed on regular basis as Research Officers (BPS-17) on 13 June 1995 and 01 July 1998. Both appointments were made during ban period imposed by the Finance Division under the "Economy Measures". Furthermore, no advertisement was placed in the press to fill in the posts nor was any Committee constituted for the purpose of appointment. In the absence of approved service rules of NIO appointment of BPS-17 officers should have been made with the approval of FPSC / Establishment Division which was not done. In view of the above, the appointments are treated as irregular and expenditure of Rs. 745,830 incurred on pay and allowances during 1999-2000 to 2001-02 is considered as irregular. The local office was asked to work out the amount paid prior to the audit period i.e. from the date of appointment to June, 1999 but the same was not done.

The PAO stated that the irregular appointments / promotions were regularized by the competent authority of the Ministry.

PAC DIRECTIVE

The Committee settled the para.

12. PARA-16.19 (PAGE-339) AR 2003-04
IRREGULAR PAYMENT ON ACCOUNT OF HONORARIUM - RS.0.379 MILLION

Audit pointed out that according to Rule 9 of Fundamental Rules honorarium is a recurring or non-recurring payment granted to a Government servant from general revenues as remuneration for special work of an occasional or intermittent character. There is no provision in the rules to make payment of honorarium to employees not borne on the sanctioned strength of an office. Contrary to the above it was observed that 3 autonomous bodies under the administrative control of Ministry of Science and Technology paid a sum of Rs. 379,400 to employees of other departments including office of the DFA out of their own budget allocation during the period from 1999-2000 to 2001-02 .

The PAO assured the Committee that the case will be referred to Ministry of Finance for regularization.

PAC DIRECTIVE

The Committee directed the PAO to get it regularized from the Ministry of Finance.

13. i. **PARA-16.1 (PAGE-323-324) AR 2003-04**

ii. **PARA-16.2 (PAGE-324-325) AR 2003-04**

iii. **PARA-16.4 (PAGE-326-327) AR 2003-04**
IRREGULAR EXPENDITURE ON ACCOUNTS OF PURCHASE OF MACHINERY AND EQUIPMENT – RS. 3.59 MILLION

iv. **PARA-16.10 (PAGE-332) AR 2003-04**
IRREGULAR PAYMENT ON ACCOUNT OF MEDICAL ALLOWANCE PAID TO OFFICERS / OFFICIALS - RS. 2.83 MILLION

v. **PARA-16.11 (PAGE-332-333) AR 2003-04**

IRREGULAR EXPENDITURE ON PURCHASE OF MACHINERY AND EQUIPMENT - RS. 22.54 MILLION

vi. **PARA-16.13 (PAGE-334) AR 2003-04**

vii. **PARA-16.14 (PAGE-335) AR 2003-04**
EXCESS EXPENDITURE OVER THE BUDGETARY ALLOCATION – RS. 2.24 MILLION

viii. **PARA-16.16 (PAGE-336-337) AR 2003-04**
IRREGULAR SANCTION FOR HIRING OF HOUSE - RS. 8.49 MILLION

ix. **PARA- 7.1 (PAGE-367-368) PAR 2003-04**
NON-ACHIEVEMENT OF PROJECT OBJECTIVES / NON-COMPLETION OF STUDIES

x. **PARA- 7.2 (PAGE-3369) PAR 2003-04**
NON-DISSEMINATION OF THE RESULTS OF RESEARCH

xi. **PARA- 7.2.1 (PAGE-369) PAR 2003-04**
IMPROPER FUNCTIONING OF THE LIBRARY

xii. **PARA- 7.2.2 (PAGE-369) PAR 2003-04**
NON-ORGANIZATION OF ADEQUATE NUMBER OF SEMINARS, WORKSHOPS ETC.

xiii. **PARA- 7.2.3 (PAGE-369) PAR 2003-04**
LACK OF FOCUS OF PUBLISHING OF RESEARCH ARTICLES

xiv. **PARA- 7.3 (PAGE-369-370) PAR 2003-04**
NON-ALLOCATION OF ADEQUATE FUNDS FOR RESEARCH

xv. **PARA- 7.4 (PAGE-370) PAR 2003-04**
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xvi. **PARA- 7.5 (PAGE-370) PAR 2003-04**
LACK OF COOPERATION WITH SISTER ORGANIZATIONS

xvii. **PARA- 7.6 (PAGE-370) PAR 2003-04**
IMPROPER PROJECT MANAGEMENT

xviii. **PARA- 7.6.1 (PAGE-370-371) PAR 2003-04**
ABANDONING OF THE PROJECTS

xix. **PARA- 7.6.2 (PAGE-371-372) PAR 2003-04**
DELAYED COMPLETION OF PROJECTS

xx. **PARA- 7.6.3 (PAGE-372) PAR 2003-04**
CHANGE OF SCOPE OF PROJECT

xxi. **PARA- 7.6.4 (PAGE-372) PAR 2003-04**
NON-PREPARATION OF PC-IV AND PC-V

xxii. **PARA- 7.6.5 (PAGE-372) PAR 2003-04**
NON-UNDERTAKING OF RESEARCH AS A REGULAR ACTIVITY

xxiii. **PARA- 7.7 (PAGE-372) PAR 2003-04**
UNSATISFACTORY STATE OF MANAGEMENT

xxiv. **PARA- 7.7.1 (PAGE-373) PAR 2003-04**
NON-HOLDING OF MEETINGS OF BOG, EC AND TECHNICAL ADVISORY COMMITTEE

xxv. **PARA- 7.7.2 (PAGE-373) PAR 2003-04**
FLUID STATUS OF PCRWR

xxvi. **PARA- 7.7.3 (PAGE-373) PAR 2003-04**
ABSENCE OF A CLEAR PROMOTION POLICY

xxvii. **PARA- 7.7.4 (PAGE-373) PAR 2003-04**
TRANSFER OF ESTABLISHMENT AND VEHICLES TO NON-DEVELOPMENT BUDGET

xxviii. **PARA- 7.8 (PAGE-373) PAR 2003-04**
IMPROPER FINANCIAL MANAGEMENT

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xxx. **PARA- 7.8.2 (PAGE-374) PAR 2003-04**
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xxxii. **PARA- 7.8.4 (PAGE-375) PAR 2003-04**
FAILURE TO PREPARE A CONSOLIDATED EXPENDITURE STATEMENT OF PCRWR

xxxiii. **PARA- 7.8.5 (PAGE-375-376) PAR 2003-04**
NON-ADJUSTMENT OF ADVANCES

xxxiv. **PARA- 7.8.6 (PAGE-376) PAR 2003-04**
PAYMENT OF SALARY WITHOUT APPROVAL OF THE PROJECT POSTS

xxxv. **PARA- 7.8.7 (PAGE-376-377) PAR 2003-04**
AWARD OF CONTRACT TO OTHER THAN LOWEST BIDDER

xxxvi. **PARA- 7.8.8 (PAGE-377) PAR 2003-04**
NON-MAINTENANCE OF PROPER STOCK REGISTERS

xxxvii. **PARA- 4.1 (PAGE-342-343) PAR 2003-04**
NON-ACHIEVEMENT OF OBJECTIVES

xxxviii. **PARA- 4.2 (PAGE-343-344) PAR 2003-04**
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NON-FULFILLMENT OF BOND REQUIREMENTS SUBMITTED FOR FOREIGN TRAINING

lii. **PARA- 4.14.2 (PAGE-349) PAR 2003-04**
FAILURE TO RETURN STORES

liii. **PARA- 8.1 (PAGE-367-368) PAR 2003-04**
LOW EXPENDITURE ON RESEARCH AND DEVELOPMENT

liv. **PARA- 8.2 (PAGE-367-368) PAR 2003-04**
LESS FOCUS ON DEVELOPMENT PROJECTS

lv. **PARA- 8.3 (PAGE-367-368) PAR 2003-04**
UNSATISFACTORY PERFORMANCE FOR IN-HOUSE / PILOT PROJECTS

lvi. **PARA- 8.4 (PAGE-367-368) PAR 2003-04**
LESS ATTENTION ON RESEARCH PAPERS

lvii. **PARA- 8.5 (PAGE-367-368) PAR 2003-04**
INCOMPLETE / ON-GOING PROJECTS

lviii. **PARA- 8.6 (PAGE-367-368) PAR 2003-04**
DROPPED / ABANDONED PROJECTS

lix. **PARA- 8.7 (PAGE-367-368) PAR 2003-04**
SOLD OUT PROCESSES / TECHNOLOGIES / PRODUCTS

lx. **PARA- 8.8 (PAGE-367-368) PAR 2003-04**
LOWER NUMBER OF PROJECTS SPONSORED BY PRIVATE SECTOR

lxi. **PARA- 8.9 (PAGE-367-368) PAR 2003-04**
POOR PERFORMANCE WITH RESPECT TO TESTING AND ANALYZING

lxii. **PARA- 8.10 (PAGE-367-368) PAR 2003-04**
NON-PERFORMANCE OF ITS DUE ROLE BY INDUSTRIAL LIAISON OFFICE

lxiii. **PARA- 8.11 (PAGE-367-368) PAR 2003-04**
LESS EMPHASIS ON HUMAN DEVELOPMENT PROGRAM

lxiv. **PARA- 8.12 (PAGE-367-368) PAR 2003-04**
UNDERUTILIZATION OF MACHINERY AND EQUIPMENT

lxv. **PARA- 8.13 (PAGE-367-368) PAR 2003-04**
INADEQUATE REPAIR AND MAINTENANCE OF MACHINERY / EQUIPMENT

lxvi. **PARA- 8.14.1 (PAGE-367-368) PAR 2003-04**
IRREGULAR PAYMENT OF ADVANCES TO THE OFFICERS FOR PURCHASES / WORKS

lxvii. **PARA- 8.14.2 (PAGE-367-368) PAR 2003-04**
LESS RECOVERY OF ELECTRICITY CHARGES RS.4.22 MILLION

lxviii. **PARA- 8.15 (PAGE-367-368) PAR 2003-04**
INTERNAL CONTROL

lxix. **PARA-187 & 187.1 (PAGE-333) ARPSE 2003-04**

lxx. **PARA-187.2 (PAGE-334) ARPSE 2003-04**

lxxi. **PARA-187.3 (PAGE-334) ARPSE 2003-04**

lxxii. **PARA-187.4 (PAGE-334) ARPSE 2003-04**

lxxiii. **PARA-187.5 (PAGE-334) ARPSE 2003-04**

lxxiv. **PARA-187.6 (PAGE-334) ARPSE 2003-04**

PAC DIRECTIVE

The Committee settled the above mentioned 74 paras.

STATES, FRONTIER REGIONS AND NORTHERN AREAS (SAFRON)

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o States and Frontiers Regions was examined by the PAC on 2nd September, 2015.

- 04 grants were presented by the Audit Department which were examined and settled.

STATES, FRONTIER REGIONS AND NORTHERN AREAS (SAFRON)

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd September, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of States and Frontier Regions and Northern Areas Division are given below:-

STATES AND FRONTIER REGIONS AND NORTHERN AREAS DIVISION

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

1. GRANT NO.78- STATES AND FRONTIER REGIONS AND NORTHERN AREAS DIVISION
Excess of Rs. 21,482,725/-

AGPR pointed out that the grant closed with the excess of Rs. 21,482,725 which worked out to 13.47% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.79-FRONTIER REGIONS

AGPR pointed out that the grant closed with the excess of Rs. 177,038,783 which worked out to 16.99% of the total grant.

PAC DIRECTIVE

The Committee regularized the grant.

3. GRANT NO.82-MAINTENANCE ALLOWANCES TO EX-RULERS

AGPR pointed out that the grant closed with the saving of Rs. 200.

PAC DIRECTIVE

The Committee regularized the grant.

4. GRANT NO. 84-AFGHAN REGUGEES

AGPR pointed out that the grant closed with the saving of Rs. 36,505,034 which worked out to 24.79% of the total grant. An amount of Rs. 32,400,723 (22.01%) was surrendered leaving net saving of Rs. 4,104,311 (2.78%).

PAC DIRECTIVE

The Committee regularized the grant.

STATISTICS DIVISION

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Statistics Division was examined by the PAC on 30th December, 2015.

- 08 audit paras were presented by the Audit Department which were examined by the Committee. These 08 paras were settled.

STATISTICS DIVISION

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 30th December, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 Statistics Division are given below:

AUDIT REPORT 2003-04

1. i. **PARA-7. 1 PAGE-165-167 AR 2003-04**
IRREGULAR PAYMENT OF INCENTIVE PAY TO OFFICERS AND STAFF–RS. 3.357 MILLION

   ii. **PARA-7. 2 PAGE-167-169 AR 2003-04**

   iii. **PARA-7. 3 PAGE-169-170 AR 2003-04**
IRREGULAR DRAWL OF DIFFERENCE OF TA/DA OUT OF FUNDS OF QUARTERLY NATIONAL ACCOUNTS PROJECT – RS. 0.104 MILLION.

   iv. **PARA-7. 4 PAGE-170-171 AR 2003-04**
IRREGULAR USE OF VEHICLES OF ATTACHED DEPARTMENT BY THE ADMINISTRATIVE DIVISION– RS. 0.646 MILLION

   v. **PARA-7. 5 PAGE-171-172 AR 2003-04**
UNJUSTIFIED EXPENDITURE ON MAINTENANCE OF A PRINTING PRESS IN POPULATION CENSUS ORGANIZATION – RS. 3.810 MILLION

   vi. **PARA-7.6 PAGE-172-173 AR 2003-04**
IRREGULAR EXPENDITURE ON PURCHASES WITHOUT CALLING OPEN TENDERS – RS. 0.320 MILLION

   vii. **PARA-7.7 PAGE NO. 173-174 AR 2003-04**
IRREGULAR EXPENDITURE ON MAINTENANCE OF OPERATIONAL VEHICLES AFTER COMPLETION OF PROJECT – RS. 0.288 MILLION

   viii. **PARA-7.8 PAGE NO. 174 AR 2003-04**
NON-PRODUCTION OF RECORD OF EXPENDITURE – RS. 3.040 MILLION

PAC DIRECTIVE

The Committee settled the above eight paras on the recommendation of DAC.

M/O TEXTILE INDUSTRY

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Textile Industry was examined by the PAC on 9th July, 2015.

- 10 audit paras were presented by the Audit Department which were examined by the Committee. Out of which 05 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries and fix responsibility.

M/O TEXTILE INDUSTRY

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 9th July, 2015while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of M/o Textile Industry are given below:-

AUDIT REPORT FOR THE YEAR 2003-04

1. PARA-5.18 (PAGE-44-45) AR 2003-04
IMPROPER UTILIZATION OF FUNDS FROM ALLOCATION OF RS. 20.00 MILLION

The Audit pointed out that in order to boost cotton production in Balochistan and to provide an opportunity to the cotton growers, especially small farmers, to enhance their income, an amount of Rs. 20.00 million was provided to PCCC from the Prime Minister's Special Fund. Out of this amount, PCCC HQ, Karachi spent a sum of Rs. 2.08 million and the balance amount of Rs. 17.92 million was transferred in June, 2000 to CCRI, Multan for a project named "Improvement of cotton Genotypes through Genetic Engineering and Biotechnology". The project utilized a sum of Rs. 10.22 million up to May, 2001 and thereafter the balance amount of Rs. 7.70 million was transferred back to PCCC HW on the directive of MINFAL on 8 May 2001. It was further noted that the project "Improvement of cotton Genotypes through Genetic Engineering and Biotechnology" was to be executed in 3 years but before its completion the funds were transferred back to PCCC HQ and incurred on seed supply fertilizer & farmer gathering at Lasbela. Audit further told that out of an allocation of Rs. 20.0 million, only a sum of Rs. 9.75 million was spent in Balochistan and the remaining amount was unauthorizedly spent on other accounts. The amount spent at Multan & remaining amount could also not be audited as the same had been expended by Balochistan Agriculture Department.

The Audit was of the view that the management failed to utilize a major chunk of the sum of Rs. 20.0 million for boosting cotton production in Balochistan for which purpose the money had been allocated from Prime Minister's Special Fund and major part of the amount was pent outside Balochistan which was irregular.

The PAO informed that at that time PCCC was under the control of Ministry of Food and Agriculture and later on transferred to Textile Industry. During this period there were many difficulties in transferring of record. Due to non-availability of record, this para could not be addressed properly. The Ministry of Textile has many times requested the Ministry of Food and Agriculture but record could not be retrieved. It is requested some time many be granted for the getting the record from Ministry of Food and Agriculture. It is not possible to find facts about the issue without the record.

PAC DIRECTIVE

The Committee directed the PAO to get the record from Ministry of Food and Agriculture and submit a facts finding report to the Audit/PAC within one month.

2. PARA-5.19 (PAGE-44-45) AR 2003-04
UNAUTHORIZED TRANSFER OF FUNDS AMOUNTING TO RS. 1.390 MILLION

The Audit pointed out that record of Central Cotton Research Station, Multan revealed that savings of other projects amounting to Rs. 1.39 million, were transferred to the sub-project studies on "Cotton Leaf Curl Virus through integrated Inter-disciplinary Approach for Research and Extension". The funds were utilized by the said project without prior permission of the donor / Government of Pakistan which was irregular as funds had been provided for individual projects for which individual PC-I was prepared.

The PAO informed that at that time Central Cotton Research Station Multan was under Ministry of Food and Agriculture and later on became the part of Ministry of Textile Industry and its record is not being traced. He told that only after pursuing the record, it will be possible to check whether it was spent according to PC-I or not. He told that this issue will also be assigned to the inquiry Committee for investigation. The comprehensive report will be submitted to the Audit/PAC after the inquiry.

PAC DIRECTIVE

The Committee directed the PAO to constitute a fact finding inquiry Committee, fix responsibility, take action against the responsible and report to the Audit / PAC within thirty days.

3. PARA-5.20 (PAGE-45) AR 2003-04
IRREGULAR EXPENDITURE OF RS. 245,000 ON PURCHASE OF TELEPHONE EXCHANGE

The Audit pointed out that during the course of audit it was noted that Project Director, Cotton Leaf Curl Virus, Multan purchased Electric Modular Switching System telephone exchange from M/s Siemens Ltd. On 25th November, 1997 at a total cost of Rs. 245,000 after inviting open tenders. As per PC-I of the Sub-project there was no provision for purchase of telephone exchange out of project funds. The management did not approach the Government of Pakistan for revision of PC-I. As a result the expenditure was considered as irregular.

The PAO informed that this was purchased to provide facility of phone to the officers.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix responsibility, take action against the responsible and report to the Audit / PAC within thirty days.

4. PARA-5.21 (PAGE-45-46) AR 2003-04
UNECONOMICAL PURCHASE OF EQUIPMENT WORTH RS. 210,000

The Audit pointed out that it was noted during the course of audit that the management of Central Cotton Research Institute, Multan irregularly incurred an expenditure of Rs. 210,000 on the project titled "Development of F1 Commercial Cotton Hybrid Resistant to Leaf Curl Virus" for the purchase of Seed Germinator & Cotton Saw Machine with rollers without calling tenders through press in violation of instructions contained in para 144 of GFR, Vol-I. Audit

The PAO informed that the tenders for the purchase of the subject equipment was advertised in the newspapers but only one company responded and quoted very high rates (seed germinator @ Rs.795,000, Sawgin Machine @ Rs.175,000) so, in order to exercise the economy in the purchase of above equipment on competitive prices, a number of quotations were obtained and the most low price was accepted (Seed Germinator @ Rs.125,000 and Sawgin Machine @ Rs. 85,400). In whole process, significant economy was made. Audit stressed that the relevant record i.e. documentary evidence is required for verification.

PAC DIRECTIVE

The Committee directed the PAO to provide the relevant record to the Audit for verification and settled the para subject to verification of record by the Audit.

5. PARA-5.22 (PAGE-46-48) AR 2003-04
NON-PRODUCTION OF RECORD OF UTILIZATION OF RS. 32.76 MILLION

The Audit pointed out that as per PC-I of the 8 projects a total sum of Rs. 84.54 million was received from Asian Development Bank under Loan No. 791-Pak, Cotton Leaf Curl Virus component. Out of the above said amount a sum of Rs. 27,539 million was released directly to the Project Coordinators while equipment, glassware, chemicals etc. worth Rs. 24.24 million were supplied. However, utilization of a total sum of Rs. 51.78 million only could only be explained to audit while the remaining amount of Rs. 32.76 million could not be accounted for. To ascertain the exact position of allocation, release and utilization of funds Ministry of Food, Agriculture and Livestock was also visited where Deputy Secretary (Crops) and the concerned Section Officer intimated that all the relevant record had been burnt due to fire and no amended / revised agreement / terms and conditions of the loan were available. In this regard, the Audit is of the view that complete account of allocation, release and utilization could have been re-cast after obtaining necessary information from project implementation authorities.

The PAO informed that at that time an inquiry was conducted and on the recommendation of inquiry Committee, an order was issued to recover the illegally spent amount from a director who was held responsible. But he was granted stay from Federal Services Tribunal. He appraised the Committee that the DAC in its meeting held on 6th July, 2015 constituted a fact finding inquiry Committee to find out the facts of the case and submit its findings along with the recommendations within one month.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry, fix responsibility, take action against the responsible and submit report to the Audit / PAC within thirty days.

6. AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

PAC DIRECTIVE

The Committee settled the report containing para no. 110 & 110.1, 110.2, 110.3 and 110.4 on the recommendation of DAC.

WAFAQI MOHTASIB SECRETARIAT

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the Wafaqi Mohtasib Secretariat was examined by the PAC on 30th September, 2015.

- 01 grant was presented by the Audit Department which was examined by the Committee. This 01 grant was settled.

WAFAQI MOHTASIB SECRETARIAT

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 30th September, 2015 while examining Appropriation Accounts/Audit Reports/ Special Audit Reports for the year 2003-04 of Wafaqi Mohtasib Secretariat are given below:-

APPROPRIATION ACCOUNTS CIVIL VOL-I 2003-04

WAFAQI MOHTASIB (CHARGED)
SAVING OF RS. 2,851,491/-

The Appropriation closed with a saving of RS. 2,851,491 which works out to 3.26 percent of the total Appropriation. An amount of Rs, 1,600,000 (1.82%) was surrendered leaving net saving of Rs. 1,251,491 (1.42%).

PAC DIRECTIVE

The Committee regularized the grant.

M/O WATER AND POWER

OVERVIEW

Annual Audit Report for the year 2003-04 pertaining to the M/o Water and Power was examined by the PAC on 4th February, 10th March, and 2nd April, 2015 and 13th January 2016.

- 03 grants and 76 audit paras were presented by the Audit Department which were examined by the Committee. 03 grants and 33 paras were settled whereas appropriate directions were accordingly issued for the remaining paras.

- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.

M/O WATER AND POWER

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 4th February, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Water and Power are given below:

APPROPRIATION ACCOUNTS (CIVIL VOL-1)2003-04

1. GRANT NO.108- WATER AND POWER DIVISION

The AGPR pointed out that the grant closed with excess of 5,807,315 which works out to 5.21% of the total grant. A supplementary grant of Rs.11,466,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the excess occurred due to grant of 15% special allowance, medical charges, incurred on the cardiac treatment of an officer and lesser allocation for rental payment .He also told that the supplementary grant of Rs.5.00 million could not be utilized due to non- opening of PLA by the technical Committee on water resources.

PAC DIRECTIVE

The Committee regularized the grant.

2. GRANT NO.147- DEVELOPMENT EXPNDITURE OF WATER AND POWER DIVISION

The AGPR pointed out that the grant closed with saving of Rs. 3,944,562,435 which works out to 28.14% of the total grant. An amount of Rs. 524,278,000(3.74%)was surrendered leaving net saving of Rs. 3,420,284,435(24.40%).A supplementary grant of Rs.185,600,000 was sanctioned but not included in the supplementary schedule of authorized expenditure.

The PAO explained that the saving was due to re-adjustment of PSDP (Pakistan Social Development Programme) by planning division and due to non-provision of utilization accounts by the provincial government. Due to which funds were not released by FA's organizations.

PAC DIRECTIVE

The Committee regularized the grant.

3. GRANT NO.158- CAPITAL OUTLAY ON IRRIGATION AND ELECTRICITY

The grant was fully utilized with zero saving/excess.

PAC DIRECTIVE

The Committee regularized the grant.

AUDIT REPORT FOR THE YEAR 2003-04

4. PARA-19.1(PAGE 421) AR 2003-04 IRREGULAR EXPENDITURE ON ACCOUNT OF HOUSE RENT CEILING PAID TO OFFICERS/STAFF – RS 5.120 MILLION (RS. 3.781 MILLION)

Audit pointed out that according to part V of Pakistan Allocation Rules 1993. Government may hire a private house allot it to a Government servant. The rent ceiling is paid to the owner of the hired house. But IRSA instead of requisitioning private houses and allotting those to its officers/officials had paid an amount of Rs.5,123,040 as house rent ceiling to its officers/officials along with their salary without concurrence of Finance Division and Housing and Works Division.

The PAO replied that the correct amount is Rs. 3.781 million. Part-V of Pakistan Allocation Rules, 1993 is applicable to the government organizations and civil servants come under the jurisdiction of Estate Office, Ministry of Housing and Works. According to IRSA Act Chapter IV Clause 13 the Chairman, Members, Officers and members of staff, be deemed to be public servants, within the meaning of Section 21 of the Pakistan Penal Code (Act XLV of 1860).

The IRSA had requested the Ministry of Housing and Works to allot housing accommodations to IRSA employees but they refused to entertain the request by stating that IRSA employees were not on the pool of Estate Office and were also not eligible for office/resident accommodation. Moreover, the house ceiling rates of Government of Pakistan as presently given to IRSA employees are being met through the self-financial autonomy i.e. approved vide CCI decision dated 01.06.2011 and there is no burden on federal government regarding allocation of budget to IRSA.

The IRSA made decision within the powers vested under Section 13(2) OF IRSA Act 1992 and in light of Establishment Division's O.M No. 6/8/2005-R.3 dated 5.07.2006 stating that: " Under the above provision of IRSA Act 1992 the Authority is competent to make regulations consistent with the said Act and the rules framed there under. Therefore concurrence of Finance Division is not required for making IRSA Employees (Service) Regulations. It is requested to appraise the Audit Authority accordingly."

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue at DAC level and report to the PAC.

5. PARA-19.2(PAGE 421-422) AR 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF TEN VEHICLES IN SPITE OF BAN ON PURCHASE OF VEHICLES-RS. 3.390 MILLION

Audit stated that the management of IRSA had purchased 10 vehicles for use of members of the Authority and other officers in violation of the ban imposed by the Finance Division on purchase of cars which was equally applicable to autonomous bodies / authorities. The purchases were also made without obtaining NOC from the Cabinet Division in violation of Rule 3(5) of Staff Car Rules, 1980.

PAO replied that the procurement of vehicles was decided by the Authority, under the procurement criteria. The budget demand for the purchase of vehicles for the Members/Officers was sanctioned/approved by Finance Division. Therefore, seven vehicles were purchases with due consent of the administrative Ministry. The vehicles were purchased in extreme emergency and there was no alternate available for smooth functioning of IRSA. The establishment of the Authority and appointment of Member was made immediately and the vehicles used on hiring basis were very costly and out of scope of IRSA budget. It is pertinent to mention here that there was no ban on the purchase of new vehicles during 1993.

As regard the remaining three vehicles, the same were locally assembled and 2nd hand vehicles purchased from National Highway Authority. Therefore, the requirement of NOC from the Cabinet Division did not arise due to the reason that, establishment of authority and appointment of Authority/Members was made on immediate basis.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue at DAC level and report to the PAC.

6. PARA-19.3(PAGE 422-423) AR 2003-04
EXPENDITURE ON ACCOUNT OF INADMISIBLE ALLOWANCES PAID TO THE OFFICERS/STAFF OF IRSA-RS. 2.020 MILLION

Audit pointed out that according to Rule 12 of Rules of Business, no Division can issue any orders which will directly or indirectly affect the finances of the Federation without consultation with the Finance Division. But in contravention of this rule, IRSA allowed to its employees, including members, medical allowance,

conveyance allowance and IRSA allowance at @20%, 15% and 20% of running basic pay respectively. Furthermore, in terms of Rules 4 of the Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000 framed under Section 21 of IRSA Act, 1992 and Terms and Conditions of Appointment of Members, the members of IRSA are entitled to pay and Allowance of BPS-21. A Committee of Finance Division considered the matter regarding payment of these allowances on 15.10.2002 and directed IRSA to freeze these allowances to all existing employees, stop these allowances to new entertains and submit the case for approval of these allowances to the Standing Committee in Finance Division for consideration / approval. IRSA had, however, not submitted the case to Standing Committee in Finance Division. Thus the payment of the above mentioned allowances without approval of Finance Division was irregular.

PAO replied that under the provision of IRSA Act, 1992, the Authority is competent to make regulations consistent with the said Act and the rules framed there-under. Therefore, concurrence of the Establishment Division and Finance Division is not required for making IRSA employees (services) regulations. Moreover, IRSA has already adopted government pay scales as admissible to civil servants. The conveyance allowance and medical allowance is being granted to IRSA employees as per government rules revised in 2006 and 2010 respectively. Moreover, as regard IRSA allowance, it is pertained to mention here that, as the other autonomous bodies also allow their employees the facility of pension, GPF, medical, pick and drop, accommodation and free electricity like NEPRA, WAPDA and NHA etc. Further even the federal government departments, like FBR, Pak Army, Police Department, Supreme Court, High Courts are drawing one additional basic pay along with their regular pay and allowance. The IRSA is financially self-autonomous vide Council of Common interest decision dated 1st June, 2011 and there is no burden on Federal Government regarding the allocation of budget. He claimed that all allowance were frozen at the existing rates and no payment was made to new entrants as per direction of DAC dated 13th January, 2015 and as per the direction of the Committee of the Finance division.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue at DAC level and report to the PAC.

7. PARA-19.4(PAGE 423-424) AR 2003-04
NON FRAMING OF SERVICE AND GENERAL RULES

Audit pointed out that in terms of Section 12 of IRSA had made IRSA Manual of Service and General Rules, 1999 without consultation with Establishment Division and Finance Division which was necessary in terms of Rules 11 and 12 of Rules of Business, 1973.In the absence of approval of these rules by the Establishment Division and Finance Division, their application had not met the

legal requirements. The irregularities committed on this account need regularization of the respective Divisions. Audit was of the view that M/o Water and Power had no Power to approve service and general rules without consulting the Establishment Division and Finance Division.

PAO replied that the IRSA authority framed Service Regulations of its employees and sent to Ministry of Water and Power. The Ministry of Water and Power sent the same to the Establishment Division. The Establishment Division issued O.M No. 6/8/2005-R.3 dated 05.07.2006 stating that: "under the above provision of IRSA Act 1992 the Authority is competent to make regulations consistent with the said Act and the rules framed there under". Therefore concurrence of Finance Division is not required for making IRSA employees (service) Regulations. He further said that Indus River System Authority (IRSA), has been granted financial autonomy by the Council of Common Interest (CCI), Government of Pakistan in the above facts and self-financial autonomy of IRSA, there is no burden on Federal Government regarding allocation of budget to IRSA.

PAC DIRECTIVE

The Committee directed the PAO to resolve the issue at DAC level and report to the PAC.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2003-04
NATIONAL ENGEERING SERVICES OF PAKISTAN PRIVATE LIMITED

8. PARA-189 & 189.1(PAGE 343-344) ARPSE 2003-04

The Audit pointed out that the company was incorporated in 1973 under the companies Act, 1913 (now Companies Ordinance 1984) it is wholly owned by the Federal Government of Pakistan and is engaged in engineering consultancy Services in Pakistan and abroad. The company earned profit before taxation of Rs. 40.303 millions in 2003-04 as compare to Rs. 9.793 millions in 2002-03. The main factor for increase in profit was due to adding back of contribution to gratuity fund of Rs. 28.227 million which was over funded by the company then its obligation in previous year. The company paid a bonus to staff/executives of Rs. 11.600 millions which has no relevance with its operating profit. The Audit requested the Committee the department may be asked to clarify the position.
PAO replied that the company has a history of pay in bonus to its employees as incentive to produce profit since its beginning which is duly approve by its board of directors. He further told the Committee the DAC had agreed to our stance.

PAC DIRECTIVE

The Committee settled the para.

9. PARA-189.2(PAGE 344) ARPSE 2003-04

The Audit pointed out that the Income from consultancy fee received in Pakistan and abroad was shown separately but the administrative, general and financial expenses were not bifurcated for both operations. The need for maintaining at least memorandum accounts for Pakistan and abroad operations separately is stressed upon the management so that the loss account on one activity may not be set off against the profit of other activity and accordingly stakeholders could be able to review the accounts meaningfully.

The PAO was of the view that the profit earning organizations may be empowered to give bonus to its employees as incentives in the DAC meeting held on 23rd May, 2005 but the DAC desired that Finance Division may be consulted for dispensation in such cases.

PAC DIRECTIVE

The Committee directed the PAO to implement the decision of DAC.

10. PARA-189.3(PAGE 344) ARPSE 2003-04

The Audit pointed out that a provision for doubtful debts of Rs. 165.133 million had been made upto June 30, 2004. The reasons for non-recovery, efforts made by management for recovery, chances of recovery at this belated stage and present status in each case may be intimated.

The PAO replied that NESPAK is a Government owned organization and most of its clients are Government bodies. These clients usually pay NESPAK bills after three or four months after verifications from their own records and audit process. Some clients withhold payments due to shortage of funds, non-approval of amendments to contracts, Audit observations, Clearance of final bills of contractors, Pending arbitration cases, overbilling and Disputes like contractual misinterpretations. He further stated that in such of business pending receive-able upto 18.1% of the total billing is justified. However, despite of this strong efforts and measures are being taken to make recovery from the clients.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to resolve the issue at DAC level and report to PAC.

11. PARA-189.4(PAGE 344) ARPSE 2003-04

The Audit pointed out that advances from contractors indicated an amount of Rs. 46.464 million as on June 30, 2004 which were obtained from different departments/organizations but their work had not been finalized or the clearance

certificate for work done was not issued by the relevant parties. Reasons for non-completion of work in each case may be explained.

The PAO informed that these advances relate to running jobs and are regularly adjusted through monthly billings.

PAC DIRECTIVE

The Committee settled the para.

12. PARA-189.5(PAGE 344-345) ARPSE 2003-04

NATIONAL POWER CONSTRUCTION CORPORATION PRIVATE LIMITED

13. i. PARA-190&190.1(PAGE 346) ARPSE 2003-04

ii. PARA-190.2(PAGE 346) ARPSE 2003-04

PAC DIRECTIVE

The Committee settled the above three un-highlighted paras.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 10th March, 2015 while examining Appropriation Accounts/Audit Reports/Special Audit Reports for the year 2003-04 of Ministry of Water and Power are given below:

MINISTRY OF WATER AND POWER

1. i) PARA-19.1(PAGE 421) AR 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF HOUSE RENT CEILING PAID TO OFFICERS/STAFF –RS 5.120 MILLION (RS. 3.781 MILLION)

Audit pointed out that according to part V of Pakistan Allocation Rules 1993, Government may hire a private house and allot it to a Government servant. The rental ceiling is paid to the owner of the hired house. But IRSA, instead of requisitioning private houses and allotting those to its officers/officials, paid an amount of Rs. 5,123,040 as house rent ceiling to its officers/officials along with their salary without concurrence of Finance Division and Housing and Works Division.

PAO Informed the Committee that IRSA was established under Indus River System Authority Act 1992 and the decision of the Authority to pay the House acquisition ceiling as per entitlement of officer/official as a part of monthly salary was justified under Section 12(2) read with section 22(1) of the said Act.

ii) PARA-19.3 (PAGE 422-423) AR 2003-04
EXPENDITURE ON ACCOUNT OF INADMISIBLE ALLOWANCES PAID TO THE OFFICERS/STAFF OF IRSA-RS. 2.020 MILLION

Audit briefed the Committee about the para and stated that according to Rule 12 of Rules of Business, no Division can issue any orders which will directly or indirectly affect the finances of the Federation without consultation with the Finance Division. But in contravention of this rule, IRSA allowed to its employees, including members, medical allowance, conveyance allowance and IRSA allowance at @20%, 15% and 20% of running basic pay respectively. Furthermore, in terms of Rule 4 of the Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000 framed under Section 21 of IRSA Act, 1992 and Terms and Conditions of Appointment of Members, the members of IRSA are entitled to pay and Allowances of BPS-21. A Committee of Finance Division considered the matter regarding payment of these allowances on 15.10.2002 and directed IRSA to freeze these allowances to all existing employees, stop these allowances to new employees and submit the case

for approval of these allowances to the Standing Committee in Finance Division for consideration / approval. IRSA did not respond the instructions of Finance Division. Thus the payment of the above mentioned allowances without approval of Finance Division was irregular.

The PAO informed the Committee that as per section 13 chapter IV of IRSA Act, 1992 'the Chairman, members and staff shall deem to be Public Servant within the meaning of Section 21 of the PPC (Act XLV of 1860)'. He further stressed that under the powers conferred as per Section 12(2) of IRSA Act, 1992 the Authority is empowered to prescribe procedure for appointment, terms and conditions of its officers and member of staff.

iii) PARA-19.4 (PAGE 423-424) AR 2003-04
NON-FRAMING OF SERVICE AND GENERAL RULES

Audit pointed out that IRSA had made IRSA Manual of Service and General Rules, 1999 without consultation with Establishment Division and Finance Division which was necessary in terms of Rules 11 and 12 of Rules of Business, 1973. In the absence of approval of these rules by the Establishment Division and Finance Division, their application had not met the legal requirements.

The PAO informed that according to Establishment Division instructions the authority is competent to make regulations consistent with the said act and the rules framed there under.

PAC DIRECTIVE

The Committee clubbed the above three paras, and directed the PAO to frame the rules and get the rules vetted from the Establishment Division and discontinue the payment of rental ceiling.

2. PARA-19.2(PAGE 421-422) AR 2003-04
IRREGULAR EXPENDITURE ON PURCHASE OF TEN VEHICLES INSPITE OF THE BAN ON PURCHASE OF VEHICLES-RS. 3.390 MILLION

Audit pointed out that the management of IRSA had purchased 10 vehicles for use of members of the Authority and other officers in violation of the ban imposed by the Finance Division on purchase of cars which was equally applicable to autonomous bodies / authorities. The purchases were also made without obtaining NOC from the Cabinet Division in violation of Rule 3(5) of Staff Car Rules, 1980.

The PAO replied that there was no ban on the purchase of vehicle by the Federal Government during 1993.He told that three vehicles were purchased on the

direction of Ministry of Water and Power. He also added that there was no ban on locally manufactured/assembled vehicles. He requested that as no violation of rules has been made, therefore the para may be settled.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to frame the staff car rules of IRSA.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2003-04

3. PARA-189.3 (PAGE 344) ARPSE 2003-04

The Audit pointed out that a provision for doubtful debts of Rs. 165.133 million had been made up to June 30, 2004. The reasons for non-recovery, efforts made by management for recovery, chances of recovery at this belated stage and present status in each case may be intimated.
The PAO informed the Committee that in the result of the efforts the old receivables has been received. This is a regular ongoing process, despite of this due to practical efforts receivables has been decreased, He told that the dead receivable will be got written off in the next meeting of Board of Directors.

PAC DIRECTIVE

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

4. i) PARA NO.1.2, AR (2003-04) PAGE NO.5-6 DP NO.1115
PAYMENT OF HEAVY CLAIMS OF RS. 3,247.076 MILLION WITHOUT OBSERVING PROCEDURE

Audit pointed out that as per para 23 of GFR, Vol.-I and Instruction-III (Para-1) of "Guideline for Enforcing the Responsibility for losses sustained by the Authority through fraud or negligence of individuals, 1982", the payment due to the negligence and irregularity on the part of responsible needs investigation for accountability. Audit imparted that in Ghazi Barotha Hydro Power Project (GBHP), up till June, 2004 seventy-nine claims amounting to Rs.35,106.075 million were submitted by three main contractors on account of stoppage of work, delay in payments, revision of drawings/designs, extension of time, additional costs, depreciation and demurrage, additional testing charges in camp area, unforeseen conditions and interpretation of contract etc. Out of these seventy-nine claims, the Consultant/Engineer determined twenty-nine claims for Rs.3,247.076 million as WAPDA was held responsible for the delay. Payment was made by the WAPDA on the certification of the consultant

without vetting and clearing of the same by Central Contract Cell of WAPDA as per procedure.

The amount of forty-six claims valuing Rs.31,282.291 million was not accepted by the Consultant while four claims valuing Rs.576.708 million were yet to be determined.

PAO stated that the payment has been adjusted with the contractors. He also told that the management of Ghazi Barotha Hydro Project had thoroughly reviewed the matter and recommended the payment of claims made to GBC (a contractor) for regularization. Later on it was approved by the authority. The economic co-ordination Committee has also approved all contractor vs WAPDA claims paid through settlement agreement.

ii) PARA NO.1.6, AR (2003-04), PAGE NO.9, DP NO.1124
LOSS OF RS. 96.986 MILLION PER DAY DUE TO DELAY IN COMPLETION OF PROJECT

Audit pointed out that as per PC-I, Ghazi Barotha Hydro Power Project for generation of 1,450 MW electricity was to be completed by June, 2000. But it became late for a period of 38 months and completed in August, 2003.Project was actually completed in August, 2003 after a delay of 38 months. The project consultants had estimated that any delay in the project would lead to an increase of Rs.31.233 million per day in cost of construction. Generation loss was assessed at Rs.65.753 million per day. According to the consultant, the project was delayed by WAPDA as well as the contractor. The request of the contractor dated 28th July, 2001 for extension of time was not accepted as he had already delayed the project by eleven months. Liquidated Damages (LD) amounting to Rs.1,590 million were also imposed on the contractor out of which a sum of Rs.210 million was recovered. The contractor left the site in September, 2001. However, a supplementary agreement was signed in April, 2002 by WAPDA with the same contractor (M/s GBC). According to the supplementary agreement not only the time extension was allowed but already imposed LD was also waived off. Audit was of the view that overall delay in completion of the project by thirty-eight months caused cumulative financial loss of Rs.110,564 million (approximately).

PAO informed the Committee that delay in completion of above mentioned projects was due to delay in arrangements of finances, land acquisition, late delivery of Mechanical and Electric equipment and 9/11 incident.

PAC DIRECTIVE

The Committee clubbed the para with para No. 1.2 and directed to probe the issue and report to PAC within one month.

5. PARA NO.1.3, AUDIT REPORT (2003-04), PAGE NO.6, DP NO.1097 NON-ADJUSTMENT OF ACCOUNT OF RS. 1,145.170 MILLION PAID ON ACCOUNT OF LAND COMPENSATION

Audit pointed out that as per clause K of Section XVI of Book of Financial Powers for WAPDA, the accounting unit is required to record full details of land acquired and obtain the adjustment accounts of advances given to Land Acquisition Collector/executing agencies. In Greater Thal Canal Project, Rs.1,145.170 million were transferred from August, 2001 to June, 2003 by WAPDA to Irrigation and Power Department, Government of Punjab for acquisition of land. However, adjustment account containing details of payments of land compensation was not received by the project authorities of WAPDA till finalization of report to establish that the money was spent for the purpose for which it was advanced to the Government of Punjab.

The PAO informed the Committee that a part of the Ghazi Barotha project was handed over to Government of Punjab and was done on their behalf. The Ministry is regularly requesting the Punjab Government to provide the relevant information / adjustment account so that these could be provided to Audit Department. The maximum adjustment has been provided only the adjustment of 290 million is pending. The Audit stressed to get the vouched account from district collectors of Punjab and provide it to them for further Auditing.

PAC DIRECTIVE

The Committee directed the PAO to contact with the Chief Secretary Punjab personally for collection of vouched / adjustment accounts and provide to Audit. The Committee directed to complete the procedure of verification of documents and report to the PAC within two months.

6. PARA NO.1.7, AR (2003-04), PAGE NO.10, DP NO.1105 EXPENDITURE OF RS. 32.216 MILLION INCURRED WITHOUT THE PROVISION OF BUDGET

Audit pointed out that in the light of Clause-B Section VIII of Book of Financial Powers for WAPDA, transfer of funds from one project to another cannot be made. In SCARP Monitoring Organization, WAPDA, an expenditure of Rs.32.216 million was incurred during the years 2001-02 and 2002-03 without provision of budget. Funds of other projects were utilized for executing the project, thus the entire expenditure was irregular.

The PAO stated that expenditure incurred during 2001-02 and 2002-03 by SMO (SCARP Monitoring Organization)for carrying out essential activities was met through NDP (non-development budget) and not from ministry's funding. And this was regularized with the approval of member water.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the audit.

7. PARA NO.1.9, AR (2003-04), PAGE NO.12, DP NO.1112
LOSS OF RS. 9.911 MILLION DUE TO ISSUANCE OF OPEN CHEQUES TO CONTRACTOR

Audit pointed out that as per para 22 of WAPDA Accounting Manual, payment is to be made through crossed cheques. In Deg Drainage Project (Contract No.SDB-14) the contractor nominated an Attorney to receive payment through crossed cheques. The project authorities issued thirteen open cheques, amounting to Rs.16 million, instead of crossed cheques, in violation of Authority's instructions on the subject. The contractor did not acknowledge the payment of Rs.9.911 million in respect of nine cheques and asked the project authorities for payment of the same.

The PAO informed the Committee that the formation concerned has took action in the light of the DAC directions. The cases are being pursued in court of law vigorously. In the light of the findings of the departmental inquiry the action has been taken against the employees responsible for issuance of open cheques to contractors.

PAC DIRECTIVE

The Committee constituted an IDC (Inter-Departmental Committee) comprising of representatives of Ministry of Finance, Audit and Ministry of Water and Power with the direction to probe the issue and report to Committee within one month.

8. PARA NO.3.5, AR (2003-04), PAGE NO.20-21, DP NO. 3/2004
NON-RECOVERY OF RS. 4.116 MILLION FROM CONTRACTOR ON ACCOUNT OF SUPPLYING SUB-STANDARD MATERIAL

Audit pointed out that according to section-VI of Book of Financial Powers for WAPDA, the payment of purchase order is subject to inspection of material by Chief Engineer Inspection and Surveillance WAPDA and Factory test reports. A contract (under IBRD Loan Scheme) was awarded by MD (Power) for manufacturing of 7,599 LT & 4,120 HT pre-stressed cement concrete poles to M/s Sind Precast and Pre-stressing Industries Karachi. Payment of these poles amounting to Rs.4.630 million was made in July, 1997 to the contractor without proper inspection of the material. The material was found sub-standard on inspection and an enquiry Committee was constituted for inspection of material which was jointly inspected by WAPDA and contractor's representatives in May, 2002 who also found the material as sub-standard. On the recommendation of enquiry Committee, in July, 2003 General Manager (C&M) ordered recovery valuing Rs.4.116 million from contractor. The paid amount was not recovered

from the contractor which resulted into loss to WAPDA to the tune of Rs.4.116 million.

The PAO agreed with Audit and stated that the suit was filed for recovery against the contractor and the case is subjudice in the Sindh High Court.

PAC DIRECTIVE

The Committee directed the PAO to submit the comprehensive report on the issue to PAC/audit within two months.

9. i. PARA NO.8.3, AR (2003-04), PAGE NO.33, DP NO.45/2004
LOSS OF RS. 79.779 MILLION ON ACCOUNT OF DEMURRAGE CHARGES

The Audit pointed out that the Resident Representative Karachi, an organization of WAPDA, is responsible for timely clearance of imported consignment from custom authorities through clearing agents and arranges its transportation to the ultimate consignee to avoid payment of demurrage charges. During 2002-03 Demurrage Committee held WAPDA responsible for the delay in arranging funds for custom clearance and decided that a sum of Rs.79.779 million should be borne by WAPDA, out of the total demurrage charges of Rs.90.094 million. Thus the Authority sustained a loss to the stated extent.

The PAO informed the Committee that an inquiry Committee probed the issue according to the findings of the inquiry Committee. It was found that during the objected period, WAPDA was facing financial crunch and no employee was held responsible for delay in payment of custom duty/sales tax. However, the six officers were nominated responsible for negligence and penalty of recovery of Rs. 86,275 was imposed on Mr. Muhammad Zahid Akhtar the then Deputy Director clearance by the GM (C&N) Power Wing WAPDA. He told the Committee the matter is still in court of law.

ii. PARA NO.8.4, AR (2003-04), PAGE NO.33-34, DP NO.46/2004
NON-RECOVERY OF RS. 20.310 MILLION FROM CLEARING AGENTS, SUPPLIERS & TRANSPORTERS

The Audit pointed out that the Resident Representative Karachi was responsible for timely clearance of imported consignment from custom authorities through clearing agents and making arrangements for its transportation to the ultimate consignee to avoid payment of demurrage charges. During 2002-2003 Demurrage Committee held clearing agent, supplier and transporter responsible for the delay in custom clearance and its transportation and decided that a sum of Rs. 20.310 million should be

recovered. The said amount could not be recovered from them. Thus the authority sustained a loss to the stated extent.

iii) PARA NO.8.5, AR (2003-04), PAGE NO.34-35, DP NO.44/2004 LOSS OF RS. 20.200 MILLION DUE TO MISMANAGEMENT

The Audit pointed out that the Committee that the Resident Representative Karachi was responsible for timely clearance of imported consignment from custom authorities through clearing agents and making arrangements for its transportation to the ultimate consignee to avoid payment of demurrage charges. A sum of Rs.73.194 million was imposed as demurrage charges/Warehouse charges due to delay in clearance of imported material on the part of Resident Representative Karachi (RRK). The case for the waiver of demurrage was filed and rejected by the KPT in February, 1998. The matter was taken up with Ministry of Communication and deferment was allowed by making payment of Rs.20.200 million, out of the total demurrage charges of Rs.73.194 million. Thus the material was released and WAPDA had to suffer loss of Rs.20.200 million.

PAC DIRECTIVE

The Committee pended the above three Paras and directed to update the Committee about the progress of court cases to PAC/Audit after two months.

10. PARA NO.8.6, AR (2003-04), PAGE NO.35-36, DP NO.29/2004 NON-UTILIZATION OF ELECTRICAL EQUIPMENT AMOUNTING TO RS. 7.886 MILLION

Audit pointed out that according to clause 6.1 of Computerized Store Inventory System Operating Procedures, the dismantled material is required to be returned to store. In PESCO as a result of expansion of Grid Stations, electrical equipment valuing Rs.7.886 million was removed. The dismantled material was not returned to the store for utilization. The same was lying unutilized at various sites which resulted in blockage of resources. Record pertaining to utilization of stores costing Rs.3.514 million only was produced by NTDC which was verified but stores worth Rs.7.886 million had not been utilized till the finalization of the report.

The PAO informed that the dismantled material could not be turned back to store. Now arrangements have been made to auction it.

PAC DIRECTIVE

The Committee directed the PAO to auction the dismantled material as soon as possible and report to the PAC/Audit within one month.

11. PARA NO.11.3, AR (2003-04), PAGE NO.45-46, DP NO.25/2003
LOSS OF RS. 2.393 MILLION DUE TO NON-RECOVERY OF SHARING COST OF GRID-STATION AND TRANSMISSION LINE

Audit pointed out that the Authority vide its circular letter dated 21st April, 2001 required that sharing cost of grid station and transmission line @ of Rs.4.93 million per MW of the ultimate demand of load of a housing society would be recovered from the housing society. Contrary to this, HESCO did not recover the sharing cost from four housing societies resulting in loss of Rs.2.393 million to the Company.

The PAO informed the Committee that from two housing societies, 100% amount has been recovered and from it 50% has been verified and record of balance recovery will be provided to Audit.

PAC DIRECTIVE

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

12. PARA NO.12.4, AR (2003-04), PAGE NO.50-51, DP NO.13/2004
SHORTAGE OF MATERIAL VALUING RS. 1.301 MILLION

Audit pointed out the Committee that as per Audit Manual of WAPDA, Chapter 4, item 12.6.1, heavy shortages/excess should be reported to Chief Engineer concerned for prompt investigation. In Islamabad Electric Supply Company, shortage of material amounting to Rs1.301 million was pointed out by the stock verifier during the year 2002-03 but no progress towards investigation/recovery was intimated.

The PAO informed the Committee that the issue of shortage of store material in the two stores (Regional store Islamabad and Regional store Rawalpindi) was probed by the Enquiry Committees constituted for this purpose. According to the findings of the enquiry Committee, recoveries were imposed on officials and a part out of total amount of Rs.74616 was recovered and the rest irrecoverable amount was written off. As regard the matter of shortage of material in the IESCO is being probed by an inquiry Committee to fix the responsibility. Its report will be submitted within one month as desired by the DAC.

PAC DIRECTIVE

The Committee directed the PAO to submit the report of the inquiry Committee to PAC within one month.

13. PARA NO.13.3, AR (2003-04), PAGE NO.55, DP NO.42/2004
ACCUMULATION OF ARREARS OF RS. 25.120 MILLION AGAINST TEMPORARY CONNECTIONS DUE TO VIOLATION OF RULES

Audit pointed out that according to conditions of Schedule of Tariff "E", the LESCO was required to supply power after obtaining security equal to the anticipated supply and other miscellaneous charges for the period of temporary connections which is a guarantee against loss. Due to non-adherence to the conditions of schedule of tariff, the consumers used energy and left the sites without paying the energy charges of Rs.25.120 million.

PAO stated that the total recoverable amount was Rs25.120 million, out of which an amount of Rs23.738 has been recovered and its record has been verified by the Audit. He told that only an amount of 1.382 million is pending.

PAC DIRECTIVE

The Committee settled the para subject to verification of record by the Audit. The Committee also directed the PAO to formulate a policy for provision of temporary connections of electric supply to avoid loss of nonpayment of bills in future and submit a report to PAC/audit.

14. PARA NO.13.4, AR (2003-04), PAGE NO.55-56, DP NO.17/2004
LOSS OF RS.16.34 MILLION DUE TO THEFT OF WAPDA MATERIAL AND ITS UTILIZATION IN PRIVATE HOUSING SCHEMES

Audit pointed out that the Committees constituted in November, 1998, December, 1999, May & September, 2000 by WAPDA to conduct physical inspection of the electrification works carried out by private housing schemes, detected that Authority's stolen material of Rs16.34 million was installed in four private housing schemes. Action was required to be taken against the responsible persons as well as to recover the loss. No steps were taken despite lapse of 14 years.

PAO stated that an enquiry Committee was constituted and according to its recommendations all amount has been recovered,

PAC DIRECTIVE

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

15. PARA NO.13.5, AR (2003-04), PAGE NO.56-57, DP NO.70/2003
NON-RECOVERY OF RS. 14.614 MILLION FROM CABLE TV NETWORK OPERATORS

Audit pointed out that as per Authority's instructions circulated vide No. 38271-304 dated 13th November 2002 rent @ Rs.40/pole/month was required to be recovered from T.V. Network companies. In LESCO Lahore, 3 major companies as well as other Cable T.V. network operators were using WAPDA poles/structures without paying rent. As per Authority's instructions, rent @ Rs.40/pole/month was required to be recovered from the concerned companies. Thus the Company sustained a loss of Rs.15.961 million.

PAO apprised the Committee that the amount has been recovered and is ready for verification by the Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of record of recovery by the Audit.

16. PARA NO.13.6, AR (2003-04), PAGE NO.57, DP NO.16/2004
LOSS OF RS. 14.535 MILLION DUE TO SHORTAGE OF ELECTRICAL MATERIAL

Audit pointed out that para 94 of WAPDA Accounting Manual provides that loss due to shortage of material/equipment is required to be recovered from the responsible. In LESCO Lahore, a physical survey of HT/LT lines was conducted by management and it was found that electrical material valuing Rs.17.66 million was missing from various locations. The matter was required to be investigated to fix responsibility and make good the loss in the light of instructions of review meeting held on 19th April, 2003 under the chairmanship of Chief Executive Officer LESCO.

PAO stated that an enquiry was made and in the light of findings of enquiry the amount has been recovered and action was taken against the responsible officials/officers.

PAC DIRECTIVE

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

17. PARA NO.13.8, AR (2003-04), PAGE NO.58-59, DP NO.20/2004
LOSS OF RS. 4.517 MILLION ON ACCOUNT OF MISSING MATERIAL

Audit pointed out that para 94 of WAPDA Accounting Manual provides that loss due to shortage of material/equipment is required to be recovered from the

responsible. In LESCO, twenty 100 KVA and four 200 KVA sub-stations were drawn from store in April and May, 2003 to be installed at the sites from various sub-stations were reported missing. Accordingly an enquiry was conducted and recovery of Rs3.479 million was imposed upon Mr. Zahid Munir, Line Superintendent out of which an amount of Rs.32, 832 was recovered. The remaining sub-stations valuing Rs.1.071 million were to be returned to store and disciplinary action against the other responsible persons was enquired.
The PAO informed the Committee that the matter was inquired by inquiry Committee. In the light of findings of inquiry Committee the case for recovery of an amount ofRs2.009 million from one officer was referred to FIA. Similarly other actions have been completed. Some cases are subjudiced in the court of law.

PAC DIRECTIVE

The Committee pended the Para till its next meeting.

18. PARA NO.13.9, AR (2003-04), PAGE NO.59, DP NO.25/2004
NON-ACCOUNTABLE OF ELECTRICAL MATERIAL VALUING RS. 3.369 MILLION

Audit pointed out that according to Abridged Condition No. 14, on disconnection of electric supply to a consumer all electrical equipment and apparatus is required to be removed and returned to store. In LESCO, twenty-three industrial connections were permanently disconnected on non-payment of electricity charges. The sub-stations installed at these locations were required to be returned to store after removal from sites as per procedure mentioned above. There was no evidence on record to show that these materials costing Rs.3.369 million were returned to store.

PAO stated that an amount of Rs2.213 million has been recovered and its record has been verified by the Audit.

PAC DIRECTIVE

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

19. PARA NO.14.4, AR (2003-04), PAGE NO.67-68, DP NO.4/2004
BLOCKAGE OF FUNDS TO THE TUNE OF RS. 23.653 MILLION

Audit pointed out that para 5(a) of memorandum issued by WAPDA vide No. C/78/13384-584 dated 17th & 19th January, 1978 States that purchases should be made only of such items and in such quantities as are required for a specific work. In no case should these purchases be made for storing an item for indefinite period. In MEPCO, material valuing Rs.23.653 million was lying un-utilized/ un-issued since 1995-2002. Non-utilization of material for such a long

period clearly indicated that the procurement of material was made without assessing the actual requirements of field formations which resulted in blockage of Company's funds.

The Chief Executive Officer Multan Electric Power Company was absent.

PAC DIRECTIVE

The Committee showed displeasure on the absence of CEO Multan Electric Power Company (MEPCO) and pended the Para till next meeting.

20. PARA NO.15.3, AR (2003-04), PAGE NO.72, DP NO.58/2003
RECURRING LOSS OF RS. 251.137 MILLION DUE TO THEFT OF ELECTRICITY

Audit pointed out that the authority has devised a procedure for billing/regularization under code 888 for unregistered consumers using direct hooks. In PESCO, an amount of Rs.251.137 million was billed to such consumers in December, 2002 but neither recovery was affected nor the connections regularized, resulting in recurring loss to the Company.

The PAO stated that a culture was developed since long in Khyber Pakhtoonkhwa, particularly in Bannu, Khyber and adjacent areas of Peshawar like Charsadda, ShabQadar, Wersak and defected area adjacent to tribal areas where people are heavily involved in theft of electricity on massive scale. Whenever, an effort was made to curb pilferage of electricity in high loss area, the people retaliate by resorting to road blockage, distraction of WAPDA offices / government property, kidnapping and shooting. A sizeable area of jurisdiction of PESCO is virtually no go area where penetration of WAPDA employees and enforcing agencies is almost difficult / impossible. Thousands of FIRs have been lodged against the people who used direct hooks for electricity. The high responsible officers have been deputed to resolve the issue of recovery and agree the community for getting proper meters of electricity. Due to efforts of WAPDA, now the theft of electricity has been reduced. In 2009-10, it was 84.53 million and now it is 23 million. Regular efforts are being made in this regard. Now the Khyber Pakhtoonkhawa government has nominated four police stations to follow up the FIRs already lodged and support WAPDA in this regard.

PAC DIRECTIVE

The Committee directed the PAO to look into the matter personally, fix responsibility, take action and submit a comprehensive report to the PAC Secretariat regarding the theft of electricity cases within one week and update the Committee quarterly.

21. PARA NO.15.4, AR (2003-04), PAGE NO.72-73, DP NO.49/2003
NON-DISPOSAL OF MATERIAL VALUING RS. 12.12 MILLION

Audit pointed out that in the light of Chapter-1 (Para 1.1 to 1.4.2) of WAPDA Purchase and Disposal Procedure unserviceable material is required to be auctioned. In PESCO unserviceable material/equipment worth Rs12.12 million was lying in various formations which was required to be auctioned but the same was not done. Non-disposal of material resulted into blockage of funds.

The PAO stated that the material amounting to Rs. 5.598 million has been disposed off and the balance material amounting to Rs. 6.522 million will be disposed off. The process of auction of material is under progress.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record by the Audit.

22. PARA NO.15.6, AR (2003-04), PAGE NO.74, DP NO.53/2003
LESS RECOVERY OF RS. 3.687 MILLION FROM THE CABLE NETWORK OPERATORS

Audit pointed out that as per Authority's instructions circulated vide No. 38271-304 dated 13th November, 2002 rent @ Rs.40/pole/month was required to be recovered from T.V. Network companies. In PESCO Peshawar, Surveillance Directorate pointed out that in a sub-division, 6 Cable Network Companies had been charged pole rent for 491 poles as per their declaration while 2,022 poles were actually in their use. Thus Rs.3.959 million was less recovered.

The PAO stated that to find out the exact number of poles utilized by cable network companies an inquiry Committee was constituted. As per finding of the inquiry Committee an amount of Rs. 0.858 million has been recovered from the company.

PAC DIRECTIVE

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

23. PARA NO.15.7, AR (2003-04), PAGE NO.74-75, DP NO.61/2003
NON-EXISTENCE OF 11 KV FEEDER CAUSING LOSS OF RS. 2.549 MILLION

Audit pointed out that after completion of construction work in accordance with the work order, the feeder was to be handed over to Operation Wing for energization. In PESCO, bifurcation of 11 KV Ismailia Feeder, with length of 6.77 KM was carried out at a cost of Rs.1.605 million. The completion report was submitted in June, 1998 but it was not handed over to Operation Wing. Audit

could not find existence of conductor and other allied material at site on physical verification. As such the expenditure of Rs.1.605 million shown to be incurred on the construction of feeder was fictitious. Thus the Company was put to loss of Rs. 2.549 million (capital cost Rs.1.605 million + Rs.0.944 million envisaged benefits of reduction in energy loss).

The PAO informed the Committee that the issue has been probed by an inquiry Committee and the recommendations of inquiry Committee are being implemented. The officers and officials are dismissed from service and are abroad. However, FIRs could not be registered against them.

PAC DIRECTIVE

The Committee took serious notice of non-lodging of FIRs against the responsible individuals. The Committee directed the PAO to hold a de novo inquiry and take action against the individuals who are responsible for embezzlement and not lodging FIR against the accused.

24. PARA NO.15.8, AR (2003-04), PAGE NO.75, DP NO.34/2004
LOSS OF RS. 1.26 MILLION DUE TO SHORTAGE OF MATERIAL

Audit pointed that Para 94 of WAPDA Accounting Manual provides that loss due to shortage of material/equipment is required to be recovered from the responsible individuals. In PESCO, material valuing Rs.1.26 million was found short in various formations. The shortage was required to be made good from the personnel held responsible but the same was not done resulting into loss.

The PAO informed the Committee that the matter was probed and recovery of an amount of Rs. 0.171 million plus Rs. 0.206 million was imposed on an officer and an official .One of them has died and amount relating to him is being written off while Rs. 7000/= per month is being recovered from the other person.

PAC DIRECTIVE

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

THE FOLLOWING TWENTY SEVEN PARAS WERE UN-HIGHLIGHTED AND WERE SETTLED ON THE RECOMMENDATION OF DAC:

25. i. PARA-189& 189.1(PAGE 343-344) ARPSE 2003-04

ii. PARA-189.2 (PAGE 344) ARPSE 2003-04

iii. PARA-189.4 (PAGE 344) ARPSE 2003-04

iv. **PARA-189.5 (PAGE 344-345) ARPSE 2003-04**

v. **PARA-190 & 190.1 (PAGE 346) ARPSE 2003-04**

vi. **PARA-190.2 (PAGE 346) ARPSE 2003-04**

vii. **PARA NO.1.4, AR (2003-04), PAGE NO.7-8, DP NO.1116**

IRREGULAR EXPENDITURE OF RS. 217.011 MILLION

viii. **PARA NO.1.5, AR (2003-04), PAGE NO.8, DP NO.1104**
NON-ADJUSTMENT OF ACCOUNT OF RS. 194.882 MILLION PAID ON ACCOUNT OF LAND COMPENSATION

ix. **PARA NO.1.8, AR (2003-04), PAGE NO.10-11, DP NO.1117**
EXTRA EXPENDITURE OF RS. 16.092 MILLION DUE TO EXPLOITATION OF MATERIAL FROM NON-DESIGNATED SOURCE

x. **PARA NO.1.10, AR (2003-04), PAGE NO.12-13, DP NO.1107**
INORDINATE DELAY IN COMPLETION OF WATER SUPPLY SYSTEM COSTING RS.2.143 MILLION

xi. **PARA NO.8.2, AR (2003-04), PAGE NO.32, DP NO.1118**
BLOCKAGE OF FUNDS OF RS.306.353 MILLION DUE TO POOR CONTRACT MANAGEMENT

xii. **PARA NO.11.2, AR (2003-04), PAGE NO.44-45, DP NO.26/2003**
LOSS OF REVENUE AMOUNTING TO RS.11.781 MILLION DUE TO INCORRECT APPLICATION OF TARIFF

xiii. **PARA NO.12.2, AR (2003-04), PAGE NO.49, DP NO.99/2003**
EXPENDITURE OF RS.133.067 MILLION ON INCOMPLETE WORKS STARTED UNDER OECF/IBRD LOANS

xiv. **PARA NO.12.3, AR (2003-04), PAGE NO.50, DP NO.6/2004**
BLOCKAGE OF RS.2.409 MILLION DUE TO NON-ENERGIZATION OF 11 KV FEEDER AND LOSS OF RS.0.360 MILLION DUE TO THEFT OF MATERIAL

xv. **PARA NO.13.2, AR (2003-04), PAGE NO.54-55, DP NO.19/2004**
BLOCKAGE OF RS.30.238 MILLION DUE TO NON-COMPLETION OF WORKS

xvi. **PARA NO.13.7, AR (2003-04), PAGE NO.57-58, DP NO.45/2003**
NON-RETURN OF SUB-STATION EQUIPMENT AND OTHER MATERIAL VALUING RS.8.550 MILLION

xvii. **PARA NO.13.10, AR (2003-04), PAGE NO.60-61, DP NO.40/2004**
UNDUE BENEFIT OF RS.3.124 MILLION TO THE CONSUMER ON ACCOUNT OF CAPITAL COST

xviii. **PARA NO.13.11, AR (2003-04), PAGE NO.61, DP NO.18/2004 NON-RECOVERY OF RS.2.566 MILLION FROM CABLE TV NETWORK OPERATOR**

xix. **PARA NO.13.12, AR (2003-04), PAGE NO.61-62, DP NO.38/2004 UN DUE BENEFITS OF RS.1.718 MILLION TO THE CONSUMER ON ACCOUNT OF CAPITAL COST**

xx. **PARA NO.14.2, AR (2003-04), PAGE NO.65-66, DP NO.42/2003 LOSS OF RS.45.978 MILLION DUE TO UNDUE FAVOR EXTENDED TO INDUSTRIAL CONSUMER**

xxi. **PARA NO.14.3, AUDIT REPORT (2003-04), PAGE NO.66-67, DP NO.11/2004 LOSS OF RS. 29.325 MILLION DUE TO PURCHASE OF DEFECTIVE ENERGY METERS**

xxii. **PARA NO.15.2, AR (2003-04), PAGE NO.71-72, DP NO.56/2003 NON COMPLETION OF WORKS IN PROGRESS AMOUNTING TO RS.2385.282 MILLION**

xxiii. **PARA NO.15.5, AR (2003-04), PAGE NO.73-74, DP NO.87/2003 NON RECEIPT OF SECURITY DEPOSIT AND COST OF EQUIPMENT DUE TO UN AUTHORIZED EXTENSION IN LOAD RS.11.166 MILLION**

xxiv. **PARA NO.16.2, AR (2003-04), PAGE NO.78, DP NO.27/2004 LOSS OF RS.22.323 MILLION DUE TO INCORRECT CALCULATION OF MDI READING**

xxv. **PARA NO.16.3, AR (2003-04), PAGE NO.79, DP NO.31/2004 CREDIT OF RS.19.078 MILLION WITHOUT ADJUSTING THE UNIT**

xxvi. **PARA NO.16.4, AR (2003-04), PAGE NO.79-80, DP NO.24/2004 BLOCKAGE OF FUNDS TO THE TUNE OF RS.8.171 MILLION DUE TO NON-UTILIZATION OF MATERIAL**

xxvii. **PARA NO.16.5, AR (2003-04), PAGE NO.80-81, DP NO.26/2004 NON REMOVAL OF DISMANTLED MATERIAL WORTH RS.2.97 MILLION**

PAC DIRECTIVE

The Committee settled the above twenty seven paras on the recommendation of DAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of meeting of PAC held on 2nd April, 2015 to review its directive issued on 10th March, 2015 during its meeting while examining the paras No.19.1, 19.3 and 19.4 of the Audit Report 2003-04 relating to Indus River System Authority under Ministry of water and Power:

MINISTRY OF WATER AND POWER

1. (i) PARA-19.1(PAGE 421) AR 2003-04
IRREGULAR EXPENDITURE ON ACCOUNT OF HOUSE RENT CEILINGPAID TO OFFICERS/STAFF – RS. 5.120 MILLION(Rs.3.781 MILLION)

Audit pointed out that according to part V of Pakistan Allocation Rules 1993, Government may hire a private house and allot it to a Government servant. The rent ceiling is paid to the owner of the hired house. But IRSA, instead of requisitioning private houses and allotting those to its officers/officials, paid an amount of Rs.5,123,040 as house rent ceiling to its officers/officials along with their salary without concurrence of Finance Division and Housing and Works Division.

(ii) PARA-19.3(PAGE 422-423) AR 2003-04
EXPENDITURE ON ACCOUNT OF INADMISIBLE ALLOWANCES PAID TO THE OFFICERS/STAFF OF IRSA-RS. 2.020 MILLION

Audit pointed out that according to Rule 12 of Rules of Business, no Division can issue any orders which will directly or indirectly affect the finances of the Federation without consultation with the Finance Division. But in contravention of this rule, IRSA allowed to its employees, including members, medical allowance, conveyance allowance and IRSA allowance at @20%, 15% and 20% of running basic pay respectively. Furthermore, in terms of Rule 4 of the Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000 framed under Section 21 of IRSA Act, 1992 and Terms and Conditions of Appointment of Members, the members of IRSA are entitled to pay and Allowances of BPS-21. A Committee of Finance Division considered the matter regarding payment of these allowances on 15.10.2002 and directed IRSA to freeze these allowances to all existing employees, stop these allowances to new employees and submit the case for approval of these allowances to the Standing Committee in Finance Division for consideration / approval. IRSA did not respond the instructions of Finance Division. Thus the payment of the above mentioned allowances without approval of Finance Division was irregular.

(iii) PARA-19.4(PAGE 423-424) AR 2003-04
NON-FRAMING OF SERVICE AND GENERAL RULES

Audit pointed out that IRSA had made IRSA Manual of Service and General Rules, 1999 without consultation with Establishment Division and Finance Division which was necessary in terms of Rules 11 and 12 of Rules of Business, 1973. In the absence of approval of these rules by the Establishment Division and Finance Division, their application had not met the legal requirements. The irregularities committed on this account need regularization of the respective Divisions. Audit was of the view that M/o Water and Power had no power to approve service and general rules without consulting the Establishment Division and Finance Division.

The PAO while responding the Audit objections referred to various statutes whereby justifying the autonomous and statutory position of IRSA regarding terms and conditions of service of its officers and other members of staff, experts and consultants as already decided and determined under the section 12(2) and 22(1) of IRSA Act No. XXII of 1992 as well as clarification / endorsement from the Ministry of Water & Power and Establishment Division.

PAC DIRECTIVE

The Committee clubbed the above three paras and directed the PAO to frame the relevant rules and get vetted from the Competent Forum before next meeting of the PAC. Meanwhile payment of relevant allowances which were discontinued in the previous meeting of the Sub Committee-II of PAC has been allowed to continue.

ACTIONABLE POINTS

Actionable Points arising from the discussion of meeting of PAC held on 13th, January, 2016 while examining Audit Reports/ Special Audit Reports for the year 2003-04 pertaining to Ministry Of Water and Power (ENERCON) are given below:

MINISTRY OF WATER AND POWER (ENERCON)

1. i. PARA NO. 3.3 - PAGE NO. 28-29
IRREGULAR EXPENDITURE ON IRREGULAR APPOINTMENT OF CHIEF, ENERCON US $ 0.101 MILLION

ii. PARA NO. 3.4 – PAGE NO. 29-30
NON-PRODUCTION OF RECORD IN RESPECT OF FUEL EFFICIENCY IN ROAD TRANSPORT SECTOR PROJECT —RS. 147.220 MILLION

iii. PARA NO. 3.5– PAGE NO. 30
IRREGULAR EXPENDITURE ON REPAIR AND MAINTENANCE OF BUILDING AND PAYMENT OF ELECTRICITY BILLS FROM THE ALLOCATION OF FERTS PROJECT — RS. 3.960 MILLION

iv. PARA NO. 3.6– PAGE NO. 31
IRREGULAR EXPENDITURE ON REPAIR AND MAINTENANCE OF OFFICE BUILDING - RS. 1.300 MILLION

v. PARA NO. 3.8– PAGE NO. 32-33
NON-DISPOSAL OF OFF-ROAD VEHICLES

PAC DIRECTIVE

The Committee settled the above five paras subject to verification of record by the Audit on the recommendation of DAC.

2. PARA NO. 3.7– PAGE NO. 32
IRREGULAR EXPENDITURE ON PURCHASE OF MACHINERY AND EQUIPMENT WITHOUT PROVISION IN THE PC-1 — RS. 1.500 MILLION

PAC DIRECTIVE

The Committee settled the paras on the recommendation of DAC.

THE END

ACRONYMS

ADB:	Asian Development Bank
ADBP:	Agricultural Development Bank Of Pakistan
AEDB:	Alternative Energy Development Board
AGP:	Auditor General of Pakistan
AGPR:	Accountant General of Pakistan Revenue
ALP:	Agricultural Linkage Program
APP :	Associated Press of Pakistan
ASF:	Airport Security Force
ATM:	Automated Teller Machine
BOD:	Board of Directors
BOG:	Board of Governors
BOQ:	Bill of Quantities
BEL:	Bankers Equity Limited
BSL:	Building Systems (Private) Limited
CADD:	Capital Administration & Development Division
CAA:	Civil Aviation Authority
CATCOM:	Catalyst Communications (Private) Limited
CDA:	Capital Development Authority
CDWP:	Central Development Working Party
CED:	Central Excise Duty
CGA:	Controller General of Accounts
CIIT:	COMSATS Institute of Information Technology
CIRC:	Corporate & Industrial Restructuring Corporation
CNG:	Compressed Natural Gas
CPWD:	Central Public Works Departmen
CRF:	Central Research Fund
DA:	Daily Allowance
DAC:	Departmental Accounts Committee
DDWP:	Departmental Development Working Party
DEPO:	Defence Export Promotion Organization
DG:	Director General
DPC:	Departmental Promotion Committee
EAD:	Economic Affairs Division
ECC:	Economic Coordination Committee of Cabinet
ECO:	Economic Cooperation Organization
ECNEC:	Executive Committee of National Economic Council
EMDF:	Export Market Development Fund
ENERCON:	National Energy Conservation Center
EOBI:	Employees Old-age Benefits Institution
EPB:	Export Promotion Bureau
EPC:	Engineering, Procurement, and Construction
FIA:	Federal Investigation Agency

FTO:	Federal Treasury Office
FTR:	Federal Treasury Rules
FWO:	Frontier Works Organization
GDS:	Gas Development Surcharge
GIS/LIS:	Graphic Information System/ Land Information System
HDIP:	Hydrocarbon Development Institute of Pakistan
HBFC :	House Building Finance Corporation
IATA:	International Air Transport Association
IB:	Intelligence Bureau
Ibid.:	ibidem, (meaning "in the same place")
ICP :	Investment Corporation of Pakistan
ICT:	Islamabad Capital Territory
IRSA:	Indus River System Authority
IDC:	Inter-Departmental Committee
IDBP:	Industrial Development Bank of Pakistan
IGFC:	Inspector General of Frontier Corps
ISM:	Image Systems Marketing (Pvt.)
ISO:	International Organization for Standardization
KFHA:	Korangi Fisheries Harbour Authority
KBWL:	Kaghan Brick Works Limited
KDA:	Karachi Development Authority
LDO:	Light Diesel Oil
M/o:	Ministry of
M/s:	Messers
MCB:	Muslim Commercial Bank
MoU:	Memorandum of Understanding
MNA:	Member of National Assembly
NAB:	National Accountability Bureau
NADRA:	National Database and Registration Authority
NBP:	National Bank of Pakistan
NEPRA:	National Electric Power Regulatory Authority
NESPAK:	National Engineering Services Pakistan
NDFC:	National Development Finance Corporation
NDFs:	National Database Forms
NDW:	National Data Warehouse
NHA:	National Highway Authority
NH&MP:	National Highways & Motorway Police
NIH:	National Institute of Health
NIRC:	National Industrial Relations Commissions Islamabad
NRTC:	National Radio Telecommunication Corporation
NLC:	National Logistic Cell
OEC:	Overseas Employment Corporation
OPF:	Overseas Pakistanis Foundation
OTC:	Other Then Charged
OGDCL:	Oil and Gas Development Company Limited
OGRA:	Oil & Gas Regulatory Authority

PAC:	Public Accounts Committee
PAR:	Performance Audit Report
PAO:	Principal Accounting Officer
PARC:	Pakistan Agricultural Research Council
PBC:	Pakistan Broadcasting Corporation
PEVL:	Pakistan Emerging Venture Limited
PIA:	Pakistan International Airlines
PIAC:	Pakistan International Airlines Corporation
PIARC:	Permanent International Association of Road Congresses (World Road Association)
PITAC:	Pakistan Industrial Technical Assistance Center
PODB:	Pakistan Oilseed Development Board
POF:	Pakistan Ordnance Factories
POL:	Petroleum, Oils and Lubricants
PWD:	Public Works Department
PPRA:	Public Procurement Regulatory Authority
PEC:	Pakistan Engineering Council
PEPA:	Pakistan Environmental Protection Agency
PESCO:	Peshawar Electric Supply Company
PFI:	Pakistan Forest Institute
PHA:	Pakistan Housing Authority
PNSC:	Pakistan National Shipping Cooperation
PNSC:	Pakistan National Shipping Corporation
PMA:	Pakistan Military Academy
PRCL:	Pakistan Reinsurance Company Ltd.
PSDP:	Public Sector Development Programme
PSO:	Pakistan State Oil
PSFCL:	Pakistan Steel Fabricating Company (Pvt) Limited
PTB:	Pakistan Tobacco Board
PTCL:	Pakistan Telecommunication Company Limited
PTV:	Pakistan Television
SAMCO:	State Asset Management Company Limited
SBFC:	Small Business Finance Corporation
RDFC	Regional Development Finance Corporation
SHYDO:	Sarhad Hydal Development Organization
SLIC:	State Life Insurance Corporation
SMEDA:	Small and Medium Enterprise Development Authority
SML:	Saindak Metals (Pvt.) Limited
SSGCL:	Sui Southern Gas Company Limited
SAFRON:	States and Frontier Regions and Northern Areas
TCP:	Trading Corporation of Pakistan
TDAP:	Trade Development Authority Of Pakistan
TIP:	Telephone Industries of Pakistan
UFG:	Unaccounted For Gas
VSS:	Voluntary Separation Scheme
VHT:	Vapor Heat Treatment

WAPDA: Water and Power Development Authority
WFP: World Food Program
ZTBL: Zarai Taraqiati Bank Limited

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