



REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF THE FEDERATION
FOR THE YEAR
2007-2008

**National Assembly Secretariat,
Islamabad**



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TABLE OF CONTENTS

	<u>Page No.</u>
A. Preface	(i)
B. Introduction.....	(ii)
C. Composition of PAC.....	(iii)
D. Executive Summary	(iv)

REPORTS OF THE MINISTRIES/DIVISIONS/DEPARTMENTS

1. Aviation Division	1
2. Cabinet Division	15
3. Ministry of Climate Change	38
4. Ministry of Commerce	40
5. Ministry of Communication	52
6. Ministry of Defence	64
7. Ministry of Defence Production	85
8. Economic Affairs Division	99
9. Federally Administered Tribal Areas (FATA)	101
10. Federal Board of Revenue	103
11. Finance Division	219
12. Ministry of Foreign Affairs	237
13. Ministry of Housing & Works	251
14. Ministry of Industries & Production	265
15. Ministry of Information Broadcasting & National Heritage	285
16. Ministry of Information Technology and Telecommunication	296
17. Ministry of Interior	303
18. Ministry of Kashmir Affairs and Gilgit-Baltistan	305
19. Ministry of National Food Security & Research	309
20. Ministry of Overseas Pakistanis & Human Resource Development	311
21. Ministry of Petroleum & Natural Resources	316
22. Ministry of Planning & Development	355

23. Ministry of Ports & Shipping	359
24. Ministry of Railways	363
25. Ministry of Religious Affairs	380
26. Ministry of Science & Technology	387
27. Ministry of Textile Industry	389
28. Ministry of Water & Power	391

Annexure:

Briefing on Benazir Income Support Program(Annexed "A")

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PREFACE

Under Article 171 of the Constitution of Islamic Republic of Pakistan, 1973 read with Rules 177 and 203 of Rules of Procedure and Conduct of Business in the National Assembly 2007, the Annual Report of the Auditor General relating to the Accounts of the Federation for the year 2007-08, 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 has taken step to constitute Sub-Committees with the distribution of work on yearly basis. The Sub-Committee-III was allocated the Audit Report for the year 2007-08. The Sub Committee had extensive meetings and discussions on the Audit Report where cooperation by Audit and the Ministries/Divisions paved the way for the committee in completing of this huge task.

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 sanguine 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

INTRODUCTION

Parliamentary control over public finance in Pakistan is exercised in two stages: the 'proposals stage' and the 'results stage'. At the first stage, the Government comes forth with a Budget proposal for the National Assembly's approval. The Government must get the financial nod of the Public representatives to give effect to its policies and programmes. The second stage relates to the control over the expenditure of public money. This is the stage where the PAC comes into action when it examines the accounts of the Federal Government compiled by the Controller General of Accounts (CGA) and the Audit Reports thereof by the Auditor General of Pakistan. This process assigns responsibility to the public representatives to keep a check on public expenditure. Under Article 171 of the Constitution of the Islamic Republic of Pakistan, the Auditor General of Pakistan submits Annual Reports to the President who causes them to be laid before the National Assembly and Senate. For a detailed scrutiny, these reports are referred to the Public Accounts Committee.

1.2 The present 14th Public Accounts Committee was constituted on 21st August 2013 which consists of twenty three (23) members of the National Assembly and the Minister for Finance and Revenue as ex-officio member.

1.3 Syed Khursheed Ahmed Shah, MNA was unanimously elected as the Chairman of Public Accounts Committee on 11th December 2013.

1.4 Audit plays an important and primary role in promoting and strengthening the legislative oversight to enhance transparency and improve the efficiency and effectiveness of all Government activities. Audit follow-up is an integral part of good financial management of public funds, and is a shared responsibility of executive management officials and the auditors.

1.5 It is a precedent that grants of the Appropriations Accounts and the Audit paras of the Audit Reports are initially examined by the Departmental Accounts Committee (DAC) which is always comprised of the Principal Accounting Officer as its Chairman and the D.G Audit, the Financial Advisor/Deputy Financial Advisor and the Chief Finance and Accounts Officer of concerned Ministry/Division as its Members. As per previous practice in this case as well all the issues were discussed at the DAC level and the paras which could not be finalized at the DAC level were presented to the PAC for examination. The Parliamentarians representing different parties exercised their vibrant role in the Parliamentary oversight of public money during the meetings of PAC

COMPOSITION OF 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

It gives me immense pleasure to present the Report of Public Accounts Committee on the Audit Report for the year 2007-08 before this august House. The Report of Auditor General of Pakistan for the year 2007-08 was tabled in the House on 15th October, 2009 and then referred to the Public Accounts Committee for examination.

2. The 14th Public Accounts Committee was made functional on December 11, 2013 which inherited a backlog of eight years audit reports containing more than 18000 Paras & Grants. In order to streamline the working of the PAC and formulate the strategy for clearance of backlog, the Committee held a meeting wherein various audit years were assigned to four Sub-Committees. The audit year 2007-08 was assigned to Sub-Committee-III headed by Sardar Ashiq Hussain Gopang, MNA. It is worth mentioning that the Report has been finalized in less than two years period despite the fact that the PAC and its Sub-Committees remained dysfunctional for quite some time due to the non-appearance of the then Auditor General and his team. In accomplishment of this task, the Committee held 38 meetings wherein 1181 paras have been examined. The Public Accounts Committee in its meeting held on 26.01.2016 examined the Report compiled by the Sub-Committee and was accordingly adopted by the Committee unanimously.

3. Recoveries on the Directives of the Committee is an ongoing process, however, the present PAC did not confine itself to clearing the backlog but always extended its support towards Audit Department in recovering huge misappropriated amounts of the public money. Accordingly, the Audit Department has verified recovery to the tune of Rs. 8077.29 Millions during the said period where as total recoveries by the current PAC till January, 2016 was approximately Rs. 119 Billion. Various issues that remained unresolved for the years got resolved due to the Committee's pursuance and intervention.

4. The members were cognizant of the fact that accountability and transparency were the foundations for establishing democracy on a strong footing for which all of them had rendered great sacrifices in the political history of the country.

5. To ensure transparency in the process of accountability, proceedings of the PAC and its Sub-Committees remained open throughout to the media. Let me acknowledge and appreciate the role of print and electronic media in making public the important issues discussed in the Committees' proceedings. The ouster of the then AGP from his constitutional post was a result of the suo moto action highlighted by the media.

6. The Committee also kept a regular check on the progress of implementation of previous and current directives issued to Ministries/Divisions and Departments etc.

7. I pay my special compliments and thanks to the Honourable Speaker, Sardar Ayaz Sadiq for his continuous support and encouragement during the period.

8. I cordially thank Mrs. Yasmeen Rehman, Ex-MNA the then Convener of the Sub-Committee-III and Sardar Ashiq Hussain Gopang, MNA Convener of the present Sub-

Committee-III of PAC along with its Members, Sheikh Rohale Asghar MNA, Dr. Azra Fazal Pechuho MNA, Dr. Arif Alvi MNA and Ms. Shahida Akhtar Ali MNA for making their successful efforts to complete the task of Audit Report for the year 2007-08.

9. I owe the achievements of the PAC to all of my PAC colleagues because without their cooperation, it would not have been possible to complete the task in such an efficient manner.

10. 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.

11. I also appreciate the efforts of the Principal Accounting Officers (PAOs) who cooperated with the Audit Department, held their DAC's in time and implemented the PAC Directives.

12. I sincerely acknowledge the hard work and efforts of the Secretary National Assembly Secretariat Mr. Abdul Jabbar Ali, Mr. Sharifullah Khan Wazir, Additional Secretary PAC, Syed Fayyaz Hussain Shah, Joint Secretary PAC, Mr. Aurangzeb Marral, Deputy Secretary PAC, Mr. Nabeel Ahmed, Section Officer PAC and my personal staff who worked with great zeal and zest 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.

13. The Committee recommends that:-

- i. Suggestions, directives and recommendations made by the Public Accounts Committee (PAC) be implemented by the respective Ministries, Divisions and Departments to improve the financial, administrative and operational performance of the Federal Government.
- ii. Media representatives and Officers/Officials of the PAC Secretariat who worked with me should be awarded with appreciation certificates for their outstanding performance.

(SYED KHURSHEED AHMED SHAH)

Chairman

Public Accounts Committee

(ABDUL JABBAR ALI)

Secretary

National Assembly Secretariat

Islamabad, the 5th May, 2016

REPORTS

AVIATION DIVISION

2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Aviation Division was examined by the PAC on 17th September, 2015 and 13th October, 2015.

- 51 paras were presented by the Audit Department which were examined by the Committee. Out of which 11 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 01 para to NAB and 01 para to FIA.

AVIATION DIVISION

ACTIONABLE POINTS **(Audit Year 2007-08)**

PAC MEETING: 17-09-2015

1. **PARA NO. 2.1.1 PAGE 31AR 2007-08**
LOSS DUE TO NON-IMPLEMENTATION OF CIVIL AVIATION AUTHORITY
BOARD'S DECISION – RS 395 MILLION

The Audit pointed out that Civil Aviation Authority Board's decision on Land Lease Policy in its 92nd meeting held on 2nd June, 2001 under Para 7 (c) of agenda items, it was approved that rent is payable @ 10% of the premium i.e. 1/3rd of the land value. However, a 50% increase in rent is to be made at the end of each five year term.

Civil Aviation Authority (Airport Manager, Jinnah International Airport Karachi), executed twelve (12) lease agreements for thirty (30) years with 100% enhancement in rent after expiry of each ten (10) years tenure of lease agreement instead of 50% increase in rent at the end of each five years and then 100% on expiry of 10 years. The Authority, therefore, was deprived of revenue of Rs.395.00 million.

The PAO informed that after verification of CAA Board's decision in compliance of DAC directive, held on 28-08-2015 the para was recommended for settlement.

PAC DIRECTIVE

The Committee pended the Para and directed the PAO to investigate the matter, fix responsibility against the officers/officials responsible, take action under E&D Rules and Report to PAC.

2. **PARA NO. 2.1.2 PAGE 32AR 2007-08**
LOSS DUE TO VIOLATION OF CIVIL AVIATION AUTHORITY BOARD'S
DECISION – RS. 94.8 MILLION

The Audit pointed out that according to 113th meeting of CAA Board dated 3rd June, 2006 under agenda item 6, the Board, after detailed deliberations, approved grant of lease of 8.5 acres of land at the proposed location to M/s Makro Habib for establishing Makro Cash and Carry store in conformity of the tender conditions, for a lease period of 30 years @ Rs.16,500 per square yard in accordance with CAA Land Lease Policy. Civil Aviation Authority (Airport Manager, Jinnah International Airport, Karachi) leased out 8.18 acres land instead of approved 8.5 acres to the lessee (M/s Macro Habib) without approval of deviation by CAA Board. Due to leasing out of land less than the Board's decision, the Authority was deprived of revenue of Rs.94.8 million.

The PAO informed that the rent was being charged according to the occupied land which was 8.18 acres and no extra land was in possession of lessee.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to visit the site himself, verify the exact possession and its rent paid by the lessee under intimation to PAC.

3. **PARA NO. 2.1.3 PAGE 33 AR 2007-08**
LOSS TO GOVERNMENT DUE TO DELAYED TENDERING – RS 3.6 MILLION

The Audit pointed out that Clause-8(c) of the agreement provides that the agreement which is only a licence/permission may be terminated by the licensor on one month notice on any ground whatsoever or otherwise. The licence may also terminate the agreement by a three month notice.

Civil Aviation Authority (Airport Manager, Faisalabad) executed a licence agreement for collection of cargo throughput charges for three years from 10th September, 2005 to 9th September, 2008 @ Rs 270,000 per month with 10% cumulative increase for every year which was cancelled and again awarded to the same contractor @ Rs 55,000 per month for a further period w.e.f 5th November, 2006 till finalization of fresh tender action but fresh tenders were not called despite lapse of one and half years. Resultantly, the Authority sustained a loss of Rs 3.6 million.

PAC DIRECTIVE

The Committee pended the para and referred it to DAC for discussion/decision and report to Committee within 30 days.

4. i. **PARA NO. 2.2 PAGE 34 AVIATION DIVISION AR 2007-08CIVIL**
AVIATIONAUTHORITY
IRREGULAR GRANT OF LICENCE FOR CONCESSION – RS 10.8
MILLION
- ii. **PARA NO. 2.3 PAGE 34-35 AVIATION DIVISION AR 2007-08CIVIL**
AVIATION AUTHORITY
IRREGULAR EXECUTION OF WORK – RS 9.3 MILLION
- iii. **PARA NO. 2.4 PAGE 35-36 AVIATION DIVISION AR 2007-08CIVIL**
AVIATION AUTHORITY
CONTRACT APPOINTMENTS AT EXORBITANT EMOLUMENTS RS 2.2
MILLION PER MONTH

PAC DIRECTIVE

The Committee settled the above mentioned 3 paras on the recommendation of Audit.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

5. i. **PARA-18(ARPSE-2007-08) PAGE-35**
PAKISTAN INTERNATIONAL AIRLINES CORPORATION
- ii. **PARA-18.9 (ARPSE-2007-08)PAGE-38**
TREND ANALYSIS OF KEY FINANCIAL RATIOS OF PIA FINANCIAL STATEMENTS FOR THE PERIOD 2003 TO 2007
PAKISTAN INTERNATIONAL AIRLINES CORPORATION
- iii. **PARA-18.10 (ARPSE-2007-08) PAGE-39**
FINANCIAL LEVERAGE POSITION

PAC DIRECTIVE

The Committee settled the above mentioned three paras on the recommendation of Audit.

6. i. **PARA-27 (ARPSE-2007-08)PAGE-52**
UN-AUTHORIZED RE-EMPLOYMENT OF RETIRED OFFICERS/INSTRUCTORS INVOLVING REMUNERATION OF RS.2.166 MILLION PER ANNUM
 - ii. **PARA-31(ARPSE-2007-08)PAGE-55**
IRREGULAR FREE OF COST TRANSFER OF CARS TO EMPLOYEES RS.5.163 MILLION
 - iii. **PARA-32 (ARPSE-2007-08) PAGE-56**
IRREGULAR SPLITTING UP OF TENDER AND CHARGING THE CAPITAL WORKS OF RS.5 MILLION TO MINOR MAINTENANCE WORKS
 - iv. **PARA-33 (ARPSE-2007-08) PAGE-57**
LOSS DUE TO EXCESS EXPENDITURE THAN EARNING OF SPEEDEX RS.3.147 MILLION
- PAKISTAN INTERNATIONAL AIRLINES CORPORATION**
- v. **PARA-34 (ARPSE-2007-08) PAGE-58**
LOSS DUE TO MISAPPROPRIATION OF 50 BALES OF UNIFORM CLOTH VALUING RS.3.059 MILLION

- vi. **PARA-35 (ARPSE-2007-08) PAGE-59**
LOSS DUE TO THEFT OF MULTIMEDIA PROJECTS VALUING
RS.0.388 MILLION
- SKY ROOMS (PVT) LIMITED**
- vii. **PARA-36 (ARPSE-2007-08) PAGE-60**
SKY ROOMS PRIVATE LIMITED WAS INCORPORATED AS A
PRIVATE LIMITED COMPANY ON MAY 20, 1975. THE COMPANY IS A
WHOLLY OWNED SUBSIDIARY OF PAKISTAN INTERNATIONAL
AIRLINES CORPORATION (PIAC). UNTIL JUNE 30, 1999 PIA
HOLDINGS (PVT.) LIMITED WAS HOLDING COMPANY. THE
COMPANY OWNS AND MANAGES AIRPORT HOTEL AT KARACHI.
- SKY ROOMS (PVT) LIMITED**
- viii. **PARA-36.1(ARPSE-2007-08) PAGE-60**
- SKY ROOMS (PVT) LIMITED**
- ix. **PARA-36.2 (ARPSE-2007-08) PAGE-60**
- SKY ROOMS (PVT) LIMITED**
- x. **PARA-36.3 (ARPSE-2007-08) PAGE-61**
- xi. **PARA-37 (ARPSE-2007-08) PAGE-61**
LOSS DUE TO ALLOWING PRIVATE GUESTS TO STAY IN HOTEL
FREE OF COST FOR AN ABNORMAL PERIOD RS.0.299 MILLION

PAC DIRECTIVE

The Committee referred the above mentioned 11 paras for DAC and directed the PAO that the report would be presented to the Committee in November, 2015.

7. **PARA-19 (ARPSE-2007-08) PAGE-40**
LOSS OF REVENUE DUE TO BAN BY EUROPEAN UNION ON AIRCRAFTS
BOEING 747 AND AIRBUS-A310 RS.1.083 BILLION

The Audit pointed out that the European Union (E.U.) Imposed ban on PIAC in March 2007 under Category "B". PIAC was warned one year before the imposition of ban by E.U. to redress the draw backs in the safety standards but it failed to get any improvement. Consequently, the PIAC had to face the ban on its aircraft Boeing 747 and Airbus A-310 resulting into capacity decrease for UK, Europe and America. The flights for Amsterdam, Athens, Rome, Stansted

(London), and Frankfurt were closed whereas the flights for Glasgow and Milan also remained temporarily suspended during part of March and April 2007.

The decrease in capacity by 8.2% during the first quarter resulted into a loss of Rs.1.083 billion. It is worth mentioning that PIAC has been spending billions of rupees on maintenance of aircrafts every year (Rs.6.377 billion in the year 2006) but European Union's SAFA Inspectors Report dated February 16, 2007 to the management of PIA contained a large number of instances of serious lapses on account of Flight Operation, Flight Safety Department, Engineering and Maintenance and Improper Aircraft Technical Defect Rectification.

The PAO informed that as per the Court Ruling Pakistan International Airlines Corporation could not take action against the retired employees.

PAC DIRECTIVE

The Committee settled the para on the recommendation of DAC.

8. **PARA-20 (ARPSE-2007-08) PAGE-42**
LOSS DUE TO IRREGULAR WRITE-OFF OF DUES WITHOUT ANY PROPER INVESTIGATION RS.131.040 MILLION

The Audit pointed out that as per para 12.54 of Delegation of Powers in PIAC, the Managing Director is competent to sanction write-off in any "single case". Moreover, Rule-47 of GFR allows a competent authority to sanction the writing-off of irrecoverable public money provided that:-

- i. The loss does not disclose a defect of system, the amendment of which requires the orders of the higher authority;
- ii. There has not been any serious negligence on the part of some employees which may possibly call for disciplinary action requiring the orders of any higher authority.

The management did not observe the regulations to investigate each individual case before write off action, hence the aspect of taking disciplinary action against concerned employees for any negligence was ignored. The amount mentioned against Sl.No. 2, 5, 6, 9 & 10 were recoverable, but the management preferred to write off. Hence, neither due process of write off was observed, nor failure of internal controls, leading to the write off action were identified by the management.

The PAO informed that the Board was empowered to write-off the amount.

PAC DIRECTIVE

The Committee settled the para with the observation that the proper procedure of write-off was not adopted by the Authority as it was necessary to record the reasons separately in each case before writing it off. The Committee further directed to follow their observations strictly in future.

9. **PARA-21 (ARPSE-2007-08) PAGE-44**
BLOCKAGE OF FUNDS DUE TO UNNECESSARY PROCUREMENT OF SPARE PARTS-RS.108.502 MILLION

The Audit pointed out that in Pakistan International Airlines Corporation (PIAC), rotatable spare parts valuing Rs.30.910 million purchased during the period 1976 to 2002 were lying unutilized in the stock as on December 31, 2005 resulting into unnecessary blockade of funds. Moreover, a large number of spare parts/stores items worth Rs.77.592 million were also lying unused/idle at different stores of PIAC Procurement & Logistic Department. Those stores and spares were procured during 1981 to 2002 but could not be utilized upto June 2008. The heavy accumulation of inventory indicated that a system analysis of the inventory management has not been carried out.

The management in its reply dated February 14, 2008 regarding rotatable spares parts, disowned the purchase of 30 items valuing Rs.18.176 million. They added that remaining 40 items valuing Rs.11.339 million were purchased as back as from the year 1980 onwards as such they could not ascertain the justification for 30 years old cases. As regards latter inventory, the management did not respond at all.

The PAO apprised the Committee that the case may be referred to the NAB.

PAC DIRECTIVE

The Committee referred the case to NAB for investigation on the recommendation of PAO. The Committee further directed the PAO to send the reference with all relevant record to NAB within 30 days.

10. **PARA-28 (ARPSE-2007-08)PAGE-52**
NON-RECOVERY OF OLD OUTSTANDING FROM VARIOUS DEFAULTING AGENTS AMOUNTING TO RS.20.062 MILLION

The Audit pointed out that as per Para No.2.01 of credit policy of PIAC, all dues from private organizations are required to be recovered within 30 days. In Pakistan International Airlines Corporation (PIAC) Lahore, an amount of Rs.20.062 million was outstanding against defaulting sales agents since long as on April 30, 2007 as detailed below:

(Rs. in million)

S.No	Name of agent	Date of default	Amount
.			
1	House of Travel	January 1995	0/394
2	World Travel	October 1997	0.689
3	Askari Travel	July 2001	0.324
4	The Traveler	February 2001	0.082
5	Pameela ravel	March 2007	8,592
6	Madni Travels	April 2007	1.977
7	National Express	1987	8.004
Total			20.062

The management neither took proper action to recover the amount nor the encashment of Bank and IATA guarantees were made within prescribed time of one month. The non recovery was reported to the management on June 08, 2007 and referred to the Ministry of June 10, 2008. The management in its reply dated August 31, 2007 stated that the cases at Sl.1, 2 and 4 above were referred to NAB for recovery. They added that case at Sl No.3 pertained to balance amount of inadmissible passengers and the recovery under the case at Sl. 5 above was in progress as net recoverable was Rs.7.462 million. They added that entire amount at Sl 6 had been received and last item was sub judice.

The PAO informed that an amount 6.75 Million was still recoverable and also the matter was in the Court of Law.

PAC DIRECTIVE

The Committee pended the para being sub-judice in nature. The Committee directed the Audit department to give their note of dissent in the DAC meetings if required so.

11. **PARA-29 (ARPSE-2007-08) PAGE-53**
UNPRODUCTIVE AND IRREGULAR EXPENDITURE ON PRINTING/PASTING OF STICKERS ON AIRCRAFTS TAILS RS.8.588 MILLION

The Audit pointed out that in Pakistan International Airlines Corporation (PIAC), a decision was made in the year 2005 to design and paste province wise tail livery on each aircraft. Consequently an expenditure of Rs.8.588 million was incurred on total 21 aircrafts, (which included direct purchase of one sticker costing Euro 29,500), though the airlines was already suffering from heavy losses which stood at Rs.13.399 billion as on December 31, 2007. The designing work on the tails of crafts failed to bring any impact on its profitability. Moreover, the same work was carried out without obtaining competitive rates through tendering for design and purchase of stickers, which was a violation of PPRA Rules 2004.

The PAO stated that the amount mentioned in the Audit para was 8.5 Million whereas in our record it was 2.8 Million.

PAC DIRECTIVE

The Committee settled the para on the statement of PAO.

12. **PARA-30 (ARPSE-2007-08) PAGE-54**
LOSS DUE TO ALLOWING CREDIT SALE MORE THAN SECURITY VALUE
RS.5.586 MILLION

The Audit pointed out that the Para-3-03 of credit policy of PIAC provides that no credit will be extended without satisfactory credit rating and/or sufficient bank guarantee. Moreover, para-2 of the same policy provides that all outstanding dues are required to be recovered within 30 days.

Pakistan International Airlines Corporation (PIAC), Multan, credit sales were allowed to a travel agent, M/s. Somi Travel (Pvt.) Ltd. to the extent of Rs.15.767 million against a security deposit of Rs.5.000 million. The agent defaulted to clear the dues of sale proceeds since 1995.

The PAO informed the Committee the matter is sub-judice in the Court of Law.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to vigorously pursue the case in the Court of Law.

13. i. **PARA-18.1(ARPSE-2007-08) PAGE-35**
ii. **PARA-18.2 (ARPSE-2007-08)PAGE-36**
iii. **PARA-18.3 (ARPSE-2007-08) PAGE-36**
iv. **PARA-18.4 (ARPSE-2007-08) PAGE-36**
v. **PARA-18.5 (ARPSE-2007-08) PAGE-37**
vi. **PARA-18.6 (ARPSE-2007-08)PAGE-37**
vii. **PARA-18.7 (ARPSE-2007-08)PAGE-37**
viii. **PARA-18.8 (ARPSE-2007-08)PAGE-38**
ix. **PARA-18.11 (ARPSE-2007-08)PAGE-40**

PAC DIRECTIVE

The Committee recommended the performance based above mentioned 09 paras for settlement with the direction to PAO to improve the performance of PIAC in future.

14. i. **PARA-22 (ARPSE-2007-08) PAGE-45**
- ii. **PARA-23 (ARPSE-2007-08)PAGE-46**
- iii. **PARA-24 (ARPSE-2007-08)PAGE-48**
- iv. **PARA-25 (ARPSE-2007-08)PAGE-49**
- v. **PARA-26 (ARPSE-2007-08) PAGE-50**

PAC DIRECTIVE

The Committee pended the above mentioned 05 paras and referred the same for DAC discussion within 30 days, with the direction to PAO to present the report to the Committee in November, 2015.

ACTIONABLE POINTS

PAC MEETING: 13-10-2015

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

(Audit Report 2007-08)

15. **PARA-27 (ARPSE-2007-08) PAGE-52**
UN-AUTHORIZED RE-EMPLOYMENT OF RETIRED OFFICERS / INSTRUCTORS INVOLVING REMUNERATION OF RS.2.166 MILLION PER ANNUM

The Audit pointed out that In accordance with clause 34.12.04 Chapter No.XXXIV of Personnel Policies Manual of PIAC, the officer after superannuation can be appointed with the approval of Prime Minister of Pakistan. The Pakistan International Airlines Corporation (PIAC) re-employed two retired officers as Chief Instructor and Senior Instructor (Grooming) after their superannuation on contract basis for a period of one year without approval of prime Minister during June and September 2007. Thus, the remuneration of Rs.2.166 million per annum paid to both re-employed officers was considered unauthorized/irregular.

The PAO informed that the case is with the FIA and the Agency can apprise the Committee on the status of the case.

PAC DIRECTIVE

The Committee pended the para till the receipt of report from the FIA on the case. The Committee also conveyed their serious concerns over the weak representation of FIA without having proper preparation for the agenda to the concerned authorities.

16. **PARA-31 (ARPSE-2007-08) PAGE-55**
IRREGULAR FREE OF COST TRANSFER OF CARS TO EMPLOYEES
RS.5.163 MILLION

The Audit pointed out that under section 30 of Pakistan International Airlines Corporation (PIAC), Act 1956, the Board with the previous sanction of the Federal Government may make regulations not in consistent with the Act. Moreover, Rule 10(i) of GFR provides that “every public officer is expected to exercise the 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”.

In Pakistan International Airlines Corporation (PIAC), Head Office, a total No. of 19 vehicles having a book value of Rs.5.163 million were transferred to the employees during the year 2005 and 2006 free of cost which included a new Toyota Corolla car valuing Rs.969,000 within its first year of purchase. The same transfer of cars were made by the management in pursuance of Car Policy dated October 18, 1993 circulated by Policies and Remuneration Division of PIAC which provided transfer of cars to the allottee officers twice times during service after completion of life span of car for 6 years and 4 years respectively. However, no previous sanction of the Federal Government was obtained by the management for making such regulation of generous transfer of car to the officers at the cost of the organization which is already running with heavy losses.

The PAO informed that the case regarding the revision of car transfer policy would be submitted to the PIA Board and outcome would be shared with the Audit/PAC.

PAC DIRECTIVE

The Committee settled the para with the direction to revise the policy of free of cost transfer of vehicle to employees of PIA. The Committee further directed that a reference for revision of policy relating to the transfer of vehicle without any cost to the employees of PIA be sent to Aviation Division.

17. **PARA-32 (ARPSE-2007-08) PAGE-56**
IRREGULAR SPLITTING UP OF TENDER AND CHARGING THE CAPITAL
WORKS OF RS.5 MILLION TO MINOR MAINTENANCE WORKS

The Audit pointed out that the Rule 9 of PPRA Rules 2004 prohibits the splitting up of proposed procurement and provides that a procuring agency shall announce through an appropriate manner all proposed procurements for each financial year.

Pakistan International Airlines Corporation (PIAC), Works Department, tenders were floated in piecemeal for renovation and refurbishment of Head Office Canteen in the year 2005 which were initially charged as maintenance works. The Minor Works Committee in its meeting held on December 09 and 13, 2005 despite receiving various summaries on a single objective, viz, "improvement of environment of staff canteen" approved all split up civil works for award to a single firm, M/s. Shafqat Associates, who were declared lowest in each of the split up work. The same firm subsequently was paid a total amount of Rs.3.742 million. The remaining works were awarded to other two firms and payment of Rs.0.537 million was made.

PAC DIRECTIVE

The Committee directed the PAO to peruse the para at DAC level as recommended by the Audit.

18. **PARA-33 (ARPSE-2007-08) PAGE-57**
LOSS DUE TO EXCESS EXPENDITURE THAN EARNING OF SPEEDEX
RS.3.147 MILLION

The Audit stated that Rule-10(i) of GFR provides that "every public officer is expected to exercise the 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".

In Pakistan International Airlines Corporation (PIAC), Multan a total expenditure of Rs.7.077 million was incurred by Speedex (Marketing) for the year 2005 & 2006 against the total revenue of Rs.3.930 million resulting into net loss of Rs.3.147 million.

PAC DIRECTIVE

The Committee directed to peruse the para at DAC level as recommended by the Audit.

19. **PARA-34 (ARPSE-2007-08) PAGE-58**
LOSS DUE TO MISAPPROPRIATION OF 50 BALES OF UNIFORM CLOTH
VALUING RS.3.059 MILLION

The Audit pointed out that as per PIA Supply Manual (Chapter IIA), the Incharge of Store Room is responsible for safe custody, proper accountability and serviceability during storage of all Airline property warehouse in the stock rooms under his functional and administrative control. Moreover, as per chapter-II of job Description Manual, the Incharge Security Department is responsible to adopt preventive measures for security of PIA moveable and immovable property against damage, arsons, theft, pilferage and misappropriation.

In Pakistan International Airlines Corporation (PIAC), a quantity of 4,978 meter (50 bales approx) of uniform cloth valuing Rs.3.059 million was reported as misappropriated from Stock Room No. 39 in July 2005.

The PAO apprised the Committee that the misappropriation of amount had been written- off.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to take precautionary measure to avoid such cases in future.

20. **PARA-35 (ARPSE-2007-08) PAGE-59**
LOSS DUE TO THEFT OF MULTIMEDIA PROJECTS VALUING RS.0.388
MILLION

The Audit pointed out that as per Chapter-11 of job Description Manual of (PIAC), the incharge, Security Department, is responsible to adopt preventive measures for security of PIA moveable and immovable property against damage, arson, theft, pilferage and misappropriation.

In Pakistan International Airlines Corporation (PIAC), Training Centre two Multimedia Projects valuing Rs.0.338 million were stolen from class rooms in the year 2005. The management could not produce a copy of FIR to Audit in respect of one of the stolen items. Moreover, no results of departmental inquiry were furnished to Audit.

The PAO informed that the CCTV had been installed to avoid the theft incidents in future.

PAC DIRECTIVE

The Committee settled the para subject to recovery of amount and followed by verification by the Audit.

DAC RECOMMENDED THE PARAS FOR SETTLEMENT

21. i. **PARA-36 (ARPSE-2007-08) PAGE-60 SKY ROOMS PVT. LTD**
ii. **PARA-36.1(ARPSE-2007-08) PAGE-60 SKY ROOMS PVT. LTD**
iii. **PARA-36.2 (ARPSE-2007-08) PAGE-60 SKY ROOMS PVT. LTD**
iv. **PARA-36.3 (ARPSE-2007-08) PAGE-61 SKY ROOMS PVT. LTD**

- v. **PARA-37 (ARPSE-2007-08) PAGE-61 SKY ROOMS PVT. LTD**
LOSS DUE TO ALLOWING PRIVATE GUESTS TO STAY IN HOTEL
FREE OF COST FOR AN ABNORMAL PERIOD RS.0.299 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned five paras on the recommendations of Audit.

CABINET DIVISION **2007-08**

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Cabinet Division was examined by the PAC on 8th August, 2011, 26th February, 2015, 10th August, 2015 and 20th August, 2015.

- 90 paras were presented by the Audit Department which were examined by the Committee. Out of which 21 paras were settled whereas appropriate directions were issued for the remaining paras.
- In few paras the PAO was directed to hold inquiries, fix responsibility and initiate disciplinary actions.
- The Committee referred 03 paras to NAB.

CABINET DIVISION

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 08-08-2011

AUDIT REPORT ON THE ACCOUNTS OF CABINET DIVISION FOR THE AUDIT YEAR 2007-08 (FINANCIAL YEAR 2006-07)

1. **PARA 1.1, PAGE 28, AR-2007-08**
**RS. 800 MILLION COLLECTED ON BEHALF OF THE FEDERAL
GOVERNMENT ARE RETAINED BY NATIONAL ELECTRIC POWER
REGULATORY AUTHORITY (NEPRA)**

The Audit stated that presently the NEPRA had more than 800 million rupees in its account. The NEPRA had invested Rs 800 million in commercial banks at different profit rates. At the same time, the government was borrowing money from commercial banks / general public to meet its expenses. Furthermore, NEPRA Act does not have any provision for investment of surplus fund in the commercial banks.

Chairman, NEPRA informed the Committee that the requisite record was available with the Authority and would be provided to Audit for verification.

PAC DIRECTIVE

The Para was settled subject to verification by Audit of the amount deposited into Federal Consolidated Fund.

2. **PARA 1.2, PAGE 28, AR-2007-08**
**DISTRIBUTION LICENSES TO FIVE SMALL POWER PRODUCERS WAS
GRANTED AFTER FOUR AND A HALF YEARS**

Audit stated that NEPRA besides granting distribution licenses to main distribution companies issued distribution license to 7 Small Power Producers. NEPRA was required to complete the processes of issuing licenses within a reasonable period of time.

Audit further stated that despite the looming energy crises, approval of licenses took an average time frame of four and a half years.

Chairman, NEPRA informed the Committee that energy was not at that time. An inquiry would be conducted and a report of inquiry would be submitted to the Committee and the Audit.

PAC DIRECTIVE

The para was settled subject to inquiry to be carried out for the 4-5 years delay in issuance of licences, fixing of responsibility and verification of the said report by Audit in one month's time.

3. **PARA 1.3, PAGE 30, AR-2007-08**
GOVERNMENT OF PAKISTAN'S GUIDELINES IN HIRING THE SERVICES OF CONSULTANTS IS NOT OBSERVED IN NEPRA.

The Audit stated that during the audit period (2004-05 to 2005-06); NEPRA had hired the services of several consultants. Keeping all stated requirement in view, the contract agreement of each consultant had been reviewed.

Chairman, NEPRA informed the Committee that since last three years only one consultant for 8 to 10 weeks was engaged for specific engagement on the coal based power generation, tariff determination, which the department did not had an expertise's.

PAC DIRECTIVE

The PAO was directed to give detailed justification for the need to engage consultants for routine office duty within one month.

4. **PARA 1.4, PAGE 33-34, AR-2007-08**
NEPRA HAS LOST RS.4.1 MILLION DUE TO UNDERSTATED PAYMENTS BY PESHAWAR ELECTRIC SUPPLY COMPANY (PESCO).

Audit stated that NEPRA Fee & Fine Rules, 2002 states that the annual license fee in respect of any financial year shall be paid in advance within thirty days of the preceding financial year (Schedule Part-II, sub-Rule-2).

PAC DIRECTIVE

The Committee directed the PAO that recovery from PESCO should be made.

ACTIONABLE POINTS

PAC MEETING: 26-02-2015

AUDIT REPORT FOR THE YEAR 2007-08

PRINTING CORPORATION OF PAKISTAN (PVT) LIMITED

5. i, **PARA NO.2, PAGE-7, (ARPSE-2007-08)**
AUDIT COMMENTS

- ii. **PARA NO.2.2, PAGE-8, (ARPSE-2007-08)**
AUDIT COMMENTS

OIL AND GAS REGULATORY AUTHORITY

- iii. **PARA NO.3, PAGE-9, (ARPSE-2007-08)**
AUDIT COMMENTS

- iv. **PARA NO.3.1, PAGE-9, (ARPSE-2007-08)**
WORKING RESULTS

PAC DIRECTIVE

The Committee settled the above four (4) paras.

NATIONAL BOOK FOUNDATION

6. **PARA NO.40.1, PAGE-71, (ARPSE-2007-08)**
WORKING RESULTS

The Audit pointed out that the Foundation's earned net profit after taxation of Rs. 3.689 million in 2006-07 as against Rs.16.189 million in 2005-06 registering a decrease by 77%. The main reason of decrease in net profit was increase in administrative and general expenses by 57% from Rs.20.731 million in 2005-06 to Rs.32.553 million in 2006-07. The increase in administrative and general expenses needs to be controlled.

The PAO informed the Committee that as desired by Audit, (NBF) always exercised its all-out efforts to keep the operational expenses at the bare minimum. As far as the employees related expenses are concerned these are since obligatory in nature hence neither can be deferred by the NBF at its own nor eliminated. The reasons for decrease in net profit in 2006-07 as pointed out by Audit are the increase in Admin and General Expenses. Now, the expenses have been controlled and reduced, which has been verified by Audit.

PAC DIRECTIVE

The Committee settled the para and directed to improve the trend in making NBF profitable.

7. **PARA NO. 2.1, PAGE-7, (AR-2007-08)**
WORKING RESULTS

The Audit pointed out that the sales of the Corporation is reducing, the PCP should reduce its expenditure, check over staffing and to increase its capacity utilization so as to make it a profit centre. Many efforts were also made to

increase the sales and curtail expenditure in order to make the Corporation a profitable entity. In this connection, many committees had been constituted for the restructuring of PCP, but, it couldn't be finalized due to which the accumulated loss of PCP increased.

The PAO stated that in pursuance of Finance Division, Cabinet Division's advised letter dated 27.02.2012 a summary was sent regarding restructuring of PCP to ERU/Sectt of CCOR. However, the Finance Division vide its UO No. 3(5)/CP-III/2012-498 dated 02.11.2012 informed that PCP is not included in the list of PSEs being restructured by the Cabinet Committee on Restructuring of PSEs. The case of restructuring of PCP may, therefore, be placed directly before the ECC. Hence, it is still in process.

PAC DIRECTIVE

The Committee settled the para and directed the PAC Wing to arrange a briefing with the approval of the Hon. Chairman PAC, for giving productive track to Govt. for making restructuring of PCP in good way.

CAPITAL DEVELOPMENT AUTHORITY

8.

- i. **PARA NO. 1.1, PAGE-3, (AR-2007-08)**
DELAYED STARTING OF DEVELOPMENT WORK IN D-12 SECTOR
RESULTING IN ENHANCEMENT OF COST- RS. 1,278 MILLION
- ii. **PARA NO. 1.3.3, PAGE-9, (AR-2007-08)**
NON-RECOVERY OF ADDITIONAL CHARGES ON ACCOUNT OF
ADDITIONAL STOREY ON PLOT OF JINNAH PUBLIC SCHOOL G-11/3
- RS. 25.3 MILLION
- iii. **PARA NO. 1.3.7, PAGE-11-12, (AR-2007-08)**
NON-RECOVERY ON ACCOUNT OF RENT OF MARKETING OFFICE
CONSTRUCTED ON CDA LAND -RS 2.4 MILLION
- iv. **PARA NO. 1.4, PAGE-12-13, (AR-2007-08)**
UNDER-ESTIMATION OF REVENUE TARGETS - RS 500 MILLION
- v. **PARA NO. 1.6.3, PAGE-17, (AR-2007-08)IRREGULAR AWARD OF**
WORKS - RS 11.3 MILLION
- vi. **PARA NO. 1.8, PAGE-21-22, (AR-2007-08)UNJUSTIFIED EXECUTION**
OF WORK - RS 55.3 MILLION
- vii. **PARA NO. 1.9.1, PAGE-22-23, (AR-2007-08)**
OVERPAYMENT DUE TO ALLOWING HIGHER RATES - RS. 25.6
MILLION

- viii. PARA NO. 1.9.3.2, PAGE-24-25, (AR-2007-08)
NON-RECOVERY OF DE-ESCALATION ON BITUMEN – RS. 0.123 MILLION
- ix. PARA NO. 1.11, PAGE-25-26, (AR-2007-08) DEFECTIVE PROCUREMENT OF ALUM SULPHATE – RS. 16 MILLION
- x. PARA NO. 1.12, PAGE-26-27, (AR-2007-08)
EXCESS PAYMENT IN EXECUTION OF SUBSTITUTED ITEM – RS. 1.3 MILLION
- xi. PARA NO. 1.13, PAGE-27-28, (AR-2007-08)
LOSS DUE TO NON-FULFILLMENT OF CONTRACTUAL OBLIGATION – RS. 1.1 MILLION

PAC DIRECTIVE

The Committee settled above mentioned eleven (11) paras as recommended by DAC.

- 9. i. PARA NO.1.3.5, PAGE-10-11,(AR-2007-08)
NON-RECOVERY OF EXTENSION CHARGES – RS 3.6 MILLION
- ii. PARA NO.1.3.6, PAGE-11,(AR-2007-08)
NON-RECOVERY OF OUTSTANDING DUES - RS 3.2 MILLION
- iii. PARA NO.1.5, PAGE-13,(AR-2007-08)
NON-CLOSURE OF ACCOUNTS / COMPLETION REPORTS OF WORKS - RS 393.6 MILLION
- iv. PARA NO.1.6.1, PAGE-14,(AR-2007-08)
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS – RS 180 MILLION
- v. PARA NO.1.6.2, PAGE-14-15,(AR-2007-08)
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS – RS 53.7 MILLION
- vi. PARA NO.1.9.2, PAGE-23, (AR-2007-08)
OVERPAYMENT DUE TO INCORRECT CONVERSION FACTOR - RS 1.2 MILLION
- vii. PARA NO.1.9.3.1, PAGE-24,(AR-2007-08)
OVERPAYMENT OF ESCALATION ON STEEL – RS 1 MILLION

PAC DIRECTIVE

The Committee referred the above seven paras to DAC.

10. i. **PARA NO. 1.2.1, PAGE-3-4, (AR-2007-08)**
UNAUTHORIZED SALE OF LAND OF 491 KANALS 16 MARLAS
MORTGAGED TO CDA BY THE SPONSORS OF THE SOCIETY – RS.
491.2 MILLION
- ii. **PARA NO. 1.2.2, PAGE-4-6, (AR-2007-08)**
IRREGULAR CREATION OF PLOTS AND SALE OUT OF LAND OF
239.9 KANALS – RS. 479.8 MILLION
- iii. **PARA NO. 1.2.3, PAGE-6, (AR-2007-08)**
UNAUTHORIZED SALE OF LAND BY REDUCING WIDTH OF
STREETS OF SOAN GARDEN HOUSING SOCIETY–RS. 124.6
MILLION
- iv. **PARA NO. 1.2.4, PAGE-6-7, (AR-2007-08)**
UNAUTHORIZED ALLOTMENT OF 125 PLOTS BY SOAN GARDEN
HOUSING SOCIETY

PAC DIRECTIVE

The Committee pended above mentioned four (4) paras as the matters are under consideration of Hon. Court and FIA pursuant. Committee, further, directed the department to fully provide collaboration/assistance to FIA to pursue these cases to prevent the decree on double biased opinion, which may result in proving the accused as innocent.

11. **PARA NO. 1.3.1, PAGE-7-8, (AR-2007-08)**
NON-RECOVERY OF PROPERTY TAX –RS. 445.9 MILLION

The Audit pointed out that as per SRO-24(1) 2001 dated 11.01.2001, property tax at the rate of one twelfth (1/12) of annual value of buildings and lands located within specified area of Islamabad was to be received. The Director Revenue, Capital Development Authority did not recover the property tax for the year 2006-07 against various residential and commercial buildings. This resulted into non-recovery of property tax Rs 445.9 million. Further, informed that a sum of Rs. 257.859 million out of Rs. 445.9 million has been recovered and duplication of Rs 140.7 million has been verified. However, Balance recovery Rs 47.342 million has not yet been recovered.

The PAO stated that the outstanding balances were taken from computer ledger, which were not reliable and based on provisional bill. Further, notices have been served for remaining recovery compliance to International Islamic University etc.

PAC DIRECTIVE

The Committee pended this para and directed the administration to take up the matter before their Board of Director for making decision; i.e. services providing institutions (educational, hospital etc) are exempted from property tax. In the light of Board of Directors verdict further process may be started.

12. i. **PARA NO. 1.3.2, PAGE-8-9, (AR-2007-08)**
NON-RECOVERY OF RISK AND COST AMOUNT RS. 51.6 MILLION
- ii. **PARA NO. 1.3.4, PAGE-9-10, (AR-2007-08)**
NON-RECOVERY OF MOBILIZATION ADVANCE – RS. 11.9 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned two (02) paras till the recovery and the finalization of the inquiry proceedings.

13. i. **PARA NO. 1.6.4, PAGE-16, (AR-2007-08)**
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS –
RS. 7.8 MILLION
- ii. **PARA NO. 1.6.5, PAGE-16-17, (AR-2007-08)**
IRREGULAR AWARD OF WORKS – RS. 5.5 MILLION
- iii. **PARA NO. 1.6.6, PAGE-17-18, (AR-2007-08)**
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS –
RS. 2.7 MILLION
- iv. **PARA NO. 1.6.7, PAGE-18-19, (AR-2007-08)**
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS –
RS. 2.7 MILLION
- v. **PARA NO. 1.6.8, PAGE-19, (AR-2007-08)**
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS –
RS. 1.8 MILLION
- vi. **PARA NO. 1.6.9, PAGE-19-20, (AR-2007-08)**
IRREGULAR AWARD OF WORKS WITHOUT CALLING TENDERS –
RS. 0.855 MILLION

The Audit pointed out that above six (6) paras had similar nature and may be clubbed, these are related to irregular award of work without issuing any notice/tender.

The PAO stated that all of these irregularities were done due to emergency nature of work and emergency clauses were invoked by the Competent Authority/Board.

PAC DIRECTIVE

The Committee settled above mentioned six (06) paras and showed its displeasure regarding irregular award of work without issuing any notice/tender and directed the administration not to repeat same practice again. The Chairman also gave assurance for follow PPRA Rules in future.

14. **PARA NO. 1.7, PAGE-20-21, (AR-2007-08)**
UNAUTHORIZED CHANGE IN PAYMENT SCHEDULE OF A SHOPPING MALL (CENTAURUS) LEADING TO LOSS OF ACCRUED INTEREST – RS. 111.8 MILLION

The Audit pointed out that Capital Development Authority executed an agreement with successful bidder of F-8 / G-8 shopping mall (**Centaurus**) on 09.08.2005. The first highest bidder was required to deposit Rs.25 million as token money along with his bid and 25% of the total bid cost within 45 days. Rest of the payment was to be made in three years in quarterly installments with interest on KIBOR. The payment schedule was extended from three years to 5 years with an option to make payment as and when booking of commercial suites commenced. Due to change of schedule the Authority sustained a loss of interest for Rs.111.8 million.

The PAO stated that this para is already forwarded to NAB. NAB representative told that most of the amount has been recovered.

PAC DIRECTIVE

The Committee settled this para subject to verification of remaining recovery.

15. **PARA NO. 1.10, PAGE-25, (AR-2007-08)**
LOSS DUE TO NON-ENCASHMENT OF PERFORMANCE SECURITY – RS. 18.9 MILLION

The Audit pointed out that as per clause 10 of condition of particular application Part-II-A of the agreement, the contractor was required to provide performance security to the employer in the prescribed for within 28 days after receipt of letter of acceptance equal to 10% of contract price stated in the letter of acceptance in the form of bank guarantee from any scheduled bank of Pakistan or from insurance company. In case of default the Division Authority's were required to take the matter with the guarantor for encashment of performance guarantee. The Deputy Director, Roads-IV Division, Capital Development of Authority terminated the contract of M/s Al-Khan Construction Company for dualization of Service Road (South) G-8 to G-10 due to their poor performance. The validity of

performance guarantee expired but the matter for encashment or extension of its validity till completion of project was never taken up with the party. This resulted into loss of Rs. 18.9 million.

The PAO stated that the inquiry is in progress.

PAC DIRECTIVE

The Committee forwarded this para to NAB for the investigation.

TELECOMMUNICATION SECTOR

16.
 - i. **PARA NO. 1.1, PAGE-1, (AR-2007-08)**
COMMENTS ON ACCOUNTS
 - ii. **PARA NO. 1.5, PAGE-5-7, (AR-2007-08)**
NON-RECOVERY OF RS. 666.882 MILLION FROM MOBILE/TELECOM OPERATORS
 - iii. **PARA NO. 1.8, PAGE-9, (AR-2007-08)**
IRREGULAR GRANT OF HOUSE BUILDING ADVANCES OF RS. 5.930 MILLION
 - iv. **PARA NO. 1.10, PAGE-11-13, (AR-2007-08)**
UNJUSTIFIED PAYMENT OF RS. 3.347 MILLION
**FREQUENCY ALLOCATION BOARD **
 - v. **PARA NO. 2.1, PAGE-17, (AR-2007-08)**
COMMENTS ON ACCOUNTS

PAC DIRECTIVE

The Committee settled above mentioned five (5) paras.

17. **PARA NO. 1.2, PAGE-2-3, (AR-2007-08)**
IRREGULAR EXPENDITURE ON PURCHASE OF VEHICLES RS. 31.492 MILLION

The Audit pointed out that Telecommunication Authority incurred an expenditure of Rs. 31.492 million on the purchase of vehicles without approval of vehicle purchase committee is a violation of the instructions during 2005-06 and 2006-07.

The PAO stated that PTA management while examining the Audit Report for the year 2008-09 of PTA, constituted a Sub-Committee under the Convenership of Mr. Zahid Hamid, MNA to further probe the matter regarding legal opinion of M/o Law & Justice on section 10(3) of the Act and submit report within 03 months to the main PAC. However, the meeting of the Committee could not be convened.

PTA management reported on 19-07-2011 that Minister of Law & justice Division has opined and clarified that in matters relating to section 10(3) of the Act, PTA is not only self competent but legally allowed/empowered for appointment, promotion, termination and other terms and conditions of employment its employees without any prior or post facto approval of Federal Government, Establishment Division and Finance Division under the provisions of the Act.

PAC DIRECTIVE

The Committee settled the para subject to approval from Cabinet Division.

18. **PARA NO. 1.3, PAGE-3-4, (AR-2007-08)**
IRREGULAR EXPENDITURE ON ACCOUNT OF FOREIGN TA/DA RS. 7.073 MILLION

The Audit pointed out that PTA Headquarter paid an amount of Rs. 7,073,159 to 47 (47) officers of various categories on account of foreign TA/DA during 2006-07 are a violation to the standing orders of the Cabinet Division. The Audit had already directed the management to obtain ex-post facto approval for regularization of this expenditure along with verification from Audit.

The PAO stated that this para is same in nature as of para 1.2 already discussed. However, he assured; it will not be repeated again.

PAC DIRECTIVE

The Committee settled the para subject to approval from Cabinet Division.

19. **PARA NO. 1.4, PAGE-4-5, (AR-2007-08)**
NON-RECOVERY OF US \$ 29.10 MILLION (EQUIVALENT TO PAK RS. 1,746 MILLION) BY EXTENDING UNDUE FAVOUR TO M/S INSTAPHONE

The Audit pointed out that according to clause 30 of Pakistan Telecommunication Re-organization Act, 1996, all fees, fines or other amounts due or payable to the Authority including late payment of all fees and initial license fee. M/s Instaphone is defaulter since October 2005 and their default payments are piling up because of undue favour extended by PTA to the operator. The record revealed that an amount of US \$ 29.10 million (Equivalent to Pak Rs 1,746 million) was lying outstanding against M/s Instaphone for the year 2006-07. The said amount was due to be recovered by 18th April, 2007 as per PTA letter dated April 02, 2007 but the same was not received till date. Therefore, the late payment charges @ 2% per month were also required to be imposed.

The PAO stated that Recovery Petition (PR) amounting to Rs. 21 billion is pending with District Collector (DC), Islamabad. DC, Islamabad issued orders on 21st May, 2013 in light of undertaking of Pakcom that Pakcom can not in any

respect disposed off their Assets, till disposal of all court cases between PTA & Pakcom. This amount is part and parcel of total outstanding of Rs. 21 billion against M/s Instaphone.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the recovery vigorously.

20. **PARA NO. 1.6, PAGE-7-8, (AR-2007-08)**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE RS. 5.194 MILLION

The Audit pointed out that Finance Division has approved the pay package of PTA which indicates that payment of House Rent Allowance @ 45% of the running pay will be dealt with separately. Hence, as per rules House Rent Allowance @ 45% of the initial basic pay of the scale is admissible to Officers/Officials of PTA till the approval of Finance Division. PTA Headquarter continued the practice of paying House Rent Allowance @ 45% of running basic pay, which resulted into over payment of Rs 5,194,200 during 2006-07.

The PAO stated that in pursuance of DAC directives the calculation of House Rent Allowance has been made from the date of implementation of approved pay package of September 2009. Audit has verified the recovery in June 2012. However, verification report is awaited.

PAC DIRECTIVE

The Committee settled the para with the direction to pursue the recovery pointed out in the para.

21. **PARA NO. 1.7, PAGE-8, (AR-2007-08)**
OVER PAYMENT DUE TO NON-IMPLEMENTATION OF APPROVED PAY PACKAGE RS. 3.395 MILLION

The Audit pointed out that Finance Division's notification approved the pay package of PTA, whereby the pay is required to be fixed from BPS to PTA scales w.e.f 1st October, 2004. PTA did not apply the approved pay package correctly on 270 eligible employees of different categories. A sample of eight officers in BPS-20 (SEG-I) was taken by audit to check the application of approved pay package which indicated an over payment of Rs 3,395,280 to them.

The PAO stated that the Pay Package of PTA employees duly approved by the Finance Division (Regulation Wing) and notified by the Cabinet Division was implemented w.e.f. 1st October, 2004 in PTA. The pays of the employees were fixed as per the laid down principle; which states that no arrears and no recovery

shall be made from the employees occurring due to re-fixation of pay in the new pay scales.

PAC DIRECTIVE

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

22. **PARA NO. 1.9, PAGE-10-11, (AR-2007-08)**
UNJUSTIFIED PAYMENT OF RS. 1.743 MILLION ON ACCOUNT OF
PROFICIENCY INCENTIVE/HONORARIUM

The Audit pointed out that the Consultants, Management Trainees, and Management Position Holders are not entitled to receive honorarium/proficiency incentive according to the terms and conditions of the consultants appointed on contract. Further, there is no provision in any rule for the grant of proficiency incentive/honorarium to Daily Wagers. PTA Headquarter paid an amount of Rs 1,743,118 on account of Proficiency incentive/honorarium to the officers/officials of various categories during 2006-07 in contravention to the above rules.

The PAO stated that the "Authority" approved the grant of proficiency allowance under the powers conferred as per Sections- 3(8), 10(3), 12(1) of the Telecom Act, Ministry of L&J O.M. dated 29th June, 2011 and the Audit Guidelines dated 20th April, 2011.

PAC DIRECTIVE

The Committee pended the para till recovery of honorarium / proficiency incentive.

23. **PARA NO. 1.11, PAGE-13-15, (AR-2007-08)**
IRREGULAR TRANSFER OF LICENSES TO UN-AUTHORIZED PARTIES AND
LOSS OF RS. 3,207.800 MILLION

The Audit pointed out that the licensee fails to begin operations within eighteen (18) months of award of radio spectrum. The licensee may not assign, lease or sell the rights of use of spectrum allocated to them. PTA allowed to the WLL, LL and LDI operators for transferring their licenses/ business in violation to the above rules. This resulted into a loss of Rs 3,207.800 million to Government of Pakistan as well as PTA.

The PAO stated that the transfer of licenses were completely in accordance with the provisions with the Act and the Rules and Regulations issued there under from time to time and therefore the same are as per law and in order.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to resolve this issue personally.

24. **PARA NO. 1.12, PAGE-15-16, (AR-2007-08)**
IRREGULAR APPOINTMENT/PROMOTION OF AN OFFICIAL AS
ACCOUNTANT AND ASSISTANT DIRECTOR RESULTING IN EXCESS
PAYMENT OF RS. 0518 (M)

The Audit pointed out that a person was illegally appointed in PTA and thereafter; terminated from service. It was actually the fault of appointing Authority neither the appointee. Other than the affectee's job was restored by Hon. Court, therefore; and he resumed his job. Therefore, Audit is requested that the matter is decided by Hon. Court; that's why this para may be settled.

PAC DIRECTIVE

The Committee settled the para.

FREQUENCY ALLOCATION BOARD

25. **PARA NO. 2.2, PAGE-17-18, (AR-2007-08)**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE RS.
4.107 MILLION

The Audit stated that this para is same nature as before discussed para 1.6, page-7-8 (AR-2007-08) and requested for giving same direction as before.

PAC DIRECTIVE

The Committee settled the para and directed to follow the directions as given in para 1.6, page-7-8 (AR-2007-08).

26. **PARA NO. 2.3, PAGE-18-19, (AR-2007-08)**
LOSS OF RS. 3,544.600 MILLION DUE TO MISUSE OF FREQUENCIES,
UNDER FAVOUR AND NON-MONITORING

The Audit stated that this para is also of the same nature as that of para 1.11, page-13-15 (AR-2007-08) and requested for giving same direction.

PAC DIRECTIVE

The Committee settled the para and directed to follow the same direction as given in para 1.11, page-13-15 (AR-2007-08).

ACTIONABLE POINTS

PAC MEETING: 10-08-2015

PAKISTAN TELECOMMUNICATION AUTHORITY

27. **PARA NO. 1.2 PAGE NO. 2-3 AUDIT REPORT 2007-08
IRREGULAR EXPENDITURE ON PURCHASE OF VEHICLES RS 31.492
MILLION**

PAC DIRECTIVES (26.02.2015)

The Committee settled the Para subject to approval from Cabinet Division.

PAC DIRECTIVE

The Committee settled the Para on the assurance given by the PAO for regularization.

28. **PARA NO. 1.3 PAGE NO. 3-4 AUDIT REPORT 2007-08
IRREGULAR EXPENDITURE ON ACCOUNT OF FOREIGN TA/DA RS 7.073
MILLION**

PAC DIRECTIVE (26.02.2015)

The Committee recommended the para for settlement subject to approval from Cabinet Division.

The PAO informed the Committee the case for regularization has been forwarded the Ministry of Finance and the same will be regularize within 15 days.

PAC DIRECTIVE

The Committee directed the PAO to get regularize expenditure from the Cabinet Division under intimation to PAC and Audit within 15 days.

29. **PARA NO. 1.4 PAGE NO. 4-5 AUDIT REPORT 2007-08
NON-RECOVERY OF US \$ 29.10 MILLION (EQUIVALENT TO PAK RS 1,746
MILLION) BY EXTENDING UNDUE FAVOUR TO M/S INSTAPHONE**

The Audit pointed out that according to clause 30 of Pakistan Telecommunication Re-organization Act, 1996, all fees, fines or other amounts due or payable to the Authority may be recovered as arrears of land revenue. Para 4.4.1 and 4.4.2 of general conditions of license states that the licensee shall pay all annual fees to the Authority within 120 days of the end of the financial year to which such fee relate. In addition to any other remedies available to the Authority, late payment

of all fees including initial license fee shall incur an additional fee calculated @ 2% per month on the outstanding amount. M/s Instaphone is defaulter since October 2005 and their default payments are piling up because of undue favour extended by PTA to the operator. The record revealed that an amount of US \$ 29.10 million (Equivalent to Pak Rs 1,746 million) was lying outstanding against M/s Instaphone for the year 2006-07. The said amount was due to be recovered by 18th April, 2007 as per PTA letter dated April 02, 2007 but the same was not received till date. Therefore, the late payment charges @ 2% per month were also required to be imposed.

PAC DIRECTIVES (26.02.2015)

The Committee pended the para and directed the PAO to pursue the recovery vigorously.

PAC DIRECTIVE

The Committee directed the NAB Authorities to finalize the case within 90 days and also prepare reference under intimation to PAC.

30. **PARA NO. 1.6 PAGE NO. 7-8 AUDIT REPORT 2007-08**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE RS
5.194 MILLION

PAC DIRECTIVES (26.02.2015)

The Committee recommended the para for settlement with the direction to pursue the recovery in this para

The PAO informed the Committee that in DAC, it was decided to send the case to Finance Division through Cabinet Division for clarification about admissibility of House Rent Allowance @ of 60% of initial basic pay.

PAC DIRECTIVE

The Committee settled the Para subject to regularization of expenditure from the Finance Division within one month under intimation to the Audit and PAC.

31. **PARA NO. 1.7 PAGE NO. 8 AUDIT REPORT 2007-08**
OVER PAYMENT DUE TO NON-IMPLEMENTATION OF APPROVED PAY
PACKAGE RS 3.395 MILLION

The Audit pointed out that Finance Division vide notification No.F-4(15)/R-4/04 dated 17th January, 2007 approved the pay package of PTA, whereby the pay is required to be fixed from BPS to PTA scales w.e.f 1st October, 2004. PTA did not apply the approved pay package correctly on 270 eligible employees of different

categories. A sample of eight officers in BPS-20 (SEG-I) was taken by audit to check the application of approved pay package which indicated an over payment of Rs 3,395,280 to them during 1st February, 2007 to 31st January, 2008. Detail is as under:

The PAO informed the Committee that DAC in its meeting held on 1st December, 2008 directed the Management to implement the approved pay package and the same may be got verified from the audit. The recoveries from the officers may also be got verified.

PAC DIRECTIVE (26.02.2015)

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

The PAO replied that under section 10(3) of PTA Act as well as legal opinion of Federal Law Minister dated 29th June, 2011 the Authority is empowered to decide administrative matters of its staff. It was further elaborated that such instance of PTA was accepted by Sub-Committee-II of PAC in its meeting held on 12th May, 2015 and paras of Audit Report 2003-04 were settled.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record by the Audit within 7 days.

32. **PARA NO. 1.9 PAGE NO. 10-11 AUDIT REPORT 2007-08**
UNJUSTIFIED PAYMENT OF RS 1.743 MILLION ON ACCOUNT OF
PROFICIENCY INCENTIVE/HONORARIUM

The Audit pointed out that PTA Headquarter paid an amount of Rs 1,743,118 on account of Proficiency incentive/honorarium to the officers/officials of various categories during 2006-07 in contravention to the provisions of the contracts letters.

The PAO informed that the committee that it was decided that the documentary evidence regarding non-drawing of pay by Chairman & Members in MP Scales (i.e Pay Slips of the officers of that period) be provided to audit. As regards payments to the Consultants, Management Trainees and Daily Wagers the recovery particulars be provided to the audit for verification.

PAC DIRECTIVES (26.02.2015)

The Committee pended the para till recovery of proficiency incentive / honorarium.

The PAO replied that under section 10(3) of PTA Act as well as legal opinion of Federal Law Ministry dated 29th June, 2011 the Authority is empowered to decide

administrative matters of its staff. It was further elaborated that such instance of PTA was accepted by Sub-Committee-II of PAC in its meeting held on 12th May, 2015 and paras of Audit Report 2003-04 were settled.

PAC DIRECTIVE

The Committee directed the PAO to make efforts for prompt recovery with a report to PAC/Audit.

33. i. **PARA NO. 1.11 PAGE NO. 13-15 AUDIT REPORT 2007-08**
IRREGULAR TRANSFER OF LICENSES TO UN-AUTHORIZED
PARTIES AND LOSS OF RS 3,207.800 MILLION
- ii. **PARA NO. 2.3 PAGE NO. 18-19 AUDIT REPORT 2007-08**
LOSS OF RS 3,544.600 MILLION DUE TO MISUSE OF FREQUENCIES,
UNDUE FAVOUR AND NON-MONITORING

PAC DIRECTIVE

The Committee clubbed the above mentioned two paras being identical in nature and endorsed the recommendation of DAC held on 05-08-2015 regarding the constitution of a Committee to re-visit the whole case with the direction to submit comprehensive report of the Committee alongwith minutes of the meeting to PAC within 30 days.

FREQUENCY ALLOCATION BOARD

34. **PARA NO. 2.2 PAGE NO. 17-18 AUDIT REPORT 2007-08**
EXCESS PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE RS
4.107 MILLION

PAC DIRECTIVE

The Committee settled the para subject to regularization of expenditure from the Finance Division within one month as per the recommendation of DAC in this para and identical para No.1.6 and report to Committee.

DIRECTOR GENERAL COMMERCIAL AUDIT & EVALUATION, **LAHORE (FY 2007-08)**

35. **PAKISTAN BAIT-UL-MAL**
PARA-171.3

The Audit pointed out that the management of PBM deputed an internal audit team to conduct the audit of Food Support Programme for the year 2002-03. The audit team reported 164 cases in which the real beneficiaries were ignorant

about their accounts and payment on their behalf was misappropriated. Out of these 164 beneficiaries, 38 beneficiaries have given their written statement; the Postmaster admitted the payment to 45 bogus beneficiaries. Thus, total amount of Rs.492,000 was misappropriated. The management constituted an enquiry committee to probe into the matter without any fruitful results there from. As per policy the inquiry on FSP matters was required to be completed within 30 days, however, in this specific case despite lapse of more than 2 years the enquiry was yet to be completed. The enquiry committee in its report of March 2009 stated that defaulters had been dismissed from the services but recovery of misappropriated amount was not made from them. The matter was also discussed in DAC meeting held on May 06, 2009. DAC directed the management of PBM to take up the matter with Director General, Pakistan Post for the recovery of embezzled amount and inform audit accordingly.

PAC DIRECTIVE

The Committee pended the Para with the direction to the PAO to invite DG Post Office to attend the meeting on 20-08-2015 with all relevant record.

PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED

36. **PARA-174**
IRREGULAR EXPENDITURE DUE TO ATTACHMENT OF VEHICLES WITH THE MINISTER AND HIS PRIVATE SECRETARY – RS. 1.127 MILLION

The Audit pointed out that during verification management explained that the Minister for Tourism was also used to be the Chairman of the Board of Directors of PTDC. The PTDC resources including vehicles were used for promotional activities of Tourism. Management further stated that on the instructions of audit the vehicles were retrieved on 01-04-2005 and case will be placed before Board for getting the expenditure approved as a special case.

PAC DIRECTIVE

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

37. **PARA-175**
NON-RECOVERY DUE TO NON-EXECUTION OF PROPER AGREEMENT – RS.0.700 MILLION

The Audit pointed out that as per GFR-19 (i) the terms of a contract must be definite and there must be no room for ambiguity.

The management of PTDC Flashman's Hotel and Mr. Haider Ali, C.E.O. of M/s. H.A Entertainment Company finalized a deal to organize Industrial Exhibition at PTDC premises located on Haider Road. M/s. H.A. Entertainment Company

agreed to pay Rs.600,000 to utilize PTDC plot from November 20, 2005 to December 20, 2005. The party paid Rs.300,000 on October 3, 2005 in advance with the remarks that the remaining amount of Rs.300,000 would be paid one week before starting the festival. According to the deal M/s. H.A. Entertainment Company supposed to close the exhibition on December 20, 2005 but they carried on till January 9, 2006 for an extra period of 20 days. Thus, an amount of Rs.700,000 was recoverable from the party but same was not paid by them.

The PAO informed the Committee that the DAC in its meeting held on October 30, 2008 noticed that case is under litigation and directed the management to convey the decision of court as and when received. The decision of court is awaited till finalization of this report.

PAC DIRECTIVE

The Committee pended the Para with the direction to submit comprehensive report on the issue.

PTDC MOTELS NORTH (PVT) LTD.

38. PARA-176.2

The Audit pointed out that Trade debtors (unsecured) increased to Rs. 8.397 million as on June 30, 2007 from Rs. 6.842 million in 2005-06, registering an increase of 23%. Efforts are required to be made to recover the outstanding dues.

PAC DIRECTIVE

The Committee pended the Para with the direction to PAO to invite Managing Director, Pakistan Tourism Development Corporation (PTDC) on 20-08-2015 with a comprehensive report to be presented before the PAC.

39. i. PRINTING CORPORATION OF PAKISTAN (PVT) LIMITED PARA-2 & 2.1

ii. PARA-2.2

iii. OIL AND GAS REGULATORY AUTHORITY PARA-3 & 3.1

iv. NATIONAL BOOK FOUNDATION PARA-40.1

v. PAKISTAN BAIT-UL-MAL PARA-170

- vi. **PARA-170.1**
- vii. **PARA-170.2**
- viii. **PARA-170.3**
- ix. **PARA-170.4**
- x. **PARA-171**
- xi. **PARA-171.1**
- xii. **PARA-171.2**
- xiii. **PARA-171.4**

PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED

- xiv. **PARA-173**
- xv. **PARA-176**
- xvi. **PARA-176.1**

PTDC PAKISTAN TOURS (PVT) LTD

- xvii. **PARA-177**
- xviii. **PARA-177.1**

PAC DIRECTIVE (10-08-2015)

The Committee settled the above mentioned 18 Paras on the recommendation of the DAC.

ACTIONABLE POINTS
(Audit Year 2007-08)

PAC MEETING: 20-08-2015

PAKISTAN BAIT-UL-MAL

40. **PARA-171.3**

The Audit pointed out that the management of PBM deputed an internal audit team to conduct the audit of Food Support Programme for the year 2002-03. The audit team reported 164 cases in which the real beneficiaries were ignorant about their accounts and payment on their behalf was misappropriated. Out of these 164 beneficiaries, 38 beneficiaries have given their written statement; the Postmaster admitted the payment to 45 bogus beneficiaries. Thus, total amount of Rs.492,000 was misappropriated. The management constituted an enquiry

committee to probe into the matter without any fruitful results there from. As per policy the inquiry on FSP matters was required to be completed within 30 days, however, in this specific case despite lapse of more than 2 years the enquiry was yet to be completed. The enquiry committee in its report of March 2009 stated that defaulters had been dismissed from the services but recovery of misappropriated amount was not made from them. The matter was also discussed in DAC meeting held on May 06, 2009. DAC directed the management of PBM to take up the matter with Director General, Pakistan Post for the recovery of embezzled amount and inform audit accordingly.

PAC DIRECTIVE (10-08-2015)

The Committee pended the Para with the direction to the PAO to invite DG Post Office to attend the meeting on 20-08-2015 with all relevant record.

PAC DIRECTIVE

The Committee directed Managing Director, Pakistan Bait-ul-Mal, DG Post Office and Audit to sit together and decide/resolve the matter within 30 days under intimation to PAC.

PAKISTAN TOURISM DEVELOPMENT CORPORATION LIMITED

41. **PARA-175**
NON-RECOVERY DUE TO NON-EXECUTION OF PROPER AGREEMENT –
RS.0.700 MILLION

The Audit pointed out that as per GFR-19 (i) the terms of a contract must be definite and there must be no room for ambiguity.

The management of PTDC Flashman's Hotel and Mr. Haider Ali, C.E.O. of M/s. H.A Entertainment Company finalized a deal to organize Industrial Exhibition at PTDC premises located on Haider Road Rawalpindi Cantt. M/s. H.A. Entertainment Company agreed to pay Rs.600,000 to utilize PTDC plot from November 20, 2005 to December 20, 2005. The party paid Rs.300,000 on October 3, 2005 in advance with the remarks that the remaining amount of Rs.300,000 would be paid one week before starting the festival. According to the deal M/s. H.A. Entertainment Company was supposed to close the exhibition on December 20, 2005 but they carried on till January 9, 2006 for an extra period of 20 days. Thus, an amount of Rs.700,000 was recoverable from the party but same was not paid by them.

The PAO informed the Committee that the DAC in its meeting held on October 30, 2008 noticed that case was under litigation and directed the management to

convey the decision of the court as and when received. The decision of the court was awaited till finalization of this report.

PAC DIRECTIVE (10-08-2015)

The Committee pended the Para till next meeting on 20-08-2015 with the direction to submit comprehensive report on the issue.

PAC DIRECTIVE

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

PTDC MOTELS NORTH (PVT) LTD.

42. **PARA-176.2**

The Audit pointed out that Trade debtors (unsecured) increased to Rs. 8.397 million as on June 30, 2007 from Rs. 6.842 million in 2005-06, registering an increase of 23%. Efforts are required to be made to recover the outstanding dues.

PAC DIRECTIVE (10-08-2015)

The Committee pended the Para with the direction to PAO to invite Managing Director, Pakistan Tourism Development Corporation (PTDC) on 20-08-2015 with a comprehensive report to be presented before the PAC.

PAC DIRECTIVE

The Committee settled the Para subject to recovery of balance amount and verification by the Audit.

MINISTRY OF CLIMATE CHANGE
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Climate Change was examined by the PAC on 14th October, 2015.

- 02 paras were presented by the Audit Department which were examined by the Committee. Out of which 01 para was settled whereas appropriate directions were issued for the other one.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-10-2015

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08

1. **PARA-41&41.1 PAGE-75 ARPSE-2007-08 PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL CONSULTANTS (PVT.) LIMITED (PEPAC)**

PAC DIRECTIVE

The Committee settled the para on the recommendation of Audit/DAC.

2. **PARA-41.2 PAGE-76 ARPSE-2007-08 PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL CONSULTANTS (PVT.) LIMITED (PEPAC)**

The Audit pointed out that professional fee receivable increased from Rs.9.703 million in 2005-06 to Rs.15.046 million in 2006-07 registering an increase of 55% over previous year. The amount arrived at after providing for bad and doubtful debts amounting to Rs.14.989 million. The management in the accounts for the year 2005-06 created provision of doubtful debt of Rs.6.275 million but in the accounts for the year 2006-07 provision of doubtful debts for the year 2005-06 increased from Rs.6.275 million to Rs.14.989 million which resulted into increase of accumulated loss to Rs.19.750 million on June 30, 2006. Efforts may be made for early realization of outstanding amount to avoid their conversion into bad debts in the years to come.

The PAO informed that PEPAC is a consultancy firm which provides services to various clients. Due to the nature and scope of work/business, there are ample chances of bad debts during the course of work alongwith many bright prospects.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to get the receivables recovered and initiate action for write-off relating to non receivables if required so.

MINISTRY OF COMMERCE
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Commerce was examined by the PAC on 14th July, 2011, 10th February, 2015 and 17th August, 2015.

- 34 paras were presented by the Audit Department which were examined by the Committee. Out of the same 20 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.

MINISTRY OF COMMERCE

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-07-2011

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08 **PAKISTAN RE-INSURANCE COMPANY LIMITED**

1. **PARA 8, PAGE 18-ARPSE-2007-2008**

PAC DIRECTIVE

The Committee settled the para subject to verification of record by Audit with a report to the Committee within one month.

NATIONAL INSURANCE COMPANY LIMITED

2. i. **PARA 4, PAGE 13-ARPSE-2007-2008**

ii. **PARA 4.1, PAGE 13-ARPSE-2007-2008**

iii. **PARA 4.2, PAGE 13-ARPSE-2007-2008**

iv. **PARA 6, PAGE 15-ARPSE-2007-2008**

**LOSS DUE TO SALE OF DAMAGED AIRCRAFT AT LOWER RATES –
US\$ 270,000 (EQUIVALENT TO PAK RS.16.200 MILLION)**

PAKISTAN RE-INSURANCE COMPANY LIMITED

v. **PARA 8, PAGE 18-ARPSE-2007-2008**

vi. **PARA 8.1, PAGE 18-ARPSE-2007-2008**

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

vii. **PARA 9, PAGE 20-ARPSE-2007-2008**

viii. **PARA 9.1, PAGE 20-ARPSE-2007-2008**

ix. **PARA 12, PAGE 23-ARPSE-2007-2008**

**LOSS DUE TO FRAUDULENT WITHDRAWAL OF MONEY BY
EMPLOYEES – RS.0.318 MILLION**

x. **PARA 13, PAGE 24-ARPSE-2007-2008**

PAC DIRECTIVE

The Committee on the recommendations of Audit, settled the above mentioned 10 Audit Paras.

NATIONAL INSURANCE COMPANY LIMITED

3. i. **PARA-5, PAGE 14-ARPSE-2007-2008**
NON-UTILIZATION OF PURCHASED POLICY – RS.219 MILLION
- ii. **PARA 7, PAGE 16-ARPSE-2007-2008**
**IRREGULAR PAYMENT OF BONUS TO THE MANAGING DIRECTOR/
CHIEF EXECUTIVE IN VIOLATION OF GOVERNMENT POLICY –
RS.0.450 MILLION**
- iii. **PARA 9.2, PAGE 21-ARPSE-2007-2008**

PAC DIRECTIVE

The Committee settled the above mentioned three Audit paras.

4. **PARA 10, PAGE 21-ARPSE-2007-2008**
**IRREGULAR PAYMENT OF ADVANCE AGAINST BONUS – RS.15.841
MILLION**

PAC DIRECTIVE

The Committee directed the PAO to pursue this case with Finance Division and report to the Committee within thirty days.

5. **PARA 11, PAGE 22-ARPSE-2007-2008**
**NON-RECOVERY OF LOANS AND ADVANCES FROM AGENTS/
EMPLOYEES – RS.2.661 MILLION**

The PAO informed the Committee that some amount has been recovered and efforts are being made for further recovery.

PAC DIRECTIVE

The Committee directed the PAO to get the recovered amount verified from Audit and make efforts to recover the remaining amount and report to the Committee.

TRADING CORPORATION OF PAKISTAN (TCP)

6. i. **PARA 13.1, PAGE 24-ARPSE-2007-2008**
- ii. **PARA 13.3, PAGE 25-ARPSE-2007-2008**

PAC DIRECTIVE

The Committee directed the PAO to resolve this issue with M/o Finance and report to the Committee within thirty days. However, the Committee pended the above mentioned Audit paras till its next meeting on the Ministry.

7. **PARA 13.2, PAGE 25-ARPSE-2007-2008**

PAC DIRECTIVE

The Committee settled the para subject to verification of record with a report to the Committee/Audit within thirty days.

8. **PARA 13.4, PAGE 25-ARPSE-2007-2008**

PAC DIRECTIVE

The Committee settled the para.

9. **PARA 14, PAGE 26-ARPSE-2007-2008**
LOSS DUE TO SHORTAGES IN CLOSING STOCKS OF COTTON AND SUGAR – RS.5.448 BILLION

PAC DIRECTIVE

The Committee settled the para subject to verification of record with a report to the Committee within thirty days.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 10-02-2015

AUDIT REPORT PUBLIC SECTOR ENTERPRISES
FOR THE YEAR 2007-08

PAKISTAN RE-INSURANCE COMPANY LIMITED

10. **PARA NO. 8, PAGE-18, (ARPSE-2007-08),**
INTRODUCTORY PARA

The Audit pointed out that this para is of introductory nature and recommended for settlement.

PAC DIRECTIVE

The Committee settled this para.

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

11. **PARA NO. 10, (ARPSE-2007-08), ITEM-29 (IV), (AP-2007-08)**
IRREGULAR PAYMENT OF ADVANCE AGAINST BONUS – RS.15.841
MILLION

The Audit pointed out that as per Bonus Policy circulated by Government of Pakistan, Finance Division through O.M. No.F-3(5)R-12/80 R-14 (Vol-II) 2001-544 dated November 30, 2001 followed by O.M. dated March 18, 2002, the payment of bonus to the employees of autonomous bodies/public sector enterprises is to be made on the basis of operational profit as reflected in the annual audited accounts with prior approval of administrative Ministry and concurrence of Finance Division (Regulation Wing). In State Life Insurance Corporation of Pakistan (SLIC), the payments of Rs.6.513 million and Rs.1.655 million were made as advance against bonus to the officers of SLIC Principal Office and Real Estate Zone respectively during the year 2006 without observing the conditions for payment of bonus. Moreover, in SLIC (Peshawar Zone), Rs.3.801 million and Rs.3.872 million were paid as Bonus to the officers and staff during the year 2005 and 2006 respectively without obtaining concurrence of the Finance Division which is in contravention of the Government policy. On the explanation/justification given by the SLIC management, DAC has recommended the para for settlement.

The PAO replied that for regularization of the payment of bonuses, a request has been made vide our letter dated 09.09.2011 and reminder (I) dated 28-11-2011, reminder (II) dated 27-02-2012 (reminder (III) address to Additional Secretary Ministry of Commerce dated 08-03-2012 to arrange the Regularization of payment of bonuses from the concerned authority as per directives of DAC/PAC but no response found. On the explanation/justification given by the SLIC management, DAC has recommended the para for settlement.

PAC DIRECTIVE

The Committee settled this para with the observation that the Bonus Policy be approved from the Competent Authority and be forwarded to PAC as well as Audit to clarify the confusion.

12. **PARA NO. 11, (ARPSE-2007-08), ITEM-30 (IV), (AP-2007-08) NON-RECOVERY OF LOANS AND ADVANCES FROM AGENTS/EMPLOYEES - RS.2.661 MILLION**

The Audit pointed out that as per Rule 26 of GFR provides that it is the duty of departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and credited in Public Accounts. State Life Insurance Corporation (Western and Central Zone), Lahore, failed to recover an amount of Rs.5.226 million from agents/employees on account of loans and advances outstanding as on December 31, 2005. The non-recovery was pointed out to the management on August 02, 2007 and referred to the Ministry on March 10, 2008. The management in its reply dated April 03, 2008 stated that recovery of Rs.2.565 million had been made leaving a balance of Rs.2.661 million as recoverable. However, no documentary evidence was provided in support of their reply.

The PAO replied that Mr. Anil Kumar from Audit has already been verified this outstanding amount and his report is available with us.

PAC DIRECTIVE

The Committee settled this para and directed PAO to provide copy of verification report to the Audit.

TRADING CORPORATION OF PAKISTAN (PVT.) LIMITED

13. **PARA NO. 13.1, (ARPSE-2007-08), ITEM-31 (I), (AP-2007-08) WORKING RESULTS OF THE BUSINESS OPERATION**

The Audit told about the working results of the business operation of the Corporation for the year 2006-07 as compared to the previous years. The Corporation decreased its profit to 90% including sale, however the borrowing cost was increased. It was all about the Corporation's dues to finance Division, when Finance Division will clear these dues, the problem would be resolved. The para is recommended for settlement.

PAC DIRECTIVE

The Committee settled the para.

14. **PARA NO. 13.2, (ARPSE-2007-08), ITEM-31 (III), (AP-2007-08) SUBSTANTIAL INCREASE IN THE OPERATING EXPENSES**

The Audit told that there was a substantial increase in the operating expenses which stood at Rs.281.575 million during the year under review as against Rs.188.604 million of preceding year, recording an increase of 49.3%. The abnormal increase in the operating expenses despite of significant decline in the

sales and related income by 48.1% requires justification. It is an accounting mistake that the administrative expenses were reflected in handling charges. After correction, the audit has verified it and recommended for settlement.

PAC DIRECTIVE

The Committee settled the para and appreciated Mr. Zafar Mehmood, Ex-Secretary's efforts regarding holding DAC timely, which made PAC business smooth.

15. **PARA NO. 13.3, (ARPSE-2007-08), ITEM-31 (II), (AP-2007-08) AUDIT COMMENT**

The Audit told that dues from the Federal Government stood at Rs.14.558 billion as on June 30, 2007 as against Rs.2.842 billion of preceding year 2005-06, hence an increase of 412% was recorded in the dues. Strenuous efforts are required to be made to recover the outstanding dues. Thus the outstanding dues had been recovered and verified by Audit positively, therefore, Audit is recommended this para for settlement.

PAC DIRECTIVE

The Committee settled the para.

16. **PARA NO. 14, (ARPSE-2007-08), ITEM-31 (V), (AP-2007-08)**

The Audit told that Trading Corporation of Pakistan (TCP) made physical verification of stocks and as per their accounts position through their external Auditors. The huge differences were reflected and seemed that the Corporation is in massive losses. When the matter was examined deeply, it revealed that many consignments which were mentioned in the accounts; although not received physically, be assessed /examined accordingly. The Audit understood the matter and recommended this para for settlement.

PAC DIRECTIVE

The Committee settled the para.

17. **PAKISTAN TOBACCO BOARD
PARA NO. 15, (ARPSE-2007-08), PAGE-28,
INTRODUCTORY PARA**

The Audit stated that it was introductory para and recommended the same for settlement.

PAC DIRECTIVE

The Committee settled the para.

18. **PARA NO. 15.1, (ARPSE-2007-08), PAGE-28,
WORKING RESULTS**

The Audit told that the working results of the Pakistan Tobacco Board in this para, were found satisfactory. Their income has risen up as compared to the previous years hence recommended for settlement.

The PAO replied that after discussing it in DAC meeting the Audit objection has been resolved.

PAC DIRECTIVE

The Committee settled the para and appreciated efforts of the concerned officials; who made Pakistan Tobacco Board profitable.

19. **PARA NO. 15.2, (ARPSE-2007-08), PAGE-29,**

The Audit pointed out that Pakistan Tobacco Board's research section is not working properly. However, during DAC meeting Pakistan Tobacco Board representatives told about their research work i.e. importing tobacco seeds and has constituted tobacco research laboratories etc. On the satisfactory reply, DAC has recommended this para for settlement.

The PAO explained that the Board has more than two research stations. Main of which is situated in Mardan, KPK. Further, seeds are also being imported to improve the growth.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to write a summary to Govt. and highlight the PAC remarks regarding the imported tobacco seeds. It concluded that the cultivation of these seeds, within Pakistan, should be encouraged which may save foreign reserves.

ANNEXURE-I, SERIAL-02, PAGE-347, (ARPSE-2007-08)

Audit pointed out that Pakistan Tobacco Board had delayed the submission of accounts to Audit from the years 2006-07 to 2010-11, but subsequently the same were provided. On the basis of which the para is recommended for settlement.

PAC DIRECTIVE

The Committee settled the para with the remarks that submission of accounts to Audit may not be delayed in future.

20. **PARA NO. 16, (ARPSE-2007-08), PAGE-30,**
NON-UTILIZATION OF GRANT RECEIVED FOR UP-GRADATION OF
LABORATORIES– RS.27.500 MILLION

The Audit pointed out that the grant of Rs.27.500 million was provided to Pakistan Tobacco Board by Export Promotion Bureau for up gradation of laboratories. However, their PC-1 was approved in 2009 and the grant was released in 2005. The grants were not regularized to be released before the approval of PC-1.

The PAO replied that this case has been discussed at different forums and the DAC had recommended the PTB for initiating an inquiry. As per inquiry, the funds have been spent over the up gradation of different research laboratories and the un-utilized grant was returned back. Further, in past there were no rules for the approval of PC-1 before releasing the grant.

PAC DIRECTIVE

The Committee settled this para with remarks that financial discipline should necessarily be followed.

21. **PARA NO. 17, (ARPSE-2007-08), PAGE-30-31,**
NON-RECOVERY OF CESS COLLECTION RS.23.750 MILLION

The Audit pointed out that as per agreement dated June 29, 2007, one-fourth of the bid amount was to be paid by the contractor at the time of auction and remaining in three quarterly installments and as per clause-7, the contractor has no right to claim any compensation for loss from the Board, in case the contractor fails to collect cess within the stipulated period. Pakistan Tobacco Board, Peshawar awarded contract dated June 29, 2007 for cess collection of tobacco from NWFP to M/s. Midrarullah for the period starting from July 01, 2007 to June 30, 2008 at Rs. 45.000 million. The contractor paid Rs.11.250 million at the time of auction and failed to deposit any single penny for the remaining payable amount of Rs.33.750 million according to the terms of the contract (i.e. 3 equal installments). The contractor stated that due to poor production of tobacco in the area he was unable to pay installments but continued the work. The Board did not cancel the agreement under clause-8 and contractor was allowed to collect the cess on behalf of Board without any payment. Audit was of the view that despite forfeiting security amounting to Rs 10 million, an amount of Rs.23.750 million would remain unrealized. Matter was reported to the management on April 19, 2008. In reply it was stated that the matter was referred to the standing committee for redressing of the grievances of contractor to which he did not agree. Consequently the matter was referred to the sole arbitrator on the request of contractor. The arbitrator decided the matter in favor of PTB but the contractor did not deposit the outstanding dues. The case had been filed in the court of law for collection of PTB dues. Reply was not convincing as the management was

required to cancel the contract or impose penalty @ 10% of the installments as the contractor was not entitled to claim any compensation for loss from the Board. The issue was reported to the Ministry on June 20, 2008 the management in its reply dated July 04, 2008 intimated that court has decided the case on July 31, 2008 in favor of PTB. The DAC in its meeting held on September 08, 2008 directed the management to recover the amount under the advice of audit. The matter was again discussed in DAC meeting held on May 04, 2009. The management reiterated its earlier reply that DAC directed the management to pursue the recovery vigorously.

The PAO replied that the contract was publicized in news paper on 20th June, 2007; it was done in very transparent manner, however, it is true that the PPRA rules were not followed. The contractor proceeded against the PTB in the Court but the Court gave its decision in favour of PTB. The contractor again proceeded and got Stay order in this case from Hon. Court.

PAC DIRECTIVE

The Committee pended this para and directed the PAO to inquire the matter on following basis with-in one month stipulated time:-

- i. Whether the PTB had assessed the price before auction?
- ii. Whether the publicity had been ensured?
- iii. How many parties had participated in bidding auction?
- iv. To whom, it was awarded?
- v. What were the terms and conditions and whether the contract was made as per the prescribed term & conditions?

Further, PAO may try to vacate the stay from the Hon. Court and after vacating the stay, the reference may be forwarded to NAB for further inquiry against the defaulters.

ACTIONABLE POINTS

PAC MEETING: 17-08-2015

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

(PAKISTAN TOBACCO BOARD)

22. PARA-15.2 /ARPSE-2007-08

PAC DIRECTIVE: (DATED 10.02.2015)

The Committee settled this Para and directed the PAO to write a summary to Govt. and highlight the PAC remarks regarding the imported tobacco seeds that the cultivation of these seeds, with in Pakistan, should be encouraged which may save foreign reserves.

The PAO informed that on the direction of Previous PAC meeting dated 10-02-15, the letter/summary had been written by the Pakistan Tobacco Board (PTB) to the Government.

PAC DIRECTIVE

The Committee settled the Para.

23. **PARA-17 /ARPSE-2007-08**
NON-RECOVERY OF CESS COLLECTION RS.23.750 MILLION.

The Audit pointed out that as per clause-4 of the agreement dated June 29, 2007, one-fourth of amount of bid was to be paid by the contractor at the time of auction and remaining in three quarterly installments and as per clause-7, the contractor has no right to claim any compensation for loss from the Board, in case the contractor fails to collect cess within the stipulated period.

Pakistan Tobacco Board, Peshawar awarded contract dated June 29, 2007 for cess collection of tobacco from NWFP to M/s. Midrarullah for the period July 01, 2007 to June 30, 2008 at Rs. 45.000 million. The contractor paid Rs.11.250 million at the time of auction but subsequently did not deposit the remaining amount of Rs.33.750 million payable in three equal installments of Rs.11.250 million each after every three months. The contractor stated that due to poor production of tobacco in the area he was unable to pay installments but continued the work. The Board did not cancel the agreement under clause-8 and contractor was allowed to collect the cess on behalf of Board without any payment. Audit was of the view that despite forfeiting security amounting to Rs 10 million, an amount of Rs.23.750 million would remain unrealized.

PAC DIRECTIVE: (DATED 10.02.2015)

The Committee pended this para and directed the PAO to inquire the matter on following basis with-in one month stipulated time:-

- i. Whether the PTB had assessed the price before auction?
- ii. Whether the publicity had been ensured?
- iii. How many parties had participated in bidding auction?
- iv. To whom, it was awarded?

- v. What were the terms and conditions and whether the contract was made as per the prescribed term and conditions?

Further, PAO may try to vacate the stay from the Honourable Court and after vacating the reference may be forwarded to NAB for further inquiry against the defaulters.

The PAO informed that the report of inquiry committee had been received which depict that the PEPRA Rules was not fully followed but was generally followed and experience certificate could not be obtained from the contractor. The matter is in the court of law and near to decision.

PAC DIRECTIVE

The Committee directed the PAO to provide inquiry report to the Audit for its examination and pended the Para till the views from Audit on that report are received.

MINISTRY OF COMMUNICATION
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Communication was examined by the PAC on 25th July, 2011 and 7th May, 2015.

- 59 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.
- The Committee referred 03 paras to NAB.

MINISTRY OF COMMUNICATIONS

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 25-07-2011

AUDIT REPORT ON THE ACCOUNTS OF M/O COMMUNICATION FOR THE AUDIT YEAR 2007-08

1. **PARA 3.1, PAGE 56, AR-2007-08**
RECOVERY OF FINE MONEY AMOUNTING TO RS. 368,168,467/-

The Audit stated that according to the fine money statement provided by NH & MP, Islamabad for the year 2006-07, the amount of total fine collected by NHA was Rs. 1,224,530,935/-. 50 percent of this amount figure comes to Rs. 612,265,367.

Audit further stated that the cash book of Reward and Road Safety Fund maintained by Motorway Police showed that only an amount of Rs.244,097,000 was transferred to Motorway Police, Islamabad by the NHA leaving a balance of Rs. 368,168,467. Therefore, the Motorway Police should be given its share so that it can continue to maintain its standards and achieve its organizational objectives. Hence, the share should be remitted to the Road Safety Fund.

The PAO informed the Committee that the Minister for Communications had principally taken the decision that the money would be reimbursed to National Highways & Motorway Police.

PAC DIRECTIVE

The Committee was informed that the matter for realization of share of fine money between National Highways and Motorway Police has been taken up with National Highway Authority and a number of meetings have been held on the issue. The Committee directed the PAO to settle the matter in two month's time, get verification by Audit in the DAC and come back to PAC only if the matter remains unsettled at DAC level.

2. **PARA 3.2, PAGE 56-AR-2007-08**
IRREGULAR PAYMENT OF HOUSE RENT CEILING AMOUNTING TO RS. 3.926 MILLION.

The Audit stated that NH & MP was paying house rent ceiling to all their employees throughout Sindh resulting in excess payment of Rs. 3,926,830 during the years 2006-07.

Audit further stated that station wise payment was not available. However, the figure had been worked-out on the basis of total payment of Rs. 40,529,253/- and after deducting the payment against the sanctioned strength of DIG office located at Karachi. The department was requested to recover the overpaid amount and to stop further payments.

I.G. NH & MP informed the Committee that the matter was under consideration in the court of law and the Court suspended the operation on impugned orders. The requisite record regarding court cases would be provided to Audit for verification and the management was vigorously pursuing the case in the court.

PAC DIRECTIVE

The Committee was informed that the matter is in the Court of Law and the Court has suspended the operation on impugned orders. Documents, regarding the Court cases, were required to be produced to Audit. The Committee directed the PAO to pursue the case in the Court of Law and the para was kept pending till the decision of the Court. It was also noted that the matter will also be taken up with the M/o Housing and Works in the PAC meeting.

ACTIONABLE POINTS

PAC MEETING: 07-05-2015

AUDIT REPORT FOR THE YEAR 2007-08

NATIONAL HIGHWAY AUTHORITY

3. i. **PARA NO. 3.1.4, Page No. 42-43 (AR-2007-08)**
OVERPAYMENT DUE TO NON-DEDUCTION OF COST OF STONE
USED IN STRUCTURE WORK –RS.75.4 MILLION
- ii. **PARA NO. 3.1.15, Page No. 51-52 (AR-2007-08)**
OVERPAYMENT DUE TO NON-ADJUSTMENT OF RATES –RS.2.6
MILLION
- iii. **PARA NO. 3.1.18, Page No. 54 (AR-2007-08)**
OVERPAYMENT DUE TO LESS DEDUCTION OF RATE –RS.1.7
MILLION
- iv. **PARA NO. 3.1.21, Page No. 56-57 (AR-2007-08)**
OVERPAYMENT DUE TO NON-ADJUSTMENT OF QUOTED RATES –
RS.1.1 MILLION

- v. PARA NO. 3.2.5, Page No. 61-62 (AR-2007-08)
UNJUSTIFIED PAYMENT –RS.5.9 MILLION
- vi. PARA NO. 3.2.6, Page No. 62-63 (AR-2007-08)
UNJUSTIFIED APPOINTMENT OF PROJECT COORDINATOR –RS.3.3 MILLION
- vii. PARA NO. 3.4.2, Page No. 65 (AR-2007-08)
NON-RECOVERY OF COST OF RENT AND ROYALTIES FROM THE CONTRACTOR –RS.25.3 MILLION
- viii. PARA NO. 3.4.3, Page No. 66 (AR-2007-08)
NON-RECOVERY DUE TO COST DIFFERENCE –RS.12.3 MILLION
- ix. PARA NO. 3.4.4, Page No. 66-67 (AR-2007-08)
NON-RECOVERY DUE TO NON-IMPLEMENTATION OF CONTRACT CLAUSE AND CHAIRMAN NHA ORDERS –RS.48.30 MILLION
- x. PARA NO. 3.5, Page No. 69 (AR-2007-08)
UNDUE BENEFIT DUE TO EXCESSIVE MEASUREMENT –RS.28 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned ten (10) Paras.

- 4. i. PARA NO. 3.1.7, Page No. 45-46 (AR-2007-08)
OVERPAYMENT DUE TO RE-FIXATION OF RATES –RS.23.4 MILLION
- ii. PARA NO. 3.1.12, Page No. 49 (AR-2007-08)
OVERPAYMENT DUE TO TAKING HIGHER VALUES OF FACTOR “C” – RS.8.8 MILLION
- iii. PARA NO. 3.1.17, Page No. 53-54 (AR-2007-08)
OVERPAYMENT DUE TO SEPARATE PAYMENT OF INBUILT ITEMS – RS.1.8 MILLION
- iv. PARA NO. 3.1.19, Page No. 55 (AR-2007-08)
OVERPAYMENT DUE TO NON-ADJUSTMENT OF RATES –RS.1.3 MILLION
- v. PARA NO. 3.1.20, Page No. 55-56 (AR-2007-08)
OVERPAYMENT DUE TO APPLICATION OF INCORRECT BASE RATE – RS.1.2 MILLION

- vi. PARA NO. 3.2.3, Page No. 59-60 (AR-2007-08)
WASTEFUL EXPENDITURE DUE TO FAILURE OF ROAD –RS.88.7 MILLION AND UNDUE PAYMENT ON ACCOUNT OF RECTIFICATION WORK –RS.62.1 MILLION
- vii. PARA NO. 3.3, Page No. 63-64 (AR-2007-08)
UNAUTHORIZED REIMBURSEMENT OF FINE SHARES TO NATIONAL HIGHWAY & MOTORWAY POLICE –RS.531.7 MILLION
- viii. PARA NO. 3.4.1, Page No. 64 (AR-2007-08)
NON-RECOVERY ON ACCOUNT OF COST DIFFERENCE –RS.88.6 MILLION
- ix. PARA NO. 3.4.5, Page No. 67-68 (AR-2007-08)
NON-REALIZATION OF RIGHT OF WAY RECEIPT FROM THE FILLING AND CNG STATION WORTH –RS.10.7 MILLION
- x. PARA NO. 3.4.6, Page No. 68-69 (AR-2007-08)
NON-RECOVERY OF FINE AND OVERHEADS AS PER PROVISION OF CONTRACT –RS.2.2 MILLION
- xi. PARA NO. 3.6, Page No. 69-70 (AR-2007-08)
NON-IMPLEMENTATION OF APPROVED SETUP OF ROAD ASSET MANAGEMENT DEPARTMENT (RAMD) CAUSED MISAPPROPRIATION OF RECEIPTS –RS.6.3 MILLION
- xii. PARA NO. 3.1.3, Page No. 41-42 (AR-2007-08)
OVERPAYMENT DUE TO INCREASE IN FACTOR-C –RS.87.8 MILLION
- xiii. PARA NO. 3.1.5, Page No. 43-44 (AR-2007-08)
OVERPAYMENT DUE TO ENHANCEMENT OF ADJUSTABLE VARIABLE –RS.54.9 MILLION
- xiv. PARA NO. 3.1.9, Page No. 47 (AR-2007-08)
OVERPAYMENT ON ACCOUNT OF PRICE ESCALATION –RS.16 MILLION
- xv. PARA NO. 3.1.10, Page No. 48 (AR-2007-08)
OVERPAYMENT DUE TO INADMISSIBLE ESCALATION –RS.13.5 MILLION

PAC DIRECTIVE

The Committee pended the above fifteen (15) paras and directed the PAO to examine at DAC level within 60 days.

5.
 - i. **PARA NO. 3.2.1, Page No. 57-58 (AR-2007-08)**
UNJUSTIFIED PAYMENT ON ACCOUNT OF SEED MONEY –RS.200 MILLION
 - ii. **PARA NO. 3.2.2, Page No. 58-59 (AR-2007-08)**
UNJUSTIFIED PAYMENT ON ACCOUNT OF DEFECTIVE DESIGN – RS.123.9 MILLION & EXCESS PAYMENT FOR INBUILT ITEM –RS.33.5 MILLION
 - iii. **PARA NO. 3.2.4, Page No. 60-61 (AR-2007-08)**
EXTRA EXPENDITURE DUE TO DELETION OF TOLL PLAZA FROM APPROVED CONTRACT –RS.53.1 MILLION

PAC DIRECTIVE

The Committee referred above three (3) paras to NAB for initiating inquiry process.

6.
 - i. **PARA NO. 3.1.1, Page-39-40 (AR-2007-08)**
OVERPAYMENT ON ACCOUNT OF INADMISSIBLE ESCALATION – RS.152.768 MILLION
 - ii. **PARA NO. 3.1.2, Page-40-41 (AR-2007-08)**
OVERPAYMENT ON ACCOUNT OF UNJUSTIFIED PRICE ESCALATION RS.103.6 MILLION

The Audit clubbed above two paras with the prior approval of the Sub-Committee as both paras have same nature of over payments. PAO insured to make robustly efforts for the recovery of the amounts.

PAC DIRECTIVE

The Committee settled the above two (2) paras subject to recovery and reconciliation of the amount/figure with Audit.

7. **PARA NO. 3.1.6, Page No. 44-45 (AR-2007-08)**
UNAUTHORIZED AMENDMENT IN CONTRACT CAUSED EXCESS PAYMENT –RS.48.2 MILLION

The Audit pointed out that National Highway Authority paid escalation to the contractor through amendment in contract after the expiry of contract period stating that scope of work was enhanced despite the fact that there was no provision in NHA code to amend conditions of contract after execution of contract. Grant of escalation in violation of contract caused excess payment of Rs.48.2 million. It was contented that Authority provided undue benefit to the contractor through post bid amendment on the plea that scope of work was

enhanced. Further, the Authority should have entered into a new contract as scope of work was enhanced extraordinary by violating the PPRA rules.

The PAO stated that approval of NHA executive board and MB showing actual execution of work along with original agreement was provided to Audit on 15-12-2010.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

8. **PARA NO. 3.1.8, Page No. 46 (AR-2007-08)**
OVERPAYMENT DUE TO NON-DEDUCTION OF COST OF EXCAVATION FOR STONE CONSUMING ITEM –RS.21.5 MILLION

The Audit pointed out that NHA (Lowari Rail Tunnel Project) measured and paid an item of work excavation of hard rock surplus to the extent of 155,499,863 cubic meters without deducting the volume of material/stone consumed for retaining wall, water bound macadam, Rip Rap etc. non-adherence to special provisions of the contract and allowing full payment caused overpayment of Rs.21.5 million.

The PAO stated that an amount of Rs. 6.76 million out of Rs. 21.5 million has been affected from the contractor and is verified by Audit.

PAC DIRECTIVE

The Committee settled the para subject to recovery of balance amount and verification by Audit.

9. **PARA NO. 3.1.11, Page No. 48-49 (AR-2007-08)**
OVERPAYMENT DUE TO PAYMENT OF ESCALATION ON THE BASIS OF DELETED ITEMS –RS.11 MILLION

The Audit pointed out that NHA (Lowari Rail Tunnel Project) deleted all “asphalt cement” items and introduced another item double surface treatment (DST) in BOQ and got executed. The factor C previously calculated on the basis of asphalt items was required to be changed keeping in view consumption ratio of new item of DST or on actual consumption of the material. The Authority however paid escalation on the basis of original weightage of deleted item resulting in overpayment of Rs. 11 million.

The PAO replied that recovery will be affected on finalization of accounts of the contractors.

PAC DIRECTIVE

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

10. **PARA NO. 3.1.13, Page No. 50 (AR-2007-08)**
OVERPAYMENT DUE TO HIGHER RATES –RS.7.8 MILLION

The Audit pointed out that the NHA (Project Director, National Highway Improvement Programme, Contract-5) got executed Asphaltic Base Course and Asphaltic Wearing Course with Class-A whereas payment was made for Class-B, which had higher rates than the rates of Class-A. This resulted in overpayment of Rs.7.8 million. Further, the Asphaltic base course was executed with concrete Class-A, whereas, payment for concrete Class-B was made which was higher and resulted in overpayment.

The PAO replied that activity scheduled cannot be based for the assessment of the respective items of the work as it was a lump sum contract and rates cannot be applied in the activity schedule.

PAC DIRECTIVE

The Committee settled the para with observation that financial discipline has not properly been maintained in this para. It should not be repeated again.

11. **PARA NO. 3.1.14, Page No. 51 (AR-2007-08)**
OVERPAYMENT DUE TO HIGHER RATES –RS.2.7 MILLION

The Audit pointed out that NHA (M-8 Project, Section II-A) made payment CSR item 5.09-C (grouted riprap class –B) and 509-F ground riprap Class C) at the rates higher than the rates of composite Schedule of Rates (CSR) 2000 in disregard of the contract clause. Payment made at higher rates than CSR 2000 in this regard of the contract clause. Payment made at higher rates than CSR 2000 resulted in overpayment of Rs.2.7 million.

The PAO replied that recovery will be affected from the contractor.

PAC DIRECTIVE

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

12. **PARA NO. 3.1.16, Page No. 52-53 (AR-2007-08)**
OVERPAYMENT DUE TO ALLOWING PAYMENT AGAINST FREE OF COST ITEM –RS.2.0 MILLION

Audit apprised the PAC that originally overpayment of Rs. 2.012 million was pointed out on account of erection of fence up to IPC No. 16. However, subsequently the contractor was paid a sum of Rs. 22.466 million in IPC No. 17.

The said item was to be executed without any payment as the contractor quoted 'Nil' rate for the said item and also given an undertaking that quoted bid of Rs. 518.302 million included price of works of survey and fencing. Recovery of Rs. 2.012 million has been made by NHA and verified by Audit leaving balance amount of Rs. 20.454 million yet to be recovered.

The PAO stated that the recovery of Rs.2 million has been verified by Audit. Further, final bill of the contractor is under process for the approval, however, due recovery will be affected on finalization of accounts.

PAC DIRECTIVE

The Committee pended the para and directed that over payment of Rs.22 million may be investigated whether it was according to the final bill or not, and the report to be submitted to PAC within 60 days.

PAKISTAN POST OFFICE DEPARTMENT

13. i. **PARA NO. 3.3, Page-18 (AR-2007-08)**
NON-RECOVERY OF RS.5.962 MILLION FROM PTCL
- ii. **PARA NO. 4.2, Page-23-24 (AR-2007-08)**
IRREGULAR CHARGING OF COMMISSION OF RS.12.449 MILLION ON ACCOUNT OF PAYMENT TO EARTHQUAKE AFFECTEES THROUGH SAVING BANK
- iii. **PARA NO. 4.9, Page-29-30 (AR-2007-08)**
LOSS OF RS.1.323 MILLION DUE TO NON-UTILIZATION OF CAPITAL GRANT
- iv. **PARA NO. 4.10, Page-30-31 (AR-2007-08)**
LOSS OF RS.0.898 MILLION DUE TO EXCESS PAYMENT OF COMMISSION TO CANVASSING AGENTS
- v. **PARA NO. 4.11, Page-31-32 (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS.2.557 MILLION ON BUILDING WORKS IN SPLITTING MANNER AND WITHOUT FINANCIAL POWERS
- vi. **PARA NO. 1.1, Page-4 (AR-2007-08)**
UNAUTHORIZED EXPENDITURE OF RS.144.800 MILLION ON PAYMENT OF CORPORATE AND SERVICE INCENTIVES

- vii. PARA NO. 1.2, Page-5 (AR-2007-08)
UNAUTHORIZED EXPENDITURE OF RS.56.871 MILLION ON ACCOUNT OF INCREASE IN AN EXISTING ALLOWANCE AND ADDITION OF A NEW ALLOWANCE
- viii. PARA NO. 1.3, Page-6 (AR-2007-08)
UNAUTHORIZED EXPENDITURE OF RS.41.446 MILLION ON ACCOUNT OF PAYMENT TO CONTINGENT PAID STAFF
- ix. PARA NO. 1.4, Page-7 (AR-2007-08)
UN-AUTHORIZED PAYMENT OF GOOD CONDUCT PAY RS.12.215 MILLION
- x. PARA NO. 1.6, Page-8-9 (AR-2007-08)
UNAUTHORIZED EXPENDITURE OF RS.7.604 MILLION ON ACCOUNT OF PAYMENT OF MAIL SORTING & TRANSPORTATION ALLOWANCE

PAC DIRECTIVE

The Committee settled the above ten (10) paras.

- 14. i. PARA NO. 1.5, Page-7-8 (AR-2007-08)
UNAUTHORIZED EXPENDITURE OF RS.3.072 MILLION ON THE STAFF ENGAGED OVER AND ABOVE THE SANCTIONED STRENGTH
- ii. PARA NO. 2.5, Page-15 (AR-2007-08)
LOSS OF RS.0.649 MILLION DUE TO AWARD OF WORK AT HIGHER RATE
- iii. PARA NO. 3.1, Page-16-17 (AR-2007-08)
NON-RECOVERY OF ESTABLISHMENT AND PRINTING CHARGES OR RS.54.464 MILLION FROM THE FEDERAL/PROVINCIAL GOVERNMENT DEPARTMENTS
- iv. PARA NO. 3.6, Page-20 (AR-2007-08)
NON-REALIZATION OF SERVICE CHARGES OF RS.1.207 MILLION ON DELIVERY OF TELEPHONE BILLS
- v. PARA NO. 3.8, Page-21-22 (AR-2007-08)
LOSS OF RS.0.567 MILLION ON ACCOUNT OF DEDUCTION OF INCOME TAX FROM THE RENT OF POST MALL BUILDING
- vi. PARA NO. 4.4, Page-25-26 (AR-2007-08)
LOSS OF RS.6.490 MILLION ON ACCOUNT OF SERVICE CHARGES FROM PTCL

- vii. **PARA NO. 4.5, Page-26-27 (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS.5.535 MILLION ON RENOVATION
OF POST OFFICE BUILDINGS RS.1.769 MILLION WITHOUT CALLING
OPEN TENDERS AND NON-DEDUCTION OF WITHHOLDING TAX
RS.0.332 MILLION
- viii. **PARA NO. 4.7, Page-28-29 (AR-2007-08)**
NON-ADJUSTMENT OF TA ADVANCE RS.2.644 MILLION DUE TO
NON SUBMISSION OF TA CLAIMS
- ix. **PARA NO. 4.8, Page-29 (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS.1.390 MILLION WITHOUT
BUDGET

PAC DIRECTIVE

The Committee settled the above nine (09) paras as recommended by the Audit.

15. **PARA NO. 2.1, Page-10-11 (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS.20.524 MILLION ON VARIOUS
CONTRACTS

The Audit pointed out that Pakistan Post Office Department incurred an expenditure of Rs.20,524,132 without calling open tenders. Moreover, printing work was got executed from private press without obtaining certificate from PAO and rates from PCP, as required under ECC's decision. This resulted into an irregular payment of Rs.20,524,132. Further, management is required to issue comprehensive instructions to observe the rules strictly and not to repeat procedural lapses in future.

The PAO stated that comprehensive instructions have already been issued. The regularization of expenditure from PPRA, it is clarified that there is no provision exists in PPRA rules empowering authority to regularize the irregular expenditure. PPRA is not vested with any such powers under the law and PPRA has clarified that it has no authority to regularize any expenditure after incurrence. It is jurisdiction of PAO to regularize the such expenditure.

PAC DIRECTIVE

The Committee recommended the para for settlement. However the Committee directed the PAO to hold an inquiry to trace facts and findings within stipulated time of 60 days and send the report to PAC/Audit.

16. **PARA NO. 2.2, Page-11-12 (AR-2007-08)**
UNAUTHORIZED PRINTING OF COMMEMORATIVE STAMPS, INLAND
STAMPED ENVELOPES, POST CARDS AND ACKNOWLEDGEMENTS
VALUING RS.12.064 MILLION FROM PPF

The Audit pointed out that Chief Controller of Stamps, Karachi incurred an expenditure of Rs.12,064,280 on printing of various types of Commemorative stamps, inland stamped envelopes, Post cards and Forces mail aerogramme etc. from Pakistan Post Foundation Press during 2006-07. Management was directed to investigate the matter and fix responsibility, besides getting the expenditure regularized from Finance Division. Further, if no response is received from (PSPC), matter will be reported to Ministry of Finance.

The PAO replied that according to the decision to call the NOC from PSPC, the case was referred under intimation to the DG, PPOD, as and when any progress is achieved, Audit will be informed accordingly.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to look into the matter and resolve this issue at the earliest possibility.

ECONOMIC AFFAIRS DIVISION
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Economic Affairs Division was examined by the PAC on 1st August, 2011.

- 01 para was presented by the Audit Department which was examined by the Committee.

ECONOMIC AFFAIRS DIVISION

ACTIONABLE POINTS

PAC MEETING: 01-08-2011

AUDIT REPORT ON THE ACCOUNTS OF ECONOMIC AFFAIRS DIVISION FOR THE AUDIT YEAR 2007-08 (FINANCIAL YEAR 2006-07)

1. PARA 5.1, PAGE 73-AR-2007-08
NON-RECOVERY OF RS. 6,638.754 MILLION ON ACCOUNT OF RELENT
LOANS

Audit pointed out that according to the Debt Management Manual of the EAD, Recovery and Guarantee Fee Section was responsible for recoveries of foreign loans and credits relent to the provincial governments, autonomous bodies/corporations, industrial/ financial institutions and private sector agencies.

Audit further stated that while reviewing the recovery of foreign- relent loans, it was observed that the following non-financial institutions were not paying the relent loans as detailed below:-

Rupees in million		
S. No	Name of Borrower	Balance as on 30-06-2007
1	WAPDA	3,870.844
2	NHA	2,409.207
3	IDBP	358.703
	TOTAL	6,638.754

The PAO informed the Committee that an amount of Rs. 3,870.844 million pertaining to WAPDA had been adjusted by the Finance Division and verified by Audit.

The PAO further informed that recoveries from NHA Rs.2409.207 million and IDBL Rs.358.703 million are being pursued by the Department.

PAC DIRECTIVE

The para was settled to the extent of adjustment against subsidy payable to WAPDA, amounting to Rs. 3870.844 million was verified by the Audit. The settlement of the para will wait till resolution of issue of converting loans to equity regarding NHA & IDBP by Finance Division, which may be expedited within 30 days.

FEDERALLY ADMINISTERED TRIBAL AREAS (FATA)
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Federally Administrated Tribal Areas (FATA) was examined by the PAC on 9th August, 2011.

- 05 paras were presented by the Audit Department which were examined by the Committee.

FEDERALLY ADMINISTERED TRIBAL AREAS (FATA) SECRETARIAT

ACTIONABLE POINTS

PAC MEETING: 09-08-2011

**AUDIT REPORT ON THE ACCOUNTS OF FATA SECRETARIAT
FOR THE AUDIT YEAR 2007-08 (FINANCIAL YEAR 2006 07)**

1. i. **PARA 15.1, PAGE 174-AR-2006-07
IRREGULAR EXPENDITURE OF RS. 1.575.3403 MILLION INCURRED
ON THE EXECUTION OF SCHEMES IN ABSENCE OF TECHNICAL
SANCTION**
- ii. **PARA 15.2, PAGE 174-AR-2006-07
IRREGULAR DRAWL OF RS. 11.828 MILLION TO AVOID LAPSE OF
FUNDS**
- iii. **PARA 15.3, PAGE 175-AR-2006-07
UNJUSTIFIED EXPENDITURE ON A TECHNICALLY UNFEASIBLE
PROJECT**
- iv. **PARA 15.4 , PAGE 176-AR-2006-07
IRREGULAR TRANSFER OF PUBLIC FUND AMOUNTING TO S.
24.768 MILLION FROM GOVERNMENT ACCOUNT TO PRIVATE
ACCOUNT.**
- v. **PARA 15.5, PAGE 177-AR-2006-07
LOSS OF RS. 47.380 MILLION TO GOVERNMENT DUE TO NON
DEPOSIT OF SALE PROCEEDS OF MACHINERY INTO
GOVERNMENT TREASURY**

The PAO informed the Committee that all the relevant record against the above-mentioned Audit Paras would be provided to Audit for verification.

PAC DIRECTIVE

The above mentioned five paras were settled subject to verifications as required by Audit.

FEDERAL BOARD OF REVENUE
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Federal Board of Revenue was examined by the PAC on 17th August, 2015, 20th August, 2015, 13th October, 2015 and 15th December, 2015.

- 236 paras were presented by the Audit Department which were examined by the Committee. Out of which 102 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.

FEDERAL BOARD OF REVENUE
2007-08

ACTIONABLE POINTS
(Audit Year 2007-08)

PAC MEETING: 17-08-2015

AUDIT REPORT REVENUE RECEIPTS (DIRECT TAXES) (INLAND EVENUE)
AUDITOR GENERAL OF PAKISTAN, ISLAMABAD

1. **PARA 1.1 AR 2007-08**
SHORT LEVY OF TAX DUE TO INADMISSIBLE DEDUCTIONS-RS.703.160
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.

PAC DIRECTIVE (DATED 25.07.2011)

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

The PAO informed that they had received an order from the apex court which depicts the old cases cannot be taken up for recovery and some of cases falls under that orders.

PAC DIRECTIVE

The Committee directed the PAO to provide the copy of Supreme Court decision to the Audit and resolve the matter once for all and report be submitted to PAC within one month. Moreover, the Committee directed the Audit and FBR to sit together and resolve such type of issues mutually and report to the Committee.

2.
 - i. PARA 1.5 AR 2007-08
SHORT LEVY OF TAX DUE TO GRANT OF INADMISSIBLE DEPRECIATION ALLOWANCE RS.219.144 MILLION
 - ii. PARA 1.9 AR 2007-08 PAGE-03
SHORT LEVY OF TAX DUE TO APPLICATION OF INCORRECT TAX RATES - RS.99.018 MILLION
 - iii. PARA 2.2 AR 2007-08 PAGE-03
SHORT DEDUCTION OF WITHHOLDING TAX DUE TO APPLICATION OF INCORRECT TAX RATE – RS.4.305 MILLION
 - iv. PARA 3.2 AR 2007-08 PAGE-03
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE TAX – RS.22.719 MILLION
 - v. PARA 3.5 AR 2007-08 PAGE-03
NON IMPOSITION OF PENALTY UNDER SECTION 182 FOR FAILURE TO FURNISH A RETURN, ETC- RS.25.343 MILLION

PAO/Chairman FBR informed the Committee that the work on the above mentioned 5 Paras have been completed and record available for reconciliation with the Audit. These Paras may be settled.

PAC DIRECTIVE

The Committee settled the above mentioned five paras subject to verification of record by the Audit within one month.

PARAS REFERRED FOR DAC

3.
 - i. PARA 1.2 AR 2007-08 PAGE-03
LOSS OF REVENUE DUE TO INCORRECT / EXCESSIVE ADJUSTMENT OF BROUGHT FORWARD LOSSES – RS.778.134 MILLION
 - ii. PARA 1.3 AR 2007-08 PAGE-03
SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAXABLE INCOME–RS.599.822 MILLION
 - iii. PARA 1.4 AR 2007-08 PAGE-03
NON LEVY OF MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS – RS.278.909 MILLION
 - iv. PARA 1.6 AR 2007-08 PAGE-03
SHORT LEVY OF INCOME TAX DUE TO NON TAXATION OF RECOUPED EXPENSES- RS.149.427 MILLION

- v. PARA 1.7 AR 2007-08 PAGE-03
NON LEVY OF TAX ON UNEXPLAINED INVESTMENT- RS.149.229
MILLION
- vi. PARA 1.8 AR 2007-08 PAGE-03
LOSS OF REVENUE DUE TO NON TAXATION OF INCOME FROM
OTHER SOURCES RS.125.735 MILLION
- vii. PARA 1.11 AR 2007-08 PAGE-03
SHORT REALIZATION OF TAX DUE TO GRANT OF EXCESS TAX
CREDIT – RS.81.810 MILLION
- viii. PARA 1.13 AR 2007-08 PAGE-03
SHORT RECOVERY OF TAX DUE TO INCORRECT COMPUTATION
OF TAX – RS.3.178 MILLION
- ix. PARA 2.1 AR 2007-08
LOSS OF REVENUE FOR NON-TREATING THE TAX COLLECTED OR
DEDUCTED AS A FINAL TAX - RS.45.139 MILLION
- x. PARA 2.3 AR 2007-08
FAILURE TO COLLECT / DEDUCT WITHHOLDING TAX BY THE
WITHHOLDING AGENTS – RS. 7.275 MILLION
- xi. PARA 3.1 AR 2007-08
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO DEDUCT OR PAY
TAX - RS.1.926 MILLION
- xii. PARA 3.3 AR 2007-08
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY TAX WITH
RETURN– RS.3.794 MILLION
- xiii. PARA 3.4 AR 2007-08
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF
ASSESSED TAX OR PENALTY– RS.60.254 MILLION
- xiv. PARA 3.6 AR 2007-08
LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER
SECTION 183– RS.5.638 MILLION
- xv. PARA 4.1 AR 2007-08
EXCESS DETERMINATION OF REFUNDS – RS.447.192 MILLION

- xvi. **PARA 4.2 AR 2007-08**
LOSS OF REVENUE DUE TO INADMISSIBLE CLAIM OF
COMPENSATION ON DELAYED ISSUANCE OF REFUND – RS.4.971
MILLION
- xvii. **PARA 5.1 AR 2007-08**
NON-REALIZATION OF WORKERS’ WELFARE FUND -RS.11.124
MILLION
- xviii. **PARA 6.6.2 (A) AR 2007-08**
TAXABLE INCOME ESCAPING ASSESSMENT – LOSS OF REVENUE
OF RS.473.318 MILLION
- xix. **PARA 6.6.2 (B) AR 2007-08**
NON-UTILIZATION OF INFORMATION OBTAINED FROM EXTERNAL
SOURCES – LOSS OF REVENUE OF RS.11.550 MILLION
- xx. **PARA 6.6.2 (C) AR 2007-08**
PAYMENT OF UNDUE REFUNDS – RS.3.738 MILLION
- xxi. **PARA 6.6.2 (D) AR 2007-08**
EXCESSIVE CLAIM OF TAX PAYMENT / DEDUCTION – LOSS OF
RS.497.201 MILLION
- xxii. **PARA 6.6.3 (A) AR 2007-08**
NON LEVY OF PENALTY FOR LATE FILING OF RETURNS – LOSS OF
RS.2.650 MILLION
- xxiii. **PARA 6.6.3 (B) AR 2007-08**
IMPROPER FOLLOW UP OF NON FILERS – LOSS OF RS.7.651
MILLION
- xxiv. **PARA 6.6.4 (A) AR 2007-08**
INEFFECTIVE DESK AUDITING – LOSS OF RS.1,122.050 MILLION
- xxv. **PARA 6.6.4 (B) AR 2007-08**
ACCEPTANCE OF INVALID RETURNS
- xxvi. **PARA 6.6.4 (C) AR 2007-08**
IRREGULARITIES RELATING TO ENCASHMENT OF REFUND
VOUCHERS – LOSS OF RS.49, 220

PAC DIRECTIVE

The Committee referred the above mentioned 26 Paras for DAC and the same would be discussed in the next meeting. On the issue of access to the record of

FBR by the Audit, the Committee directed the Chairman FBR and Auditor General of Pakistan to revisit the earlier agreement of 2013 relating to procedure of conducting the Audit of FBR.

PARAS RECOMMENDED FOR SETTLEMENT

- 4, i. **PARA 1.10 AR 2007-08**
SHORT LEVY OF TAX DUE TO NON-ALLOCATION OF
PROPORTIONATE EXPENSES - RS.59.183 MILLION
- ii. **PARA 1.12 AR 2007-08**
SHORT LEVY OF TAX DUE TO 'SETTING OFF' OF CARRYING
FORWARD BUSINESS LOSSES AGAINST INCOME FROM
OTHER SOURCE – RS.6.666 MILLION
- iii. **PARA 1.14 AR 2007-08**
INCORRECT TAX CREDIT UNDER SECTION 107AA –RS.9.851
MILLION
- iv. **PARA 1.15 AR 2007-08**
NON LEVY OF SURCHARGE ON INCOME TAX - RS.0.960 MILLION
- v. **PARA 3.7 AR 2007-08**
LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER
SECTION 187– RS.0.328 MILLION

PAC DIRECTIVE

The Committee endorsed the above mentioned 5 Paras for settlement on the recommendation of Audit/DAC.

FEDERAL BOARD OF REVENUE **(INDIRECT TAXES) (INLAND REVENUE)**

5. **PARA 1.1 (A) AR 2007-08**
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE SUPPLIES
AS EXEMPTED- RS.1,162.457 MILLION

The Audit pointed out that according to *serial* No. 24 of the 6th schedule to the Sale Tax Act, 1990, edible oil and vegetable ghee including cooking oil on which federal excise duty is charged, levied and collected as if it were a tax payable under section 3 of the Act, is exempt from levy of sales tax.

Three (03) registered persons of Collector Sales Tax (Audit) and LTU Karachi, made supply of edible oil and vegetable ghee including cooking oil during the year 2006-07. Federal excise duty at the rate of Re.1/Kg was paid at the import

stage under SRO 24(I)/2006 dated 17th January, 2006, on these goods. However, neither sales tax nor Federal Excise Duty (FED) was paid on the finished goods on the plea that as FED had been paid at the import stage, therefore, the goods were exempt as per 6th schedule to the Act. Audit observed that federal excise duty was not charged, levied and collected in the mode of sales tax payable under section 3 of the Sales Tax Act, 1990; hence, the goods were out of the ambit of the exemption clause of 6th schedule referred to above. Therefore, the supply in question was subject to levy and payment of sales tax at the rate of 15% which comes to Rs 1,162.457 million.

DIRECTIVES OF SUB/SPECIAL COMMITTEE-III OF THE PAC HELD ON 25.07.2011

The Audit Reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee directed the Chairman/PAO to refer the Para to Law & Justice Division for legal opinion under intimation to PAC within one month.

6. **PARA 1.2 (A)(II) AR 2007-08**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX-RS.139.671 MILLION

Six (06) registered persons did not make apportionment and declared the total input tax claim, attributable to taxable supplies. This resulted in short payment of sales tax of Rs.139.671 million during 2006-07.

DIRECTIVES OF SUB/SPECIAL COMMITTEE-III OF THE PAC HELD ON 25.07.2011

The Audit Reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed

that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE 17-08-2015

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

PARAS REFERRED FOR DAC

7. i. **PARA 1.1(B) AR 2007-2008**
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED- RS 72.986 MILLION
- ii. **PARA 1.1(C) AR 2007-2008**
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED -RS 4.398 MILLION
- iii. **PARA 1.1(F) AR 2007-2008**
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED – RS 0.116 MILLION
- iv. **PARA 1.2 (A)(I) AR 2007-08**
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 513.595 MILLION
- v. **PARA 1.2(B)(I) AR 2007-2008**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS.257.652 MILLION
- vi. **PARA 1.2(B)(II) AR 2007-2008**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 28.024 MILLION
- vii. **PARA 1.2 (B)(III) AR 2007-0**
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX - RS 21.305 MILLION
- viii. **PARA 1.2(B)(IV) AR 2007-2008**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 6.303 MILLION
- ix. **PARA 1.2 (C) (I) AR 2007-08**
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX RS 131.164 MILLION

- x. PARA 1.2(C)(II) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 16.034MILLION
- xi. PARA 1.2(C)(IV) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 2.288 MILLION
- xii. PARA 1.2(D) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 9.322 MILLION
- xiii. PARA 1.2(E) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 4.714 MILLION
- xiv. PARA 1.2(F) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 3.001 MILLION
- xv. PARA 1.2 (G) AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 2.412 MILLION.
- xvi. PARA 1.2(H) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 0.617 MILLION
- xvii. PARA 1.2(I) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 0.423 MILLION
- xviii. PARA 1.2(J) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 0.305 MILLION
- xix. PARA 1.2(K) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 0.300 MILLION
- xx. PARA 1.3 AR 2007-2008
NON RECOVERY OF GOVERNMENT DUES IN REFUND CASES – RS
1,112.797 MILLION

- xxi. **PARA 1.4 AR 2007-08**
IRREGULAR ADJUSTMENT OF INPUT TAX AGAINST PAYMENTS
MADE IN VIOLATION OF SECTION 73 – RS 868.504 MILLION
- xxii. **PARA 1.5(A) AR 2007-2008**
NON/ SHORT PAYMENT OF SALES TAX –RS 748.240 MILLION
- xxiii. **PARA 1.5(C) AR 2007-08**
NON/SHORT-PAYMENT OF THE SALES TAX – RS 47.950 MILLION
- xxiv. **PARA 1.5(D) AR 2007-2008**
NON/ SHORT PAYMENT OF SALES TAX –RS 9.618 MILLION
- xxv. **PARA 1.6(A) AR 2007-2008**
NON-PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS RS 727.521 MILLION.
- xxvi. **PARA 1.6(C) AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 16.693 MILLION.
- xxvii. **PARA 1.6(D) AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 3.541 MILLION.
- xxviii. **PARA 1.6(E) AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 1.795 MILLION.
- xxix. **PARA 1.6(G)AR 2007-08**
NON-PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS - RS. 0.978 MILLION
- xxx. **PARA 1.6(H) AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 0.517 MILLION.
- xxxi. **PARA 1.6(I) AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 0.056 MILLION.
- xxxii. **PARA 1.7(A) AR 2007-08**
SHORT-PAYMENT OF SALES TAX DUE TO CONCEALMENT OF
SALES - RS.121.276 MILLION

- xxxiii. PARA 1.7(B) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO CONCEALMENT OF SALES- RS 24.626
- xxxiv. PARA 1.8 AR 2007-2008
NON RECOVERY OF ADJUDGED GOVERNMENT DUES RS 81.147
- xxxv. PARA 1.9(A) AR 2007-2008
SHORT-PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF TAXABLE SUPPLIES- RS 63.562 MILLION
- xxxvi. PARA 1.9(B)(I)AR 2007-2008
SHORT-PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF TAXABLE SUPPLIES- RS 2.969 MILLION
- xxxvii. PARA 1.9 (B)(II) AR 2007-08
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF TAXABLE SUPPLIES – RS 1.636 MILLION
- xxxviii. PARA 1.9 (C) AR 2007-08
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF TAXABLE SUPPLIES – RS 0.121 MILLION
- xxxix. PARA 1.9 (D) AR 2007-08
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF TAXABLE SUPPLIES – RS 1.041 MILLION
- xl. PARA 1.11(C) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF INCORRECT RATE OF TAX RS. 6.078 MILLION
- xli. PARA 1.11(D) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF INCORRECT RATE OF TAX RS.4.007 MILLION
- xlii. PARA 1.11 (E) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF INCORRECT RATE OF TAX RS.3.583 MILLION
- xliii. PARA 1.11(F) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF INCORRECT RATE OF TAX RS.0.071 MILLION
- xliv. PARA 1.12 AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO INCORRECT APPLICATION OF RULE – RS 50.276 MILLION

- xliv. PARA 1.13 AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO UNAUTHORIZED
ADJUSTMENT OF CARRY FORWARD INPUT TAX - RS.42.390 MILLION
- xlvi. PARA 1.14 AR 2007-08
NON-PAYMENT OF TAX ON TAXABLE SUPPLIES - RS. 29.760
MILLION
- xlvii. PARA 1.15 (A)AR 2007-08
NON-PAYMENT OF DEFAULT SURCHARGE AND PENALTY ON LATE
DEPOSIT OF SALES TAX - RS.29.400 MILLION
- xlviii. PARA 1.16 AR 2007-2008 PAGE 50
NON PAYMENT OF PENALTY ON ACCOUNT OF VIOLATION OF
ENACTED PROVISION OF LAW RS. 22.056 MILLION
- xliv. PARA 1.18(A) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX RS.9.548 MILLION.
- l. PARA 1.18 (B)AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX - RS.1.614 MILLION
- li. PARA 1.18 (C)AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX - RS.0.723 MILLION
- lii. PARA 1.18(D) AR 2007-2008
SHORT PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX RS.0.317 MILLION.
- liii. PARA 1.21 AR 2007-08
NON-PAYMENT OF SALES TAX BY STEEL MELTERS AND RE-
ROLLERS – RS 7.670 MILLION
- liv. PARA 1.22 AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS CLAIM OF
WASTAGE - RS.7.604 MILLION
- lv. PARA 1.23 AR 2007-2008
NON PAYMENT OF SALES TAX BY RETAILERS- RS.6.352 MILLION
- lvi. PARA 1.24 AR 2007-08
NON-PAYMENT OF SALES TAX/NON-LEVY OF PENALTY FOR NON
SUBMISSION OF MONTHLY SUMMARIES OF SALES AND
PURCHASES - RS.3.018 MILLION

- lvii. PARA 1.26 AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO ABNORMAL DISCOUNT –
RS 2.442 MILLION
- lviii. PARA 2.1 (A)AR 2007-08
SANCTION OF REFUND WITHOUT SUPPORTING DOCUMENTS – RS
1,136.058 MILLION
- lix. PARA 2.1(B)AR 2007-2008
SANCTION OF REFUND WITHOUT SUPPORTING DOCUMENTS-RS
17.296 MILLION
- lx. PARA 2.2 AR 2007-08
SANCTION OF REFUND IN VIOLATION OF PROVISION OF SECTION
73 – RS 614.189 MILLION
- lxi. PARA 2.3 (A).AR 2007-08
SANCTION OF REFUND ON INVOICES ISSUED BY THE
BLACKLISTED AND SUSPENDED PERSONS – RS 274.574 MILLION
- lxii. PARA 2.3(B) AR 2007-2008
SANCTION OF REFUND ON INVOICES ISSUED BY THE
BLACKLISTED AND SUSPENDED PERSONS –RS.11.859 MILLION
- lxiii. PARA 2.4 AR 2007-2008
NON REMITTANCE OF FOREIGN EXCHANGE EQUAL TO PAK
RUPEES RS.155.365 MILLION
- lxiv. SUB-PARA 2.5 (A) AR 2007-08
EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES–RS 87.666 MILLION
- lxv. PARA 2.5(B)(I) AR 2007-2008
EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS. 59.738 MILLION
- lxvi. PARA 2.5(B)(II) AR 2007-2008
EXCESS REFUND OF SALES TAX ON UN CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS. 1.503 MILLION
- lxvii. PARA 2.5(B)(III) AR 2007-2008
EXCESS REFUND OF SALES TAX ON UN CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS. 0.455 MILLION

- lxviii. SUB-PARA 2.6 AR 2007-08
IRREGULAR REFUND OF SALES TAX DUE TO NON
APPORTIONMENT OF INPUT TAX - RS 142 MILLION
- lxix. PARA 2.7(A) AR 2007-2008
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX -RS.60.037
MILLION
- lxx. SUB-PARA 2.7 (B) AR 2007-08
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 41.522
MILLION
- lxxi. SUB-PARA 2.7 (C) AR 2007-08
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX RS 11.728
MILLION
- lxxii. PARA 2.7(D) AR 2007-2008
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX - RS.4.070
MILLION
- lxxiii. SUB-PARA 2.7 (E) AR 2007-08
SANCTION OF INADMISSIBLE REFUND OF RS 1.844 MILLION
- lxxiv. SUB-PARA 2.8AR 2007-08
NON-IMPOSITION OF PENALTY – RS 90.356 MILLION
- lxxv. SUB-PARA 2.9 AR 2007-08
REFUND OF SALES TAX AGAINST UN-PAID AMOUNT OF SALES
TAX ON TAXABLE SUPPLIES RS 37.599 MILLION
- lxxvi. SUB-PARA 2.10 AR 2007-08
REFUND OF SALES TAX ON GOODS NOT USED FOR TAXABLE
SUPPLIES – RS 31.062 MILLION
- lxxvii. SUB-PARA 2.11 AR 2007-08
REFUND OF SALES TAX WITHOUT OBTAINING COMPLETION AND
PRODUCTION CERTIFICATE - RS.29.277 MILLION
- lxxviii. PARA 2.14 AR 2007-08
IRREGULAR REFUND OF INPUT TAX AGAINST UN-DEPOSITED
SALES TAX – RS 9.772 MILLION
- lxxix. PARA 2.15(A)AR 2007-2008 (FBR)
SANCTION OF INADMISSIBLE REFUND OF SALES TAX - RS. 4.470
MILLION

- lxxx. SUB-PARA 2.15 (B)AR 2007-08
SANCTION OF INADMISSIBLE REFUND OF SALES TAX – RS 4.206
MILLION
- lxxxi. PARA 2.17AR 2007-08
IRREGULAR SANCTION OF REFUND-CUM-REBATE OF FEDERAL
EXCISE DUTY AND SALES TAX – RS 6.230 MILLION
- lxxxii. PARA 2.18 AR 2007-08
SANCTION OF REFUND AGAINST TIME BARRED CLAIMS – RS 5.709
MILLION
- lxxxiii. PARA 2.19 AR 2007-2008
IRREGULAR REFUND OF SALES TAX – RS. 4.945 MILLION
- lxxxiv. PARA 2.22 AR 2007-08
IRREGULAR SANCTION OF SALES TAX REFUND WITHOUT
GETTING PHYSICAL VERIFICATION – RS 2.014 MILLION
- lxxxv. PARA 2.23 (A) AR 2007-08
SANCTION OF REFUND OF SALES TAX ON THE GOODS NOT
EXPORTED RS 1.468 MILLION
- lxxxvi. PARA 2.23 (B) AR 2007-08
SANCTION OF REFUND OF SALES TAX ON THE GOODS NOT
EXPORTED -- RS. 0.053 MILLION
- lxxxvii. PARA 2.25 AR 2007-2008
SANCTION OF INADMISSIBLE REFUND OF SALES TAX –RS. 1.154
MILLION
- lxxxviii. PARA 2.27 AR 2007-08
NON-CONDUCT OF POST REFUND AUDIT – RS 404.942 MILLION
- lxxxix. PARA 4.1 AR 2007-2008
NON/SHORT PAYMENT OF FEDERAL EXCISE DUTY - RS.56.296
MILLION
- xc. PARA 4.3 AR 2007-2008
NON-TRANSFER OF FEDERAL EXCISE DUTY DEPOSITED WITH THE
SINDH HIGH COURT RS.26.579 MILLION
- xc. PARA 4.4 AR 2007-2008
NON-REALIZATION OF FEDERAL EXCISE DUTY - RS.21.084 MILLION

- xcii. **PARA 4.5 AR 2007-2008**
NON-REALIZATION OF FEDERAL EXCISE DUTY DUE TO NON APPLICATION OF PROVISIONS OF THE ACT - RS.4.977 MILLION
- xciii. **PARA 4.7 AR 2007-2008**
NON-REALIZATION OF FEDERAL EXCISE DUTY DUE TO WRONG ADJUSTMENT RS.1.384 MILLION
- xciv. **PARA 6.2 AR 2007-08**
SHORT-REALIZATION OF SALES TAX - RS.1,392.103 MILLION
- xcv. **PARA 6.3AR 2007-08**
NON-RECOVERY OF THE ADJUDGED DUES - RS.2,166.211 MILLION
- xcvi. **PARA 6.4AR 2007-08**
BLOCKAGE OF REVENUE DUE TO NON ADJUDICATION OF CASES WITHIN THE PRESCRIBED PERIOD RS.1,016.176 MILLION
- xcvii. **PARA 6.5 AR 2007-08**
BLOCKAGE OF REVENUE DUE TO NON-FINALIZATION INQUIRY - RS.74.521MILLION (APPROX.)
- xcviii. **PARA 6.6AR 2007-2008**
MISUSE OF ZERO RATING FACILITY IN RESPECT OF ITEMS HAVING MULTIPLE USES -RS.49.816 MILLION
- xcix. **PARA 6.7AR 2007-08**
LOSS OF REVENUE DUE TO NON RE-ISSUANCE OF SHOW CAUSE NOTICES BY THE COMPETENT AUTHORITY INVOLVING - RS.39.975 MILLION
- c. **PARA 6.8 AR 2007-2008**
NON-REALIZATION OF SALES TAX DUE TO NON REGISTRATION OF PERSONS LIABLE TO BE REGISTERED - RS.28.263 MILLION
- ci. **PARA 6.11 AR 2007-2008**
NON REALIZATION OF PENALTY FROM NBP ON ACCOUNT OF LATE DEPOSIT OF TAX RECEIPTS INTO SBP - RS.1.939 MILLION
- cii. **PARA 6.12 AR 2007-08**
NON-REALIZATION OF PENALTY FROM NON-FILERS OF SALES TAX RETURNS
- ciii. **PARA 6.13 (A) AR 2007-08**
NON-PRODUCTION OF RECORD TO AUDIT

- civ. **PARA 6.13(B) AR 2007-2008**
NON PRODUCTION OF RECORD
- cv. **PARA 7.2 AR 2007-08**
FRAUDULENT DRAWL OF SALES TAX REFUND - RS.120 MILLION
- cvi. **PARA 7.3 AR 2007-08**
FRAUDULENT REFUND DETECTED BY DIRECTOR GENERAL
INSPECTION & INTERNAL AUDIT, ISLAMABAD RS.1.0 BILLION

PAC DIRECTIVE

The Committee directed the PAO/Chairman FBR to hold DAC on the above mentioned 106 paras on 24-08-2015 and report to PAC.

PARAS RECOMMENDED FOR SETTLEMENT F.Y 2007-08 BY THE DAC/AUDIT

- 9. i. **PARA 1.1 (D) AR 2007-08**
NON-PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED - RS.3.459
- ii. **PARA 1.1(E) AR 2007-2008**
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED-RS 0.839 MILLION
- iii. **PARA 1.1(G) AR 2007-2008**
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED – RS 0.079 MILLION
- iv. **PARA 1.2 (C)(III) AR 2007-08**
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 2.940 MILLION
- v. **PARA 1.2(C)(V) AR 2007-2008**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS. 0.591 MILLION
- vi. **PARA 1.2(L) AR 2007-2008**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS. 0.018 MILLION
- vii. **PARA 1.5(B) AR 2007-2008**
NON/ SHORT PAYMENT OF SALES TAX –RS. 53.400 MILLION

- viii. **PARA 1.6(B) AR 2007-2008**
NON-PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING OF TAXABLE GOODS – RS 17.114 MILLION.
- ix. **PARA 1.6(F) AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING OF TAXABLE GOODS – RS 0.982 MILLION.
- x. **PARA 1.10 AR 2007-2008**
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT AGAINST SO CALLED REFUND CLAIM-RS. 68.154 MILLION.
- xi. **PARA 1.11(A)AR 2007-2008**
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF INCORRECT RATE OF TAX RS.33.187 MILLION
- xii. **PARA 1.11 (B) AR 2007-08**
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF TAXABLE SUPPLIES – RS 7.855 MILLION
- xiii. **PARA 1.15 (B) AR 2007-2008**
NON PAYMENT OF DEFAULT SURCHARGE AND PENALTY ON LATE DEPOSIT OF SALES TAX RS.1.749 MILLION
- xiv. **PARA 1.15 (C) AR 2007-2008**
NON PAYMENT OF DEFAULT SURCHARGE AND PENALTY ON LATE DEPOSIT OF SALES TAX RS.0.329 MILLION
- xv. **PARA 1.17AR 2007-2008**
NON PAYMENT OF SALE TAX DUE TO DEPOSIT OF THE AMOUNT IN INCORRECT HEAD OF ACCOUNT – RS 13.224 MILLION
- xvi. **PARA 1.19 AR 2007-08**
NON-PAYMENT OF SALES TAX ON TAXABLE GOODS SUPPLIED AS SAMPLES, FREE OF COST - RS.8.461 MILLION
- xvii. **PARA 1.20 AR 2007-08**
NON-PAYMENT OF TAX COLLECTED IN EXCESS - RS.8.069 MILLION
- xviii. **PARA 1.25 AR 2007-2008**
NON PAYMENT OF SALES TAX ON SERVICE RS 2.858 MILLION.
- xix. **PARA 1.27 AR 2007-2008**
NON PAYMENT OF SALES TAX ON INSURED/ COST TAXABLE GOODS RS 1.887 MILLION.

- xx. PARA 1.28 AR 2007-08
SHORT-PAYMENT OF SALES TAX DUE TO VALUE ADDITION AT LOWER RATE - RS.1.373 MILLION
- xxi. SUB-PARA 2.1 (C) AR 2007-08
IN-ADMISSIBLE SANCTION OF REFUND OF RS.118,362
- xxii. SUB-PARA 2.12 AR 2007-08
IRREGULAR REFUND OF SALES TAX DUE TO ALLOWING EXCESS WASTAGE – RS 22.797 MILLION
- xxiii. SUB-PARA 2.13 AR 2007-08
PAYMENT OF SANCTIONED AMOUNT OF REFUND WITHOUT ADJUSTING UNPAID ADJUDGED AMOUNT OF TAX – RS 14.714 MILLION
- xxiv. PARA 2.16 AR 2007-08
REFUND OF SALES TAX WITHOUT OBTAINING INVOICE SUMMARIES – RS 6.558 MILLION
- xxv. PARA 2.20 AR 2007-08
REFUND OF SALES TAX WITHOUT BANK CREDIT ADVICE AND MATE RECEIPT NUMBER – RS 3.476 MILLION
- xxvi. PARA 2.21 AR 2007-08
REFUND OF SALES TAX AGAINST DOUBTFUL EXPORTS – RS 3.392 MILLION
- xxvii. PARA 2.24 AR 2007-08
REFUND OF SALES TAX ON GOODS EXPORTED IN SHORT –RS 1.328 MILLION
- xxviii. PARA 2.26 AR 2007-08
IRREGULAR REFUND OF SALES TAX TO COMMERCIAL EXPORTER AGAINST UNCONSUMED INPUTS – RS 1.054 MILLION
- xxix. PARA 4.2 AR 2007-2008
SHORT-PAYMENT OF REVENUE DUE TO APPLICATION OF INCORRECT RATE - RS.27.437 MILLION
- xxx. PARA 4.6 AR 2007-08
SHORT-REALIZATION OF FEDERAL EXCISE DUTY AND SALES TAX - RS.4.7 MILLION

xxxi. **PARA 6.1 AR 2007-2008**
EVASION OF FEDERAL EXCISE DUTY AND SALES TAX - RS. 23,145
MILLION

xxxii. **PARA 6.9 AR 2007-2008**
ISSUANCE OF AMNESTY/EXEMPTION NOTIFICATION WITHOUT
AUTHORITY RS.22.676 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 32 paras on the recommendation of the Audit/DAC.

ACTIONABLE POINTS **(Audit Year 2007-08)**

PAC MEETING: 20-08-2015

FEDERAL BOARD OF REVENUE (CUSTOMS) AUDIT REPORT (2007-08)

10. **PARA 3.1 (A) AR 2007-08**
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-DISPOSAL OF
CONFISCATED GOODS/VEHICLES - RS. 134.924 MILLION

The Audit pointed out that under sections 82, 98, 169 and 201 of the Customs Act, 1969 read with CGO 12 of 2002, confiscated goods/vehicles are required to be auctioned after completion of codal formalities within the shortest possible time. Certain Collectorates of Customs did not auction confiscated good/vehicles since long. The goods/vehicles were lodged in the open places, therefore were exposed to all kinds of hazards and were deteriorating, affecting the sale price. The blockage of customs duty, sales tax, withholding tax and other government dues and loss due to deterioration has been estimated at Rs.134.924 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES

The Committee settled the Para to the extent of Rs. 103.210 Million which were recovered/regularized and directed the department to expedite recovery of remaining amounts and pursue the court cases.

11. **PARA 3.1 (B) AR 2007-2008 (PDP NO. 2769,2770,2771,2772,2826,2814,2844, 845,2862, 863,2787-CD/K B**
LOCKAGE OF GOVERNMENT REVENUE DUE TO NON-DISPOSAL OF CONFISCATED GOODS/VEHICLES - RS.94.697 MILLION

The Audit pointed out that section 182 of the Customs Act, 1969 provides that property rights of confiscated goods vests in the Federal Government and the same is required to be disposed off in accordance with FBR's CGO No. 12/2002 of 15th June, 2002.

The PAO informed that the efforts are being made to recover the remaining amounts.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 89.530 Million being recovered / regularized and directed the department to expedite the proceedings for remaining recovery.

12. **PARA 3.2(A) AR 2007-2008 (PDP NO. 2713,2723,2741,2754,2755, 2756,2760,2776, 2807,2809,2812,2864-CD/K NON RECOVERY OF CUSTOMS DUTY DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT - RS 193.626 MILLION**

The Audit pointed out that Various Collectorates provisionally assessed one hundred and fifty one consignments of various goods at declared value. The value determined by the Directorate of Valuation was Rs.193.626 million higher than the provisionally assessed value. Due to non-finalization of provisionally determined value within 9 months of prescribed time; the provisional determination became final which led to non-recovery of Rs.193.626 million.

The PAO informed that further recoveries had been made in this and would be presented to Audit for its verification.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 182.668/- Million being recovered/regularized after the verification of Audit and directed the department to expedite proceedings for remaining recovery.

13. **PARA 3.3(B)(C)(D) AR 2007-08 PAGE 101 REVENUE DIVISION (FBR)**
NON-RECOVERY OF ADJUDGED DUES - RS. 41.211 MILLION

The Audit pointed out that certain importers imported goods and got cleared the same or lesser rates by misdeclaring them. Contravention cases were framed against the importers and adjudicating authority upheld the viewpoint of the department but the officers of Collectorates did not recover the adjudged recovery. This resulted in a loss of Rs.41.211 million to government revenue.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 1.743 (3.3 (c) Million being recovered/regularized and directed the department to expedite proceedings for remaining recovery. The Committee pended the Para for rest of the amount and directed to pursue the process of liquidation.

14. **PARA 3.4 AR 2007-08**
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-CLEARANCE OF
BONDED GOODS - RS.140.739 MILLION

The Audit pointed out that section 98 of the Customs Act, 1969 provides that warehoused goods, other than perishable goods, may remain in the warehouse for a period of six months following the date of their admission into the warehouse provided that the said period may be extended by the competent authority on sufficient.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the

Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

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

15. **PARA 3.5(A) AR 2007-08 PAGE 104**
NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT
OF INADMISSIBLE EXEMPTION/CONCESSION ON IMPORTED GOODS -
RS.100.235 MILLION

The Audit pointed out that exemption and concession from customs duty, sales tax, income tax and other government taxes on import of certain specified goods to the importers and exporters to promote the economic activities of the country subject to fulfillment of the conditions laid down in respective SROs.

One hundred eight (108) consignments of goods were cleared free of duty and taxes despite the fact that certain conditions were not fulfilled by the importers. This resulted in non-realization of government dues recovering to Rs.100.235 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 96.98 Million being recovered/regularized after its verification by Audit and directed the department to expedite proceedings for remaining recovery.

16. **PARA 3.6 2007-08 PAGE 107 (DP 11496-CUS) REVENUE DIVISION(FBR)**
NON-ENFORCEMENT OF BANK GUARANTEES - RS.45.652 MILLION

The Audit pointed out that in fulfillment of different conditions of various SROs, the duties and taxes were secured by obtaining bank guarantees. The Deputy

Collector Customs (Bank Guarantees) Dry Port, Sambrial, Sialkot failed to enforce the bank guarantees within due dates and bank guarantees expired. This resulted in non-realization of customs duty and sales tax of Rs.45.652 million.

PAC DIRECTIVE DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 37.90 Million being recovered/regularized and directed the department to expedite proceedings for remaining recovery of amount.

17. **PARA 3.7 AR 2007-2008 PAGE 107 (PDP NO. 731,2742,2743,2803,2885,2887-CD/K REVENUE DIVISION(FBR)MR-PAGE NON REALIZATION OF REVENUE DUE TO NON ENCASHMENT OF SECURITIES – RS 38.417 MILLION**

The Audit pointed out that the Collectorates of Customs (Appraisalment), Karachi and Customs, Sales Tax & Federal Excise Duty (FED), Hyderabad accepted post-dated cheques (PDCs) to secure the duty and taxes on account of provisional assessment, temporary imports of goods, temporary exports and safe transportation under provisions of the Customs Act, 1969, Customs Rules, 2001 and various Customs notifications, in forty (40) cases, during April, 2006 to January, 2007. The conditions, against which PDCs were accepted, were not fulfilled by the importer; hence the PDCs were required to be encashed but the concerned Collectorate did not encash the PDCs. This omission resulted in non-realization of government revenue of Rs 38.417 million.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 32.390 Million being recovered/regularized and directed the department to expedite proceedings for remaining recovery of amount. The Committee further directed the PAO to pursue the court case vigorously.

18. **PARA-3.8(B) AR 2007-08 PAGE-109(B) REVENUE DIVISION (FBR)**
SHORT-PAYMENT OF GOVERNMENT REVENUE DUE TO
MISCLASSIFICATION - RS.7.016 MILLION

The Audit pointed out that imported goods are subject to customs duty at rates mentioned in the 1st Schedule to the Customs Act, 1969. Fifty one (51) consignments of the imported goods were misclassified under the PCT headings attracting lower rate of duty and taxes which resulted in short realization of government revenue recovering to Rs.7.016 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 5.066 Million being recovered/regularized and directed the department to expedite proceedings for remaining recovery.

19. **PARA-3.11(A) AR 2007-08 PAGE-115 REVENUE DIVISION(FBR)**
SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION - RS.10.539 MILLION

The Audit pointed out that SRO No. 732(I)/2006 dated 13th July, 2006 had fixed specific import value of Energy Saving Lamps (PCT heading 85.39) for the purpose of sales tax assessment at import stage.

In twenty consignments sales tax was assessed at the declared value which was less than the import value fixed by SRO referred to the above. This resulted in short realization of government dues recovering to Rs.10.539 million during 2006-07.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the

Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 6.333 Million being recovered / regularized and directed the department to expedite proceedings for remaining recovery. The Committee further directed the PAO to pursue the case in the court of law vigorously.

20. **PARA-3.14(A) AR 2007-08 PAGE-123 (DP 11511) REVENUE DIVISION(FBR)
NON-LEVY OF ADDITIONAL CUSTOMS DUTY - RS.7.440 MILLION**

The Audit pointed out that under SRO 693(I)/2006 dated 1st July, 2007 'additional customs duty' was leviable on the import of certain items/parts of motor vehicles. The Deputy Collector Customs (Imports), Faisalabad did not levy and recover the additional customs duty causing loss of Rs.7.719 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para subject to verification by the Audit as recommended by the DAC and directed the PAO to expedite procedure for remaining recovery.

21. **PARA-3.15 AR 2007-08 PAGE-124 REVENUE DIVISION (FBR)
UN-AUTHORIZED RETENTION AND USE OF LABORATORY FEE - RS. 3.326
MILLION**

The Audit pointed out that the Deputy Collector Customs (HQ), Collectorate of Customs, Faisalabad collected laboratory fee of Rs.3.326 million during the year 2006-07, but the same was not deposited in the government exchequer.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee pended the Para and directed the Chairman FBR to refer the case to Finance Division for clarification of issue under intimation to PAC within 60 days.

22. **PARA-3.17 AR 2007-08 PAGE-126 REVENUE DIVISION(FBR)**
SHORT-REALIZATION OF REVENUE DUE TO IMPOSITION OF FINE ON
DECLARED VALUE INSTEAD OF CUSTOMS VALUE - RS.1.276 MILLION

The Audit pointed out that under SRO 487(I)/2007 dated 9th June, 2007, where an option is given to pay fine in lieu of confiscation, the quantum of fine will be 50% of customs value. The Deputy Collector Customs (Imports), Dry Port, Islamabad adjudged the case in terms of SRO imposing 50% fine of the declared value instead of value fixed by the Collector Valuation resulting in short realization of fine of Rs.1.276 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para subject to verification of recovered amount Rs. 0.654 Million by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

23. **PARA 6.3 AR 2007-2008 PAGE145 (PDP 2725, 2732, 2733, 2791, 2792, 2793, 2794, 2816, 2857, 2858, 2860, 2861, 2879, 2888- CD/K) NON-RECOVERY OF THE ADJUDGED DUES – RS 2184.425 MILLION (ONLY RS 18.174 MILLION RELATES TO CUSTOMS PORTION)**

The Audit pointed out that under section 202 of the Customs Act, 1969 read with Customs Rules, 2002 and section 48 of the Sales Tax Act, 1990 read with Sales Tax Recovery Rules, 2003 customs duty and sales tax due from a person can be recovered by customs and sales tax officers in accordance with the procedure laid down therein.

Test check of recovery registers revealed that tax collection departments did not take adequate measures for the recovery of adjudged recovery of Rs.18.174 million in sixty four (64) cases. Recovery was pending for the last many years.

PAC DIRECTIVE

The Committee settled the Para subject to verification of recovered amount by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

24. **PARA 6.11 AR 2007-2008 PAGE153 (PDP 2881-CD/K) MR-PAGE REVENUE DIVISION(FBR) NON-REALIZATION OF PENALTY FROM NBP ON ACCOUNT OF LATE DEPOSIT OF TAX RECEIPTS INTO SBP – RS 2.612 (ONLY RS.0.640 MILLION RELATES TO CUSTOMS PORTION)**

The Audit pointed out that according to rule 582 of the Federal Treasury Rules read with State Bank of Pakistan (SBP) letter No.AD/GOVT/195/01 dated 5th March, 2007; the National Bank of Pakistan (NBP) is required to deposit the collected tax receipts of the federal government into State Bank of Pakistan on daily basis. In case of late deposit a penalty at the rate of 9.5% per annum shall be recovered from the bank.

The branches of the NBP, authorized to collect tax receipts in the jurisdiction of the Collectorate of Customs, Quetta deposited the collected recoveries of federal tax receipts during the financial year 2006-07 with a delay ranging from 2 to 104 days but the department failed to demand and recover the leviable penalty of Rs.0.640 million from the NBP.

PAC DIRECTIVE

The Committee settled the Para and showed serious concern and directed the PAC Wing to write a letter to the President, National Bank of Pakistan to follow the instructions in future.

25. **PARA-7.1 AR 2007-08 PAGE-159 REVENUE DIVISION (FBR)**
LOSS OF GOVERNMENT REVENUE DUE TO DISHONOUR OF CHEQUES -
RS.16.687 MILLION

The Audit pointed out that under SRO 1065(I)/2005 dated 20th October, 2005, the whole of customs duty and sales tax shall be exempted on goods imported temporarily for subsequent exportation within the stipulated period subject to certain conditions. The importer shall have to submit a bank guarantee alongwith post dated cheque equivalent to the recovery of duty & taxes leviable thereon.

It was noticed that fifty four (54) units did not export material imported for re-export. The indemnity bonds and post-dated cheques were dishonoured on presentation to bank for encashment. This resulted in loss of revenue recovering to Rs.16.687 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee pended the Para and directed the PAO to re-examine/inquire all of the cases and submit the finding of this case to PAC within 60 days.

26. **PARA-8.7 AR 2007-08 PAGE-165 REVENUE DIVISION (FBR)**
NON-ENFORCEMENT OF INDEMNITY BONDS ON FAILURE TO RE-IMPORT
TEMPORARILY EXPORTED GOODS - RS.109.395 MILLION, US\$.364, 590
AND EURO 118,406

The Audit pointed out that under SRO 735(1)72005 dated 21st July, 2005 and SRO 776(1)72006 dated 21st July, 2006, certain parties exported machinery7parts for repair purpose. The parties furnished indemnity bonds to re-

import the goods within a period of six months after repair. The parties failed to re-import the goods within stipulated period. The concerned customs authorities did not enforce indemnity bond to recover the revenue. This resulted in non-realization of Rs. 109.395 million, US\$ 364,590 and EURO 118,406 during the year 2006-2007.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para subject to verification of recovery by Audit under intimation to PAC.

27. **PARA-8.9 AR 2007-08 PAGE-167 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT REVENUE ON NON-SUBMISSION
OF EXPORT DOCUMENTS AGAINST TEMPORARY IMPORTED GOODS -RS.
37.864 MILLION

The Audit pointed out that according to SRO 410(I)/2001 dated 18th June, 2001 and SRO 1065(I)/2005 dated 20th October, 2005 whole of the duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit a bank guarantee along with post dated cheque equivalent to the recovery of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within one year which shall be automatically extended upon request once only upto a further period of six months and that the utilization period shall in no case be extended beyond eighteen months. Certain units failed to submit the export documents against temporarily imported goods, but the post dated cheques were not encashed by customs authorities. This resulted in non-realization of government revenue recovering to Rs. 37.864 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on

settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 19.619 Million being recovered/regularized and directed the department to expedite recovery proceedings for remaining amount.

28. **PARA-8.11 AR 2007-08 PAGE-169 REVENUE DIVISION (FBR)**
LOSS OF REVENUE DUE TO NON-FINALIZATION OF PROVISIONALLY ASSESSED CASES - RS. 30.614 MILLION

The Audit pointed out that under section 81 of the Customs Act, 1969 in certain cases the assessment of goods and the liability of payment may be determined provisionally subject to payment of additional recovery on the basis of provisional assessment secured through bank guarantee or post dated cheque of a schedule bank along with an indemnity bond. The correct recovery of duty, taxes and other charges shall be determined within nine months of the date of provisional determination provided that the collector of customs may extend the period for final determination by not more than ninety days. If the final determination is not made within the stipulated period, the provisional determination shall be deemed to be the final determination. According to the explanation given under the section ibid "provisional assessment means the recovery of duties and taxes paid or secured against bank guarantee or post dated cheque".

Twenty nine (29) cases of provisional assessment were not decided within the stipulated period and post dated cheques along with indemnity bonds were required to be encashed /enforced to recover the government revenue but the same were not encashed /enforced by the concerned Customs authorities. This resulted into non-realization of government revenue recovering to Rs. 30.614 million during the year 2006-2007.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the

Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 4.393 Million being recovered/regularized and directed the department to expedite proceedings for remaining recovery.

29. **PARA-8.12 AR 2007-08 PAGE-170 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT REVENUE ON NON-CONSUMPTION
OF RAW MATERIAL WITHIN SPECIFIED PERIOD - RS. 27.801 MILLION

The Audit pointed out that under SRO 565(1)72005 dated 6th June, 2005, the specified raw materials, sub components, sub-assemblies and assemblies, as are not manufactured locally, imported for the manufacture of specified goods shall be exempted from so much of customs duty leviable under the First Schedule to the Customs Act, 1969, as is in excess of the rates specified subject to certain conditions. The manufacturer-cum-importer shall communicate in writing about the consumption of imported items within sixty days of the consumption of goods. In case of non-consumption within one year from the date of import, the importer shall pay the customs duty and other government dues involved.

In sixty eight (68) cases, the importers did not observe the above provisions of law but the indemnity bonds along with post-dated cheques were not enforced /encashed to recover the government revenue by the concerned Deputy or Assistant Collector of Customs. This resulted into non-realization of government revenue recovering to Rs. 27.801 million during 2006-07.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para to the extent of Rs. 27.243 Million being recovered / regularized and directed the department to expedite proceedings for remaining recovery.

30. **PARA-8.13 AR 2007-08 DP-11937 PAGE-171 REVENUE DIVISION (FBR)
NON-REALIZATION OF GOVERNMENT. REVENUE ON NON RE-EXPORT OF
TEMPORARY IMPORTED GOODS WITHIN STIPULATED PERIOD -RS.
23.749 MILLION.**

The Audit pointed out that under SRO 678(1)72004 dated 7th August, 2004 all petroleum sector companies, corporations and organizations including their contractors and sub-contractors and service companies shall be entitled to import machinery, equipments, helicopters, aircrafts, drilling bits, drilling and seismic (on shore or off shore) vessels, drilling rigs, specialized vehicles which fall under PCT heading 87.05 including accessories and spares (excluding those for current use that are part of such vehicles and vessels and 6X6 trucks which fall under PCT 87.04 heading) for the purpose of construction, creation, exploration and production of petroleum projects on import cum export basis without payment of duties and taxes against a corporate guarantee valid for a period of two years equal to the value of import duties and taxes exempted, extendable by the collector of customs on time to time basis if the importer has a definite contract. Should the goods etc not be exported on the expiry of the project or transferred with the approval of the Collector of Customs to another petroleum project, or the period of stay has been extended by the Collector of Customs then the company or their contractors or sub-contractors or service companies, as the case may be, shall be liable to pay duties and taxes which were chargeable at the time of import as per clauses (1), (2) and (3) of the SRO.

Six (06) petroleum sector companies were allowed duty/sales tax free import of machinery, equipments etc on furnishing of corporate guarantees valid for a period of two years from the date of import. The importers concerned, however, did not fulfill the requirements of rules, despite the expiry of prescribed period. Hence, the guarantees were required to be enforced but no action was taken by the Assistant Collector (B.G) Air Port, Islamabad to enforce the guarantees. This resulted in non-realization of revenue of Rs. 23.749 million during the year 2006-07.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given

for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para subject to verification of recovery/write off and directed the PAO to make efforts for the recovery of remaining amount.

31. **PARA-8.15 AR 2007-08 REVENUE DIVISION(FBR) PAGE-173**
NON-ENFORCEMENT OF BANK GUARANTEES/INDEMNITY BONDS WITHIN
STIPULATED PERIOD - RS. 5.613 MILLION

The Audit pointed out that in certain cases, bank guarantees/indemnity bonds were obtained in the light of different SROs expired as the Assistant/Deputy Collector Customs (Bank Guarantees) failed to enforce / encash the bank guarantees/indemnity bonds within due dates. This resulted into non-realization of revenue of Rs. 5.613 million.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee settled the Para subject to verification of recovery and make efforts for the recovery of remaining amount under intimation of PAC.

32. **PARA-8.16 AR 2007-08 PAGE-173 REVENUE DIVISION (FBR)**
NON-ENCASHMENT OF INDEMNITY BONDS ON NON-EXPORT OF
TEMPORARY IMPORTED GOODS - RS.5.424 MILLION

The Audit pointed out that according to SRO 1065(1)72005 dated 20th October, 2005 the whole of duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit a bank guarantee alongwith post dated cheque equivalent to the recovery of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within

one year which shall be automatically extended upon request once only up to a further period of six months and that the utilization period shall in no case be extended beyond eighteen months.

Forty four (44) units of Deputy Collector Customs, AFU, Airport, Lahore, failed to submit the export documents against temporarily imported goods. The encashment notices were issued. The post-dated cheques were dishonoured due to insufficient funds in the account of the units. No further action, as per law, was taken by the department to recover the government dues which resulted in loss of government revenue recovering to Rs. 5.424 million during the year 2006-07.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC has been held since 2010 and therefore there is very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix the responsibility and take action under E&D Rules under intimation to PAC within 90 days. The Para is pending.

COURT CASES

33. i. **PARA 3.5(B) AR-2007-08 PAGE 104 (DP 2747-CD/K)
NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO
GRANT OF INADMISSIBLE EXEMPTION/CONCESSION ON
IMPORTED GOODS - RS.19.933 MILLION**
- ii. **PARA 3.5 (D) AR-2007-08 PAGE 106 (PDP NO-2781-CD/K)
NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO
GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON
IMPORTED GOODS –RS 0.343 MILLION**
- iii. **PARA 6.6 AR-2007-08 PAGE-147 (PDP-4019-ST/K (RELATING TO
IMPORTS-CUSTOMS)
MISUSE OF ZERO RATING FACILITY IN RESPECT OF ITEMS HAVING
MULTIPLE USES – RS 49.816 MILLION**

PAC DIRECTIVE

The Committee pended the above mentioned 3 Paras due to sub-judice in nature and directed the PAO to vigorously pursue the case in court of law.

34. PARAS RECOMMENDED FOR SETTLEMENT.

- i. **PARA 3.2(B)AR 2007-08 PAGE 100 (DP 11799)**
NON-RECOVERY OF CUSTOMS DUES - NON-FINALIZATION OF PROVISIONAL ASSESSMENT - RS.1.057 MILLION
- ii. **PARA 3.3(A)AR 2007-08**
NON-RECOVERY OF ADJUDGED DUES - RS.104.387 MILLION
- iii. **PARA 3.5 (C)AR 2007-2008PAGE 105 (PDP NO. 2765-CD/K**
NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTED GOODS –RS 0.459 MILLION
- iv. **PARA-3.8(A) AR 2007-08**
SHORT-PAYMENT OF GOVERNMENT REVENUE DUE TO MISCLASSIFICATION - RS.13.524 MILLION
- v. **PARA 3.8 (C)AR 2007-2008(PDP NO. 2778,2841-CD/K**
SHORT PAYMENT OF GOVERNMENT REVENUE DUE TO MISCLASSIFICATION –RS.0.972 MILLION
- vi. **PARA 3.9 AR 2007-2008 (PDP NO. 2805,2813-CD/K**
NON REALIZATION OF GOVERNMENT REVENUE ON FAILURE TO RE-EXPORT THE GOODS WITHIN TWO YEARS- RS 18.664 MILLION
- vii. **PARA-3.10(A) AR 2007-08 (DP12168)**
NON/SHORT REALIZATION OF WITHHOLDING TAX - RS.7.051 MILLION
- viii. **PARA-3.10(B) AR 2007-08**
NON/SHORT REALIZATION OF WITHHOLDING TAX - RS.6.206 MILLION
- ix. **PARA-3.10(C) AR 2007-08**
NON/SHORT REALIZATION OF WITHHOLDING TAX - RS.2.433 MILLION
- x. **PARA-3.10(D)AR 2007-08**
NON/SHORT REALIZATION OF WITHHOLDING TAX - RS.0.619 MILLION

- xi. PARA-3.10(E) AR 2007-08
NON/SHORT REALIZATION OF WITHHOLDING TAX - RS.0.330
MILLION
- xii. PARA-3.10(F) AR 2007-08
NON/SHORT REALIZATION OF WITHHOLDING TAX - RS.0.084
MILLION
- xiii. PARA-3.11(B) AR 2007-08
SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION - RS.2.100 MILLION
- xiv. PARA-3.11(C) AR 2007-08
SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION - RS.1.110 MILLION
- xv. PARA-3.11(D) AR 2007-08
SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION - RS.0.747 MILLION
- xvi. PARA-3.11(E)AR 2007-08
SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION - RS.0.585 MILLION
- xvii. PARA-3.11(F) AR 2007-08
SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION - RS.0.231 MILLION
- xviii. PARA-3.11(G)AR 2007-08
SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION-RS 0.083 MILLION
- xix. PARA 3.11(H) AR 2007-2008 (PDP NO. 2744-CD/K
SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER
VALUATION- RS 0.064 MILLION
- xx. PARA 3.12(A) AR 2007-08
BLOCKAGE OF GOVERNMENT REVENUE DUE TO DELAY
INADJUDICATION - RS.12.609 MILLION
- xxi. PARA 3.12(B)AR 2007-2008(PDP NO. 2846-CD/K
BLOCKAGE OF GOVERNMENT REVENUE DUE TO DELAY IN
ADJUDICATION- RS 0.766 MILLION
- xxii. PARA 3.13(A) AR 2007-2008(PDP NO. 2724-CD/K
NON REALIZATION OF FINE AND PENALTIES –RS 5.458 MILLION

- xxiii. PARA 3.13(B)AR 2007-2008 (PDP NO. 2719, 2735, 2738, 2782, 2783 – CD / K NON REALIZATION OF FINE AND PENALTIES – RS 4.129 MILLION
- xxiv. PARA-3.14(B) AR 2007-08
NON-LEVY OF ADDITIONAL CUSTOMS DUTY - RS.0.279 MILLION
- xxv. PARA 3.16 AR 2007-2008 (PDP NO2761,2762,2763-CD/K
SHORT REALIZATION OF FEDERAL EXCISE DUTY ON IMPORTED
GOODS RS. 2.227 MILLION
- xxvi. PARA-3.18 AR 2007-08
NON-PRODUCTION OF RECORD
- xxvii. PARA 6.10 AR 2007-2008 (PDP 2882-CD/K
OVER-STATEMENT OF REVENUE ON ACCOUNT OF CUSTOMS
DUTY - RS. 20.000 MILLION
- xxviii. PARA 6.13(B) AR 2007-2008 (PDP 2764,2829,2865,2876,2880-CD/K
NON-PRODUCTION OF RECORD TO AUDIT
- xxix. PARA 7.4 AR 2007-2008 (PDP NIL)
EVASION OF TAXES AND DUTIES RS 1.022 MILLION
- xxx. PARA-8.8 AR 2007-08
NON-ENFORCEMENT OF INDEMNITY BOND ON NON-FULFILMENT
OF POST RELEASE CONDITIONS BY IMPORTERS - RS. 51.325
MILLION.
- xxxi. PARA-8.10 AR 2007-08
NON-REALIZATION OF REVENUE ON NON FULFILMENT OF POST
CLEARANCE CONDITIONS RS. 37.445 MILLION
- xxxii. PARA-8.14 AR 2007-08
NON-REALIZATION OF SALES TAX DUE TO GRANT OF IN
ADMISSIBLE EXEMPTION - RS. 13.35 MILLION
- xxxiii. PARA-8.17 AR 2007-08
NON-REALIZATION OF REVENUE DUE TO GRANT OF IN
ADMISSIBLE EXEMPTION - RS. 0.910 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 33 Paras on the recommendations of the Audit/DAC.

ACTIONABLE POINTS

PAC MEETING: 13-10-2015

FEDERAL BOARD OF REVENUE FOR THE AUDIT YEAR 2007-08

CUSTOMS

35. **AUDIT PARA 3.1(A) AUDIT REPORT 2007-08 PROPOSED DRAFT PARAS 11494, 11522, 11523, 11524, 11526, 11688, 12002, 12003, 12005, 12006, 11766, 11961, 11962, 11810 & 11825-CUS PAGE-97 BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-DISPOSAL OF CONFISCATED GOODS/VEHICLES -RS.134.924 MILLION**

The Audit pointed out that under sections 82, 98, 169 and 201 of the Customs Act, 1969 read with CGO 12 of 2002, confiscated goods/vehicles are required to be auctioned after completion of codal formalities within the shortest possible time.

Certain Collectorates of Customs did not auction confiscated good/vehicles since long. The goods/vehicles were lodged in the open places, therefore were exposed to all kinds of hazards and were deteriorating, affecting the sale price. The blockage of customs duty, sales tax, withholding tax and other government dues and loss due to deterioration has been estimated at Rs.134.924 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee recommended the para for settlement to the extent of Rs 103.210million which were recovered/regularized and directed the department to expedite recovery of remaining amounts and pursue the court cases.

The PAO informed that the efforts are being made to recover the remaining amounts.

PAC DIRECTIVE

The Committee pended the para and directed the PAO & Audit to discuss it at DAC level.

36. **AUDIT PARA 3.1 (B) AUDIT REPORT 2007-2008 (PROPOSED DRAFT PARA NO. 2769,2770, 2771,2772,2826,2814,2844,2845,2862,2863&2787-CD/K PAGE 98 REVENUE DIVISION (FBR) BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-DISPOSAL OF CONFISCATED GOODS/VEHICLES - RS.94.697 MILLION**

The Audit pointed out that under section 182 of the Customs Act, 1969 provides that property rights of confiscated goods vests in the Federal Government and the same is required to be disposed off in accordance with FBR's CGO No. 12/2002 of 15th June, 2002.

Goods including vehicles worth Rs.94.697 million, confiscated in one hundred and nine (109) cases had not been disposed off in certain Collectorates and due to long storage; the goods were losing sale price due to deterioration, causing potential loss to national exchequer.

PAC DIRECTIVES DATED 20-08-2015

The Committee recommended the para for settlement to the extent of Rs 89.530 million being recovered/regularized and directed the department to expedite the proceedings for remaining recovery.

The PAO assured the Committee that the FBR would hold the DAC meeting till 15th November 2015.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to discuss the para at DAC level and come up with solid recommendations in the next meeting within 30 days.

37. **PARA 3.2(A) AR 2007-2008 PAGE 99 (PROPOSED DRAFT PARA NO. 2713,2723,2741,2754,2755,2756,2760,2776,2807,2809,2812&2864-CD/K PAGE NO. REVENUE DIVISION (FBR) NON RECOVERY OF CUSTOMS DUTY DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT -RS 193.626 MILLION**

The Audit pointed out that under the Audit pointed out that under various Collectorates provisionally assessed one hundred and fifty one consignments of various goods at declared value. The value determined by the Directorate of

Valuation was Rs.193.626 million higher than the provisionally assessed value. Due to non-finalization of provisionally determined value within 9 months of prescribed time; the provisional determination became final which led to non-recovery of Rs.193.626 million.

PAC DIRECTIVES DATED 20-08-2015

The Committee recommended the para for settlement to the extent of Rs 182.668 million being recovered / regularized after the verification of Audit and directed the department to expedite proceedings for remaining recovery.

The PAO informed that the 90% of the remaining amount had been settled in case of custom and the matter relating to remaining amount was in Court.

PAC DIRECTIVE

The Committee settled the para subject to recovery/verification of Audit and the decision of case in the Court of Law.

38. **AUDIT PARA 3.3(B)(C)(D) AUDIT REPORT 2007-08 PROPOSED DRAFT PARAS 11759, 11528, 11790-CUS PAGE 101 REVENUE DIVISION (FBR) NON-RECOVERY OF ADJUDGED DUES - RS.41.211 MILLION**

The Audit pointed out that under certain importers imported goods and got cleared the same or lesser rates by mis-declaring them. Contravention cases were framed against the importers and adjudicating authority upheld the viewpoint of the department but the officers of Collectorates did not recover the adjudged amount. This resulted in a loss of Rs.41.211 million to government revenue.

PAC DIRECTIVES DATED 22-8-2011

The Audit pointed out that under the Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 1.743 million (3.3 (c) being recovered / regularized and directed the department to expedite proceedings for

remaining recovery. The Committee pended the Para and directed to pursue the process of liquidation.

The PAO informed the Committee that 2.2 Million more had been recovered which was yet to be verified by the Audit.

PAC DIRECTIVE

The Committee pended the para till the recovery of remaining amount and its verification by the Audit.

39. **AUDIT PARA 3.4 AUDIT REPORT 2007-08 (PROPOSED DRAFT PARAS 11732,11734, 11735, 11737-CUS, 2734,2799,2839,2818,2866, 2867,2868,2835 & 2854-CD/K PAGE 102 (L&K) REVENUE DIVISION (FBR) BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-CLEARANCE OF BONDED GOODS - RS.140.739 MILLION**

The Audit pointed out that under Section 98 of the Customs Act, 1969 provides that warehoused goods, other than perishable goods, may remain in the warehouse for a period of six months following the date of their admission into the warehouse provided that the said period may be extended by the competent authority on sufficient.

Two hundred five (205) consignments including Auto Rickshaws and Motor Cycle Parts, Pressure Tyre and Zinc Alloys Coils etc. were not got cleared by the importers from the bonded warehouses even after the expiry of the stipulated period. This resulted in blockage of government revenue of Rs.140.739 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

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

The PAO informed that the 99% recoveries had been made in this case.

PAC DIRECTIVE

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

40. **AUDIT PARA 3.5(A) AUDIT REPORT 2007-08 PAGE 104 REVENUE DIVISION (FBR) NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/CONCESSION ON IMPORTED GOODS - RS.100.235 MILLION**

The Audit pointed out that under exemption and concession from customs duty, sales tax, income tax and other government taxes on import of certain specified goods to the importers and exporters to promote the economic activities of the country subject to fulfillment of the conditions laid down in respective SROs.

One hundred eight (108) consignments of goods were cleared free of duty and taxes despite the fact that certain conditions were not fulfilled by the importers. This resulted in non-realization of government dues amounting to Rs.100.235 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 96.98 million being recovered / regularized after its verification by Audit and directed the department to expedite proceedings for remaining recovery.

The PAO stated that the efforts for the recovery of remaining amounts are in progress.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to expedite the efforts for balance recovery and report to the Committee.

41. **AUDIT PARA 3.6 AUDIT REPORT 2007-08 (PROPOSED DRAFT PARA 11496-CUS) PAGE 107 REVENUE DIVISION (FBR) NON-ENFORCEMENT OF BANK GUARANTEES - RS.45.652 MILLION**

The Audit pointed out that under in fulfillment of different conditions of various SROs, the duties and taxes were secured by obtaining bank guarantees. The Deputy Collector Customs (Bank Guarantees) Dry Port, Sambrial, Sialkot failed to enforce the bank guarantees within due dates and bank guarantees expired. This resulted in non-realization of customs duty and sales tax of Rs.45.652 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 37.90 million being recovered / regularized and directed the department to expedite proceedings for remaining recovery of amount.

The PAO informed that the case consisting to recovery of 5 Million is in the Court of Law.

PAC DIRECTIVE

The Committee settled the para with the direction to recover the remaining amount and vigorously pursue Court case in Court of Law.

42. **AUDIT PARA 3.7 AUDIT REPORT 2007-2008 PAGE 107(PROPOSED DRAFT PARAS NO. 2731,2742,2743,2803,2885&2887-CD/K REVENUE DIVISION (FBR) NON REALIZATION OF REVENUE DUE TO NON ENCASHMENT OF SECURITIES – RS 38.417 MILLION**

The Audit pointed out that under the Collectorates of Customs (Appraisalment), Karachi and Customs, Sales Tax & Federal Excise Duty (FED), Hyderabad accepted post-dated cheques (PDCs) to secure the duty and taxes on account of provisional assessment, temporary imports of goods, temporary exports and safe

transportation under provisions of the Customs Act, 1969, Customs Rules, 2001 and various Customs notifications, in forty (40) cases, during April, 2006 to January, 2007. The conditions, against which PDCs were accepted, were not fulfilled by the importer; hence the PDCs were required to be encashed but the concerned Collectorate did not encash the PDCs. This omission resulted in non-realization of government revenue of Rs 38.417 million.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 32.390 million being recovered / regularized its verification by Audit and directed the department to expedite proceedings for remaining recover of amount. The Committee further directed the PAO to pursue the court case vigorously.

The PAO informed that the Court cases pertaining to recoveries of amount are being pursued in the Court of Law.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery and directed the PAO to pursue the Court case vigorously.

43. **AUDIT PARA-3.8(B) AUDIT REPORT 2007-08 PAGE-109 REVENUE DIVISION (FBR) SHORT-PAYMENT OF GOVERNMENT REVENUE DUE TOMIS CLASSIFICATION - RS.7.016 MILLION**

The Audit pointed out that under imported goods are subject to customs duty at rates mentioned in the 1stSchedule to the Customs Act, 1969. Fifty one (51) consignments of the imported goods were misclassified under the PCT headings attracting lower rate of duty and taxes which resulted in short realization of government revenue amounting to Rs.7.016 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 5.066 million being recovered / regularized and directed the department to expedite proceedings for remaining recovery.

The PAO informed that the department is making efforts to recover the balance amount and pursuing the Court cases for the remaining recoveries

PAC DIRECTIVE

The Committee settled the para except the sub-judiced portion with the direction to hold inquiry and its report duly verified by Chairman FBR be submitted to PAC/Audit.

44. **AUDIT PARA-3.11(A) AUDIT REPORT 2007-08 PROPOSED DRAFT PARAS 11513, 11606, 11752, 11998 & 12020-CUS REVENUE DIVISION (FBR) SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER VALUATION - RS.10.539 MILLION**

The Audit stated that under SRO No. 732(I)/2006 dated 13th July, 2006 had fixed specific import value of Energy Saving Lamps (PCT heading 85.39) for the purpose of sales tax assessment at import stage.

In twenty consignments sales tax was assessed at the declared value which was less than the import value fixed by SRO referred to the above. This resulted in short realization of government dues amounting to Rs.10.539 million during 2006-07.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 6.333 million being recovered / regularized and directed the department to expedite proceedings for remaining recovery. The Committee further directed the PAO to pursue the case in the court of law vigorously.

The PAO informed that the recovery of Rs. 4.047 Million is in progress and the matter pertaining to amount Rs. 0.159 Million is sub-judice.

PAC DIRECTIVE

The Committee referred the para for DAC discussion and directed the PAO & Audit to come up with final recommendations.

45. **AUDIT PARA-3.14(A) AUDIT REPORT 2007-08 PAGE-123 (PROPOSED DRAFT PARA 11511) REVENUE DIVISION (FBR) NON-LEVY OF ADDITIONAL CUSTOMS DUTY - RS.7.440 MILLION**

The Audit pointed out that under SRO 693(I)/2006 dated 1st July, 2007 'additional customs duty' was leviable on the import of certain items/parts of motor vehicles. The Deputy Collector Customs (Imports), Faisalabad did not levy and recover the additional customs duty causing loss of Rs.7.719 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification by the Audit as recommended by the DAC and directed the PAO to expedite the remaining recovery.

The PAO informed that the recovery of 2.940 Million has been made and the matter pertaining to amount 3.360 Million is being contested.

PAC DIRECTIVE

The Committee settled the Para subject to its verification by Audit in the DAC meeting.

46. **AUDIT PARA-3.15 AR 2007-08 PROPOSED DRAFT PARA 11533 PAGE-124
REVENUE DIVISION (FBR) UN-AUTHORIZED RETENTION AND USE OF
LABORATORY FEE - RS.3.326 MILLION**

The Audit pointed out that under the Deputy Collector Customs (HQ), Collectorate of Customs, Faisalabad collected laboratory fee of Rs.3.326 million during the year 2006-07, but the same was not deposited in the government exchequer.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee pended the para and directed the Chairman FBR to refer the case to Finance Division for clarification of issue under intimation to PAC within 60 days.

The PAO informed the Committee that the department has decided to send the case to Law Division for their opinion.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to obtain the opinion of Law Division within 15 days and report to PAC/Audit.

47. **AUDIT PARA-3.17 AR 2007-08 PROPOSED DRAFT PARA 11796-CUS
PAGE-126 REVENUE DIVISION (FBR) SHORT-REALIZATION OF REVENUE
DUE TO IMPOSITION OF FINE ON DECLARED VALUE INSTEAD OF
CUSTOMS VALUE - RS.1.276 MILLION**

The Audit pointed out that under SRO 487(I)/2007 dated 9th June, 2007, where an option is given to pay fine in lieu of confiscation, the quantum of fine will be 50% of customs value. The Deputy Collector Customs (Imports), Dry Port, Islamabad adjudged the case in terms of SRO imposing 50% fine of the declared value instead of value fixed by the Collector Valuation resulting in short realization of fine of Rs.1.276 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovered amount of Rs 0.654 million by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

The PAO informed that the Rs.654,000/- has been recovered in this case.

PAC DIRECTIVE

The Committee settled the para with the direction to get the remaining amount written off.

48. **AUDIT PARA 6.3 AR 2007-2008 PAGE145(PROPOSED DRAFT PARA 2725, 2732, 2733, 2791, 2792, 2793, 2794, 2816, 2857, 2858, 2860, 2861, 2879 & 2888 - CD/K) REVENUE DIVISION (FBR) NON-RECOVERY OF THE ADJUDGED DUES – RS 2184.425 MILLION (ONLY RS 18.174 MILLION RELATES TO CUSTOMS PORTION)**

The Audit pointed out that under section 202 of the Customs Act, 1969 read with Customs Rules, 2002 and section 48 of the Sales Tax Act, 1990 read with Sales Tax Recovery Rules, 2003 customs duty and sales tax due from a person can be recovered by customs and sales tax officers in accordance with the procedure laid down therein.

Test check of recovery registers revealed that tax collection departments did not take adequate measures for the recovery of adjudged amount of Rs.18.174 million in sixty four (64) cases. Recovery was pending for the last many years.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovered amount by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

The PAO informed that some more recoveries had been made in this case which would be submitted to the Audit for verification.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

49. **AUDIT PARA-7.1 AR 2007-08 PERFORMANCE REPORT F-181-2007 PAGE-159 REVENUE DIVISION (FBR)**
LOSS OF GOVERNMENT REVENUE DUE TO DISHONOUR OF CHEQUES - RS.16.687 MILLION

The Audit pointed out that under SRO 1065(I)/2005 dated 20th October, 2005, the whole of customs duty and sales tax shall be exempted on goods imported temporarily for subsequent exportation within the stipulated period subject to certain conditions. The importer shall have to submit a bank guarantee along with post dated cheque equivalent to the amount of duty & taxes leviable thereon.

It was noticed that fifty four (54) units did not export material imported for re-export. The indemnity bonds and post-dated cheques were dishonoured on presentation to bank for encashment. This resulted in loss of revenue amounting to Rs.16.687 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee pended the para and directed the PAO to re-examine/inquire all of the cases and submits the finding of this case to PAC within 60 days.

The PAO while agreeing with the Committee assured to take up the para in the DAC again.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to take up the case in the next DAC meeting.

50. **AUDIT PARA-8.7 AR 2007-08 PROPOSED DRAFT PARAS 11917 & 11936-CUS PAGE-165 REVENUE DIVISION (FBR)**
NON-ENFORCEMENT OF INDEMNITY BONDS ON FAILURE TO RE-IMPORT TEMPORARILY EXPORTED GOODS - RS.109.395 MILLION, US\$.364,590 AND EURO 118,406

The Audit pointed out that under SRO 735(1)72005 dated 21st July, 2005 and SRO 776(1)72006 dated 21st July, 2006, certain parties exported machinery7parts for repair purpose. The parties furnished indemnity bonds to re-import the goods within a period of six months after repair. The parties failed to re-import the goods within stipulated period. The concerned customs authorities did not enforce indemnity bond to recover the revenue. This resulted in non-realization of Rs. 109.395 million, US\$ 364,590 and EURO 118,406 during the year 2006-2007.

PAC DIRECTIVES DATED 23-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovery under intimation to PAC.

The PAO stated that the recovered amount would be verified from the Audit.

PAC DIRECTIVE

The Committee pended the para and directed to discuss in the DAC for its final outcome.

51. **AUDIT PARA-8.9 AR 2007-08 PROPOSED DRAFT PARAS 11922, 11928& 11931-CUS PAGE-167 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT REVENUE ON NON-SUBMISSION OF EXPORT DOCUMENTS AGAINST TEMPORARY IMPORTED GOODS -RS. 37.864 MILLION

The Audit pointed out that according to SRO 410(I)/2001 dated 18th June, 2001 and SRO 1065(I)/2005 dated 20th October, 2005 whole of the duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit a bank guarantee along with post dated cheque equivalent to the amount of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within one year which shall be automatically extended upon request once only upto a further period of six months and that the utilization period shall in no case be extended beyond eighteen months.

Certain units failed to submit the export documents against temporarily imported goods, but the post dated cheques were not encashed by customs authorities. This resulted in non-realization of government revenue amounting to Rs. 37.864 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 19.619 million being recovered/regularized and directed the department to expedite recovery proceedings for remaining amount.

The PAO informed that the recoveries had been halted as the matter was before the FTO.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to pursue the case with FTO for the balance amount.

52. **AUDIT PARA-8.11 AR 2007-08 PROPOSED DRAFT PARAS 11925, 11926 11939 & F-2531 PAGE-169 REVENUE DIVISION (FBR)**
LOSS OF REVENUE DUE TO NON-FINALIZATION OF PROVISIONALLY ASSESSED CASES - RS. 30.614 MILLION

The Audit pointed out that under section 81 of the Customs Act, 1969 in certain cases the assessment of goods and the liability of payment may be determined provisionally subject to payment of additional amount on the basis of provisional assessment secured through bank guarantee or post dated cheque of a schedule bank along with an indemnity bond. The correct amount of duty, taxes and other charges shall be determined within nine months of the date of provisional determination provided that the collector of customs may extend the period for final determination by not more than ninety days. If the final determination is not made within the stipulated period, the provisional determination shall be deemed to be the final determination. According to the explanation given under the section ibid "provisional assessment means the amount of duties and taxes paid or secured against bank guarantee or post dated cheque".

Twenty nine (29) cases of provisional assessment were not decided within the stipulated period and post dated cheques along with indemnity bonds were required to be encashed/enforced to recover the government revenue but the same were not encashed/enforced by the concerned Customs authorities. This resulted into non-realization of government revenue amounting to Rs. 30.614 million during the year 2006-2007.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 4.393 million being recovered/regularized and directed the department to expedite proceedings for remaining recovery.

The PAO informed that the recovery of Rs.19.979 Million is in progress and the matter pertaining to amount 6.242 Million is sub-judice

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to pursue the case in the Court of Law and get the recovered amount verified by Audit.

53. **AUDIT PARA-8.12 AR 2007-08 PROPOSED DRAFT PARAS 11932, 11938 & F-2531 LAHORE PAGE-170 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT REVENUE ON NON-CONSUMPTION OF RAW MATERIAL WITHIN SPECIFIED PERIOD - RS. 27.801 MILLION

The Audit pointed out that under SRO 565(1)72005 dated 6th June, 2005, the specified raw materials, sub components, sub-assemblies and assemblies, as are not manufactured locally, imported for the manufacture of specified goods shall be exempted from so much of customs duty leviable under the First Schedule to the Customs Act, 1969, as is in excess of the rates specified subject to certain conditions. The manufacturer-cum-importer shall communicate in writing about the consumption of imported items within sixty days of the consumption of goods. In case of non-consumption within one year from the date of import, the importer shall pay the customs duty and other government dues involved.

In sixty eight (68) cases, the importers did not observe the above provisions of law but the indemnity bonds along with post-dated cheques were not enforced /encashed to recover the government revenue by the concerned Deputy or Assistant Collector of Customs. This resulted into non-realization of government revenue amounting to Rs. 27.801 million during 2006-07.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 27.243 million being recovered/regularized and directed the department to expedite proceedings for remaining recovery

The PAO informed that the major amount had been recovered in this case and the recovery of Rs. 0.558 Million would be made soon.

PAC DIRECTIVE

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

54. **AUDIT PARA-8.13 AR 2007-08 PAGE-171 PROPOSED DRAFT PARA -11937
REVENUE DIVISION (FBR)
NON-REALIZATION OF GOVERNMENT.REVENUE ON NON RE-EXPORT OF
TEMPORARY IMPORTED GOODS WITHIN STIPULATED PERIOD -RS.
23.749 MILLION.**

The Audit pointed out that under SRO 678(1)72004 dated 7th August, 2004 all petroleum sector companies, corporations and organizations including their contractors and sub-contractors and service companies shall be entitled to import machinery, equipments, helicopters, aircrafts, drilling bits, drilling and seismic (on shore or off shore) vessels, drilling rigs, specialized vehicles which fall under PCT heading 87.05 including accessories and spares (excluding those for current use that are part of such vehicles and vessels and 6X6 trucks which fall under PCT 87.04 heading) for the purpose of construction, creation, exploration and production of petroleum projects on import cum export basis without payment of duties and taxes against a corporate guarantee valid for a period of two years equal to the value of import duties and taxes exempted, extendable by the collector of customs on time to time basis if the importer has a definite contract. Should the goods etc not be exported on the expiry of the project or transferred with the approval of the Collector of Customs to another petroleum project, or the period of stay has been extended by the Collector of Customs then the company or their contractors or sub-contractors or service companies, as the case may be, shall be liable to pay duties and taxes which were chargeable at the time of import as per clauses (1), (2) and (3) of the SRO.

Six (06) petroleum sector companies were allowed duty/sales tax free import of machinery, equipments etc on furnishing of corporate guarantees valid for a period of two years from the date of import. The importers concerned, however, did not fulfil the requirements of rules, despite the expiry of prescribed period. Hence, the guarantees were required to be enforced but no action was taken by the Assistant Collector (B.G) Air Port, Islamabad to enforce the guarantees. This resulted in non-realization of revenue of Rs. 23.749 million during the year2006-07.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovery/write off and directed the PAO to make efforts for the recovery of remaining amount.

The PAO informed that major recoveries made in this case however efforts are being made to recover the remaining amount.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovered amount and directed the PAO to expedite the process of recovery of remaining amount.

55. **AUDIT PARA-8.15 AR 2007-08 PAGE-173 REVENUE DIVISION (FBR) NON-ENFORCEMENT OF BANK GUARANTEES/INDEMNITY BONDS WITHIN STIPULATED PERIOD - RS. 5.613 MILLION**

The Audit pointed out that in certain cases, bank guarantees/indemnity bonds were obtained in the light of different SROs expired as the Assistant/Deputy Collector Customs (Bank Guarantees) failed to enforce / encash the bank guarantees/indemnity bonds within due dates. This resulted into non-realization of revenue of Rs. 5.613 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovery and directed the PAO to make efforts for the recovery of remaining amount under intimation to PAC.

The PAO informed that the matter pertaining to Rs. 4.29 Million is in Court of Law.

PAC DIRECTIVE

The Committee pended the para due to sub-judice in nature and directed the PAO to pursue the case in the Court of Law vigorously.

56. **AUDIT PARA-8.16 AR 2007-08 PAGE-173 REVENUE DIVISION (FBR) NON-ENCASHMENT OF INDEMNITY BONDS ON NON-EXPORT OF TEMPORARY IMPORTED GOODS - RS.5.424 MILLION**

The Audit pointed out that according to SRO 1065(1)72005 dated 20th October, 2005 the whole of duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit a bank guarantee alongwith post dated cheque equivalent to the amount of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within one year which shall be automatically extended upon request once only up to a further period of six months and that the utilization period shall in no case be extended beyond eighteen months.

Forty four (44) units of Deputy Collector Customs, AFU, Airport, Lahore, failed to submit the export documents against temporarily imported goods. The encashment notices were issued. The post-dated cheques were dishonoured due to insufficient funds in the account of the units. No further action, as per law, was taken by the department to recover the government dues which resulted in loss of government revenue amounting to Rs. 5.424 million during the year 2006-07.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee directed the PAO to hold an inquiry, fix the responsibility and take action under E&D Rules under intimation to PAC within 90 days. The PAO informed that efforts are being made to recover the remaining amounts.

PAC DIRECTIVE

The Committee directed to discuss the para at DAC level for its final outcome.

57. i. AUDIT PARA 3.5(B) AR 2007-08 PAGE 104 (PDP 2747-CD/K) REVENUE DIVISION (FBR) NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/CONCESSION ON IMPORTED GOODS - RS.19.933 MILLION
- ii. AUDIT PARA 3.5 (D) AR 2007-2008 PAGE 106 (PROPOSED DRAFT PARANO. 2781-CD/K REVENUE DIVISION (FBR) NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTED GOODS – RS 0.343 MILLION
- iii. AUDIT PARA 6.6 AR 2007-2008 PAGE147 (PROPOSED DRAFT PARA NO. 4019-ST/K [RELATING TO IMPORTS- CUSTOMS] REVENUE DIVISION(FBR) MISUSE OF ZERO RATING FACILITY IN RESPECT OF ITEMS HAVING MULTIPLE USES– RS 49.816 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned three paras being sub-judice in nature and directed the PAO to pursue the cases in court of law vigorously.

AUDIT REPORT FOR THE YEAR 2007-08 (DIRECT TAXES)

DETAILS OF PARAS HIGHLIGHTED FOR DISCUSSION IN PAC

58. i. PARA 1.1 REVENUE DIVISION AR 2007-08 PAGE 01 (FBR) SHORT LEVY OF TAX DUE TO INADMISSIBLE DEDUCTIONS – RS.703.160 MILLION
- ii. PARA 1.3 REVENUE DIVISION AR 2007-08 PAGE 03 (FBR) SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAXABLE INCOME–RS.599.822 MILLION
- iii. PARA 1.4 REVENUE DIVISION AR 2007-08 PAGE 04 (FBR) NON LEVY OF MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS – RS.278.909 MILLION
- iv. PARA 1.6 REVENUE DIVISION AR 2007-08 PAGE 06 (FBR) SHORT LEVY OF INCOME TAX DUE TO NON TAXATION OF RECOUPED EXPENSES- RS.149.427 MILLION
- v. PARA 3.4 REVENUE DIVISION AR 2007-08 PAGE 30 (FBR) NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF ASSESSED TAX OR PENALTY– RS.60.254 MILLION

- vi. PARA 3.5 REVENUE DIVISION AR 2007-08 PAGE 30 (FBR)
NON IMPOSITION OF PENALTY UNDER SECTION 182 FOR FAILURE
TO FURNISH A RETURN, ETC- RS.25.343 MILLION
- vii. PARA 3.6 REVENUE DIVISION AR 2007-08 PAGE 32 (FBR)
LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER
SECTION 183– RS.5.638 MILLION
- viii. PARA 4.1 REVENUE DIVISION AR 2007-08 PAGE 36 (FBR)
EXCESS DETERMINATION OF REFUNDS – RS.447.192 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned 8 paras and directed to discuss at DAC level.

DETAILS OF PARAS RECOMMENDED FOR PURSUANCE AT DAC LEVEL

- 59. i. PARA 1.2 REVENUE DIVISION AR 2007-08 PAGE 03 (FBR)
LOSS OF REVENUE DUE TO INCORRECT / EXCESSIVE
ADJUSTMENT OF BROUGHT FORWARD LOSSES –
RS.778.134 MILLION
- ii. PARA 1.5 REVENUE DIVISION AR 2007-08 PAGE 05 (FBR)
SHORT LEVY OF TAX DUE TO GRANT OF INADMISSIBLE
DEPRECIATION ALLOWANCE – RS.219.144 MILLION
- iii. PARA 1.7 REVENUE DIVISION AR 2007-08 PAGE 08 (FBR)
NON LEVY OF TAX ON UNEXPLAINED INVESTMENT- RS.149.229
MILLION
- iv. PARA 1.8 REVENUE DIVISION AR 2007-08 PAGE 09 (FBR)
LOSS OF REVENUE DUE TO NON TAXATION OF INCOME FROM
OTHER SOURCES RS.125.735 MILLION
- v. PARA 1.9 REVENUE DIVISION AR 2007-08 PAGE 10 (FBR)
SHORT LEVY OF TAX DUE TO APPLICATION OF INCORRECT
TAX RATES - RS.99.018 MILLION
- vi. PARA 1.11 REVENUE DIVISION AR 2007-08 PAGE 12 (FBR)
SHORT REALIZATION OF TAX DUE TO GRANT OF EXCESS TAX
CREDIT – RS.81.810 MILLION
- vii. PARA 1.13 REVENUE DIVISION AR 2007-08 PAGE 14 (FBR)
SHORT RECOVERY OF TAX DUE TO INCORRECT COMPUTATION
OF TAX – RS.3.178 MILLION

- viii. **PARA 2.2 REVENUE DIVISION AR 2007-08 PAGE 21 (FBR) SHORT DEDUCTION OF WITHHOLDING TAX DUE TO APPLICATION OF INCORRECT TAX RATE – RS.4.305 MILLION**
- ix. **PARA 2.3 REVENUE DIVISION AR 2007-08 PAGE 22 (FBR) FAILURE TO COLLECT / DEDUCT WITHHOLDING TAX BY THE WITHHOLDING AGENTS –RS. 7.275 MILLION**
- x. **PARA 3.1 REVENUE DIVISION AR 2007-08 PAGE 26 (FBR) NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO DEDUCT OR PAY TAX - RS.1.926 MILLION**
- xi. **PARA 3.2 REVENUE DIVISION AR 2007-08 PAGE 28 (FBR) NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE TAX – RS.22.719 MILLION**
- xii. **PARA 3.3 REVENUE DIVISION AR 2007-08 PAGE 29 (FBR) NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY TAX WITH RETURN– RS.3.794 MILLION**
- xiii. **PARA 5.1 REVENUE DIVISION AR 2007-08 PAGE 41 (FBR) NON-REALIZATION OF WORKERS' WELFARE FUND - RS.11.124 MILLION**
- xiv. **PARA 6.6.2(A) REVENUE DIVISION AR 2007-08 PAGE 50 (FBR) TAXABLE INCOME ESCAPING ASSESSMENT – LOSS OF REVENUE OF RS.473.318 MILLION**
- xv. **PARA 6.6.2(B) REVENUE DIVISION AR 2007-08 PAGE 51 (FBR) NON-UTILIZATION OF INFORMATION OBTAINED FROM EXTERNAL SOURCES – LOSS OF REVENUE OF RS.11.550 MILLION**
- xvi. **PARA 6.6.2(C) REVENUE DIVISION AR 2007-08 PAGE 52 (FBR) PAYMENT OF UNDUE REFUNDS – RS.3.738 MILLION**
- xvii. **PARA 6.6.2(D) REVENUE DIVISION AR 2007-08 PAGE 53 (FBR) EXCESSIVE CLAIM OF TAX PAYMENT / DEDUCTION – LOSS OF RS.497.201 MILLION**
- xviii. **PARA 6.6.3(A) REVENUE DIVISION AR 2007-08 PAGE 55 (FBR) NON LEVY OF PENALTY FOR LATE FILING OF RETURNS – LOSS OF RS.2.650 MILLION**
- xix. **PARA 6.6.3(B) REVENUE DIVISION AR 2007-08 PAGE 55 (FBR) IMPROPER FOLLOW UP OF NON FILERS – LOSS OF RS.7.651 MILLION**

- xx. PARA 6.6.4(A) REVENUE DIVISION AR 2007-08 PAGE 56 (FBR)
INEFFECTIVE DESK AUDITING – LOSS OF RS.1,122.050 MILLION
- xxi. PARA 6.6.4(B) REVENUE DIVISION AR 2007-08 PAGE 57 (FBR)
ACCEPTANCE OF INVALID RETURNS
- xxii. PARA 6.6.4(C) REVENUE DIVISION AR 2007-08 PAGE 58 (FBR)
IRREGULARITIES RELATING TO ENCASHMENT OF REFUND
VOUCHERS – LOSS OF RS.49, 220

PAC DIRECTIVE

The Committee pended the above mentioned 22 paras for pursuance at DAC level as recommended by the Audit.

DETAILS OF PARAS RECOMMENDED FOR SETTLEMENT/DELETION BY DAC

- 60. i. PARA 1.10 REVENUE DIVISION AR 2007-08 PAGE 11 (FBR)
SHORT LEVY OF TAX DUE TO NON-ALLOCATION OF
PROPORTIONATE EXPENSES - RS.59.183 MILLION
- ii. PARA 1.12 REVENUE DIVISION AR 2007-08 PAGE 13 (FBR)
SHORT LEVY OF TAX DUE TO 'SETTING OFF' OF CARRYING
FORWARD BUSINESS LOSSES AGAINST INCOME FROM
OTHER SOURCE – RS.6.666 MILLION
- iii. PARA 1.14 REVENUE DIVISION AR 2007-08 PAGE 15 (FBR)
INCORRECT TAX CREDIT UNDER SECTION 107AA – RS.9.851
MILLION
- iv. PARA 1.15 REVENUE DIVISION AR 2007-08 PAGE 16 (FBR)
NON LEVY OF SURCHARGE ON INCOME TAX - RS.0.960 MILLION
- v. PARA 2.1 REVENUE DIVISION AR 2007-08 PAGE 19 (FBR)
LOSS OF REVENUE FOR NON-TREATING THE TAX COLLECTED OR
DEDUCTED AS A FINAL TAX - RS.45.139 MILLION
- vi. PARA 3.7 REVENUE DIVISION AR 2007-08 PAGE 33 (FBR)
LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER
SECTION 187– RS.0.328 MILLION
- vii. PARA 4.2 REVENUE DIVISION AR 2007-08 PAGE 37 (FBR)
LOSS OF REVENUE DUE TO INADMISSIBLE CLAIM OF
COMPENSATION ON DELAYED ISSUANCE OF REFUND – RS.4.971
MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 7 paras on the recommendations of the Audit/DAC.

AUDIT REPORT 2007-08 (INDIRECT TAXES)

DETAILS OF PARAS HIGHLIGHTED FOR DISCUSSION IN PAC

61. i. **PARA 1.1(A) PAGE 1 REVENUE DIVISION AR 2007-2008 (FBR) NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED - RS 1,162.457 MILLION**
- ii. **PARA 1.1(C) PAGE 3 REVENUE DIVISION AR 2007-2008 (FBR) NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE SUPPLIES AS EXEMPTED - RS 34.398 MILLION**
- iii. **PARA 1.2 (A)(I) PAGE 7 AR 2007-08 REVENUE DIVISION(FBR) SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS 513.595 MILLION**
- iv. **PARA 1.2(A) (II) PAGE 7&8 REVENUE DIVISION AR 2007-2008 (FBR) SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS 139.671 MILLION**
- v. **PARA 1.2(B) (I) PAGE 9 REVENUE DIVISION AR 2007-2008 (FBR) SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS 257.652 MILLION**
- vi. **PARA 1.2(B) (II) PAGE 10 REVENUE DIVISION AR 2007-2008 (FBR) SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX – RS 28.024 MILLION**
- vii. **PARA 1.2 (B)(III) PAGE 10 AR 2007-08 REVENUE DIVISION (FBR) SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX - RS 21.305 MILLION**
- viii. **PARA 1.2(B) (IV) PAGE 10 REVENUE DIVISION AR 2007-2008 (FBR) SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX –RS 6.303 MILLION**
- ix. **PARA 1.2 (C) (I) PAGE 11 & 12 AR 2007-08 REVENUE DIVISION (FBR) SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF INPUT TAX - RS 131.164 MILLION**

- x. PARA 1.2(C) (II) PAGE 12 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 16.034 MILLION
- xi. PARA 1.2(C) (IV) PAGE 13 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 2.288 MILLION
- xii. PARA 1.2(D) PAGE 16 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 9.322 MILLION
- xiii. PARA 1.2(E) PAGE 17 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 4.714 MILLION
- xiv. PARA 1.2(F) PAGE 19 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 3.001 MILLION
- xv. PARA 1.3 PAGE 23REVENUE DIVISION AR 2007-2008 (FBR)
NON RECOVERY OF GOVERNMENT DUES IN REFUND CASES – RS
1,112.797 MILLION
- xvi. PARA 1.4 PAGE 24AR 2007-08 REVENUE DIVISION (FBR)
IRREGULAR ADJUSTMENT OF INPUT TAX AGAINST PAYMENTS
MADE IN VIOLATION OF SECTION 73 – RS 868.507 MILLION
- xvii. PARA 1.5(A) PAGE 25 REVENUE DIVISION AR 2007-2008 (FBR)
NON/ SHORT PAYMENT OF SALES TAX – RS 748.240 MILLION
- xviii. PARA 1.6(A) PAGE 28REVENUE DIVISION AR 2007-2008 (FBR)
NON-PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS - RS 727.521 MILLION
- xix. PARA 1.6(C) PAGE 29REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 16.693 MILLION
- xx. PARA 1.6(D) PAGE 30 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 3.541 MILLION
- xxi. PARA 1.7 (A) PAGE 35 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO CONCEALMENT OF
SALES – RS 121.276 MILLION

- xxii. PARA 1.7(B) PAGE 35 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO CONCEALMENT OF
SALES - RS 24.626
- xxiii. PARA 1.8 PAGE 36 REVENUE DIVISION AR 2007-2008 (FBR)
NON RECOVERY OF ADJUDGED GOVERNMENT DUES - RS 81.147
- xxiv. PARA 1.9 (B) (I) PAGE 37 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES - RS 2.969 MILLION
- xxv. PARA 1.9 (B)(II) PAGE 38 AR 2007-08 REVENUE DIVISION (FBR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES – RS 1.636 MILLION
- xxvi. PARA 1.11(C) PAGE 43 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX RS. 6.078 MILLION
- xxvii. PARA 1.11(D) PAGE 44 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX RS. 4.007 MILLION
- xxviii. PARA 1.11 (E) PAGE 45 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX – RS 3.583 MILLION
- xxix. PARA 1.12 PAGE 46 AR 2007-08 REVENUE DIVISION(FBR)SHORT-
PAYMENT OF SALES TAX DUE TO INCORRECT APPLICATION OF
RULE – RS 50.276 MILLION
- xxx. PARA 1.13 PAGE 47AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO UNAUTHORIZED
ADJUSTMENT OF CARRY FORWARD INPUT TAX – RS 42.390
MILLION
- xxxi. PARA 1.16 PAGE 50 REVENUE DIVISION R 2007-2008 (FBR)
NON PAYMENT
- xxxii. PARA 1.23 PAGE 57 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY RETAILERS – RS 6.352 MILLION
- xxxiii. PARA 1.24 PAGE 57 AR 2007-08 REVENUE DIVISION (FBR)
NON-PAYMENT OF SALES TAX/NON-LEVY OF PENALTY FOR NON
SUBMISSION OF MONTHLY SUMMARIES OF SALES AND
PURCHASES – RS 3.018 MILLION

- xxxiv. PARA 1.26 PAGE 59 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO ABNORMAL DISCOUNT –
RS 2.442 MILLION
- xxxv. PARA 2.1 (A) PAGE 63 AR 2007-08 REVENUE DIVISION(FBR)
SANCTION OF REFUND WITHOUT SUPPORTING DOCUMENTS – RS
1,136.058 MILLION
- xxxvi. PARA 2.1(B) PAGE 63 REVENUE DIVISION AR 2007-2008 (FBR)
SANCTION OF REFUND WITHOUT SUPPORTING DOCUMENTS - RS
17.296 MILLION
- xxxvii. PARA 2.2 PAGE 65 AR 2007-08 REVENUE DIVISION (FBR)
SANCTION OF REFUND IN VIOLATION OF PROVISION OF SECTION
73 – RS 614.258 MILLION
- xxxviii. PARA 2.3 (A) PAGE 66 AR 2007-08 REVENUE DIVISION (FBR)
SANCTION OF REFUND ON INVOICES ISSUED BY THE
BLACKLISTED AND SUSPENDED PERSONS – RS 274.574 MILLION
- xxxix. PARA 2.3(B) PAGE 66 REVENUE DIVISION AR 2007-2008 (FBR)
SANCTION OF REFUND ON INVOICES ISSUED BY THE
BLACKLISTED AND SUSPENDED PERSONS – RS 11.859 MILLION
- xl. PARA 2.4 PAGE 67REVENUE DIVISION AR 2007-2008 (FBR)
NON REMITTANCE OF FOREIGN EXCHANGE EQUAL TO PAK
RUPEES – RS 155.365 MILLION
- xli. SUB-PARA 2.5 (A) AR 2007-08 REVENUE DIVISION (FBR)
EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES –RS 87.666 MILLION
- xlii. PARA 2.5(B) (I) PAGE 69 REVENUE DIVISION AR 2007-2008 (FBR)
EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS 59.738 MILLION
- xliii. SUB-PARA 2.6 PAGE 72 AR 2007-08 REVENUE DIVISION (FBR)
IRREGULAR REFUND OF SALES TAX DUE TO NON
APPORTIONMENT OF INPUT TAX - RS 142 MILLION
- xliv. PARA 2.7(A) PAGE 73 REVENUE DIVISION AR 2007-2008 (FBR)
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 60.037
MILLION
- xlv. PARA 2.19 PAGE 88 REVENUE DIVISION AR 2007-2008 (FBR)
IRREGULAR REFUND OF SALES TAX – RS 4.945 MILLION

- xlvi. PARA 4.1 PAGE 120 REVENUE DIVISION AR 2007-2008 (FBR)
NON/SHORT PAYMENT OF FEDERAL EXCISE DUTY – RS 56.296
MILLION
- xlvii. PARA 4.3 PAGE 130 REVENUE DIVISION AR 2007-2008 (FBR)
NON-TRANSFER OF FEDERAL EXCISE DUTY DEPOSITED WITH THE
SINDH HIGH COURT – RS 26.579 MILLION
- xlviii. PARA 4.4 PAGE 131 REVENUE DIVISION AR 2007-2008 (FBR)
NON-REALIZATION OF FEDERAL EXCISE DUTY – RS 21.084
MILLION
- xlix. PARA 6.2 PAGE 145 AR 2007-08 PAGE 145 REVENUE
DIVISION(FBR)
SHORT-REALIZATION OF SALES TAX – RS 1,392.103 MILLION
- I. PARA 6.3 PAGE 145 AR 2007-08 REVENUE DIVISION (FBR)
NON-RECOVERY OF THE ADJUDGED DUES - RS 2,166.211 MILLION
- ii. PARA 6.4 PAGE 146 AR 2007-08 REVENUE DIVISION (FBR)
BLOCKAGE OF REVENUE DUE TO NON ADJUDICATION OF CASES
WITHIN THE PRESCRIBED PERIOD – RS 1,016.176 MILLION
- iii. PARA 6.6 PAGE 147 AR 2007-2008 REVENUE DIVISION (FBR)
MISUSE OF ZERO RATING FACILITY IN RESPECT OF ITEMS HAVING
MULTIPLE USES – RS 49.816 MILLION
- iiii. PARA 6.7 PAGE 149 AR 2007-08 REVENUE DIVISION (FBR)
LOSS OF REVENUE DUE TO NON RE-ISSUANCE OF SHOW CAUSE
NOTICES BY THE COMPETENT AUTHORITY INVOLVING – RS 39.975
MILLION
- liv. PARA 6.11 PAGE 15 REVENUE DIVISION AR 2007-2008 (FBR)
NON REALIZATION OF PENALTY FROM NBP ON ACCOUNT OF
LATE DEPOSIT OF TAX RECEIPTS INTO SBP – RS 1.939 MILLION
- lv. PARA 6.13 (A) PAGE 155 AR 2007-08 REVENUE DIVISION (FBR)
NON-PRODUCTION OF RECORD TO AUDIT
- lvi. PARA 6.13(B) PAGE 155 REVENUE DIVISION AR 2007-2008 (FBR)
NON PRODUCTION OF RECORD
- lvii. PARA 7.2 PAGE 159 AR 2007-08 REVENUE DIVISION (FBR)
FRAUDULENT DRAWL OF SALES TAX REFUND – RS 120 MILLION

- lviii. **PARA 7.3 PAGE 160 AR 2007-08 REVENUE DIVISION (FBR)
FRAUDULENT REFUND DETECTED BY DIRECTOR GENERAL
INSPECTION & INTERNAL AUDIT, ISLAMABAD – RS 1.0 BILLION**

PAC DIRECTIVE

The Committee pended the above mentioned 58 paras with the direction to discuss at DAC level and come up with recommendations.

DETAILS OF PARAS RECOMMENDED FOR PURSUANCE AT DAC LEVEL

62. i. **PARA 1.1(F) PAGE 5&6 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED – RS 0.116 MILLION**
- ii. **PARA 1.2 (G) PAGE 19AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 2.412 MILLION**
- iii. **PARA 1.2(H) PAGE 20 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 0.617 MILLION**
- iv. **PARA 1.2(J) PAGE 21 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 0.305 MILLION**
- v. **PARA 1.6(E) PAGE 31 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 1.795 MILLION**
- vi. **PARA 1.6(I) PAGE 33REVENUE DIVISIONAR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 0.056 MILLION.**
- vii. **PARA 1.9(A) PAGE 36 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES - RS 63.562 MILLION**
- viii. **PARA 1.9 (C) PAGE 39 AR 2007-08 REVENUE DIVISION (FBR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES – RS 0.121 MILLION**
- ix. **PARA 1.9 (D) PAGE 39 AR 2007-08 REVENUE DIVISION(FBR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES – RS 1.041 MILLION**

- x. **PARA 1.11(F) PAGE 45 & 46 REVENUE DIVISION AR 2007-2008 (FBR)**
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX - RS 0.071 MILLION
- xi. **PARA 1.14 PAGE 48 AR 2007-08 REVENUE DIVISION (FBR)**
NON-PAYMENT OF TAX ON TAXABLE SUPPLIES - RS. 29.760
MILLION
- xii. **PARA 1.15 (A) PAGE 48 AR 2007-08 REVENUE DIVISION (FBR)**
NON-PAYMENT OF DEFAULT SURCHARGE AND PENALTY ON LATE
DEPOSIT OF SALES TAX – RS 29.400 MILLION
- xiii. **PARA 1.18(A) PAGE 52 REVENUE DIVISION AR 2007-2008 (FBR)**
SHORT PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 9.548 MILLION
- xiv. **PARA 1.18 (B) PAGE 53 AR 2007-08 REVENUE DIVISION (FBR)**
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 1.614 MILLION
- xv. **PARA 1.18 (C) PAGE 53 AR 2007-08 REVENUE DIVISION (FBR)**
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 0.723 MILLION
- xvi. **PARA 1.18(D) PAGE 54 REVENUE DIVISION AR 2007-2008 (FBR)**
SHORT PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 0.317 MILLION
- xvii. **PARA 1.21 PAGE 55 AR 2007-08 REVENUE DIVISION (FBR)**
NON-PAYMENT OF SALES TAX BY STEEL MELTERS AND RE-
ROLLERS – RS 7.670 MILLION
- xviii. **PARA 1.22 PAGE 56 AR 2007-08 REVENUE DIVISION (FBR)**
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS CLAIM OF
WASTAGE – RS 7.604 MILLION
- xix. **PARA 2.5(B) (II) PAGE 70 REVENUE DIVISION AR 2007-2008 (FBR)**
EXCESS REFUND OF SALES TAX ON UN CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS 1.503 MILLION
- xx. **PARA 2.5(B) (III) PAGE 71 REVENUE DIVISION AR 2007-2008 (FBR)**
EXCESS REFUND OF SALES TAX ON UN CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS 0.455 MILLION
- xxi. **PARA 2.7(D) PAGE 76 REVENUE DIVISION AR 2007-2008 (FBR)**
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 4.070
MILLION

- xxii. SUB-PARA 2.8 PAGE 77 AR 2007-08 REVENUE DIVISION (FBR) NON-IMPOSITION OF PENALTY – RS 90.356 MILLION
- xxiii. SUB-PARA 2.9 PAGE 78 AR 2007-08 REVENUE DIVISION (FBR) REFUND OF SALES TAX AGAINST UN-PAID AMOUNT OF SALES TAX ON TAXABLE SUPPLIES – RS 37.599 MILLION
- xxiv. SUB-PARA 2.10 PAGE 79 AR 2007-08 REVENUE DIVISION (FBR) REFUND OF SALES TAX ON GOODS NOT USED FOR TAXABLE SUPPLIES – RS 31.062 MILLION
- xxv. PARA 2.14 PAGE 83 AR 2007-08 REVENUE DIVISION (FBR) IRREGULAR REFUND OF INPUT TAX AGAINST UN-DEPOSITED SALES TAX – RS 9.772 MILLION
- xxvi. PARA 2.15(A) PAGE 83 REVENUE DIVISION AR 2007-2008 (FBR) SANCTION OF INADMISSIBLE REFUND OF SALES TAX - RS 4.470 MILLION
- xxvii. SUB-PARA 2.15 (B) PAGE 84 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF INADMISSIBLE REFUND OF SALES TAX – RS 4.206 MILLION
- xxviii. PARA 2.18 PAGE 87 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF REFUND AGAINST TIME BARRED CLAIMS – RS 5.709 MILLION
- xxix. PARA 2.22 PAGE 91 AR 2007-08 REVENUE DIVISION (FBR) IRREGULAR SANCTION OF SALES TAX REFUND WITHOUT GETTING PHYSICAL VERIFICATION – RS 2.014 MILLION
- xxx. PARA 2.25 PAGE 93 REVENUE DIVISION AR 2007-2008 (FBR) SANCTION OF INADMISSIBLE REFUND OF SALES TAX – RS 1.154 MILLION
- xxxi. PARA 2.27 PAGE 95 AR 2007-08 REVENUE DIVISION (FBR) NON-CONDUCT OF POST REFUND AUDIT – RS 404.942 MILLION
- xxxii. PARA 4.5 PAGE 132 REVENUE DIVISION AR 2007-2008 (FBR) NON-REALIZATION OF FEDERAL EXCISE DUTY DUE TO NON APPLICATION OF PROVISIONS OF THE ACT – RS 4.977 MILLION
- xxxiii. PARA 4.7 PAGE 134 REVENUE DIVISION AR 2007-2008 (FBR) NON-REALIZATION OF FEDERAL EXCISE DUTY DUE TO WRONG ADJUSTMENT – RS 1.384 MILLION

- xxxiv. **PARA 6.5 PAGE 147 AR 2007-08 REVENUE DIVISION (FBR)
BLOCKAGE OF REVENUE DUE TO NON-FINALIZATION INQUIRY –
RS 74.521 MILLION**
- xxxv. **PARA 6.8 PAGE 150REVENUE DIVISION AR 2007-2008 (FBR)
NON-REALIZATION OF SALES TAX DUE TO NON REGISTRATION OF
PERSONS LIABLE TO BE REGISTERED – RS 28.263 MILLION**
- xxxvi. **PARA 6.12 PAGE 154 AR 2007-08 REVENUE DIVISION (FBR)
NON-REALIZATION OF PENALTY FROM NON-FILERS OF SALES
TAX RETURNS**

PAC DIRECTIVE

The Committee pended the above mentioned 36 paras and directed for pursuance at DAC level as recommended by the Audit.

**DETAIL OF PARAS RECOMMENDED FOR SETTLEMENT /DELETION BY
DAC**

- 63. i. **PARA 1.1(B) PAGE 2 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED - RS 72.986 MILLION**
- ii. **PARA 1.2(I) PAGE 21 REVENUE DIVISION AR 2007-2008 (FBR)
HORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT
OF INPUT TAX – RS 0.423 MILLION**
- iii. **PARA 1.2(K) PAGE 22REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 0.300 MILLION**
- iv. **PARA 1.5(C) PAGE 25AR 2007-08 REVENUE DIVISION (FBR)
NON/SHORT-PAYMENT OF THE SALES TAX – RS 47.950 MILLION**
- v. **PARA 1.5(D) PAGE 27REVENUE DIVISION AR 2007-2008 (FBR)
NON / SHORT PAYMENT OF SALES TAX – RS 9.618 MILLION**
- vi. **PARA 1.6 (G) PAGE 32AR 2007-08 REVENUE DIVISION (FBR)
NON-PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 0.978 MILLION**
- vii. **PARA 1.6(H) PAGE 33 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 0.517 MILLION**

- viii. SUB -PARA 2.7(B) PAGE 74 REVENUE DIVISION AR 2007-2008 (FBR) SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 41.522 MILLION
- ix. SUB-PARA 2.7 (C) PAGE 75 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX - RS 11.728 MILLION
- x. SUB-PARA 2.7 (E) PAGE 76 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 1.844 MILLION
- xi. SUB-PARA 2.11 PAGE 81 AR 2007-08 REVENUE DIVISION(FBR) REFUND OF SALES TAX WITHOUT OBTAINING COMPLETION AND PRODUCTION CERTIFICATE – RS 29.277 MILLION
- xii. PARA 2.17 PAGE 86 AR 2007-08 REVENUE DIVISION (FBR) IRREGULAR SANCTION OF REFUND-CUM-REBATE OF FEDERAL EXCISE DUTY AND SALES TAX – RS 6.230 MILLION
- xiii. PARA 2.23 (A) PAGE 92 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF REFUND OF SALES TAX ON THE GOODS NOT EXPORTED – RS 1.415 MILLION
- xiv. PARA 2.23 (B) PAGE 93 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF REFUND OF SALES TAX ON THE GOODS NOT EXPORTED - RS 0.053 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 14 paras on the recommendations of Audit.

ACTIONABLE POINTS

AUDIT REPORT 2007-08

PAC MEETING DATED 15-12-2015

AUDIT REPORT FOR THE YEAR 2007-08 (DIRECT TAXES)

- 64. PARA 1.1 REVENUE DIVISION AR 2007-08 PAGE 01 (FBR) SHORT LEVY OF TAX DUE TO INADMISSIBLE DEDUCTIONS – RS.703.160 MILLION

The Audit pointed out that income from business is chargeable to tax under section 18 of the Income Tax Ordinance, 2001. Sections 20 and 21 of the Ordinance specify admissible and inadmissible deductions respectively for computing income chargeable under the head "income from business".

During test audit it was observed that in twenty eight cases the statutory provisions were not followed by the department which caused loss of Rs. 703.160 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee directed the PAO to provide the copy of Supreme Court decision to the Audit and resolve the matter once for all and report be submitted to PAC within one month.

Moreover, the Committee directed the Audit and FBR sit together and resolve such type of issues mutually and report to the Committee.

PAC DIRECTIVES DATED 13.10.2015

The Committee referred the para for pursuance at DAC level.

The PAO informed that 450 Million has been recovered/write off in this case however, an inquiry was conducted through Directorate General Custom Intelligence, the report has been received and action will be initiated against the responsible.

PAC DIRECTIVE

The Committee while appreciating efforts of the PAO/Chairman FBR, settled the para to the extent of recovered amount with the direction to the department to complete the remaining recoveries as recommended by DAC under intimation to Audit/PAC.

65. **PARA 1.3 REVENUE DIVISION AR 2007-08 PAGE 03 FBR)**
SHORT LEVY OF TAX DUE TO INCORRECT COMPUTATION OF TAXABLE
INCOME-RS.599.822 MILLION

The Audit pointed out that it was revealed during test audit that taxable income was under assessed in thirty nine cases due to calculation errors and other omissions while computing the total income, resulting in short levy of tax of Rs.599.822 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para for DAC and the same would be discussed in the next meeting.

PAC DIRECTIVE 13.10.2015

The Committee referred the para for pursuance at DAC level.

The PAO informed the Committee 4.93 million have been recovered and efforts are being made to recover the remaining amount.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to further pursue the recoveries as per the recommendations of DAC.

66. **PARA 1.4 REVENUE DIVISION AR 2007-08 PAGE 04 (FBR)**
NON LEVY OF MINIMUM TAX ON THE INCOME OF CERTAIN PERSONS –
RS.278.909 MILLION

The Audit pointed out that under section 113 of the Income Tax Ordinance 2001 minimum tax at the rate of 0.5 per cent of turnover from all sources is chargeable in case of resident companies.

During test audit it was observed that in fifty cases the statutory provisions were not followed by the department which caused loss of Rs.278.909 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para for DAC and the same would be discussed in the next meeting.

PAC DIRECTIVES DATED 13.10.2015

The Committee referred the para for pursuance at DAC level

The PAO has informed that 99% progress has been achieved in this case as the Rs. 275 million has been recovered or written-off

PAC DIRECTIVE

The Committee settled the para subject to verification of recovered amount latest by the end of December, 2015 duly verified from Audit.

67. **PARA 1.5 REVENUE DIVISION AR 2007-08 PAGE 05 (FBR)**
SHORT LEVY OF TAX DUE TO GRANT OF INADMISSIBLE DEPRECIATION
ALLOWANCE – RS.219.144 MILLION

The Audit pointed out that section 22 of the Income Tax Ordinance 2001 provides for admissibility of depreciation allowance on assets owned by the taxpayer as deduction from business income at rates prescribed in the Third Schedule to the Ordinance.

During test audit it was observed that in eleven cases the statutory provisions were not followed by the department which caused loss of Rs.219.144 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period

of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para for DAC and the same would be discussed in the next meeting.

PAC DIRECTIVES DATED 13.10.2015

The Committee referred the para for pursuance at DAC level as recommended by Audit.

The PAO has informed that 168 million which is 77% amount have been recovered/ written-off, the matter relating to the remaining amount is sub-judice which is pursued vigorously.

PAC DIRECTIVE

The Committee settled the para to the extent of the recovered amount and directed the PAO to complete the remaining recoveries and get it verified from Audit under intimation to PAC whereas the sub-judice matter will remain pending.

68. **PARA 1.7 REVENUE DIVISION AR 2007-08 PAGE 08 (FBR)** **NON LEVY OF TAX ON UNEXPLAINED INVESTMENT- RS.149.229 MILLION**

The Audit pointed out that under section 111 of the Income Tax Ordinance 2001 unexplained investment of a taxpayer not recorded in the books of accounts maintained by him, is to be considered income of the taxpayer chargeable to tax. During test audit it was observed that in fifteen cases the statutory provisions were not followed by the department which caused loss of Rs.149.229 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para for DAC and the same would be discussed in the next meeting.

PAC DIRECTIVES DATED 13.10.2015

The Committee referred the para for pursuance at DAC level as recommended by Audit.

The PAO informed that most of amount has been recovered and efforts are being made for further recoveries.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount, pended the sub-judiced part and directed to further settle it at DAC level.

69. **PARA 2.3 REVENUE DIVISION AR 2007-08 PAGE 22 FBR)**
FAILURE TO COLLECT / DEDUCT WITHHOLDING TAX BY THE
WITHHOLDING AGENTS – RS. 7.275 MILLION

The Audit pointed out that Section 161 of the Income Tax Ordinance 2001 provides that a person who fails to deduct or having deducted fails to pay the withholding tax collected, is personally liable to pay such tax.

During test audit it was observed that in eleven cases the statutory provisions were not followed by the department which caused loss of Rs.7.275 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC Directives dated 17.08.2015

The Committee referred the para for DAC and the same would be discussed in the next meeting.

PAC Directives dated 13.10.2015

The Committee referred the para for pursuance at DAC level as recommended by Audit.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount, pended the sub-judiced part and directed to further settle it at DAC level.

70. **PARA 3.1 REVENUE DIVISION AR 2007-08 PAGE 26 (FBR)**
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO DEDUCT OR PAY TAX -
RS.1.926 MILLION

The Audit pointed out that section 205(3) of the Income Tax Ordinance 2001 provides for levy of additional tax where any person fails to deduct, or having deducted, fails to pay any amount of tax collected.

During test audit it was observed that in ten cases the statutory provisions were not followed by the department which caused loss of Rs 1.926 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para for DAC and the same would be discussed in the next meeting.

PAC DIRECTIVES DATED 13-10.2015

The Committee referred the para for pursuance at DAC level as recommended by Audit.

The PAO informed that most of amount has been recovered and efforts are being made for further recoveries.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount, pended the sub-judiced part and directed further settle it at DAC level.

71. **PARA 4.1 REVENUE DIVISION AR 2007-08 PAGE 36 (FBR)**
EXCESS DETERMINATION OF REFUNDS – RS.447.192 MILLION

The Audit pointed out that section 170 of the Income Tax Ordinance 2001 provides for determination of refund if the amount of tax paid by a taxpayer for any year exceeds the amount chargeable from him under the law for that year. In order to process refund cases, the FBR has issued instructions vide circular No.5 of 2003.

During test audit it was observed that in one hundred sixty two cases the statutory provisions were not followed by the department which caused loss of Rs.447.192 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para to DAC and the same would be discussed in the next meeting.

PAC DIRECTIVE (13-10-2015)

The Committee referred the para for pursuance at DAC level.

The PAO apprised the Committee that most of excess refund have been recovered however, any connivance of the official found an action would be taken against them.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to initiate the inquiry, fix the responsibility and take action against the responsible under intimation to the PAC/Audit within 60 days.

72. **PARA 6.6.2(A) REVENUE DIVISION AR 2007-08 PAGE 50 (FBR)**
TAXABLE INCOME ESCAPING ASSESSMENT – LOSS OF REVENUE OF
RS.473.318 MILLION

The Audit pointed out that section 114 of the Income Tax Ordinance 2001 provides for filing of income tax return by a person whose income exceeds a limit that is not chargeable to tax.

It was noticed during test check that 222 persons purchased land during the tax year 2006 from M/s Kohinoor Industries Ltd., Faisalabad but did not file their income tax returns with the concerned RTOs. The department did not make any effort to use the data available from external source to identify potential taxpayers as heavy investments were made by such persons to acquire the land. It implied that these persons had sufficient source of income which exceeded the taxable limit. The non filing of income tax returns resulted in escaping income with tax effect of Rs.473.318 million.

PAC DIRECTIVES DATED 27.07.2011

The audit reports were not considered as it is informed that no meaningful DAC has been held since 2010, therefore, there is very little progress on settlement of paras by DAC. The PAC took the serious view of the lack of commitment and seriousness in dealing with audit paras by the FBR and a conditional time period of one month was given for settling all the audit paras by conducting DAC meetings to be chaired by the Chairman or at least Member (E&A). It was also directed that the audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 17.08.2015

The Committee referred the para to DAC and the same would be discussed in the next meeting.

PAC DIRECTIVES DATED 13-10-2015

The Committee referred the para for pursuance at DAC level as recommended by Audit.

The PAO informed that matter pertained to the broadening of tax based policy, however, the worthy committee may give two months time to identify the persons.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to identify those persons who were qualified as tax payers but had not paid tax and progress in this regard be intimated to the Committee within 60 days.

PARAS RECOMMENDED FOR SETTLEMENT BY DAC

73. i. **PARA 1.13 REVENUE DIVISION AR 2007-08 PAGE 14 (FBR)**
SHORT RECOVERY OF TAX DUE TO INCORRECT COMPUTATION
OF TAX – RS.3.178 MILLION
- ii. **PARA 3.6 REVENUE DIVISION AR 2007-08 PAGE 32 (FBR)**
LOSS OF REVENUE DUE TO NON LEVY OF PENALTY UNDER
SECTION 183– RS.5.638 MILLION
- iii. **PARA 6.6.2(d) REVENUE DIVISION AR 2007-08 PAGE 53 (FBR)**
EXCESSIVE CLAIM OF TAX PAYMENT / DEDUCTION – LOSS OF
RS.497.201 MILLION

PAC DIRECTIVE

The committee settled the above mentioned 3 paras on the recommendations of Audit/DAC.

PARAS REFERRED TO DAC

74. i. **PARA 1.2 REVENUE DIVISION AR 2007-08 PAGE 03 (FBR)**
LOSS OF REVENUE DUE TO INCORRECT / EXCESSIVE
ADJUSTMENT OF BROUGHT FORWARD LOSSES –
RS.778.134 MILLION
- ii. **PARA 1.6 REVENUE DIVISION AR 2007-08 PAGE 06 (FBR)**
SHORT LEVY OF INCOME TAX DUE TO NON TAXATION OF
RECOUPED EXPENSES- RS.149.427 MILLION
- iii. **PARA 1.8 REVENUE DIVISION AR 2007-08 PAGE 09 (FBR)**
LOSS OF REVENUE DUE TO NON TAXATION OF INCOME FROM
OTHER SOURCES RS.125.735 MILLION
- iv. **PARA 1.9 REVENUE DIVISION AR 2007-08 PAGE 10 (FBR)**
SHORT LEVY OF TAX DUE TO APPLICATION OF INCORRECT
TAX RATES - RS.99.018 MILLION

- v. PARA 1.11 REVENUE DIVISION AR 2007-08 PAGE 12 (FBR)
SHORT REALIZATION OF TAX DUE TO GRANT OF EXCESS TAX
CREDIT – RS.81.810 MILLION
- vi. PARA 2.2 REVENUE DIVISION AR 2007-08 PAGE 21 (FBR)SHORT
DEDUCTION OF WITHHOLDING TAX DUE TO APPLICATION OF
INCORRECT TAX RATE – RS.4.305 MILLION
- vii. PARA 3.1 REVENUE DIVISION AR 2007-08 PAGE 26 (FBR)
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO DEDUCT OR PAY
TAX - RS.1.926 MILLION
- viii. PARA 3.2 REVENUE DIVISION AR 2007-08 PAGE 28 (FBR)
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY ADVANCE
TAX – RS.22.719 MILLION
- ix. PARA 3.3 REVENUE DIVISION AR 2007-08 PAGE 29 (FBR)
NON-LEVY OF ADDITIONAL TAX FOR FAILURE TO PAY TAX WITH
RETURN– RS.3.794 MILLION
- x. PARA 3.4 REVENUE DIVISION AR 2007-08 PAGE 30 (FBR)
NON-LEVY OF ADDITIONAL TAX FOR LATE PAYMENT OF
ASSESSED TAX OR PENALTY– RS.60.254 MILLION
- xi. PARA 3.5 REVENUE DIVISION AR 2007-08 PAGE 30 (FBR)
NON IMPOSITION OF PENALTY UNDER SECTION 182 FOR FAILURE
TO FURNISH A RETURN, ETC- RS.25.343 MILLION
- xii. PARA 5.1 REVENUE DIVISION AR 2007-08 PAGE 41 (FBR)
NON-REALIZATION OF WORKERS’ WELFARE FUND - RS.11.124
MILLION
- xiii. PARA 6.6.2(b) REVENUE DIVISION AR 2007-08 PAGE 51 (FBR)
NON-UTILIZATION OF INFORMATION OBTAINED FROM EXTERNAL
SOURCES – LOSS OF REVENUE OF RS.11.550 MILLION
- xiv. PARA 6.6.2(c) REVENUE DIVISION AR 2007-08 PAGE 52 (FBR)
PAYMENT OF UNDUE REFUNDS – RS.3.738 MILLION
- xv. PARA 6.6.3(a) REVENUE DIVISION AR 2007-08 PAGE 55 (FBR)
NON LEVY OF PENALTY FOR LATE FILING OF RETURNS – LOSS OF
RS.2.650 MILLION
- xvi. PARA 6.6.3(b) REVENUE DIVISION AR 2007-08 PAGE 55 (FBR)
IMPROPER FOLLOW UP OF NON FILERS – LOSS OF RS.7.651
MILLION

- xvii. **PARA 6.6.4(a) REVENUE DIVISION AR 2007-08 PAGE 56 (FBR)
INEFFECTIVE DESK AUDITING – LOSS OF RS.1,122.050 MILLION**
- xviii. **PARA 6.6.4(b) REVENUE DIVISION AR 2007-08 PAGE 57 (FBR)
ACCEPTANCE OF INVALID RETURNS**
- xix. **PARA 6.6.4(c) REVENUE DIVISION AR 2007-08 PAGE 58 (FBR)
IRREGULARITIES RELATING TO ENCASHMENT OF REFUND
VOUCHERS – LOSS OF RS.49, 220**

PAC DIRECTIVE

The Committee directed the PAO and Audit to take up all issue pertaining to above mentioned 19 paras at DAC level and to resolve them with a report to PAC.

CUSTOMS & PETROLEUM AUDIT REPORT FOR THE YEAR 2007-08

- 75. **AUDIT PARA 3.1(a) AUDIT REPORT 2007-08
PROPOSED DRAFT PARAS 11494, 11522, 11523, 11524, 11525,11526,
11688, 12002, 12003, 12005, 12006, 11766, 11961, 11962, 11810 & 11825-
CUS PAGE-97 REVENUE DIVISION (FBR)
BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-DISPOSAL OF
CONFISCATED GOODS/VEHICLES - RS.134.924 MILLION**

The Audit pointed out that under sections 82, 98, 169 and 201 of the Customs Act, 1969 read with CGO 12 of 2002, confiscated goods/vehicles are required to be auctioned after completion of codal formalities within the shortest possible time.

Certain Collectorates of Customs did not auction confiscated good/vehicles since long. The goods/vehicles were lodged in the open places, therefore were exposed to all kinds of hazards and were deteriorating, affecting the sale price. The blockage of customs duty, sales tax, withholding tax and other government dues and loss due to deterioration has been estimated at Rs.134.924 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed

that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 103.210 million which were recovered/ regularized and directed the department to expedite recovery of remaining amounts and pursue the court cases.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para and directed the PAO& Audit to discuss it at DAC level.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered/verified amount pended the sub-judiced portions and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

76. **AUDIT PARA 3.1 (b) AUDIT REPORT 2007-2008 PROPOSED DRAFT PARA NOS.2769,2770,2771,2772,2826,2814,2844,2845,2862,2863&2787-CD/KPAGE 98 REVENUE DIVISION (FBR) BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-DISPOSAL OF CONFISCATED GOODS/VEHICLES - RS.94.697 MILLION**

The Audit pointed out that section 182 of the Customs Act, 1969 provides that property rights of confiscated goods vests in the Federal Government and the same is required to be disposed off in accordance with FBR’s CGO No. 12/2002 of 15th June, 2002.

Goods including vehicles worth Rs.94.697 million, confiscated in one hundred and nine (109) cases had not been disposed off in certain Collectorates and due to long storage; the goods were losing sale price due to deterioration, causing potential loss to national exchequer. (Annexure-38)

	Aging in months	No. of cases	Seizure value (Rs.)
	6 – 12	20	22,398,832
	12 – 24	32	35,715,584
	More than 24 months	57	36,582,375
	Total	109	94,696,791

The lapse was pointed out to the Collectorates and the FBR during Aug, 2007 to June, 2008. The Collectorates reported disposal of goods worth Rs.21.699 million leaving balance cases involving Rs.72.997 million.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 89.530 million being recovered/regularized and directed the department to expedite the proceedings for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para with the direction to PAO to discuss the para at DAC level and come up with some recommendations in the next meeting within 30 days.

The PAO apprised the committee that the 90% of the amount has been recovered.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered/verified amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

77. **PARA 3.2(a) AR 2007-2008 PROPOSED DRAFT PARA NOS. 2713,2723,2741, 2754,2755,2756,2760,2776,2807,2809,2812&2864-CD/K PAGE NO.99 REVENUE DIVISION (FBR) NON RECOVERY OF CUSTOMS DUTY DUE TO NON-FINALIZATION OF PROVISIONAL ASSESSMENT -RS 193.626 MILLION**

The Audit pointed out that various Collectorates provisionally assessed one hundred and fifty one consignments of various goods at declared value. The value determined by the Directorate of Valuation was Rs.193.626 million higher than the provisionally assessed value. Due to non-finalization of provisionally determined value within 9 months of prescribed time; the provisional determination became final which led to non-recovery of Rs.193.626 million.

In the DAC meetings, held in May and August, 2008 the department intimated that a recovery of Rs.102.273 million had been effected leaving a balance of Rs.91.353 million. It was informed that remaining cases were under process of adjudication/recovery. The DAC directed the Collectorates to expedite the recovery and pursue the cases under adjudication. No progress was reported till the finalization of the audit report in November, 2008.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 182.668 million being recovered/regularized after the verification of Audit and directed the department to expedite proceedings for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para subject to recovery/verification of Audit and the decision of case in the Court of Law.

The PAO apprised the committee that Rs. 182 million of amounts has been settled and the remaining part is sub-judiced in Court of Law.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered/verified amount pending the sub-judiced portions and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

78. **AUDIT PARA 3.3(b)(c)(d) AUDIT REPORT 2007-08 PROPOSED DRAFT PARA NOS 11759, 11528& 11790-CUS PAGE 101 REVENUE DIVISION (FBR) NON-RECOVERY OF ADJUDGED DUES - RS.41.211 MILLION**

The Audit pointed out that certain importers imported goods and got cleared the same or lesser rates by mis-declaring them. Contravention cases were framed against the importers and adjudicating authority upheld the viewpoint of the department but the officers of Collectorates did not recover the adjudged amount. This resulted in a loss of Rs.41.211 million to government revenue.

PAC DIRECTIVES DATED 22-08-2011

The Audit pointed out that the Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 1.743 million[3.3 (c)] being recovered/regularized and directed the department to expedite proceedings for remaining recovery. The Committee pending the Para and directed to pursue the process of liquidation.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para till the recovery of remaining amount and its verification by the Audit.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered/verified amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

79. **AUDIT PARA 3.4 AUDIT REPORT 2007-08 PROPOSED DRAFT PARA NOS.11732,11734, 11735, 11737-CUS, 2734, 2799, 2839, 2818, 2866, 2867, 2868, 2835 & 2854 – CD / K PAGE 102 REVENUE DIVISION (FBR) BLOCKAGE OF GOVERNMENT REVENUE DUE TO NON-CLEARANCE OF BONDED GOODS - RS.140.739 MILLION**

The Audit pointed out that section 98 of the Customs Act, 1969 provides that warehoused goods, other than perishable goods, may remain in the warehouse for a period of six months following the date of their admission into the warehouse provided that the said period may be extended by the competent authority on sufficient.

Two hundred five (205) consignments including Auto Rickshaws and Motor Cycle Parts, Pressure Tyre and Zinc Alloys Coils etc. were not got cleared by the importers from the bonded warehouses even after the expiry of the stipulated period. This resulted in blockage of government revenue of Rs.140.739 million.

An amount of Rs 5.133 million has been recovered / regularized before printing of Audit Report. (Annexure-42 of Audit Report)

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

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

PAC DIRECTIVES DATED 13.10.2015

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

PAC DIRECTIVE

The Committee settled the para to the extent of recovered / verified amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

80. **AUDIT PARA 3.5(A) AUDIT REPORT 2007-08 PROPOSED DRAFT PARAS 11668,11712, 11714, 11726, 11728, 11730, 11952, 12128, 11699, 11700, 11909, 11753, 11792, 11795,11797, 11801, 11804 & 11809-CUS PAGE 104 REVENUE DIVISION(FBR) NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/CONCESSION ON IMPORTED GOODS - RS.100.235 MILLION**

The Audit pointed out that exemption and concession from customs duty, sales tax, income tax and other government taxes on import of certain specified goods to the importers and exporters to promote the economic activities of the country subject to fulfillment of the conditions laid down in respective SROs.

One hundred eight (108) consignments of goods were cleared free of duty and taxes despite the fact that certain conditions were not fulfilled by the importers. This resulted in non-realization of government dues amounting to Rs.100.235 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 96.98 million being recovered / regularized after its verification by Audit and directed the department to expedite proceedings for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para with the direction to PAO to expedite the efforts for balance recovery with a report to Committee.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered / verified amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

81. **AUDIT PARA 3.6 AUDIT REPORT 2007-08 PROPOSED DRAFT PARA 11496-CUS PAGE 107 REVENUE DIVISION (FBR) NON-ENFORCEMENT OF BANK GUARANTEES - RS.45.652 MILLION**

The Audit pointed out that in fulfillment of different conditions of various SROs, the duties and taxes were secured by obtaining bank guarantees. The Deputy Collector Customs (Bank Guarantees) Dry Port, Sambrial, Sialkot failed to enforce the bank guarantees within due dates and bank guarantees expired. This resulted in non-realization of customs duty and sales tax of Rs.45.652 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit pointed out that the Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 37.90 million being recovered / regularized and directed the department to expedite proceedings for remaining recovery of amount.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para with the direction to recover the remaining amount and pursue Court case in Court of Law vigorously.

PAC DIRECTIVE

The Committee settled the para on the recommendation of Audit and pended the sub-judiced portion till Court decision.

82. **AUDIT PARA 3.7 AR 2007-2008 PROPOSED DRAFT PARAS NOS.2731,2742, 2743, 2803,2885&2887-CD/K PAGE 107 REVENUE DIVISION (FBR) NON REALIZATION OF REVENUE DUE TO NON ENCASHMENT OF SECURITIES RS 38.417 MILLION**

The Audit pointed out that the Collectorates of Customs (Appraisement), Karachi and Customs, Sales Tax & Federal Excise Duty (FED), Hyderabad accepted post-dated cheques (PDCs) to secure the duty and taxes on account of provisional assessment, temporary imports of goods, temporary exports and safe transportation under provisions of the Customs Act, 1969, Customs Rules, 2001 and various Customs notifications, in forty (40) cases, during April, 2006 to January, 2007. The conditions, against which PDCs were accepted, were not fulfilled by the importer; hence the PDCs were required to be encashed but the concerned Collectorate did not encash the PDCs. This omission resulted in non-realization of government revenue of Rs 38.417 million.

In the DAC meetings, held in May and August, 2008 the Collectorate informed that the PDCs amounting to Rs.10.570 million had been encashed. The DAC directed the Collectorate to expedite recovery of balance amount of Rs 27.847 million in the remaining cases.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 32.390 million being recovered / regularized its verification by Audit and directed the department to expedite proceedings for remaining recover of amount. The Committee further directed the PAO to pursue the court case vigorously.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para subject to verification of recovery of remaining amount and directed the PAO to pursue the Court case vigorously.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite recovery of the remaining amount and get it duly verified from the Audit and pursue the sub-judiced matter vigorously in the Court of Law.

83. **AUDIT PARA-3.8(b) AR 2007-08 PROPOSED DRAFT PARAS 11598,11721, 11725 ,11953,12122,12123,12124,12126,12127, 2175,12181,11691,11693, 11698,11702,11803,11805, 11815 & 12024-CUS PAGE-109REVENUE DIVISION (FBR) SHORT-PAYMENT OF GOVERNMENT REVENUE DUE TO MISCLASSIFICATION - RS.7.016 MILLION**

The Audit pointed out that imported goods are subject to customs duty at rates mentioned in the 1stSchedule to the Customs Act, 1969.

Fifty one (51) consignments of the imported goods were misclassified under the PCT headings attracting lower rate of duty and taxes which resulted in short realization of government revenue amounting to Rs.7.016 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 5.066 million being recovered / regularized and directed the department to expedite proceedings for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para with the direction to hold inquiry and its report duly verified by Chairman FBR be submitted to PAC/Audit.

PAC DIRECTIVE

The Committee settled the para on the recommendation of Audit.

84. **AUDIT PARA-3.11(a) AR 2007-08 PROPOSED DRAFT PARAS 11513, 11606, 11752, 11998 & 12020-CUS REVENUE DIVISION(FBR) SHORT-REALIZATION OF GOVERNMENT REVENUE DUE TO UNDER VALUATION - RS.10.539 MILLION**

The Audit pointed out that SRO No. 732(I)/2006 dated 13th July, 2006 had fixed specific import value of Energy Saving Lamps (PCT heading 85.39) for the purpose of sales tax assessment at import stage.

In twenty consignments sales tax was assessed at the declared value which was less than the import value fixed by SRO referred to the above. This resulted in short realization of government dues amounting to Rs.10.539 million during 2006-07.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 6.333 million being recovered / regularized and directed the department to expedite proceedings for remaining recovery. The Committee further directed the PAO to pursue the case in the court of law vigorously.

PAC DIRECTIVES DATED 13.10.2015

The Committee referred the para for DAC discussion and directed the PAO & Audit to come up with final recommendations.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered / verified amount and directed the PAO to expedite recovery process and pursue the court case vigorously in the Court of Law.

85. **AUDIT PARA-3.14(a) AR 2007-08 PROPOSED DRAFT PARA 11511 PAGE-123 REVENUE DIVISION (FBR)**
NON-LEVY OF ADDITIONAL CUSTOMS DUTY - RS.7.440 MILLION

The Audit pointed out that under SRO 693(I)/2006 dated 1st July, 2007 'additional customs duty' was leviable on the import of certain items/parts of motor vehicles.

The Deputy Collector Customs (Imports), Faisalabad did not levy and recover the additional customs duty causing loss of Rs.7.719 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification by the Audit as recommended by the DAC and directed the PAO to expedite procedure for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para subject to its verification by the Audit in the DAC meeting.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

86. **AUDIT PARA-3.17 AR 2007-08 PROPOSED DRAFT PARA 11796-CUS PAGE-126 REVENUE DIVISION (FBR)**
SHORT-REALIZATION OF REVENUE DUE TO IMPOSITION OF FINE ON DECLARED VALUE INSTEAD OF CUSTOMS VALUE - RS.1.276 MILLION

The Audit pointed out that under SRO 487(I)/2007 dated 9th June, 2007, where an option is given to pay fine in lieu of confiscation, the quantum of fine will be

50% of customs value. The Deputy Collector Customs (Imports), Dry Port, Islamabad adjudged the case in terms of SRO imposing 50% fine of the declared value instead of value fixed by the Collector Valuation resulting in short realization of fine of Rs.1.276 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovered amount of Rs 0.654 million by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para with the direction to get write-off the remaining amount.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered / verified amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit.

87. **AUDIT PARA 6.3 AR 2007-2008 PAGE145 (PROPOSED DRAFT PARAS 2725, 2732, 2733, 2791, 2792, 2793, 2794, 2816, 2857, 2858, 2860, 2861, 2879 & 2888 - CD / K) REVENUE DIVISION (FBR) NON-RECOVERY OF THE ADJUDGED DUES – RS 2184.425 MILLION (ONLY RS 18.174 MILLION RELATES TO CUSTOMS PORTION)**

The Audit pointed out that under section 202 of the Customs Act, 1969 read with Customs Rules, 2002 and section 48 of the Sales Tax Act, 1990 read with Sales Tax Recovery Rules, 2003 customs duty and sales tax due from a person can be recovered by customs and sales tax officers in accordance with the procedure laid down therein.

Test check of recovery registers revealed that tax collection departments did not take adequate measures for the recovery of adjudged amount of Rs.18.174 million in sixty four (64) cases. Recovery was pending for the last many years. In the DAC meeting, held in May, July & August, 2008 the department replied that efforts were being made to recover the outstanding amount. The DAC settled the Para to the extent of the amount recovered and directed the department to expedite the recovery of the balance amount.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovered amount by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para subject to verification of Audit.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite recovery of the remaining amount and get it duly verified from the Audit and pursue the sub-judiced matter in the Court of Law.

88. **AUDIT PARA-7.1 AR 2007-08 PERFORMANCE REPORT F-181-2007 PAGE-159 REVENUE DIVISION (FBR)**
LOSS OF GOVERNMENT REVENUE DUE TO DISHONOUR OF CHEQUES - RS.16.687 MILLION

The Audit pointed out that under SRO 1065(I)/2005 dated 20th October, 2005, the whole of customs duty and sales tax shall be exempted on goods imported temporarily for subsequent exportation within the stipulated period subject to certain conditions. The importer shall have to submit a bank guarantee alongwith post dated cheque equivalent to the amount of duty & taxes leviable thereon.

It was noticed that fifty four (54) units did not export material imported for re-export. The indemnity bonds and post-dated cheques were dishonoured on presentation to bank for encashment. This resulted in loss of revenue amounting to Rs.16.687 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the

Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee pended the para and directed the PAO to re-examine/inquire all of the cases and submit the finding of this case to PAC within 60 days.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para with the direction to PAO to take up the case in the next DAC meeting.

The PAO informed the Committee that major amount has been recovered which will be reconciled with the Audit and the process is in progress for the remaining recoveries.

PAC DIRECTIVE

The Committee settled the para on the recommendations of Audit.

89. **AUDIT PARA-8.7 AR 2007-08 PROPOSED DRAFT PARAS 11917 & 11936-CUS PAGE-165 REVENUE DIVISION (FBR)**
NON-ENFORCEMENT OF INDEMNITY BONDS ON FAILURE TO RE-IMPORT TEMPORARILY EXPORTED GOODS - RS.184.082 MILLION (ERRONEOUSLY PRINTED IN AUDIT REPORT AS RS 109.395 MILLION), US\$.364,590 AND EURO 118,406

The Audit pointed out that under SRO 735(1)72005 dated 21st July, 2005 and SRO 776(1)72006 dated 21st July, 2006, certain parties exported machinery7parts for repair purpose. The parties furnished indemnity bonds to re-import the goods within a period of six months after repair. The parties failed to re-import the goods within stipulated period. The concerned customs authorities did not enforce indemnity bond to recover the revenue. This resulted in non-realization of Rs. 184.082 million, US\$ 364,590 and EURO 118,406 during the year 2006-2007.

PAC DIRECTIVES DATED 23-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the

Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovery under intimation to PAC.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para and directed to discuss in the DAC for its final outcome.

The PAO informed the Committee that 90% of the amount has been recovered.

PAC DIRECTIVE

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

90. **AUDIT PARA-8.9 AR 2007-08 PROPOSED DRAFT PARAS 11922, 11928& 11931-CUS PAGE-167 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT REVENUE ON NON-SUBMISSION OF EXPORT DOCUMENTS AGAINST TEMPORARY IMPORTED GOODS -RS. 37.864 MILLION

The Audit pointed out that according to SRO 410(I)/2001 dated 18th June, 2001 and SRO 1065(I)/2005 dated 20^h October, 2005 whole of the duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit a bank guarantee along with post-dated cheque equivalent to the amount of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within one year which shall be automatically extended upon request once only upto a further period of six months and that the utilization period shall in no case be extended beyond eighteen months.

Certain units failed to submit the export documents against temporarily imported goods, but the post-dated cheques were not encashed by customs authorities. This resulted in non-realization of government revenue amounting to Rs. 37.864 million.

PAC DIRECTIVES DATED 22-8-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 19.619 million being recovered/regularized and directed the department to expedite recovery proceedings for remaining amount.

PAC DIRECTIVES DATED 13.10.2015

The Committee settled the para to the extent of recovered amount and directed the PAO to pursue the case with FTO for the balance amount.

The PAO informed the Committee that case has been decided in the favour of MCC and recovery proceedings have been initiated.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite the recovery of remaining amount and get it duly verified from the Audit.

91. **AUDIT PARA-8.11 AR 2007-08 ROPOSED DRAFT PARAS 11925, 11926 11939 & F-2531 PAGE-169 REVENUE DIVISION (FBR) LOSS OF REVENUE DUE TO NON-FINALIZATION OF PROVISIONALLY ASSESSED CASES - RS. 30.614 MILLION**

The Audit pointed out that under section 81 of the Customs Act, 1969 in certain cases the assessment of goods and the liability of payment may be determined provisionally subject to payment of additional amount on the basis of provisional assessment secured through bank guarantee or post-dated cheque of a schedule bank along with an indemnity bond. The correct amount of duty, taxes and other charges shall be determined within nine months of the date of provisional determination provided that the collector of customs may extend the period for final determination by not more than ninety days. If the final determination is not made within the stipulated period, the provisional determination shall be deemed to be the final determination. According to the

explanation given under the section *ibid* "provisional assessment means the amount of duties and taxes paid or secured against bank guarantee or post-dated cheque".

Twenty nine (29) cases of provisional assessment were not decided within the stipulated period and post-dated cheques along with indemnity bonds were required to be encashed/enforced to recover the government revenue but the same were not encashed/enforced by the concerned Customs authorities. This resulted into non-realization of government revenue amounting to Rs. 30.614 million during the year 2006-2007.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 4.393 million being recovered/regularized and directed the department to expedite proceedings for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para with the direction to PAO to pursue the case in the Court of Law and get the recovered amount / verified from the Audit.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit and pursue the case vigorously in the Court of Law.

92. **AUDIT PARA-8.12 AR 2007-08 PROPOSED DRAFT PARAS 11932, 11938 & F-2531 LAHORE PAGE-170 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT REVENUE ON NON-CONSUMPTION OF RAW MATERIAL WITHIN SPECIFIED PERIOD - RS. 27.801 MILLION

The Audit pointed out that under SRO 565(1)72005 dated 6th June, 2005, the specified raw materials, sub components, sub-assemblies and assemblies, as are not manufactured locally, imported for the manufacture of specified goods shall be exempted from so much of customs duty leviable under the First Schedule to the Customs Act, 1969, as is in excess of the rates specified subject to certain conditions. The manufacturer-cum-importer shall communicate in writing about the consumption of imported items within sixty days of the consumption of goods. In case of non-consumption within one year from the date of import, the importer shall pay the customs duty and other government dues involved.

In sixty eight (68) cases, the importers did not observe the above provisions of law but the indemnity bonds along with post-dated cheques were not enforced /encashed to recover the government revenue by the concerned Deputy or Assistant Collector of Customs. This resulted into non-realization of government revenue amounting to Rs. 27.801 million during 2006-07.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para to the extent of Rs 27.243 million being recovered/regularized and directed the department to expedite proceedings for remaining recovery.

PAC DIRECTIVES DATED 13.10.2015

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

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite recovery of the remaining amount and get it verified from the Audit and pursue the case vigorously in the Court of Law.

93. **AUDIT PARA-8.15 AR 2007-08 PROPOSED DRAFT PARAS 11924 & 11930-CUS PAGE-173 REVENUE DIVISION(FBR)**
NON-ENFORCEMENT OF BANK GUARANTEES/INDEMNITY BONDS WITHIN STIPULATED PERIOD - RS. 5.613 MILLION

The Audit pointed out that in certain cases, bank guarantees/indemnity bonds were obtained in the light of different SROs expired as the Assistant/Deputy Collector Customs (Bank Guarantees) failed to enforce / encash the bank guarantees/indemnity bonds within due dates. This resulted into non-realization of revenue of Rs. 5.613 million.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee settled the para subject to verification of recovery and directed the PAO to make efforts for the recovery of remaining amount under intimation to PAC.

PAC DIRECTIVES DATED 13.10.2015

The Committee pended the para due to sub-judice in nature and directed the PAO to pursue the case in the Court of Law vigorously.

PAC DIRECTIVE

The Committee pended the para due to sub-judice in nature and directed the PAO to pursue the case in the Court of Law vigorously.

94. **AUDIT PARA-8.16 AR 2007-08 PAGE-173 (F-2531) REVENUE DIVISION (FBR)**
NON-ENCASHMENT OF INDEMNITY BONDS ON NON-EXPORT OF TEMPORARY IMPORTED GOODS - RS.5.424 MILLION

The Audit pointed out that according to SRO 1065(1)72005 dated 20th October, 2005 the whole of duty and taxes shall be exempted on temporary importation of goods for subsequent exportation within the stipulated period subject to certain conditions. The importer shall submit a bank guarantee alongwith post dated cheque equivalent to the amount of duty & taxes otherwise leviable thereon. The importer shall export temporarily imported goods after due processing within one year which shall be automatically extended upon request once only up to a further period of six months and that the utilization period shall in no case be extended beyond eighteen months.

Forty four (44) units of Deputy Collector Customs, AFU, Airport, Lahore, failed to submit the export documents against temporarily imported goods. The encashment notices were issued. The post-dated cheques were dishonoured due to insufficient funds in the account of the units. No further action, as per law, was taken by the department to recover the government dues which resulted in loss of government revenue amounting to Rs. 5.424 million during the year 2006-07.

PAC DIRECTIVES DATED 22-08-2011

The Audit reports were not considered as it was informed that no meaningful DAC had been held since 2010 and therefore there was very little progress on settlement of paras by DAC. The Public Accounts Committee took serious view of the lack of commitment and seriousness in dealing with Audit paras by the Federal Board of Revenue and a conditional time period of one month was given for settling all the Audit paras by conducting DAC meeting to be chaired by the Chairman or at least Member (Enforcement and Accounting). It was also directed that the Audit should be provided all cooperation by the FBR and the practice which has come to light in the meeting should not be repeated in future.

PAC DIRECTIVES DATED 20-08-2015

The Committee directed the PAO to hold an inquiry, fix the responsibility and take action under E&D Rules under intimation to PAC within 90 days.

PAC DIRECTIVES DATED 13.10.2015

The Committee directed to discuss the para at DAC level for its final outcome.

PAC DIRECTIVE

The Committee recommended the para for settlement subject to verification by the Audit.

COURT CASES

95. i. **AUDIT PARA 3.5(b) AUDIT REPORT 2007-08 PAGE 104 (PDP 2747-CD/K) REVENUE DIVISION (FBR)**
NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/CONCESSION ON IMPORTED GOODS - RS.19.933 MILLION
- ii. **AUDIT PARA 3.5 (d) AUDIT REPORT 2007-2008 PAGE 106 (PROPOSED DRAFT PARANO. 2781-CD/K REVENUE DIVISION (FBR)**
NON/SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO GRANT OF INADMISSIBLE EXEMPTION/ CONCESSION ON IMPORTED GOODS –RS 0.343 MILLION
- iii. **AUDIT PARA 6.6 AUDIT REPORT 2007-2008 PAGE147 (PROPOSED DRAFT PARA NO. 4019-ST/K [RELATING TO IMPORTS- CUSTOMS] REVENUE DIVISION(FBR)**
MISUSE OF ZERO RATING FACILITY IN RESPECT OF ITEMS HAVING MULTIPLE USES RS 49.816 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned 3 paras due to sub-judice in nature.

PARAS RECOMMENDED FOR SETTLEMENT

96. i. **AUDIT PARA-3.15 AUDIT REPORT 2007-08 PROPOSED DRAFT PARA 11533 PAGE-124 REVENUE DIVISION (FBR)**
UN-AUTHORIZED RETENTION AND USE OF LABORATORY FEE - RS. 3.326 MILLION
- ii. **AUDIT PARA-8.13 AUDIT REPORT 2007-08 PAGE-171 PROPOSED DRAFT PARA -11937 REVENUE DIVISION (FBR)**
NON-REALIZATION OF GOVERNMENT.REVENUE ON NON RE-EXPORT OF TEMPORARY IMPORTED GOODS WITHIN STIPULATED PERIOD -RS. 23.749 MILLION.

PAC DIRECTIVE

The Committee recommended the above mentioned 2 paras for settlement on the recommendations of Audit/DAC.

AUDIT REPORT FOR THE YEAR 2007-08
(INDIRECT TAXES)

97. **PARA 1.2(b) (ii) PAGE 10 REVENUE DIVISION AR 2007-2008 (FBR)**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF
INPUT TAX – Rs. 28.024 MILLION

The Audit pointed out that six (06) registered persons of the Collectorate of Sales Tax (Audit) Karachi adjusted input tax on the basis of invalid invoices. This resulted in short payment of sales tax amounting to Rs. 28.024 million. The omission also attracts levy of penalty and default surcharge during 2004-05 and 2005-06. The lapse was pointed out to the Collectorate and the FBR during September, 2006 to July, 2007.

PAC DIRECIVE DATED 25.07.2011

The Special Committee while discussing Audit Reports 1998-99, 2002-03, 2003-04 & 2007-08 took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the FBR and a conditional time period of one month was given for settling all the audit paras. The Committee directed the Senior Member, FBR to hold meaningful DAC meeting at an appropriate level. The Committee further directed the FBR to provide all cooperation to Audit.

The PAO requested to the Committee that to sort out incomplete record and to examine it in depth they may please be given sometime.

PAC DIRECIVE DATED 17.08.2015

The Committee directed the PAO/ Chairman FBR to hold DAC on the para on 24.08.2015 and report to PAC.

PAC DIRECIVE DATED 13.10.2015

The Committee pended the para with the direction to discuss at DAC level and come up with recommendations.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to discuss the para at DAC level and report within 60 days to Audit/PAC.

98. **PARA 1.2(c) (ii) PAGE 12 REVENUE DIVISION AR 2007-2008 (FBR)**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF
INPUT TAX – RS 16.034 MILLION

The Audit pointed out that the person of the Collectorate of Sales Tax (Audit), Karachi claimed input tax of Rs. 16.034 million during the period from April, 2005 to January, 2006 but did not make supplies of taxable goods, except exempted supplies of vegetable oil during the period from April, 2006 to June 2007. Therefore, input tax on purchase of taxable goods for making exempt supplies was unlawful and inadmissible. The lapse was pointed out to the Collectorate and the FBR during April and July, 2008.

PAC DIRECIVE DATED 25.07.2011

The Special Committee while discussing Audit Reports 1998-99, 2002-03, 2003-04 & 2007-08 took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the FBR and a conditional time period of one month was given for settling all the audit paras. The Committee directed the Senior Member, FBR to hold meaningful DAC meeting at an appropriate level. The Committee further directed the FBR to provide all cooperation to Audit.

PAC DIRECIVE DATED 17.08.2015

The Committee directed the PAO/ Chairman FBR to hold DAC on the para on 24.08.2015 and report to PAC.

PAC DIRECIVE DATED 13.10.2015

The Committee pended the para with the direction to discuss at DAC level and come up with recommendations.

PAC DIRECTIVE

The Committee directed the PAO to discuss the para at DAC level and report to Audit/PAC within 60 days.

99. **PARA 1.2 (f) PAGE 19 REVENUE DIVISION AR 2007-2008 (FBR)**
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR ADJUSTMENT OF
INPUT TAX –RS 3.001 MILLION

The Audit pointed out that according to SRO 531(I)/2005 dated 6th June, 2005, raw materials, components, sub components and parts purchased locally from the authorized vendors by a registered manufacturer of tractors falling under PCT heading 8701.9020 shall be charged to sales tax at the rate of zero percent. The vendors shall be entitled for adjustment/refund of input tax in respect of zero rated supplies.

A registered person of the Collectorate of Customs, Sales tax and Federal Excise, Quetta being a manufacturer of tractors, adjusted input tax against zero rated purchases. This irregularity resulted in short payment of sales tax of Rs 0.862 million during the year 2006-07. Besides, the registered person also claimed a refund of Rs 2.139 million on account of purchase of components/sub components, for use in the manufacture of tractors, which was also inadmissible. This raised the total recoverable to Rs 3.001 million.

PAC DIRECIVE DATED 25.07.2011

The Special Committee while discussing Audit Reports 1998-99, 2002-03, 2003-04 & 2007-08 took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the FBR and a conditional time period of one month was given for settling all the audit paras. The Committee directed the Senior Member, FBR to hold meaningful DAC meeting at an appropriate level. The Committee further directed the FBR to provide all cooperation to Audit.

The PAO ensured the Committee that they will recover the amount from M/s. Dewan

PAC DIRECIVE DATED 17.08.2015

The Committee directed the PAO/ Chairman FBR to hold DAC on the para on 24.08.2015 and report to PAC.

PAC DIRECIVE DATED 13.10.2015

The Committee pended the para with the direction to discuss at DAC level and come up with recommendations.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to expedite recovery for remaining amount.

100. **PARA 1.3, PAGE 23 REVENUE DIVISION AR 2007-2008 (FBR)**
NON RECOVERY OF GOVERNMENT DUES IN REFUND CASES – Rs. 1,112.797 MILLION

The Audit pointed out that refund of sales tax was claimed by various registered persons and sanctioned by the sales tax authorities on the basis of tax invoices which were subsequently found to be fake and fictitious. Departmental authorities adjudicated the cases and recovery thereof alongwith penalties and default surcharge was ordered. Thirty seven (37) cases involving an amount of Rs 1,112.797 million were selected and brought to the notice of the Collectorate of Sales Tax (Enforcement) Karachi.

Despite the fact that charges of fraudulent refund had been established as per adjudication orders, no appropriate action for recovery of dues and fixing of responsibility was initiated by the sales tax authorities. The sanction of huge amount of fraudulent refunds indicates the loop-hole in the system of refund sanctioning mechanism and weak internal control of the department.

PAC DIRECIVE DATED 25.07.2011

The Special Committee while discussing Audit Reports 1998-99, 2002-03, 2003-04 & 2007-08 took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the FBR and a conditional time period of one month was given for settling all the audit paras. The Committee directed the Senior Member, FBR to hold meaningful DAC meeting at an appropriate level. The Committee further directed the FBR to provide all cooperation to Audit.

The PAO informed that required action has been initiated and detailed report will be submitted shortly.

PAC DIRECIVE DATED 17.08.2015

The Committee directed the PAO/ Chairman FBR to hold DAC on the para on 24.08.2015 and report to PAC.

PAC DIRECIVE DATED 13.10.2015

The Committee pended the para with the direction to discuss at DAC level and come up with recommendations.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to discuss the para at DAC level and convey progress report within 30 days to Audit/PAC.

101. **PARA 1.4, PAGE 24 AR 2007-08 REVENUE DIVISION (FBR)
IRREGULAR ADJUSTMENT OF INPUT TAX AGAINST PAYMENTS MADE IN
VIOLATION OF SECTION 73 RS 868.507 MILLION**

The Audit pointed out that section 73 of the Sales Tax Act, 1990 provides that payment exceeding fifty thousand rupees in respect of any transaction, excluding utility bills, shall be made through a crossed cheque, bank draft, pay order or any other banking instruments showing transfer of payment in favour of seller from the business account of the buyer within 180 days of issuance of tax invoice. In case of non fulfillment, such transaction is not admissible for the purpose of input tax credit, adjustment, deduction, repayment or drawback of tax etc.

One hundred and seven (107) registered persons adjusted input against the payment, exceeding fifty thousand, not made through prescribed banking

instruments. This resulted in short payment of input tax of Rs 868.507 million during 2002-03 to 2006-07 which also attracts penalty and default surcharge under sections 33 and 34 of the Sales Tax Act, 1990.

PAC DIRECTIVE DATED 25.07.2011

The Special Committee while discussing Audit Reports 1998-99, 2002-03, 2003-04 & 2007-08 took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the FBR and a conditional time period of one month was given for settling all the audit paras. The Committee directed the Senior Member, FBR to hold meaningful DAC meeting at an appropriate level. The Committee further directed the FBR to provide all cooperation to Audit.

PAC DIRECTIVE DATED 17.08.2015

The Committee directed the PAO/ Chairman FBR to hold DAC on the para on 24.08.2015 and report to PAC.

PAC DIRECTIVE DATED 13.10.2015

The Committee pended the para with the direction to discuss at DAC level and come up with recommendations.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount and directed the PAO to make efforts for the recovery of remaining amount and report to the PAC/Audit within 60 days.

102. **PARA 1.6(a) PAGE 28 REVENUE DIVISION AR 2007-2008 (FBR)**
NON-PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING OF TAXABLE GOODS RS 727.521 MILLION

The Audit pointed out that forty six (46) registered persons of Collectorate of Sales Tax (Audit), Karachi and Quetta, had shown zero rated exports in their monthly sales tax returns during the years 2004-05 to 2006-07. However, this was not supported with zero rated invoices; input/out put tax invoices, bills of export, bank credit advices, shipping bills, proof of the foreign remittances etc. This resulted in non payment of sales tax of Rs 727.521 million.

PAC DIRECTIVE DATED 25.07.2011

The Special Committee while discussing Audit Reports 1998-99, 2002-03, 2003-04 & 2007-08 took serious view of the lack of commitment and seriousness in dealing with Audit Paras by the FBR and a conditional time period of one month was given for settling all the audit paras. The Committee directed the Senior

Member, FBR to hold meaningful DAC meeting at an appropriate level. The Committee further directed the FBR to provide all cooperation to Audit.

The PAO informed the Committee that due to the transfer of record into two offices, they are trying to get the record complete.

PAC DIRECTIVE DATED 17.08.2015

The Committee directed the PAO/ Chairman FBR to hold DAC on the para on 24.08.2015 and report to PAC.

PAC DIRECTIVE DATED 13.10.2015

The Committee pended the para with the direction to discuss at DAC level and come up with recommendations.

PAC DIRECTIVE

The Committee pended the para and directed the Chairman FBR to discuss the paras at DAC level and report to Audit/PAC within 60 days.

COURT CASES

103. i. **PARA 1.9 (b)(ii) PAGE 38 AR 2007-08 REVENUE DIVISION (FBR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES – RS 1.636 MILLION**
- ii. **PARA 4.3 PAGE 130 REVENUE DIVISION AR 2007-2008 (FBR)
NON-TRANSFER OF FEDERAL EXCISE DUTY DEPOSITED WITH THE
SINDH HIGH COURT – RS 26.579 MILLION**
- iii. **PARA 6.6 PAGE 147 AR 2007-2008 REVENUE DIVISION(FBR)
MISUSE OF ZERO RATING FACILITY IN RESPECT OF ITEMS HAVING
MULTIPLE USES – RS 49.816 MILLION**
- iv. **PARA 6.13 (a) PAGE 155 AR 2007-08 REVENUE DIVISION (FBR)
NON-PRODUCTION OF RECORD TO AUDIT**

PAC DIRECTIVE

The Committee pended the above mentioned 4 paras due to sub-judice in nature.

PARAS RECOMMENDED FOR SETTLEMENT BY DAC

104. i. **PARA 1.6(e) PAGE 31 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 1.795 MILLION**
- ii. **PARA 1.9(a) PAGE 36 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES - RS 63.562 MILLION**
- iii. **PARA 1.18 (c) PAGE 53 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 0.723 MILLION**
- iv. **PARA 2.7(d) PAGE 76 REVENUE DIVISION AR 2007-2008 (FBR)
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 4.070
MILLION**
- v. **PARA 2.22 PAGE 91 AR 2007-08 REVENUE DIVISION(FBR)
IRREGULAR SANCTION OF SALES TAX REFUND WITHOUT
GETTING PHYSICAL VERIFICATION – RS 2.014 MILLION**
- vi. **PARA 4.5 PAGE 132 REVENUE DIVISION AR 2007-2008 (FBR)
NON-REALIZATION OF FEDERAL EXCISE DUTY DUE TO NON
APPLICATION OF PROVISIONS OF THE ACT –RS 4.977 MILLION**
- vii. **PARA 4.7 PAGE 134 REVENUE DIVISION AR 2007-2008 (FBR)
NON-REALIZATION OF FEDERAL EXCISE DUTY DUE TO WRONG
ADJUSTMENT – RS 1.384 MILLION**

PAC DIRECTIVE

The Committee settled the above mentioned 7 paras on the recommendations of Audit/DAC.

PARAS REFERRED TO DAC

105. i. **PARA 1.1(a) PAGE 1 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED - RS 1,162.457 MILLION**
- ii. **PARA 1.1(c) PAGE 3 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED - RS 34.398 MILLION**

- iii. PARA 1.2 (a)(i) PAGE 7 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 513.595 MILLION
- iv. PARA 1.2(a) (ii) PAGE 7&8 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 139.671 MILLION
- v. PARA 1.2(b) (i) PAGE 9 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 257.652 MILLION
- vi. PARA 1.2 (b)(iii) PAGE 10 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX - RS 21.305 MILLION
- vii. PARA 1.2(b) (iv) PAGE 10 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 6.303 MILLION
- viii. PARA 1.2 (c) (i) PAGE 11 & 12 AR 2007-08 REVENUE DIVISION
(FBR)
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX - RS 131.164 MILLION
- ix. PARA 1.2(c) (iv) PAGE 13 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 2.288 MILLION
- x. PARA 1.2(d) PAGE 16.REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 9.322 MILLION
- xi. PARA 1.2(e) PAGE 17 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX –RS 4.714 MILLION
- xii. PARA 1.5(a) PAGE 25 REVENUE DIVISION AR 2007-2008 (FBR)
NON/ SHORT PAYMENT OF SALES TAX – RS 748.240 MILLION
- xiii. PARA 1.6(c) PAGE 29 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 16.693 MILLION

- xiv. PARA 1.6(d) PAGE 30 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 3.541 MILLION
- xv. PARA 1.7 (a) PAGE 35 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO CONCEALMENT OF
SALES – RS 121.276 MILLION
- xvi. PARA 1.7(b) PAGE 35 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO CONCEALMENT OF
SALES - RS 24.626
- xvii. PARA 1.8 PAGE 36 REVENUE DIVISION AR 2007-2008 (FBR)
NON RECOVERY OF ADJUDGED GOVERNMENT DUES - RS 81.147
- xviii. PARA 1.9(b) (i) PAGE 37 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES - RS 2.969 MILLION
- xix. PARA 1.11(c) PAGE 43 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX RS. 6.078 MILLION
- xx. PARA 1.11(d) PAGE 44 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX RS. 4.007 MILLION
- xxi. PARA 1.11 (e) PAGE 45 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX – RS 3.583 MILLION
- xxii. PARA 1.12 PAGE 46 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO INCORRECT
APPLICATION OF RULE – RS 50.276 MILLION
- xxiii. PARA 1.13 PAGE 47 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO UNAUTHORIZED
ADJUSTMENT OF CARRY FORWARD INPUT TAX – RS 42.390
MILLION
- xxiv. PARA 1.16 PAGE 50 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF PENALTY ON ACCOUNT OF VIOLATION OF
ENACTED PROVISION OF LAW - RS 22.056 MILLION
- xxv. PARA 1.23 PAGE 57 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY RETAILERS – RS 6.352 MILLION

- xxvi. PARA 1.24 PAGE 57 AR 2007-08 REVENUE DIVISION (FBR) NON-PAYMENT OF SALES TAX/NON-LEVY OF PENALTY FOR NON SUBMISSION OF MONTHLY SUMMARIES OF SALES AND PURCHASES – RS 3.018 MILLION
- xxvii. PARA 1.26 PAGE 59 AR 2007-08 REVENUE DIVISION (FBR) SHORT-PAYMENT OF SALES TAX DUE TO ABNORMAL DISCOUNT – RS 2.442 MILLION
- xxviii. PARA 2.1 (a) PAGE 63 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF REFUND WITHOUT SUPPORTING DOCUMENTS – RS 1,136.058 MILLION
- xxix. PARA 2.1(b) PAGE 63 REVENUE DIVISION AR 2007-2008 (FBR) SANCTION OF REFUND WITHOUT SUPPORTING DOCUMENTS - RS 17.296 MILLION
- xxx. PARA 2.2 PAGE 65 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF REFUND IN VIOLATION OF PROVISION OF SECTION 73 – RS 614.258 MILLION
- xxxi. PARA 2.3 (a) PAGE 66 AR 2007-08 REVENUE DIVISION (FBR) SANCTION OF REFUND ON INVOICES ISSUED BY THE BLACKLISTED AND SUSPENDED PERSONS – RS 274.574 MILLION
- xxxii. PARA 2.3(b) PAGE 66 REVENUE DIVISION AR 2007-2008 (FBR) SANCTION OF REFUND ON INVOICES ISSUED BY THE BLACKLISTED AND SUSPENDED PERSONS – RS 11.859 MILLION
- xxxiii. PARA 2.4 PAGE 67 REVENUE DIVISION AR 2007-2008 NON REMITTANCE OF FOREIGN EXCHANGE EQUAL TO PAK RUPEES – RS 155.365 MILLION
- xxxiv. SUB-PARA 2.5 (a) PAGE 68 AR 2007-08 REVENUE DIVISION (FBR) EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW MATERIAL IN ZERO RATED SUPPLIES –RS 87.666 MILLION
- xxxv. PARA 2.5(b) (i) PAGE 69 REVENUE DIVISION AR 2007-2008 (FBR) EXCESS REFUND OF SALES TAX ON UN-CONSUMED RAW MATERIAL IN ZERO RATED SUPPLIES – RS 59.738 MILLION
- xxxvi. SUB-PARA 2.6 PAGE 72 AR 2007-08 REVENUE DIVISION (FBR) IRREGULAR REFUND OF SALES TAX DUE TO NON APPORTIONMENT OF INPUT TAX - RS 142 MILLION

- xxxvii. PARA 2.7(a) PAGE 73 REVENUE DIVISION AR 2007-2008 (FBR)
SANCTION OF UN-AUTHENTIC REFUND OF SALES TAX – RS 60.037
MILLION
- xxxviii. PARA 2.19 PAGE 88 REVENUE DIVISION AR 2007-2008 (FBR)
IRREGULAR REFUND OF SALES TAX – RS 4.945 MILLION
- xxxix. PARA 4.1 PAGE 120 REVENUE DIVISION AR 2007-2008 (FBR)
NON/SHORT PAYMENT OF FEDERAL EXCISE DUTY – RS 56.296
MILLION
- xl. PARA 4.4 PAGE 131 REVENUE DIVISION AR 2007-2008 (FBR)
NON-REALIZATION OF FEDERAL EXCISE DUTY – RS 21.084
MILLION
- xli. PARA 6.2 PAGE 145 AR 2007-08 PAGE 145 REVENUE DIVISION
(FBR) SHORT-REALIZATION OF SALES TAX – RS 1,392.103 MILLION
- xlii. PARA 6.3 PAGE 145 AR 2007-08 REVENUE DIVISION (FBR)
NON-RECOVERY OF THE ADJUDGED DUES - RS 2,166.211 MILLION
- xliii. PARA 6.4 PAGE 146 AR 2007-08 REVENUE DIVISION (FBR)
BLOCKAGE OF REVENUE DUE TO NON ADJUDICATION OF CASES
WITHIN THE PRESCRIBED PERIOD – RS 1,016.176 MILLION
- xliv. PARA 6.7 PAGE 149 AR 2007-08 REVENUE DIVISION (FBR)
LOSS OF REVENUE DUE TO NON RE-ISSUANCE OF SHOW CAUSE
NOTICES BY THE COMPETENT AUTHORITY INVOLVING – RS 39.975
MILLION
- xlv. PARA 6.11 PAGE 153 REVENUE DIVISION AR 2007-2008 (FBR)
NON REALIZATION OF PENALTY FROM NBP ON ACCOUNT OF
LATE DEPOSIT OF TAX RECEIPTS INTO SBP – RS 1.939 MILLION
- xlvi. PARA 6.13(b) PAGE 155 REVENUE DIVISION AR 2007-2008 (FBR)
NON PRODUCTION OF RECORD
- xlvii. PARA 7.2 PAGE 159 AR 2007-08 REVENUE DIVISION (FBR)
FRAUDULENT DRAWL OF SALES TAX REFUND – RS 120 MILLION
- xlviii. PARA 7.3 PAGE 160 AR 2007-08 REVENUE DIVISION (FBR)
FRAUDULENT REFUND DETECTED BY DIRECTOR GENERAL
INSPECTION & INTERNAL AUDIT, ISLAMABAD – RS 1.0 BILLION

- xlix. PARA 1.1(f) PAGE 5&6 REVENUE DIVISION AR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX BY TREATING THE TAXABLE
SUPPLIES AS EXEMPTED – RS 0.116 MILLION
- I. PARA 1.2 (g) PAGE 19 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 2.412 MILLION
- li. PARA 1.2(h) PAGE 20 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 0.617 MILLION
- lii. PARA 1.2(j) PAGE 21 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO IRREGULAR
ADJUSTMENT OF INPUT TAX – RS 0.305 MILLION
- liii. PARA 1.6(i) PAGE 33 REVENUE DIVISIONAR 2007-2008 (FBR)
NON PAYMENT
- liv. PARA 1.6(i) PAGE 33 REVENUE DIVISIONAR 2007-2008 (FBR)
NON PAYMENT OF SALES TAX DUE TO IRREGULAR ZERO RATING
OF TAXABLE GOODS – RS 0.056 MILLION.
- lv. PARA 1.9 (c) PAGE 39AR 2007-08 REVENUE DIVISION (FBR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES – RS 0.121 MILLION
- lvi. PARA 1.9 (d) PAGE 39AR 2007-08 REVENUE DIVISION (FBR)
SHORT PAYMENT OF SALES TAX DUE TO UNDER VALUATION OF
TAXABLE SUPPLIES – RS 1.041 MILLION
- lvii. PARA 1.11(f) PAGE 45 & 46 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO APPLICATION OF
INCORRECT RATE OF TAX - RS 0.071 MILLION
- lviii. PARA 1.14 PAGE 48 AR 2007-08 REVENUE DIVISION (FBR)
NON-PAYMENT OF TAX ON TAXABLE SUPPLIES - RS. 29.760
MILLION
- lix. PARA 1.15 (a) PAGE 48 AR 2007-08 REVENUE DIVISION (FBR)
NON-PAYMENT OF DEFAULT SURCHARGE AND PENALTY ON LATE
DEPOSIT OF SALES TAX – RS 29.400 MILLION
- lx. PARA 1.18(a) PAGE 52 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 9.548 MILLION

- lxi. PARA 1.18 (b) PAGE 53 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 1.614 MILLION
- lxii. PARA 1.18(d) PAGE 54 REVENUE DIVISION AR 2007-2008 (FBR)
SHORT PAYMENT OF SALES TAX DUE TO EXCESS ADJUSTMENT
OF INPUT TAX – RS 0.317 MILLION
- lxiii. PARA 1.21 PAGE 55 AR 2007-08 REVENUE DIVISION (FBR)
NON-PAYMENT OF SALES TAX BY STEEL MELTERS AND RE-
ROLLERS – RS 7.670 MILLION
- lxiv. PARA 1.22 PAGE 56 AR 2007-08 REVENUE DIVISION (FBR)
SHORT-PAYMENT OF SALES TAX DUE TO EXCESS CLAIM OF
WASTAGE – RS 7.604 MILLION
- lxv. PARA 2.5(b) (ii) PAGE 70 REVENUE DIVISION AR 2007-2008 (FBR)
EXCESS REFUND OF SALES TAX ON UN CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS 1.503 MILLION
- lxvi. PARA 2.5(b) (iii) PAGE 71 REVENUE DIVISION AR 2007-2008 (FBR)
EXCESS REFUND OF SALES TAX ON UN CONSUMED RAW
MATERIAL IN ZERO RATED SUPPLIES – RS 0.455 MILLION
- lxvii. SUB-PARA 2.8 AGE 77 AR 2007-08 REVENUE DIVISION(FBR)
NON-IMPOSITION OF PENALTY – RS 90.356 MILLION
- lxviii. SUB-PARA 2.9 PAGE 78 AR 2007-08 REVENUE DIVISION (FBR)
REFUND OF SALES TAX AGAINST UN-PAID AMOUNT OF SALES
TAX ON TAXABLE SUPPLIES – RS 37.599 MILLION
- lxix. SUB-PARA 2.10 PAGE 79 AR 2007-08 REVENUE DIVISION (FBR)
REFUND OF SALES TAX ON GOODS NOT USED FOR TAXABLE
SUPPLIES – RS 31.062 MILLION
- lxx. PARA 2.14 PAGE 83 REVENUE DIVISION (FBR) AR 2007-08
IRREGULAR REFUND OF INPUT TAX AGAINST UN-DEPOSITED
SALES TAX – RS 9.772 MILLION
- lxxi. PARA 2.15(a) PAGE 83 REVENUE DIVISIONAR 2007-2008 (FBR)
SANCTION OF INADMISSIBLE REFUND OF SALES TAX - RS 4.470
MILLION
- lxxii. SUB-PARA 2.15 (b) PAGE 84 AR 2007-08 REVENUE DIVISION (FBR)
SANCTION OF INADMISSIBLE REFUND OF SALES TAX – RS 4.206
MILLION

- lxxiii. **PARA 2.18 PAGE 87 AR 2007-08 REVENUE DIVISION (FBR)**
SANCTION OF REFUND AGAINST TIME BARRED CLAIMS – RS 5.709
MILLION
- lxxiv. **PARA 2.25 PAGE 93 REVENUE DIVISION AR 2007-2008 (FBR)**
SANCTION OF INADMISSIBLE REFUND OF SALES TAX – RS 1.154
MILLION
- lxxv. **PARA 2.27 PAGE 95 AR 2007-08 REVENUE DIVISION (FBR)**
NON-CONDUCT OF POST REFUND AUDIT – RS 404.942 MILLION
- lxxvi. **PARA 6.5 PAGE 147 AR 2007-08 REVENUE DIVISION (FBR)**
BLOCKAGE OF REVENUE DUE TO NON-FINALIZATION INQUIRY
RS 74.521 MILLION
- lxxvii. **PARA 6.8 PAGE 150 REVENUE DIVISION AR 2007-2008 (FBR)**
NON-REALIZATION OF SALES TAX DUE TO NON REGISTRATION OF
PERSONS LIABLE TO BE REGISTERED – RS 28.263 MILLION
- lxxviii. **PARA 6.12 PAGE 154 AR 2007-08 REVENUE DIVISION (FBR)**
NON-REALIZATION OF PENALTY FROM NON-FILERS OF SALES
TAX RETURNS

PAC DIRECTIVE

The Committee directed the PAO and Audit to discuss all issues pertaining to above mentioned 78 paras at DAC level and resolve them finally.

FINANCE DIVISION **2007-08**

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Finance Division was examined by the PAC on 19th July, 2011 and 14th October, 2015.

- 55 paras were presented by the Audit Department which were examined by the Committee. Out of which 21 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.

FINANCE DIVISION

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 19-07-2011

AUDIT REPORT ON THE ACCOUNTS OF PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

SMALL AND MEDIUM ENTERPRISES BANK LIMITED

1. i. **PARA 54, PAGE 97-ARPSE-2007-08 (AUDIT COMMENTS)**
- ii. **PARA 54.1, PAGE 97-ARPSE-2007-08 (WORKING RESULTS)**

PAC DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned two (02) Audit Paras.

2. i. **PARA 55, PAGE 99-ARPSE-2007-08**
DOUBTFUL RECOVERY OF LOANS DUE TO NON-INITIATION OF PROCEEDINGS UNDER FINANCIAL INSTITUTIONS RECOVERY OF FINANCES ORDINANCE 2001 – RS. 9.326 MILLION

The Audit stated that SME Bank, Rawalpindi, disbursed loans to five borrowers amounting to Rs.4.730 million during the period from 1990 to 1997 after mortgage of properties. These borrowers failed to repay their loan installments on due dates and went in default of Rs.9.326 million in 1997-98, but the management did not take any action under above referred sections of FIO-2001 and defaulted amount could not be realized.

- ii. **PARA 57, PAGE 101-ARPSE-2007-08**
LOSS DUE TO NON-RECOVERY OF OVERDUE FINANCIAL ASSISTANCE –RS. 0.432 MILLION

The Audit stated that SME Bank, Mingora Branch sanctioned financial assistance of Rs.200,000 on March 20, 1999 in favour of Mr. Khadimullah for purchase and sale of cement. The loan was disbursed in two equal installments of Rs.100,000 each on March 20 and June 19, 1999 respectively. The loan including mark up of 15% was required to be repaid in 72 equally monthly installments commencing from November 20, 2000. The borrowers repaid only Rs.3,000 on January 14, 2002. An amount of Rs.432,379 including markup Rs.232,379 was recoverable from the borrowers on June 30, 2006. Although the repayment period had expired,

but no action under the above referred clause of agreement was initiated against the defaulter.

The PAO informed the Committee on the above-mentioned two (02) Audit Paras that the loan accounts inherited from defunct SBFC & RDFC had been assigned to NBP since July, 2010.

PAC DIRECTIVE

The Committee directed the PAO to submit monthly follow-up reports on the above two paras.

3. **PARA 56, PAGE 100-ARPSE-2007-08**
NON-RECOVERY OF INSURANCE PREMIUM PAID ON BEHALF OF
EMPLOYEES – RS. 2.349 MILLION

The Audit stated that SME Bank, Islamabad obtained insured employee loans from State Life Insurance Corporation (SLIC), Rawalpindi on February 18, 1999. A payment of Rs.2.349 million was made to the SLIC for the period April 5, 1999 to June 30, 2006 but the same was not shown as recoverable from the bank employees.

The PAO informed the Committee that the PAC had constituted a Committee comprising of representatives of Auditor General, Finance and Law Ministries to decide, whether the BOD of the bank was competent enough to make such decisions keeping aside instructions of the Government issued from time to time.

The PAO further informed that the said committee has up hold the bank's viewpoint in the case.

PAC DIRECTIVE

The PAO was directed to re-examine the Committee's report, which was constituted to resolve the issue raised in the Audit para, to determine that the decision of the Board was in line with Government Rules and Regulations.

ZARAI TARAQIATI BANK LIMITED

4. i. **PARA 59, PAGE 107-ARPSE-2007-08**
MISAPPROPRIATION BY FRAUDULENT WITHDRAWAL OF LOANS
BY EMPLOYEES – RS. 39.385 MILLION

The Audit stated that in ZTBL, funds amounting to Rs.54.985 million were withdrawn fraudulently in 264 loan cases by the employees posted at ZTBL, Sohbatpur Branch, Balochistan during the period from January 01, 2003 to April 15, 2004. The enquiry was conducted by the management

and charges proved. Fraud was committed intentionally by preparing fake securities, fake agriculture pass books, fictitious mutation and NICs of the borrowers by changing names of the borrowers and their father's names.

Audit further stated that Revenue Office and NADRA also confirmed that particulars of borrowers provided by ZTBL were fake. On the findings of Enquiry Committee, President of ZTBL imposed a major penalty and dismissed five officers from Bank services with effect from May 19, 2006 and obtained undertaking from the accused that they would make good the loss. The management succeeded to recover a sum of Rs.15.600 million but remaining amount of Rs.39.385 million could not be recovered from the accused.

Audit further stated that the management had registered the case with NAB, Quetta for recovery of Bank's money, but no progress towards recovery effected was intimated.

The PAO informed the Committee that the case was pending adjudication before the Accountability Court, Quetta and next date of hearing is 28-07-2011. The management was pursuing the court case for recovery of outstanding loan amount, vigorously.

ii. **PARA 62, PAGE 111-ARPSE-2007-08**
NON-RECOVERY OF BANK DUES – RS. 3.918 MILLION

The Audit stated that ZTBL, Deh Tore (Gadap) Branch, Karachi disbursed loans of Rs.2.776 million to four borrowers for poultry structure during the year 1988-89, which were required to be recovered up to July, 1997. The borrowers failed to repay the due installments and went into default. The bank management transferred the said loan cases to the doubtful loan ledger in June, 1993 and subsequently no interest was charged thereon. Only an amount of Rs.0.240 million was recovered from borrowers and amount of Rs.3.918 million was outstanding against them since 1993.

The PAO informed the Committee about the updated developments /recovery progress in the case that an amount of Rs. 0.169 M had been recovered against the disbursed amount of Rs. 2.776 million. The cases were pending adjudication before the various courts of law. The management was pursuing the court cases, vigorously, for effecting recovery of outstanding loans.

PAC DIRECTIVE

The Committee directed the PAO to submit monthly follow-up reports on the above two paras.

5. **PARA 60, PAGE 108-ARPSE-2007-08**
LOSS DUE TO INVESTMENT IN COMPANIES – RS. 27.197 MILLION

The Audit stated that:-

a) ZTBL (then ADBP) purchased share capital valuing Rs.3.000 million of M/s. Dadabhoj Agricultural Leasing Company Limited in September 1986 with the approval of Finance Division. The company was under suspension since November 2001 and at the time of suspension the market value of a share was Rs.2.50 against face value of Rs.10 per share. Resultantly the ZTBL sustained loss on investment in the company.

b) The bank purchased one million equity share valuing Rs.10.000 million of M/s Saudi Pak Kalabagh Livestock Company Limited during the years 1985-87 with the permission of Government of Pakistan and Board of Directors. The company is non operational, resultantly the ZTBL sustained loss.

c) ZTBL purchased 141,970 shares valuing Rs.14.197 million of Larkana Sugar Mills Limited in July 1989. The company is in the process of liquidation since February 2000 and there is no probability of any recovery of investment on final settlement.

The PAO requested the Committee that this para may be referred to the DAC for reviewing the documentary evidence by the ZTBL.

PAC DIRECTIVE

The Committee remanded the para back to the DAC for reviewing the documentary evidence submitted by the ZTBL and verify record/authorization in this case.

6. **PARA 61, PAGE 110-ARPSE-2007-08**
REDEMPTION OF SECURITIES WITHOUT RECOVERY OF OUTSTANDING
LOANS – RS. 14.582 MILLION

The Audit stated that ZTBL, D.G. Khan disbursed an amount of Rs.16.318 million to 36 borrowers during the years 1996 to 2001 against the security of agricultural land. The pledged agricultural land of the loan cases was redeemed during the years 2000-2001 without recovery of outstanding amount of Rs. 19.982 million.

Representative Finance Division informed the Committee that the decisions of the NAB Court had been implemented and the accused was dismissed from the service and the management was pursuing for recovery of outstanding loan amount through normal legal proceedings.

PAC DIRECTIVE

The PAO was directed to follow the decision of the DAC held on 14th July, 2011, obtain legal advice to initiate departmental proceedings for recovery of the outstanding amount and report to the PAC Secretariat within one month.

7. **PARA 63, PAGE 111-12-ARPSE-2007-08**
EMBEZZLEMENT DUE TO NON-DEPOSIT OF COLLECTED AMOUNT INTO BANK ACCOUNT – RS. 1.007 MILLION

The Audit stated that ZTBL, Khanewal branch sanctioned and disbursed loans amounting to Rs.720,000 to two borrowers from July 24, 2002 to August 16, 2002 for the purchase of tractors and inputs. Borrowers could not return the loans in time, as a result the outstanding balance rose to Rs.1.007 million. However, it was observed that a sum of Rs.1.007 million collected from borrowers by MCO in November 2004 was not deposited into Bank account. Subsequently NOCs were issued on November 12, 2004 and land of both the borrowers was redeemed.

Audit further stated that management of ZTBL assigned the preliminary enquiry to the Manager, ZTBL, Vehari. According to the findings of preliminary enquiry of December 2007, embezzlement of Rs.1.007 million was established which occurred with the connivance of Bank employees.

Representative Finance Division informed the Committee that M/s Zahoor Ahmed Bhatti, Sr. Officer & Tassar Hussain, Sr. Assistant were held responsible for embezzlement. An amount of Rs.300,200 had been recovered and the department was pursuing for the recovery of remaining outstanding amount.

Representative Finance Division further informed that FIR had been registered against the said accused persons in FIA and Investigation by FIA is under process.

PAC DIRECTIVE

The above para was settled by the Committee.

SMALL AND MEDIUM ENTERPRISES BANK LIMITED

8. i. **PARA 54.2-ARPSE-2007-08**
ZARAI TARAQIATI BANK LIMITED
ii. **PARA 58.-ARPSE-2007-08**
iii. **PARA 58.2-ARPSE-2007-08**

- iv. **PARA 58.3-ARPSE-2007-08**
- v. **PARA 58.4-ARPSE-2007-08**
- vi. **PARA 58.5-ARPSE-2007-08**

PAC DIRECTIVE

The Committee endorsed the recommendations of the DAC for settlement of the above-mentioned six (06) Audit Paras.

AUDIT REPORT FOR THE FINANCIAL YEAR 2006-07 AUDIT YEAR 2007-08

- 9. **PARA 7.1, PAGE 89, AR-2007-08**
UNRECORDED FEDERAL GOVERNMENT INVESTMENTS VALUING RS. 49.284 BILLION

The Audit stated that in the Financial Statements of the Federal Government, information regarding the value of investment was not updated. The figures had been compared the book value reflected in the financial statements of the individual companies with the book value of investments reflected in the Financial Statements of the Federal Government.

Member Finance Division further informed that the investments of the Government Departments would be reconciled and the documents would be provided to Audit and the Committee.

PAC DIRECTIVE

The para was remanded back to the DAC for reconciliation of figures of Government investments reflected in Financial Statement of the Companies and the Federal Government, being undertaken by the Corporate Finance Wing. A report may be submitted to the PAC within two weeks.

- 10. **PARA 7.2, PAGE 91, AR-2007-08**
DIRECT PAYMENTS OF RS. 58,872 MILLION BY FINANCE DIVISION
WITHOUT AUTHORIZATION OF AGPR MAINLY ON ACCOUNT OF
ELECTRICITY TARIFF DIFFERENTIAL AND ADDITIONAL GST SUBSIDIES

The Audit stated that scrutiny of records of subsidy paid to KESC and WAPDA mainly on account of tariff differential & additional GST, revealed that the Finance Division withdrew funds by direct payments through State Bank of Pakistan and these were credited to Federal Consolidated Fund.

Audit further stated that Finance Division in the past also made direct payments through SBP without authorization of AGPR. The above practice raises doubts

over authenticity of payments made without prior approval of AGPR and payments made without proper supporting documents may result in wrong amount being booked as payments.

The PAO informed the Committee that releases from budgetary allocations were made through normal course i.e. authorization by AGPR.

PAC DIRECTIVE

The para was settled subject to presentation of the system in practice for direct payments to the Audit and verification by Audit within two weeks.

11. **PARA 7.3, PAGE 92, AR-2007-08**
EXCESS TEXTILE SUBSIDY OF RS. 4.5 BILLION

The Audit stated that the management of Ministry of Commerce had authorized SBP for direct payments to textile sector through issuance of Research & Development Support Order, 2005 in the light of Import and Export (Control) Act, 1950.

Audit further stated that through aforementioned SRO management of Ministry of Commerce authorized the SBP beyond its jurisdiction for making payment out of Federal Consolidated Fund.

Audit further stated that R&D subsidy amounting to Rs 5,754 million was paid in 2005-06 in the light of the SRO. Ministry of Commerce was well aware of the fact that the payment had to be made in 2006-07 for R&D subsidy but no budget was allocated in the original grant and a supplementary grant of Rs 9,586 Million was issued near year-end on June 30, 2007 to partially meet the actual expenditure of Rs 14,100 million in 2006-07. This supplementary grant was booked against Grant No 43 of Finance Division instead of a grant maintained by Commerce Division.

The PAO informed the Committee that a procedure had been formulated with the concurrence of Auditor General of Pakistan, AGPR and SBP to regulate the payment of subsidy on account of R&D support to the Textile sector and the system had been streamlined to properly account for all such transactions.

PAC DIRECTIVE

The para was settled subject to regularization of the excess expenditure and verification by Audit.

12. **PARA 7.4, PAGE 93, AR-2007-08**
EXCESS EXPENDITURE UPTO RS. 1.632 MILLION ON ACCOUNT OF
PAYMENT OF INCOME TAX ON BEHALF OF CONSULTANTS

The Audit stated that during the review of accounts involving ADB loan “Strengthening of Pension, Insurance and Savings Systems”, it was observed that management paid a sum of Rs 1,632,867 as income tax to the income tax department against the amounts paid to the consultant.

Audit further stated that the management entered into an agreement with M/s Sidat Murshad on account of Package C of PC-II (4). The face value of the agreement was US\$ 485,385/- and the firm was paid US\$ 478,512/82 equal to PKR 28,944,210/-.

Audit further stated that Double payment of income tax may be recovered.

The PAO requested the Committee to allow some time to reconsider the issue and a progress report would be submitted to the Audit and the Committee within two weeks.

PAC DIRECTIVE

The PAO was directed to verify complete facts of the case viz-a-viz relevant clauses of the agreements, and ensure recovery. A report may be submitted to the PAC and Audit in one month.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-10-2015

FINANCE DIVISION

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08

13. **PARA-56, PAGE-100 ARPSE-2007-08 SMALL AND MEDIUM ENTERPRISES**
BANK (SME)
NON-RECOVERY OF INSURANCE PREMIUM PAID ON BEHALF OF
EMPLOYEES– RS. 2.349 MILLION

The Audit pointed out that according to Para 114 of Award of the Fourth Wage Commission, the insurance charges for house building and motorcycle / scooter purchased out of advances should be borne by the employees receiving advances. The same condition remained in-tact in Fifth, Sixth and Seventh Wage Award.

Small and Medium Enterprises Bank, Islamabad obtained insured employee loans from State Life Insurance Corporation (SLIC), Rawalpindi on February 18,

1999. A payment of Rs.2.349 million was made to the SLIC for the period April 5, 1999 to June 30, 2006 but the same was not shown as recoverable from the bank employees.

PAC DIRECTIVE: (DATED 19.07.2011)

The PAO was directed to re-examine the Committee's report, which was constituted to resolve the issue raised in the audit para, to determine that the decision of the Board was in line with Government Rules and regulations.

The PAO informed that the action was taken by the SME Bank with the approval of BOD who was competent for the purpose.

PAC DIRECTIVE

The Committee settled the para subject to provision of approval of BOD to the Audit for verification and directed the PAO to follow the rules at every tier/level.

14. **PARA-60, PAGE-108 ARPSE-2007-08 ZARAI TARAQIATI BANK LTD (ZTBL)
LOSS DUE TO INVESTMENT IN COMPANIES – RS. 27.197 MILLION**

The Audit pointed out that according to para 1.2 and 2 of ZTBL Funds placement Policy, significant controls and review measures need to be adopted. The objectives of the Funds Placement operation are as follows.

- i. To maintain sufficient liquidity for the bank to honor its commitments as they fall due.
- ii. To maximize overall return on damaged assets.
- iii. Deposits may only be placed with approved banks and financial institutions who meet the following criteria:-
 - a) Comply with the regulatory requirements.
 - b) Whose owners with controlling interest have good market repute.

(a) ZTBL (then ADBP) purchased share capital valuing Rs.3.000 million of M/s. Dadabhoy Agricultural Leasing Company Limited in September 1986 with the approval of Finance Division. The company was under suspension since November 2001 and at the time of suspension the market value of a share was Rs.2.50 against face value of Rs.10 per share. Resultantly the ZTBL sustained loss on investment in the company.

(b) The bank purchased one million equity share valuing Rs.10.000 million of M/s Saudi Pak Kalabagh Livestock Company Limited during the years 1985-87 with the permission of Government of Pakistan and Board of Directors. The company is non operational, resultantly the ZTBL sustained loss.

(c) ZTBL purchased 141,970 shares valuing Rs.14.197 million of Larkana Sugar Mills Limited in July 1989. The company is in the process of liquidation since February 2000 and there is no probability of any recovery of investment on final settlement.

PAC DIRECTIVE: (DATED 19.07.2011)

The Committee remanded the para back to the DAC for reviewing the documentary evidence submitted by the ZTBL and verify record / authorization in this case.

The PAO informed that as decided in the DAC the management would place the matter before the BOD for appropriate decision.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to discuss the matter in the BOD and share its outcome at DAC level then further report to the Committee.

15. **PARA-57, PAGE-101 ARPSE-2007-08 SMALL AND MEDIUM ENTERPRISES BANK (SME)**
LOSS DUE TO NON-RECOVERY OF OVERDUE FINANCIAL ASSISTANCE – RS. 0.432 MILLION
PAC DIRECTIVE: (DATED 19.07.2011)

The Committee directed the PAO to submit monthly follow-up report.

PAC DIRECTIVE

The Committee recommended the para for settlement on the recommendation of the Audit/DAC.

DETAIL OF COURT CASES

16. i. **PARA-55, PAGE-99 ARPSE-2007-08 SMALL AND MEDIUM ENTERPRISES BANK (SME)**
DOUBTFUL RECOVERY OF LOANS DUE TO NON-INITIATION OF PROCEEDINGS UNDER FINANCIAL INSTITUTIONS (RECOVERY OF FINANCES) ORDINANCE, 2001 – RS. 9.326 MILLION
- ii. **PARA-59, PAGE-107 ARPSE-2007-08 ZARAI TARAQIATI BANK LTD (ZTBL)**
MISAPPROPRIATION BY FRAUDULENT WITHDRAWAL OF LOANS BY EMPLOYEES – RS.39.385 MILLION

- iii. **PARA-61, PAGE-110 ARPSE-2007-08 ZARAI TARAQIATI BANK LTD (ZTBL)**
REDEMPTION OF SECURITIES WITHOUT RECOVERY OF OUTSTANDING LOANS– RS. 14.582 MILLION

- iv. **PARA-62, PAGE-111 ARPSE-2007-08 ZARAI TARAQIATI BANK LTD (ZTBL)**
NON-RECOVERY OF BANK DUES – RS. 3.918 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned 4 paras due to sub-judice in nature.

- 17. **PARA-43 (ARPSE-2007-2008) PAGE-80**
SYSTEMIC ISSUE OBSERVED DURING AUDIT OF HOUSE BUILDING FINANCE CORPORATION SYSTEM FAILURE IN RECOVERY OF HOUSING LOANS

The Audit pointed out that the heavy accumulation of amount of default in repayments of loans by the borrowers of housing loans is the main issue of House Building Finance Corporation (HBFC), which is adversely effecting its financial position. Though in some cases the management confiscated the properties of defaulters for auction, but in most of the cases a very lukewarm response was observed due to influential position of defaulters, either by political or feudal / tribal status.

Despite powers conferred to the officials under HBFC Office Procedure Manual, 1984 and subsequently vide Financial Institutions (Recovery of Finance) Ordinance, 2001, the management could recover only 11.4% of the stuck up amount during the year under review as detailed in the proceeding Audit Paras. The unsatisfactory results indicated system failure which requires attention of the management for remedial measures.

The PAO informed that as a result of efforts made by the HBFC, an amount of Rs. 29.7 Billion has been recovered from 2007 till August, 2015

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount after the verification of Audit and directed the PAO to make efforts for the recovery of remaining amount.

18. **PARA-44 (ARPSE-2007-2008)PAGE-81**
NON-RECOVERY OF HOUSING LOANS FROM THE DEFAULTERS - RS.
2.688 BILLION

The Audit pointed out that as per Para 221 and 222 of House Building Finance Corporation (HBFC) Office Procedure Manual 1984, in case of the chronic defaulter of Interest Bearing Scheme (IBS), Profit & Loss Scheme (PLS) and Simplified Schemes (SS), the action under Section 30 was required to be invoked to take over the physical possession of the property for auction and realization of the Corporation dues.

Under Section 15 (4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, where a mortgagor fails to pay the amount as demanded within the period expired, the financial institution may, without the intervention of any court, sell the mortgaged property or any part thereof by public auction.

Despite above provisions, following outstanding recoveries as detailed para-wise below were noticed:-

(a) **PARA-44 (A) NON-RECOVERY OF LOANS FROM THE DEFAULTERS**
OF TIME EXPIRED CASES -RS.2.554 BILLION

The Audit further pointed out that in HBFC (Head Office), a heavy amount of Rs.2.851 billion was outstanding as on December 31, 2006 against 22,659 defaulters of time expired cases (15 to 20 years old) as detailed below, which indicates loose internal controls:-

(Rs. in million)

S.No.	Scheme	No. of cases	Outstanding amount
1	IBS	2,591	260.050
2	PLS	9,092	1,057.990
3	SS	10,976	1,533.290
	Total:	22,659	2,851.330

The PAO informed that it is ongoing process of loaning and recovery and the amounts are being recovered gradually.

PAC DIRECTIVE

The Committee settled the paras 44 & 44(a) subject to verification of recovered amount by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

19. **PARA-44 (B) (ARPSE-2007-2008) PAGE-82**
NON-RECOVERY OF DECREED AMOUNT OF RS.100.032 MILLION

The Audit pointed out that in House Building Finance Corporation (HBFC), an amount of Rs.161.614 million was outstanding against 1,697 court decreed cases as on December 31, 2006 which depicts inadequate recovery action by the management.

The non-recovery was pointed out to the management in November 2007 and referred to the Ministry in December 2008. The management in its reply in December 2007 stated that pace of recovery was improved significantly and in remaining 605 cases only amounting to Rs.93.160 million were left to be recovered.

The PAO informed that as a result of fruitful efforts, 1679 cases have been settled up till 31-07-2015. Only 18 cases involving an amount of Rs.6.984 million is still outstanding.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovered amount by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

20. **PARA-44 (C) (ARPSE-2007-2008) PAGE-82**
NON-RECOVERY FROM THE DEFAULTERS UNDER VARIOUS SCHEMES - RS. 27.556 MILLION

The Audit pointed out that House Building Finance Corporation (HBFC) sanctioned loans to a large number of parties under Simplified Scheme (SS), New Simplified Scheme (NSS), Shandar Ghar Scheme (SGS) and Ghar Aasan Scheme (GAS) during the years 1995-97, 2004-06 and 2005-06 as per details shown below, however, the management could not recover the outstanding balance from the borrowers which indicates loose internal controls:-

(Rs. in million)

Scheme	Amount disbursed	Last amount received	Default amount	Outstanding balance
Simplified Scheme (SS)	3.001	0.108	4.537	7.860
New Simplified Scheme (NSS)	7.101	0.257	3.367	18.080
Shandar Ghar Scheme (SGS)	-	-	2.355	2.355
Ghar Aasan Scheme (GAS)	1.690	-	0.284	2.292
Total:	11.79	0.3	10.543	30.587
	2	65		

The PAO informed that out of 87 cases, a total of 61 cases have been settled/closed after recovery of Rs.23.50 million. Only 26 housing loan cases are outstanding involving remaining recovery of Rs.12.655 million, which includes Principal amount of Rs.5.280 million and Mark-up Rs.7.375 million.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovered amount by the Audit and directed the PAO to make efforts for the recovery of remaining amount.

21. **PARA-45.2 (ARPSE-2007-2008) PAGE-86**

The Audit pointed out that as on June 30, 2007, total liabilities stood at Rs.37.544 billion (2005-06; Rs.36.167 billion) against assets of Rs.9.424 billion (2005-06; Rs.8.132 billion) resulting in negative net worth of Rs.28.120 billion (2004-05 ; Rs.28.035 billion). The accumulated losses of Rs.28.979 billion had eroded share capital and reserve fund of the organization. Corrective measures are required to eliminate accumulated losses and to make the Bank a viable concern.

The PAO informed that the Bank had not made any loss after 2007 and this year the profit would be 900 million approximately.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to revisit the restructuring of IDBP and report to the Committee.

22. **PARA-47 (ARPSE-2007-2008) PAGE-87**
NON-RECOVERY AGAINST A DECREED CASE OF LOAN DEFAULT –
RS.8.291 MILLION

The Audit pointed out in Industrial Development Bank of Pakistan (IDBP), Head Office, a loan of Rs.3.400 million was sanctioned to a firm, M/s. Jakhriani Flour Mills (Pvt.) Limited in September 1993 under SBP Scheme for replacement and expansion of their unit at Jacobabad. As a result of default in the repayment of loan, a decree of Rs.8.291 million was issued by Sindh High Court in September 2001 in favour of IDBP. However, the management could not realize the decreed amount despite lapse of seven years. The non-recovery was pointed out to the management in April 2008 and referred to the Ministry in November 2008. The management in its reply in May 2008 stated that the captioned case was decreed and was under possession of the Bank. They also added that because of tribal status of the borrower in the locality, no person came forward either under auction or negotiation, therefore, the settlement of Bank's liability remained hanged on.

The PAO stated that Rs.4.475 Million has been recovered against disbursed/principal amount of Rs. 3.200 Million in this case and no further recovery is possible as the total amount recovered was the result of out of court settlement in this case

PAC DIRECTIVE

The Committee settled the para.

23. **PARA-50 (ARPSE-2007-2008)PAGE-91**
IRREGULAR /UNJUSTIFIED EX-GRATIA PAYMENT - RS.39.717 MILLION

The Audit pointed that Pakistan Security Printing Corporation (PSPC), made following payments of bonus and ex-gratia during the period October 2006 to December 2007:-

S. No.	Payee	Amount paid (Rs. in million)		
		Ex-gratia	Bonus	Total
1.	Managing Director	2.500	1.600	4.100
2.	Officers	13.319	22.298	35.617
	Total:-	15.819	23.898	39.717

The payment of bonus/ex-gratia to officers required concurrence of Finance Division which was not obtained by the management, whereas the payment to the Managing Director was not admissible at all. The irregularity was pointed out to the management on April 14, 2007 & November 24, 2008; and referred to the Ministry on December 13, 2008. The management in its reply dated January 09, 2009 stated that the Board of Directors under Companies Ordinance was empowered to approve the expenditure as per powers vested under the Company Law.

The PAO informed that the payments, including bonus/ex-gratia to Ex. MD had been approved by the BOD being the competent forum.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to personally look into the matter and inform the Committee about its outcome within 30 days.

24. **PARA-52 (ARPSE-2007-2008) PAGE-94**
NON-RECOVERY/ADJUSTMENT OF LOANS OUTSTANDING AGAINST
GOVERNMENT AND PRIVATE SECTOR FINANCIAL INSTITUTIONS -
RS.15.663 BILLION

The Audit pointed that in State Bank of Pakistan (SBP), an amount of Rs.216.583 billion was lying outstanding as on June 30, 2006 on account of loans and advances to the Government owned and Private Sector owned financial institutions under the categories of Agriculture, Industry, Export, Housing and others.

The non-recovery was pointed out to the management on July 23, 2007 and referred to the Ministry on March 27, 2008. The management in its reply dated April 21, 2008 stated that loans and advances disbursed and repaid under the usual course of time were not problematic but overdue loans were matter of concern. They added that the outstanding balance of Rs.16.144 billion was stuck up. The management in its further reply in March 2009 stated that the outstanding overdue amount was Rs.15.663 billion as on December 31, 2008. The PAO informed that the process for conversion of HBFCL over due credit lines into its equity would be concluded once business plan and fair evaluation exercise is finalized by the HBFCL.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to personally look into the matter and inform the Committee about the solution to resolve the matter within 30 days.

PARAS RECOMMENDED FOR PURSUANCE AT DAC LEVEL

25. i. **PARA-44 (D)(ARPSE-2007-2008) PAGE-83**
NON-RECOVERY OF HOUSING LOANS FROM THE DEFAULTERS -
RS.6.404 MILLION
- ii. **PARA-45.3 (ARPSE-2007-2008) PAGE-86**
- iii. **PARA-48 (ARPSE-2007-2008) PAGE-88**
NON-RECOVERY OF ADVANCES OUTSTANDING AGAINST EX-
EMPLOYEES – RS.1.804 MILLION
- iv. **PARA-49.2 (ARPSE-2007-2008) PAGE-91**
- v. **PARA-51.2 (ARPSE-2007-2008) PAGE-94**
- vi. **PARA-53 (ARPSE-2007-2008) PAGE-95**
IRREGULAR CONTRACT APPOINTMENT OF AN EXECUTIVE WITH
UNDUE SALARY PACKAGE OF RS.13.766 MILLION PER ANNUM

PAC DIRECTIVE

The Committee recommended the above mentioned 6 paras for pursuance at DAC level and report to the Committee.

COURT CASES

- 26. i. **PARA-46 (ARPSE-2007-2008) PAGE-86**
NON-RECOVERY OF DUES FROM A DEFAULTING BORROWER -
RS.23.917 MILLION
- ii. **PARA-48 (ARPSE-2007-2008) PAGE-88**
NON-RECOVERY OF ADVANCES OUTSTANDING AGAINST EX-
EMPLOYEES – RS.1.804 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned two paras due to sub-judice in nature.

PARAS RECOMMENDED FOR SETTLEMENT/DELETION BY DAC

- 27. i. **PARA-42 (ARPSE-2007-2008)PAGE-79**
- ii. **PARA-42.1 (ARPSE-2007-2008) PAGE-79**
- iii. **PARA-42.2 (ARPSE-2007-2008)PAGE-80**
- iv. **PARA-45 (ARPSE-2007-2008) PAGE-85**
- v. **PARA-45.1 (ARPSE-2007-2008) PAGE-85**
- vi. **PARA-49(ARPSE-2007-2008) PAGE-90**
- vii. **PARA-49.1 (ARPSE-2007-2008) PAGE-90**
- viii. **PARA-49.3 (ARPSE-2007-2008) PAGE-91**
- ix. **PARA-51(ARPSE-2007-2008) PAGE-93**
- x. **PARA-51.1 (ARPSE-2007-2008) PAGE-93**

PAC DIRECTIVE

The Committee recommended the above mentioned 10 paras for settlement on the recommendation of Audit.

MINISTRY OF FOREIGN AFFAIRS
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Foreign Affairs was examined by the PAC on 28th August, 2015.

- 17 paras with some clubbed sub-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.

MINISTRY OF FOREIGN AFFAIRS

ACTIONABLE POINTS

PAC MEETING: 28-08-2015

MINISTRY OF FOREIGN AFFAIRS **AUDIT REPORT YEARS 2007-08**

1. **PARA-1, PAGE-1 AR (2007-08)**
UN-AUTHORIZED RE-APPROPRIATION OF FUNDS RS. 52.258 MILLION

The Audit pointed out that as per instructions contained in Sl. No. 11 (A) (iv) of Revised System of Financial Control and Budgeting 2006, neither Ministry nor the FA wing is competent to re-appropriate funds from, to, or within employees related expenses and utility charges. However, FA wing may submit such proposals to AFS (E), Ministry of Finance for approval.

In violation of above instructions, the Ministry of Foreign Affairs has re-appropriated an amount of Rs 52.258 million from restricted heads without seeking approval of AFS (E) which resulted in an un-authorised expenditure.

The PAO informed the Committee that it was decided in DAC, the case should be sent to Finance Division for regularization.

PAC DIRECTIVE

The Committee settled the Para subject to regularization of the amount from the Finance Division and its further verification by the Audit.

2. **PARA-2, PAGE- 1 AR**
UN-AUTHORISED EXPENDITURE OF RS 3.402 MILLION

The Audit pointed that as per existing procedure, Ministry of Foreign Affairs moved a summary (on each occasion) to the Prime Minister for approval regarding grant of status of state guests to foreign delegates. While going through the record/vouchers, it was noticed that ten delegations visiting Pakistan were provided accommodation as state guests at a cost of Rs 3.402 million, without approval of the Prime Minister. As such the whole expenditure was un-authorised.

The PAO informed the committee that it was decided in DAC meeting that the approval of Prime Minister should be provided to Audit within one week.

PAC DIRECTIVE

The Committee recommended the Paras for settlement subject to the provision/obtaining approval to authorize the expenditure from the competent authority.

3. **PARA-6, PAGE- 4 AR**
NON-RECOVERY/ADJUSTMENT OF PAY AND ALLOWANCES, TA/DA, HBA
WORTH Rs. 29.406 MILLION

The Audit pointed out that as per Para 269 of GFR, Vol-I, adjustment of advances drawn by employees is required to be made upon return 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.

During audit of the accounts of the Ministry of Foreign Affairs, it was observed that recoveries of Rs 1.358 million on account of non deduction of house rent charges, overpayment of pay & allowances, TA/DA, House Building Advance and telephone charges etc. as pointed out during 2006-07 were not effected from the concerned officials., as detailed below:

Sl. No.	Formations & Period of AIR	Para No.	Amount recoverable		No. of persons
			Foreign Currency US\$	Rs	
1.	MOFA (HQ) 2006-07	25		403,782	21
		49		169,190	1
		50	8499.74	696,979	1
		43(A)		245,140	3
		75		18,697,000	122
		76		1,330,461	15
		48		2,493,021	10
		66		5,093,693	9
2.	MOFA, Camp Office Peshawar 2007-08	1	231.15	76,942	1
		2		11,960	1
		3		188,668	1
Total				29,406,836	185

PARA-49 MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to recovery of balance amount of Rs. 40,294.

PARA-50 MOFA (HQ) 2006-07

DAC recommended that relevant record be provided to Audit for verification.

PARA-43(A) MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification.

PARA-75 MOFA (HQ) 2006-07

DAC recommended the Para for settlement in 82 cases subject to verification of adjustment within one week and directed to get the advances adjusted in remaining 30 cases.

PARA-76 MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification of adjustment within one week.

PARA-48 MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification of adjustment / recovery already made and directed to effect recovery in remaining 06-cases.

PARA-66 MOFA (HQ) 2006-07

CAO informed the DAC that recovery of HBA has been made from the salary of officers. DAC recommended the Para for settlement subject to verification of broad sheets available in CAO office within 03-days.

PARA-1,2 & 3 CAMP OFFICE PESHAWAR 2007-08

While discussing the recovery/adjustment cases of late Mr. Saifullah Marwat, Ex-DCP the Ministry also brought to the notice of DAC and another similar case of late Syed Qaisar Hussani, Ex-Superintendent.

DAC recommended that recovery/adjustment in respect of the deceased officer/officials may be got written off with the approval of Finance Division.

DEPARTMENTAL REPLY 19.08.2015

PARA-25 MOFA (HQ) 2006-07

Out of Rs. 549,854 due from 26 officials, recovery of Rs. 412,528 from 17 officials at sl.No. 1,2,4,5,6,9,10,12,13,14,15,17,19,20, 23 & 26 has been made. Remaining 09 officers/officials are being pursued for recovery.

PARA-49 MOFA (HQ) 2006-07

The recovery from the official is in process @ Rs. 2,014 per month and upon completion will be intimated to Audit.

PARA-50 MOFA (HQ) 2006-07

The TA/DA bill of the officer had been adjusted and settled by the Chief Accounts Officer. Matter was referred to Audit on 30.06.2015 for settlement of Para. In response, Audit has desired to provide the detailed documents on account of which TA/DA bill of the officer was settled. The Chief Accounts Officer and Finance Directorate have been requested to provide the requisite documents to Audit for scrutiny. Response is awaited.

PARA-43(A) MOFA (HQ) 2006-07

The adjustment/recovery from all the officers has been made and got verified by Audit and recommended the Para for settlement.

PARA-75 MOFA (HQ) 2006-07

Adjustment in 83 cases, out of 112 cases has been made and confirmed by the Chief Accounts Officer. The CAO's adjustment has been provided to Audit and verified. However, settlement certificate from Audit is awaited. Remaining 29 cases are being pursued for adjustment.

PARA-76 MOFA (HQ) 2006-07

The adjustment in all case have been made and verified by Audit. The Para has been recommended for settlement by Audit.

PARA-48 MOFA (HQ) 2006-07

Out of 12 officials, Para in respect of 04 at sl No.4,9, 10 & 12 has already been settled by audit. Recovery from 3 officials at Sl. No 3,5& 6 has also been made and referred to the CAO for confirmation. Remaining 5 officials have either dismissed from service or retired, however, they are being pursued for adjustment/recovery.

PARA-66 MOFA (HQ) 2006-07

Out of 10 cases, recovery from 6 has been completed and verified by Audit and in remaining 4 cases recovery is being made regularly from the pay and verified by Audit.

DAC may recommend the par for settlement.

PARA-1, 2 & 3 CAMP OFFICE PESHAWAR 2007-08

The officer Mr. Saifullah Marwat has expired. Personnel Directorate and CAO have confirmed that the legal heirs of officer did not claim his pension/commutation so far. The case for write off has been initiated by Personnel Directorate. Outcome will be intimated accordingly.

PAC DIRECTIVE

The Committee settled the Para 6 along-with all clubbed sub-paras subject to recovery of remaining amount and verification by the Audit.

4. **PARA-7, PAGE- 5 AR**
LESS DEDUCTION OF INCOME TAX AND PAYMENT OF GST WITHOUT INVOICES Rs. 2.871 MILLION

The Audit pointed out that under section 153 of Income Tax Ordinance 2001, Income Tax @ Rs.3.50% and 5% on the sale of goods and rendering of services is required to be deducted at source from the supplier

Scrutiny of record revealed less deduction of Income Tax from different vendors etc. as tabulated below:

Formation	Para No	Name of travel agents & Vendors	Amount Rs
ICFM 2006-07	9	Hotels	414,748
ICFM 2006-07	10	M/s Shirazi Trading, lbd	306,530
Total			721,278

Moreover as per Para-23 of Sales Tax Act 1990, a registered person making a taxable supply shall issue a serially numbered tax invoice at the time of supply of goods containing the name, address and registration number of the supplier, amount of sales tax and value inclusive of tax.

In violation of the aforementioned clause of Sales Tax Act, Ministry of Foreign Affairs purchased misc. items but 15% GST was charged without production of sales tax invoice as detailed below:

SI. No.	Formation	Para No.	Amount Rs
1	MOFA (HQs) 2005-06	55	130,500
		121(1)	159,225

2	MOFA (HQs) 2006-07	36	325,000
3	ICFM 2006-07	3	52,500
		20	1,482,612
Total			2,149,837

DAC MINUTES HELD ON 07.07.2015
PARA-9 ICFM 2006-07

CAO informed the DAC that payments are always made after deduction of taxes as per rules. DAC directed the CAO to scrutinize the record to confirm/verify the fact that income tax was deducted correctly and Protocol Division in coordination with CAO to get the record verified by Audit within one week.

PARA-10 ICFM 2006-07

CAO informed the DAC that payments are always made after deduction of taxes as per rules. DAC directed the CAO to scrutinize the record to confirm/verify the fact that income tax was deducted correctly and Protocol Division in coordination with CAO to get the record verified by Audit within one week.

PARA-55 & 121 (1) MOFA (HQ) 2005-06

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfillment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. GS Directorate in coordination with CAO to get the record verified by Audit within one week.

PARA- 36 MOFA (HQ) 2005-06

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfillment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. GS Directorate in coordination with CAO to get the record verified by Audit within one week.

PARA-3 ICFM 2006-07

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfillment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. Protocol Division in coordination with CAO to get the record verified by Audit within one week.

PARA-20 ICFM 2006-07

CAO informed the DAC that payments are always made after proper pre-audit and ensuring fulfillment of requirements regarding income tax and GST. DAC directed the CAO to scrutinize its record to confirm/verify the fact that GST invoices were available with the bills. Protocol Division in coordination with CAO to get the record verified by Audit within one week.

DEPARTMENTAL REPLY 19.08.2015

PARA-9 ICFM 2006-07

The CAO and Protocol have been requested to intimate latest status of recovery of income tax from the service providing firms. The response is awaited.

PARA-10 ICFM 2006-07

The record has been verified by Audit and recommended the Para for settlement.

PARA-55 & 121 (1) MOFA (HQ) 2005-06

GS Directorate has informed that matter has been taken up with concerned firms on 05.08.2015. Outcome will be intimated accordingly.

PARA- 36 MOFA (HQ) 2005-06

GS Directorate has informed that matter has been taken up with concerned firms on 05.08.2015. Outcome will be intimated accordingly.

PARA-3 ICFM 2006-07

Protocol Division has again approached NADRA for settlement of issue. Response is awaited.

PARA-20 ICFM 2006-07

The GS and Protocol Division have been requested to approach the firms for recovery of GST. Response is awaited.

DAC HELD ON 20.08.2015

DAC directed the Ministry to ask the concern hotels / firms to provide Income Tax returns of that year where the tax already paid otherwise recovery be made from all concerned. DAC considered the Para-10 of ICFM 2006-07 for settlement after verification of tax return of M/s Shirazi Trading Co.

PAC DIRECTIVE

The Committee pended the Para 7 along with all clubbed sub paras and directed the PAO to hold a fact finding inquiry, fix responsibility and take action under E&D Rule within 60 days under intimation to PAC.

5. **PARA-9, PAGE- 7 AR**
NON-ACCOUNTAL / NON-PROVISION OF RECORD PERTAINING TO
PROCUREMENT OF ASSETS Rs. 73.412 MILLION

a) The Audit pointed that according to Paras 146,159 & 160 of GFR Vol-I and Rule 12 of PPR 2004, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, keeping them in good and efficient conditions for protecting them from loss, damage or deterioration. An inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number received, the number disposed of (by sale or loss) and the balance in hand for each kind of article.

During the audit of stores of the Ministry, the following irregularities were noticed:

- i. The store was being handled by a Naib Qasid.
- ii. The Stock Register for the period 2001-07 was found incomplete. The assets amounting to Rs. 93.790 million were procured during 2004-05 to 2006-07 but stores valuing Rs. 26.144 million only were entered in the Stock Register.
- iii. Physical verification of the assets was not carried out during the whole period. As a result the Ministry was unable to determine the quantity, value and location of its assets.

b) It was further noticed that the Ministry had incurred a sum of Rs. 3.809 million on purchase of physical assets during 2006-07. On the invoice, entry of stock register was made, but actually no entry of the specific items was found at that specified page. Since receipt of valuable stock items could not be confirmed under the above circumstances, as such the expenditure worth Rs. 3.809 million was held doubtful.

PARA- 33 MOFA 2006-07

The record has been verified and Para recommended for settlement by Audit.

PARA- 68 MOFA 2006-07

The record has been verified and Para recommended for settlement by Audit.

PAC DIRECTIVE

The Committee pended the Para 9 along with all clubbed sub paras with the direction to trace/construct the record within 90 days and get it verified from

Audit. The Committee directed the PAO to hold an inquiry/verify the disposal of issue from the Audit.

6. **PARA-10, PAGE- 8 AR**
UN-AUTHORIZED MAINTENANCE OF FOUR BANK ACCOUNTS WITHOUT APPROVAL OF GOVERNMENT

The Audit pointed out that according to Para 17 of GFR Vol-I and Section 14 of Auditor General's Ordinance 2001, it is the responsibility of every departmental officer to provide auditable documents/record for audit scrutiny.

It was observed that the Ministry has been maintaining following four (04) Bank Accounts without the approval of the Finance Division.

Sr. No	Title of account	Bank
1	Central fund for Pak community welfare	Habib Bank Foreign Affairs Branch
2	Donation from Kuwait for ICFM	Habib Bank Foreign Affairs Branch
3	Offshore Account	UBL, Dubai
4	Building Donated Fund	Abu Dhabi

The PAO informed the Committee that as decided in DAC the Ministry will provide the approval of Finance Division for opening of Account titled, Central Welfare Account in HBL, Islamabad within one week.

PAC DIRECTIVE

The Committee recommended the Para for settlement with the direction to PAO to look into the matter personally, hold an inquiry and take action against the officers/officials responsible as deemed fit under intimation to PAC within 60 days.

7. **PARA-11, PAGE- 9 AR**
EXPENDITURE ON PURCHASE OF GIFTS AMOUNTING TO RS 24.399MILLION

The Audit pointed out that in terms of Para VI of Ministry of Foreign Affairs letter No. DG (M & F)-25/2004 dated 3.8.2004 regarding Financial Management of Protocol Division, list of gifts given to foreign dignitaries/missions will be submitted to Foreign Secretary by Chief of Protocol through DG (M & F).

Contrary to the above provision, it was observed that Ministry incurred a sum of Rs 24.399 million on purchase of gifts for Prime Minister/President visits abroad during 2006-07.

PARA-69 & 70 MOFA 2006-07

DAC recommended the Para for settlement subject to verification of record regarding purchase and distribution of gifts by the Protocol Wing.

PARA-69 & 70 MOFA 2006-07

The record has been verified by Audit and recommended the Para for settlement.

DAC MINUTES HELD ON 20.08.2015

PARA-65: DAC directed the Ministry to provide ex-post-facto approval / emergency certificate from PAO to Audit.

PARA-69 & 70: In view of provision of record and verification by audit DAC recommended the Paras for settlement.

PAC DIRECTIVE

The Committee settled the Para subject to provision of emergency certificate by the PAO in case of Para 65. Paras 69&70 were settled on the recommendations of the DAC.

8. **PARA NO. 12, PAGE- 9AR-12**
NON PRODUCTION OF RECORD

The Audit pointed out that under clause 7 and 8 of the Auditor General's (Function, powers and Terms /conditions of service) Ordinance 2001, the audit of receipt and expenditure rests with the Auditor General of Pakistan. Moreover, under section 14(c) of the Auditor General's Ordinance 2001, he may call for such information as he may require for purpose of the audit and the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with request for information in as complete form as possible and with all reasonable expedition.

The PAO informed that as decided in the DAC meeting the case for the legal opinion regarding utilization of Kuwait donation fund will be sent to Ministry of Law.

PAC DIRECTIVE

The Committee directed the PAO to provide complete record to the Audit for conducting special Audit in this case.

9. **PARA-13, PAGE- 10 AR**
PAYMENT WITHOUT MAINTAINING MEASUREMENT BOOKS FOR WORK
COSTING RS 135.792 MILLION

The Audit pointed out that in terms of Para 209-211 of Central Public Works Account Code, all work done by the contractors were required to be measured and recorded in the Measurement Books for payment to the contractors, being a permanent record.

The Project Director, High Security Block in Ministry of Foreign Affairs, Islamabad allowed payments to the contractor amounting to Rs 135.792 million upto 21st Interim payment certificate but no measurement, as required under the rules, was made in the Measurement Books. This resulted into non-maintenance of necessary accounting record and irregular payment of Rs 135.792 million. Under the above conditions, possibility of duplication of payment for work done by the contractor cannot be ruled out. Moreover, quality of work done cannot be vouched in the absence of Measurement Book

In response to the audit observation, consultant M/s NESPAK stated that the operating contract was not based on conditions of Central Public Works and was being operated under FIDIC conditions of contract, according to which certified payments to the contractor included details of measurements of the completed work items.

PAC DIRECTIVE

The Committee pended the Para and directed the PAO to look into the matter, point out the officer who had issued the NOC and provide the record/NOC to the Audit for verification and report to Committee within 60 days.

10. **PARA NO. 14, PAGE-11AR**
NON-RECOVERY OF WATER AND ELECTRICITY CHARGES RS 8.775
MILLION

The Audit pointed out that the Ministry of Foreign Affairs awarded contracts for civil work and air conditioning of High Security Block at Ministry of Foreign Affairs to two different contractors. According to Special provision No.15.3.1 and 2 of the agreement, both the contractors were required to make necessary arrangements for water and electricity services in connection with the installation, operation and removal thereof and pay the cost of electricity and water consumed by all trades. In case of failure to get temporary electricity connection, a power generating set was to be furnished at sight to the satisfaction of the Engineer-in-Charge. On completion of the works the temporary water services equipments and piping was to be removed by the contractor at his own expense.

PARA-84 (WATER) MOFA (HQ) 2006-07

DAC recommended the Para for settlement subject to verification of record by the SP Directorate regarding documentary evidences to the fact that the water arrangements was made by the Contractor himself.

PARA-91 MOFA (HQ) 2006-07

DAC directed that all record regarding agreement / correspondence be provided to Audit for verification by the SP Directorate.

PARA-84(WATER) MOFA (HQ) 2006-07

In compliance to DAC directives, the receipts of payments and relevant record was provided to Audit by SP(Division) vide letter No. SP/Audit/2015/04 dated 22.07.2015 for settlement of Para. However, Audit has desired to provide further evidences. The Special Project Division has been requested to approach the Contractor and provide evidences/documents required by Audit. Response is awaited.

PARA-91 MOFA (HQ) 2006-07

In compliance to DAC directives, relevant record was provided to Audit by SP(Division) vide letter No. SP/Audit/2015/02 dated 23.07.2015 for settlement of Para. Audit accepted the plea regarding water charges and desired that recovery of electricity charges be effected or evidence to the effect that electrify was arranged by the Contractor be provided. The Special Project has been requested to effect recovery or provide evidence. Response is awaited.

PAC DIRECTIVE

The Committee pended the Para 14 along with all clubbed sub paras and directed the PAO that the final payment to the contractor should not be made until the full recovery of remaining amount and its verification by the Audit.

11. **PARA-15, PAGE- 12 AR-NON-RECOVERY OF INCOME TAX AMOUNTING TO RS 0.918 MILLION**

The Audit pointed that according to Income Tax Ordinance, 2001, Income Tax @ 6 % was required to be deducted from each payment made to the contractor on account of work done or services rendered.

The Project Director, High Security Block made advance payments for Rs 18.900 million and Rs 15.300 million vide NBP cheque No. 229218 and No.0001392 dated 15.04.2008 respectively to the contractor on account of purchase of cooling towers for installation of HVAC system at the High Security Block. But Income Tax as required under the rules was not deducted. This resulted into non-recovery of Income Tax amounting to Rs 2.052 million.

DAC HELD ON 20.08.2015

DAC recommended the Para for settlement subject to provision of copies of cheques of income tax issued in the name of ITO by the CAO to Audit.

PAC DIRECTIVE

The Committee settled the Para subject to provision of copies of cheques and their verification by the Audit.

PARAS RECOMMENDED FOR SETTLEMENT

12. i. **PARA-3, PAGE- 2 AR**
NON ADJUSTMENT OF ADVANCES AMOUNTING TO US\$ 18,000 (RS 1.44 MILLION)
- ii. **PARA-4, PAGE- 2 AR**
NON-ADJUSTMENT OF ADVANCES AMOUNTING TO RS 67.896 MILLION
- iii. **PARA-5, PAGE- 3 AR**
DOUBLE PAYMENT OF HONORARIUM WORTH RS 757,010
- iv. **PARA-8, PAGE- 6**
AR UN-AUTHORIZED REPAIR OF OFFICE BUILDING AMOUNTING TO RS 1.244 MILLION.
- v. **PARA-16, PAGE- 12 AR**
NON-INSURANCE OF WORKS COSTING RS 120 MILLION AND RECOVERY OF PREMIUM OF RS 1.2 MILLION @ 1 % OF CONTRACT COST.
- vi. **PARA-17, PAGE- 13 AR**
IRREGULAR EXPENDITURE ON LIGHT REFRESHMENT AMOUNTING TO RS 1.080 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 6 Paras on the recommendations of Audit.

MINISTRY OF HOUSING & WORKS
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Housing & Works was examined by the PAC on 1st July, 2014 and 14th October, 2015.

- 30 paras were presented by the Audit Department which were examined by the Committee. Out of which 09 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.

MINISTRY OF HOUSING & WORKS

ACTIONABLE POINTS

PAC MEETING: 01-07-2014

AUDIT REPORT 2007-08

MINISTRY OF HOUSING AND WORKS

PAK PWD

1. i. **PARA NO. 5.1.1**
EXCESS EXPENDITURE ABOVE APPROVED COST – RS. 80.2
MILLION

The Audit pointed out that the Executive Engineer, Central Civil Division, Pak. PWD, Sukkur incurred an expenditure of Rs. 93.8 million up to June 2006 on a scheme construction of industrial labour colony at Deharki against technical sanctioned estimate / NIT cost of Rs. 11.8 million. This resulted in excess expenditure of Rs. 80.2 million over and above the permissible limit (93,792,397 – 11,797,700 + 15%).

The department informed the Committee that in compliance of the last DAC's directive dated 28.02.2014, a fact finding inquiry had been conducted in which the Inquiry Officer found that no loss was sustained by Government and the work stood completed and handed over to the client department. The D.G, Pak. PWD further informed that irregularity for changing the scope of work found was committed and Charge Sheet has been framed against the Officers concerned who committed the irregularity. The PAO did not agree with the fact finding Committee observation and termed it irregularity on the part of the officers involved.

ii. **PARA NO. 5.1.2**
IRREGULAR ENHANCEMENT IN SCOPE OF AWARDED WORK - RS.
36.1 MILLION

iii. **PARA NO. 5.1.4**
IRREGULAR/EXTRA EXPENDITURE – RS. 9.2 MILLION

iv. **PARA NO. 5.4**
IRREGULAR RELEASE OF SECURITY DEPOSIT - RS. 7.6 MILLION

The Audit pointed out that the Executive Engineer, Central Civil Division, Pak. PWD, Sukkur released the security deposit of the work during the currency of contract when only 40 out of 300 houses were handed over. This resulted in irregular release of security deposit for Rs. 7.6 million

PAC DIRECTIVE

The Committee clubbed the above four paras and directed the PAO to conduct inquiry in the above said cases by fixing responsibility and take action under E & D Rules and a report thereof be furnished to the Committee within 40 days.

2. i. **PARA NO. 5.1.3.1**
IRREGULAR EXECUTION OF WORKS – RS. 30.708 MILLION

The Audit pointed out that the Executive Engineer, Store & Workshop Division, Pak. PWD, Islamabad and Central Civil Division-IX, Pak. PWD, Karachi started works without sanction of technical estimate. This resulted in irregular execution of work for RS. 30.7 million.

The matter was discussed in the DAC meeting held on 13.06.2014 wherein the department informed that in compliance of last DAC's directive dated 28.02.2014, technical sanction had been revised and warning issued to the Executive Engineers concerned on account of procedural lapse.

ii. **PARA NO. 5.1.3.2**
IRREGULAR EXECUTION OF WORKS – RS. 8.7 MILLION

The Executive Engineer, Central Electrical/Mechanical Division, Pak. PWD, Peshawar awarded a work in June 2006 without approval of technical sanctioned estimate by competent authority. This resulted in irregular award of work for Rs. 8.7 million.

The matter was discussed in the DAC meeting held on 13.06.2014 wherein the department informed that in compliance of last DAC's directive dated 28.02.2014, technical sanction had been got revised.

iii. **PARA NO. 5.2**
BLOCKADE OF DEVELOPMENT FUNDS - RS. 55.3 MILLION

The Audit pointed out that the Executive Engineer, Project Civil Division-III, Pak. PWD, Islamabad accounted for receipts of funds for Rs. 55.3 million on account of execution of a deposit work during 2006-07. The department could utilize only 2% of the funds during the year. The department retained 98% of the funds without execution plan and fulfillment of pre-requisite formalities. This resulted in undue blockade of development funds for Rs. 55.3 million.

The matter was discussed in the last DAC meeting held on 13.06.14 wherein it was found that the Funds amounting to Rs. 438.775 million out of Rs. 450.219 million have been utilized and work has been substantially completed on 31.08.2012, therefore, the para was recommended for settlement.

PAC DIRECTIVE

The Committee settled the above three paras.

3. i. **PARA NO. 5.3.1.1**
NON-RECOVERY OF RISK AND COST - RS. 9.6 MILLION

The Audit pointed out that the Executive Engineer, Central Civil Division, Pak. PWD, Sargodha Project Civil Division-III & IV, Islamabad and Central Civil Division, Hyderabad rescinded works under clause 3 (C) of contract agreements due to non-completion of works within stipulated period. The balance works were awarded to other contractors at risk and cost, but recovery of risk and cost from the defaulting contractors was not made. This resulted in non-recovery of Rs.9.6 million.

ii. **PARA NO. 5.3.1.2**
NON-RECOVERY OF RISK AND COST - RS. 4,017,443/-

The Audit pointed out that the Executive Engineer, Central Civil Division-II, Pak. PWD, Islamabad did not recover risk & cost charges amounting to Rs. 4 million from the defaulting contractor who left the work incomplete and his work was rescinded under clause 3(c). The balance work was awarded to another contractor. Differential of cost resulted in non-recovery of risk & cost charges amounting to Rs. 4 million.

The department informed the Committee that contractor had filed petition in the court of Senior Civil Judge Islamabad against the recovery and obtained interim injunction.

PAC DIRECTIVE

The Committee clubbed the above two paras and directed the PAO to provide details of award of contract and the details of registration of the contractor to the Committee before the next meeting.

4. i. **PARA NO. 5.3.2.1**
NON-RECOVERY OF RENT - RS. 1.430 MILLION

The Audit pointed out that the Executive Engineer, Federal Lodge-I & II, Karachi could not receive room rent in advance and even not at the time of departure of the occupants during the year 2006-07. This resulted in non-recovery of government dues of Rs. 1.4 million.

The department informed the Committee that in compliance of the last DAC's directive, matter had been taken up with the Administrative Departments of the defaulters' i.e. AGPR, National Assembly, Senate Secretariat & Election Commission of Pakistan for effecting recovery.

ii. **PARA NO. 5.3.2.2**
NON-RECOVERY OF RENT - RS. 4.228 MILLION

The Audit informed that the Executive Engineer, Central Civil Division-III, Pak. PWD, Islamabad could not realize the room rent from the occupants of various lodges. This resulted in non-recovery of Rs. 4.2 million.

The department informed the Committee that against the outstanding amount of Rs.4.2 million, a sum of Rs.2.9 million had been recovered and sum of Rs. 435,252/- pertained to Justice Ch. Abdul Razzaq, the then Chairman FST who was entitled for rent free accommodation. It was further informed that efforts were underway for remaining outstanding recovery.

PAC DIRECTIVE

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

5. **PARA NO. 5.5**
UNJUSTIFIED EXPENDITURE ON ELECTRIC CHARGES OF RESIDENTIAL COLONIES - RS. 6.000 MILLION.

The Audit pointed out that the Executive Engineer, Store & Workshop Division, Pak. PWD, Karachi incurred expenditure of Rs. 6 million on account of electric charges of pumping sets and individual electric connections of Government accommodations located at Jail Road and F.C Area, Karachi and charged the expenditure to the Government Funds instead of payment by occupants of the Residential Accommodations

The para was discussed in the last DAC meeting held on 13.06.14 wherein the department informed that M/S KESC had taken over the entire distribution network system from Pak.PWD and installed individual electric meters for electricity billing, hence, Pak.PWD was relieved of outstanding recovery which accumulated in the shape of arrears during the last two decades. The liabilities were taken over by KESC. It was also informed that Karachi water board supplied water up to underground tanks which were further distributed through pumping by Pak. PWD. Relevant record supporting the above facts had been got verified from Audit

PAC DIRECTIVE

The Committee settled the above para.

6. **PARA NO. 5.6.1**
i. **OVERPAYMENT TO CONTRACTOR DUE TO EXCESSIVE MEASUREMENT OF HARD ROCK ITEM -RS. 1.9 MILLION**

The para was discussed in the last DAC meeting held on 13.06.14 wherein it was observed that the requisite Fact Finding Inquiry had been conducted by the Department and report provided to audit. As per report no duplication in measurements was found and Measurement Books were verified by Audit.

- ii. **PARA NO. 5.6.2**
OVERPAYMENT DUE TO PREMIUM ON NON-SCHEDULED ITEMS - RS. 1.5 MILLION

The para was discussed in the last DAC meeting held on 13.06.14 wherein it was observed that the Premium on non-scheduled rates was allowed on the basis of recommendation by M/s NESPAK which also included deletion of the clause for escalation. The justification was accepted by the DAC and recommended the para for settlement

PAC DIRECTIVE

The Committee settled the above two (2) paras.

7. **PARA NO. 5.6.3**
OVERPAYMENT DUE TO ALLOWING EXTRA LEAD - RS. 826,229

The Audit pointed out that the Executive Engineer, Central Civil Division, Pak. PWD, Sukkur allowed rate of Rs. 349.35 % cft instead of Rs. 157.38 %cft for supply of earth. This resulted in overpayment of Rs. 826,229.

The para was discussed in the last DAC meeting held on 13.06.14 wherein the department informed that in compliance of the DAC's directive dated 28.02.2014, an amount of Rs.246,597/- had been recovered from the security deposit of the contractor, whereas efforts were underway for balance recovery of Rs. 579,702/-

PAC DIRECTIVE

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

8. **PARA NO. 5.6.4**
OVERPAYMENT DUE TO NON-REDUCTION OF RATE - RS. 416,140

The Audit pointed out that the Executive Engineer, Central Civil Division-VI, Khuzdar could not stock material obtained from blasting of soft / hard rocks. Moreover, full rate was allowed for the blasted material instead of 50%. This resulted in overpayment of Rs. 416,140.

The para was discussed in the last DAC meeting held on 13.06.14 wherein the department informed that in compliance of the last DAC's directive dated 28.02.2014, draft charge sheet had been framed against the responsible persons who failed to recover the amount from the contractor in time.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry in the matter by fixing responsibility and a report thereof be sent to the Committee within 40 days.

9. i. **PARA NO. 5.6.5**
OVERPAYMENT DUE TO ALLOWING INADMISSIBLE ESCALATION
ON STEEL - RS. 334,086.

The Audit informed that the Executive Engineer, Central Civil Division-VIII, Pak. PWD, Islamabad and Central Civil Division, Pak. PWD, D.I. Khan made payment of Rs. 581,754 on account of escalation of steel to the contractors whose works were awarded after deadline of 1st January, 2004. This resulted in overpayment of Rs. 581,754.

Ministry informed that as per decision of Departmental Accounts Committee an amount of Rs.148890/- has been recovered from M/S M. Rafique, Govt. Contractor and also remitted to DBA, Pak. PWD, Islamabad vide Bank Draft N0.65-16/0070526 dated 19-7-2012 for Rs, 148890/- and rest of recovery amounting to Rs, 185196/- is under process will be informed as and when completed.

ii. **PARA NO. 5.6.6**
OVERPAYMENT DUE TO ALLOWING HIGHER RATES - RS. 230,982

The Audit pointed out that the Executive Engineer, Central Civil Division-V, Pak. PWD, Karachi substituted the item of lead of 500 feet and allowed rate of Rs. 359 %cft. As the original item catered for all leads and lifts, further allowance of 500 feet was not due also in accordance with clause 12 of contract agreement which provided that all altered, additional work would be carried out at same rates as given in contract of main work. This resulted in overpayment of Rs. 230,982.

The DG Pak. PWD informed the committee that amount of Rs. 230,982/- has been recovered from contractor and got verified by Audit.

PAC DIRECTIVE

The Committee settled the above two paras subject to recovery and subsequent verification of record by Audit within 40 days.

10. i. **PARA NO. 5.7.1**
UNAUTHORIZED ACCEPTANCE OF BID - RS. 1.834 MILLION

Central Civil Division, Pak. PWD, D.I Khan was accepted the bid of Rs. 1.8 million on 7th March, 2005 against the technical sanctioned amount of Rs. 1.4 million. The bid was accepted 22% above the permissible limit of 15% of technical sanctioned estimate. This resulted in unauthorized acceptance of bid amounting to Rs. 1.8 million.

As the revised estimate has been technically sanctioned and verified by audit, therefore, the DAC recommended the para for settlement.

ii. **PARA NO. 5.7.2**
UNAUTHORIZED ACCEPTANCE OF BID – RS. 213,152/-

The Executive Engineer, Central Civil Division-III, Pak. PWD, Peshawar awarded the work at a premium of 77.25 % above the Notice Inviting Tender(NIT) amount of Rs. 916,781 in June 2007 for which technical sanction was approved by Superintending Engineer on 54% above. Acceptance of tender beyond the permissible limit over technical sanctioned estimate resulted in excess payment of Rs. 213,152/-

On the basis of revision of TS Estimates and its verification by audit, the DAC in its meeting held on 13.06.14 recommended the Paras for settlement.

PAC DIRECTIVE

The Committee settled the above two paras.

11. **PARA NO. 5.8**
EXTRA EXPENDITURE DUE TO ACCEPTANCE OF TENDER AT HIGHER RATES - RS. 1.2 MILLION

The Audit pointed out that the Executive Engineer, Central Civil Division-IV, Pak. PWD, Islamabad allowed 16% premium on non-schedule items based on prevailing market rates for which 25% overhead charges were already included in the analysis of rate. This resulted in extra expenditure of Rs. 1.2 million.

The para was discussed in various DAC meetings and lastly it was informed by the department that work was awarded and premium was allowed on Non-Schedule items due to market fluctuation. The Schedule of Rates was updated and adopted with effect from 01.07.2012.

PAC DIRECTIVE

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

12. **PARA NO. 5.9**
EXTRA EXPENDITURE DUE TO INCLUSION OF SAND ITEM OVER SUB-BASE - RS. 610,504

The Audit pointed out that the Executive Engineer, Central Civil Division, Pak. PWD, Bahawalpur included an item of supplying & spreading sand over sub-base. The item of sub-base was a complete item to cover the voids and there was no need to spread sand. This resulted in an extra expenditure of Rs. 610,504.

The departmental representative informed that the para was discussed in the last DAC meeting held on 13.06.14 wherein the department informed that in compliance of the last DAC's directive dated 28.02.2014, an amount of Rs.500,000/- had been recovered from the contractor.

PAC DIRECTIVE

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

13. **PARA NO. 5.10**
LOSS DUE TO ACCEPTANCE OF TENDER AT HIGHER PREMIUM -RS.
457,993

The Executive Engineer, Central Civil Division, Pak. PWD, Peshawar accepted the bid at 65% premium and got approved from Chief Engineer (North) against the permissible limits of 50% fixed by the tender accepting authority. This resulted in loss of Rs. 457,993.

The department apprised the Committee that the para was discussed in the last DAC meeting held on 13.06.14 wherein the department informed that lowest rate quoted in open bidding was accepted as market prices were increased after sanction of estimate in Budget 2006-07. The DAC accepted the view point of the department and recommended the para for settlement.

PAC DIRECTIVE

The Committee settled the para.

ESTATE OFFICE

14. **PARA NO. 5.11.1**
NON-RECOVERY OF OUTSTANDING RENT OF SHOPS, PETROL PUMPS
AND STORES - RS. 60.8 MILLION.

The Audit pointed out that the Estate Office, Karachi could not recover the outstanding rent of petrol pumps/ shops & stores up to June 2007. This resulted in non-recovery of rent amounting to Rs. 60.8 million.

It was informed that the para was lastly discussed in the DAC meeting held on 13.06.14 wherein the department informed that an amount of Rs.17,342,308/- and Rs.1,425,129/- had been recovered from shops and petrol pumps respectively. The amount of Rs.5,784,299/- related to sites at the disposal of Pak. PWD's Sports Federation. Moreover, out of 215 shops, occupants of only 78 were paying the monthly rent. Ejectment notices were issued to the defaulters but due to political influence and no go areas, Estate Office was unable to affect full recovery from the defaulters. It was further apprised to the Committee that the Standing Committee on Housing & Works had constituted a 04 member Sub-Committee to sort out the long outstanding issue.

PAC DIRECTIVE

The Committee expressed deep concern over the illegal occupation of government property worth millions of Rupees in Karachi and directed the PAO to:

- i) Provide details of properties in Karachi along with its rent and the status of recovery within 40 days.
- ii) Henceforth, the lease of the petrol pumps should not be extended rather they must be put for open auction under PPRA Rules.
- iii) Details of petrol pumps and its lease agreements be provided to the Committee within 40 days.
- iv) The bank account from Habib Bank be shifted to National Bank of Pakistan.
- v) The shops shall be vacated from the illegal occupants through Court of Law and a fortnightly progress report be sent to the PAO by the Estate Officer Karachi.

15. **PARA NO. 5.11.2**
NON-RECOVERY OF RENTAL CEILING FROM UN-AUTHORIZED
OCCUPANTS – RS. 10.4 MILLION.

The Audit pointed out that the Estate Offices, Islamabad and Karachi neither got vacated the government accommodations nor recovered the rental ceiling from the unauthorized occupants. This resulted in non-recovery of Rs. 10.4 million.

The department informed that the para was lastly discussed in the DAC meeting held on 13.06.14 wherein Department informed that as regards recovery from un-authorized occupants of Karachi, the Standing Committee of National Assembly on Housing & Works had constituted a 04 member Sub-Committee to examine and sort out the long outstanding issue, 1st meeting of the said committee was held on 22.05.2014 in which the issue was examined in detail and it was decided to hold another meeting with all stake holders to reach to a conclusion. The committee also decided not to eject any retired employee or families of deceased employees till final decision.

As regards recovery of Rs. 633,463/- relating to 02 retired Government officers of Islamabad, it was informed that the said house has been got vacated from Mr. Muhammad Rafique, Deputy Secretary retired (PM Secretariat) and efforts were under ways to recover the outstanding amount of rent of Rs. 513,863/- from him and Rs. 119,600/- from Mr. Khurshid Anwar, Deputy Secretary (Retired), Senate.

PAC DIRECTIVE

The Committee pended the para till completion of the final report of the National Assembly Standing Committee on Housing and Works.

16. **PARA NO. 5.11.3**
i. **NON-RECOVERY OF STANDARD RENT FROM NON-ENTITLED DEPARTMENT - RS. 3.9 MILLION**

The Audit pointed out that the Estate Office, Islamabad could not recover the rent from the allottees of the non-entitled department from July 2001 to June 2007. This resulted in non-recovery of Rs. 3.9 million.

The PAO informed that letters to the PAOs of Aviation Division and Information and Broadcasting has been sent last week with the request to deduct the house rent from their employees.

- ii. **PARA NO. 5.11.4**
NON-RECOVERY OF RENT OF GOVERNMENT QUARTERS - RS. 1.1 MILLION

The Audit pointed out that the Estate Office, Karachi could not recover rent of 30 quarters allotted and occupied by employees of Civil Aviation Authority (CAA), Karachi since long as nothing was posted in the rent card of that organization despite pointing out by Audit last year. This resulted in non-recovery of rent of Rs. 1.1 million.

PAC DIRECTIVE

The Committee directed the PAO to vigorously pursue the process of vacation of all non-entitled occupants with regard to the above two paras.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-10-2015

MINISTRY OF HOUSING & WORKS **AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08**

17. **ANNEXURE-I SERIAL NO. 5 NON SUBMISSION OF ACCOUNTS PAKISTAN HOUSING AUTHORITY (PHA)**

The Audit pointed that Pakistan Housing Authority was established under resolution of Cabinet Division dated May 19, 1999 and further reorganized by resolution of the Ministry of Housing and Works dated March 8, 2000. The main objectives of the Authority is to provide shelter to low income groups.

Audited Accounts of Pakistan Housing Authority for the year 2002-03 to 2006-07 was required to be provided to the Director General, Commercial Audit & Evaluation, Lahore by January 15, 2008. Despite repeated reminders the authority failed to provide the accounts on due dates.

The PAO informed that the accounts of the department had been finalized till 2012.

PAC DIRECTIVE

The Committee settled the para subject to verification of up-dated annual accounts of the department by the Audit as the PAO assured the Committee that the up-dated accounts till 2015 would be submitted to Audit for the verification within 60 days.

18. **PARA-68 & 68.1 NATIONAL CONSTRUCTION LIMITED (NCL)**

PAC DIRECTIVE

The Committee recommended the para for settlement on the recommendation of Audit.

19. **PARA-69 PAGE-130 ARPSE-2007-08 NATIONAL CONSTRUCTION LIMITED (NCL) BRIEF OF PARA, LOSS DUE TO NON-COMPLETION OF PROJECT WITHIN CONTRACT PERIOD-RS.6.309 MILLION.**

The Audit pointed that as per agreement dated October 14, 2003 the project was to be completed within 18 months of award of contracts.

The National Construction Limited (NCL) entered into an agreement with Azad Jammu & Kashmir Council, Sect-II Islamabad on 14-10-2003 for the construction of Directorate of Training & Hostel Building, Accounts Office & Income Tax Office Building and Residential Colony at Palandari. The cost of the project was Rs. 71.990 Million.

The Council issued the letter of commencement on 18-10-2003, and site was handed over on 02-01-2004. As such, the project was to be completed by July 2005. According to the client, The pace of work at site was very slow as only 6% work was executed up to the target date. A meeting was held on 30-07-2005 in the office of the Secretary, AJ&K Council to discuss the slow pace of work, grant of extension in completion period and mobilization advance. The MD NCL while

accepted the slow pace of work because of financial constraints, committed for early completion of the project.

The AJ&K Council Secretariat vide its letter dated 18-01-2006 stated that despite commitment the NCL failed to start work. The Council served a Legal Notice dated 04-02-2006 for cancellation of the contract as per clause 17.1 of the agreement due to slow progress of the work, i.e. 8.10%.

It was observed from the Profit & Loss Account of the project that NCL expended an amount of Rs 12.925 million on said project against which an amount of Rs 6.616 million was received. As the contract had been cancelled by the client, hence, the chances of recovery of remaining amount of Rs 6.309 million were remote. Thus, due to failure of NCL in completion of the project, the Company would sustain a loss of Rs 6.309 million.

PAC DIRECTIVE

The Committee referred the para for pursuance at DAC level.

MINISTRY OF INDUSTRIES & PRODUCTION
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Industries & Production was examined by the PAC on 12th March, 2014, 26th January, 2015 and 12th October, 2015.

- 66 paras were presented by the Audit Department which were examined by the Committee. Out of which 39 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.

MINISTRY OF INDUSTRIES & PRODUCTION

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 12-03-2014

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08 INDUSTRIES

NATIONAL FERTILIZER CORPORATION OF PAKISTAN (PVT.) LIMITED

1.
 - i. **PARA-85 & 85.1**
**LOSS OF RS.2.616 BILLION DURING THE YEAR 2006-07 AS
AGAINST THE NET PROFIT OF RS.525.460 MILLION IN THE PREVIOUS
YEAR.**
 - ii. **PARA-85.2**
**PROVISION OF FINANCIAL ASSISTANCE TO SUBSIDIARY
COMPANY AT LESSER RATE NFC INSTITUTE OF ENGINEERING AND

FERTILIZER RESEARCH
(PVT.) LIMITED, FAISALABAD**
 - iii. **PARA-86 & 86.1**
**EXCESS OF INCOME OVER EXPENDITURE (21.558 MILLION IN 2006-
07 AS COMPARED TO 15.915 MILLION IN 2005-06**

**NFC INSTITUTE OF ENGINEERING AND TECHNOLOGICAL
TRAINING (PVT.) LIMITED, MULTAN**
 - iv. **PARA- 87 & 87.1**
**INCREASE IN EXPENDITURE OF RS.77.398 MILLION IN 2006-07
FROM RS.69.776 MILLION IN 2005-06**

NATIONAL FERTILIZER MARKETING LIMITED
 - v. **PARA-88 & 88.1**
**DECREASE IN SALE OF RS.2,136.471 MILLION IN 2006-07 FROM
RS.4,813.05 MILLION IN 2005-06**

PAC DIRECTIVE

The Committee settled the above five (05) paras.

UTILITY STORES CORPORATION OF PAKISTAN (PVT.) LIMITED

2. **PARA- 89 & 89.1**
INCREASE IN COST OF SALES IN 2006-07 I.E 93.96 %

PAC DIRECTIVE

The Committee settled the para with the direction to provide information to the PAC Secretariat with regard to the percentage of cost of sale in relation to the volume of sales.

3. **PARA-89.2**
RECOVERY OF RS. 126.583 MILLION

The Audit pointed out that an amount of Rs 126.583 million was recoverable from the Store In-charges on account of theft and pilferage. Out of this amount provision of doubtful debts amounting to Rs.84.139 million had been made. Theft of huge amount of store is indicative of weak internal controls resulting in huge losses to the Company.

PAC DIRECTIVE

The Committee directed the PAO to recover the outstanding amount after settlement of the court cases.

4. **PARA-89.3**
PROVISION FOR SLOW MOVING AND OBSOLETE ITEMS OF RS.10.969 MILLION IN THE ACCOUNTS OF THE PREVIOUS YEARS.

PAC DIRECTIVE

The Committee directed the PAO to conduct an inquiry in the case and a report thereof be provided to the Committee within one month which inter alia contains the following information:

- i) List of slow moving items
- ii) Total volume
- iii) Names of the companies
- iv) Prices of items worth more than ten hundred thousand.

5. **PARA-90,**
PROCUREMENT IN VIOLATION OF PPRA RULES, 2004 – RS. 2,483.518 MILLION

The Audit pointed out that Utility Stores Corporation purchased various commodities valuing Rs.2,483.518 million during the years 2004-05, 2005-06 and 2006-07 in violation of Public Procurement Rules 2004, on the basis of three quotations, resultantly the Corporation was deprived of the benefits of competitive rates.

The Departmental Representative replied that the matter has been taken up with Public Procurement Regularity Authority (PPRA). Consequently, PPRA appointed M/s. Anjum Asim Shahid Rehman as Consultants to examine USC Procurement Rules and give their recommendations. According to Consultants' report, in view of peculiar nature of operations, the procurement of commodities by USC may be exempted from the purview of the Public Procurement Rules, 2004, however no exemption has been granted by the Authority. The Ministry admitted that no PEPRA Rules were followed and termed it an irregularity.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry by fixing responsibility and a report thereof be sent to the Committee within one month.

6. **PARA-91**
NON-RECOVERY OF SALE PROCEEDS OF EMPTY SUGAR BAGS –
RS.20.527 MILLION

PAC DIRECTIVE

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

7. **PARA-92**
LOSS DUE TO DEFECTIVE PROCUREMENT OF CONFISCATED GOODS BY
USC – RS.6.087 MILLION.

PAC DIRECTIVE

The Committee settled the para.

8. **PARA-93,**
LOSS DUE TO THEFT / BURGLARY OF CASH AND STORES – RS. 2.087
MILLION

PAC DIRECTIVE

The Committee settled the para subject to recovery of insurance claims.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

MINISTRY OF INDUSTRIES & PRODUCTION
STATE ENGINEERING CORPORATION (PVT.) LIMITED

9. **PARA-79&79.1**
NET LOSS OF RS.43.27 MILLION

The Audit pointed out that the Corporation sustained a net loss of Rs.43.27 million during the year under review and its accumulated loss increased to Rs.1,613.17 million as on June 30, 2007. The main reason for the loss was perpetual increase in operating expenses which increased by 61.89% over the previous year.

The Management replied that accumulated deficit has been turned around in view of book adjustment of diminution in the fair value of SEC investment in the units. It was added that the organization was in the Privatization list who can be in a position to expedite its process.

PAC DIRECTIVE

The Committee settled the para, however, directed that the PAO to examine the affairs of the Organization and propose suggestions for its improvement.

HEAVY ELECTRICAL COMPLEX (PVT.) LIMITED

10. **PARA-80&80.1**
IMPROVEMENT IN THE FINANCIAL POSITION OF THE ORGANIZATION.

PAC DIRECTIVE

The Committee settled the para.

11. **PARA-80.2,**

The Audit pointed out that Trade receivables had increased from Rs.211.604 million as on June 30, 2006 to Rs.387.105 million as on June 30, 2007. Aging of trade receivables showed that Rs.56.210 million i.e. 15% of the total was overdue for more than one year.

The Management replied that out of Rs. 387.105 million, Rs.304.592 million have already been received Rs. 27.961 million have been written-off, provision for bad debts has been made for the amount of Rs. 13.291 million leaving a balance of Rs. 41.261 million against which provision would be made as per policy approved by HEC Board of Directors in their 45th meeting held on 25.11.2009.

PAC DIRECTIVE

Keeping in view the poor performance of the Organization, the Committee observed that the Management has failed to improve their performance and directed the PAO to come up with restructuring plan of the Organization and submit it to the Committee within one month.

HEAVY MECHANICAL COMPLEX (PVT.) LIMITED

12. i. **PARA-81&81.1,
INCREASE IN SALES BY 2% ONLY AS COMPARED TO THE
GROWTH OF 24% AND 75% IN 2005-06 AND 2003-04 RESPECTIVELY**
- ii. **PARA-81.2
DECREASE IN GROSS PROFIT RATIO FROM 13.63% IN 2005-06 TO
10.35% IN 2006-07.**
- iii. **PARA-81.3
UN-SATISFACTORY CURRENT RATIO OF THE COMPANY WHICH
WAS 0.91 TIME IN 2006-07**
- iv. **PARA-81.4
INCREASE IN DEBTOR'S COLLECTION PERIOD FROM 68 DAYS IN
2005-06 TO 93 DAYS IN 2006-07.**

PAC DIRECTIVE

The Committee settled the above four (04) paras.

PAKISTAN MACHINE TOOL FACTORY (PVT.) LIMITED

13. i. **PARA-82 & 82.1
NON-DIVERSIFICATION OF THE MANAGEMENT TO MAKE IT A
VIABLE UNIT.**
- ii. **PARA-82.2
DECREASE IN GROSS PROFIT OF THE COMPANY FROM RS.163.75
MILLION IN 2005-06 TO RS.119.41 MILLION IN 2006-07 AND LOSS
AFTER TAXATION WAS OF RS.52.00 MILLION DURING 2006-07 AS
COMPARED TO PROFIT AFTER TAXATION OF RS.9.82 MILLION IN
2005-06.**
- iii. **PARA-82.7
DECREASE IN THE NET PROFIT RATIO FROM 2.03% IN THE YEAR
2003-04 TO NEGATIVE 5.81% IN THE YEAR 2006-07.**

PAC DIRECTIVE

Keeping in view the poor performance of the Organization, the Committee observed that the Management has been failed to improve its performance and directed the PAO to come up with restructuring plan of the Organization and a report thereof be sent to the Committee within one month.

14. **PARA-82.3, PAGE-156, ARPSE-2007-08**
INCREASE IN LONG TERM LOANS (SECURED) TO RS.93.265 MILLION IN 2006-07 FROM RS.75.031 MILLION IN 2005-06

PAC DIRECTIVE

The Committee settled the para.

15. **PARA-82.4**
TOTAL SALES OF THE COMPANY FOR THE YEAR 2006-07 WAS RS.894.420 MILLION WHICH INCLUDED SALES OF SCRAP AMOUNTING TO RS.34.710 MILLION (RS.17.584 MILLION IN 2005-06) REGISTERING AN INCREASE OF 97%.

PAC DIRECTIVE

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

16. i. **PARA-82.5**
DECLINING OF CURRENT RATIO FROM 1.48 IN 2005-06 TO 1.42 IN 2006-07.
- ii. **PARA-82.6, PAGE-157, ARPSE-2007-08**
INCREASE IN DEBTOR'S COLLECTION PERIOD FROM 80 DAYS IN 2005-06 TO 86 DAYS IN 2006-07

PAC DIRECTIVE

The Committee settled the above two paras.

PAKISTAN ENGINEERING COMPANY LIMITED

17. i. **PARA-83 &83.1**
INCREASED IN SELLING AND DISTRIBUTION EXPENSES BY 71% WHILE THE SALES INCREASED BY 18% WHEREAS FREIGHT AND FORWARDING EXPENSES INCREASED BY 313% FROM RS.2.968 MILLION IN 2005-06 TO RS.12.269 MILLION IN 2006-07.

- ii. PARA-83.2
NON-UTILIZATION OF ITS ASSETS TO GENERATE THE REVENUES(
TURNOVER RATIO 0.374%)
- iii. PARA-83.3, PAGE-160, ARPSE-2007-08
INCREASE IN THE DEBT EQUITY RATIO WHICH WAS 4.58 TIMES IN
THE YEAR UNDER REVIEW.

PAC DIRECTIVE

The Committee settled the above three (03) paras.

- 18. i. PARA-84 & 84.1
INCREASE IN GROSS PROFIT FROM RS.23.960 MILLION IN 2005-06
TO RS.27.249 MILLION IN 2006-07 AND INCREASE IN EXPENSES
FROM RS.16.539 MILLION IN 2005-06 TO RS.18.714 MILLION IN 2006-
07.
- ii. PARA-84.2, PAGE-161-162, ARPSE-2007-08
INCREASE IN TRADE DEBTS (UN-SECURED) FROM RS.21.243
MILLION IN THE YEAR 2005-06 TO RS.30.205 MILLION IN THE YEAR
2006-07.

PAC DIRECTIVE

The Committee settled the above two (02) paras.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

PAKISTAN STEEL MILLS CORPORATION (PVT.) LIMITED

- 19. i. PARA-72
INTRODUCTORY PARA
- ii. PARA-72.1
INCREASE IN NET SALE FROM RS. 20.492 BILLION IN 2005-06 TO
RS. 29.937 BILLION IN 2006-07
- iii. PARA 72.2
RATIO ANALYSIS
- iv. PARA-72.3
INCREASE IN LEGAL AND PROFESSIONAL CHARGES FROM
RS.10.333 MILLION OF PREVIOUS YEAR 2005-06 TO RS.17.635
MILLION IN 2006-07

- v. **PARA-72.4**
INCREASE IN HANDLING LOSSES BY 24%, I.E., FROM RS.12.711 MILLION IN PREVIOUS YEAR 2005-06 TO RS.15.867 MILLION DURING THE YEAR 2007-08
- vi. **PARA-72.5**
NON-UTILIZATION OF PRODUCTION CAPACITY AGAINST THE SANCTIONED CAPACITY.
- vii. **PARA-72.6**
PURCHASE OF DEAD AND SLOW MOVING ITEMS DURING THE YEAR 2006-07 STOOD AT RS.275.767 MILLION WITHOUT PROPER PLANNING
- viii. **PARA-72.7**
INCREASE IN THE INVENTORY OF STORES AND SPARES FROM RS.2.045 BILLION OF PRECEDING YEAR TO RS.2.150 BILLION DURING THE YEAR 2006-07
- ix. **PARA-73**
SYSTEMIC ISSUES OBSERVED DURING AUDIT OF PSM:
- x. **PARA-73.1**
NON-UTILIZATION OF IRON ORE RESERVES AVAILABLE IN THE COUNTRY

PAC DIRECTIVE

The Committee settled the above ten (10) paras.

20. **PARA-73.2** **COKE OVEN BATTERIES**

The Audit pointed out that there were two Coke Oven Batteries in PSM, which produced coke for use in Blast Furnace as fuel. The coke was also sold as a product of PSM. Both the batteries became out of order in May 2005 and since then the management has been importing coke as per requirement by spending foreign exchange, which was to the extent of US\$ 434.620 million upto April 2009. The repairs/renovation work of both the batteries was assigned to M/s. Concord Industrial Project, Ukrain, at a cost of US\$ 23.023 million. The total cost in Pakistan currency was calculated as Rs.1,867.071 million inclusive of taxes and other contingencies. The letter of award was issued to the contractor on January 25, 2007 with the completion period of 22 months. However, despite expiry of completion period, only battery No.2 was on trial production while Battery No. 1 was under repair.

The Management replied that inquiry in the matter has already been conducted, action has been taken against the employees including officers at the Director level, however, they could not be proved guilty.

PAC DIRECTIVE

The Committee directed the PAO to investigate the matter, fix responsibility and a report thereof be sent to the Committee / Audit within two months.

21. i. **PARA-73.3**
SALE OF BELOW COST ELECTRICITY TO KESC
- ii. **PARA-73.4**
FIXATION OF SALE PRICE OF PSM PRODUCTS
- iii. **PARA-74**
LOSS ON ACCOUNT OF SALE OF GALVANIZED PRODUCTS BELOW COST – RS.127.792 MILLION

PAC DIRECTIVE

The Committee settled the above three (03) paras.

22. **PARA-75**
LOSS DUE TO NON-RECOVERY OF COST OF SUPPLIED MATERIAL – RS.39.989 MILLION

PAC DIRECTIVE

The Committee settled the para and directed the PAO to take up the matter with NHA for payment and report to the Committee within three months.

23. i. **PARA-76**
LOSS DUE TO NON-REPLACEMENT OF REJECTED ITEMS BY THE SUPPLIER - RS.31.842 MILLION
- ii. **PARA-77**
LOSS DUE TO PROCUREMENT AT HIGHER COST – RS.10.287 MILLION

PAC DIRECTIVE

The Committee settled the above two (02) paras.

PAKISTAN STEEL FABRICATING COMPANY LIMITED

24. **ANNEXURE-I ITEM-7**
NON-SUBMISSION OF ACCOUNTS

PAC DIRECTIVE

The Committee settled the Audit observation / Para.

25. **PARA-78**
NON-RECOVERY OF UNSECURED ADVANCES FROM CONTRACTORS /
DEBTORS - RS.25.728 MILLION

PAC DIRECTIVE

The Committee settled the Para and directed the PAO to pursue the process of recovery.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 26-01-2015

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08
ACTIONABLE POINTS FOR THE YEAR 2007-08

EXPORT PROCESSING ZONES AUTHORITY (EPZA)

26. **NON-SUBMISSION OF ACCOUNTS,**
Annexure-I, Item-6, (ARPSE-2007-08), Page-347

The Audit pointed out that this para is about non-submission of accounts for audit by Export Processing Zones Authority.

PAO replied that this Audit para was already discussed in the past PAC meetings and as followed by the directions. Now, EPZA had been furnished their accounts record up to date and ready for the Auditing.

Audit agreed with PAO's remarks and told that the Authority has been absolutely up to date proximately 25 years of accounts and DAC has recommended this para for settlement.

PAC DIRECTIVE

The Committee settled this para with the direction to PAO for compliance in the remaining audit year's lapses within the stipulated time period of 10 months. Monthly progress report may be sent to the Audit and PAC Secretariat.

27. **PARA-70, (ARPSE-2007-08), PAGE-135**
INTRODUCTORY PARA

The Audit told that this is an introductory para about the Export Processing Zones Authority. It was established in 1980 and the objectives of EPZA as per original scheme are to attract foreign capital, sophisticated technology, modern management skill for export of industrial growth, to provide new employment opportunities for Pakistanis and to upgrade their managerial and technical skills, to provide a growing market at home for the country's raw material, semi-manufacturers, manufacturers, sub-contracting and service industries to increase the foreign exchange earnings of the country by export of value added products and to provide a show window for display the ability and enterprise of the country's work force to attract foreign investment.

PAC DIRECTIVE

The Committee settled this para and directed PAO to examine EPZA rules for making more attractive and facilitative to the investors.

28. **PARA-71, (ARPSE-2007-08), PAGE-135**
SYSTEMIC ISSUE OBSERVED DURING AUDIT OF EPZA

The Audit Pointed out a systemic issue observed during audit of EPZA that Internal Audit Department does not exist in it. The Internal Audit Department of any organization becomes responsible for control over the business activities to ensure that these are conducted in accordance with the rules and regulations. There should be an Internal Audit Department directly under the supervision of the Chairman EPZA.

PAO agreed and told that the function of Internal Audit has been outsourced to M/s. Junaidy Alam Iqbal, Chartered Accountants after obtaining the approval from the Board of Directors in its 91st meeting held on 08.11.2008. However, once the restructuring plan is approved by the Ministry, the internal audit department will be established.

PAC DIRECTIVE

The Committee settled this para.

PAKISTAN STEEL MILLS CORPORATION (PVT.) LIMITED

29. **PARA-73.2, (ARPSE-2007-08), PAGE-139**
COKE OVEN BATTERIES

The Audit pointed out two Coke Oven Batteries in PSM, which produce coke for use in Blast Furnace as fuel. The coke is also sold as a product of PSM. Both the batteries became out of order in May 2005 and since then the management has been importing coke as per requirement by spending foreign exchange.

PAO replied that the Coke Oven Batteries were commissioned in 1981 and 1985. The useful service life of Coke Oven Batteries is generally 25 years. Extensive repairs have to be undertaken at the end of half life to ensure that the Batteries continue to perform satisfactorily and after repair. Now, the Battery No.2 is working as per specified parameters in accordance with the plan issued by PPC after successful commissioning on 04 October, 2008. No adverse effect has been observed after satisfactory operation of more than two years and Battery No.1 is under preheating w.e.f 1st Dec, 2010 after completion of reconstruction work. However, pre-heating had been prolonged as procurement of Coal required for trial to run which could not be arranged due to high price of coal in the world market in the quarter April– June, 2011. Operation of Battery No.1 will be started as soon as sufficient Coal shipment for Battery No. 1 in addition to Coal requirement of Battery No.2, now in operation, is arranged and sufficient stock becomes available.

PAC DIRECTIVE

After detailed discussion, the Committee settled the para and directed that the matter will be seen internally by the CEO Pakistan Steel. Regarding encroachment on PSM's land; a letter may be sent to Member Land Revenue, Secretary Land Acquisition (Sindh), Commissioner and Deputy Commissioner (Malir) Karachi to appear before the next PAC's meeting in person for briefing about encroachment on Pakistan Steel's land.

30. **PARA-75, (ARPSE-2007-08), PAGE-142**
LOSS DUE TO NON-RECOVERY OF COST OF SUPPLIED MATERIAL –
RS.39.989 MILLION

PAKISTAN STEEL FABRICATING COMPANY LIMITED

31. **PARA-78, (ARPSE-2007-08), PAGE-146**
NON-RECOVERY OF UNSECURED ADVANCES FROM
CONTRACTORS/DEBTORS - RS.25.728 MILLION

The Audit told that above mentioned two paras **Para-75, (ARPSE-2007-08), Page-142 & Para-78, (ARPSE-2007-08), Page-146** had been settled in DAC meetings recommended for settlement.

PAC DIRECTIVE

The Committee settled the above mentioned two Paras on the recommendation of Audit.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 12-10-2015

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

PAKISTAN MACHINE TOOL FACTORY (PVT) LIMITED

32. PARA-82-82.1 (ARPSE-2007-08) PAGE-154

The Audit pointed out that Pakistan Machine Tool Factory (Pvt) Limited (PMTF) Karachi was established under technical collaboration with M/s Oerlikon Buhle of Switzerland. It was incorporated on July 23, 1974 as a private limited company under the Companies Act 1913 (now Companies Ordinance 1984). The Company is engaged in manufacturing and marketing of machine tool transmission components for Trucks and Tractors, Die casting and other classified defence based products. PMTF is wholly owned by the Government of Pakistan and its working is controlled through State Engineering Corporation, Ministry of Industries, Production and Special Initiatives.

The working results of the Corporation for the year 2006-07 as compared to the preceding years are decreasing.

The heads of non-operating income/other income have been shown by the management in the accounts as "Operating Income", which does not conform to the accounting standards, therefore, needs clarification.

PAC'S DIRECTIVES (12-03-2014)

Keeping in view the poor performance of the organization, the Committee observed that the management has been failed to improve its performance and directed the PAO to come up with restructuring plan of the Organization and a report thereof be sent to the committee within one month.

33. **PARA-82.2 (ARPSE-2007-08) PAGE-154**

The Audit pointed out that long term loans (secured) increased to Rs.93.265 million in 2006-07 from Rs.75.031 million in 2005-06 registering an increase of 24%. Reasons of increase in long term loans needs to be stated.

PAC DIRECTIVES (12-03-2014)

PAC directives keeping the view the poor performance of the organization, the committee observe that the management has been failed to improve its performance and directed the PAO to come up with restructuring plan of the Organization and a report thereof be sent to the committee within one month.

34. **PARA-82.7 (ARPSE-2007-08) PAGE-158**

The Audit pointed out that the net profit ratio decreased from 2.03% in the year 2003-04 to negative 5.81% in the year 2006-07. The management needs to make strenuous efforts to improve the profitability in future.

PAC DIRECTIVES (12-03-2014)

PAC directives keeping the view the poor performance of the organization, the committee observe that the management has been failed to improve its performance and directed the PAO to come up with restructuring plan of the Organization and a report thereof be sent to the committee within one month.

PAC DIRECTIVE

The Committee pended the above mentioned 3 clubbed paras and referred to DAC for discussion with the direction to come up with final recommendations within one month.

35. **PARA-82.4 (ARPSE-2007-08) PAGE-155**

PAC DIRECTIVE

The Committee recommended the para for settlement on the recommendations of Audit.

HEAVY ELECTRICAL COMPLEX PVT. LTD.

36. **PARA-80.2, PAGE-150 ARPSE-2007-08 HEAVY ELECTRICAL COMPLEX (PVT) LIMITED (HEC)**

The Audit pointed out that the trade receivables increased from Rs 211.604 million as on June 30, 2006 to Rs 387.105 million as on June 30, 2007. Aging of

trade receivables showed that Rs 56.210 million i.e. 15% of the total was overdue for more than one year. Early recoveries of long outstanding trade receivables needs to be made.

PAC DIRECTIVE (DATED 12.03.2014)

Keeping in view the poor performance of the Organization, the Committee observed that the Management has failed to improve their performance and directed the PAO to come up with restructuring plan of the Organization and submit it to the Committee within one month.

The PAO informed the Committee that the HEC moving towards profit and we would not suggest its privatization in a meeting with Privatization Commission.

PAC DIRECTIVE

The Committee pended the para and directed the PAO & Audit to discuss the Ministry's point of view pertaining to privatization of the HEC at DAC level and present viable proposals to the Committee.

UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED (USC)

37. **PARA-89.2, PAGE-173 ARPSE-2007-08**

The Audit pointed out that an amount of Rs 126.583 million was recoverable from the Store In-charges on account of theft and pilferage. Out of this amount provision of doubtful debts amounting to Rs 84.139 million had been made. Theft of huge amount of store is indicative of weak internal controls which resulted in huge losses to the Company. Implementation of sound policy in this area is stressed upon the management.

PAC DIRECTIVE (Dated 12.03.2014)

The Committee directed the PAO to recover the outstanding amount after settlement of the court cases.

The PAO stated that Rs. 8.35 Million had been recovered in this case however some recovery cases are in the Court of Law and it has been pursued regularly.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount subject to verification by Audit with the direction to PAO to continue efforts to recover the doubtful debts and remaining amount.

38. **PARA-89.3, PAGE-173 ARPSE-2007-08**
UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED (USC)

The Audit pointed out that a provision for slow moving and obsolete items of Rs 10.969 million had been made in the accounts of the previous year Steps need be taken for disposal of these stores before their further deterioration.

PAC DIRECTIVE (DATED 12.03.2014)

The Committee directed the PAO to conduct an inquiry in the case and a report thereof may be provided to the Committee within one month which inter alia contains the following information:-

1. List of slow moving items.
2. Total volume
3. Names of the companies
4. Prices of items worth more than ten hundred thousand.

The PAO informed the committee that an inquiry was held in the Ministry and finding of the inquiry report had been submitted to Audit.

PAC DIRECTIVE

The Committee pended the para as requested by the MD Utility Stores Corporation, referred it for discussion in the DAC for the satisfaction of Audit.

39. **PARA-90, PAGE-173 ARPSE-2007-08**
UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED
(USC)PROCUREMENT IN VIOLATION OF PPRA RULES, 2004 – RS
2,483.518 MILLION

The Audit pointed out that under rule-12 of Public Procurement Rules 2004, procurement over one hundred thousand and up to the limit of one million rupees shall be advertised on the Authority's website in the prescribed manner/format. The procurement opportunities over one million rupees should also be advertised in print media, if deemed necessary by the procuring agency

In violation of above rules, Utility Stores Corporation purchased various commodities valuing Rs 2,483.518 million during the years 2004-05, 2005-06 and 2006-07 as detailed below on the basis of three quotations. Resultantly the Corporation was deprived of the benefits of competitive rates.

Sr. No	Draft Para No.	Name of commodity	Rs in million
1	2252	Atta	284.845
2	2313	Milk and milk powder	7.534
3	2277	Dates	1.534
4	2504	Kenya tea	146.051
5	2503	Spices	72.099
6	2501	Rice and pulses	1,890.686
7	2500	Cleaners, insecticide and detergent	64.338
8	2505	Grinding machine	0.570
9	2314	Raw granule	15.861
		Total	2,483.518

The irregular purchases were brought to the notice of the management / Ministry. According to their reply the matter has been taken up with Public Procurement Regularity Authority (PPRA). Consequently, PPRA appointed M/s. Anjum Asim Shahid Rehman as Consultants to examine USC Procurement Rules and give their recommendations. According to Consultants' report, in view of peculiar nature of operations, the procurement of commodities by USC may be exempted from the purview of the Public Procurement Rules, 2004. The reply was not tenable as no exemption has been granted by the Authority till May 2008. In the absence of exemption requested for, it was mandatory to procure the commodities as per aforesaid rules.

PAC DIRECTIVE (Dated 12.03.2014)

The Committee directed the PAO to conduct inquiry by fixing responsibility and a report thereof be sent to the Committee within one month.

The PAO assured that the final outcome of inquiry would be verified by him before its submission to Audit/PAC.

PAC DIRECTIVE

The Committee pended the para till the receipt of inquiry report to Audit/PAC duly verified by the PAO.

40. **PARA-91, PAGE-174 ARPSE-2007-08**
UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED (USC)
NON-RECOVERY OF SALE PROCEEDS OF EMPTY SUGAR BAGS – RS
20.527 MILLION

The Audit pointed out that as per Utility Stores Corporation (USC) policy dated December 26, 2006, the disposal of empty poly propylene bags of sugar was required to be made by the concerned Warehouse In-charge w.e.f March 28,

2005 under supervision of the concerned Regional Manager on the best possible price. Out of sale proceeds an amount of Rs 3 per bag was required to be deposited by the In-charges Warehouse in USC account and the balance shall be retained by them against compensation on account of weight loss.

Regional Offices sold 892,726 M.ton of sugar from February, 2005 to June 2008. According to calculation if each bag contains 50 kg of sugar, then 17,854,520 empty bags were to be sold by the respective in-charges. Thus an amount of Rs 53.564 million was to be recovered. An amount of Rs 33.037 million against the sale of 11,012,187 bags was recovered from the five zonal offices but sale proceeds of 6,842,333 bags amounting to Rs 20.527 million was not deposited by the In-charges, (6,842,333 X Rs 3.00 = Rs 20.527 million) till June 30, 2008.

PAC DIRECTIVE (DATED 12.03.2014)

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

The PAO informed that entire amount has since been recovered and got verified by Audit leaving a balance of Rs. 123,480/- for which the case is pending in the Court of Law.

PAC DIRECTIVE

The Committee pended the para due to sub-judice in nature and directed the PAO to pursue the case in the Court of Law vigorously.

41. **PARA-93, PAGE-176 ARPSE-2007-08**
UTILITY STORES CORPORATION OF PAKISTAN (PVT) LIMITED (USC)
LOSS DUE TO THEFT / BURGLARY OF CASH AND STORES – RS 2.087
MILLION

The Audit pointed out that as per para-10.3 section-II of the USC Accounting Manual all the stores and warehouses are to be adequately insured against the risk of fire, theft and burglary to safeguard the interest of the Corporation. Further as per USC, Head Office circular dated January 24, 2007 safe and secure operation of the stores were not being followed and instructed to follow the safe and secure operation of the stores, after affixing iron safe with strong angle iron, to avoid possibility of lifting / removal of the safe, depositing sale proceeds in bank twice a day, after hiring the services of watchman at night and deposit of the sale proceeds prior to weekly holiday.

At 20 sales outlets of 13 Regions of the Corporation theft/burglary incidents occurred during 2006-07. The burglars took away safe with cash/stores involving Rs 2.087 million as reported by Regional Managers to police authorities / Head Office. Frequent incidents of theft / burglary of cash indicates that iron safe were not affixed with strong iron, sale proceeds was not deposited in bank twice in a

day, services of the watchmen were not hired and other measures were not adopted by the Regional Offices in this regard, which resulted in theft / burglary at Utility Stores. Due to negligence of the management of the Regional Offices, the Corporation had to sustain a loss of Rs 2.087 million.

PAC DIRECTIVE (DATED 12.03.2014)

The Committee settled the para subject to recovery of insurance claims.

The PAO apprised about settlement of insurance claims of Rs.277,424/- and recovery of Rs.502,092/- from concerned store incharge against total claim of 2,031,277/-.

PAC DIRECTIVE

The Committee settled the para subject to recovery of the remaining amount and its verification by the Audit.

**MINISTRY OF INFORMATION BROADCASTING
AND NATIONAL HERITAGE**
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Information, Broadcasting and National Heritage was examined by the PAC on 7th September, 2015.

- 22 paras were presented by the Audit Department which were examined by the Committee. Out of which 07 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.

**MINISTRY OF INFORMATION BROADCASTING
AND NATIONAL HERITAGE**

PAKISTAN BROADCASTING AND TELEVISION CORPORATION

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 07-09-2015

1. **PARA 94 & 94.1 PAGE – 177 ARPSE-2007-08**

The Audit Pointed out that the advertising income increased by 18.41% even then the operational results of the Corporation remained unsatisfactory. Resultantly the Corporation's deficit increased by 70% i.e. from Rs. 42.648 million in 2005-06 to Rs. 72.622 million in 2006-07. The main reason for increase in the deficit is enhancement in salaries and personal expenses.

The PAO informed that the operational income of the Corporation increased from Rs 148.992 million in 2009-10 to Rs 361.598 million in 2014-15.

PAC DIRECTIVE

The Committee settled the para with the direction to the PAO to maintain the pace of efforts for further improvement in the years to come.

2. **PARA-94.2 PAGE-178 ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**

The Audit pointed out that debtor's collection period increased from 215 days in 2005-06 to 230 days in 2006-07. The debtor turnover days are exceptionally high and Corporation needs to review its credit policies. The ratio tells us that on average a debt is collected in 230 days which is considered as abnormal, keeping in view the nature of business. The trend analysis of debtors' collection period is shown in the graph below:-

The PAO stated that the Organization would make efforts to minimize debtor's collection period up to standard time of 90 days.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to make efforts to minimize the debtor's collection period up to standards time of 90 days.

3. **PARA-94.3 PAGE-178 ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**

The Audit pointed out that Chartered Accountants in their report pointed out that Corporation had not incorporated its liability towards pension fund amounting to Rs 2049 million as determined by the actuarial valuation carried out on 30 June, 2003. Further, actuarial valuation for the year ended on June 30, 2007 had not been carried out. Had the provision been made, the deficit for the year would have increased to that extent. The necessary provisions may be incorporated accordingly.

The PAO informed that the case was being taken up with M/o Finance to allocate/release the funds to meet the pensioners liabilities of Rs. 7.00 billion

PAC DIRECTIVE

The Committee settled the Para subject to allocation of funds from the Finance Division to discharge pensioners' liabilities and directed the PAO to ensure evolving of proper accounting system and everything should be depicted in the accounts of the organization. The PAO assured the Committee that the direction would be implemented within 60 days.

4. **PARA-94.4 PAGE-179 ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**

The Audit pointed out that grants received from the Government of Pakistan from time to time for Capital and Development expenditure were Rs 1,782.142 million as on June 30, 2007. These grants are repayable in 20 years including a grace period of five years for recovery of principal amount. The interest was chargeable at prevailing rate for respective year. However, the Corporation has formally requested the Government for its conversion into non-repayable grants. The Corporation needs to improve its operational efficiency to repay such grants.

The PAO, on the basis of Act of PBC explained their point of view that the grants in aid by the Government might not be paid back to the Federal Government.

PAC DIRECTIVE

The Committee directed the PAO to move a summary for the Prime Minister through Finance Division for write off/appropriation of grants in aid and after the approval of Prime Minister the para would be treated as settled.

5. **PARA-95 PAGE-179-180 ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**
RE-EMPLOYMENT BEYOND AGE OF SUPERANNUATION- RS. 4.259 MILLION

The Audit pointed out that as per Establishment Division's letter dated May 26, 1998 no re-employment beyond the age of superannuation should be allowed except in very exceptional cases for which approval of the Prime Minister needs to be obtained. This decision is also applicable to autonomous/semi-autonomous bodies. In Pakistan Broadcasting Corporation (PBC) HQ, 17 employees retired from service during 1999 to June 30, 2007 on attaining the age of superannuation were re-employed on contract at a fix pay with the approval of Director General, PBC. The contract employees were paid Rs 4.259 million from 1999 to 2007. As per standing instructions of the Federation, the DG, PBC was not authorized to appoint such persons beyond the age of 60 years, hence the expenditure of Rs 4.259 million was considered irregular.

The PAO informed the Committee that due to shortage of skilled staff the retired employees were re-employed on contract at a fix pay with the approval of the Director General PBC.

PAC DIRECTIVE

The Committee settled the para with the direction to follow the rules in letter and spirit as approval of the Prime Minister was not obtained in the instant case. Such practices should not be repeated in future.

6. **PARA-96 PAGE-180-181 ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC) ABSORPTION OF CONTRACT STAFF ON FALSE STATEMENTS – RS.2.391 MILLION**

The Audit pointed out that in accordance with the Cabinet Division instructions dated January 08, 2005 the recruitment in Corporation, autonomous bodies should be made after obtaining NOC from Establishment Division. Further following criteria was fixed by the Board of Directors for permanent absorption of IT staff in PBC.

- i. Evaluation of the recruitment process to ascertain whether it ensured fair competition procedure or otherwise as prescribed by the Government for recruitment on permanent basis.
- ii. Any other cogent reasons supporting the proposed regularization.

PBC HQ., Islamabad absorbed the IT personals against regular pay scales. Later the matter was placed before Board of Directors on April 28, 2006. The Board did not agree to the proposal and asked for obtaining views of Finance Division, Government of Pakistan. Instead of sending case to Finance Division the case was again placed before Board of Directors on August 7, 2006. This time the Board referred the case to the committee comprising Director Administration PBC, an Additional Secretary, Ministry of Interior with reference to evaluate the

same in the light of criteria as above. The committee submitted its report in BoD meeting held on September 26, 2006 that the vacancies proposed to be regularized were widely advertised in leading newspaper. Necessary formalities were fulfilled for appointment of permanent employment/permanent absorption as they had completed almost 4 years' experience in PBC. Besides, there was no extra financial burden of PBC in case of permanent absorption, hence the committee recommended to the BoDs for permanent absorption of 35 IT personals on September 26, 2006.

The PAO informed that the management had been directed to present all facts and record to the Audit.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO not to violate the rules in future, discontinue this practice and take action against those officials who violated the rules repeatedly.

7. **PARA-97 PAGE-182-ARPSE-2007-08 PAKISTAN BROADCASTING CORPORATION (PBC) IRREGULAR APPOINTMENT ON CONTRACT BASIS AND PAYMENT-RS. 2.274 MILLION**

The Audit pointed out that in accordance with the Government of Pakistan, Establishment Division, OM No.6/02/2000-R-3 dated May 06, 2000 for contract appointment the vacancies should be advertised in the leading national and regional newspapers. Pakistan Broadcasting Corporation, Rawalpindi-III, appointed 15 employees on contract basis period from 1999 to 2006 on monthly consolidated pay. The employees were appointed by the PBC Headquarters, Islamabad and transferred to this unit on different dates. The procedure of appointment was not adopted by the management therefore, an amount of Rs.2.274 million paid to the employees was held irregular.

The PAO stated that the case was referred to Finance Division for its regularization however the Finance Division referred back the case with the observation the matter to be presented to the PAC as the para had been printed in Audit Report of 2007-08.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO not to violate the rules in future, discontinue this practice and take action against those officials who violated the rules repeatedly.

8. **PARA-98 PAGE-182-184-ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**
LOSS DUE TO NON-PROCUREMENT OF EQUIPMENT WITHIN VALIDITY PERIOD – RS 1.244 MILLION

The Audit pointed out that Pakistan Broadcasting Corporation invited tenders for the purchase of studios equipments (delay machine 6000 USA) through press on April 16, 2004. The offer of Rs 45,000 per item from M/s. United Technology, Karachi was found the lowest. The management failed to place order on the firm within the validity period in spite of extension in validity of bid up to 31st August, 2004. The management placed purchase order on November 05, 2004. The firm refused to supply the item vide letter dated November 15, 2004 on the plea that the validity period had since expired and the rates of the said item increased in the market from Rs 45,000 to Rs 135,000. Subsequently Corporation purchased 16 delay machine from M/s. World Wide Vision, Islamabad at the rate Rs 127,950 per item vide purchased order dated April 16, 2005. Thus due to inordinate delay in placing order within the extended validity time, the Corporation had to sustain a loss of Rs 1.244 million.

The PAO informed that the purchases were made after the second tender because the management failed to place order within the validity period of first tender and the case would be submitted in the Board of Directors to write off the loss occurred due to delay in procurement of equipment.

PAC DIRECTIVE

The Committee settled the para on the ground that at least tender procedure was followed and different firms were provided the opportunity to offer their bids.

9. **PARA-99 PAGE-184-ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**
OVERPAYMENT OF DEPUTATION ALLOWANCE – RS.216, 000

The Audit pointed out that according to Establishment Division's O.M No 1/13/87, Islamabad dated December 12, 1994, deputation allowance @10% of basic pay is allowed to the officer deputed on management cadre post, which was subsequently revised to 20% vide Office Memorandum No 01/13/87-R-I, dated June 12,2006.

In PBC, Director General, Director Administration and Director Finance were posted on deputation in M-I and M-II group respectively and according to the above referred rules they were entitled for deputation allowance @ Rs. 10% of their basic pay, whereas they were paid deputation allowance @ 20% of their basic pay during the period from July 1, 2004 to June 30, 2006 which resulted in excess payment of Rs 216,000 to the officers.

The PAO informed that the partial recovery had been made in this case.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to make effort for the recovery of amount or get the amount written off with the approval of board where it is required.

10. **PARA-100 & 100.1 PAGE-185-186-ARPSE 2007-08 PAKISTAN TELEVISION CORPORATION LIMITED (PTV)**

The Audit pointed out that the income of the Corporation increased by 0.45% only from Rs 3,788.647 million in 2005-06 to Rs 3,805.525 million in 2006-07 while the operating and administrative expenses increased by 11% and 5% respectively over previous year. The Corporation sustained an operating loss of Rs 296.566 million in 2006-07 as against operating profit of Rs.38.834 million of the previous year. The accumulated loss of the Corporation stood at Rs 159.175 million in 2006-07 as against accumulated profit of Rs.42.358 million in previous years. Efforts need to be made to control the expenditure and increase the income in advertisement business to absorb the operating and administrative expenses.

The PAO stated that the PTV was progressing and its recoveries were positive and the generating revenues better than before.

PAC DIRECTIVE

The Committee settled the para with the direction to maintain the pace of improvement and performance in future.

The Committee advised the MD PTV to have a serious look into each audit paras before its discussion in the DAC. The Committee further directed the PAC Wing of National Assembly Secretariat to write a letter to the Honourable Prime Minister of Pakistan to realistically allocate the funds/budget to PTVC and PBC with the approval of Chairman PAC.

11. **PARA-100.2 PAGE-186-ARPSE 2007-08 PAKISTAN TELEVISION CORPORATION LIMITED (PTV)**

The Audit pointed out trade debtors stood at Rs.1, 241.722 million as on June 30, 2007 as against Rs.1, 358.776 million in previous year. Provision for doubtful debts amounting to Rs.42.044 million was made during the year 2006-07 equivalent provision was also made during previous year. Reasons for static provision and non-initiation of timely action for recovery of trade debts need to be explained.

The PAO informed that the management had been directed to make efforts for the recovery of trade debts.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to expedite the recovery of receivable or get it written off.

12. **PARA-101 PAGE-186 TO 188-ARPSE 2007-08 PAKISTAN TELEVISION CORPORATION LIMITED (PTV) IRREGULAR SANCTION AND PAYMENT OF EX-GRATIA/BONUS TO EMPLOYEES – RS. 52.000 MILLION**

The Audit pointed out that according to Government of Pakistan, Finance Division (Regulation Wing) office O.M. No.F-3(5)R-12/80 (R-14)/2002-154 dated March 18, 2002 the payment of bonus to the employees of Autonomous/Semi-autonomous/Public Sector Corporations / Organizations would strictly be in accordance with the following conditions.

- i) The bonus would be paid out of operational profit of the organization only excluding income from other sources;
- ii) The payment of bonus would not be made as a customary but it would be on the basis of profit earned and reflected in the annual audited accounts of the organization; and
- iii) No commitment of payment of bonus may be made during negotiation with the CBA because of the conditions mentioned at (i) and (ii) above.
Furthermore, according to Finance Division office memo No.F-3(5) R-12/80 (R-14) Vol-II/2001-544 dated November 30, 2001 bonus cannot be made to the employees of corporations without prior concurrence of Finance Division.

The PAO informed that it was not bonus just Eidi and the approval of the BOD was obtained.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to make a comprehensive policy in the subject matter.

13. **PARA-102 PAGE188-ARPSE 2007-08 PAKISTAN TELEVISION CORPORATION LIMITED (PTV)**

APPOINTMENT OF CONSULTANTS HAVING DEGREES FROM UNRECOGNIZED INSTITUTIONS – RS.4.144 MILLION

The Audit pointed out that the Board of Directors of Pakistan Television Corporation in its meeting held on October 26, 2004, approved the basic criteria for appointment of consultants on contract basis for marketing & news and prescribed qualification from a recognized university i.e. "MBA (Marketing) for marketing consultant and Master / Bachelor degree in Social Sciences for news Consultant."

Pakistan Television Corporation Limited in August 2004 appointed two consultants for marketing and one for news on special pay package of Rs 51,000 and Rs.90, 000 respectively for the period of two years on contract basis. The Corporation had paid Rs.4.144 million to these Consultants from August 2004 to May 2006. Audit observed that as their academic degrees are not recognized by Higher Education Commission (HEC), the appointments and payment of salaries amounting to Rs. 4.144 million to these Consultants were therefore held irregular. The MD PTV on the behalf of PAO informed the Committee that some officials were terminated from the service on the basis of fake degrees.

PAC DIRECTIVE

The Committee pended the Para with the direction to PAO and MD PTV to verify the degrees of all officers/officials from the HEC and register FIR against those officers/officials who had been terminated from service on the basis of fake degrees and report to Committee within 60 days.

14. **PARA-103 PAGE-189-190-ARPSE 2007-08 PAKISTAN TELEVISION CORPORATION LIMITED (PTV) UNAUTHORIZED GRANT OF MOVE OVER – RS. 2.306 MILLION**

The Audit pointed out that According to Finance Division's approval of Revised Pay Scales of PTV Officers vide O.M. No.F-4(2) R-04/2000 dated November 18, 2003, move-over was discontinued with effect from December 1, 2001 and pay was to be fixed in the original scale of the post equivalent to or if there is no such stage next below and difference be allowed as personal pay to be absorbed against future increment / increase in pay. However no recovery was to be made for the period from December 1, 2001 to December 1, 2002.

- (i) The PTV management did not implement the decision of the Finance Division while adopting the revised pay scales. At that stage, 19 employees of PTV Centre Peshawar were availing move over in higher pay scales. Resultantly, Corporation had to bear an extra expense of Rs.1.791 million from January 1, 2003 to December 31, 2005 in respect of officers in Group-7, 8 and 9.
- (ii) Moreover in contravention of instructions of the Finance Division, Pakistan Television Board of Directors in its meeting held on February 18, 2004

extended the facility of move over to those officers of the Corporation who were not at their maximum ceiling of the respective pay scales on July 01, 2003. As a result, irregular payment of Rs.0.515 million was made by PTV, Peshawar Center till December 31, 2005 as due to irregular grant of move-over in next pay group.

PAC DIRECTIVE

The Committee settled the para with the direction to PAO to strictly avoid this practice in future.

15. **PARA-105 PAGE-193-ARPSE 2007-08 ASSOCIATED PRESS OF PAKISTAN CORPORATION (APPC)**

The Audit pointed out that Associated Press of Pakistan (APP) was taken over by the Government of Pakistan through APP Ordinance 1961, and later on it was converted into a Corporation vide Ordinance dated February 19, 2002. Its main objectives are efficient flow of information, supply of un-biased and reliable news to news papers and news agencies. Annual Audited Accounts of the Corporation for the year 2003-04 to 2006-07 were not provided on due dates.

The PAO informed that a Committee had been constituted to probe the issue of non-submission of annual Audited Accounts of Corporation to the Audit.

PAC DIRECTIVE

The Committee pended the para and expressed its concern over delay in submission of annual accounts to the Audit. The Committee further directed the PAO to ensure timely submission of annual accounts in future and report to the PAC within 30 days.

PARAS SETTLED AS RECOMMENDED BY THE AUDIT

16. i. **PARA-94.5 PAGE-179 ARPSE 2007-08 PAKISTAN BROADCASTING CORPORATION (PBC)**
- ii. **PARA-104 PAGE- 191 ARPSE 2007-08PAKISTAN TELEVISION CORPORATION LIMITED (PTV)
EXCESS PAYMENT ON ACCOUNT OF SALARY DUE TO RE-APPOINTMENT OF EX-PRODUCER AFTER SUPERANNUATION =
RS.325, 420**

- iii. **PARA-106 PAGE- 193-194 ARPSE 2007-08 ASSOCIATED PRESS OF PAKISTAN CORPORATION (APPC)**
NON-DEDUCTION OF INCOME TAX FROM THE SALARY OF EMPLOYEES WORKING AS FOREIGN CORRESPONDENTS – RS.23.754 MILLION
- iv. **Para-107 Page- 194-195 ARPSE 2007-08 ASSOCIATED PRESS OF PAKISTAN CORPORATION (APPC)**
LOSS DUE TO NON-RECOVERY OF DUES FROM CEASED SUBSCRIBERS – RS. 1.168 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned four paras on the recommendations of the Audit.

(DEPARTMENT OF ARCHAEOLOGY & MUSEUMS)

- 17. i. **PARA NO. 6.1, PAGE -109 AR-2007-08**
IRREGULAR EXPENDITURE WITHOUT ACCORD OF TECHNICAL SANCTION – RS 6.3 MILLION
- ii. **PARA NO. 6.2, PAGE-109-110 AR-2007-08**
US-JUSTIFIED PAYMENT WITHOUT WORK DONE- RS.2.5 MILLION
- iii. **PARA NO. 6.3, PAGE-110-111-AR-2007-08**
EMBEZZLEMENT OF PUBLIC MONEY- RS. 337,165

PAC DIRECTIVE

The Committee settled the above mentioned 3 paras on the recommendations of the Audit.

**MINISTRY OF INFORMATION TECHNOLOGY AND
TELECOMMUNICATION**
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Information Technology and Telecommunication were examined by the Public Accounts Committee on 9th May, 2012, and 26th February, 2015.

- 32 paras were presented by the Audit Department which were examined by the Committee. Out of which 07 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.

**MINISTRY OF INFORMATION TECHNOLOGY AND
TELECOMMUNICATION**

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 09-05-2012

NATIONAL TELECOMMUNICATION CORPORATION (NTC)

1. **PARA NO. 4.2, PAGE NO.30 (AR-2007-08)**
**IRREGULAR EXPENDITURE OF RS.5.179 MILLION ON PURCHASE
OF VEHICLES**

Audit pointed out that the compliance of DAC directive of 22-10-2008 has not been made. The provisions in the approved PC-I have not been provided to Audit for verification.

The PAO apprised the Committee that PC-I is being provided to Audit in compliance of fresh DAC which was made on 7th May, 2012.

PAC DIRECTIVE

The Committee directed to get verified the provision of vehicles in PC-I and submit report to PAC.

2. i. **PARA NO. 4.3, PAGE NO.30-31 (AR-2007-08)**
**IRREGULAR EXPENDITURE OF RS.3.308 MILLION ON
CONSTRUCTION OF NEW NTC EXCHANGE BUILDING AT
MEHRAN UNIVERSITY JAMSHORO**

ii. **PARA NO. 4.5, PAGE NO.32-33 (AR-2007-08)**
**IRREGULAR EXPENDITURE OF RS.61.642 MILLION WITHOUT
APPROVAL OF PC-I**

Audit pointed out that the Board had not given the ex-post facto approval. Responsibility for non compliance of DAC and irregular expenditure without the approval of DWP may be fixed as the procedure for approval of self financing development schemes for autonomous bodies dated 31-1-2005 required that in case of non unanimous decision of DWP, the case would be submitted to CDWP for consideration.

The PAO informed the Committee that the entire process as required in the letter of M/o IT dated 31-01-2005 will be followed and final outcome will be provided to Audit.

PAC DIRECTIVE

Both the above Paras were clubbed together. The Committee directed the PAO for fixation of responsibility for violation of rules and procedures and submit report in ten (10) days time.

3. **PARA No. 4.4, PAGE No.31-32 (AR-2007-08)**
UN-AUTHORIZED EXPENDITURE OF Rs. 0.977 MILLION ON
IRREGULAR PROMOTIONS IN BPS-20.

The Audit pointed out that PAC in its meeting of 19th May, 2010 on the Audit Report 2008-09 in similar nature Para had given the following directive "The PAC observed that the issue is in conflict with rules. The Para was deferred with the direction to get clarification about the violation of rules from Establishment Division, Finance Division and Law Division. The PAO was directed to get Ex-post facto approval and regularize all wrongs done previously and report within two months to PAC. The compliance of PAC directive has not been provided in the reply.

The PAO stated that rules are being examined on the direction of Finance Division which have been referred to DFA and its notification will be made within a week.

PAC DIRECTIVE

The Committee directed the PAO to comply with the PAC directive of 19th May, 2010 given in the similar nature para of Audit Report 2008-09 (Telecommunication Sector) and submit compliance report in two (02) weeks time.

4. **PARA NO. 4.6, PAGE NO.33-34 (AR 2007-08)**
IRREGULAR EXPENDITURE OF Rs.7.506 MILLION ON PURCHASE
OF STORES.

The Audit pointed out that the inquiry was conducted on 30.11.2008 by two officers (B S-17) which was not endorsed by the Chief Technical Officer who was responsible to hold the inquiry.

The PAO apprised the Committee that inquiry should be held by the Officer equivalent to Grade-20, once again.

PAC DIRECTIVE

The Committee pended the para and directed to get the inquiry done by the DG, Technical.

5. **PARA No. 4.10, PAGE 36-37 (AR 2007-08)**
NON-RECOVERY OF RS.388.553 ON ACCOUNT OF LIQUIDATED DAMAGES

The Audit pointed out that inquiry was not conducted by the nominated officer therefore, not acceptable. If NTC was responsible for delay then what action was taken against those who were at fault.

The PAO informed the Committee that management was directed in the DAC dated 7-5-2012 that the inquiry may be got approved from the responsible officer who was assigned the inquiry and the inquiry report be sent to Audit for examination.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry and that all inquiries which have been directed to hold in the above paras are clubbed together and consequently the report be submitted to the PAC as a whole.

6. **PARA No. 4.11, PAGE 37-38 (AR 2007-08)**
NON-RECOVERY OF LIQUIDATED DAMAGES FROM CONTRACTORS
RS.6.418 MILLION

The Audit pointed out that the case in the court may be pursued vigorously for decision in the favour of NTC. Further the recovery in the other case may be made and got verified from Audit.

The PAO informed the Committee that management was directed in the DAC dated 7.5.2012 to get the recovery verified from audit after completion of work and pursue the case in the court.

PAC DIRECTIVE

The Committee pended the Para, directed the PAO to take the matter back to DAC and the progress be submitted in the next scheduled meeting of the PAC about this Ministry.

7. **PARA No. 4.12, PAGE 38-39 (AR 2007-08)**
IRREGULAR AWARD OF CONTRACT OF RS. 72.004 MILLION

The Audit pointed out that DWP has not given any approval because the wording "noted" was not considered as an approval. Further the reasons for involving of other officers in the training over and above the approved in the contract have not been justified.

The PAO informed the Committee that management was directed through DAC on 7-5-2012 that the entire process as required in the letter of M/o IT dated 31-

01-2005 be followed and final outcome be provided to Audit. Furthermore the management was directed to provide the utilization of seven officers who obtained foreign training. He also requested the Committee to hold inquiry and responsibility be fixed

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix the responsibility and submit the report after every 15 days. The time limit for the inquiry shall not exceed, 30 days.

8. **PARA NO. 4.13, PAGE 40-41 (AR 2007-08)**
IRREGULAR EXPENDITURE OF RS. 82.204 MILLION ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS WITHOUT APPROVAL OF THE FINANCE DIVISION.

The Audit pointed out that NTC pay package has been approved from 5-7-2008 and not from the back date. Further the approved pay package has not any provision of indoor/outdoor medical allowance/facility. Therefore, the expenditure incurred may be got regularized from the Finance Division.

The PAO informed the Committee that management was directed through fresh DAC dated 07-05-2012 to get the payment regularized from the Finance Division.

PAC DIRECTIVE

The Committee directed the PAO either to regularize the expenditure within 30 days or else recovery be made.

ACTIONABLE POINTS

PAC MEETING: 26-02-2015

AUDIT REPORT FOR THE YEAR 2007-08

NATIONAL TELECOMMUNICATION CORPORATION

9. i. **PARA NO. 4, PAGE-27, (AR-2007-08)**
INTRODUCTORY
- ii. **PARA NO. 4.1(i), PAGE-27, (AR-2007-08)**
COMMENTS ON ACCOUNTS

SPECIAL COMMUNICATIONS ORGANIZATION

- iii. **PARA NO. 5, PAGE-43, (AR-2007-08)**
INTRODUCTION
- iv. **PARA NO. 5.1, PAGE-43, (AR-2007-08)**
COMMENTS ON ACCOUNTS
- v. **PARA NO. 5.2, PAGE-43, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 14.731 MILLION ON
PROCUREMENT OF EQUIPMENT WITHOUT TENDERS
- vi. **PARA NO. 5.3, PAGE-44, (AR-2007-08)**
BLOCKAGE OF FUNDS OF RS. 29.551 MILLION DUE TO UN-
NECESSARY PURCHASE OF STORES
- vii. **PARA NO. 5.4, PAGE-45, (AR-2007-08)**
UNAUTHORIZED EXPENDITURE OF RS. 24.264 MILLION DUE TO
DEVIATION FROM THE SCOPE AND WITHOUT REVISION OF PC-I

PAC DIRECTIVE

The Committee settled the above mentioned seven (07) paras.

- 10. i. **PARA NO. 4.1 (ii), PAGE-27, (AR-2007-08)**
COMMENTS ON ACCOUNTS
- ii. **PARA NO. 4.1 (iii), PAGE-27, (AR-2007-08)**
COMMENTS ON ACCOUNTS
- iii. **PARA NO. 4.1 (iv), PAGE-27, (AR-2007-08)**
COMMENTS ON ACCOUNTS
- iv. **PARA NO. 4.2, PAGE-30, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 5.179 MILLION ON PURCHASE
OF VEHICLES
- v. **PARA NO. 4.3, PAGE-30-31, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 3.308 MILLION ON
CONSTRUCTION OF NEW NTC EXCHANGE BUILDING AT MEHRAN
UNIVERSITY JAMSHORO
- vi. **PARA NO. 4.4, PAGE-31-32, (AR-2007-08)**
UN-AUTHORIZED EXPENDITURE OF RS. 0.977 MILLION ON
IRREGULAR PROMOTIONS IN BPS-20

- vii. **PARA NO. 4.5, PAGE-32-33, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 61.642 MILLION WITHOUT APPROVAL OF PC-1
- viii. **PARA NO. 4.6, PAGE-33-34, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 7.506 MILLION ON PURCHASE OF STORES
- ix. **PARA NO. 4.7, PAGE-34, (AR-2007-08)**
NON REALIZATION OF RS. 2.406 MILLION ON ACCOUNT OF PRE-DEPOSIT WORKS
- x. **PARA NO. 4.8, PAGE-35, (AR-2007-08)**
NON-RECOVERY OF RS. 1.185 MILLION ON ACCOUNT OF DAMAGES CHARGES FROM DIFFERENT AGENCIES
- xi. **PARA NO. 4.9, PAGE-36, (AR-2007-08)**
SHORT-RECOVERY OF LIQUIDATED DAMAGES FROM CONTRACTORS RS. 2.300 MILLION
- xii. **PARA NO. 4.10, PAGE-36-37, (AR-2007-08)**
NON-RECOVERY OF RS. 388,553 ON ACCOUNT OF LIQUIDATED DAMAGES
- xiii. **PARA NO. 4.11, PAGE-37-38, (AR-2007-08)**
NON-RECOVERY OF LIQUIDATED DAMAGES FROM CONTRACTORS RS. 6.418 MILLION
- xiv. **PARA NO. 4.12, PAGE-38-39, (AR-2007-08)**
IRREGULAR AWARD OF CONTRACT OF RS. 72.004 MILLION
- xv. **PARA NO. 4.13, PAGE-40-41, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 82.204 MILLION ON ACCOUNT OF EXTRA ALLOWANCES AND FINANCIAL BENEFITS WITHOUT APPROVAL OF THE FINANCE DIVISION
- xvi. **PARA NO. 4.14, PAGE-41-42, (AR-2007-08)**
NON-DEDUCTION OF RS. 5.305 MILLION ON ACCOUNT OF 5% NORMAL RENT

PAC DIRECTIVE

The Committee directed the PAO to coordinate with Audit and hold DAC meeting within next three weeks to resolve the issues as involved in the above mentioned sixteen (16) paras.

MINISTRY OF INTERIOR
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Interior was examined by the PAC on 22nd April, 2014.

- 02 paras were presented by the Audit Department which were examined by the Committee.

MINISTRY OF INTERIOR

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 22-04-2014

AUDIT REPORT FOR THE YEAR 2007-08 MINISTRY OF INTERIOR PAKISTAN RANGERS

1. **PARA NO. 7.1**
NON-RECOVERY OF SECURITY DEPOSIT - RS 9.9 MILLION

The Audit pointed out that Pakistan Rangers (Sindh), Karachi paid an amount of Rs. 199 million to contractor and consultant but security deposit @ 5% was not deducted from the claims of the contractor/consultant. This resulted in non-recovery of security deposit of Rs. 9.9 million.

Representative of the Ministry replied that the concerned contractor and consultant had been asked to deposit the retention money and receipt would be forwarded to Audit. Further replied that an amount of Rs.9.9 million had been recovered from the contractor and consultant on account of 5% security deposit and the amount deposited in the Bank. Bank deposit slips (photo copies) were provided to Audit.

PAC DIRECTIVE

The Committee settled the para with the direction that compliance of financial rules shall be ensured in future.

2. **PARA NO. 7.2**
**OVERPAYMENT DUE TO PAYMENT OF ITEMS WITHOUT PROVISION IN T.S
ESTIMATE – Rs. 162,368**

PAC DIRECTIVE

The Committee settled the para with the direction that the money be received and verified by Audit.

MINISTRY OF KASHMIR AFFAIRS & GILGIT - BALTISTAN
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Kashmir Affairs & Gilgit – Baltistan was examined by the PAC on 14th December, 2015.

- 14 paras were presented by the Audit Department which were examined by the Committee. Out of which 09 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.

MINISTRY OF KASHMIR AFFAIRS & GILGIT-BALTISTAN

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-12-2015

DIRECTORATE GENERAL AUDIT WORKS (FEDERAL), ISLAMABAD.

1. **PARA NO.4.2.1, PAGE NO. 74 (GB PWD) AR-2007-08**
OVERPAYMENT DUE TO PAYMENT OF INADMISSIBLE COST
ESCALATION- RS 3.5 MILLION

The Audit pointed out that the Planning Commission, Government of Pakistan vide its letter No.1(693-D)/PP&H/PD/2005 dated 9th December, 2006, withdrew its previous letter No. 1(693-D)/PP&H/PD/2005 dated 2nd November, 2006 under which cost escalation provisions to be incorporated in contract agreements of on-going projects were given with necessary explanations to adjust increase in price of construction material, POL and labour. Since the letter was withdrawn from the date of its issuance, therefore, cost escalation allowed under it was required to be recovered from the contractors.

The Executive Engineer, Buildings & Roads Division, Gilgit paid escalation on account of steel on the basis of aforesaid letter of Planning Commission, without record measurement of consumption of steel in the M.B and without provision of escalation clause in the contract agreement as work was allotted on lump sum basis. Payment of escalation on the basis of letter withdrawn by the Planning Commission resulted in overpayment of Rs 3.5 million.

The PAO informed that escalated amount had been incorporated in the revised PC-1 and got approved from the competent authority dated 2nd November, 2006.

PAC DIRECTIVE

The Committee settled the para subject to verification of the documents by Audit that the escalated amount added in revised PC-1 be followed by the approval of competent authority.

2. **PARA NO.4.3.1.1,PAGE NO. 80 (GB PWD) AR- 2007-08**
NON-RECOVERY OF ELECTRICITY CHARGES - RS 3.4 MILLION

The Audit pointed out that rule 26 of General Financial Rules Volume-1 states that it is the duty of the departmental controlling officer to see that all sums due to

Government are regularly and promptly assessed, realized and duly credited in the public account.

The Executive Engineer, Water and Power Division, NAPWD, Gilgit could not recover electricity charges from various commercial and domestic consumers during 2006-07. Non-vigilance of department in realization of Government revenue resulted in non-recovery Rs 3.4 million.

The PAO stated that the necessary arrangements were being made for recovery of the outstanding revenue.

PAC DIRECTIVE

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

3. i. **PARA NO.4.2.4.1,PAGE NO. 78 (GB PWD) AR 2007-08
OVERPAYMENT DUE TO SEPARATE PAYMENT OF PRIME COAT -
RS 0.963 MILLION**
- ii. **PARA NO.4.2.4.2 ,PAGE NO. 78 (GB PWD) AR-2007-08
OVERPAYMENT DUE TO SEPARATE PAYMENT OF PRIME COAT -
RS 0.224 MILLION**
- iii. **PARA NO.4.3.2,PAGE NO.81(GB PWD) AR- 2007-08
NON-RECOVERY ON ACCOUNT OF HIRE CHARGES - RS 1.5
MILLION**

PAC DIRECTIVE

The Committee pended the above mentioned 3 paras with the direction to the PAO to pursue the cases in the court of law vigorously under intimation to PAC.

PARAS RECOMMENDED FOR SETTLEMENT BY DAC

4. i. **PARA NO.4.1, PAGE NO. 73 (GBPWD)AR-2007-08
NON-INSTALLATION OF PC ENERGY METER - RS 11.2 MILLION**
- ii. **PARA NO.4.2.2.1, PAGE NO. 75 AR 2007-08
OVERPAYMENT DUE TO NON-REDUCTION OF RATE FOR UN-
STACKABLE EXCAVATED ROCK - RS 2.1 MILLION**
- iii. **PARA NO.4.2.2.2 ,PAGE NO. 76 (GB PWD) AR-2007-08
OVERPAYMENT DUE TO NON-REDUCTION OF RATE FOR UN-
STACKABLE EXCAVATED ROCK -RS 0.806 MILLION**

- iv. PARA NO.4.2.2.3, PAGE NO. 76(GB PWD) AR- 2007-08
OVERPAYMENT DUE TO NON-REDUCTION OF RATE FOR UN-
STACKABLE EXCAVATED ROCK - RS 0.453 MILLION
- v. PARA NO.4.2.3,PAGE NO. 77 (GB PWD) AR 2007-08
OVERPAYMENT DUE TO EXCESSIVE MEASUREMENT - RS 1.7
MILLION
- vi. PARA NO.4.2.5,PAGE NO. 79 (GB PWD) AR-2007-08
OVERPAYMENT DUE TO NON-REDUCTION OF RATE OF
SUBSTITUTED ITEM - RS 1.1 MILLION
- vii. PARA NO.4.3.1.2 ,PAGE NO. 80 (GB PWD) AR-2007-08
NON-RECOVERY OF ELECTRICITY CHARGES - RS 2.7 MILLION
- viii. PARA NO.4.3.1.3,PAGE NO. 81 (GB PWD) AR-2007-08
NON-RECOVERY OF ELECTRICITY CHARGES - RS 0.892 MILLION
- ix. PARA NO.4.3.3,PAGE NO. 82 (GB PWD) AR-2007-08
NON-RECOVERY OF COMPENSATION – RS. 0.486 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned 9 Paras on the recommendations of the Audit/DAC.

MINISTRY OF NATIONAL FOOD SECURITY & RESEARCH
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of National Food Security and Research was examined by the PAC on 13th March, 2014.

- 03 paras were presented by the Audit Department which were examined by the Committee and settled.

MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 13-03-2014

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08
NATIONAL FOOD SECURITY AND RESEARCH

PAKISTAN AGRICULTURAL STORAGE AND SERVICES CORPORATION
LIMITED

1. i. **PARA-65&65.1**
INCREASE IN SALE FROM RS.10,076.603 MILLION IN 2005-06 TO
RS.12,957.077 MILLION IN 2006-07 HOWEVER, SUSTAINED A NET
LOSS OF RS.157.129 MILLION IN 2006-07 AS AGAINST LOSS OF
RS.4.659 MILLION DURING THE YEAR 2005-06
- ii. **PARA-65.2**
FINANCIAL ANALYSIS OF THE CORPORATION

PAC DIRECTIVE

The Committee settled the above two (02) paras.

LIVESTOCK AND DAIRY DEVELOPMENT BOARD

2. **PARA-66&66.1**
WORKING RESULTS OF THE BOARD

PAC DIRECTIVE

The Committee settled the para.

MINISTRY OF OVERSEAS PAKISTANIS & HUMAN RESOURCE
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Overseas Pakistanis & Human Resource was examined by the PAC on 14th October, 2015.

- 11 paras were presented by the Audit Department which were examined by the Committee. Out of which 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.

MINISTRY OF OVERSEAS PAKISTANIS & HR DEVELOPMENT

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-10-2015

AUDIT REPORT PUBLIC SECTOR ENTERPRISES 2007-08

1. **PARA-112, PAGE-20 ARPSE-2007-08 OVERSEAS EMPLOYMENT CORPORATION (PVT) LTD.**

PAC DIRECTIVE

The Committee recommended the para for settlement on the recommendation of DAC/Audit.

2. **PARA-114, PAGE-207 ARPSE-2007-08 OVERSEAS PAKISTANIS FOUNDATION**

The Audit pointed that the objective of Overseas Pakistanis Foundation is to advance the social welfare of the Pakistanis working overseas and their families in Pakistan.

Annual Audited Accounts of the Foundation for the year 2006-07 were not provided on due date.

The PAO informed that the Accounts for the year 2012-13, 2013-14 & 2014-15 are yet to be finalized by the management of OPF.

PAC DIRECTIVE

The Committee pended the para till handing over the record of Accounts of the Department to the Audit to execute the annual audit.

3. i. **PARA-113, PAGE-203-204 ARPSE-2007-08 OVERSEAS EMPLOYMENT CORPORATION (PVT) LTD**

WASTEFUL EXPENDITURE ON THE STUDY REPORT FOR RE-STRUCTURING OF OEC-RS.0.610 MILLION

- ii. **PARA-115, PAGE-207 ARPSE-2007-08 OVERSEAS PAKISTANIS FOUNDATION**
IRREGULAR PAYMENT ON ACCOUNT OF HOUSE RENT ALLOWANCE TO AN OFFICER RESIDING IN GOVERNMENT ACCOMMODATION-RS.1.082 MILLION.

PAC DIRECTIVE

The Committee directed the above mentioned two paras for pursuance at DAC level.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

EMPLOYEES OLD-AGE BENEFITS INSTITUTION

4. **PARA-109 (ARPSE-2007-08) PAGE-200
NON-RECOVERY OF DUES ON ACCOUNT OF EOBI CONTRIBUTION -
RS.487.908 MILLION**

The Audit pointed out that as per Registration of Employers and Insured Persons under EOBI Rules 1976 issued under Employers' Old-Age Benefits Act 1976, the contributions falling due at the end of the month to which they relate shall be paid not later than the 15th of the following month. Moreover as per EOBI Act 1976, the amount recoverable may be recovered as arrears of land revenue (Section-32); and failing to pay any contribution under the Act will be an offence (Section 37) which is to be taken up for prosecution as provided in Section 38 thereof.

In Employees' Old-Age Benefits Institution (EOBI), an amount of Rs.487.908 million was outstanding on account of contribution arrears against various units which included the closed and de-registered units as on June 30, 2007. This was indicative of loose internal controls.

The PAO informed that the amount Rs.16.891 million had been recovered and the outstanding recoveries were sub-judiced in the court of law.

PAC DIRECTIVE

The Committee pended the para till the recovery of remaining amount and the decision of Court case.

5. **PARA-110 (ARPSE-2007-08) PAGE-201
IMPRUDENT INVESTMENT IN THE NON-PROFITABLE SHARE CAPITAL -
RS.176.904 MILLION**

The Audit pointed out that as per Employees' Old-Age Benefits (Investments) Rules, 1979, sub-clause (f) of clause "Definition", the Institution may invest moneys in ordinary or preference shares of any such authority or corporation or of such company listed within Pakistan, as has paid dividend of not less than ten percent per annum on its ordinary shares capital for three accounting years preceding the year in which investment is made. Moreover as per notification of

Ministry of Finance circulated vide O.M. No.F.4 (I) BR.11/2002 dated November 01, 2002, Public Sector Enterprises and Autonomous Bodies were allowed to invest 20% of their surplus funds in those stocks, whose dividends exceed the average six months Treasury Bill rate for the last three years.

Employees' Old-Age Benefits Institution made an investment of Rs.176.904 million by purchasing a total number of 4.666 million shares of M/s. MACPAC Films Limited at an average rate of Rs.37.913 per share in April 2004. The said company listed in Karachi Stock Exchange (KSE) in the year 2004, was suffering losses and never distributed any dividend. Thus the investment was made without considering the criteria fixed under EOBI Rules as well as Ministry of Finance.

The PAO informed that the investment was made in the share of MACPAC where the business had kept low and Company paid no dividends. Now the situation has improved and the company has started paying dividend.

PAC DIRECTIVE

The Committee while agreeing with the contention of Audit regarding investment in non profitable shares by the EOBI, settled the para with the direction to department to make secured investments in future.

6. **PARA-111 (ARPSE-2007-08) PAGE-202**
BLOCKAGE OF CAPITAL DUE TO PURCHASE OF PLOTS WITH
INAPPROPRIATE LEASE PERIOD - RS.12.809 MILLION

The Audit pointed out that Rule-10 (i) of the GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Employees' Old-Age Benefits Institution (EOBI) purchased two plots in September 2006 for petrol pump sites in Lahore costing Rs.12.809 million from Lahore Development Authority on a three years lease. However, no feasibility was prepared for the same investment to assess adequacy of the agreed lease period. Resultantly, neither petrol pumps were established nor plots were utilized for any other commercial purpose. Therefore, upon expiry of three years lease period, the expenditure is likely to be wasteful and also tantamount to blockage of capital.

The PAO informed that now EOBI has recommended BOT for cancellation of lease or to decide for its renewal.

PAC DIRECTIVE

The Committee pended the para with the direction to PAO to initiate departmental inquiry, fix responsibility and report to Committee within 60 days.

7.
 - i. **PARA-108 (ARPSE-2007-08) PAGE-199**
 - ii. **PARA-108.1(ARPSE-2007-08) PAGE-199**
 - iii. **PARA-108.2 (ARPSE-2007-08) PAGE-199**
 - iv. **PARA-108.3 (ARPSE-2007-08) PAGE-200**

PAC DIRECTIVE

The Committee settled the above mentioned 04 paras on the recommendation of Audit/DAC.

MINISTRY OF PETROLEUM & NATIONAL RESOURCES
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Petroleum & Natural Resources was examined by the PAC on 15th August, 2011, 18th August, 2011, 10th May, 2012, 15th May, 2015 and 10th August, 2015.

- 101 paras were presented by the Audit Department which were examined by the Committee. Out of which 25 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.
- In few paras the inquiries by FIA were directed while in few cases the PAO was directed to hold an inquiry, fix responsibility and take disciplinary actions.

MINISTRY OF PETROLEUM & NATURAL RESOURCES

ACTIONABLE POINTS

PAC MEETING: 15-08-2011

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

1. **PARA 120-PAGE-219-ARPSE-2007-2008**
LOSS DUE TO SHORT SUPPLY OF POLY BY CARTAGE CONTRACTORS –
RS. 48.200 MILLIONS.

The Audit pointed out that as per clause-13 of agreement between cartage contractors and Pakistan State Oil (PSO), the amount of short supply shall be recovered from the contractors when they submit their cartage bill to PSO.

PSO entered into an agreement with M/s. Saindak Metals for supply of POL products through cartage contractors. M/s. Saindak Metals deducted an amount of Rs. 48.200 million from bills of PSO on the ground of short supply of furnace oil and diesel by the cartage contractors during the year 2006-2007. However, the management could neither recover the loss from cartage contractors nor the short payments where made good from M/s. Saindak Metals.

The PAO informed the Committee that an amount of Rs. 14 million has been detected and the recovery is in process. The PAO requested the Committee to allow some time in this regard as 184 contractors are involved in the subject recovery.

PAC DIRECTIVE

The Committee directed the PAO to ensure recovery within six months and report to the Committee. Audit should check the future system of the Department and report to the Committee.

2. **PARA 126, PAGE-228-ARPSE-2007-2008**
NON-RECOVERY OF OUTSTANDING DUES FROM CHRONIC
DEFAULTERS.- RS. 574.593 MILLION.

The Audit pointed out that Sui Southern Gas Company Limited (SSGCL), despite being facilitated with recovery teams possessing magisterial powers, was not able to recover a sum of Rs. 574.593 million, lying outstanding, as on June 30, 2007 from a large number of consumers who were defaulters in payment of dues over a period ranging more than one to five years. The non-recovery of the huge amount despite ineffective control over realization of the dues is in contravention of policy of SSGCL.

The PAO informed the Committee that some amount has been recovered and efforts are being made for remaining recovery.

PAC DIRECTIVE

The Committee directed the PAO to get verification of recovered amount from Audit and report, make efforts to recover the remaining amount within three months and provide a future policy to the Committee.

3. **PARA 128-PAGE-230-ARPSE-2007-2008**
LOSS DUE TO EXPIRY OF VALIDITY OF THE OFFER AND PURCHASE OF
DOZERS AT THE INCREASED PRICE – Rs. 7.542 MILLION.

The Audit pointed out that the bids were opened on February, 1, 2005 but the evaluation was completed in five months instead of scheduled one month. The lowest bid was offered by M/s. Allied Engineering Service, who had quoted FOB price of US\$429,000. The landed cost of the quoted items worked out to equivalent Pak Rs. 43.403 million at the conversion rate of US\$ 1=PKR 59.48.

The PAO informed the Committee that the tender was issued before the provision of budget to the Department. The inquiry report has been provided to Audit Department.

The PAO further informed the Committee that there is no financial loss.

PAC DIRECTIVE

The Committee expressed its displeasure on the inefficiency, bad management and bad planning by the Department and directed the PAO to improve the system in future. The Committee directed the PAO to check the inquiry report personally hold another DAC meeting. The Para was pended by the PAC till its next meeting on the Ministry.

4. i. **PARA 5.1(a), PAGE-137-AR-2007-2008**
SHORT- REALIZATION OF INTEREST ON NON/LATE PAYMENT OF
GAS DEVELOPMENT SURCHARGE- RS. 428.457 MILLION.

The Audit stated that M/s Sui Gas Pipelines Ltd. (SNGPL), booked in their Annual Report for the financial year ended on 30th June, 2006 & 2007, an interest of Rs. 428.457 million, receivable from Water and Power Development Authority (WAPDA), on overdue payment of Gas Development Surcharge. This interest was to be recognized as operating income and was payable as Gas Development Surcharge to the public exchequer, being over and above the revenue requirement determined by the Natural Gas Regularly Authority. The SNGPL, however, neither

recognized it as operating income nor deposited the amount in exchequer. This caused undue retention of government revenue of Rs. 428.457 millions.

ii. **PARA 5.1 (c), PAGE-139-AR-2007-2008**
NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS DEVELOPMENT SURCHARGE- RS. 112.392 MILLION.

The Audit stated that M/s Mari Gas Company Limited, Islamabad, booked an amount of Rs. 112.392 million, as recoverable under head interest, on delayed GDS in their Annual Report for the year ended on 30th June, 2006. This amount was not paid into government account up to April, 2008. This caused undue retention of government revenue by the company.

Technically this is the issue of receivables and payables. The case has been referred to Law Ministry for Legal advice.

PAC DIRECTIVE

The Committee pended the above mentioned 2 Audit paras till its next meeting on the Ministry. The Committee directed the PAO that the report on price formula of Sui-Gas and LPG Gas be provided to the Committee within two weeks.

5. i. **PARA 5.1(b), PAGE- 138- AR-2007-2008**
SHORT-REALIZATION OF INTEREST ON NON/LATE PAYMENT SURCHARGE- Rs. 257.767 MILLION.
- ii. **PARA 5.1 (d), PAGE-140-AR-2007-2008**
NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS DEVELOPMENT SURCHARGE-Rs.10.395 MILLION.
- iii. **PARA 5.2, PAGE- 141-AR-2007-2008**
NON-REALIZATION OF GAS DEVELOPMENT SURCHARGE- Rs. 259.231 MILLION.
- iv. **PARA 5.3, PAGE- 142-AR-2007-2008**
SHORT PAYMENT OF GAS DEVELOPMENT SURCHARGE- Rs. 6.262 MILLION.

PAC DIRECTIVE

The Committee on the recommendations of Audit, settled the above mentioned four Audit paras.

6. i. **PARA 144, PAGES 266-268-ARPSE-2007-2008**
APPOINTMENT OF 22 OFFICERS WITHOUT OBSERVING THE
CODAL FORMALITIES RS. 65.132 MILLION

The Audit stated that as per service rules of OGDCL all the vacancies were required to be advertised in leading newspapers of the country. Based on written test and interview and recommendation of Selection Committee, final selection is made by following regional/provincial Quota, approved by the Government. The recruitment cases of specific positions are to be conducted by the Interview Committees notified by the management and finally the proceedings of the committees are required to be approved by the Managing Director. Oil and Gas Development Company Limited (OGDCL), made 22 recruitments without observing the laid down criteria/ procedure. The posts were not advertised in the press, and most of the candidates did not meet the prescribed qualifications. These cases were submitted to Executive Committee of the Board on June 08, 2006 who advised the management that all these cases should be submitted to Board of Directors for information/ex-post facto approval. The matter was placed in Board of Directors meeting held on February 06, 2007 for ex-post facto approval/ regularization but the Board of Directors turned down the cases and advised that the Chairman/Chief Executive being the competent authority may decide the cases on merit basis. The management of OGDCL did not take any collective measures and the officers were working on different posts against the Company's recruitment policy; hence, the amount of Rs. 65.132 million paid on account of pay and allowances up to March 2008 was considered irregular.

ii. **PARA 147, PAGES 270-272-ARPSE-2007-2008**
IRREGULAR APPOINTMENT OF EXECUTIVE DIRECTOR (HUMAN
RESOURCES) RS. 16.800 MILLION

The Audit pointed out that Oil and Gas Development Company Limited (OGDCL), on November 20, 2005, advertised the posts in newspapers for appointment of SEVPs / Eds (HR). The minimum qualification for the post was Master degree and 20 years experience of top level management skills in the relevant field. Mr. Shahzad Saddal having B.Sc. qualification with four courses in Human Resource and 12 years experience of Human Resource Management, applied for the post of Executive Director. The said officer did not qualify even for short listing due to deficiencies in the qualification as well as in experience, but the Human Resource Committee of OGDCL in its meeting held on February 13, 2006 interviewed the candidate and recommended his name as Executive Director, Human Resources @ Rs. 500,000 per month in addition to other pre-requisites. The Board of Directors, in its meeting held on February 23, 2006, accorded approval of his appointment. In order to cover the deficiencies of

qualifications, the case was again put-up in the Board of Directors meeting on August 15, 2006, which approved the case by granting special relaxation in qualification and experience on August 15, 2006. The officer received Rs. 16.800 million as remuneration. The appointment of the said officer was considered irregular as healthy competition was not made and a candidate having lesser qualification as well as practical experience was selected / appointed against the OGDCL service rules and criteria published in the newspaper dated November 20, 2005, which resulted in undue favour to the candidate.

iii. **PARA 149, PAGES 273-274-ARPSE-2007-2008**
IRREGULAR APPOINTMENT OF PART TIME CONSULTANT WITH
OPEN TORs AND PAYMENT OF REMUNERATION - RS. 4.826
MILLION

The Audit pointed out that per para-10 of prescribed procedure for the appointment of consultants, the services of qualified individual consultants and experts for short term assignments of maximum six months were to be sought out through press advertisement for the proposed job giving a brief description of assignment. The information from the consultants must be obtained through questionnaire which should be prepared by the concerned department. The questionnaire should be tailored to suit the job requirement.

Oil and Gas Development Company Limited (OGDCL) appointed a part time Consultant/Advisor (Human Resources) on December 01, 2005 at a consolidated pay of Rs. 80, 000 per month on an open TORs. The initial period of appointment was for four months and payment of Rs. 720,000 was made from October, 2005 to June, 2006. Then, the officer was appointed as Manager (Cost and Benefit) on July 1, 2006 @ Rs. 195,539 per month and an amount of Rs. 4,106,319 was paid upto March, 2008. The appointment was finalized without following the procedure and the job was not advertised. The degree of the said officer was also not recognized from HEC hence the appointment of the said officer was considered unjustified and irregular. Moreover, the TORs of job were also not prepared. Thus the payment of Rs. 4.826 million for the period from October 2005 to March 2008 was considered irregular.

PAC DIRECTIVE

The Committee directed the PAO to censure the persons for carrying out a meaningless inquiry and directed the PAO to further inquire into the matter and report to the Committee within two month. The Committee pended the above mentioned three Audit paras till its next meeting on the Ministry.

OIL AND GAS DEVELOPMENT COMPANY LIMITED

7.
 - i. PARA 138.4, PAGE 259-ARPSE-2007-2008
 - ii. PARA 138.5, PAGE 259-ARPSE-2007-2008
 - iii. PARA 139, PAGE 259-ARPSE-2007-2008
LOSS DUE TO NON-DELIVERY OF TWO RIGS BY M/S GWDCL (US\$ 21,516,200)- RS. 1.291 BILLION
 - iv. PARA 141, PAGES 263-264-ARPSE-2007-2008
LOSS DUE TO DELAY IN FINALIZATION OF AGREEMENT WITH M/S SEIBIRD FOR 3D SEISMIC SURVEY IN INDUS DELTA – US \$ 9.070 MILLION (RS.544.200 MILLION)
 - v. PARA 142, PAGES 264-265-ARPSE-2007-2008
UN-JUSTIFIED PAYMENT TO M/S LMKR AS SHARE IN JOINT VENTURE- LOSS US \$ 614,093 – (RS. 36.846 MILLION)
 - vi. PARA 143, PAGES 265-266-ARPSE-2007-2008
LOSS DUE TO RECEIPT OF DAMAGED CARBON STEEL PIPES- RS. 146. 970 MILLION
 - vii. PARA 144, PAGES 266-268-ARPSE-2007-2008
APPOINTMENT OF 22 OFFICERS WITHOUT OBSERVING THE CODAL FORMALITIES RS. 65.132 MILLION
 - viii. PARA 145, PAGES 268-269-ARPSE-2007-2008
PROCUREMENT OF DEFECTIVE MAN PORTABLE DRILLS (SHORT HOLE)- (euro 702,302)- RS. 49.863 MILLION
 - ix. PARA 146, PAGES 259-270-ARPSE-2007-2008
NON-RECOVERY OF SALE PROCEEDS FROM BUYERS OF LOW PRESSURE GAS RS. 18.067 MILLION
 - x. PARA 148, PAGES 272-273-ARPSE-2007-2008
LOSS DUE TO THEFT OF GASOLINE FROM DHODAK - RS. 9.758 MILLION
 - xi. PARA 150, PAGES 274-275-ARPSE-2007-2008
LOSS DUE TO NON-FOREETURE OF PERFORMANCE BOND OF DEFAULTING CONSTRUCTION CONTRACTOR – RS. 3.884 MILLION

PAC DIRECTIVE

The Committee pended the above mentioned eleven (11) Audit paras till its next meeting on the Ministry.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 18-08-2011

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

8. **PARA 130, PAGES 234-235-ARPSE-2007-2008**
PILFERAGE ON GAS BY USING DIRECT TAPPING AND METER TAMPERING – RS.92.174 MILLION

The Audit pointed out that as per section 18.1 of Billing Manual of SNGPL, it is the responsibility of every employee of SNGPL to detect and report the cases involving pilferage of gas, and, as per section 18.13 of Billing Manual when tampering of meter is established, gas supply shall be disconnected immediately (within 24 hours). The consumer shall be placed under observation for a period at least at 6 months after restoration of gas.

The un-accounted for gas team (UFG) of SNGPL conducted various raids, during 2002-2003 to 2006-2007, and detected pilferage of gas amounting to Rs. 92.174 million as detailed below, by commercial, industrial and domestic consumers, by using direct tapping and tampering of meters:

(Rs. in million)

S #	DP #	Name of Consumers	Mode of Pilferage	Amount
1	2516	Ten consumers, Lahore	Direct lapping	56.630
2	2512	M/s Fancy Dyeing and Finishing Mills, Lahore	Meter tampering	9.940.
3	2507	M/s Suleman Silk Mills, Faisalabad	Meter tampering	9.868
4	2513	M/s Sarfraz Ceramics Industries, Khewra	Direct tapping	9.818
5	2509	M/s Akbari Supper Store, Lahore	Direct tapping	3.173
6	2376	Canteen Contractor of Parliament Lodges, Islamabad	Direct tapping	2.745
Total				92.174

The PAO informed the Committee that the said matters are in the Courts.

PAC DIRECTIVE

The Committee directed the PAO to get the report from Legal Wing and submit a comprehensive report to the Committee whether these connections have been disconnected or not and take all appropriate measures to recover the amount from all concerned. The Committee also directed the PAO to provide:

- Individual defaulters list
- Large companies defaulters list
- List of court cases
- List of Lawyers
- Status of Court cases
- A comprehensive policy should be prepared by the Department in legal cases
- Strengthen the system, make transparency for improving the system, share this policy with Audit and submit it to the Committee within one month for sharing with the main PAC.
- The Committee directed the PAO to expedite the court cases and report to the Committee
- The Committee pended this issue till its next meeting on the Ministry

9. **PARA 131, PAGE 236-ARPSE-2007-2008**
NON-RECOVERY OF GAS BILLS- RS. 10.107 MILLION

The Audit pointed out that clause-16 of Gas Sales Agreement, necessitates terminating gas connection, if the bill is not paid within 10 days of the date of bill.

SNGPL could not recover gas charges amounting to Rs. 10.107 million relating to the period from February 1991 to March 2006 from its following consumers:

(Rs. in million)

S #	DP #	Name of Consumers/No. of cases	Nature of recovery	Amount
1	2522	M/s Awan Rubber Works, Wazirabad	Non-payment of bills and consumers not traceable	3.972
2	2521	M/s Hameed Metal Works, Gujranwala	Non-payment of bills, matter in court	2.420
3	2518	Eleven Consumers, Gujrat	Consumers were under-billed cases in courts	2.808
4	2517	Twenty two consumers of Katchi Abadi, G-8/1 and F-7/4, Islamabad	Illegal extensions, cases in court	0.907
Total				10.107

The recovery could not be effected because either the respective consumers were not traceable or the company had filed suits in the court of law against the consumers.

The PAO informed the Committee that the BODs allowed the recovery in installments. However, the matter of recovery is in the Court also.

PAC DIRECTIVE

The Committee directed the PAO to pursue the Court cases and report to the Committee. The Committee pended the para till its next meeting on the Ministry.

10. **PARA 132, PAGES 237-238-ARPSE-2007-2008**
LOSS DUE TO ABNORMAL DELAY IN PROCESSING OF ORDER-RS. 6.720
MILLION

The Audit pointed out that SNGPL floated tender enquiry in November, 2003 and opened on December 02, 2003 for the procurement of 560 M.ton polyethylene for which M/s Arfeen Borouge, UAE was considered technically as well as commercially responsive with rate of US \$ 842 per M.ton on FOB Karachi basis. The bid offered by the supplier was valid for 90 days i.e. upto March 02, 2004. The supplier was approached for the extension of validity period of bid up to June 02, 2004, but he refused to extend the validity period. Due to abnormal delay in processing of the tender against the Cabinet Division instructions, a commercially as well as technically respective bid could not be materialized. The fresh tenders were floated in March, 2004 and M/s Arfeen Borouge of UAE was again declared technically as well as commercially responsive with a rate of US\$1,042 per M. ton and purchase order was placed on the supplier. Thus due to in-ordinate delay in the processing of tender enquiry the rate of polyethylene was enhanced from US \$ 842 per M. ton to US \$ 1,042 M. ton by the same supplier. As a result, the organization sustained a loss of Rs. 6.720 million, as the rate of polyethylene was enhanced by US \$ 200 per M. ton during the said period.

PAC DIRECTIVE

The Committee directed the PAO to hold the DAC meeting and pended the para till its next meeting on the Ministry.

11. **PARA 133, PAGES 238-239-ARPSE-2007-2008**
AVOIDABLE EXPENDITURE ON AIR-LIFTING OF CONSIGNMENT- RS. 1.136
MILLION

The Audit pointed out that SNGPL opened a tender on October 20, 2005 for the supply of polyethylene fittings (50,000 Ply tapping reducing tees) under annual development program for the year 2005-2006. The tender was cancelled on the recommendation of Bid Evaluation Committee (BEC) due to huge variation in the

lowest and highest bids. Tender enquiry was re-floated on April 25, 2006 and purchase order for 75,000 reducing tees was placed on January 23, 2007 on M/s Dancom, USA. SNGPL took 16 months to finalize the case, resultantly, the stock of above mentioned tapping tees was fully consumed/exhausted and work was completely held up due to which the consignment had to be air-lifted. Thus an avoidable expenditure of Rs. 1.136 million was incurred on account of air-lifting of consignment which could be avoided had timely action been taken by SNGPL management and material procured in time.

The PAO informed the Committee that in future, an inquiry will be conducted in case of any inordinate delay. The Committee is requested to kindly settle the para.

PAC DIRECTIVE

The Committee settled the para with the direction to redress the issue of inordinate delay and the departmental inquiry should be conducted in such cases and due care should be taken in future.

12. **PARA 136, PAGES 242-243-ARPSE-2007-2008**
THEFT OF GAS AT BRITISH COLONY, RAWALPINDI WORTH MILLION OF RUPEES

The Audit pointed out that as per section 18.1 of Billing Manual of SNGPL it is a moral responsibility of every employee of SNGPL to detect and report the cases involving pilferage of gas. Such cases are dealt with under clause 27 of the gas sales contract and rules and procedure framed by the Company. As per section 18.13, when the tampering of meter is established, the gas supply shall be disconnected immediately (within 24 hours). The consumers shall be placed under observation for a period of at least 06 months after restoration of gas, during which period the CMS will be visited by the Company personnel at least 08 times every month. The residents of the surrounding of Samarzar Colony made complaints to SNGPL Area Office, Islamabad regarding illegal connections by contractors and drastic low gas pressure, but no corrective measure such as raid/departmental enquiry was taken by the Area management against the employees/contractors who were engaged in laying of un-authorized connections. The local councilor of the area made a press conference and requested GM Islamabad Area to send his team. Afterward, a news item was published in Daily Newspaper (Ausaf) on 23rd December, 2006. Consequently the team of UFG Islamabad Area conducted raid at that Colony, Adyala Road, Rawalpindi on December 28, 2006 and observed that some SNGPL registered contractors were engaged in laying gas pipelines at night to provide illegal connections in Samarzar Colony and getting illegal gratifications. Resultantly, gas pressure of the colony had been dropped drastically.

The PAO informed the Committee that an inquiry was conducted and no person was found guilty. However, the inquiry showed that outsiders were involved.

PAC DIRECTIVE

The Committee directed the PAO to get the help of the Politicians of concerned areas. The Committee also directed the PAO to hold another inquiry to determine connivance of the Department or otherwise, and report to the Committee within one month. The Committee settled the para subject to verification and satisfaction of inquiry report by Audit with a report to the Committee within one month.

(KHUSHAL PAKISTAN PROGRAM)

13. i. **PARA 137.2, PAGES 247-249-ARPSE-2007-2008**
SHORTFALL OF CASH-RS.7.138 BILLION AS ON DECEMBER 31, 2008

The Audit pointed out that SNGPL could only utilize an amount of Rs. 4,238 million, against the allocation of Rs. 18,319.052 million, made by the Government of Pakistan. The utilization worked out to 23.13% during the last five and a half years. The amount of cash for such schemes was deposited in the common bank account of the Company, where all sorts of expenditure, including these schemes, are being kept.

- ii. **PARA 137.3, PAGES 249-251-ARPSE-2007-2008**
INCREASING TREND OF WORK IN PROGRESS

The Audit pointed out that since May 2003 to June 2007, there was an increasing trend in work in progress. Despite the availability of sufficient funds schemes were not being completed ever after lapse of considerable time. Schemes were initiated and left in-complete, while work was also started on new schemes. This was due to lack of proper planning and lack of capacity to complete the scheme without delay. This situation had resulted in cost overrun and deterioration of supply lines left without commissioning.

(Rs. in million)

S. No.	Year	Closing balance of Work-in-Progress
1	2002-2003	3,172
2	2003-2004	3,854
3	2004-2005	3,603
4	2005-2006	5,402

5	2006-2007	6,513
6	2007-2008	10,269
7	Upto December 2008	15,868

iii. **PARA 137.4, PAGES 251-252—ARPSE-2007-2008**

CAPITALIZATION OF JOB

The Audit pointed out that clause 13.7.6.5 of Accounting Manual of SNGPL, “Reconciliation of Job” requires that completion report shall be prepared for each job within one month of its completion, and shall be a pre-requisite for closing of all jobs and capitalization thereof.

The capitalization of Rs. 2.235 billion was done without observing the accounting procedure of SNGPL. In the absence of reconciliation of job the value of the capitalization may be overstated.

SNGPL had capitalized 341 schemes, involving a capital expenditure of Rs. 267.052 million under KPP-I Schemes, during 2005-2006. The completion reports of only 82 schemes were prepared and approved by the competent authority. The Material Reconciliation Statement, the essential part of the completion report, was not prepared in remaining 259 schemes. Similarly in KPP-II, 240 schemes having a capital outlay of Rs. 284.40 million were completed and capitalized during the year 2005-2006, the completion reports of only 51 schemes were available with the management, thus only 21% were actually completed. The Board of Directors of the Company also showed their displeasure in the 13th meeting, held on September 28, 2006, regarding Capitalization of job by SNGPL, without finalizing completion reports. Hence the capitalization of schemes amounting to Rs. 2.235 billion, made during the period 2003 to 2007, was also not done in accordance with the laid down criteria hence the capitalization shown by the management is questionable.

The Audit further pointed out that no such data has been provided to Audit.

PAC DIRECTIVE

The Committee directed the PAO to share the scheme-wise data with Audit and also provide record to them. The Committee directed the PAO to hold another DAC meeting and pended the above mentioned three Audit paras till its next meeting on the Ministry.

SUI NORTHERN GAS PIPELINES LIMITED

14. i. **PARA 129-ARPSE-2007-2008**
- ii. **PARA 129.1-ARPSE-2007-2008**
- iii. **PARA 129.2-ARPSE-2007-2008**
- iv. **PARA 129.3-ARPSE-2007-2008**
- v. **PARA 134-ARPSE-2007-2008**
LOSS DUE TO EXCESS CHARGES OF FREIGHT BY HE SUPPLIER –
RS. 884,352
- vi. **PARA 135-ARPSE-2007-2008**
LOSS DUE TO ILL-PLANNED PURCHASE OF LPG STORE ITEMS-RS.
715,061
- vii. **PARA 137(i)-ARPSE-2007-2008**
- viii. **PARA 137(ii)-ARPSE-2007-2008**
- ix. **PARA 137(iii)-ARPSE-2007-2008**
- x. **PARA 137.1-ARPSE-2007-2008**

NON-RECONCILIATION OF GRANTS AMOUNT

PAC DIRECTIVE

The Committee settled the above mentioned ten Audit paras on the recommendations of Audit.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 10-05-2012

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

SUI SOUTHERN GAS PIPELINE LIMITED (SSGPL)

15. **PARA-126 (ARPSE- 2007-08) ITEM-10 (II) (AP-2007-08)**
NON-RECOVERY OF OUTSTANDING DUES FROM CHRONIC DEFAULTERS
– Rs. 547.593 MILLION.

Audit pointed out that with the recovery of Rs. 16.335 million an amount of Rs. 558.238 million is still recoverable.

The PAO said that as per claim of the SSG management the relevant record regarding recovery of Rs. 454 million (approx.) out of total Rs. 574 million has been verified by audit.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to expedite the recovery process of outstanding amount.

16. **PARA 128 (ARPSE 2007-08) ITEM-10 (iii) (AP-2007 -08)**
LOSS DUE TO EXPIRY OF VALIDITY OF THE OFFER AND PURCHASE OF
DOZERS AT THE INCREASED PRICE- RS.7.542 MILLION.

The Audit pointed out that the Ministry did not comply with the PAC directives of 15-8-2011.

The PAO replied that they are in fact working on the system to make it more efficient.

PAC DIRECTIVE

The Committee settled the para but showed its displeasure as well.

ACTIONABLE POINTS-PAC MEETING 15-08-2011

17. i. **PARA-5.1 (a) (2007-08)**
NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS
DEVELOPMENT SURCHARGES - RS.428.457 MILLION.
- ii. **PARA-5.1 (c) (2007-08)**
NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS
DEVELOPMENT SURCHARGES - RS.112.392 MILLION.
- iii. **PARA-5.2(2007 -08)**
NON- REALIZATION OF GAS DEVELOPMENT SURCHARGE
RS.259.231 MILLION.
- iv. **PARA-5.1 (b) (2007-08) 12 (iv), (v), (vii) &**
NON - REALIZATION OF INTEREST ON NON/LATE PAYMENT OF
GAS DEVELOPMENT SURCHARGES - RS.257.767 MILLION
- v. **PARA-5.1 (d) (2007 -08)**
NON- REALIZATION OF INTEREST ON NON/LATE PAYMENT OF
GAS DEVELOPMENT SURCHARGES - RS.10.395 MILLION

- vi. **PARA-5.3(2007 -08)**
SHORT PAYMENT OF GAS DEVELOPMENT SURCHARGES - RS.6.262
MILLION

PAC DIRECTIVE

After deliberating on above mentioned paras, the Committee opined to refer to a Committee which is to be constituted in the near future.

ACTIONABLE POINTS
(Audit Year 2007-08)

PAC MEETING: 15-05-2015

AUDIT REPORT FOR THE YEAR 2007-08

MARI GAS LIMITED

18. **PARA NO. 5.1 (c) (AR-2007-08) DP 11203-GDS**
NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS
DEVELOPMENT SURCHARGE –RS. 112.392 MILLION

The Audit pointed out that M/s. Mari Gas Company Limited, Islamabad booked an amount of Rs.112.392 million as recoverable under head “interest” on delayed payments of GDS in their audited annual accounts for the year ended on 30th June, 2006. This amount was not paid to Federal Government up to April, 2008 which caused undue retention of Government revenue by the company. PAC had already been directed dated 26th February, 2014 in this regard i.e. the statement showing detail of payments to the legal team since 2006 may be provided to the Committee within three months.

The PAO stated that Mari Gas is pursuing this case for the payment of Gas Development Surcharge with WAPDA, including interest invoices by WAPDA. The company is operating under Gas Price Agreement on cost-plus formula and has no other sources to pay Government levies without receiving the same from its customers. However, one time waiver of interest up to June 2001 was allotted by the Ministry of Finance and no further waiver has yet been allotted. The issue of LPS on non/late payment of GDS would be settled alongwith resolution of circular debt issue through next Finance Bill. Moreover, the issue of late payment surcharge may be settled with resolution of circular debt issue.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to arrange a meeting with WAPDA to settle this issue and also verify/reconcile the amounts with a report to PAC.

19. **PARA NO. 5.2, (AR-2007-08) DP 11202 & 12069-GDS
NON-REALIZATION OF GAS DEVELOPMENT SURCHARGE –RS. 259.231
MILLION**

The Audit pointed out that M/s Tullow Pakistan (Development) limited, Islamabad did not pay gas development surcharge (GDS) of Rs.259.231 million on gas supplied during 2005-06 and 2006-07 despite of company had billed and collected the GDS from consumer i.e. WAPDA but did not pay into Government's account. However, the matter is gone into court of law and become sub-judice.

The PAO stated that the case is sub-judice. However, the Ministry has constituted a committee which is vigorously pursuing the case in the court of law.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to keep pursuance of the case vigorously.

20. i. **PARA NO. 5.1 (d), (AR-2007-08) DP 4310-GDS/K & 11750-GDS
NON-REALIZATION OF INTEREST ON INTEREST ON NON/LATE
PAYMENT OF GAS DEVELOPMENT SURCHARGE –RS. 10.395
MILLION**

ii. **PARA NO. 5.3, (AR-2007-08) DP 11749-GDS
SHORT PAYMENT OF GAS DEVELOPMENT SURCHARGE AND
INTEREST RS. 6.262 MILLION**

The Audit pointed out that the nature of the above two paras are same. Therefore, they were clubbed. As para 5.1(d) that M/s. SNGPL, Lahore and M/s. PPL, Karachi late deposited considerable amount of GDS during the period July and November, 2006 to March, 2007 but interest of Rs.10.395 million was not paid on account of these late payments and para 5.3 is about that the M/s. SNGPL, Lahore paid gas development surcharge less than what was actually due in terms of rates notified by OGRA from time to time. Gas development surcharge in gas sold in December, 2006 and billed in January, 2007, was paid short due to application of lower rates. The GDS of Rs. 5.446 million was short period and that attracted levy of interest @15% amounting to Rs. 0.816 million which raised the recoverable amount to Rs.6.262 million. Further, Audit pointed out that these two paras had already been discussed on 26th February, 2014 in PAC meeting. However, no outcome has been found so far.

The PAO stated that pertaining to the para 5.1(d) the Natural Gas (Development Surcharge) Ordinance 1967 has been amended through Finance Act, 2012. However, various amendments have also been made in the Government Rules to effect the waiver off. The issue of late

payment surcharge can be settled with resolution of circular debt issue. As well as pertaining to the other para 5.3 is concerned the SNGPL has been constituted a committee for providing the record regarding reconciliation of deposited amount with the final determination of revenue requirements. Further, deposits of assessed principle amount including Rs.5.44 million which has been verified. The interest of late payment of GDS was Rs. 0.816 million which is recoverable.

PAC DIRECTIVE

The Committee directed to settle the para 5.1(d) to the extent of SNGPL and for the rest of para followed the direction same like of para 5.1(c). The para 5.3 also recommended for settlement subject to verification of Audit and report to PAC.

21. **SUI NORTHERN GAS PIPELINES LIMITED**

- i. **PARA NO. 132, Page-237-238, (AR-2007-08)**
LOSS DUE TO ABNORMAL DELAY IN PROCESSING OF ORDER –
RS.6.720 MILLION
- ii. **PARA NO. 136, Page-242-243, (AR-2007-08)**
THEFT OF GAS AT BRITISH COLONY, RAWALPINDI WORTH
MILLION OF RUPEES
- iii. **PARA NO. 137.2, Page-247-249, (AR-2007-08)**
SHORTFALL OF CASH –RS.7.138 BILLION AS ON DECEMBER 31,
2008
- OIL AND GAS DEVELOPMENT COMPANY LIMITED**
- iv. **PARA NO. 138, (AR-2007-08)**
- v. **PARA NO. 138.1, (AR-2007-08)**
- vi. **PARA NO. 138.2, (AR-2007-08)**
- vii. **PARA NO. 138.3, (AR-2007-08)**
- viii. **PARA NO. 138.5, (AR-2007-08)**
- ix. **PARA NO. 141, Page-263-264, (AR-2007-08)**
LOSS DUE TO DELAY IN FINALIZATION OF AGREEMENT WITH M/S.
SEABIRD FOR 3D SEISMIC SURVEY IN INDUS DELTA –US \$. 9.070
MILLION (RS.544.200 MILLION)
- x. **PARA NO. 143, Page-265-266, (AR-2007-08)**
LOSS DUE TO RECEIPT OF DAMAGED CARBON STEEL PIPES –
RS.146.970 MILLION

- xi. **GOVERNMENT HOLDING PVT LIMITED**
PARA NO. 151, (AR-2007-08)
- xii. **PARA NO. 151.1, (AR-2007-08)**
WORKING RESULTS
- xiii. **PARA NO. 151.2, (AR-2007-08)**
- xiv. **PIRKOH GAS COMPANY (PVT.) LIMITED)**
PARA NO. 152, (AR-2007-08)
- xv. **PARA NO. 152.1, (AR-2007-08)**
- xvi. **PAKISTAN MINERAL DEVELOPMENT CORPORATION**
PARA NO. 153, (AR-2007-08)
- xvii. **PARA NO. 153.1, (AR-2007-08)**
- xviii. **PARA NO. 153.2, (AR-2007-08)**
- xix. **PARA NO. 153.3, (AR-2007-08)**

PAC DIRECTIVE

The Committee settled the above nineteen (19) paras.

SUI NORTHERN GAS PIPELINE LIMITED

- 22. **PARA NO. 130, PAGE-234-235, (AR-2007-08)**
PILFERAGE OF GAS BY USING DIRECT TAPPING AND METER
TAMPERING –RS. 92.174 MILLION

The Audit pointed out that the un-accounted for gas team (UFG) of SNGPL conducted various raidw during 2002-03 to 2006-07 and detected pilferage of gas amounting to Rs.92.174 million by commercial, industrial and domestic consumers by using direct tapping and tampering of meters.

The PAO stated that the cases are lying with OGRA and also in the court of law. Moreover, the list of legal cases alongwith desired informations/details have been submitted to Ministry of Petroleum & Natural Resources.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to look into the matter personally and be resolved with intimation to the PAC.

23. **PARA NO. 131, PAGE-236, (AR-2007-08)**
NON-RECOVERY OF GAS BILLS –RS. 10.107 MILLION

Audit pointed out that the SNGPL could not recover gas charges amounting to Rs.10.107 million relating to the period from February 1991 to March 2006 from some of its consumers. The recovery could not be affected may be either the respective consumers are not traceable or the company has filed suits in the court of law against them.

PAO stated that the 3 recovery/suits filed suits cases in the court of law against the defaulters are being pursued. However, recovery of Rs.937,865 has been made and verified by Audit, whereas, the balance amount is sub-judice in the court of law.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to make necessary amendments in the agreement made with the customer/applicant for new gas connection in future, by making land lord as second owner which would liable the owner to pay in case the lessee become defaulter.

24. **PARA NO. 137.3, PAGE-249-251, (AR-2007-08)**
INCREASING TREND OF WORK IN PROGRESS

The Audit pointed out that there was an increasing trend in work in progress. Despite the availability of sufficient funds schemes were not being completed even after lapse of a considerable time. Schemes were initiated and left incomplete while work was also started on new schemes. This all resulted an increase in work in progress from Rs. 3,172 million in 2002-03 to Rs.15,868 million in December 2008. This situation has resulted in cost overrun and deterioration of supply of lines left without commission. Management was directed to share the scheme wise data with Audit. The record was produced by the SNGPL and has been examined by Audit.

The PAO stated that major increase in work in progress due to gas supply to different new towns and villages as per government instructions. It is pertinent to mention that the capitalization is also increased on yearly basis. It is also necessary to mention that now Government has released funds and now the pending work will be done expeditiously.

PAC DIRECTIVE

The Committee settled the para.

25. **PARA NO. 137.4, PAGE-251-252, (AR-2007-08)**
CAPITALIZATION OF JOB

The Audit pointed out that the capitalization of Rs. 2.235 billion was done without observing the counting procedure of SNGPL. In the absence of reconciliation of job the value of the capitalization may be over stated. SNGPL had capitalized 341 schemes involving a capital expenditure of Rs. 267.052 million under KPP-I Schemes during 2005-06. The completion reports of only 82 schemes were prepared and approved by the competent authority. The material reconciliation statements the essential part of the completion report was not prepared in remaining 59 schemes. Similarly in KPP-II, 240 schemes having a capital outlay of Rs.284.40 million were completed and capitalized during the year 2005-06, the completion reports of only 51 schemes were available with the management, thus only 21% was actually completed. The management was asked to provide the schemes wise data with Audit and also provide record to them. The record/details were provided by the management to the Audit which was under review.

The PAO stated that due to increase in activity, the quantum of jobs has increased manifold. However, for the year 2005-06 no completion report is outstanding. As per procedure on completion of each job, formal completion report are prepared for capitalization of assets and the same has been adopted for internal control purpose.

PAC DIRECTIVE

The committee settled the para subject to verification of Audit.

OIL AND GAS DEVELOPMENT LIMITED

26. **PARA NO. 138.4, Page-259, (AR-2007-08)**

The debts increased from Rs.24.498 billion in 2005-06 to Rs.27.873 billion in 2006-07. This indicates the debtors have increased by 13.17% and overall sales have increased from Rs.96 billion to Rs.100 billion with an increase of 3.6%. The company should try to match its debtors turnover period with the sales otherwise increase in sales without timely receipts from the debtors can create cash flow problems for the Company in future. The management was directed to pursue the matter and take necessary steps for recovery of remaining amount.

The PAO informed the Committee that out of Rs.27.873billion, Rs. 27.567 billion has been recovered and verified by Audit which amounts to 99% of total trade debts leaving a balance of Rs.306.494 million.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

27. **PARA NO. 139, Page-260-261, (AR-2007-08)**
LOSS DUE TO NON DELIVERY OF TWO RIGS BY M/S. GWDCL (US \$ 21,516,200) –RS. 1.291 BILLION

The Audit pointed out that Oil and Gas Development Company (OGD CL) entered into a contract agreement with M/s Great Wall drilling Company Limited (GWDCL), Beijing, China on October 19, 2005 for hiring of seven rigs at the contract price US\$33.818 million. The company supplied five rigs. OGDCL asked GWDCL, on November 28, 2006 to intimate the availability of balance two drilling rigs but the company instead of offering the supply of remaining rigs, offered the remaining two rigs at revised tender rates, in spite of fact it was obliged to provide seven rigs on as and when required basis within two years contract period. The OGDCL entered into a new agreement at higher rates without stressing the company to supply the remaining two rigs at previously agreed rates. Thus OGDCL had incurred to an extra expense of US\$ 21.516 million equal to Rs.1.291 billion. The management was directed to inquire the matter and submit an inquiry report duly approved by PAO.

The PAO stated that GWDC informed that the two remaining rigs under Contract No.1019 were no more available as they had been shipped to other countries when OGDCL did not ask for these rigs to be mobilized. Earlier OGDCL did not have confirmed location for the wells. Afterwards due to increased drilling activity all over the world the market had become tight and new rigs could not be offered at the old rates. The rigs offered under the new contract were brand new and were in fact being manufactured. It was further told that penalty/risk clause was covered under clause 14 “Performance Bond, Rigs Availability” of the contract. However, the fact of the matter is that there wasn't any loss to OGDCL.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit and directed the PAO to re-examine the executed agreement made with the supplier and if found any irregularity on the part of the officer/official who executed this agreement, an inquiry should be initiated against him and report to PAC.

28. **PARA NO. 140, Page-261-262, (AR-2007-08)**
NON-ENCASHMENT OF BANK GUARANTEES DUE TO LITIGATION WITH TWO ITALIAN CONTRACTORS –US \$. 9.119 MILLION (RS.547.120 MILLION)

The Audit pointed that Oil and Gas Development Company Limited (OGDCL) entered into contract for setting up Qadirpur Project for supply, production and distribution equipment of gas for US\$73,262,000 with M/s. Compagnia Technical

International Progetti SPA (CTIP) and for civil works valuing Rs.560,568,600 with M/s. Fochi Energia Sri in February, 1994. The contractors failed to fulfill their contractual obligations and major deficiencies were found in their work. Both the contractors left the site in third week of December, 1996 without rectifying the faults. OGDCL called the concerned Italian Banks to encash the bank guarantees. OGDCL was successful in obtaining a judgment in its favour from an Italian Court for Euro 36,000 as cost (Rs.2,520,000) and a judgment for encashment of bank guarantees amounting to US\$ 9.000 million (Rs.540,000,000) in 2005 but the decision was challenged by the banks in the higher Italian Court. The OGDCL incurred Rs.4.600 million as legal expenses till 2007. Loss of Rs.547,120,000 could have been avoided, had the foreign bank guarantees were not accepted in contravention to Foreign Procurement Procedure Manual of OGDCL . The management was directed to pursue the case with full force and effect before the Italian Court.

The PAO stated that OGDCL entered into contract for supply and works for setting up Qadirpur Project for supply of production and distribution equipment of gas for US\$73,262,000/- with M/s. CTIP and for civil works valuing Rs.560,586,600- with M/s. Fochi in February, 1994. The Contractors failed to fulfill their contractual obligations and major deficiencies were found in their work. The contractors moved petition before the Civil Court in Rome in 1998 and obtained Stay Orders against the encashment of the Bank Guarantees. In 1998 OGDCL also filed recovery suites in the Court of Senior Civil Judge, Islamabad. Subsequently, both the contractors declared bankruptcy. In the year 2000 OGDCL obtained ex-parte decree from the court of Senior Civil Judge, Islamabad against both of the guarantor bank. It was further informed that the inquiry committee has been constituted and internal inquiry report has already been shared with Audit authorities.

PAC DIRECTIVE

The Committee pended the para as the matter is sub-judice in Court of Law.

29. **PARA NO. 142, Page-264-265, (AR-2007-08)**
UN-JUSTIFIED PAYMENT TO M/S. LMKR AS SHARE IN JOINT VENTURE –
LOSS US \$ 614,093 –(RS.36.846 MILLION)

The Audit pointed out that in terms of the agreement dated December 30, 2005 M/s, LMK Resources was obliged to arrange Omega-II software for processing the seismic data and arrange equivalent software for this purpose. M/s, Western Geco, supplier of the Omega-II refused to supply the software to LMK Resources being their competitors and M/s, LMK Resources could not arrange equivalent software for this purpose. OGDCL's user departments were also not satisfied with the seismic data processed by the joint venture. The management decided on February 21, 2007 to terminate the Joint Venture agreement, and OGDCL's 50% share in the loss settlement worked out to US\$ 614,093.50 regarding

acquisition of seismic data processing equipment the committee was of the view that equipment was worth only US\$40,000 (based on the highest bid received) and advised that as a service to the society it may be donated to Quaid-e-Azam University, Islamabad.

The PAO stated that the case was presented to Operation and Finance Committee of the Board of before submission to BODs the O&FC of the Board directed the MD/CEO to constitute an inquiry committee to probe in the matter. As per in compliance with last PAC directive dated 15-08-2011 an inquiry has been completed and recommendations are found. In consequence of recommendation the needful is being done.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to hold an inquiry and to report the same to PAC.

30. **PARA NO. 144, Page-266-268, (AR-2007-08)**
APPOINTMENT OF 22 OFFICERS WITHOUT OBSERVING THE CODAL FORMALITIES RS. 65.132 MILLION

The Audit pointed out that Oil and Gas Development Company Limited made 22 recruitments without observing the laid down criteria/procedure. The posts were not advertised in the press, and most of the candidates did not meet the prescribed qualifications. These cases were submitted to Board on June 08, 2006 who advised the management that all these cases should be submitted to Board of Directors for information /ex-post facto approval. The matter was placed in Board of Directors meeting held on February 06, 2007 for ex-post facto approval/regularization but the Board of Director turned down the case and advised that the Chairman/Chief Executive being the competent authority may decide the cases on merit basis. The management of OGDCL did not take any corrective measures and the officers were working on different posts against the Company's recruitment policy; hence, the amount of Rs.65.132 million paid on account of pay and allowance up to March 2008 was considered irregular. An inquiry committee was constituted and the inquiry was in process.

The PAO stated that after doing proper advertisement and short listing the candidate were interviewed and selected. Even than to comply with the PAC directive dated 15-08-2011 an inquiry committee was constituted and its report has been submitted accordingly to the PAC/Audit.

PAC DIRECTIVE

The Committee settled the para and directed the PAO that such practice may not be repeated again.

31. **PARA NO. 145, PAGE-268-269, (AR-2007-08)**
PROCUREMENT OF DEFECTIVE MAN PORTABLE DRILLS (SHOT HOLE) –
(EURO 702,302) –RS.49.863 MILLION

The Audit pointed out that Oil and Gas Development Company Limited, Islamabad invited bids for procurement of 12 Man Portable Drilling Rigs (Short Hole) 30 meter with spares through open tender. M/s. GEMSA, Turkey was the financially lowest firm with Euro 702,302 (C&F basis). The order was placed on the firm on December 29, 2005 despite having certain deficiencies in specification of offered rigs. The rigs were received by OGDCL in August 2006 and issued to the Seismic Parties. Frequent breakdown occurred in short duration during field operation. The local agent of the supplier M/s, Rastgar and Company also admitted problems with the Man portable Rigs on February 12, 2007. The Chief of Seismic Party No.04 informed on May 07, 2007 that 04 MP rigs in operation were out of order. The performance bond submitted by the supplier for Euro 71,000 expired on December 31, 2006 and the Company failed to get the extension of the same. An inquiry Committee was constituted and the inquiry report was submitted to the PAC.

The PAO stated that an inquiry Committee was constituted to probe into the matter. Final fate of the case would be intimated on finalization of inquiry proceeding. The initial inquiry was completed and the findings of that inquiry were provided to the Ministry.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to re-inquire the matter and if the inquiry Committee establishes the loss then it may be referred to FIA.

32. **PARA NO. 146, PAGE-269-270, (AR-2007-08)**
NON-RECOVERY OF SALE PROCEEDS FROM BUYERS OF LOW
PRESSURE GAS RS.18.067 MILLION

The Audit pointed out that OGDCL entered into an agreement with M/s. Farooq Lime Merchants, Faisalabad on January 14, 2002 for the sale of low pressure gas from its Kal Field for a period of three years. The contractor failed to make payment for low pressure gas supplied by OGDCL from July 2004 to February 2005. The management was required to suspend the supply of gas after default of July 2004 which was done and resulted in accumulation of outstanding dues of Rs.14.525 million due to undue favoritism to the party. Similarly OGDCL entered into an agreement on June 30, 2003 with M/s. Shahdab Lime Company for a period of 3 years for the sale of low Pressure gas from its toot Field. The buyer was not punctual in payment from the very first day. Despite the fact that the buyer was in default OGDCL did not suspend the supply of gas, which resulted in accumulation of outstanding dues against M/s. Shahdab Lime Company to the extent of Rs.3.542 million. Finally, the supply of gas was suspended in November

2004 at the request of the defaulter firm. A case was filed for recovery of amount and the case is in Islamabad High Court.

The PAO stated that OGDCL has supplied low pressure gas to M/s. Farooq Like Kiln from Kal field from July 2002 to February 2005. The company has settled the invoices up to June 2004 but the amount aggregating to Rs.10.770 million against the invoices for the period July 2004 to February 2005 is outstanding. LPS has also been charged to the company however, the payment has not been received. The matter has gone in court of law and stay order has been issued.

PAC DIRECTIVE

The Committee settled the para subject to recovery and after the decision of Honourable Court.

33. **PARA NO. 147, PAGE-270-272, (AR-2007-08)**
IRREGULAR APPOINTMENT OF EXECUTIVE DIRECTOR (HUMAN RESOURCES) RS.16.800 MILLION

Oil and Gas Development company Limited on November 20, 2005 advertised the posts in newspapers for appointment of SEVPs/Eds (HR). The minimum qualification for the post was Master degree and 20 years experience of top level management skills in the relevant filed. Mr. Shahzad Sadal having B.Sc. qualification with four courses in human resource and 12 years experience of human resource management applied for the post of Executive Director. The said officer did not qualify even for short listing due to deficiencies in the qualification as well as in experience, but the Human Resource Committee of OGDCL in its meeting held on February 13, 2006 interviewed the candidate and recommended his name as Executive Director, Human Resources @ Rs.500,000/- per month in addition to other perquisites. The officer received Rs.16.800 million as remuneration. The appointment of the said officer was considered irregular as healthy competition was not made and candidate having lesser qualification as well as practical experience was selected/appointed against the OGDCL service rules and criteria published in the newspapers dated November 20, 2005, which resulted in undue favour to the candidate. An inquiry committee was constituted to inquire the matter. The inquiry report was finalized and submitted to Ministry.

The PAO stated that regarding appointment of ED (HR), it is stated that in response to our advertisement published the news paper on 20-11-2005, Mr. Shahzad Sadan had applied for the post. After scrutinizing the applications. The case of Mr. Shahzad Sadan was put up to Human Resources Committee of the Board. The case was presented in the Board of Directors meeting held on 23rd February, 2006 for their approval and it was resolved that "In view of his strong HR experience also post graduate qualification the minimum requirements of the qualification and experience for the position of Executive Director (Human

Resources) may be relaxed in the case of Mr. Shahzad Sadan. It was further informed that the inquiry Committee constituted to inquire the case has finalized its inquiry and has submitted the inquiry report to the PAC.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to look into the inquiry in person with a report to PAC.

34. **PARA NO. 148, PAGE-272-273, (AR-2007-08)**
LOSS DUE TO THEFT OF GASOLINE FROM DHODAK –RS. 9.758 MILLION

Audit pointed out that Oil and Gas Development Company Limited, Islamabad entered into agreement with M/s. Shel Pakistan Limited and M/s. Caltex Oil (Pak) Limited in 1995 for the sale of certain liquid petroleum products. In October 1997 and January 1998 Gasoline valuing Rs.9.758 million was misappropriated by the staff of OGDCL from the deliveries made to the buyers from Dhodak. An inquiry committee was constituted on August 10, 1999 with the direction to finalize the report with a month. In May, 2000, the inquiry committee returned the file without any action with remarks that due to paucity of time the inquiry could not be conducted and the task may assigned to somebody else. Due to delayed and improper handling of case the Company sustained a loss of Rs.9.758 million. There was no progress of the case after July, 2003, the theft of gasoline amounting to Rs.9.785 million was not possible by one man, hence the termination of an employee did not serve the purpose. The matter is under investigation with FIA Multan and the final status as emerged after FIA inquiry will be intimated accordingly.

PAO stated that high level inquiries were conducted in this regard and as per their findings/recommendations the case was forwarded to F.I.A. Now the case is under investigation with FIA Multan Circle, Multan.

PAC DIRECTIVE

The Committee pended the para till the outcome of FIA inquiry report.

35. **PARA NO. 149, PAGE-273-274, (AR-2007-08)**
**IRREGULAR APPOINTMENT OF PART TIME CONSULTANT WITH OPEN
TORS AND PAYMENT OF REMUNERATION –RS.4.826 MILLION**

Audit pointed out that Oil and Gas Development Company Limited (OGDCL) appointed a part time Consultant/Advisor (Human Resources) on December 01, 2005 at a consolidated pay of Rs.80,000 per month on an open TOR's. The initial period of appointment was of four months and payment of Rs.720,000 was made from October, 2005 to June, 2006. Then, the officer was appointed as Manager (Cost and Benefit) and an amount of Rs.4,106,319 was paid up to March, 2008.

The appointment was finalized without following the procedure and the job was not advertised. Thus, the payment of Rs.4.826 million from the period October 2005 to March 2008 was considered irregular. An inquiry Committee was constituted to inquire the case. The joint team under representative of Ministry completed the inquiry and also submitted its findings to Ministry.

PAO informed the Committee that G.M. (H.R) Mr. Imtiaz Hussain Zaidi, resigned from OGDCL and the Management was looking for a suitable replacement. In July 2005 the position was advertised in all leading newspapers both locally as well as internationally. In order to get the functions of HR carried out perfectly the then Managing Director gave the authority to Mr. Amir Murad to exercise the financial powers of G.M (H.R). Later on case of Mr. Murad was presented to BOD, but BOD after interview suggested appointing Mr. Murad as manager (H.R). It will be appreciated that the Board has acted with lawful authority and all the payments made were held quite regular.

PAC DIRECTIVE

The Committee settled the para.

36. **PARA NO. 150, PAGE-274-275, (AR-2007-08)**
LOSS DUE TO NON-FORFEITURE OF PERFORMANCE BOND OF
DEFAULTING CONSTRUCTION CONTRACTOR –RS.3.884 MILLION

Audit pointed out that Oil and Gas Development Company Limited, Islamabad awarded the work of construction of workers at Bobi LPG Plant in Sindh to M/s Shan Associates, Lahore on July 07, 2005. The total cost of contract was Rs.38,835,924. The contractor submitted 10% performance bond valuing Rs.3, 883,600 issued by M/s. Credit Insurance Company Limited, Lahore, which was valid upto July 26, 2007. The contract was cancelled on September 13, 2007 after 10 months from the stoppage date of work by the contractor. The Manager Operation recommended encashment of performance bond but the management delayed the action resulting, in expiry of bond causing loss of Rs.3.884 million. An inquiry committee was constituted to inquire the matter. The inquiry committee finalized its inquiry and submitted inquiry report to MP&NR, DG-Commercial Audit, Lahore.

PAO stated that the delayed start of work (09 months) & then release of 1st running bill has almost taken 13 months out of allocated 18 months scheduled time. Then as per usual practice of intimation & thereafter three notices with properly time span followed by a final 14 days notice definitely would have taken time. Furthermore, approval of the forfeiture need advice from the legal department & therefore, these procedures are also time consuming tasks. Hence delayed start, followed by procedural delays, resulted in expiration of performance bonds. This may kindly be treated as procedural delay and may not be termed as human error.

PAC DIRECTIVE

The Committee settled the para and directed the management that all inquiry related paras may be completed within stipulated time of 60 days.

PAKISTAN STATE OIL COMPANY LIMITED

37. **PARA NO. 120, (AR-2007-08)**
ITEM-10 (I) (AP-2007-08) LOSS DUE TO SHORT SUPPLY OF POL BY
CARTAGE CONTRACTORS –RS.48.200 MILLION

PAC DIRECTIVE

The Committee settled the para.

SUI SOUTHERN GAS COMPANY LIMITED

38. **PARA NO. 126, (AR-2007-08)**
ITEM-10 (II) (AP-2007-08) NON-RECOVERY OF OUTSTANDING DUES FROM
CHRONIC DEFAULTERS –RS.574.593 MILLION

Audit pointed out that Sui Southern Gas Company Limited (SSGCL), despite facilitated with recovery teams progressing magisterial power, was not able to recover a sum of Rs.574.593 million lying outstanding as on June 30, 2007 from a large number of consumers who were defaulters in payment of dues over a period ranging more than one to five years. The non-recovery of the huge amount depicts ineffective control over realization of the dues in contravention of policy of SSGCL. The current status of this para for the recovery is that Rs.95.988 million has been recovered.

PAO stated that the company is doing maximum efforts to facilitate and affect recoveries from chronic defaulters (domestic customers). However, many of domestic connections are posed and having serious challenges pertaining to recoveries, especially for the last few years as Gas connections have been extended to far flung areas and low income urban areas. It was further informed that an amount of Rs.95.988 million has been recovered out of Rs.574.593 million and Rs.478.605 million is yet outstanding. The recovered amount Rs.95.988 million has been verified by the Audit.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to pursue the remaining recovery proceedings vigorously.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 10-08-2015

SUI NORTHERN GAS PIPELINES LIMITED

39. **PARA-130, PAGE-234-235, ARPSE-2007-08**
PILFERAGE OF GAS BY USING DIRECT TAPPING AND METER
TAMPERING- RS.92.174 MILLION

Audit pointed out that as per Section 18.1 of Billing Manual of SNGPL, it is responsibility of every employee of SNGPL to detect and report the cases involving pilferage of gas and as per Section-18.13 of Billing Manual when tampering of meter is established, gas supply shall be disconnected immediately (within 24 hours). The consumer shall be placed under observation for a period at least 6 months after restoration of gas.

The un-accounted for gas team (UFG) of SNGPL conducted various raids during 2002-03 to 2006-07 and detected pilferage of gas amounting to Rs.92.174 million by commercial, industrial and domestic consumers by using direct tapping and tampering of meters:

The PAO informed the Sub-Committee that amount of pilferage of gas had been booked and recovery suits had been filed in the court of law.

PAC DIRECTIVE

The Committee pended the Para because the matter is sub-judice in nature. The Committee further directed the PAO to pursue the case in the court of Law vigorously.

40. **PARA-131, PAGE-236, ARPSE-2007-08**
NON-RECOVERY OF GAS BILLS -Rs. 10.107 MILLION

Audit pointed out that Clause 16 of Gas Sales Agreement necessitates the termination of gas connection if the bill is not paid within 10 days of the date of bill.

SNGPL could not recover gas charges amounting to Rs.10.107 million relating to the period from February 1991 to March 2006.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee pended the para and directed the PAO to make necessary amendments in the agreement made with the customer/applicant for new gas connection in future. By making land lord as second owner which would liable to pay in case the lessee becomes defaulter.

The PAO informed the Committee that there were four cases pending in the court of law and the Ministry is pursuing the cases.

PAC DIRECTIVE

The Committee pended the para as the matter is sub-judice.

41. **PARA-137.4, PAGE-251-252, ARPSE-2007-08**
CAPITALIZATION OF JOB

Audit pointed out that Clause 13.7.6.5 of Accounting Manual of SNGPL “Reconciliation of Job” requires that completion report shall be prepared for each job within one month of its completion, and shall be a pre-requisite for closing of all jobs and capitalization thereof.

The capitalization of Rs.2.235 billion was done without observing the accounting procedure of SNGPL. In the absence of reconciliation of job the value of the capitalization may be overstated.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee recommended the para for settlement subject to verification of record by the Audit.

PAC DIRECTIVE

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

OIL AND GAS DEVELOPMENT COMPANY LIMITED

42. **PARA-138.4, PAGE-259, ARPSE-2007-08**

The Audit pointed out that Trade debts increased from Rs.24.498 billion in 2005-06 to Rs.27.873 billion in 2006-07. This indicates that debtors have increased by 13.17% and overall sales have increased from Rs.96 billion to Rs.100 billion with an increase of 3.6%. The practice can create cash flow problems.

The trade debts includes an amount of Rs.5.379 billion (2006: 1.768 billion) which has been withheld by the refineries under the directive of Ministry of Petroleum and Natural Resources and represents revenue of crude oil in excess of 50\$ per barrel .The discount table for this revenue is yet to finalized and was pending with the Ministry for many years..

PAC DIRECTIVE (DATED 15-05-2015)

The Committee recommended the para for settlement subject to verification of Audit.

The PAO informed the Committee that 99% accounts have been verified by the Audit. 1 % which is 300 Million were remaining, whereas out of 300 Million, Rs.200 Million has been settled and 100 Million were remaining.

PAC DIRECTIVE

The Committee settled the Para subject to verification of record by the Audit and directed the PAO to get the advice from Finance Division how to improve its financial system.

43. **PARA-139, PAGE-260-261, ARPSE-2007-08**
LOSS DUE TO NON DELIVERY OF TWO RIGS BY M/S. GWDCL (US \$
21,516,200) – RS.1.291 BILLION

The Audit pointed out that as per clause 1.3 of the agreement M/s. Great Wall Drilling Company Limited (GWDCL) was obliged to supply rigs as detailed hereunder:-

- i. Hiring of one medium depth drilling rig i.e. ZJ50DB (GW-77) from Pakistan at an estimated amount of US \$ 1,505,000.
- ii. Hiring of one deep depth drilling rig i.e. ZJ70D (GW-98) from China at an estimated amount of US \$5,306,500
- iii. Hiring of one deep depth drilling rig i.e. ZJ70D from China at an estimated amount of US \$5,306,500 as per rates mentioned under Appendix-A with Option-I.
- iv. Hiring of four deep depth drilling rigs i.e. ZJ70D from China at an estimated amount of US \$ 5.525 million each.

As per clause 1.5 the duration of contract was for an initial term of two years on as and when required basis subject to mobilization notice which was applicable from commencement date.

Oil and Gas Development Company Limited (OGDCL) entered into a contract agreement with M/s Great Wall Drilling Company Limited (GWDCL), Beijing, China on October 19, 2005 for hiring of seven rigs at the contract price US \$ 33.818 million. The Company supplied five rigs. OGDCL asked GWDCL, on November 28, 2006 to intimate the availability of balance two drilling rigs but the Company instead of offering the supply of remaining rigs, offered the remaining two rigs at revised tender rates, in spite of fact it was obliged to provide seven rigs on as and when required basis within two years contract period. The OGDCL entered into a new agreement at higher rates without stressing the Company to supply the remaining two rigs at previously agreed rates. Thus OGDCL had incurred to an extra expense of US \$ 21.516 million equal to Rs.1.291 billion.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee recommended the para for settlement subject to verification by Audit and directed the PAO to re-examine the executed agreement made with the supplier and if found any irregularity on the part of officer who executed this agreement an inquiry should be initiated against him and report to PAC.

The PAO apprised the Committee that the inquiry report has been received and the same will be discussed in the DAC meeting soon.

PAC DIRECTIVE

The Committee pended the Para with the direction to PAO to submit its comprehensive report on the matter on 20-08-2015.

44. **PARA-140, PAGE-261-262, ARPSE-2007-08**
NON-ENCASHMENT OF BANK GUARANTEES DUE TO LITIGATION WITH
TWO ITALIAN CONTRACTORS – US \$. 9.119 MILLION (RS.547.120
MILLION)

Audit pointed out that as per clause 20.2 of Foreign Procurement Procedure Manual of OGDCL, the bid/performance bond shall be in the form of pay order/demand draft/cash deposit or bank guarantee issued by a scheduled bank.

Oil and Gas Development Company Limited (OGDCL) entered into contracts for setting up Qadirpur Project for supply, production and distribution equipment of gas for US \$ 73,262,000 with M/s. Compagnia Technical International Progetti SPA (CTIP) and for civil works valuing Rs.560,586,600 with M/s. Fochi Energia Sri in February, 1994. Both the contractors submitted performance bonds from Italian Banks contrary to the Foreign

PAC DIRECTIVE (DATED 15-05-2015)

The Committee pended the para as the matter is sub-judice in Court of Law.

PAC DIRECTIVE

The Committee pended the Para as the matter is sub-judice in the Court of Law and directed the PAO to share internal inquiry report with the Audit and report therein be intimated to PAC within 60 days.

45. **PARA-142, PAGE-264-265, ARPSE-2007-08**
UN-JUSTIFIED PAYMENT TO M/S. LMKR AS SHARE IN JOINT VENTURE –
LOSS US \$ 614,093 – (RS.36.846 MILLION)

Audit pointed out that as per resolution of Board of Directors on October 27, 2005 that at the end of each calendar year a profit / loss statement will be prepared

and all profits would be shared by 50 / 50 between OGDCL and LMKR but in case of loss it will be exclusively borne by LMKR.

In terms of the agreement dated December 30,2005 M/s. LMK Resources was obliged to arrange Omega-II software for processing the seismic data and arrange equivalent software for this purpose. The management decided on February 21, 2007 to terminate the Joint Venture agreement, and OGDCL's 50% share in the (loss) settlement worked out to US \$ 614,093.50. Regarding acquisition of seismic data processing equipment the committee was of the view that equipment was worth only US \$ 40,000 (based on the highest bid received) and advised that as a service to the society it may be donated to Quaid-e-Azam University, Islamabad.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee pended the para and directed the PAO to hold an inquiry and to report the same to PAC.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to hold an inquiry and report be submitted to PAC within 60 days.

46. **PARA-144, PAGE-266-268, ARPSE-2007-08**
APPOINTMENT OF 22 OFFICERS WITHOUT OBSERVING THE CODAL FORMALITIES RS.65.132 MILLION

PAC DIRECTIVE

The Committee settled the Para on the recommendation of the Audit.

47. **PARA-145, PAGE-268-269, ARPSE-2007-08**
PROCUREMENT OF DEFECTIVE MAN PORTABLE DRILLS (SHOT HOLE) – (EURO 702,302) – RS.49.863 MILLION

Audit pointed out that as per Clause-3.2 of the Foreign Procurement Procedure of OGDCL, the indenting department should raise their indents on prescribed forms for imports giving complete description of specifications, nomenclature, weight, dimension, mode of shipment, quantity, units etc. of the required material.

Oil and Gas Development Company Limited (OGDCL), Islamabad invited bids for procurement of 12 Man Portable Drilling Rigs (Shot Hole) 30 meter with spares through open tender. M/s. GEMSA, Turkey was the financially lowest firm with Euro 702,302 (C&F basis). The order was placed on the firm on December 29, 2005 despite having certain reservations according to the Clause 3.2 of the Foreign Procurement Procedure of OGDCL. The local agent of the supplier M/s.

Rastgar and Company also admitted problems with the Man Portable Rigs on February 12, 2007. The Chief of Seismic Party No.04 informed on May 07, 2007 that 04 MP rigs in operation were out of order. The performance bond submitted by the supplier for Euro 71,000 expired on December 31, 2006 and the Company failed to get the extension of the same.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee pended the para and directed the PAO to re-inquire the matter and if the inquiry Committee establishes the loss then it may be referred to FIA.

PAC DIRECTIVE

The Committee pended the Para by directing the PAO to inquire the matter and report therein be submitted to PAC within 30 days.

48. **PARA-146, PAGE-269-270, ARPSE-2007-08**
NON-RECOVERY OF SALE PROCEEDS FROM BUYERS OF LOW
PRESSURE GAS RS.18.067 MILLION

(i) OGDCL entered into an agreement with M/s. Farooq Lime Merchants, Faisalabad on January 14, 2002 for the sale of low pressure gas from its Kall Field for a period of three years. The contractor failed to make payment for low pressure gas supplied by OGDCL from July 2004 to February 2005. The management was required to suspend the supply of gas after default of July 2004 which was not done and resulted in accumulation of outstanding dues of Rs.14.525 million due to undue favoritism to the party.

(ii) Similarly OGDCL entered into an agreement on June 30, 2003 with M/s. Shahdab Lime Company, for a period of 3 years for the sale of low pressure gas from its Toot Field. The buyer was not punctual in payment from the very first day. Despite the fact that the buyer was in default OGDCL did not suspend the supply of gas, which resulted in accumulation of outstanding dues against M/s. Shahdab Lime Company to the extent of Rs.3.542 million. Finally, the supply of gas was suspended in November 2004 at the request of the defaulter firm.

The PAO informed the Committee that supply of gas had been disconnected when the buyers went in default the matter is pending in the court of Law.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee recommended the para for settlement subject to recovery and after the decision of Honourable Court.

PAC DIRECTIVE

The Committee settled the Para subject to recovery of amount and directed the PAO to pursue the case in Court of Law vigorously.

49. **PARA-147, PAGE-270-272, ARPSE-2007-08**
IRREGULAR APPOINTMENT OF EXECUTIVE DIRECTOR (HUMAN RESOURCES) RS.16.800 MILLION

PAC DIRECTIVE

The Committee settled the Para.

50. **PARA-148, PAGE-272-273, ARPSE-2007-08**
LOSS DUE TO THEFT OF GASOLINE FROM DHODAK – RS.9.758 MILLION

Oil and Gas Development Company Limited (OGDCL), Islamabad entered into agreement with M/s. Shell Pakistan Limited and M/s. Caltex Oil (Pak) Limited in 1995 for the sale of certain liquid petroleum products. In October 1997 and January 1998 Gasoline valuing Rs.9.758 million was mis-appropriated by the staff of OGDCL from the deliveries made to the buyers from Dhodak. Due to delayed and improper handling of case the Company sustained a loss of Rs.9.758 million. There was no progress of the case after July, 2003, the theft of gasoline amounting to Rs.9.758 million was not possible by one man, hence the termination of an employee did not serve the purpose.

The PAO informed the Committee that the case is under investigation with FIA.

PAC DIRECTIVE (DATED 15-05-2015)

The Committee pended the para till the outcome of FIA inquiry report.

PAC DIRECTIVE

The Committee pended the Para till the next meeting scheduled to be held on 20-08-2015 with the direction to FIA to brief about the latest status of the case in detail to the Committee.

51. **PARA-150, PAGE-274-275, ARPSE-2007-08**
LOSS DUE TO NON-FORFEITURE OF PERFORMANCE BOND OF DEFAULTING CONSTRUCTION CONTRACTOR – RS.3.884 MILLION

PAC DIRECTIVE

The Committee settled the Para.

SUI SOUTHERN GAS COMPANY LIMITED

52. **PARA-126 (ARPSE-2007-2008) ITEM-10(II) (AP-2007-08)** **NON-RECOVERY OF OUTSTANDING DUES FROM CHRONIC DEFAULTERS** **– RS.574.593 MILLION**

Audit pointed out that Sui Southern Gas Company Limited (SSGCL), despite facilitated with recovery teams possessing magisterial powers, was not able to recover a sum of Rs.574.593 million lying outstanding as on June 30, 2007 from a large number of consumers who were defaulters in payment of dues over a period ranging more than one to five years. The non-recovery of the huge amount depicts ineffective control over realization of the dues in contravention of policy of SSGCL.

The PAO informed the Committee that Rs. 95.988 million has been recovered out of Rs.574.593 million. The recovered amount has been verified by the Audit.

PAC'S DIRECTIVE (15-05-2015)

The Committee pended the Para and directed the PAO to pursue the remaining recovery process vigorously.

PAC DIRECTIVE

The Committee pended the Para and directed the PAO to finalize the issue and report be submitted to PAC within 6 months.

53. i. **PARA 5.1(C) DP 11203-GDS** **NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS** **DEVELOPMENT SURCHARGE -RS.112.392 MILLION**

The Audit pointed out that according to section 3(3) of the Natural Gas (Development Surcharge) Ordinance 1967, an interest @ 15% shall be payable in case of non / late payment of gas development surcharge.

M/s Mari Gas Company Limited, Islamabad booked an amount of Rs.112.392 million as recoverable under the head "Interest" on delayed payments of GDS in their audited annual accounts for the year ended on 30th June, 2006. This amount was not paid to federal government up to April, 2008 which caused undue retention of government revenue by the company.

ii. **PARA 5.2 DP 11202 & 12069-GDS**
NON-REALIZATION OF GAS DEVELOPMENT SURCHARGE – RS
259.231 MILLION

The Audit pointed out that an amount of GDS alongwith interest @ 15 per cent leviable under section 3(3) of the Natural Gas (Development Surcharge) Ordinance, 1967 was recoverable from each company.

M/s Tullow Pakistan (Development) Limited, Islamabad did not pay gas development surcharge (GDS) of Rs.259.231 million on gas supplied during 2005-06 and 2006-07 despite the fact that the company had billed and collected the GDS from consumer i.e. WAPDA but did not deposited into the government account.

iii. **PARA 5.1(D) DP 4310-GDS/K & 11750-GDS**
NON-REALIZATION OF INTEREST ON NON/LATE PAYMENT OF GAS
DEVELOPMENT SURCHARGE -RS.10.395 MILLION

iv. **PARA 5.3 DP 11749-GDS**
SHORT-PAYMENT OF GAS DEVELOPMENT SURCHARGE AND
INTEREST - RS.6.262 MILLION

According to section 3(1) & (3) of Natural Gas (Development Surcharge) Ordinance 1967, every company shall pay a development surcharge equal to differential margin in respect of gas sold by it and interest @ 15% shall in addition to above be payable on amount due but not paid within due date as under:

i. **Para 5.1(d)**

M/s SNGPL, Lahore and M/s PPL, Karachi late deposited considerable amount of GDS during the period July and November, 2006 to March, 2007 but interest of Rs 10.395 million was not paid on account of these late payments.

ii. **Para 5.3**

Gas development surcharge on gas sold in December, 2006 and billed in January, 2007, was paid short due to application of lower rates. The GDS of Rs.5.446 million was short period and that attracted levy of interest @ 15% amounting to Rs.0.816 million, which raised the recoverable amount to Rs.6.262 million.

The department informed that an amount of interest of Rs 0.489 million was not due and verified by Audit on 11-5-2015 and the

balance amount of interest of Rs 0.327 million is recoverable. (para 5.3)

The DG, GAS informed the Committee that a higher level committee meeting has scheduled to be held on 17-08-2015 in the Ministry and the matter will be discussed in the meeting for final decision once for all.

PAC DIRECTIVE

The Committee pended the above mentioned 4 Paras with the direction to make efforts for the recovery of dues and submit a comprehensive report/justification on the framed rules within 60 days.

MINISTRY OF PLANNING AND DEVELOPMENT
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Planning and Development was examined by the PAC on 14th December, 2015.

- 08 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, fix responsibility and initiate disciplinary actions.
- The Committee referred 01 para to NAB.

MINISTRY OF PLANNING & DEVELOPMENT

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 14-12-2015

DIRECTOR GENERAL, COMMERCIAL AUDIT & EVALUATION, LAHORE

1. PARA-154.2 PAGE-286 ARPSE-2007-08 (NLC)

The Audit pointed out that trade debts increased to Rs.3,326.638 million as on June 30, 2007(2006 : Rs 1,323.493 million) registering an increase of 151% over previous year. The abnormal increase in trade debts needs justification. The amount included Rs.93.500 million (2006 - Rs 53.767 million) considered doubtful for which a provision of the same amount was created in the accounts. The party-wise breakup of doubtful debts along with reasons of considering them doubtful and efforts made for the realization of the same needs to be explained.

The PAO stated that It is worth mentioning that provision has been catered for being old. The Audited Accounts for the year 2006-07 have also been approved by the NLB.

PAC DIRECTIVE

The Committee settled the para to the extent of recovered amount subject to verification by the audit and directed the PAO to pursue the court case for the recovery of remaining amount.

2. PARA-154.3 PAGE-286 ARPSE-2007-08 (NLC)

The Audit pointed out that trade debts included a sum of Rs.186.670 million due from the National Highway Authority (NHA) on account of Karachi Northern Bypass Project. Subsequently, due to collapse of the Shershah Bridge in Karachi, the amount was withheld by the NHA till the decision of the Prime Minister's Inquiry Commission. Early realization of the claim is stressed upon the management.

The PAO stated that the case is still sub-judice.

PAC DIRECTIVE

The Committee pended the para till the decision of arbitrator and directed the PAO to pursue the case for early finalization of the matter.

3. **PARA-155 PAGE-286 ARPSE-2007-08 (NLC)**
IRREGULAR EXPENDITURE DUE TO PROCUREMENT OF IMPORTED
VEHICLES – RS.85.716 MILLION

The Audit pointed out that the Prime Minister Secretariat approved modification in the procedure relating to replacement of condemned vehicles and purchase of additional vehicles, vide U.O dated July 11, 2005, circulated by Cabinet Division vide office memo dated July 22, 2005, according to which the ban imposed on the replacement / additional purchase of new vehicles was lifted but instructions with reference to imported vehicles circulated vide Cabinet Division's D.O letter dated February 28, 2000 will continue to be observed.

National Logistic Cell imported 86 (6 Land Cruisers, 38 Double Cabin Toyota Hilux and 42 Single Cabin Toyota) vehicles at Rs.85.716 million during 2006-07, out of Government of Punjab funds placed at the disposal of NLC for Education and Health Sectors, Reform Projects, without approval of the Prime Minister .The expenditure of Rs.85.716 million incurred on the import of foreign vehicles was considered irregular.

The matter was reported to the Ministry on May 26, 2008. The management in its reply dated July 10, 2008 intimated that vehicles were imported out of Government of Punjab fund placed at the disposal of NLC for education and health sector reform projects. The vehicles were imported after obtaining NOC from the Ministry of Defense as day to day working of NLC would be through Quarter Master General Army. The reply of the management was not convincing as the vehicles were imported out of Punjab Government Funds and instructions of Cabinet Division were not followed.

The DAC in its meeting held on November 12, 2008, directed the management to conduct an enquiry (by including a representative of Ministry in the said committee) to find out reasons for violation of the Government instructions and move a summary for ex-post facto approval of the Prime Minister of Pakistan within 15 days. No further progress was reported till finalization of this report.

The PAO stated that PC-I for ESR and HSR has been demanded from Government of Punjab to process the case for obtaining the ex-post facto approval of the competent authority.

PAC DIRECTIVE DATED 06-09-2012)

The Committee directed the PAO to pay custom duty in four installments, get it verified from Audit and submit report to the PAC. However, the portion regarding purchase of vehicles was clubbed with the Audit paras under investigation by NAB.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to send a reference to NAB in pursuance of PAC directive 06-09-2012 (which could not implemented) within 15 days. The Committee further directed the NAB to give its progress report on the Para within 90 days to PAC.

PARAS RECOMMENDED FOR SETTLEMENT BY DAC

4. i. **PARA 154, & 154.1**
NATIONAL LOGISTIC CELL (NLC)
- ii. **PARA-156, PAGE-286 ARPSE-2007-08 (NLC)**
IRREGULAR PAYMENT DUE TO RETENTION OF EMPLOYEES
BEYOND AGE OF 60 YEARS – RS.2.235 MILLION
- iii. **PARA-157, PAGE-288 ARPSE-2007-08(NLC)**
IRREGULAR APPOINTMENT OF A LEGAL ADVISOR AND PAYMENT
– RS.0.996 MILLION
- iv. **PARA-158&158.1, PAGE-290 (PIDE)ARPSE-2007-08**
PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS
- v. **PARA-158.2, PAGE-291 ARPSE-2007-08**
PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS (PIDE)

PAC DIRECTIVE

The Committee settled the above mentioned 5 Paras on the recommendations of the Audit/DAC.

MINISTRY OF PORTS AND SHIPPING
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Ports and Shipping was examined by the PAC on 16th August, 2011.

- 22 paras were presented by the Audit Department which were examined by the Committee and 22 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.

MINISTRY OF PORTS & SHIPPING

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 16-08-2011

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

KORANGI FISHERIES HARBOUR AUTHORITY

1. i. **PARA 64, PAGE 117-ARPSE-2007-2008**

The Audit pointed out that the Harbour was completed in 1992 with project of Rs. 938.139 million including foreign exchange components of Rs.644.236 million (US\$ 26.121 million). The Harbour commenced trial operations in 1996. However, the same has been made fully operational.

ii. **PARA 64.1, PAGE 117-ARPSE-2007-2008**

The Audit pointed out that operating income decreased by 31.5%, i.e., Rs. 29.790 million during the year under review as compared to Rs.43.470 million of preceding year 2005-2006. The decrease in operating income was mainly due to decrease in development fee which was Rs.15.960 million in the year 2006-2007 as compared to Rs. 29.505 million of the preceding year 2005-2006. The decrease needs to be clarified.

iii. **PARA 64.2, PAGE 118-ARPSE-2007-2008**

The Audit pointed out that the loss before appropriation increased by 104%, i.e., Rs. 24.935 million during the year under review as compared to Rs. 12.222 million of preceding year 2005-2006. Efforts are required to be made to control the losses and make the organization self-sustaining.

The PAO informed the Committee that the Authority is in profit.

PAC DIRECTIVE

The Committee directed the PAO to take up this issue afresh with the Government for further improvements and also plan for modernization in this regard. The Committee settled the paras with the direction that these paras are closed. The progress report may be provided subsequently to the Committee.

**LIST OF PARAS SETTLED BY THE COMMITTEE
GWADAR PORT IMPLEMENTATION AUTHORITY**

2.
 - i. **PARA 159-ARPSE-2007-2008**
 - ii. **PARA 160-ARPSE-2007-2008
IRREGULAR EXPENDITURE ON ACCOUNT OF CLUB BILLS AND
MEMBERSHIP FEE

LIGHTHOUSES & LIGHT-SHIPS**
 - iii. **PARA 161-ARPSE-2007-2008**
 - iv. **PARA 161.1-ARPSE-2007-2008
NON-SUBMISSION OF ACCUONTS FOR THE YEAR 2006-2007**
 - v. **PARA 161.2-ARPSE-2007-2008
AUDIT COMMENTS ON THE ACCOUNTS FOR THE YEAR 2005-2006

PAKISTAN NATIONAL SHIPPING CORPORATION**
 - vi. **PARA 162-ARPSE-2007-2008**
 - vii. **PARA 162.1-ARPSE-2007-2008
WORKING RESULTS**
 - viii. **PARA 162.2-ARPSE-2007-2008
INSURANCE CLAIM FROM EX-P&I CLUB**
 - ix. **PARA 162.3-ARPSE-2007-2008
PROVISSION FOR INSURANCE CLAIM**
 - x. **PARA 162.4-ARPSE-2007-2008
TRADE DEBTS AS OF 30-06-2007**
 - xi. **PARA 162.5-ARPSE-2007-2008
PROVISSION AGAINST TRADE DEBTS**
 - xii. **PARA 162.6-ARPSE-2007-2008
INSURANCE CLAIM FROM NIC**
 - xiii. **PARA 163-ARPSE-2007-2008
PAYMENT OF DONATION WITHOUT APPROVAL OF FINANCE
DIVISION RS. 1.170 MILLION**

- xiv. **PARAS 164 & 164.1-ARPSE-2007-2008**
NON-SUBMISSION OF AUDITED ACCOUNTS FOR THE YEAR 2002-2003 TO 2006-2007
- xv. **PARA 165-ARPSE-2007-2008**
LOSS DUE TO WASTEFULL EXPENDITURE ON WORKS FOR NON-SUBMISSION OF AUDITED ACCOUNTS FOR THE YEAR 2002-2003 TO 2006-2007
- xvi. **PARA 166-ARPSE-2007-2008**
IRREGULAR PAYMENT OF BONUS TO OFFICERS – RS.17.607 MILLION
- xvii. **PARA 167-ARPSE-2007-2008**
IRREGULAR PAYMENT AND NON-ADJUSTMENT OF TA/DA ADVANCES RS.3.480 MILLION
- xviii. **PARA 168-ARPSE-2007-2008**
BLOCKAGE OF FUND DUE TO NON-DISPOSAL OF SPARES OF CRAFTS – RS.1.050 MILLION

KORANGI FISHERIES HARBOUR AUTHORITY

- xix. **PARA 64.3-ARPSE-2007-2008**
NON-MAINTENANCE OF FIXED ASSETS REGISTER

PAC DIRECTIVE

The Committee settled the above mentioned 19 Paras on the recommendations of Audit.

MINISTRY OF RAILWAYS
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Railways was examined by the PAC on 17th March, 2015 and 12th October, 2015.

- 77 paras were presented by the Audit Department which were examined by the Committee. Out of which 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.

MINISTRY OF RAILWAYS

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 17-03-2015

AUDIT REPORT FOR THE YEAR 2007-08

1.
 - i. **PARA NO. 1.1 (AR-2007-08)**
LOSS OF RS. 561.214 MILLION DUE TO LEASING OUT OF A PIECE OF LAND AT LOWER RATES
 - ii. **PARA NO. 2.6, (AR-2007-08)**
LOSS OF RS. 57.920 MILLION ON ACCOUNT OF VALUE OF LAND AND RENT OF RS. 315,000 PER ANNUM
 - iii. **PARA NO. 3.2, (AR-2007-08)**
LOSS OF RS. 913,000 DUE TO DELAY IN FINALIZATION OF A TENDER
 - iv. **PARA NO. 3.3, (AR-2007-08)**
LOSS OF RS. 1.334 MILLION DUE TO RE-TENDERING
 - v. **PARA NO. 4.2, (AR-2007-08)**
AVOIDABLE EXPENDITURE AMOUNTING TO RS. 138.177 MILLION ON LATE PAYMENT SURCHARGE
 - vi. **PARA NO. 4.3, (AR-2007-08)**
UNJUSTIFIED EXPENDITURE AMOUNTING TO RS. 75.462 MILLION
 - vii. **PARA NO. 4.7, (AR-2007-08)**
ARBITRARY INCREASE IN THE COST OF A PROJECT TO THE EXTENT OF RS. 23.958 MILLION
 - viii. **PARA NO. 4.8, (AR-2007-08)**
MISCLASSIFICATION OF EXPENDITURE AMOUNTING TO RS. 21.200 MILLION
 - ix. **PARA NO. 4.10, (AR-2007-08)**
IRREGULAR AND UNJUSTIFIED EXPENDITURE AMOUNTING TO RS. 27.145 MILLION

- x. PARA NO. 4.11, (AR-2007-08)
BLOCKAGE OF CAPITAL AMOUNTING TO RS. 16.543 MILLION AND
EXTRA EXPENDITURE OF RS. 8.591 MILLION
- xi. PARA NO. 4.13, (AR-2007-08)
UNJUSTIFIED/AVOIDABLE EXPENDITURE OF RS. 1.170 MILLION ON
PROVISION OF SUI-GAS AND ELECTRICITY CONNECTIONS
- xii. PARA NO. 4.16, (AR-2007-08)
IRREGULAR EXPENDITURE AMOUNTING TO RS. 6.511 MILLION ON
EXECUTION OF WORKS ON SINGLE TENDER BASIS
- xiii. PARA NO. 4.18, (AR-2007-08)
UNJUSTIFIED PAYMENT AMOUNTING TO RS. 3.037 MILLION TO THE
CONTRACTORS
- xiv. PARA NO. 4.19, (AR-2007-08)
IRREGULAR PAYMENT AMOUNTING TO RS. 2.455 MILLION TO A
CONTRACTOR
- xv. PARA NO. 4.22, (AR-2007-08)
LOSS AMOUNTING TO RS. 980,000 DUE TO ACCEPTANCE OF
HIGHER RATES
- xvi. PARA NO. 4.23, (AR-2007-08)
LOSS AMOUNTING TO RS. 0.933 MILLION DUE TO UNNECESSARY
PURCHASE OF PIPES
- xvii. PARA NO. 4.26, (AR-2007-08)
EXTRA EXPENDITURE OF RS. 346,000 DUE TO LACK OF
FORESIGHT
- xviii. PARA NO. 5.2, (AR-2007-08)
IRREGULAR EXPENDITURE OF RS. 4.969 MILLION DUE TO
INTRODUCTION OF MATERIAL MODIFICATION IN A PROJECT
- xix. PARA NO. 5.3, (AR-2007-08)
LOSS OF RS. 604,000 DUE TO SHORT SHIPMENT OF MATERIAL
- xx. PARA NO. 6.1, (AR-2007-08)
WASTEFUL EXPENDITURE AMOUNTING TO RS. 1.312 MILLION
- xxi. PARA NO. 9.2, (AR-2007-08)
IRREGULAR PAYMENT OF SPECIAL ALLOWANCE AMOUNTING TO
RS. 1.536 MILLION

PAC DIRECTIVE

The Committee settled the above mentioned twenty one (21) paras.

2.
 - i. **PARA NO. 2.11, (AR-2007-08)**
NON-RECOVERY OF RS. 4.757 MILLION ON ACCOUNT OF RENT AND UTILITIES CHARGES
 - ii. **PARA NO. 2.12, (AR-2007-08)**
NON-RECOVERY OF RENTAL CHARGES AMOUNTING TO RS. 3.984 MILLION FROM LESSEES OF AGRICULTURAL RAILWAY LAND
 - iii. **PARA NO. 2.14, (AR-2007-08)**
LOSS OF RS. 1.644 MILLION DUE TO NON-FORFEITURE OF 30% ADVANCE RENT & EARNEST MONEY
 - iv. **PARA NO. 3.1, (AR-2007-08)**
LOSS OF RS. 2.600 MILLION DUE TO PROCUREMENT OF DEFECTIVE MATERIAL
 - v. **PARA NO. 4.1, (AR-2007-08)**
NON-DISPOSAL OF ASSETS VALUING RS. 1984 MILLION OF A CLOSED SECTION
 - vi. **PARA NO. 4.4, (AR-2007-08)**
NON-REALIZATION OF RAILWAY DUE AMOUNTING TO RS. 63.888 MILLION
 - vii. **PARA NO. 4.5, (AR-2007-08)**
LOSS OF RS. 41.331 MILLION DUE TO LESS ACCOUNTAL OF RELEASED MATERIAL
 - viii. **PARA NO. 7.5, (AR-2007-08)**
LOSS OF RS. 646,000 ON ACCOUNT OF LESS RECOVERY OF ENTRY FEE
 - ix. **PARA NO. 7.6, (AR-2007-08)**
NON-RECOVERY OF RS. 33.428 MILLION ON ACCOUNT OF HAULAGE CHARGES FROM PAKISTAN POST OFFICE DEPARTMENT
 - x. **PARA NO. 9.3, (AR-2007-08)**
IRREGULAR EXPENDITURE OF RS. 307,000 PER ANNUM ON ACCOUNT OF PAY AND ALLOWANCES

- xi. PARA NO. 10.4, (AR-2007-08)
IRREGULAR ACCOUNTAL OF SALE PROCEEDS OF SCRAP
AMOUNTING TO RS. 552.929 MILLION AS EARNINGS
- xii. PARA NO. B.2 (3), (AR-2007-08)
LOSS OF RS. 8.195 MILLION DUE TO NON-AUCTION OF CATERING
SERVICES

PAC DIRECTIVE

The Committee settled the above twelve (12) paras on the recommendations of DAC.

- 3. i. PARA NO. 2.1, (AR-2007-08)
NON-RECOVERY OF RENTAL CHARGES AMOUNTING TO RS.
749.317 MILLION
- ii. PARA NO. 2.5, (AR-2007-08)
LOSS OF RS. 113.224 MILLION DUE TO MISMANAGEMENT OF
RAILWAY LAND
- iii. PARA NO. 2.7, (AR-2007-08)
NON-RECOVERY OF LEASE/RENTAL CHARGES AMOUNTING TO
RS. 69.171 MILLION
- iv. PARA NO. 2.13, (AR-2007-08)
LOSS OF RS. 2.080 MILLION DUE TO NON-RECOVERY OF LEASE
CHARGES
- v. PARA NO. 4.9, (AR-2007-08)
LOSS OF RS. 1.400 MILLION DUE TO EXCESSIVE ISSUE OF RAILS
- vi. PARA NO. 4.14, (AR-2007-08)
DISCREPANCIES IN INVENTORIES OF MATERIAL VALUING RS.
12.897 MILLION
- vii. PARA NO. 4.21, (AR-2007-08)
IRREGULAR PAYMENT OF RS. 1.126 MILLION DUE TO DOUBTFUL
MEASUREMENTS
- viii. PARA NO. 4.24, (AR-2007-08)
LOSS OF RS. 866,000 DUE TO EXCESS PAYMENT TO
CONTRACTORS

- ix. **PARA NO. 4.27, (AR-2007-08)**
NON-RECOVERY OF LEASE/MAINTENANCE CHARGES AMOUNTING TO RS. 4.853 MILLION FROM SNGPL
- x. **PARA NO. 5.1, (AR-2007-08)**
POTENTIAL LOSS OF EARNINGS AMOUNTING TO RS. 321.663 MILLION DUE TO DELAY IN REPAIR OF LOCOMOTIVES
- xi. **PARA NO. 7.3, (AR-2007-08)**
MISAPPROPRIATION OF RS. 4.248 MILLION AT KOT LAKHPAT RAILWAY STATION
- xii. **PARA NO. 7.4, (AR-2007-08)**
LOSS OF RS. 2.922 MILLION DUE TO NEGLIGENCE OF OFFICIALS
- xiii. **PARA NO. 8.1, (AR-2007-08)**
LOSS OF POTENTIAL EARNINGS AMOUNTING TO RS. 41.488 MILLION DUE TO UNNECESSARY DETENTION OF WAGONS
- xiv. **PARA NO. 10.2, (AR-2007-08)**
AVOIDABLE RECURRING EXPENDITURE ON PENSIONARY BENEFITS
- xv. **PARA NO. 10.3, (AR-2007-08)**
LOSS OF MILLIONS OF RUPEES ON ACCOUNT OF NON-RECOVERY OF PLEA-BARGAINS
- xvi. **PARA NO. B-1 (3), (AR-2007-08)**
LOSS OF RS. 2.550 MILLION DUE TO NEGLIGENCE IN EXECUTION OF A CONTRACT

PAC DIRECTIVE

The Committee settled the above sixteen (16) paras subject to verification by Audit.

- 4. **PARA NO. 1.2, (AR-2007-08)**
LOSS OF RS. 93.183 MILLION DUE TO LEASING OUT OF PROPERTY AT LOWER RATES

The Audit pointed out that Railway administration leased out Hall Institute (Railway Officers' Club), Karachi to M/s Shapes (Private) Limited for establishing a Health Club at lower rates for a period of 20 years commencing from 1st July, 2001. A comparison of the leasing out of another property (Pakistan Railways Boys Hostel, Karachi) for establishing an educational institution disclosed that Pakistan Railways had sustained a loss of Rs 93.183 million.

The PAO stated that lease was sanctioned in past, however; it was the negligence of the Railway Administration. Thus, the rent is successfully recovered along with 10% yearly enhancement as per executed lease.

PAC DIRECTIVE

The Committee settled the para.

5. **PARA NO. 1.3, (AR-2007-08)**
NON-REALIZATION OF RENTAL CHARGES OF RS. 3.043 MILLION AND LOSS OF POTENTIAL EARNINGS AMOUNTING TO RS. 63.360 MILLION

The Audit pointed out that Railway land measuring 36,000/sft located at G.T. Road, Lahore was leased out to M/s Roti Corporation of Pakistan in 1973. In pursuance of an agreement between Railway Administration and Privatization Commission, the land/building, along with its movable and immovable assets was taken over by Railway Administration on 25th September, 1996 in settlement of outstanding leasing charging of Rs. 3.043 million. The machinery, vehicles, electrical and mechanical item etc. fixed in the building were not disposed off up till the 2007 as such the Railways dues could not be realized.

The PAO informed the committee that Railway property (Old Roti Plant) located on G.T. Road, Singpura, Lahore was advertized for commercialization along with other properties in daily two newspapers. However, no bids were received for said property.

PAC DIRECTIVE

The Committee settled the para and directed the PAO that Policy regarding the non-realization of rental charges may be finalized and intimated to PAC Secretariat and Audit.

6. **PARA NO. 1.4, (AR-2007-08)**
LOSS OF RS. 9.946 MILLION DUE TO NON-REALIZATION OF RENTAL CHARGES OF BILLBOARDS

The Audit pointed out that on expiry of agreements with contractors in respect of 48 billboards, erected at various places in Karachi, 32 boards were removed; whereas 16 remained intact un-authorizedly. Furthermore, no rental charges were realized by the Railway administration up till December 2007. Resultantly, Pakistan Railways sustained a loss of Rs 9.946 million up till June 2007. In compliance of DAC directives for recovery of rental charges is still awaited. PAO may direct to look into the matter personally and the progress recovery along with documentary evidence may be provided to Audit.

The PAO stated that in some cases the owner of the Billboards had gone in the court and got stay orders. Therefore, these recoveries are still pending. Thus, the other Billboard's owners recovery has been completed successfully.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to resolve the matter personally.

7. **PARA NO. 2.2, (AR-2007-08)**
LOSS OF RS. 550 MILLION DUE TO NON-REALIZATION OF VALUE OF LAND LEASED OUT TO GOVERNMENT OF BALOCHISTAN

The Audit pointed out 39.90 acres of land and infrastructure of Sardar Bahadur Khan Institute of Chest Diseases, Quetta, was handed over to Government of Balochistan on 18th March, 2004 for establishing a Women University. The Provincial Government share was agreed upon as 35%. As such 65% value of the land was to be paid to Pakistan Railways. The Railways share of total value of land and infrastructure was assed as Rs.550 million. As the requisite lease was not executed, Railway management could not realized value of its assets up till April, 2008.

The PAO stated that this matter was taken up by the Secretary/Chairman Railways with Chief Secretary, Government of Balochistan in the year of 2008, then, Director Property and Land also approached Chief Secretary Balochistan.

PAC DIRECTIVE

The Committee pended this para till the recovery of amount and directed Ministry of Railways for pursuance of this issue with Balochistan Government.

8. **PARA NO. 2.3, (AR-2007-08)**
UNAUTHORIZED OCCUPATION OF RAILWAY LAND VALUING RS. 154.297 MILLION

The Audit pointed out that Pakistan Railway's commercial land measuring 2,690.30 Marlas valuing Rs. 142.297 million had been occupied un-authorizedly by the outsiders at different places in Lahore during the period to Oct. 2003 to Feb. 2007, further, approximately 1 acre area of land valuing Rs. 12.00 million in the precinct of Railway Station Gojra is also under encroachment by the outsiders and being used by various commercial purposes since long.

The PAO stated that the director / property and land intimated that Anti-Encroachment operation was launched in Lahore Division during December 2007 and retrieved 981 Marlas of Railways land. Further, Anti-Encroachment

operation was also conducted in the precinct of Railway Station Gojra and 0.933 acre had been retrieved.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit and report to PAC within one month.

9. **PARA NO. 2.4 (AR-2007-08)**
UNAUTHORIZED OCCUPATION OF RAILWAY LAND

The Audit pointed out that 134 acres agricultural Railways land was un-authorizedly occupied by the encroachers since long under the jurisdiction of Inspector of works Muzaffargarh, Bakkar, Dera Ghazi Khan and Rajanpur. Further, 3.2 marlas commercial land of Railway's at Shahdra Bagh was leased out in August, 2003 however, the lease agreement was cancelled in August, 2004 by the Lahore Railways Employee's Cooperative Housing Society Limited on its expiry but the land was not got vacated up to February, 2007. The Railway Administration had not been got vacated and leased out through auction this area of land. If Railway Administration did auction so can be earned a sum of Rs. 276,250 per annum. Furthermore, Pakistan Railways sustained a loss of millions of rupees due to un-authorized occupation of 109.384 acres Railway land in the jurisdiction of AEN/Moghalpura and Multan.

The PAO stated that approximately agricultural and commercial land in the districts as narrated by Audit has been retrieved.

PAC DIRECTIVE

The Committee settled the para with the direction that division vise comprehensive report mentioning as to how much land is on lease and how much for agricultural purposes be forwarded alongwith Railways Land Policy to Audit and PAC within sixty (60) days.

10. **PARA NO. 2.8, (AR-2007-08)**
LOSS OF RS. 20 MILLION DUE TO NON-MAINTENANCE OF PROPER LAND RECORD

The Audit pointed out that Railway's land measuring 187 marlas located near Mandi Baha-ud-Din Railway Station was transferred to Government of Punjab by the District Officer (Revenue), Mandi Baha-ud-Din dated 20th Dec. 2004 Railway Administration could not be produced proof of ownership. Thereafter, Provincial Government sold out the land to outsider at the rate of Rs. 100,000 per marla. Railway management failed to maintain record of land properly, which resulted in loss of 20 million.

The PAO stated that the Government of Punjab had transferred 150 marlas Railway's land during the year 2006 without prior intimation to Pakistan Railway and further mutated 70 marlas to Mst. Rizwana Ayyub widow of Late Muhammad Ayyub Marth, (Ex-Commissioner) for CNG petrol pump. The matter was taken up with concerned authorities, but no response was found. In this regard Railway Administration filed a court case in Civil Court Mandi Baha-ud-Din against District Administration and made every possible effort to restore the title of said land in favour of Pakistan Railway. However, yet the case is sub-judice in the Lahore High Court and the department pursuing the case actively.

PAC DIRECTIVE

The Committee pended the para and directed the PAO that the case be forwarded to Ministry of Law & Justice for getting their advice so that the matter is finally resolved.

11. **PARA NO. 2.9, (AR-2007-08)**
LOSS AMOUNTING TO RS. 10.70 MILLION DUE TO IRREGULAR AUCTION AND AWARD OF CONTRACT OF A PARKING STAND

The Audit pointed out that auction for awarding contract of parking stand in front of Railway Station, Lahore was held many time but could not be granted due to lowest bid however, the negotiation were made with the highest rate bidder but his bid rate become low to the previous year bid rate. Resulting undue favour; to existing contractor enabling him to run his business on the same rate. Another aspect is non-finalizing of the case from Sep. 2006 to June 2007 caused a loss of Rs.7,600 million as no amount earn during the period of 9 months but someone was allowed to run the parking facility with convenience.

The PAO stated that the first auction was held on 9th August, 2006 and the highest bid offered by Mr. Abid Hussain Cheema of Rs. 5.132 million per annum was approved by DS/Lahore being on lower side as compared to the previous accepted bid. The second auction was held on 26th Dec. 2006 and the highest bid of Rs. 5.650 million was offered by Mr. Abid Hussain Cheema but again rejected by the competent authority as it was still on lower side. Later on, the highest bidder Mr. Abid Hussain Cheema enhanced his bid to Rs. 6.100 million which was approved same as DS/Lahore on the recommendation of Divisional Auction Committee the contractor deposited Rs. 6.450 million for the period from July 2007 to Oct. 2008 and an amount of Rs. 0.164 million only become outstanding which will be due to deposit by the contractor an inquiry was conducted and as per recommendation of the inquiry committee no loss was sustained by Pakistan Railway's on this account as leasing out parking stand's at Rs. 6.100 million per year was actually 34% above as compared to previous accepted rates.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit within stipulated time of one month.

12. **PARA NO. 2.10, (AR-2007-08)**
NON-RECOVERY OF RENTAL CHARGES AMOUNTING TO RS. 4.889
MILLION

The Audit pointed out that rental charges amounting to Rs. 4.889 million of Khokha shops, stalls, nurseries and cycle stands etc. of Workshops Division were neither recovered, nor defaulting contractors evicted from Railway land up till July, 2007.

The PAO stated that outstanding rental charges up to July 2007 against licensees approximately have been recovered.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

13. **PARA NO. 4.6, (AR-2007-08)**
LOSS OF RS. 33.890 MILLION DUE TO EXCESSIVE PROCUREMENT OF
SLEEPERS

The Audit pointed out that PC-I of conversion of Mirpur Khas-Khokhropar section from Metre to Broad Gauge including provision of 1640 sleepers per kilometer. However, 143.75 kilometer long track was converted into Broad Gauge as such 325750 sleepers were required but 260012 sleepers were procured and dispatched to the site through material train and private transport. Thus, excessive procurement of sleepers resulted in a loss of 33.890 million.

The PAO stated that inquiry was conducted; why the executed project is under very peculiar and difficult condition and why was not completed in the stipulated time of eight months. Consequently, the inquiry committee recommended that the writ of statement is required to be initiated to regularize the loss of Rs. 21.644 million caused due to breakage of 13877 sleepers and 10930 sleepers were available in the section which was collected and dispatched in consultation with CEN/Open Line and Track Supply Officer.

PAC DIRECTIVE

The Committee settled the para subject to approval by Railway Board as a Competent Authority and verification by the Audit. Committee also directed the Railway Administration to examine nonfunctional abandoned Railways

Tracks/Electric & Signal Polls all over the country and get the same auctioned as per policy for revenue generation.

14. **PARA NO. 4.12, (AR-2007-08)**
NON-RECOVERY OF LIQUIDATED DAMAGES AMOUNTING TO RS. 16.278 MILLION

The Audit pointed out that an agreement was executed between Pakistan Housing Authority and Pakistan Railways for purchasing of 160 "B" Type Flats situated at Walton, Lahore provides that the farmer would hand over the flats within six months of the receipt of upfront payment of Rs. 80 million. In case of delay the farmer would pay liquidated damages at the rate of 1% per month, are part thereof total agreed cost of flats. After the scrutiny it is pointed out that Pakistan Railway paid the upfront payment for the possession on 27th February, 2003 however, the flat was given on 21st June, 2004 i.e. 10 months late including without completing allied works Pakistan Railway did not recover the liquidated damages amounting from the PHA despite lapse of 4 years.

The PAO stated that a meeting was held by the Director /Property & Land with Joint Secretary Ministry of Housing and works, Pakistan Housing Authority at Islamabad on 14th May 2011. The points raised by both the departments were discussed in detail and it was observed that rules were stretched too much for raising the claims and counter claims. It was decided that a sub-committee will be setup to look into the claims of both sides in detail and thereafter find a workable solution.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

15. **PARA NO. 4.15, (AR-2007-08)**
LOSS OF RS. 7.136 MILLION DUE TO AVOIDABLE DETENTIONS OF TRAINS

The Audit pointed out that new bridge No. 160 was constructed over Ghazi Brotha Power Canal between Romain and Attock City Railway Station and opened for Railway traffic on 20th August, 2002 subject to restriction of speed due to speed restriction for long period Pakistan Railway suffered loss in million. The PAO agreed that these were a departmental lapse that is why this speed restriction runs for the eight years.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to hold an inquiry against the persons held responsible for losses with report to PAC/Audit within 30 days.

16. **PARA NO. 4.17, (AR-2007-08)**
FRAUDULENT PAYMENT OF RS. 5.545 MILLION WITHOUT ACTUAL RECEIPT OF BALLAST

The Audit pointed out that Rs.2.50 million cft ballast was shown as received and stacked at Shahinabad during the years 2004-05 to 2005-06, as per entries in the Measurement Book, against the Contract Agreement dated 30th June, 2004. Accordingly, the contractor was paid @ Rs 615 per 100 cft for supply and stacking. A joint special stock verification on 3rd March, 2007 found that 48,379 cft was available instead of 950000 cft as per record on that date; resulting in shortage of 901621 cft. It is suspected that bogus entries were made in the Measurement Book to that extent. Thus, Pakistan Railway sustained a loss of Rs 5.545 million due to fraudulent payment.

The PAO Stated that as per findings of Inquiry Committee, a quantity of 810,427 cft Ballast valuing Rs. 5,019,514 was found short at site. Following officers held responsible were taken up Mr. Saleem Mehmood, Ex-DEN-II/Multan, Mr. Khalid Javaid, Ex-DEN-II/Multan and Mr. Ali Nawaz Khan Ex-AEN/Khanewal all three officer were awarded major punishment of removal from service. The case is under investigation by FIA against the contractor of the subject work Mr. Najam-ud-Din for embezzlement of Government money amounting to Rs. 5.020 million.

PAC DIRECTIVE

The Committee pended the para, as the case is under the FIA's investigation. However, the FIA representative was not present in the meeting; therefore, updated status could not be intimated. The Committee directed the PAO to take stern action against all those held responsible as a result of FIA investigation.

17. **PARA NO. 4.20, (AR-2007-08)**
UNJUSTIFIED PROCUREMENT OF BALLAST COSTING RS. 2.239 MILLION

PAC DIRECTIVE

The Committee pended the para and directed the PAO to resolve the matter in DAC meeting within stipulated time of one month alongwith intimation to Audit and PAC.

18. **PARA NO. 4.25, (AR-2007-08)**
LOSS DUE TO PILFERAGE OF TRACK MATERIAL VALUING RS. 521,000

Audit pointed out that 102 kilometers long Kohat-Thal (narrow-gauge) section was closed for every kind of traffic on 1st July, 1991. Track material of 30 kilometers portion had already been auctioned, whereas the remaining track was lying intact. Audit noticed in August 2007 that Track material valuing Rs. 0.521 million (0.344+0.177) was stolen during the period March to June 2007. Thus

Pakistan Railway sustained a loss of Rs. 0.521 million due to pilferage of material.

The PAO admitted Departmental lapse and assure to peruse the case.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to pursue this case personally with all concerned.

19. **PARA NO. 7.1, (AR-2007-08)**
NON-RECOVERY OF RAILWAY SHARE AMOUNTING TO RS. 24.713
MILLION FROM NATIONAL LOGISTIC CELL

The Audit pointed out that Pakistan Railway Dry Port, Quetta was closed and all the business was shifted to National Logistic Cell (NLC) Dry Port. Audit noticed that neither the MOU was renewed beyond 31st May, 2003 between NLC and Pakistan Railway nor the NLC paid profit to PR from May 2004 onwards on the pretext of incurrence of an expenditure amounting to Rs 39.5 million on upgradation of facilities at NLC Dry Port, Quetta. Thus, Pakistan Railways sustained a loss of Rs 24.713 million for the period May 2004 to September 2007 @ Rs 602,767 per month, i.e. average earnings for the period June 2002 to April 2004. Nevertheless, the expenditure on maintenance and improvement was not reckonable. Had a formal agreement been executed before shifting the business to NLC, the loss could have been avoided.

The PAO Stated that the then Managing Director/Dry Ports was retired Brigadier and reference had been made to GHQ on 06.01.2009 for initiating the action against him. Reply from GHQ is awaited and further apprised that DG/NLC intimated that Brig (Rtd.) Ghulam Akbar Khan Niazi had already retired from NLC on 30.10.2008 hence no action can be initiated against him.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to write a letter to DG NLC for recovery of the amount. If needed the same be taken up with Hon. Minister of Defence through Minister of Railways.

20. **PARA NO. 7.2, (AR-2007-08)**
LOSS OF POTENTIAL EARNINGS AMOUNTING TO RS. 8.514 MILLION PER
ANNUM DUE TO NON-AWARDING OF GOODS HANDLING CONTRACT

The Audit noticed that prior to 2004 loading/unloading of consignments at Dry Port, Moghalpura was being done by private labor hired by the consignors/consignees at their own. In June 2004 it was decided to engage a contractor for the purpose with the condition to obtain 50% of his income as Railway share. The Goods Handling Contract was not awarded to any firm

despite processing the case for pre-qualification of the firms during October 2004, July 2006 and February 2007. Subsequently, the highest bid received in May 2007 was recommended by the tender committee on 1st June, 2007 but the case was not finalized up till 22nd August, 2007. Thus, Railway administration has sustained a loss of Rs 8.514 million per annum; which it could have earned by finalizing the contract within reasonable time.

The PAO stated that the contract was suspended under the orders of Minister for Railways

PAC DIRECTIVE

The Committee settled the para.

21. **PARA NO. 9.1, (AR-2007-08)**
LOSS OF MILLIONS OF RUPEES DUE TO FAULTY DISCIPLINARY PROCEEDINGS

The Audit pointed out an officer was found guilty of accepting exorbitant rates of stores in connection with a project "Conversion of Passenger Coaches" by an Inquiry Committee. Major penalty of removal from service and recovery of Rs 311,350 on 20th October, 2000 was imposed. He approached Federal Service Tribunal (FST) which set aside the impugned orders dated 20th October, 2000. It was open to conduct denovo disciplinary proceedings against the officer and impose penalty within a period of six months from the date of the order, i.e. 28th March, 2004. The process could not be completed as late as January 2007. As the time-frame has already elapsed, no penalty could be imposed upon the officer and appropriate disciplinary proceedings could not be conducted. Resultantly, not only the officer removed from service in 2000 was left unpunished but he had to be paid pay and allowances without performing any duties.

The PAO stated Federal Service Tribunal while setting aside the earlier punishment including the recovery of Rs 311,350 shall depend upon the findings of the fresh Inquiry if conducted within the time frame indicated above and since no fresh inquiry as envisaged under the law has been conducted, therefore, earlier portion of the judgment shall hold the field and the employee shall stand reinstated in service with back benefits without any further consequential burden including any penalty in the shape of recovery of loss of Rs 311,350. In the light of the comments of the Inquiry Officer and expert opinion of Director Legal Affairs, Pakistan Railways, Ex-Secretary/Chairman Railways had taken decision and passed orders that we have to go by the decision of FST and Director Legal Affairs. The said amount was Waived Off by the then ecretary/Chairman/Railways.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to resolve this issue in DAC meeting within stipulated time of one month.

22. **PARA NO. 10.1, (AR-2007-08)** **MISMANAGEMENT OF GENERAL PROVIDENT FUND**

The Audit pointed out that GPF is a Public Account. Instead of maintaining a separate account, GPF receipts are transferred to Railways Fund Account-III and are being utilized to fulfill day to day requirements of Pakistan Railways. Interest at the rate fixed by the Federal Government in respect of its own employees is being paid/credited to the subscribers arbitrarily without earning any profit on the accumulations. The management is creating a recurring liability in shape of interest on GPF subscriptions. Balance Sheet of Pakistan Railways as on 30th June, 2007 depicts GPF accumulations amounting to Rs 3,028.323 million and interest of Rs 6,532.039 million on account of GPF stated to be recoverable from Government of Pakistan. It is not understandable as to how the Government of Pakistan is liable to pay the interest on GPF accumulations utilized by Pakistan Railways.

The PAO stated that the issue is being a policy matter has since been referred to Ministry of Railways (Railway Board) Islamabad, so that it could reach its logical end.

PAC DIRECTIVE

The Committee settled the para.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 12-10-2015

RAILWAY CONSTRUCTIONS PAKISTAN LIMITED (RAILCOP) **FOR THE AUDIT YEAR 2007-08**

23. i. **AUDIT COMMENT NO. 2.1 CONTRACT REVENUE**
ii. **AUDIT COMMENT NO. 2.2 IMPAIRMENT OF ASSETS**
iii. **AUDIT COMMENT NO. 2.3 RECOGNITION OF CONTRACT REVENUES AND COST**
iv. **AUDIT COMMENT NO. 2.4 RECEIVABLES**

PAC DIRECTIVE

The Committee settled the above mentioned 4 paras on the recommendations of DAC.

PAKISTAN RAILWAY ADVISORY AND CONSULTANCY SERVICES (PRACS)

24. i. **AUDIT COMMENT NO. 2.1(I) SERVICE CHARGES ON SALE OF TICKETS**
- ii. **AUDIT COMMENT NO. 2.1 (II)CONSULTANCY SERVICES**
- iii. **AUDIT COMMENT NO. 2.1 (III)TRAINS MANAGEMENT**
- iv. **AUDIT COMMENT NO. 2.1 (IV)CATERING SERVICES**
- v. **AUDIT COMMENT NO. 2.2 DHAKA AND SYRIA PROJECTS**

PAC DIRECTIVE

The Committee settled the above mentioned 5 paras on the recommendations of DAC.

MINISTRY OF RELIGIOUS AFFAIRS
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Religious Affairs was examined by the PAC on 28th August, 2015.

- 16 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, fix responsibility and initiate disciplinary actions.

MINISTRY OF RELIGIOUS AFFAIRS
2007-08

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 28-08-2015

DIRECTORATE OF ZAKAT AUDIT ISLAMABAD

THE ACCOUNTS OF CENTRAL ZAKAT FUND

NATIONAL LEVEL HEALTH INSTITUTIONS

1. **PARA NO. 2. PURCHASE OF MEDICINES WORTH RS.16.707 MILLION WITHOUT OPEN COMPETITIVE BIDDING/TENDERS**

The Audit pointed out that Rule 21 of Public Procurement Rules 2004 issued vide S.R.O. 432(1)/2004 dated 8th June, 2004, requires that procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than Rs. 40,000.

It was observed that Health Welfare Committees (HWCs) of six Hospitals purchased medicines worth Rs.16.707 million without adopting open tender / fulfilling codal formalities in violation of procurement rules during the year 2006-07 as detailed below:

Name of Hospital / HWC	Amount (Rs)	Executive's Reply	DAC's Recommendations (02.06.2008)	SDAC's Recommendations (18.08.2015)
Chandka Medical College Hospital, Larkana	7,033,000	No single purchase exceeded the limit of Rs 40,000.	The DAC directed to provide documentary proof for the items purchased to audit for verification within 15 days.	Record be produced to audit.
Jinnah Post Graduate Medical College and Hospital, Karachi (General)	108,230	HWC purchased the medicines from a sole proprietor.	-do-	Record be produced to audit.

Services Hospital, Lahore	273,879	The original supplier refused to supply the medicines and services of new supplier were obtained in emergency, leaving no time for calling of tender.	-do-	Record be produced to audit.
Khyber Teaching Hospital, Peshawar	179,316	Pending liability of previous year was cleared in the current year.	-do-	Record seen and verified. Para is recommended for settlement.
Fauji Foundation Hospital, Rawalpindi	253,772	All the purchases were made by the Central Procurement Organization	-do-	Regularized by CZC in its meeting held on 31-10-2009- . Para is recommended for settlement.
Sindh Institute of Urology & Transplant, Karachi	8,858,797	The tender was actually called for two years, but appeared in advertisement as one year due to oversight by press.	-do-	Record seen and verified. Para is recommended for settlement.

The PAO informed that the subject relating to Central Zakat Fund had been devolved to the provinces after the 18th amendment due to this having problem to collect the record.

PAC DIRECTIVE

The Committee settled the Para partially relating to serial No. 4, 5, & 6 and pended rest of the Para with the direction to PAO to call Provincial Zakat Council in the next meeting and inquire the matter with report to the Committee within 60 days.

2. PARA NO. 3. IRREGULAR EXPENDITURE ON TREATMENT OF PATIENTS WITHOUT DETERMINATION OF ISTEHAQ BY LZCS- Rs. 3.496 MILLION

The Audit pointed out that Para 1 of Zakat Disbursement Procedure regarding Health Care (National Level) provides that the istehaq will be determined by the LZC of a mustahiq patient's area of permanent/temporary residence. Moreover, according to Para 2 of the procedure, in emergency cases any member of the HWC of the hospital may determine istehaq of such patient on guarantee of some relative, friend or other reliable person, known to mustahiq as well as to the hospital administration. After emergency treatment, the mustahiq patient shall have to produce the istehaq certificate, failing which all expenditure on the emergency treatment shall be borne by him and the mustahiq will be blacklisted for any future assistance under Zakat program.

Health Welfare Committee (HWC), Chandka Medical College and Hospital Larkana incurred an expenditure of Rs.3.496 million on treatment of such patients whose istehaq was determined either by District Zakat Officer, or Nazim or DCO or Member of HWC instead of LZCs concerned in violation of laid down procedure.

The PAO informed that the inquiry was conducted by the provincial Zakat and Ushr Department in this case in 2009 and its report is available now.

PAC DIRECTIVE

The Committee settled the Para with the direction to PAO to take action against those held responsible in the light of inquiry report conducted by the Provincial Zakat & Ushr Department and report to the Committee within 60 days.

3. PARA NO. 6. CASH PAYMENT OF RS. 217,548 TO MEDICINE SUPPLIER

The Audit pointed that as per rule 157(2) of Federal Treasury Rules Volume-I provides that payment to firms or private persons shall be made through crossed cheques.

It was observed that Health Welfare Committee IRNUM Hospital, Peshawar made payment of Rs.217,548 in cash instead of through crossed cheques to supplier of medicines during the year 2006-07.

The PAO informed that a departmental inquiry was conducted and major penalty of dismissal from service was imposed on Accounts Officer besides recovery of Zakat amounting to Rs. 452,367 but he challenged his dismissal in Court of Law. Matter is still pending in Supreme Court of Pakistan for decision.

PAC DIRECTIVE

The Committee settled the Para subject to recovery of amount from the accused officer's emoluments and its verification by the Audit.

PARAS RECOMMENDED FOR SETTLEMENT

4. i. **PARA 1. UN-AUTHORIZED TRANSFER OF ZAKAT FUND FROM THE ACCOUNTS OF HWCS TO ACCOUNTS OF HOSPITALS - RS. 113,100**
- ii. **PARA 4. UNJUSTIFIED ADJUSTMENT OF MEDICINE BILLS OF RS.1.328 MILLION IN THE NEXT FINANCIAL YEAR**
- iii. **PARA 5. UNJUSTIFIED INCURRING OF LIABILITY DURING THE YEAR 2006-07 TO BE MET IN NEXT FINANCIAL YEAR 2007-08 – RS.619,542**
- iv. **PARA 7. NON-REFUND OF UNSPENT BALANCE TO CZF BY HWC - RS.201,215**
- v. **PARA 8. WASTEFUL EXPENDITURE/UNJUSTIFIED RETENTION OF UN-UTILIZED MEDICINES AFTER THE YEAR-END BY HWC – RS.155,600**

PAC DIRECTIVE

The Committee settled the above mentioned 5 Paras on the recommendation of Audit.

DISTRICT ZAKAT FUND, ISLAMABAD CAPITAL TERRITORY

(ZAKAT AND USHR COMMITTEE ISLAMABAD) (AUDIT YEAR 2007-08)

5. **PARA NO. 5, PURCHASE OF STATIONERY / PRINTING WORTH RS. 288,590 WITHOUT OPEN COMPETITIVE BIDDING/TENDERS BY DZC**

The Audit pointed out that as per rule 21 of Public Procurement Rules 2004 issued vide S.R.O.432(1)/2004 dated 8th June, 2004 requires that the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than Rs. 40,000. Moreover, Rule 9 provides that a procuring agency shall announce in an appropriate manner all proposed procurements for

each financial year and shall proceed accordingly without any splitting or regrouping of procurements so planned.

The Islamabad Zakat and Ushr Committee incurred expenditure of Rs.288,590 on account of purchases of stationery and printing charges in piecemeal and work order was split up to avoid calling tender from open market during the years 2003-04, 2004-05 and 2005-06.

The PAO informed the Committee that it was decided in DAC meeting the District Zakat Officer will inquire the matter thoroughly by fixing responsibility.

PAC DIRECTIVE

The Committee directed the PAO to conduct inquiry and examine its report, if he is satisfied with that report then the Para is settled otherwise the Para be referred back to the PAC.

6. PARA NO. 7, PAYMENT OF RS.1.371 MILLION THROUGH OPEN CHEQUES INSTEAD OF THROUGH CROSSED CHEQUES

The Audit pointed out that the para 2 of Zakat Disbursement Procedure (Guzara Allowance) provides that payment shall be made to 'mustahiqeen' through crossed cheques by the respective LZC.

Chairmen of LZCs of Islamabad disbursed Rs.1.371 million in cash / open cheques instead of through crossed cheques to beneficiaries during 2006-07.

The PAO informed the committee that it was decided in DAC the District Zakat Officer will inquire the matter thoroughly by fixing responsibility.

PAC DIRECTIVE

The Committee pended the Para and directed the PAO to hold an inquiry and report to the Committee within 30 days.

7. i. **PARA NO. 1, NON-RECONCILIATION OF ZAKAT FUND ACCOUNTS**
- ii. **PARA NO. 2, CONSTITUTION OF 59 LZCS WHO'S CHAIRMEN DID NOT POSSESS SECONDARY SCHOOL CERTIFICATES**
- iii. **PARA NO. 3, NON-REFUND OF UNSPENT BALANCES BY DZC – RS.5.313 MILLION**
- iv. **PARA NO. 4, IRREGULAR RELEASE OF ZAKAT FUND TO A NATIONAL LEVEL DEENI MADARASSAH – RS.1.418 MILLION**

- v. **PARA NO. 6, NON-PRODUCTION OF RECORD OF 31 LZCS**
- vi. **PARA NO. 8, NON-REFUND OF UNSPENT BALANCES OF RS. 395, 679 BY LZCS**

PAC DIRECTIVE

The Committee directed the PAO to inquire the matter personally relating to above mentioned 6 Paras and take action in the light of findings/recommendations of the inquiry and report to PAC/Audit.

MINISTRY OF SCIENCE & TECHNOLOGY
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Science & Technology was examined by the PAC on 17th March, 2015.

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

MINISTRY OF SCIENCE & TECHNOLOGY
2007-08

ACTIONABLE POINTS

PAC MEETING: 17-03-2015

AUDIT REPORT FOR THE YEAR 2007-08

1. **PARA NO. 169 & 169.1, PAGE NO.309 (AR-2007-08)**
INTRODUCTORY PARA

Pakistan Science Foundation was established on Feb, 02 1973 under PSF Act. It is working under the Ministry of Science and Technology. The organization has no share capital rather it receives development and non-development grants from the Government of Pakistan. Its office is situated at G-5/1, opposite Supreme Court Building, Constitution Avenue, Islamabad. Grants from Federal Government increased over the last three years sharply but the corresponding increase in scientific functions expenditure was low. Moreover, administrative expenses increased from Rs.34.40 million in 2005-06 to Rs.48.00 million in 2006-07. This situation showed that grants were being shifted from the core functional expenditure (i.e. scientific functions) to the administrative functions. This situation needs to be checked by the management.

The PAO stated that Govt. of Pakistan, Finance Division, Islamabad allocates funds to Pakistan Science Foundation, Islamabad on yearly basis through NIS, both for statutory and administrative functions. During the last four years, funds allocated by the Government and utilized by PSF for statutory and administrative functions. We are almost spending these funds over research work.

PAC DIRECTIVE

The Committee settled the para.

MINISTRY OF TEXTILE INDUSTRY
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Textile Industry was examined by the PAC on 12th October, 2015.

- 03 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 para.

MINISTRY OF TEXTILE INDUSTRY
2007-08

ACTIONABLE POINTS
(Audit Year 2007-08)

PAC MEETING: 12-10-2015

AUDIT REPORT FOR THE YEAR 2007-08

NATIONAL TEXTILE UNIVERSITY

1. **PARA-172 & 172.1, PAGE-327 ARPSE-2007-08**

PAC DIRECTIVE

The Committee settled the above mentioned 2 paras on the recommendations of DAC.

2. **PARA-172.2, PAGE-328 ARPSE-2007-08**

The Audit pointed out that the title of free hold land valuing Rs.312.219 million was not transferred in the name of University in Land Revenue Authorities record. Transfer of title in the name of University needs to be arranged at the earliest.

The PAO informed that the opinion of Law & Justice Division has been received. Accordingly, the Board of Revenue, Govt. of Punjab, Lahore has been requested to transfer the land in the name of NTU vide letter No. NTU/ RO/ S-1/ 2045-1720 dated 02-07-2015

PAC DIRECTIVE

The Committee settled the para subject to compliance of DAC directive dated 7th October 2015.

MINISTRY OF WATER & POWER
2007-08

OVERVIEW

Annual Audit Report for the year 2007-08 pertaining to the Ministry of Water & Power was examined by the PAC on 20th August, 2011, 25th February, 2014, 27th February, 2015, 8th May, 2015 and 14th October, 2015.

- 87 paras were presented by the Audit Department which were examined by the Committee. Out of which 27 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 01 para to FIA.

MINISTRY OF WATER & POWER

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 20-08-2011

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

1. **PARA 1.1, PAGES 13-14-AR-2007-2008**
LOSS OF RS. 202.995 MILLION ON ACCOUNT OF PAYMENT OF COMMITMENT CHARGES TO INTERNATIONAL DEVELOPMENT ASSOCIATION

The Audit pointed out that International Development Association (IDA) granted the loan No.2999-PAK in December, 1997 for implementation of National Drainage Programme in all Provinces of Pakistan. The closing date of loan was 31-12-2004. The total amount of IDA loan was US \$ 261 million. The said loan could not be utilized by the Provincial Coordinators of National Drainage Programme (NDP) up to 31-12-2004 due to abnormal delay in award and execution of contracts. Resultantly commitment charges of Rs.202.995 million were levied by IDA as per condition of the loan agreement. Thus a loss of Rs.202.995 million was sustained due to inordinate delay in finalization of bidding, award and execution of contracts.

PAC DIRECTIVE

The Committee pended the para till its next meeting on the Ministry.

2. **PARA 1.4, PAGES 17-18-AR-2007-2008**
IRREGULAR PURCHASE OF VEHICLES VALUING RS.33.537 MILLION

The Audit pointed out that purchase of luxury vehicles was not provided in PC-I of Raineer Canal Project. In violation of Transport Policy, PC-I and Rule-4 of PPRA Rules 2004, these luxury vehicles were purchased by making provision of Rs.33.537 million in Bill of Quantity (BOQ) of four contracts as detailed below:

(Rs. in million)

Contract No.	IPC No. & Date	Type of Vehicles	Model	Nos.	Cost paid as per B.O.Q.	Market Price	Excess Cost
1	3	4	5	6	7	8	9(7-8)
RC-04	01 31-08-2007	i) Toyota Hilux Double Cabin AC	2006		9.037	4.840	4.198

RC-05A	03 26-09-2008	i) Toyota Hiace Van AC & CNG	2006	1	3.500	2.138	1.362
	02 09-09-2008	ii) Suzuki APV Van AC & CNG	2006	1	2.000	1.193	0.807
RC-07	01 16-12-2006	i) Toyota Double Cabin	2006	1	3.000	2.420	0.580
	01 16-12-2006	ii) Suzuki Potohar A.C.	2006	2	2.000	1.760	0.240
	02 22-03-2007	iii) Pajero 5 doors	2006	1	6.000	5.455	0.545
RC-07A	01 16-02-2007	i) Suzuki Photohar A.C.	2006	2	3.000	1.760	1.240
	05 26-09-2007	ii) Toyota Hilux Double Cabin AC	2006	1	5.000	2.420	2.580
Total				11	33.537	21.986	11.551

Due to this method of procurement, the expenditure of Rs.11.551 million was incurred in excess of the market price. The violation involving extra expenditure needed to be investigated to fix responsibility.

The PAO informed the Committee that the vehicles purchased beyond the provision of PC-1 have been included in the revised PC-1 which is under approval of ECNEC.

PAC DIRECTIVE

The Committee expressed its displeasure on the existing policy and directed the PAO to revisit the policy and hold another DAC and report to the Committee within one month. The Committee pended the para till its next meeting on the Ministry.

3. PARA 1.5, PAGES 18-19-AR-2007-2008 UN-JUSTIFIED PAYMENT OF POUND STRELLING 761,000 (RS.58.825 MILLION) ON ACCOUNT OF ADDITIONAL COST CLAIM

The Audit pointed out that at Chashma Hydro Power Project, EM-I, EM-II and Civil Works Contracts were inter-linked. WAPDA added a clause in the contract agreement of EM-I that financial assistance would be provided to Contractor @ 20% mark up for clearance of equipments from the customs authorities. WAPDA could not provide the financial assistance timely which caused a delay of 916 days in the delivery of equipments at the site and completion of works. This caused corresponding delay in completion of EM-II Contract. The Contractor of EM-II Contract lodged additional cost claim of Pound Sterling 761,000 (Pound Sterling 761,000 x Rs.77.30 = Rs.58.825 million) which was paid in May 2006. The additional cost claim mainly occurred due to addition of clause of financial

assistance subsequent to opening of tenders without visualizing the availability of funds and its consequences. Hence the provision clause of financial assistance was un-justified.

The PAO informed the Committee that the FIA's report on this issue is pending.

PAC DIRECTIVE

The Committee directed the PAO to hold another DAC and pended the para till its next meeting on the Ministry.

4. **PARA 1.6, PAGES 19-20-AR-2007-2008**
OVERCHARGING OF RS.71.374 MILLION ON ACCOUNT OF AUTHORITY'S OVERHEADS

The Audit pointed out that in Greater Thal Canal Project, the expenditure incurred against works and purchases was Rs.4,078.713 million as per project books as on June 30, 2007. According to limit provided in PC-I, the chargeable amount on account of Authority's overheads was Rs.61.181 million @ 1.5% whereas Rs.132.525 million were charged which exceeded the authorized limit by Rs.71.374 million. The overcharging of Authority's overheads was not justified.

The PAO informed the Committee that the revised PC-1 has been submitted to ECNEC for approval.

PAC DIRECTIVE

The Committee pended the para till its next meeting on the Ministry.

5. **PARA 1.7, PAGE 21-AR-2007-2008**
NON-RECOVERY OF LIQUIDATED DAMAGES OF RS.197.59 MILLION FROM CONTRACTORS ON ACCOUNT OF DELAY IN COMPLETION OF WORKS

The Audit pointed out that in National Drainage Programme Project (NDP), 29 works were awarded to various contractors by Provincial Coordinators of NWFP and Punjab. The works were not completed despite delay of three to four years. Damages on account of delay amounting to Rs.197.59 million were not recovered from the contractors as per provisions of contracts which resulted into loss to the extent stated above.

The PAO informed the Committee that the issue in this para relates to the Provinces.

PAC DIRECTIVE

The Committee pended the para till its next meeting on the Ministry.

6. **PARA 2.13, PAGE 52-AR-2007-2008**
NON-RECOVERY OF RS.265.861 MILLION ON ACCOUNT OF PRINCIPAL
AMOUNT AND MARK UP FROM BANKERS EQUITY LIMITED

The Audit pointed out that the Directorate General Insurance WAPDA, Lahore invested a sum of Rs.74.160 million in Bankers Equity Limited. On maturity the Bank failed to repay the principal amount of Rs.74.160 million as well as interest of Rs.191.701 million upto October 31, 2007. This resulted in loss of Rs.265.861 million.

The PAO informed the Committee that some amount has been recovered and efforts are being made for further recovery.

PAC DIRECTIVE

The Committee directed the PAO to pursue the case and report to the Committee. The Committee pended the para till its next meeting on the Ministry.

7. **PARA 2.14, PAGE 53-AR-2007-2008**
LOSS OF RS.106.056 MILLION DUE TO DEMURRAGE CHARGES

The Audit pointed out that in the office of the Chief Resident Representative WAPDA Karachi (CRRK), an amount of Rs.106.056 million was paid to Karachi Port Trust on account of demurrage and wharfage charges. No action was taken to investigate and fix responsibility for these charges.

The PAO informed the Committee that some amount has been recovered and efforts are being made for further recovery. Further, some cases amounting to Rs. 38 million are sub-judice.

PAC DIRECTIVE

The Committee directed the PAO to hold another DAC meeting, take steps for further recovery, pursue the court cases and due care should be taken in future.

8. **PARA 2.15, PAGES 54-55-AR-2007-2008**
LOSS OF RS.13.003 MILLION BECAUSE OF UNDUE FAVOUR TO THE
SUPPLIER

The Audit pointed out that a purchase order for supply of distribution transformers was placed on M/s China National Machinery I&E Corporation Beijing through contract agreement No.1154-10 (Lot 1&2) dated 09-08-1996. Four consignments of this contract were not cleared within the specified time from Karachi Port due to which demurrage charges of Rs.25.105 million were paid by WAPDA. Thereafter the then demurrage committee in its meeting held on April 20, 1999 fixed the share of demurrage to be borne by the supplier as

Rs.12.455 million. Against this decision the supplier appealed for review of decision of demurrage committee. However, appeal remained pending for a period of two years till 2001. On June 14, 2001, the meeting of demurrage committee was held. The appeal of the supplier was not reviewed. But the then Resident Representative in connivance with other members incorporated the decision in favour of the supplier in the minutes of the meeting. This caused a loss of Rs.12.455 million by giving undue benefit to the supplier. Similarly in another case the Resident Representative caused a loss of Rs.0.548 million to the Authority by making overpayment to the carriage contractor. This was also proved by the inquiry committee.

The PAO informed the Committee that an inquiry was conducted to probe into the matter. Legal and departmental actions are under process. The accused contested and filed a suit in the court and the matter is sub-judice.

PAC DIRECTIVE

The Committee directed the PAO to hold an inquiry, fix responsibility and report to the Committee within one month. The Committee further directed the PAO to ensure recovery from the concerned persons either they are in the country or abroad. The Committee pended the para till its next meeting on the Ministry.

ACTIONABLE POINTS

(Audit Year 2007-08)

PAC MEETING: 25-02-2014

AUDIT REPORT PUBLIC SECTOR ENTERPRISES FOR THE YEAR 2007-08

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED

9. PARA-178 &178.1, PAGE-339 ARPSE-2007-08

The Audit pointed out that contract fee receivable increased to Rs.571.317 million in 2006-07 from Rs.535.549 million in 2005-06 showing increase by 7%. Likewise, contract fee receivable considered doubtful also increased to Rs.317.718 million in 2006-07 from Rs.269.498 million in 2005-06 registering an increase by 18%.

After detailed discussion, the PAO assured the Committee that the matters of outstanding receivables would be resolved within 30 days.

PAC DIRECTIVE

The PAC settled the para with the direction that the issues of outstanding receivables would be resolved by the Ministry and a report thereof be submitted to the Committee within 30 days.

10. **PARA-178.2, PAGE-340 ARPSE-2007-08**

The Audit pointed out that the administrative, general and financial charges increased to Rs.2, 057.606million in 2006-07 from Rs.1, 617.226 million in 2005-06 showing an increase of 27%. Administrative and general expenses included an amount of Rs.19.274 million which has been written-off on account of bad debts.

Departmental Representative replied that the amount in question has not been written-off rather necessary corrections were made after meeting with the clients and accordingly the amount was adjusted.

PAC DIRECTIVE

The Committee settled the para with direction that a report may be furnished to the committee within 30 days indicating as to whether the write off action was covered under rules or not.

NATIONAL POWER CONSTRUCTION CORPORATION (PVT.) LIMITED

11. i. **PARA-179&179.1**
AN INCREASE IN TOTAL EXPENSES FROM 92% IN 2005-06 TO 99% IN 2006-07
- ii. **PARA-179.2**
AN INCREASE OF 49,189% IN THE CONTRACT BILLS RECEIVABLES IN THE YEAR 2006-07 AS COMPARED TO THE YEAR 2005-06
- iii. **PARA-179.3**
AN INCREASE OF 329% IN NON-RECEIPT OF TOOLS, GAUGES AND STORES IN THE YEAR 2006-07 AS COMPARED TO THE YEAR 2005-06

PAC DIRECTIVE

The PAC settled the above three (03) paras subject to verification of record by Audit.

12. **(WAPDA)**
PARA-1.1 PAGE NO.13-14
LOSS OF RS. 202.995 MILLION ON ACCOUNT OF PAYMENT OF COMMITMENT CHARGES TO INTERNATIONAL DEVELOPMENT ASSOCIATION

The Audit pointed out that International Development Association (IDA) granted loan in December, 1997 for implementation of National Drainage Programme in all

Provinces of Pakistan. The closing date of loan was 31.12.2004. The total amount of IDA loan was US \$ 261 million. The said loan could not be utilized by the Provincial Coordinators of National Drainage Programme (NDP) up to 31.12.2004 due to abnormal delay in award and execution of contracts. Resultantly commitment charges of Rs.202.995 million were levied by the IDA as per condition of the loan agreement. Thus a loss of Rs.202.995 million was sustained due to inordinate delay in finalization of bidding, award and execution of contracts.

Departmental Representative replied that Member Water was assigned the task to examine whether the delay was on the part of Federal Govt. or Provinces to fix the responsibility who revealed that **both** the Provinces as well as Federal Govt. have made contributions to the reasons leading to the payment of commitment charges. The officers of the Irrigation Department of the Government of Punjab and KPK also gave their point of view on the matter.

PAC DIRECTIVE

The Committee directed the Ministry to conduct an inquiry and a comprehensive report covering the following aspects of the case be furnished to the Committee within 30 days.

- i) Background of the case.
- ii) Reasons for non-utilization of the amount, and
- iii) Charges paid due to non-utilization. Indicate the Federal and Province-wise break-up of paid amount.

The Committee further directed that a letter be written to the Ministry of Finance conveying the observation of the Committee that the clauses of the Agreement of the intending loans should be properly scrutinized as to whether the said loan could be utilized during the agreed time period to avoid fines/commitment charges.

13. **PARA 1.2 PAGE NO. 14-15**
IRREGULAR PAYMENT OF RS. 243.107 MILLION ON ACCOUNT OF INSURANCE CHARGES

Audit pointed out that at Mangla Dam Raising Project, an amount of Rs.243.107 million was reimbursed to the contractors against insurance coverage provided by the companies other than NICL during the years 2004 to 2007. This was against the provision of contract. Moreover, it was also in contravention of Section 166(3) of Insurance Ordinance, 2000. Thus expenditure of Rs.243.107 million was considered irregular.

The Ministry and departments concerned gave clarifications in the matter however the committee was not satisfied with the explanations.

PAC DIRECTIVE

The Committee directed the PAO to conduct an inquiry against those who allegedly changed the provisions of the agreement at a later stage and a report thereof be sent to the Committee within 30 days.

14. **PARA 1.4 PAGE NO.17-18**
IRREGULAR PURCHASE OF VEHICLES VALUING RS.33.537 MILLION

The Audit pointed out that pursuant to the Prime Minister's directive and subsequent instructions issued by Cabinet Division, Authority issued WAPDA Transport Policy, 1987. The list of vehicles specified for field officers and consultants provided in the Transport Policy does not include Double Cabin Pickup and Pajero Jeep. Accordingly these luxury vehicles were not provided in PC-I of Rainee Canal Project. In violation of Transport Policy, PC-I and Rule-4 of PPRA Rules 2004, these luxury vehicles were purchased by making provision of Rs.33.537 million in Bill of Quantity (BOQ) of four contracts. Due to this method of procurement, the expenditure of Rs.11.551 million was incurred in excess of the market price.

The departmental representative replied that Necessary provision of the expenditure (purchase of vehicles) in revised PC-1 of the project has been made, which has been approved by the Authority, further recommended/cleared by Ministry of Water and Power and now under process at Planning Commission Ministry of Finance (Government of Pakistan) for final approval. Moreover, In compliance with PAC directives, a committee has been constituted under the convener-ship of DG (Services) to review WAPDA Transport Policy as intimated vide GM(C&M) letter NO.GM(C&M)/W/DR-43/1965-78 dated:09.10.2013 which is in under process.

PAC DIRECTIVE

The Committee directed the PAO to conduct an inquiry by fixing responsibility and suggest actions against the defaulters and a report thereof be sent to the Committee within 15 days.

15. **PARA-1.5 PAGE NO.18-19**
UNJUSTIFIED PAYMENT OF € 761,000 (RS.58.825 MILLION) ON ACCOUNT OF ADDITIONAL COST CLAIM

The Audit pointed out that Chashma Hydro Power Project, EM-I, EM-II and Civil Works Contracts were inter-linked. WAPDA added a clause in the contract agreement of EM-I that financial assistance would be provided to Contractor @ 20 % mark up for clearance of equipments from the customs authorities. WAPDA could not provide the financial assistance timely which caused a delay of 916 days in the delivery of equipments at the site and completion of works. This caused

corresponding delay in completion of EM-II Contract. The Contractor of EM-II Contract lodged additional cost claim of € 761,000 (€ 761,000 x Rs.77.30 = Rs.58.825 million) which was paid in May 2006. The additional cost claim mainly occurred due to addition of clause of financial assistance subsequent to opening of tenders without visualizing the availability of funds and its consequences. Hence the provision clause of financial assistance was un-justified.

It was brought to the notice of the committee that the case was referred to the FIA for investigation whose report still awaited.

PAC DIRECTIVE

The committee directed the FIA to provide copies of the inquiry report to the PAC within one week.

16. **PARA-1.6 PAGE NO.19-20**
OVERCHARGING OF RS.71.374 MILLION ON ACCOUNT OF AUTHORITY'S OVERHEADS

The Audit pointed out that Greater Thal Canal Project, the expenditure incurred against works and purchases was Rs.4, 078.713 million as per project books as on June 30, 2007. According to limit provided in PC-I, the chargeable amount on account of Authority's overheads was Rs.61.181 million @ 1.5% whereas Rs.132.525 million were charged which exceeded the authorized limit by Rs.71.374 million. The overcharging of Authority's overheads was not justified

Departmental representative replied that a revised PC-I has been submitted to the ECNEC for approval.

PAC DIRECTIVE

The Committee settled the para, however, directed the PAO to strictly follow the provisions of rules in future.

17. **PARA-1.7 PAGE NO.21**
NON-RECOVERY OF LIQUIDATED DAMAGES OF RS.197.59 MILLION FROM CONTRACTORS ON ACCOUNT OF DELAY IN COMPLETION OF WORKS

In National Drainage Programme Project (NDP), 29 works were awarded to various contractors by Provincial Coordinators of NWFP and Punjab. The works were not completed despite delay of three to four years. Damages on account of delay amounting to Rs.197.59 million were not recovered from the contractors as per provisions of contracts which resulted into loss to the extent stated above.

The representatives of the provincial governments of Panjab & K.P.K gave explanations to the queries raised by the members which were not satisfactory.

PAC DIRECTIVE

The Committee directed the Ministry to conduct an inquiry in the matter and a report thereof be furnished to the committee within 30 days by fixing responsibility as to who was involved in releasing the security to the contractor before the scheduled time.

18. **PARA-2.13 PAGE NO.52**
NON-RECOVERY OF RS.265.861 MILLION ON ACCOUNT OF PRINCIPAL AMOUNT AND MARK UP FROM BANKERS EQUITY LIMITED

PAC DIRECTIVE

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

19. **PARA-2.15 PAGE NO.54-55**
LOSS OF RS.13.003 MILLION BECAUSE OF UNDUE FAVOUR TO THE SUPPLIER

The Audit pointed out that a purchase order for supply of distribution transformers was placed on M/s China National Machinery I&E Corporation Beijing through contract agreement No.1154-10 (Lot 1 & 2) dated 09.08.1996. Four consignments of this contract were not cleared within the specified time from Karachi Port due to which demurrage charges of Rs.25.105 million were paid by WAPDA. Thereafter the then demurrage committee in its meeting held on April 20, 1999 fixed the share of demurrage to be borne by the supplier as Rs.12.455 million. Against this decision the supplier appealed for review of decision of demurrage committee. However, appeal remained pending for a period of two years till 2001. On June 14, 2001, the meeting of demurrage committee was held. The appeal of the supplier was not reviewed. But the then Resident Representative with connivance of other members incorporated the decision in favor of the supplier in the minutes of the meeting. This caused a loss of Rs.12.455 million by giving undue benefit to the supplier.

The departmental representative replied that two inquiries have already been conducted and action has been taken against the defaulters as per the inquiry, however, the committee was not satisfied with the answers.

PAC DIRECTIVE

The Committee directed the Ministry to submit a detailed report within one month.

ACTIONABLE POINTS

PAC MEETING: 27-02-2015

AUDIT REPORT FOR THE YEAR 2007-08

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED

20. **PARA NO. 178 & 178.1, PAGE-339, (AR-2007-08)**
INTRODUCTION

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 Government of Pakistan and engaged in engineering consultancy services in Pakistan and abroad. Income of the Company increased to Rs.2,503.365 million in 2006-07 as compared to Rs.1,802.362 million in 2005-06 mainly due to increase in fee income on account of consultancy services rendered in Pakistan and outside Pakistan by 39% and 29% respectively. Management is required to maintain the increasing trend of income. Contract fee receivable considered good increased to Rs.571.317 million in 2006-07 from Rs.535.549 million in 2005-06 showing increase by 7%. Likewise, contract fee receivable considered doubtful also increased to Rs.317.718 million in 2006-07 from Rs.269.498 million in 2005-06 registering an increase by 18%. Steps should be taken to recover the outstanding amounts from the concerned clients.

The PAO stated that NESPAK is a Government owned organization and most of its clients are Government bodies. These clients usually pay NESPAK bills after verification from their own records and audit process which sometimes take several months.

PAC DIRECTIVE

The Committee settled the para conditionally and directed the PAO to take up the recovery matter with the Minister for Finance through Minister of Water & Power.

21. **PARA NO. 178.2, PAGE-340, (AR-2007-08)**

The Audit pointed out that the administrative, general and financial charges increased to Rs.2,057.606 million in 2006-07 from Rs.1,617.226 million in 2005-06 showing an increase of 27% . Administrative and general expenses included an amount of Rs.19.274 million which has been written-off on account of bad debts. Party-wise detail, aging and reasons for non-recovery of dues may be explained.

The PAO stated that during the year 2006-07, NESPAK income was increased up to Rs. 2,503.365 million as compared to Rs. 1,802.362 million in 2005-06

registering an increase of around 39% whereas increase in administrative, general and financial expenses is just 27% and is far less than the increase in income. The improved performance and profitability can be attributed to aggressive business strategy of the Company, better management and continued thrive in the economy of the country, as well as our efforts to reduce expenses whenever possible.

PAC DIRECTIVE

The Committee settled the para and directed the PAO to hold DAC meeting with in one month to re-examine and resolve this issue.

22. **PARA NO. 179 & 179.1, (AR-2007-08)**

PAC DIRECTIVE

The Committee settled the above two Paras.

23. i. **PARA NO. 179.2, (AR-2007-08)**

ii. **PARA NO. 179.3, (AR-2007-08)**

The Audit pointed out that above two (2) paras had already been discussed in PAC meeting dated 25-02-2014 and settled subject to verification of the record by audit. However, the department has not yet submitted the relevant record to the Audit for verification.

The PAO ensured that the required/desired record will be provided soon to the Audit concerned.

PAC DIRECTIVE

The Committee directed the PAO to hold DAC meeting within next two weeks to verify the relevant figures with Audit in the above two paras positively.

24. i. **FESCO**
PARA NO. 8.11, PAGE-127, (AR-2007-08)
BLOCKAGE OF RS. 43.511 MILLION DUE TO POOR CONTRACT
MANAGEMENT

ii. **PARA NO. 8.15, PAGE-130, (AR-2007-08)**
UNDUE FAVOUR OF RS. 1.084 MILLION TO THE SUPPLIER DUE TO
CANCELLATION OF PURCHASE ORDER OF THE UN-SUPPLIED
BALANCE OF MATERIAL

- iii. **GEPCO**
PARA NO. 9.13, PAGE-142, (AR-2007-08)
LESS RECOVERY OF RS. 1.432 MILLION FROM CONSUMERS
- iv. **HESCO**
PARA NO. 10.16, PAGE-155-156, (AR-2007-08)
LOSS OF RS. 3.983 MILLION DUE TO NON-RECOVERY OF FIXED
LINE CHARGES UNDER PUBLIC LIGHTING TARIFF-G
- v. **PARA NO. 10.22, PAGE-160, (AR-2007-08)**
SHORT BILLING OF RS. 1.285 MILLION DUE TO APPLICATION OF
WRONG TARIFF
- vi. **PARA NO. 10.24, PAGE-161-162, (AR-2007-08)**
IN-FRUCTUOUS EXPENDITURE OF RS. 1.109 MILLION DUE TO NON-
COMPLETION OF WORK BY THE CONTRACTOR
- vii. **PARA NO. 10.25, PAGE-162-163, (AR-2007-08)**
LOSS OF RS. 1.099 MILLION DUE TO NON-RECOVERY OF SHARING
COST
- viii. **IESCO**
PARA NO. 11.11, PAGE-174, (AR-2007-08)
LOSS OF RS. 431.921 MILLION DUE TO SHORT BILLING
- ix. **PARA NO. 11.12, PAGE-175-176, (AR-2007-08)**
RECOVERABLE AMOUNT OF RS. 114 MILLION FROM THE
INDEPENDENT CONSUMERS
- x. **PARA NO. 11.13, PAGE-176-177, (AR-2007-08)**
OVERBILLING OF 24.530 MILLION ENERGY UNITS COSTING RS.
115.291 MILLION
- xi. **PARA NO. 11.15, PAGE-178, (AR-2007-08)**
NON-RECOVERY OF RS. 9.324 MILLION FROM THE INDUSTRIAL
CONSUMERS
- xii. **PARA NO. 11.17, PAGE-179-180, (AR-2007-08)**
UNDUE GENERATION OF REVENUE OF RS. 8.183 (M) BECAUSE OF
OVERBILLING
- xiii. **PARA NO. 11.19, PAGE-181, (AR-2007-08)**
LOSS OF RS. 3.048 MILLION DUE TO MIS-USE OF TWO PART
TARIFF FACILITY

- xiv. **PARA NO. 11.21, PAGE-183, (AR-2007-08)**
UNJUSTIFIED LEVY OF INSTALLATION CHARGES OF RS. 1.194
MILLION
- LESCO**
- xv. **PARA NO. 12.14, PAGE-196-197, (AR-2007-08)**
LOSS OF RS. 1.150 MILLION DUE TO NON-RECOVERY OF FEEDER
REHABILITATION COST
- xvi. **PARA NO. 12.15, PAGE-197, (AR-2007-08)**
LOSS OF RS. 1.048 MILLION DUE TO APPLICATION OF WRONG
TARIFF
- MEPCO**
- xvii. **PARA NO. 13.11, PAGE-208-209, (AR-2007-08)**
UN-LAWFUL RELAXATION IN THE TARIFF OF STREET LIGHT
CONNECTION INVOLVING SHORT ASSESSMENT OF RS. 40.111
MILLION
- xviii. **PARA NO. 13.17, PAGE-212-213, (AR-2007-08)**
OVER CHARGING OF RS. 5.164 MILLION ON ACCOUNT OF
INSTALLATION CHARGES
- TESCO**
- xix. **PARA NO. 16.11, PAGE-254, (AR-2007-08)**
LOSS OF RS. 9.751 MILLION DUE TO EXCESS EXPENDITURE OVER
THE ESTIMATED COST/DEPOSITED AMOUNT

PAC DIRECTIVE

The Committee settled the above nineteen (19) paras as recommended in DACs.

GENCO-II

25. **PARA NO. 4.8, PAGE-79, (AR-2007-08)**
LOSS OF Rs. 5.258 MILLION DUE TO SUPPLY OF DAMAGED MATERIAL

The Audit pointed out that Central Power Generation Company Limited (GENCO-II), Guddu, placed purchase order No. 3980 dated 13.10.2006 on M/s Siemens A.G. Power Generation at a cost of € 73,396/-. The material bearing item No. 4(10) of the purchase order valuing € 45,932/- was dispatched by the Clearing Agent to the consignee through TCS. The same was found in damaged/broken condition as per joint survey report. Neither the replacement of the damaged material was obtained nor recovery effected. Hence the Company sustained loss to the stated extent.

The PAO stated that high level inquiry committee has been constituted in the Convener-ship of G.M (M&S) PEPCO to investigate the matter. Now, the PEPCO M/s Siemens are ready to test these cards at their own cost therein the inquiry will be finalized report within two weeks and the same will be submitted to Audit accordingly.

PAC DIRECTIVE

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

- 26.
- i. **FESCO**
PARA NO. 8.12, PAGE-127-128, (AR-2007-08)
UNDUE GENERATION OF REVENUE OR RS. 42.558 MILLION
BECAUSE OF OVERBILLING

 - ii. **LESCO**
PARA NO. 12.12, PAGE-195, (AR-2007-08)
UNDUE GENERATION OF REVENUE OF RS. 71.101 MILLION DUE TO
OVERBILLING

 - iii. **MEPCO**
PARA NO. 13.13, PAGE-210, (AR-2007-08)
UNDUE GENERATION OF REVENUES OF RS. 28.738 MILLION DUE
TO OVERBILLING

The Audit pointed out that above three paras are related to overbilling issue; therefore it is proposed that these three paras may be clubbed.

The PAO stated that a committee was constituted to recommend the remedial measures to eliminate causes of abnormal and negative figure of losses pertaining to independent and dedicated feeders i.e. shifting of load, alternative sources of supply, wrong coding and bifurcation of feeders, difference in accuracy of meters at Grids and consumers end.

PAC DIRECTIVE

The Committee settled the above three (3) paras and directed the PAO to examine the overbilling issue on daily basis.

- 27.
- i. **FESCO**
PARA NO. 8.13, PAGE-128-129, (AR-2007-08)
LOSS OF RS. 10.300 MILLION DUE TO THEFT OF MATERIAL

- ii. **GEPCO**
PARA NO. 9.12, PAGE-141-142, (AR-2007-08)
LOSS OF RS. 4.090 MILLION DUE TO THEFT OF ELECTRICAL MATERIAL
- iii. **HESCO**
PARA NO. 10.12, PAGE-153, (AR-2007-08)
LOSS OF RS. 22.552 MILLION DUE TO THEFT OF MATERIAL
- iv. **IESCO**
PARA NO. 11.18, PAGE-180-181, (AR-2007-08)
LOSS OF RS. 4.030 MILLION DUE TO THEFT OF MATERIAL
- v. **LESCO**
PARA NO. 12.13, PAGE-195-196, (AR-2007-08)
LOSS OF RS. 26.134 MILLION DUE TO THEFT OF MATERIAL
- vi. **MEPCO**
PARA NO. 13.16, PAGE-212, (AR-2007-08)
LOSS OF RS. 5.849 MILLION DUE TO THEFT OF MATERIAL
- vii. **PESCO**
PARA NO. 14.14, PAGE-230-231, (AR-2007-08)
LOSS OF RS. 15.406 MILLION DUE TO THEFT OF MATERIAL

The Audit clubbed above seven (7) paras with the prior approval of the committee and pointed out that these seven paras are related to the losses of theft of the allied material in the different zones of the distribution electric supply companies.

The PAO stated that we are looking in to the matter and pursuing all theft cases. But if a directive may be sought as a sole prerogative of the committee, to arrest the thief with in stipulate time period of one month along with recovery.

PAC DIRECTIVE

The Committee settled above seven (7) paras and directed the PAO to pursue such type of theft cases with the Police Department so that the recovery of un-traceable and traceable theft material is ensured.

- 28. i. **FESCO**
PARA NO. 8.14, PAGE-129, (AR-2007-08)
NON RECOVERY OF RS. 6.513 MILLION FROM THE INDUSTRIAL CONSUMERS

- ii. **GAPCO**
PARA NO. 9.11, PAGE-140-141, (AR-2007-08)
NON-RECOVERY OF RS. 7.479 MILLION FROM INDUSTRIAL CONSUMERS

- iii. **HESCO**
PARA NO. 10.14, PAGE-154, (AR-2007-08)
NON-RECOVERY OF RS. 8.434 MILLION FROM THE INDUSTRIAL CONSUMERS

- iv. **LESCO**
PARA NO. 12.11, PAGE-194-195, (AR-2007-08)
NON-RECOVERY OF RS. 92.504 MILLION FROM INDUSTRIAL CONSUMERS

- v. **MEPCO**
PARA NO. 13.14, PAGE-210-211, (AR-2007-08)
NON-RECOVERY OF RS. 28.297 MILLION DUE TO NON-REGULARIZATION OF EXTENDED LOAD

- vi. **PARA NO. 13.20, PAGE-215, (AR-2007-08)**
LOSS OF RS. 2.256 MILLION ON ACCOUNT OF UNDER ASSESSMENT OF FIXED CHARGES

- vii. **PESCO**
PARA NO. 14.12, PAGE-229, (AR-2007-08)
NON-RECOVERY OF RS. 22.200 MILLION FROM THE INDUSTRIAL CONSUMERS

The Audit clubbed above seven (7) paras with the approval of the Committee and narrated that these seven paras are related to industrial Consumers over loading issue probably the industrial Consumer use beyond their sanctioned load that's why this issue raised.

The PAO stated that almost recoveries in this regards have been made and still in pursuance of remaining recoveries.

PAC DIRECTIVE

The Committee clubbed the above seven (7) paras and settled with the direction that the remaining recoveries may also be affected.

- 29. **HESCO, PARA NO. 10.11, PAGE-152-153, (AR-2007-08)**
LOSS OF RS. 22.632 MILLION DUE TO UNJUSTIFIED CREDIT GIVEN TO INDUSTRIAL CONSUMERS

The Audit pointed out that the HESCO M/s Zeal Pak Cement factory Hyderabad bearing A/c No.24-7151-00002208 was running under tariff B-4. The Factory remained closed w.e.f. 01/1997 to 02/1998. During the period of closure, fixed charges to the extent of 50% sanctioned load were charged by HESCO as per tariff B-4. Subsequently, the owner of the Zeal Pak Cement Factory lodged an appeal to waive these charges on the ground that factory remained closed. The Authority accorded approval to charge the entire period under tariff C-3. Accordingly the credit of Rs.22.632 million was given in violation of billing demand of load under tariff-B-4. The matter was taken up with management in August, 2007 and was referred to the Ministry in July, 2008 and was also discussed by the Departmental Accounts Committee on November 26, 2008 wherein the management explained that the credit was given with the approval of Authority. However, the tariff C-3 was correctly charged. Tariff-H was not applicable due to temporary closure of factory. Audit did not agree with the contention of the management and was of the view that credit allowed was not in line with the condition of the schedule of tariff. DAC directed the management to work out the difference of amounts of tariff C-3 and tariff-H and submit revised reply by December 5, 2008. The difference of billing under tariff-H and C-3 calculated by the management Rs.0.452 million which needs to be recovered besides fixing responsibility for credit of Rs.22.632 million on account of fixed charges.

The PAO stated that the credit was given with the approval of Authority as the tariff C-3 was correctly charged. Tariff-H was not applicable due to temporary closure of factory. Audit was of the view that credit allowed was not in line with the condition of the schedule of tariff.

PAC DIRECTIVE

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

30. **HESCO, PARA NO. 10.13, PAGE-153-154, (AR-2007-08)**
LOSS OF RS. 21.513 MILLION DUE TO NON-BILLING OF FIXED CHARGES
TO CONSUMERS UNDER TARIFF C-1 (BULK SUPPLY)

The Audit pointed out that HESCO, M.D.I set of meters were not installed at 92 premises running under tariff C-1. As such the load could not be measured. In such cases fixed charges at 90% of sanctioned load were to be recovered as per standing instructions, which were not implemented during 2006-07. This resulted into loss of Rs.25.553 million. The matter was taken up with management during August to December, 2007 and referred to the Ministry in June, 2008 and was also discussed by the Departmental Accounts Committee on November 26, 2008. DAC directed the department to expedite the recovery and produce the record by December 5, 2008. Record for Rs.4.040 million was produced and verified.

The PAO stated that the officials are deputed to produce the relevant record for the verification from the Audit.

PAC DIRECTIVE

The Committee settled the para subject to verification of recovery within stipulated time period of one month.

31.
 - i. **HESCO**
PARA NO. 10.15, PAGE-155, (AR-2007-08)
NON-REMOVAL OF MATERIAL WORTH RS. 9.285 MILLION
 - ii. **MEPCO**
PARA NO. 13.15, PAGE-211-212, (AR-2007-08)
NON-REMOVAL OF EQUIPMENT WORTH RS. 12.160 MILLION ON
EXECUTION OF EQUIPMENT REMOVAL ORDERS (EROS) PESCO
 - iii. **PARA NO. 14.13, PAGE-230, (AR-2007-08)**
NON-REMOVAL OF EQUIPMENT WORTH RS. 20.815 MILLION ON
EXECUTION OF EQUIPMENT REMOVAL ORDERS (EROS)
 - iv. **TESCO**
PARA NO. 16.12, PAGE-254-255, (AR-2007-08)
NON-REMOVAL OF EQUIPMENT WORTH RS. 5.330 MILLION
DESPITE EQUIPMENT REMOVAL ORDERS (EROS)

The Audit pointed out that the above four paras are of the same nature, therefore are being clubbed. These paras are related to the implementation of EROs (Equipment Removal Orders), which issued after nonpayment of Electricity Bill in time. The EROs is necessary to implement within two months so that the costumer could not utilize electricity unauthorized. However, related to this issue many of the equipments have not been removed so far. Which cause huge loss in millions.

The PAO stated the updated recovery status of above four DESCOS as well as the remaining recovery position.

PAC DIRECTIVE

The Committee settled the above four (4) paras subject to verification of recovery within stipulated time period of fifteen days.

ACTIONABLE POINTS

PAC MEETING: 08-05-2015

AUDIT REPORT FOR THE YEAR 2007-08

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED

- 32,
- i. **PARA NO. 179 & 179.1, Page-340 (AR-2007-08)**
 - ii. **PARA NO. 179.2, (AR-2007-08)**
 - iii. **PARA NO. 179.3, (AR-2007-08)**

PAC DIRECTIVE

The Committee settled the above three (03) paras as recommended by Audit.

33. **PARA NO. 178 & 178.1, Page-339 (AR-2007-08)**

The Audit pointed out that the company was incorporated in 1973 under the Companies Act 1913. It is wholly own by the Government of Pakistan and engaged in engineering consultancy services in Pakistan and abroad. The working results of the company for the year 2006-07 as compared with previous years decrease because the contract fee receivable considered doubtful increased to Rs.317.718 million in 2006-07 from Rs.269.498 million in 2005-06 registering an increase by 18%. However, the income of the company increased mainly because of consultancy services rendered in Pakistan and outside Pakistan by 39% and 29% respectively.

The PAO replied that usually NESPAK bills are paid after several processes of verification. The management of the NESPAK makes appropriate provision to fully depict the true picture of the profitability of the company and therefore, the recovery of contract fee receivable especially doubtful in nature becomes the priority of the NESPAK management. As a result the old receivables are not showing decreasing trends.

PAC DIRECTIVE

The Committee was not satisfied with reply of the PAO and directed that the recoverable amount be recovered on monthly basis and report to this Secretariat within not more than three months.

34. **PARA NO. 178.2, Page-340 (AR-2007-08)**

The Audit pointed out that the administrative general and financial charges increase to Rs.2,057.606 million in 2006-07 from Rs.1,617.226 million in 2005-06 showing an increase of 27%. Administrative and general expenses included an amount of Rs.19.274 million which has been written-off on account of bad debts. The Sub-Committee may ask the reasons for non-recovery of dues from the management.

The PAO replied that during the year 2006-07 NESPAK income has increased to Rs.2,503.365 million as compared to Rs.1,802.362 million in 2005-06 registering an increase of around 39% whereas increase in administrative, general and financial expenses is just 27% and is far less than the increase in income. The improved performance and profitability can be attributed to aggressive business strategy of the company, better management and continued thrive in the economy in the country as well as our efforts to reduced expenses whenever possible.

PAC DIRECTIVE

The Committee settled the para.

PEPCO
HESCO/SEPCO

35. i. **PARA NO. 10.21, DP-11/2008, Page No. 159-160 (AR-2007-08)**
LOSS OF RS.1.419 MILLION DUE TO VIOLATION OF CONDITION OF
TARIFF

ii. **IESCO**
PARA NO. 11.14, DP-1277, Page No. 177-178 (AR-2007-08)
WASTEFUL EXPENDITURE OF RS.26.67 MILLION

iii. **PESCO**
PARA NO. 14.11, DP-69/2008, Page No. 228-229 (AR-2007-08)
LOSS OF RS.27.459 MILLION TO PESCO DUE TO ABNORMAL
ENERGY LOSSES ON THE INDEPENDENT FEEDERS

PAC DIRECTIVE

The Committee settled the above three (03) paras.

HESCO/SEPCO

36. **PARA NO. 10.17, DP-08/2008, Page No. 157 (AR-2007-08)**
NON-RECOVERY OF RS.3.919 MILLION FROM THE EMPLOYEES AGAINST
SHORTAGE OF MATERIAL

The Audit pointed that in Operation Division, Larkana-I HESCO, "Advances against shortage/theft of material" showed an amount of Rs.3.919 million. The shortages were required to be investigated for disciplinary action, however, no action was taken. As per PAC directions, the recovery from three officials worth Rs.12,915 be got verified from Audit. The regularization case of three officials amounting to Rs.3.803 million be got approved by the BOD by no more than one week. The amount recoverable from one official worth Rs.103,394 be recovered as arrear of land revenue.

The PAO replied that from three officials recovery have been made of amount Rs.12,915. The write-off cases, of an amount Rs.3.803 million, of three deceased officials is under process. The amount recoverable from one official worth Rs.103,394 is lying pending in a gratuity case as he is terminated from service.

PAC DIRECTIVE

The Committee showed its displeasure because the management could not convey exact information therefore, directed the PAO to initiate an inquiry within 30 days and the findings be forwarded to PAC Secretariat and Audit.

37. **PARA NO. 10.18, DP-13/2008, Page No. 157-158 (AR-2007-08)**
MISAPPROPRIATION OF MATERIAL WORTH RS.3.888 MILLION

The Audit pointed out that in HESCO, FIR. No.56/06 dated 15.11.2005 got registered against Line Superintendent for miss-appropriation of material amounting Rs.3.888 million. The cases are filed in FIA Court Hyderabad and are under trial. As per DAC direction the management is directed to pursue the cases and intimate outcome to the Ministry and Audit.

The PAO replied that the matter is under process with FIA Court, Hyderabad and the status will be conveyed to Audit as and when the cases is decided by FIA Court, Hyderabad.

PAC DIRECTIVE

The Committee pended the para till the court decision.

38. **PARA NO. 10.19, DP-38/2008, Page No. 158 (AR-2007-08)**
BOGUS/ILLEGAL CREDIT GIVEN TO PRIVATE CONSUMERS AMOUNTING TO RS.1.532 MILLION

The Audit pointed out that in Dadu/Mehar Division HESCO, three private tube well consumers were given credits of Rs.1.532 million within two years 1996-97 and 1997-98 setting aside the pre-requisite as mentioned in commercial procedure. An inquiry committee has been constituted to pursue the case and come up with an inquiry report. DAC was not satisfied with the inquiry report and directed the SEPCO management to re-inquire the matter and submit report to Audit within 15 days. As per DAC direction the management is directed to provide a copy of the inquiry report to the Ministry and Audit.

The PAO replied that the inquiry committee was constituted by CEO HESCO on complaint of Mr. Sahab Dino Chandio. The complainant never attended inquiry proceedings and the record was also destroyed during riots on 27th December, 2007. CEO HESCO has been requested to provide the outcome of inquiry committee.

PAC DIRECTIVE

The Committee settled the para.

39. **PARA NO. 10.20, DP-02/2008, Page No. 158-159 (AR-2007-08)**
NON-RECOVERY OF RS.1.488 MILLION FROM CONTRACTOR

The Audit pointed that in HESCO electrification work of village Shahmir Jo Tar, District Tharparkar was awarded to Sanaullah and Company, Hyderabad in August, 2004. The material valuing Rs.1.488 million was misappropriated by the contractor and Line Superintendent resulting into loss the company. A civil suit has been filed against Sanaullah and Company which is still under trial in the court and amounts of Rs.0.148 million and Rs.0.961 million has already been recovered. DAC directed the management to get the recovered amount verified by Audit and pursue the court case under intimation to the Ministry and Audit.

The PAO replied that civil suit against Sanaullah and Company has been filed and still under trial. An amount of Rs.2,263,458 has been recovered and advance cheques for balance amount of Rs.3,750,000 have been obtained. The total amount pointed out by the Audit is Rs.1.488 million however the actual amount in the office order is Rs.1.373 million.

PAC DIRECTIVE

The Committee pended the para till full recovery of amount and directed the management to pursue the case vigorously.

40. **PARA NO. 10.23, DP-33/2008, Page No. 161 (AR-2007-08)**
NON-RECOVERY OF RS.1.146 MILLION ON ACCOUNT OF UNDER
SSESSMENT OF FIXED CHARGES

The Audit pointed out that in HESCO, 73 rice mills utilized the load in excess of the sanctioned limit by making illegal extensions. The field formations neither removed illegal extensions nor got the same regularized. In the year 2006-07, due to non-regularization, 50% of illegal extended load could not be accounted for and this resulted in short billing of Rs.1.146 million. Amount of Rs.0.094 million is already verified by Audit. As per DAC directions, the management is directed to verify the recovery affected and that of irrecoverable amount by the Audit within two days.

The PAO replied that an amount of Rs.0.094 million has already been verified by Audit. Out of the balance amount of Rs.1.052 million, recovery of Rs.0.631 million has been made and Rs.0.42 million was not recoverable.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

IESCO

41. **PARA NO. 11.16, DP-44/2008, Page No. 179 (AR-2007-08)**
NON-RECOVERY OF RS.8.951 MILLION FROM THE OFFICIALS ON
ACCOUNT OF MISAPPROPRIATION OF MATERIAL

The Audit pointed out that in construction circle IESCO, Islamabad, the recovery of Rs.9.273 million was imposed upon Line Superintendent for misappropriation of material. Despite lapse of about four years the recoveries were not affected, which indicated that the rules to safeguard the assets were not operative in letter and spirit. An amount of Rs.1.087 million is verified by Audit and an amount of Rs.8.244 million is outstanding due to cases present in court. As per DAC directions the management is directed to pursue the court cases for its early finalization under intimation to the Ministry and Audit.

The PAO replied that the two cases for the amount of Rs.8.244 million were pending with the court of law and next date of hearing were 12-05-2015 and 16-05-2015. Amount of Rs.1.087 million is already verified by Audit. Record of an amount of Rs.0.128 million was required to be got verified by the concerned official.

PAC DIRECTIVE

The Committee pended the para and directed the Management to resolve such type of company's issues / recovery matters at the Board of Directors level.

42. **PARA NO. 11.20, DP-1276, Page No. 182 (AR-2007-08)**
WASTEFUL EXPENDITURE OF RS.2.514 MILLION DUE TO SUSPENSION
OF CONSTRUCTION OF A RESIDENTIAL COLONY

The Audit pointed out that in GSC Directorate, Islamabad, a contractor did not complete the work of construction of a residential colony at 66 KV grid station, Dir up to stipulated date of its completion and suspended the work in 1989. The project authorities neither terminated the contract nor the work was got done at his risk and therefore, Rs.2.541 million was wasted because of the incomplete work. An inquiry was constituted, however, the DAC was not satisfy with inquiry report and asked PESCO to re-inquire the matter and re-submit report to Audit within one week.

The PAO replied that partial work was carried out by the contractor and payment amounting to Rs.9,66,853 was made to the contractor for the carried out work. As such the wasteful expenditure is Rs.9,66,853 as against the amount of para for Rs.2.514 million. To inquire about the matter an inquiry has been constituted and will submit its findings to the Audit soon.

PAC DIRECTIVE

The Committee settled the para.

43. **MEPCO**
PARA NO. 13.12, DP-66/2008, PAGE NO. 209 (AR-2007-08)
LOSS OF RS.39.430 MILLION DUE TO ABNORMAL ENERGY LOSSES ON
THE INDEPENDENT FEEDERS

The Audit pointed out that in MEPCO the percentage of energy loss of 23 independent feeders range between 4.2% to 29.2% during 2006-07 against the maximum permissible limit of 3.5%, due to this a loss of Rs.40.559 million was sustained by the company. The company carried out analysis of 10 feeders and submitted the report to Audit. As per DAC directions the management is directed to produce evidence in support of the reply to Audit and get same verified within two days.

The PAO replied that to justify the excess losses of Rs.1.129 million was produced which was verified. Compliance with the losses of remaining amount of Rs.39.430 million was awaited till finalization of the report. 29 feeders were analyzed, in 27 feeders the losses were within the permissible limit and in remaining two cases the recovery of Rs.0.998 million had been affected from the consumers concerned.

PAC DIRECTIVE

The Committee settled the para subject to verification by Audit.

44. **PARA NO. 13.18, DP-23/2008, PAGE NO. 213 (AR-2007-08)**
DACOITY OF MATERIAL OF RS.3.760 MILLION AT CAMP STORES OF
FIELD STAFF

The Audit pointed out that in a dacoity of the material comprising mainly conductor worth Rs.4.791 million took place in two camp stores of construction circle in the months of December, 2006 and January, 2007. The matter was taken up and thieves were arrested and the material recovered and verified by Audit was Rs.103,1000. The write off case were submitted to BOD MEPCO. As per DAC direction the management is directed to get the write off cases regularized from the BOD and produce the same to Audit for verification within two days.

The PAO replied that the case has been investigated by an inquiry committee and reported that the material recovered/verified by Audit is Rs.103,1000. The total amount of the para was Rs.391,8750 and the difference of calculation not related to MEPCO was Rs.15,400. The write off cases have been submitted to BOD and the results are awaited.

PAC DIRECTIVE

The Committee settled the para.

45. **PARA NO. 13.19, DP-18/2008, PAGE NO. 214 (AR-2007-08)**
LOSS OF RS.2.477 MILLION DUE TO MIS-USE OF TWO PART TARIFF

The Audit pointed out that in MEPCO, the load utilized and measured for billing in respect of 41 consumers was less than 20 KW during the whole year of 2006-07. The ground reality was that those consumers had got energy connections sanctioned for load more than 20 KW. The consumers were provided undue benefits of Rs.3.071 million which was loss to the company. An amount of Rs.0.594 million was recovered by charging 7 out of 41 consumers. The remaining amount of Rs.2.477 million was not recoverable from the consumers because recorded MDI of these consumers was more than 20 KW. The DAC directed the management to produce evidence in support of reply and get the same verified from Audit within two days.

The PAO replied that out of 41 connections only 7 connections have been connected load and the recorded MDI was less than 20 KW. The remaining amount of Rs.2.477 million was not recoverable as the recorded MDI was more than 20 KW. From those 7 connections Rs.0.595 million was recovered.

PAC DIRECTIVE

The Committee pended the para and directed the Management to recover the amount as per relevant year's bill. The matter is required to be resolved at DAC level within 60 days.

46. **PARA NO. 13.21, DP-20/2008, PAGE NO. 215-216 (AR-2007-08)**
LOSS OF RS.1.921 MILLION DUE TO MISAPPROPRIATION OF MATERIAL

The Audit pointed out that in Regional Store MEPCO, the material of Rs.1.921 million was misappropriated by the Store Keeper. The official was held responsible for the misappropriation and despite lapse of considerable time, the disciplinary action and recovery process was not initiated. A case was filed in the Labour Court whose results are awaited. The DAC directed the management to pursue the court case and intimate outcome of the court case to the Ministry and Audit.

The PAO replied that an inquiry has been constituted and report was submitted which was not accepted by the competent authority as no clear-cut recommendations were given in the inquiry report. A case was filed in the Labour Court No.09 whose results are awaited.

PAC DIRECTIVE

The Committee pended the para because of its sub-judice nature and directed the Management to pursue the court case vigorously.

47. **PARA NO. 13.22, DP-14/2008, Page No. 216-217 (AR-2007-08)**
LOSS OF RS.1.02 MILLION DUE TO UNAUTHORIZED RECONNECTION

The Audit pointed out that in Operation Division D.G Khan MEPCO, the deduction bill of Rs.331,747 was charged vide adjustment note 39 on account of 46,289 unbilled units to the consumers. The connection was disconnected and defaulting consumers were provided with un-authorized 3 phase meter. Resultantly, 91,228 units worth Rs.670,526 remained unbilled. Cases were filed which were decided in favour of MEPCO and the consumers deposited 50% amount in the court. However, 1 case decided against MEPCO for which the management has filed appeal in the court. The DAC directed the management to pursue the court case and intimate outcome of the court to the Ministry and Audit.

The PAO replied that a sum of Rs.1.02 million was debited to the consumer account and the consumer filed case against MEPCO. The cases were decided in favour of MEPCO, however, 1 case was decided against MEPCO for which management has filed appeal in the court. The case is still in the court and the results are awaited.

PAC DIRECTIVE

The Committee pended the para and directed the Management to recover the amount as per rule/law effectively.

48. **PESCO**
PARA NO. 14.15, DP-73/2008, Page No. 231-232 (AR-2007-08)
LOSS OF RS.14.901 MILLION ON ACCOUNT OF NON IMPOSITION OF LIQUIDATED DAMAGES

The Audit pointed out that in PESCO, 2 lots consisting of 3 and 2 132/11.5 K.V. 20/26 MVA Power transformers were to be supplied. Inspection calls of 4 transformers were made by the supplier and therefore, the delivery of 4 transformers was late. Accordingly an amount of Rs.14.901 million on account of liquidated damages was required to be imposed. According to management the actual recoverable liquidated damages were Rs.7.748 million which has been recovered. The DAC directed the company to get liquidated damages recovered verified by Audit within two days.

The PAO replied that the delivery of 4 transformers were extended and approved by PESCO and therefore, the only liquidated damages which have to be recovered were Rs.7.748 million. This amount was recovered/ deducted from the payment of HEC Hattar. The relevant record to reconcile the actual liquidated damages was produced to Audit.

PAC DIRECTIVE

The Committee settled the para subject to reconciliation and verification of recovery with Audit.

49. **PARA NO. 14.16, DP-51/2008, Page No. 232-233 (AR-2007-08)**
NON-RECOVERY OF RS.6.954 MILLION FROM WAPDA EMPLOYEES

The Audit pointed out that in PESCO, recoveries of Rs.6.954 million were imposed upon officer on account of misappropriation, theft of material, but were not affected. An amount of Rs.1.429 million was recovered and Rs.2.280 million was in process to be recovered. Moreover, Rs.1.353 million was irrecoverable and court cases were filed for Rs.1.892 million. The DAC directed the management to produce record in support of the recovery affected, pursue the court cases and finalized the actions for the remaining amount under intimation to the Ministry and Audit.

The PAO replied that record was produced by officials from Khyber Circle for the amount recovered. Amount of Rs.1.429 million was recovered and the record was produced to Audit for verification, however, the Audit vide letter dated 2-3-2015 has intimated that the original complete record regarding balance recovery of amount may be furnished to proceed further in the matter.

PAC DIRECTIVE

The Committee pended the para because of the Court Case and directed the Management to pursue the same vigorously. Recovery be verified positively with Audit.

ACTIONABLE POINTS

PAC MEETING: 14-10-2015

AUDIT REPORT FOR THE YEAR 2007-08

50. **PARA-1.1 DP-1267, PAGE NO.13-14 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER WAPDA LOSS OF RS.202.995 MILLION ON ACCOUNT OF PAYMENT OF COMMITMENT CHARGES TO INTERNATIONAL DEVELOPMENT ASSOCIATION**

The Audit pointed out that International Development Association (IDA) granted the loan No.2999-PAK in December, 1997 for implementation of National Drainage Programme in all Provinces of Pakistan. The closing date of loan was 31.12.2004. The total amount of IDA loan was US \$ 261 million. The said loan could not be utilized by the Provincial Coordinators of National Drainage Programme (NDP) up to 31.12.2004 due to abnormal delay in award and execution of contracts. Resultantly commitment charges of Rs.202.995 million were levied by the IDA as per condition of the loan agreement. Thus a loss of Rs.202.995 million was sustained due to inordinate delay in finalization of bidding, award and execution of contracts.

PAC DIRECTIVE DATED 20.08.2011

The Committee pended the para till its next meeting on the Ministry.

PAC DIRECTIVE DATED 25.02.2014

After presentation by the Audit and Department, the Committee directed the Ministry to conduct an inquiry and a comprehensive report covering the following aspects of the case may be furnished to the Committee within 30 days.

- i) Background of the case;
- ii) Reasons for non-utilization of the amount, and
- iii) Charges paid due to non-utilization. Indicate the Federal and Province-wise break-up of paid amount.

The Committee further directed that a letter be written to the Ministry of Finance conveying the observation of the Committee that the clauses of the Agreement of the intending loans should be properly scrutinized as to whether the said loan

could be utilized during the agreed time period to avoid fines/commitment charges.

The PAO informed that the para was discussed along with 4 paras of same nature relating to PEPCO in the meeting of other Sub-Committee of PAC held on 27-05-2015 in which the above said 4 paras were settled by the Committee however, the directives were awaited.

PAC DIRECTIVE

The Committee pended the para and directed the PAC Wing to explore the matter. The matter has been examined and has discussed with the M/o Water & Power, it is concluded that this para has never been settled by the Sub-Committee III of PAC. In the light of this submission the M/o Water & Power take further necessary action to finalize the Audit para.

51. **PARA-1.2 DP-1279 PAGE NO.14-15 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER WAPDA**
IRREGULAR PAYMENT OF RS.243.107 MILLION ON ACCOUNT OF INSURANCE CHARGES

The Audit pointed out that at Mangla Dam Raising Project, an amount of Rs.243.107 million was reimbursed to the contractors against insurance coverage provided by the companies other than NICL during the years 2004 to 2007. This was against the provision of contract. Moreover, it was also in contravention of Section 166(3) of Insurance Ordinance, 2000. Thus expenditure of Rs.243.107 million was considered irregular.

PAC DIRECTIVE DATED 20.08.2011

The Committee expressed its displeasure and directed the PAO to discuss this issue with Secretary Ministry of Commerce, hold another DAC, provide the details of paid insurance amend the relevant rules on insurance by contractors and report to the Committee within one month. The Committee pended the para till its next meeting on the Ministry.

PAC DIRECTIVE DATED 25.02.2014

The Committee directed the Principal Accounting Officer to conduct an inquiry by fixing responsibility who allegedly changed the provisions of the agreement at a later stage and a report thereof be sent to the Committee within 30 days.

The PAO informed that the matter was referred to the Authority and the Authority accorded approval for acceptance of insurance policies placed by the Contractor with the insurance companies of their choice instead of NICL, as recommended by CE/PD Mangla Dam raising project.

PAC DIRECTIVE

The Committee settled the para subject to recovery of amount from the contractor and its verification by the Audit.

52. **PARA-1.4 DP-1240 PAGE NO.17-18 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER WAPDA**
IRREGULAR PURCHASE OF VEHICLES VALUING RS.33.537 MILLION

The Audit pointed out that pursuant to the Prime Minister's directive and subsequent instructions issued by Cabinet Division, Authority issued WAPDA Transport Policy, 1987. The list of vehicles specified for field officers and consultants provided in the Transport Policy does not include Double Cabin Pickup and Pajero Jeep.

Accordingly these luxury vehicles were not provided in PC-I of Raineer Canal Project. In violation of Transport Policy, PC-I and Rule-4 of PPRA Rules 2004, these luxury vehicles were purchased by making provision of Rs.33.537 million in Bill of Quantity (BOQ) of four contracts.

Due to this procurement, the expenditure of Rs.11.551 million was incurred in excess of the market price. The violation involving extra expenditure needed to be investigated to fix responsibility.

PAC DIRECTIVE DATED 20.08.2011

The Committee expressed its displeasure on the existing policy and directed the PAO to revisit the policy and hold another DAC and report to the committee within one month. The committee pended the para till its next meeting on the Ministry.

PAC DIRECTIVE DATED 25.02.2014

The Committee directed the Principal Accounting Officer to conduct an Inquiry by fixing responsibility and suggest actions against the defaulters and a report thereof be sent to the Committee within 15 days.

The PAO informed that all the vehicles have been included in revised PC-1 which is under process in the M/o Water & Power.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to hold inquiry, fix responsibility, take action against the responsible and report to the Committee.

53. **PARA-1.5 DP-1271 PAGE NO.18-19 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER WAPDA UNJUSTIFIED PAYMENT OF € 761,000 (RS.58.825 MILLION) ON ACCOUNT OF ADDITIONAL COST CLAIM**

The Audit pointed out that at Chashma Hydro Power Project, EM-I, EM-II and Civil Works Contracts were inter-linked. WAPDA added a clause in the contract agreement of EM-I that financial assistance would be provided to Contractor @ 20 % mark up for clearance of equipments from the customs authorities. WAPDA could not provide the financial assistance timely which caused a delay of 916 days in the delivery of equipments at the site and completion of works. This caused corresponding delay in completion of EM-II Contract. The Contractor of EM-II Contract lodged additional cost claim of € 761,000 (€ 761,000 x Rs.77.30 = Rs.58.825 million) which was paid in May 2006. The additional cost claim mainly occurred due to addition of clause of financial assistance subsequent to opening of tenders without visualizing the availability of funds and its consequences. Hence the provision clause of financial assistance was un-justified.

PAC DIRECTIVE DATED 20.08.2011

The Committee directed the PAO to hold another DAC and pended the para till its next meeting on the Ministry.

PAC DIRECTIVE DATED 25.02.2014

The Committee directed the FIA to provide copies of the Inquiry Report to the PAC within one week.

The PAO informed that the case had been forwarded to FIA and the report from FIA still awaited.

PAC DIRECTIVE

The Committee pended the para while showing their grave concern over the inability of FIA representative to brief the Committee on the matter and directed the PAC Wing to convey their reservations to DG (FIA).

54. **PARA-1.7 DP-1255 PAGE NO.21AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER WAPDA NON-RECOVERY OF LIQUIDATED DAMAGES OF RS.197.59 MILLION FROM CONTRACTORS ON ACCOUNT OF DELAY IN COMPLETION OF WORKS**

The Audit pointed out that In National Drainage Programme Project (NDP), 29 works were awarded to various contractors by Provincial Coordinators of NWFP and Punjab. The works were not completed despite delay of three to four years. Damages on account of delay amounting to Rs.197.59 million were not

recovered from the contractors as per provisions of contracts which resulted into loss to the extent stated above.

The PAO informed that the inquiry was held in this case and the report had been submitted to PAC Secretariat.

PAC DIRECTIVE

The Committee pended the para and directed to PAO & Audit to discuss the inquiry report at DAC level and report to the Committee.

55. **PARA-2.15 DP-1256 PAGE NO.54-55 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER WAPDA LOSS OF RS.13.003 MILLION BECAUSE OF UNDUE FAVOUR TO THE SUPPLIER**

The Audit pointed out that a purchase order for supply of distribution transformers was placed on M/s China National Machinery I&E Corporation Beijing through contract agreement No.1154-10 (Lot 1 & 2) dated 09.08.1996. Four consignments of this contract were not cleared within the specified time from Karachi Port due to which demurrage charges of Rs.25.105 million were paid by WAPDA. Thereafter the then demurrage committee in its meeting held on April 20, 1999 fixed the share of demurrage to be borne by the supplier as Rs.12.455 million. Against this decision the supplier appealed for review of decision of demurrage committee. However, appeal remained pending for a period of two years till 2001. On June 14, 2001, the meeting of demurrage committee was held. The appeal of the supplier was not reviewed. But the then Resident Representative with connivance of other members incorporated the decision in favour of the supplier in the minutes of the meeting. This caused a loss of Rs.12.455 million by giving undue benefit to the supplier. Similarly in another case the Resident Representative caused a loss of Rs.0.548 million to the Authority by making overpayment to the carriage contractor. This was also proved by the inquiry committee.

PAC DIRECTIVE DATED 20.08.2011

The Committee directed the PAO to hold an inquiry, fix responsibility and report to the committee within one month. The committee further directed the PAO to ensure recovery from the concerned persons either they were in the country or abroad. The committee pended the para till its next meeting on the Ministry.

PAC DIRECTIVE DATED 25.02.2014

The Committee directed the Ministry to submit a detailed report within one month.

The PAO informed that the recovery against the defaulted person and the disciplinary action against each individual have already been taken in the light of inquiry report.

PAC DIRECTIVE

The Committee settled the para subject to recovery/write-off amount and directed the PAO to look into the matter personally and convey his views to the Committee.

56. **PARA-10.17 DP-08/2008 PAGE NO.157 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER HESCO**
NON-RECOVERY OF RS.3.919 MILLION FROM THE EMPLOYEES AGAINST SHORTAGE OF MATERIAL

The Audit pointed out that in Operation Division Larkana-I HESCO, an amount of Rs.3.919 million was shown under head of account "Advances against shortage/theft of material" in the schedule of advances of trial balance as on June 30, 2007. The shortages were required to be investigated for disciplinary action and recovery thereof. But no action was taken.

PAC DIRECTIVE DATED 08.05.2015

The Committee showed displeasure because the management could not deliver exact information. Therefore, Committee directed the Principal Accounting Officer to initiate an inquiry before the Board of Directors within 30 days and the findings should be forwarded to PAC Secretariat and Board of Directors may resolve this issue at the earliest possible.

The PAO informed that the recovery have been made in three cases and write-off for three cases is under process whereas the one individual is terminated from the service and his case of pension is lying pending .

PAC DIRECTIVE

The Committee pended the para with the direction to finalize the matter at DAC level and to report the Committee.

57. **PARA-10.18 DP-13/2008 PAGE NO.157-158 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER HESCO**
MISAPPROPRIATION OF MATERIAL WORTH RS.3.888 MILLION

The Audit pointed out that in HESCO, F.I.R. No.56/06 dated 15.11.2005 was got registered against Line Superintendent for misappropriation of material valuing Rs.3.888 million.

PAC DIRECTIVE DATED 08.05.2015

The Committee left the para as pending till the court decision.

The PAO informed that the case is under trial with FIA Court, Hyderabad.

PAC DIRECTIVE

The Committee pending the para due to sub-judice in nature.

58. **PARA-10.20 DP-02/2008 PAGE NO.158-159 AUDIT REPORT (2007-08)**
MINISTRY OF WATER & POWER HESCO
NON-RECOVERY OF RS.1.488 MILLION FROM CONTRACTOR

The Audit pointed out that in HESCO, electrification work of village Shahmir Jo Tar, District Tharparkar was awarded in August, 2004 to M/s Sanullah and Company, Hyderabad. The material valuing Rs.1.488 million was misappropriated by the contractor with connivance of Line Superintendent resulting into loss to the Company. As evident from office order dated July 16, 2007, the recovery of Rs.412,139 was imposed upon L.S but no decision was made for the remaining amount of Rs.1.076 million.

PAC DIRECTIVE DATED 08.05.2015

The Committee left the para as pending till the recovery of amount and directed the management to pursue the case vigorously.

The PAO informed that the employee had filed a case in the Court of Law and the department is pursuing it actively.

PAC DIRECTIVE

The Committee pending the para due to sub-judice in nature and directed the PAO to pursue the case in Court of Law vigorously.

59. **PARA-11.16 DP-44/2008 PAGE NO.179 AUDIT REPORT (2007-08) MINISTRY**
OF WATER & POWER IESCO
NON-RECOVERY OF RS.8.951 MILLION FROM THE OFFICIALS ON
ACCOUNT OF MISAPPROPRIATION OF MATERIAL

The Audit pointed out that in Construction Circle IESCO, Islamabad, the recovery of Rs.9.273 million was imposed upon ten Line Superintendents for misappropriation of material. Despite lapse of about four years, recoveries were not effected, which indicated that the rules to safeguard the assets were not operative in letter and spirit.

The matter was taken up with the management in September, 2008 and was referred to the Ministry in June, 2008. It was also discussed by the Departmental Accounts Committee on November 26, 2008. The DAC directed to produce documentary evidence in support of the recovery by December 5, 2008. Record in respect of amount of Rs.0.322 million was produced and verified. The recovery process of remaining amount of Rs.8.951 million needs to be finalized prior to the retirement of the officials as two Line Superintendents already stand retired/dismissed. The recovery may be made from them as arrear of Land Revenue.

PAC DIRECTIVE 08-05-215

The Committee left the para as pended and directed the management to resolve such type of company's issues recovery matter within the Board of Directors.

The PAO stated that the recovery suits against the two ex-officials had been lodged who were dismissed from service

PAC DIRECTIVE

The Committee pended the para due to sub-judice in nature and directed the PAO to pursue the case in Court of Law vigorously.

60. **PARA-13.19 DP-18/2008 PAGE NO.214 AUDIT REPORT (2007-08) MINISTRY OF WATER & POWER MEPCO**
LOSS OF RS.2.477 MILLION DUE TO MIS-USE OF TWO PART TARIFF

The Audit pointed out that in MEPCO, the load utilized and measured for billing in respect of forty one consumers was less than 20 KW during the whole year of 2006-07. Contrary to the ground reality at sites, those consumers had got their energy connections sanctioned for load more than 20 K.W to make them entitled to tariff A-2(b). This tariff was cheaper by Rs.3/- per unit than the tariff A-2(a) as per average selling rates for the year ending June, 2007 mentioned in progress report of WAPDA Power distribution. However as per calculation on actual basis the consumers were provided undue benefits of Rs.3.071 million which was loss to the Company.

The Audit further pointed out that the connections where the load measured was less than 20 KW for the whole year, those should be converted into tariff A2(a) and difference of Rs.2.477 million be charged.

PAC DIRECTIVE DATED 08.05.2015

The Committee left the para as pended and directed the management to recover the amount as per relevant year's bill and necessarily/as per requirement the

matter may be resolved in DAC meeting. Further, the Committee given stipulate time of 60 days for concluding of this issue.

The PAO stated that the record amounting to Rs.0.311 million out of total amount of Rs.2.477 million had been verified by Audit and Rs.1.757 million had also been recovered and the record would be submitted to Audit for verification however the recovery of 0.361 still awaited and the amount Rs. 0.048 million was not recoverable as the Court decided against the MEPCO.

PAC DIRECTIVE

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

61. **PARA-13.21 DP-20/2008 PAGE NO.215-216 AUDIT REPORT (2007-08)**
MINISTRY OF WATER & POWER MEPCO
LOSS OF RS.1.921 MILLION DUE TO MISAPPROPRIATION OF MATERIAL

The Audit pointed out that in Regional Store MEPCO, the material of Rs.1.921 million was misappropriated by the Store Keeper. The inquiry was conducted and finalized in August, 2007. The official was held responsible for the misappropriation. It may be added that the inquiry committee was constituted in September, 2005. After about two years the inquiry proceeding were held on August 3 & 4, 2007. Despite lapse of further 8 months, the disciplinary action and recovery process had not been initiated. Timely action and recovery process needed to be enforced.

PAC DIRECTIVE DATED 08.05.2015

The Committee left the para as pended because the matter was in court and sub-judicious. Further, the Committee directed the management to pursue the court case vigorously.

The PAO stated that the case filed by Mr. Maqsood SSK in Punjab Labour Court No. 10 Sahiwal was decided in his favour on 05-05-2015. The appeal against orders dated 05-05-2015 was filed in Punjab Appellate Tribunal No. 02 Multan which had also been decided against MEPCO on 02-09-2015.

PAC DIRECTIVE

The Committee pended the para and directed the PAO to refer the case to legal advisor and place the case in BOD of MEPCO for final verdict.

62. **PARA-13.22 DP-14/2008 PAGE NO.216-217 AUDIT REPORT (2007-08)**
MINISTRY OF WATER & POWER MEPCO
LOSS OF RS.1.02 MILLION DUE TO UNAUTHORIZED RECONNECTION

The Audit pointed out that in Operation Division D.G. Khan-II MEPCO, the detection bill of Rs.331,747 was charged vide adjustment note 39 dated January 17, 2004, on account of 46,289 unbilled units to the consumer bearing reference No. 10-5261-07501001. The connection was disconnected in November, 2004 due to non payment. As per RCO policy, RCO was to be issued by the competent authorities after recovering outstanding dues and RCO fee. The policy was not adopted and three-phase meter was provided to the defaulting consumer un-authorized. The event of reconnection was not recorded in the relevant documents. Resultantly 91,228 units worth Rs.670,526 upto June, 2007 remained unbilled as reported by the Deputy Manager letter No. 6007-08 dated 21.06.2007. Action needs to be taken to fix responsibility and effect recovery.

PAC DIRECTIVE DATED 08.05.2015

The Committee left the para as pended and directed the management to recover the amount as per rule/law effectively.

The PAO stated that the case is still sub-judice in the Court of Additional. District & Session Court Judge D.G. Khan. The next date of hearing had been fixed as 19-10-2015.

PAC DIRECTIVE

The Committee pended the para due to sub-judice in nature and directed the PAO to pursue the case in Court of Law vigorously.

63. **PARA-14.16 DP-51/2008 PAGE NO.232-233 AUDIT REPORT (2007-08)**
MINISTRY OF WATER & POWER PESCO
NON-RECOVERY OF RS.6.954 MILLION FROM WAPDA EMPLOYEES

The Audit pointed out that in PESCO, recoveries of Rs.6.954 million were imposed upon officers/officials on account of mis-appropriation, theft of material, but were not effected. It indicated that rules to safeguard the assets were not being operated efficiently. The issue needed to be examined to strengthen financial discipline.

PAC DIRECTIVE DATED 08.05.2015

The Committee left the para as pended because the matter was sub-judicious in court of law. Further, Committee directed the management that after court decision the recovery in person may be insured and be verified positively with Audit.

The PAO informed that the recovery of amount Rs.2.724 Million in 53 cases had been made. The record would be submitted to Audit for verification.

PAC DIRECTIVE

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

NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED
AUDIT REPORT PUBLIC SECTOR ENTERPRISES2007-08

64. **PARA-178 &178.1, PAGE-339 ARPSE-2007-08 NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED**

The Audit pointed out that the income of the Company increased to Rs.2,503.365 million in 2006-07 as compared to Rs.1,802.362 million in 2005-06 mainly due to increase in fee income on account of consultancy services rendered in Pakistan and outside Pakistan by 39% and 29% respectively. Management is required to maintain the increasing trend of income.

Contract fee receivable considered good increased to Rs.571.317 million in 2006-07 from Rs.535.549 million in 2005-06 showing increase by 7%. Likewise, contract fee receivable considered doubtful also increased to Rs.317.718 million in 2006-07 from Rs.269.498 million in 2005-06 registering an increase by 18%. Steps be taken to recover the outstanding amounts from the concerned clients.

PAC DIRECTIVE (DATED 25.02.2014)

The PAC settled the para with direction that the issues of outstanding receivables would be resolved by the Ministry and a report thereof would also be submitted to the Committee within 30 days.

The PAO stated that in the light of directive of Sub-Committee of the PAC issued on 08-05-2015 all out efforts have been made to recover the receivables and as a result a sum of Rs.609.200 Million has been recovered out of Rs.889 Million outstanding.

PAC DIRECTIVE

The Committee directed the PAO to settle/verify the record of the para at DAC level and submit report to the Committee for endorsement.

65. **PARA-178.2, PAGE-340 ARPSE-2007-08 NATIONAL ENGINEERING SERVICES PAKISTAN (PVT.) LIMITED**

The Audit pointed out that the administrative, general and financial charges increased to Rs.2,057.606 million in 2006-07 from Rs.1,617.226 million in 2005-

06 showing an increase of 27% . Administrative and general expenses included an amount of Rs.19.274 million which has been written-off on account of bad debts. Party-wise detail, aging and reasons for non-recovery of dues may be explained.

PAC DIRECTIVE (DATED 25.02.2014)

The Committee settled the para with direction that a report may be furnished to the committee within 30 days indicating as to whether the write off of the amount was right or wrong and under rules.

The PAO informed that the department has provided the proceeding of BOD meeting regarding write-off action and Ministry has also endorsed that report which has been sent to the PAC

PAC DIRECTIVE

The Committee settled the para subject to verification of record pertaining to NESPAK by the Audit and report to Committee.

**BRIEFING ON THE FUNCTIONS AND PERFORMANCE OF
BENAZIR INCOME SUPPORT PROGRAMME**

ACTIONABLE POINTS

A meeting of the Sub-Committee-III of PAC was held on 2nd July, 2014 under the Convenership of Sardar Ashiq Hussain Gopang, MNA wherein the Secretary, Benazir Income Support Program gave briefing on the functions and performance of the Organization.

2. The Committee was informed that the Government of Pakistan launched the Benazir Income Support Program (BISP) in July 2008 with an immediate objective to cushion the negative effects of slow economic growth, the food crisis and inflation on the poor, particularly women, through the provision of cash transfers of Rs. 1,000/month for eligible families. The monthly installment was enhanced by the present government to Rs. 1200/per family w.e.f. 1st July, 2013, which has subsequently been increased to Rs.1500/per family w.e.f. 1st July, 2014.

3. At the start of the Program in July 2008, no reliable data were available for the identification of the underprivileged and vulnerable persons in the country. The task of identification of the potential beneficiaries of BISP was, therefore, entrusted to the Parliamentarians in what was the Phase –I of Targeting. Application Forms were distributed among the Parliamentarians in equal number (8000 forms to each member of the National Assembly and Senate and 1000 forms to each member of the Provincial Assemblies), irrespective of party affiliation. The forms received were verified through NADRA database and out of 4.2 million received forms 2.2 million families were found eligible for cash transfers.

4. The Committee appreciated the program aimed at eradicating poverty and empowering women, however, questioned the credibility in processing of forms submitted by the Parliamentarians of Federal and Provincial Assemblies. The Committee viewed that such schemes should not be under any political influence so that the deserving masses could not be ignored otherwise its credibility will be at stake. It was pointed out that contrary to the population ratio of two and half and one between Punjab and Sindh, there is no match in the number of enrolled families between the two provinces receiving cash transfers. The Committee also expressed reservations over the criteria prescribed for evaluation of poverty as it did not match the ground realities and stressed that steps should be taken for re-evaluation and rectification of data otherwise the deprivations of the poor people could not be minimized. The BISP Secretary informed the committee that as a routine the government would review the criteria by 2016 for which the process would be initiated in 2015. But, the committee directed that an internal meeting by the BISP management should be held to re-assess and re-evaluate the criteria for inclusion and exclusion in the data keeping in view the ground realities in the country and its process should be started within three months

instead of waiting for routine survey to be conducted in 2016 to rectify the available data without any political interference.

5. The Committee also wanted to know the results of those families received an amount of 0.3 million rupees under Waseela Haq program to start their own businesses and directed to ensure exclusion of their names from the list of families receiving cash transfer grants. Moreover, a survey should also be conducted to know as to whether the beneficiaries have spent the amount in establishing their own businesses.

PAC DIRECTIVE

The Committee directed the PAO / Secretary BISP to:

- i. Re-assess and re-evaluate the criteria adopted for selecting potential beneficiaries in the BISP keeping in view the ground realities in the country.
- ii. The process of Re-examining and re-evaluation of the existing beneficiaries list should be started within three months instead of waiting for routine survey to be conducted in 2016 to rectify the available data without any political interference.
- iii. Conduct survey to know the end results of those families who received an amount of 0.3 million under Waseela Haq Programme as to whether they had really established their businesses.

THE END