

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON

- **CENTRAL BOARD OF REVENUE**
- **MINISTRY OF INFORMATION AND BROADCASTING**
- **TOURISM DIVISION**
- **CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION**
- **PLANNING AND DEVELOPMENT DIVISION**
- **ECONOMIC AFFAIRS DIVISION**
- **STATISTICS DIVISION**
- **ENVIRONMENT AND URBAN AFFAIRS DIVISION**

(1981-82 to 1984-85)

CONTENTS

	PAGES
Summary of Recommendations	1
1. Introduction	4
2. Central Board of Revenue	6
3. Ministry of Information and Broadcasting	13
4. Tourism Division	22
5. Culture, Sports and Youth Affairs Division.. .. .	26
6. Planning and Development Division	30
7. Economic Affairs Division	34
8. Statistics Division	35
9. Environment and Urban Affairs Division	36

SUMMARY OF RECOMMENDATIONS

CENTRAL BOARD OF REVENUE

1. The Auditor-General of Pakistan should review his audit methodology in a manner that his investigations objectively indicate the bottlenecks in levy of taxes and the extent of failure of internal controls in specific areas of tax management. (Para 2.6)

2. CBR should examine if appointment of recovery officers with delegated powers under Land Revenue Act, in the Departments of Customs and Central Excise, will be useful in efficient recovery of outstanding dues. (Para 2.10)

3. The reward rules should be reviewed in the light of past experience to make them more realistic and to ensure that these are not misused in future. (Para 2.11)

4. No seized, detained or confiscated vehicles should be permitted to be used by any Government Official. (Para 2.12)

5. Internal control on use of Government vehicles should be improved. (Para 2.12)

6. The Government should evolve a system of black listing of firms in a manner that they are not allowed to undertake Government business, once they have been blacklisted. (Para 2.13)

MINISTRY OF INFORMATION AND BROADCASTING

1. The Broadcasting and Television network should be under one Corporation so that Government subsidy on Broadcasting could be minimized and the administrative overheads particularly on top management are reasonably curtailed. (Para 3.5)

2. The prime cost of the services of the Associated Press of Pakistan should be borne by the subscribers. (Para 3.10)

3. The jurisdiction of the Auditor-General should extend to all organizations, irrespective of their mode of structure, if they are financed wholly or partly from the public funds or even if their financing or operations are wholly or partly guaranteed by the Federal Government. (Para 3.14)

4. The information establishments abroad should be curtailed by at least 50 per cent as most of these assignments were superfluous and had been created for undue patronage at the cost of the exchequer. (Para 3.28)

TOURISM DIVISION

1. Government should take effective measures to ensure proper and timely utilization of development funds placed at the disposal of Agencies whose cash balance does not constitute a part of the Federal Consolidated Fund so that the funds are not unnecessarily blocked or misused. (Para 4.6)

2. Financial controls in Pakistan Tourism Development Corporation should be improved. (Para 4.7)

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

1. A detailed study should be carried out to ascertain how to provide support to Film Industry. (Para 5.15)

PLANNING AND DEVELOPMENT DIVISION

1. Government should consider to notify the National Logistics Board and National Logistic Cell as body corporate. (Para 6.4)

2. In certain projects, foreign agencies/countries contributed their share by direct payment which was not properly exhibited in the Federal Accounts. An effective accounting system should, therefore, be developed for such transactions. (Para 6.5)

3. Planning Division should undertake a macro evaluation of public sector enterprises to determine future guidelines for investment in this sector. (Para 6.6)

4. A comprehensive study should be made to compare the economic performance and life span of tubewells in public sector constructed by National Tubewell Construction Corporation and those constructed by private firms. (Para 6.11)

ECONOMIC AFFAIRS DIVISION

1. The procedure of foreign aid accounting was not working satisfactorily. A mechanism should, therefore, be developed by which foreign aid accounting problems could be resolved. (Para 7.4)

1. INTRODUCTION

1. The results of examination of the accounts of the following Divisions and Agencies for the years 1981-82 to 1984-85, and the report of the Auditor-General of Pakistan thereon are discussed in succeeding pages :—

- (i) Central Board of Revenue.
- (ii) Ministry of Information and Broadcasting.
- (iii) Tourism Division.
- (iv) Culture, Sports and Youth Affairs Division.
- (v) Planning and Development Division.
- (vi) Economic Affairs Division.
- (vii) Statistics Division.
- (viii) Environment and Urban Affairs Division.

1.2. The Committee would like to place on record its thanks for the valuable help rendered by Mr. Riyaz H. Bokhari, Auditor-General of Pakistan, Mr. M.A. Haq, former Secretary, National Assembly, Mr. K. M. Chima Secretary, National Assembly, Mr. A. A. Zaidi, Deputy Auditor-General of Pakistan, representatives of the agencies concerned and their officers and staff in assisting the Committee in its work.

1.3. While submitting this report to the National Assembly it is finally recommended that the suggestions and recommendations made by the Committee in the report may be accepted.

K. M. CHIMA,
Secretary.

Dated : December, 1987.

SARDARZADA MUHAMMAD ALI SHAH,
Chairman.

SARDAR ASEFF AHMAD ALI,
Member.

CH. MUHAMMAD SARWAR KHAN,
Member.

NAWAB MUHAMMAD YAMIN KHAN,
Member.

MALIK SAID KHAN MAHSUD,
Minister of State for Water and Power,
Member.

RAI ARIF HUSSAIN,
Member.

SHAHABUDDIN SHAH HUSSAINY,
Member.

MIANGUL AURANGZEB,
Member.

SHAHZADA JAM MUHAMMAD YOUSUF,
Member.

MIAN MUHAMMAD YASIN KHAN WATTOO,
Minister for Finance and Economic Affairs,
Ex-Officio Member.

CENTRAL BOARD OF REVENUE

1. Appropriation Accounts of Central Board of Revenue for 1981-82 were examined by the Public Accounts Committee on 9th January, 1985. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 29th December, 1986 and 31st March, 1987.

2. The views of the Committee regarding regularization of excess expenditure have already been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

3. The recommendations of the Committee regarding restructuring of tax administration in the country, have already been incorporated in its report on the Finance Division.

4. The Auditor-General of Pakistan was required to audit the receipts, of the Federal Government, pertaining to Wealth Tax, Gift Tax, Customs, Sales Tax and Federal Excise, *vide* Finance Division's Notification No. SRO-326 (1)/72, dated 30th May, 1972. The Committee felt that the Auditor-General should be empowered to undertake an unrestricted audit of all the tax receipts of the Federal Government and approached the Prime Minister in this regard. The Committee was grateful to the Prime Minister on whose directives a new notification was issued on 6th October, 1987 requiring the Auditor-General of Pakistan to undertake audit of all the tax receipts of the Federal Government. A copy of the notification is placed at Annexure A.

5. The Auditor-General of Pakistan in his reports pointed out omissions and irregularities in tax collections aggregating as under :—

1981-82	..	..	..	..	3 136 382
1982-83	..	..	..	..	20,238,245
1983-84	..	..	..	..	21,330,362
1984-85	..	..	..	..	5,749,274
Total ..					45,279,913

In addition to the above irregularities the recoveries were also effected at the instance of audit as summarized below :-

1981-82	Rs. 11,835,479
1982-83	11,524,803
1983-84	11,974,540
1984-85	10,863,459
Total	46,198,286

6. Although the omissions and irregularities pointed out by Audit appeared to be quite substantial, the Committee felt that the audit of tax receipts had not been conducted in a systematic manner. As a result the Committee was not able to identify from the results of audit, the structural weaknesses in the tax administration. The Committee, therefore, asked the Auditor-General to review his audit methodology in a manner that his investigations objectively indicate the bottlenecks in levy of taxes and the extent of failure of internal controls in specific areas of tax management. The Auditor-General has assured the Committee that the methodology of tax audit shall be suitably modified to highlight the deficiencies in tax management, both from macro and micro aspects.

7. Some of the specific cases and the areas of attention which the Committee came across during the examination of accounts of the four years are discussed in succeeding paragraphs.

8. *Irregular Refund of Sales Tax* : Rs. 16,142,225.—M/s. Keamari Docks Limited, Karachi drew bare copper wire from 20th June, 1978 to 25th April, 1984 and paid sales tax of Rs. 16,142,225. They filed a refund claim on 25th March, 1984 on the plea that their product fell under a heading which was exempt from sales tax. The Assistant Collector sanctioned the refund claim of Rs. 2,140,955 on 16th April, 1984 and disallowed the remaining amount being time barred. The party filed an appeal before the Collector of Appeals,

Karachi against the order of the Assistant Collector who relaxed the time limit and remanded the case to the Assistant Collector on 13th June, 1984. Thereafter the Assistant Collector allowed the refund to the extent of Rs. 13,980,333 on 14th June, 1984.

C.B.R. re-opened the case on the basis of a report from Director, Intelligence and Investigations, Karachi, on 26th September, 1984. The orders of the Assistant Collector were set aside on 30th December, 1984 and the firm was directed to deposit Rs. 16,121,288 into the Treasury. The firm had deposited Rs. 15 million upto 30th June, 1987 and the action for the recovery of remaining amount was being taken. Reward of Rs. 1,398,086 and Rs. 38,400 was paid on 6th June, 1985 and 30th June, 1986 respectively on detection of the case.

The issues involved in the above case were :—

- (a) The decision of the Assistant Collector was *prima facie mala fide*. It showed how an officer who had been given extra-ordinary powers of discretion could play havoc with the government money.
- (b) The reward paid to the informer and the Custom staff was based on the recoverable amount and not on the actual recovery effected.

The CBR explained that M/s. Keamari Docks Limited, Karachi drew the bare Copper Wire and paid sales tax on it. They filed a refund claim of sales tax amounting to Rs. 16,142,225.08 on 25th March, 1984 on the plea that their product falling under PCT heading No. 74.10 was exempt from sales tax. The concerned Assistant Collector sanctioned the refund claim of sales tax to the tune of Rs. 2,140,954.94 on 16th April, 1984, and disallowed the remaining amount being time barred.

The party filed an appeal against the order of the Assistant Collector before Collector of Appeals (South Zone), who relaxed the time bar under the provisions of rule 233-A of Central Excise Rules, 1944 read with General Order 3 of 1980 and remanded the case to

the Assistant Collector for adjudicating the same on merits *vide* his order in appeal No. 161, dated 13th June, 1984. Thereupon the Assistant Collector, Central Excise allowed the refund of Rs. 13,980,333.04 through his Order in original No. 16 of 1984.

On receiving an information, the staff of Directorate of Intelligence and Investigation (Customs and Excise), Karachi detected the case that the bare copper wire manufactured by the Company was classifiable under PCT heading No. 74.03 and not 74.10-B as contended by the Company. The same was not exempt from sales tax as no exemption was available under any notification and refund of Rs. 1,61,42,225.08 was wrongly allowed.

Central Board of Revenue, therefore, re-opened the case in exercise of the powers conferred under section 35-A of the Central Excises and Salt Act, 1944 read with sub-section 4 of section 3 of the Sales Tax Act, 1951. Accordingly M/s. Keamari Docks Limited was called upon to show cause as to why the unlawfully refunded amount of Rs. 16,121,288.08 should not be recovered from them. The Board *vide* its order No. 2 of 1984, dated 30th December, 1984 set aside the orders of Assistant Collector dated 16th April, 1984 and 14th June, 1984 and directed M/s. Keamari Docks Limited to deposit the amount of Rs. 16,121,288.08 into the Government Treasury. Revision application of the party was not accepted by the Secretary to the Government of Pakistan *vide* Order-in-Revision No. 4 of 1985, dated 21st February, 1985.

M/s. Keamari Docks Limited had so far deposited Rs. 15 million and for the remaining amount action has been taken by the District Authorities for recovery under Land Revenue Act.

The informer in this case who provided information which led to the detection of this case involving recovery of Rs. 16,142,225.08 has been paid Rs. 564,043.00 and an equal amount has been credited to the Common Pool Fund and Rs. 270,000 were given as reward to the staff involved in detecting the case.

The Committee after examining the point of view of the Department directed that :—

- (a) Action may be taken against the defaulting officers.
- (b) Justification for the award which was apparently quite high may be given, and
- (c) A Committee comprising Chairman Central Board of Revenue and Auditor-General of Pakistan may go into the case and suggest remedial measures for future. They may co-opt any other member, if required.

Although the report of the Committee comprising Chairman CBR and the Auditor-General of Pakistan, is still awaited, the CBR has informed the PAC as under :—

- (i) With regard to taking action against the defaulting officers it has been observed that the Assistant Collector passed this order during his re-employment period and according to the instruction from the Establishment Division, no action can be taken against such officers under Government Servants (Efficiency and Discipline) Rules, 1973. Regarding possibility of initiating proceeding in the Court of Law, a reference has been made to the Justice Division. Similarly, in order to ascertain whether disciplinary action can be taken against the Collector (Appeals) on an order passed by him in his quasi-judicial jurisdiction, the advice of the Justice Division has been sought.
- (ii) In order to eliminate the possibility of recurrence of such cases in future, an exhaustive general order No. 6 is being issued on the basis of the recommendation of the Committee. The general order, shall go into effect immediately.
- (iii) As regards the justification of excessive reward, it has been observed that the reward was not merited to such a large number of officers. However, in order to ensure that

in future reward is sanctioned only to the deserving officers, departmental instructions in the form of a General Order have been issued.

- (iv) In the context of not condoning the time bar limit in routine by the authorities in their appellate jurisdiction, the Chairman, CBR has issued the necessary instructions to the appellate authorities which will serve as guideline for deciding such cases.

Copies of the relevant orders issued by CBR, as indicated above, are placed as Annexures B, C and D.

9. *Unauthorized removal of goods from bonded warehouse—* Rs. 9,738,286.—3313 sack kraft paper reels having a CIF value of Rs. 14.427 million were removed from a private bonded warehouse, without payment of custom duty of Rs. 9,738,286. The fraud was detected on 13th September, 1986. The Collector of Customs and Central Excise, Quetta, imposed a penalty of Rs. 38.338 million in addition to the recoverable duty. The recovery was stayed by the CBR in response to an appeal filed by the bonder.

The Committee asked the CBR to furnish a detailed report in the matter within a month which has not yet been received.

10. *Appointment of Recovery Officers.*—The Committee asked the CBR to examine whether appointment of Recovery Officers with delegated powers under Land Revenue Act, in the Departments of Customs and Central Excise, will be useful to effect outstanding dues from defaulting firms. The Auditor-General was also asked to review the performance of the Recovery Officers in the Income Tax Department.

11. *Reward Rules.*—The Committee observed that the Central Board of Revenue had formulated rules for reward to its employees and informers to provide incentive to curb tax evasion. These rules were at times being misused, resulting in undue favour to employees who had made no contribution or very little contribution, if any, in such activity.

The Chairman CBR agreed with the findings of the Committee on this issue and agreed that in certain cases, these rules were not being implemented fairly and in the best interest of the State. He assured the Committee that the rules shall be reviewed in the light of the past experience to make them more realistic and to insure that they are not misused in future.

12. *Misuse of Government vehicles.*—The Auditor-General pointed out that a sample test of the record of official vehicles indicated that the CBR was not exercising effective operational control on Government vehicles. In certain cases even the seized vehicles were being used by the Departmental Officers without any authorization.

The Committee directed that no seized, detained or confiscated vehicle should be permitted to be used by any Government official. The Chairman issued orders in this regard and assured the Committee that this will not be allowed to happen in future. (Annexure E).

At the instance of the Committee, the Chairman CBR also promised to improve the internal controls on use of Government vehicles by taking necessary measures.

13. *Black listing of Firms.*—The Committee observed that a number of firms do not perform their contractual obligations resulting in substantial losses to the Government. It was felt that these firms continue to be engaged by the Government Departments due to lack of adequate knowledge on the part of hiring agencies. The Committee felt that it was not a desirable situation and directed that Government should evolve a system of black listing these firms in a manner that they are not allowed to undertake Government business. For this purpose the decision of blacklisting should be advertised and a specified government agency should be responsible for maintaining publishing and up dating a directory of blacklisted firms with all their particulars.

14. The minutes of the proceeding pertaining to the Central Board of Revenue are appended as Annexure F.

MINISTRY OF INFORMATION AND BROADCASTING

1. Appropriation Accounts of Ministry of Information and Broadcasting for 1981-82 were examined by the Public Accounts Committee on 28th August, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 27th April, 1986 and 31st December, 1986.

2. The views of the Committee regarding regularization of excess expenditure have already been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

PAKISTAN TELEVISION CORPORATION

3. The operational results of the Corporation for the four years were as under :—

	<i>(Rs. in million)</i>			
	1981-82	1982-83	1983-84	1984-85
Revenue	412.188	448.012	526.032	587.719
Expenditure	269.059	284.361	351.671	395.551
Gross Profit	143.129	163.651	174.361	192.168
Net profit after taxation	67.940	76.941	52.911	96.068

4. It was thus satisfying to note that the PTV remained a profit earning organization throughout the period under review. An important contributing factor in this regard was that the Government was financing certain activities of the PTV which were otherwise not financially viable.

5. The Committee was of the view that it would be in the national interest to have the Broadcasting and the Television Network under

one Corporation so that the Government subsidies on Pakistan Broadcasting could be minimized on the one hand and the administrative overheads, specially pertaining to the top management, are reasonably curtailed.

PAKISTAN BROADCASTING CORPORATION

6. The Working Results of the Corporation in 1981-82 and 1982-83 were as under. The accounts for the remaining two years were not produced to the Committee :—

		(Rs. in million)	
		1981-82	1982-83
Subsidy from the Government	..	120.573	138.656
Other income	.. ..	58.372	62.704
Total	..	178.945	201.360
Expenditure	.. ..	175.320	202.190
Surplus/Deficit	.. ..	(+ ) 3.625	(—) 0.830

7. Since the accounts for the years 1983-84 and 1984-85 were not available, the Committee was not able to evaluate the financial position of the Corporation and the latest trends. The Committee was, however, of the view that there was an urgent need of improving the financial position of the Corporation as the subsidy provided by the Government was not adequate enough. There was also an urgent need of effective control over expenditure to keep it within reasonable limits.

8. The Committee also expressed its displeasure on delays in compilation of annual accounts of Pakistan Broadcasting Corporation and directed that in future the accounts of the Corporation should be prepared in time.

ASSOCIATED PRESS OF PAKISTAN

9. The accounts of the Associated Press of Pakistan for the four years under review exhibited nominal excess income over expenditure as indicated below :—

	(Rs. in million)			
1981-82	2.686
1982-83	—	0.091
1983-84	—	—	...	0.771
1984-85	—	—	..	0.669

10. The subscription income constituted only 30 per cent of the total income of the Agency and the rest of the money (*i.e.* 70 per cent) was provided by the Federal Government as grant. The Committee was of the view that in view of the important service that APP was rendering to the news media, it should be ensured that at least the prime cost of the services should be met by the subscribers.

SHALIMAR RECORDING COMPANY LIMITED

11. The Auditor-General reported to the Committee during examination of the Federal Accounts for 1980-81 that the Shalimar Recording Company had declined to entertain State Audit on the grounds that it was not established by the Federal Government. The Committee after hearing the point of view of the Ministry of Information and Broadcasting decided as under during the meeting held on 29th August, 1983 :—

“ The position should be examined by the Ministry so that the accounts of the company are submitted to the Auditor-General for his examination. If there is a difference of opinion between the Ministry and the Auditor-General, the matter may be brought before the PAC ”.

The issue was discussed again by the Committee while examining the accounts for 1981-82. The Ministry of Information and Broadcasting stated that the matter had been re-examined in consultation

with the Law Division and it was held that the company did not fall under the audit jurisdiction of the Auditor-General.

12. After discussions, the Committee made the following observations :—

- (i) A copy each of the reference made to the Law Division by the Ministry of Information and Broadcasting, about the audit of the accounts of this company by the Auditor-General, alongwith Law Division's opinion thereon, should be furnished to the Committee ;
- (ii) The Ministry may consider to implement the Government's decision regarding audit on consent basis where Government held majority shares in any enterprise. The Government representation on the Board of Directors would in such cases voluntarily decide that the Auditor-General will audit the accounts of the enterprise. The Government Directors on the Board of the enterprise would also furnish the audited accounts of the company to the Auditor-General for submission to the PAC ;
- (iii) The Auditor-General may take up with the Ministry of Finance the above said refusal of the Ministry of Information and Broadcasting to let him have access to the records of the Shalimar Recording Company.

13. The issue was again taken up by the present PAC who was informed that a reference to the Attorney General of Pakistan has been made for an opinion if in the light of evidence available, Shalimar Recording Company was established by the Federal Government.

14. The Committee has now been informed that the Attorney General has opined that the Shalimar Recording Company was not established by the Federal Government and as such the provisions of Pakistan (Audit and Accounts) Order, 1973 were not applicable to the said company. The Committee has already proposed that the existing executive order of the President regulating the functions of

the Auditor-General should be replaced by an Act of Parliament which apart from other things should extend the jurisdiction of the Auditor-General to all the organizations in which public money has been invested. Since an enactment on the subject shall take some time, the Committee recommends that during the interim period, the Government should ensure through persuasion or wherever necessary by providing a pre-condition that the jurisdiction of the Auditor-General shall extend to all such Organizations, irrespective of their mode of structure if it is financed partly or wholly from the public funds or even if its financing or operations are partly or wholly guaranteed by the Federal Government.

STATE TRADING IN NEWSPRINT

15. In order to meet the shortage of newsprint due to disruption of supplies from Khulna (former East Pakistan) in 1971, the Federal Government promulgated Newsprint Control Ordinance, 1971 and thereby took over acquisition, storage, distribution and disposal of newsprint. Initially 16 tons and 400 tons of newsprint was received from China and Kuwait respectively as gift. Subsequently China supplied 5,000 tons newsprint at subsidized rates. The Ministry initiated the sales and distribution with this stock by appointing two agents, one at Karachi and the other at Lahore. 122,525 Metric Tons Newsprint valuing Rs. 428.8 million was imported through TCP from 1971-72 to 1977-78.

16. The Scheme earned adequate profit in the beginning mainly due to free receipt, aggregating about Rs. 17 million. Subsequently these profits were not only wiped out but also converted into losses mainly due to import of odd size/sub-standard newsprint much in excess of actual requirement and fixing sale price by the Cabinet lower than the landed cost.

17. Loans were obtained, initially from United Bank Limited (Rs. 15,347,317) and then from National Bank of Pakistan to finance the scheme which was later on entirely financed through cash credit accommodation.

18. The Ministry worked out total loss in the operations at Rs. 99,701,827 for the following main reasons :—

- (i) Sale below cost price (1/3rd of total losses as calculated by audit);
- (ii) import of odd size and substandard newsprint ; and
- (iii) heavy interest charges on loans from the bank for excessive imports.

19. Due to increase in cost price, the corresponding increase in sale price was not allowed by the Government due to political and other considerations, despite Ministry's move for increase in sale price which was ultimately raised from Rs. 4,200 to Rs. 4,600 per ton *w.e.f.* 16th June, 1977 with the approval of E.C.C. This increase, not being substantial, did not have any material effect in wiping out the losses. Another major factor contributing to the loss, was that Rs. 54.33 million had to be paid as interest to the National Bank on the loans taken for purchase of newsprint.

20. The then Finance Secretary carried out an inquiry and submitted his report to Secretary-in-Chief on 25th August, 1977. Several irregularities were noticed by the inquiry officer. Mr. Nasim Ahmed then Secretary Information and Broadcasting Division was held responsible for the following :—

- (i) Failure as Principal Accounting Officer in as much as neither any scheme of State Trading in newsprint was prepared and got approved by him nor any annual budget framed, nor any accounts maintained upto 1974-75.
- (ii) Unjustified relaxation of specification for newsprint imports and acceptance of odd sizes which resulted in loss to Government and the users.
- (iii) Disregard of the advice of Finance Division to limit imports in 1974-75 to 33,000 M. Tons.

- (iv) Direct correspondence with the foreign Ambassadors for procurement and credit arrangements, in departure from prescribed procedure.
- (v) Procurement of 19,000 M. Tons. newsprint for the Ministry of Education despite reduction of their requirement to 10,000 M. Tons.
- (vi) Assumption of procurement work from TCP except placement of formal orders by stretching the Cabinet decision of 15th May, 1974.
- (vii) causing a loss of over Rs. 5 crore to Government by excessive and odd size import of newsprint in 1974-75.

21. Mr. Abdul Aziz Khan the then Joint Secretary was also held responsible for the following :—

- (a) Keeping Public Money on account of sales in his private account.
- (b) Non-submission of any accounts of the transactions, and
- (c) Not preparing the estimates of receipts and expenditure in respect of State Trading.

22. On seeking an advice by the Cabinet Secretariat, the Law Division advised that services of Mr. Nasim Ahmed, being a Contract Officer, might be terminated and in the case of Abdul Aziz Khan, it was advised that since he had already retired from service, action could not be taken against him under article 351-A of the C.S.R. If it was ensured that they had sufficient property and assets to satisfy the decree, if any, then civil proceedings were possible against the officers.

23. FIA had also been asked to conduct a detailed inquiry, who reported that though the officers were guilty of certain lapses, they were not guilty of any criminal offence. As such criminal proceeding could not be initiated against them. FIA also informed the

CMLA Secretariat that the property held by Mr. Abdul Aziz Khan did not appear extra-ordinary in view of his long service and Mr. Nasim Ahmed held no assets in Pakistan. Establishment Division, therefore, did not consider further action necessary against these officers.

24. While examining the accounts for 1979-80 the PAC had directed that certain old cases of these irregularities should be regularised early. A summary was, therefore, submitted to the Finance Division requesting for write off of the total net loss of Rs. 54,105,524 which included the major portion of the main losses. At the instance of Finance Division the Audit was requested to certify the accounts.

25. The Auditor-General did not agree with the losses calculated by the Ministry and pointed out that the total loss involved in the state trading of newsprint was to the tune of Rs. 94,502,814 as summarized below :—

	<i>Rs.</i>
(i) Loss due to overpayment of freight charges.	3,150,970
(ii) Loss due to excessive import of newsprint (incurrence of excess expenditure on payment of interest charges godown rent etc). ..	5,330,837
(iii) Loss due to payment of excessive interest charges on account of blockage of funds ..	24,791,217
(iv) Loss due to payment of demurrage charges	1,914,267
(v) Loss on account of shortlanding shortages damages, etc	2,547,193
(vi) Outstanding recovery from private party ..	1,767,250
(vii) Outstanding recovery from Handling contractors discrepancies in stock register ..	8,194,037
(viii) Loss due to irregular issue of newsprint ..	167,253

(ix) Discrepancy in the Stock Register of ABC Office Karachi/Lahore	Rs. 1,808,773
(x) Loss due to non-regularization of sale price as calculated in the Special Audit Report	33,792,716
Gross Loss ..	<u>98,361,783</u>
<i>Less</i> compensation received as per statement of the Ministry	4,343,259
	<u>94,018,524</u>
<i>Add</i> Net Assets/liabilities to be liquidated as worked out by Ministry in para 24 of their working paper	482,645
	<u>94,501,169</u>
<i>Add</i> petty Misc. Irregularities	1,645
	<u>94,502,814</u>

26. The Committee was of the view that at this belated stage this was only an academic exercise and further investigations and reconciliation will not serve any purpose. The fact remains that the authority vested in the Executive Government was misused at the top management level and the public funds were used without any discipline or norms by the then Government. The Committee, therefore, proposed that the losses should be written off except that wherever the recovery was possible.

EXTERNAL PUBLICITY

27. The accounts of the last four years exhibited incurrance of substantial excess expenditure in the Grants pertaining to external publicity (Information Service Abroad). In 27 Pakistan Missions abroad Information staff was posted, but it was felt that they were not performing any useful function in improving the image of Pakistan

abroad. The Ministry was of the view that although the work done by the staff posted abroad was not totally satisfactory, efforts were being made to improve their performance through constant supervision.

28. The Committee discussed the performance of external publicity wing in detail with the Ministry's officials and was of the view that there was no justification for keeping so much establishment at such a high cost abroad. The Information Establishments abroad should be curtailed by at least 50 per cent as most of these assignments were superfluous and had been created for undue patronage to a few people at the cost of the exchequer.

29. The minutes of the proceedings of the Committee pertaining to the Ministry of Information and Broadcasting are appended as Annexure G.

TOURISM DIVISION

1. Appropriation Accounts of Tourism Division for 1981-82 were examined by the Public Accounts Committee on 6th January, 1985. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 5th May, 1986 and 5th January, 1987.

2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

PAKISTAN TOURISM DEVELOPMENT CORPORATION

3. The Pakistan Tourism Development Corporation sustained an operating loss of Rs. 1.34 million in 1981-82, Rs. 0.018 million in 1982-83, Rs. 0.528 million in 1983-84 and earned a profit of Rs. 0.176 million during 1984-85. The profit and loss account of the Corporation included interest income earned from investment of unutilized

balance of Government grants by the Corporation. The interest earnings on this account during the years under report were as under :—

1981-82	..	..	Rs. 1.276 million.
1982-83	..	..	Rs. 3.357 million.
1983-84	..	..	Rs. 2.579 million.
1984-85	..	..	Rs. 1.676 million.

4. It is thus apparent that the Pakistan Tourism Development Corporation was not financially in a health of state of affairs and could only sustain itself through the income accrued from the investment of unutilized grants provided by the Government for certain development projects.

5. According to the Auditor-General, Rs. 86.294 million were received by the Corporation from the Government as grants for capital expenditure upto June, 1985 against which only Rs. 58.25 million had been spent, leaving a substantial amount as unspent balance. Out of the unspent funds, Rs. 11.781 million were kept in a deposit account with a Commercial Bank and Rs. 16.288 million were unauthorizedly spent for other purposes.

6. It thus appears that the development funds provided by the Government to the Corporation were not effectively controlled and monitored and were allowed to be retained by the Corporation unnecessarily or spent for the purpose for which they had been allocated by the Legislature. It is suggested that the Government should take effective measures to ensure proper and timely utilization of development funds placed at the disposal of agencies whose cash balance does not constitute a part of the Federal Consolidated Fund so that the funds are not unnecessarily blocked, or misused.

7. It was also observed that the development projects financed from Government money, were not executed with due care, vigilance and foresight. As a result most of the investment made by the Federal Government had gone down the drains and provided very

few support facilities for tourism development in the country. The Committee felt that this was due to ineffective internal controls and lack of imagination on the part of the management. The Committee asked the Auditor-General to prepare a report on the financial controls in Pakistan Tourism Development Corporation, so that it could be ensured in future that the Government investment achieves the desired objectives.

8. It was also observed that the main-stay of the Corporation was the income generated from the Hotels at Lahore, Rawalpindi and Murree. This property was also not in a very satisfactory state. The income from these hotels was likely to go down if effective steps were not taken to renovate them on the one hand and to improve their management on the other. The Committee, therefore, directed the Secretary Tourism Division to submit a detailed report on the financial position of each Hotel/Motel under the management of the Corporation and the future plans to improve their working.

9. Sundry debts amounting to Rs. 5.299 million were outstanding on 30th June, 1985. Year-wise break-up of the outstanding amount was not available. The management stated in reply that credit was a part of the Hotel business, as such, the management had to extend the credit facilities to the clients. Attempts were, however, being made to accelerate recoveries. The Committee was, however, not fully satisfied with the explanation and desired that the Auditor-General should submit a detailed report on this issue.

SPECIFIC IRREGULARITIES

(AUDIT REPORT 1983-84)

10. *Overpayment of Rs. 421,867 to a contractor and loss of Rs. 753,618 on dismantling of log cabins (Para 14-ARCA).*—A work for construction of 18 log cabins at Naran was awarded to a contractor on single quotation basis. The contract was rescinded in 1979 after a payment of Rs. 766,700 had been made to the contractor. A Committee subsequently assessed that the value of work done was

only Rs. 289,565 and the contractor had been overpaid Rs. 477,135. No recovery could be made from the contractor as the performance and surety bonds were not got revalidated. The left over work was awarded to another contractor. While the work was in progress, 10 cabins collapsed and the work was abandoned. The second contractor had executed work valuing Rs. 408,755 by that time.

The Management explained that a case had been registered with the Police against the contractor and the former Chief Engineer.

The Committee observed that it was a bad case and the responsibility for the loss should be fixed.

11. *Overpayment of Rs. 285,923 to a contractor (Para 15-ARCA).*—A work for addition of 10 rooms in Chinari Inn at Gilgit was awarded to a contractor who was made a payment of Rs. 865,306 whereas the actual work done as per subsequent measurements was worth Rs. 519,383 only. This resulted in an overpayment of Rs. 285,923. The performance bond was not revalidated and as such it could not be encashed.

The management stated in reply that the contractor had gone into arbitration and the case was in a court of law.

The Committee directed the management to fix responsibility for the lapses in this case.

1984-85

12. *Launching of Schemes without proper feasibility (Para 9.1-ARCA).*—The Corporation launched four schemes during 1976—79 to attract tourists from abroad without ascertaining their economic viability. The schemes were abandoned after spending Rs. 2.826 million which included an expenditure of Rs. 1.94 million as cost of land.

The Committee after hearing the management observed that the decisions taken by the Corporation were not properly made and directed the management to be more careful in future while taking such decisions.

13. *Award of work on single tender basis (Para 9.2-ARCA).*— The Committee observed that a number of civil work contracts were awarded on a single tender basis. The Committee after going through the explanation, conveyed its displeasure and directed that disciplinary action should be taken against the persons responsible and such practice should be strictly curbed in future.

14. *Pakistan Institute of Tourism and Hotel Management.*— The Committee expressed its displeasure on non submission of accounts for 1984-85 and 1985-86 and directed the Ministry to ensure that the accounts are compiled in time in future.

15. The minutes of the proceedings of the Committee pertaining to Tourism Division are appended as Annexure H.

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

1.1. Appropriation Accounts of Culture, Sports and Youth Affairs Division for 1981-82 were examined by the Public Accounts Committee on 27th August, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 5th May, 1986 and 5th January, 1987.

1.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

1.3. The minutes of the proceedings are appended as Annexure I.

2. NATIONAL FILM DEVELOPMENT CORPORATION

2.1. Audit gave an overall assessment of the National Film Development Corporation Limited (NAFDEC) which was established on June 15, 1973 as a public limited company under the Companies Act, 1973, with government controlling majority of its shares.

2.2. Charter of NAFDEC included production of quality films, establishment of National Film Institute/Academy, setting up of studios and allied facilities, export of Pakistani films, construction of cinemas, holding international film festivals in Pakistan and to participate in such festivals abroad, and to be the sole agent for import and distribution of foreign feature films and raw film stock in Pakistan.

2.3. The Corporation's ventures, into production of films, establishment of film institute and distribution of local movies, were complete failure. The failure was attributable to bad planning, lack of adequate expertise and skills, weak internal controls and defective policies.

2.4. The construction of twin cinemas at Islamabad mainly financed from a loan of Rs. 10 million carrying 14 per cent rate of interest could not be turned into a viable proposition. The loan remains to be repaid in full, though interest of over Rs. 15 million had already been paid thereon.

2.5. As a result of NAFDEC's failures resulting in huge losses, its charter was revised in 1979 excluding therefrom the production of films, construction of cinemas and setting up of studios and film academy but adding provision for dubbing and sub-titling facilities in Pakistan and production of documentary movies on behalf of other organisations without any involvement of NAFDEC's resources. Even with the revised charter and reduced activities, the Corporation's performance remained unsatisfactory. It failed to provide dubbing and sub-titling facilities in Pakistan, and produced only a few documentary films.

2.6. Major sources of NAFDEC's income were :

- (a) Service charges on import of raw film @ $7\frac{1}{2}$ of licence value. The Corporation realized Rs. 22 million during 1973 to 1986, on this account.
- (b) During 1973—86 it earned more than Rs. 36 million from distribution of imported films. However, the income registered declining trend since 1983.

- (c) No separate account of each of three cinemas, NAFDEC-I and NAFDEC-II (Self-owned) at Islamabad and Alfalah (taken on lease) were exhibited in audited accounts. Income from cinemas were eaten-up by increasing operating expenses.
- (d) The Corporation realized over Rs. 58 million during 1973—86 on the import and distribution of foreign feature films and raw film stock.

Despite the easy flow of income through sources mentioned above, the Corporation accumulated losses of Rs. 10.739 million by 30th June, 1986. Equity of the Corporation thus stands eroded. Long term loans together with over-due instalments stand at Rs. 21.099 million.

2.7. The Corporation's losses were mainly due to :

- (i) Inability to exploit profitably the twin cinemas constructed out of a loan of Rs. 10 million which in addition to an existing cinema, catered to the entertainment needs of the whole of the Islamabad.
- (ii) Production of films at cost of Rs. 6.85 million yielding income of Rs. 0.39 million only. Bad debts of over Rs. 5.0 million relate to this activity.
- (iii) Distribution of local movies (Including NAFDEC's own production "Khak Aur Khoon") resulting in a loss of Rs. 3.2 million.
- (iv) Losses of about Rs. 1.0 million in project of PISFA (Pakistan Institute for Study of Film Art) which was wound up in 1979.

2.8. Added to above was poor cash management as apparent from retention of huge funds not immediately required in non-interest bearing accounts and payment of an interest of Rs. 15 million

on a loan of Rs. 10 million obtained from Habib Bank. The loan is still to be repaid. Financial restructuring proposals were pending for over six years.

2.9. The Corporation has no future plans for generating additional resources. Its operating expenses will, therefore, continue to eat up whatever is generated through its monopolistic business. In the circumstances, Government may consider the desirability of winding up the Corporation.

2.10. The Managing Director, NAFDEC explained that the main problem was accumulated losses. Financial charges were very heavy, large amounts were paid on account of interest. Cabinet had decided to go for restructuring of the Corporation, but Ministry of Finance was not helpful. Moreover certain decisions were taken before 1976 and bad results of those decisions were being carried forward. Moreover, it was providing employment to a sizeable number of people in addition to entertainment to poor section of society. There were profits in 1984 and 1986. Government had to take some decision for past losses. Management was looking for better future.

2.11. The Committee was of the view that a detailed study should be carried out to ascertain how to help Film Industry. This study should not be through NAFDEC. Some definite proposals may be made for promoting objectives of NAFDEC. A presentation may be made to the PAC in its next meeting by the Culture, Sports and Youth Affairs Division.

3. SAVE MOHENJO DARO FUND

3.1. The Committee desired that a detailed paper on 'Save Mohenjo daro Fund' should be compiled by the Culture Division and the Audit which should, *inter alia* include :—

- (a) The donations received from abroad alongwith the source;

- (b) Funds provided by the Government of Pakistan ;
- (c) Interest income ;
- (d) Expenditure incurred so far, and
- (e) Physical efforts made to save Mohenjo daro.
- (f) The reasons for diverting funds from the Grant ' Save Mohenjodaro Fund ' for construction of " Golf Club Bhorbun ".

PLANNING AND DEVELOPMENT DIVISION

1. INTRODUCTION

1.1. Appropriation Accounts of Planning and Development Division for 1981-82 were examined by the Public Accounts Committee on 29th October, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 26th August, 1986 and 8th January, 1987.

1.2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

1.3. The minutes of the proceedings pertaining to Planning and Development Division are appended as Annexure J.

2. SPECIFIC ISSUES

2.1. *National Logistic Cell (NLC)*.—The legal status of National Logistic Cell was not quite clear as to whether it was a separate body corporate or was an agency of the Government. Secretary Planning informed the Committee that NLC was initially created as a special autonomous cell with the Ministry of Communication in accordance

with CMLA's directives of 20th and 23rd July, 1978 and it was subsequently passed on to Planning and Development Division. The Committee observed that due to absence of a clear cut and well defined status of the NLC, the operations of the cell were not being properly depicted in the accounts of the Federation, and recommended that Government should consider to notify the National Logistic Board and National Logistic Cell, as body corporate, separate from the Government, so that there is no problem of accountability or accounting procedures, and the assets created from the Government investments are duly accounted for. The Committee also directed the Auditor-General to evaluate the performance of National Logistic Cell and the broad issues involved.

2.2. Accounting of Foreign Agencies Contribution in projects.—

The Committee observed that in certain projects, agencies/countries contributed their share by direct payment on the salaries of consultants and equipment, which could not be exhibited properly in the Federal Accounts, and desired that an effective accounting system should be developed for such transactions.

*2.3. Macro Evaluation of Public Sector Enterprises.—*The Committee observed that there was no specific guidelines available to regulate the public sector enterprises, as a result a substantial investment made by the Government from time to time in this sector had apparently gone waste and recommended that the Planning Division should undertake a study on the subject with following broad parameters :—

- (a) The total investment of Federal Government in Public Enterprises.
- (b) Data pertaining to return on investment, and whether it is considered as satisfactory by the planners ?
- (c) Have any guidelines been formulated for regulating Federal Government Investment in public sector enterprises ? If so, what are the guidelines and what is their rationale ?

- (d) Is it being monitored if these guidelines have been strictly followed? If not, why not?
- (e) If no guidelines have been formulated, how it has been ensured that *ad hoc* decisions made by the Government, were in public interest and conform to the overall economic policy of the Government?
- (f) What is the future programme of Federal Government Investment in Public Enterprises?
- (g) The Government raises resources at a cost. Is the return on these investments commensurate with the cost? If not, what corrective measures are being considered/formulated?

3. NATIONAL TUBEWELL CONSTRUCTION CORPORATION LIMITED, LAHORE

3.1. The National Tubewell Construction Corporation Limited was incorporated in June, 1974 as a private Limited Company under the administrative control of Ministry of Water, Power and Natural Resources. The administrative control was subsequently transferred to Overseas Construction of Pakistan, an Agency of Ministry of Planning and Development.

3.2. The Corporation's major line of business was drilling and construction of tubewells for SCARP, and irrigation programmes. The company also constructed tubewells for other government agencies such as "Faisalabad Development Authority", "Multan Development Authority" and "Lahore Development Authority". The Corporation had at its strength, 187 permanent employees consisting of 55 officers and 132 other employees. The company owned 15 rigs, 13 of which were capable of drilling large diameter holes and two for drilling small diameter holes useful for investigational work. The company could at an average drill 1200 tubewells per year. The Department reported that drilling capacity at the present was

1000 tubewells. The capacity utilization remained very low i.e. between 11 per cent to 34 per cent during the period 1975-76 to 1984-85.

3.3. Capacity utilization during last four years was as below :

Financial Year	No. of Tubewell constructed	Capacity utilization
1982-83	307	26%
1983-84	200	17%
1984-85	207	17%
1985-86 (upto 3/86)	558	40%

Thus there was improvement during 1985-86. The WAPDA was, however, converting to "Tile Drainage" for which it was creating its own facilities. Since the Corporation was not equipped with any know how of Tile Drainage work, it should plan its future keeping in view these facts.

3.4. Equity of the company increased over the years and stood at 32.88 million on 30th June, 1982. At the end of June, 1985 it was 33.20 million. The Corporation was financing its operations out of its own generated funds. Bank borrowing and loans had since been discontinued. Receivables had however increased to over Rs. 9 million and company's turn over did not permit accumulation of receivables to that extent. The position of Book debts was also not good, which had increased from 3.32 million in 1982-83 to Rs. 5.62 million in 1984-85. The Management reported that receivables amounting to Rs. 8.2 million had since been recovered and remaining receivables represent Security Deposits, Income Tax refundable and interest receivable. Audit suggested that diversification of business and investment may be considered for using substantial monetary balances which had accumulated. The management, however, was

of the view that it was not possible as credit allocations for Public Organizations had been restricted and liquid funds were always required to meet working capital requirements.

3.5. Audit held that the company was unable to increase its line of business particularly in private sector, to utilise idle capacity. This was mainly due to competition from private drilling companies. The Managing Director informed the Committee that by persistent efforts, the Corporation could give better quality of work at competitive prices and private drilling companies now could not compete with NTCC. The Managing Director, however, did not agree with the suggestion of disposal of excess drilling machinery, as it was held not to be in the interest of Corporation.

3.6. Audit suggested that a study by a suitable government agency to compare the economic performance and life span of tubewells in public sector constructed by NTCC and those constructed by private parties was needed. The management of the Corporation agreed to the proposal and confirmed such a study could be carried out by WAPDA who were major users of tubewell construction work.

3.7. The Committee after a detailed discussion of the working of the company directed that the Corporation must undertake works in open market and try to shed over excess capacity. A Committee be constituted to work out ways and means for the improvement and its report submitted to PAC as early as possible.

ECONOMIC AFFAIRS DIVISION

1. Appropriation Accounts of Economic Affairs Division for 1981-82 were examined by the Public Accounts Committee on 28th August, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 28th April, 1986 and 6th January, 1987.

2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

3. The Committee was not fully satisfied with the procedure of foreign aid accounting for a number of reasons :—

- The Appropriation Accounts did not reflect the expenditure distinctly against cash and aid resources. It, therefore, becomes difficult to determine if the non-performance of a specific grant was due to non-receipt of foreign loan or due to inefficient management.
- A substantial amount of foreign assistance is always in the pipeline and remains unbooked against the concerned projects.
- The accounts also do not reflect as to how much foreign assistance had been invested in different sectors of the economy and with what results ?

4. The Committee directed that the representatives of the EAD, Communication, Finance, and Planning Divisions and the Auditor-General of Pakistan should sit together and develop a mechanism by which these problems could be resolved.

5. The minutes of the proceedings pertaining to Economic Affairs Division are appended as Annexure K.

STATISTICS DIVISION

1. Appropriation Accounts of Statistics Division for 1981-82 were examined by the Public Accounts Committee on 27th August, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 26th August, 1986 and 8th January, 1987.

2. The views of the Committee regarding regularization of excess expenditure have already been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

3. Audit pointed out that Federal Bureau of Statistics undertook 11 studies during 1982-83 to 1984-85 for which it received Rs. 2.8 million from different agencies which was not spent according to prescribed rules and regulations. Secretary, Statistics Division informed the Committee that the officer responsible had been suspended and an enquiry in the matter was being conducted. The Committee directed that final action taken in the matter may be reported.

4. The minutes of the proceedings pertaining to Statistics Division are appended as Annexure L.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

1. Appropriation Accounts of Environment and Urban Affairs Division for 1981-82 were examined by the Public Accounts Committee on 31st October, 1984. The Committee was, however, dissolved before it could finalize its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the reports of the Auditor-General of Pakistan on these accounts were examined by the Standing Committee on Public Accounts on 4th September, 1986 and 4th January, 1987.

2. The views of the Committee regarding regularization of excess expenditure have been discussed in its report on the Ministry of Finance which has been laid before the Assembly.

3. The Pakistan Environmental Planning and Architectural Consultants Limited (PEPAC) is a public sector company under the administrative control of the Division. The company earned a profit of Rs. 0.63 million in 1981-82, Rs. 0.2 million in 1982-83, Rs. 0.264 million in 1983-84 and Rs. 0.45 million in 1984-85. The company has been asked to compile its accounts on accrual basis in future.

4. The minutes of the proceedings pertaining to Environment and Urban Affairs Division are appended as Annexure M.

MINISTRY OF FINANCE AND ECONOMIC AFFAIRS**(Finance Division)***Islamabad, the 6th October, 1987*

S. R. O. 800 (I)|87.—In exercise of the powers conferred by clause (a) of sub-paragraph (2) of paragraph 11 of the Pakistan (Audit and Accounts) Order 1973 (President's Order No. 21 of 1973), and in supersession of this Division's Notification No. SRO 326 (I)|72, dated the 30th May, 1972, the President is pleased to require the Auditor-General of Pakistan to audit the receipts of the Federal Government falling under the following heads, namely :—

- (a) 0110 CORPORATION AND PERSONAL INCOME TAX.
- (b) 0120 WEALTH TAX.
- (c) 0140 CAPITAL GAINS TAX.
- (d) 0160 WORKER'S WELFARE TAX.
- (e) 0170 TAX ON PROFESSION, TRADES AND CALLINGS.
- (f) 0210 CUSTOMS.
- (g) 0220 SALES TAX.
- (h) 0230 FEDERAL EXCISE.
- (i) 0240 FEDERAL EXCISE ON NATURAL GAS.
- (j) 0290 OTHER INDIRECT TAXES.

2. The results of audit shall be included in the report to be submitted by the Auditor-General of Pakistan to the President.

[No. F. 1 (4)-B. II|87.]

FAKHAR ABBAS NAQVI,
Deputy Secretary (Budget).

ORDER No. 6

GOVERNMENT OF PAKISTAN

CENTRAL BOARD OF REVENUE

C. No. 9 (5)-ST|84-Vol. II.

Islamabad, the 2nd August, 1987.

CENTRAL EXCISE GENERAL ORDER No. 6|87**SUBJECT :—Refunds of Central Excise Duty and Sales Tax on Locally Manufactured Goods and Services.**

In partial modification of all previous orders and instruction issued in this regard, the Central Board of Revenue is pleased to direct that the claims for refund (other than export rebate) of central excise duty and sales tax on domestic goods and services shall be decided by the following officers :—

S. No.	Designation of the officer	Limit
1.	Assistant Collector	Refund claims not exceeding rupees fifty thousand only.
2.	Deputy Collector	Un-limited.

2. When the refund claim of any part thereof is to be rejected, proper show cause notice should be issued and hearing granted before passing the order of rejection of the claim on merits.

3. If a claim is *prima-facie* time-barred, the proper officer deciding the refund claim should also examine the merits of the claim besides the aspect of the time-bar.

4. If the refund claim involves any matter relating to tariff classification of goods, the matter should be referred to the standing Classification Committee of the respective Collectorate before the claim is decided.

5. All the refund claims will be supported with a certificate from the claimant that the goods involved in the refund claim were not purchased by or supplied to any Government|semi-government|public-sector agency or Department against a contract|purchase-order. In case, the goods involved were purchased by or supplied to the aforementioned agency|department, the refund claim shall be supported with a copy of the relevant contract|purchase order and also an undertaking that the admissible benefit of the refund, if allowed, will be passed on by

the claimant to such agency|department. The appropriate officer deciding the claim shall invariably endorse a copy of the order-in-original in such cases to the concerned agency|department, for information quoting the contract|purchase order No. and date.

6. All decisions, whether passing or rejecting a refund claim in part or in full, shall be issued in the form of an order-in-original. The order-in-original should be a speaking one and should give the grounds of claim, the aspect of time-bar, the aspect of admissibility on merits and the reasoned order|decision. A copy of each and every such order-in-original should invariably be endorsed to the respective Collector in terms of paragraph of Central Excise General Order No. 4 of 1976.

7. At the end of each month, the Chief Accounts Officer shall submit a statement to the Collector in the following format :—

S. No.	Name and address of the claimant	Claim deciding authority and his file No.	Order-in-Original No. and date
(1)	(2)	(3)	(4)
	Amount of refund claimed	Amount of refund sanctioned	Date TR. 41/Cheque/Adjustment Order approved by C.A.O./Auditor
	(5)	(6)	(7)
Total refund, including this case, allowed in the Collectorate during the final financial year.			Remarks, if any.
(8)			(9)

Sd/-
 (S. N. H. ZAIDI),
 Chief (C.E.&S.T.)
 Tele : 823061.

ORDER No. 7

GOVERNMENT OF PAKISTAN

CENTRAL BOARD OF REVENUE

C. No. 9 (5)-ST|84-Vol. II.

Islamabad, the 2nd August, 1987.

CENTRAL EXCISE GENERAL ORDER No. 7|1987

SUBJECT :—Sanction of Reward under Paragraph 4 of Excise and Sales Tax Reward Order, 1984 Dated 25th November, 1984.

Paragraph 4 of the Central Excise and Sales Tax Reward Order, 1984 dated 25th November, 1984, authorizes sanction of reward to officers who actually participate in the detection of evasion of duty and sales tax.

2. The Board is pleased to issue the following clarifications|guide-lines for the sanctioning authority :—

- (i) The role of each and every officer|official, to whom reward is intended to be sanctioned, should be recorded, individually, in writing and full justification should be given ;
- (ii) The ministerial|clerical|personal staff, who are not proper or appropriate central excise|sales tax officers, shall ordinarily not qualify for reward ;
- (iii) The Drivers|Hawaldars|Sepoys shall not ordinarily qualify for reward except in cases of physical seizure of the goods ;
- (iv) While sanctioning the reward, it should be examined if this involves any specific default or negligence or misconduct by any particular central excise officer|sales tax officer, whether working under the sanctioning authority or in any other Collectorate|Directorate. In such cases, the sanctioning authority shall send a report, before sanctioning the reward, to the Board recommending action, under rule 4 (a) (iv) of the Government Servants (Efficiency and Discipline) Rules, 1973, against the defaulting|negligent officer|official.

Sd/-

(S. N. H. ZAIDI),
Chief (C.E.&S.T.).

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

GOVERNMENT OF PAKISTAN

CENTRAL BOARD OF REVENUE

C. No. 9 (5)-ST/84-Vol. II

Islamabad, the 2nd August, 1987

SUBJECT :—*Relaxation of Time Limit under the Customs, Central Excise and Sales Tax Laws and Rules.*

MY DEAR

It has been observed that in many cases time-bar is relaxed|removed in routine.

2. Without interfering with the discretion of the appropriate officers of customs, excise and sales tax in the exercise of their quasi-judicial functions this is to advise that before a time-bar is removed or relaxed it may be carefully examined and determined that :—

- (a) the claim is otherwise due and admissible on merits ; and
- (b) that the delay was for reasons beyond human control.

3. A copy of the Supreme Court decision CPSLA No. K-106 of 1982, dated 24th November, 1982, in the case of Assistant Collector, Central Excise and Land Customs, Landhi Division *versus* M/s. Sky Room Limited is also enclosed for guidance.

With best wishes.

Yours

Encl : As above.

Sd/-

(I. A. IMTIAZI)

2-8-1987.

Mr. G. A. Jahangir,
Member (Judicial), C.B.R. Karachi.

Mr. S. M. A. Zia,
Collector (Appeals) Southern Zone, Karachi.

Mr. Muhammad Akbar,
Collector (Appeals) Northern Zone, Lahore.

Mr. Nasir Ahmad,
Collector (Appeals) South Zone, Karachi.

GOVERNMENT OF PAKISTAN
CENTRAL BOARD OF REVENUE

Dy. No. 5377-PS|CH|86.

Islamabad, the 30th December, 1986

SUBJECT :—Public Accounts Committee's Observations on the Working of the Customs/Central Excise/Sales Tax Department.

Yesterday I.E. 29th Instant, The Public Accounts Committee Noted with Concern Serious Lapses in the Maintenance and use of Operational Vehicles in the Customs including Central Excise and Sales Tax Department. Examples of such Lapses included the following :

- (i) Non-maintenance or incomplete or unsatisfactory maintenance of Log Books ;
- (ii) Not showing the points of origin and destinations in the Log Book ;
- (iii) Not showing the time-out and time-in in the Log Book ;
- (iv) Not showing the distance between the point of origin and destination in the Log Book ;
- (v) Showing the distance between the point of origin and destination different from that on the ground and also sometimes different from that recorded by the milo-meter ;
- (vi) Not showing the purpose of the Journey in the Log Book ;
- (vii) Not filling the Log Book regularly ;
- (viii) Log Book not being signed by those expected to sign it ;
- (ix) Log Book not being seen by the Supervisory Officer particularly the head of the department periodically.

2. Public Accounts Committee has desired that separate rules for the use, and maintenance of operational vehicles be notified by 31st January, 1987 latest and that till then, the Rules for the use and the maintenance of staff cars already notified by the Cabinet Division shall be deemed to be applicable to operational vehicles as well. Kindly note PAC's directives for compliance and send me by 10th January, 1987 latest your draft for the Rules that you wish to be notified for the use and maintenance of your operational vehicles.

3. PAC has also taken adverse note of the use by customs officials of vehicles detained, deposited, or seized or confiscated or awaiting clearance. PAC was assured that such use has been disallowed already. Kindly make sure that the directions already issued are enforced strictly.

4. PAC also noted with concern the tendency on the part of Field Offices not to deal with the audit paras expeditiously and not to submit revenue receipt and expenditure reconciliation statements regularly and punctually. PAC was assured that the field officers will be advised to add a para on each of those items in their monthly demi-official letters they write to me indicating the number and date(s) of audit paras pending with them as also the date(s) by which receipts and expenditures have been reconciled with audit. Kindly ensure compliance from January, 1987 onwards.

5. PAC also noted with concern the tendency not to dispose of departmental proceedings against delinquent officials expeditiously and also not to award deterrent punishments even where guilt is established. Henceforth, kindly add a para in your monthly d.o. to me on the number of Departmental proceedings pending in your Directorate/Collectorate together with the dates since when pending and by which finalization expected.

6. PAC also emphasised the urgent need for streamlining and strengthening the concurrent internal audit with a view to ensuring effective Financial Control on receipts and expenditures. Kindly send me by name your specific proposals in this behalf by 15th January, 1987 latest. Cebor.

Not to be teleaxed.

Sd/-
 (L. A. IMTIAZI)
 Chairman, CBR.
 30-12-1986.

Copy by post in confirmation (By name).

Sd/-
 (L. A. IMTIAZI)
 30-12-1986.

ANNEXURES F TO M
PROCEEDINGS
OF
PUBLIC ACCOUNTS COMMITTEE
(1981-82 TO 1984-85)
CENTRAL BOARD OF REVENUES
MINISTRY OF INFORMATION AND BROADCASTING
TOURISM DIVISION
CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION
PLANNING AND DEVELOPMENT DIVISION
ECONOMIC AFFAIRS DIVISION
STATISTICS DIVISION
ENVIRONMENT AND URBAN AFFAIRS DIVISION

FEDERAL COUNCIL SECRETARIAT*Wednesday, the 9th January, 1985***Fourteenth Sitting (PAC)**

*2296. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

- | | |
|--|---|
| (1) Mr. Masarrat Hussain Zuberi, Former Secretary to the Government of Pakistan. | <i>Member,
(Acting
Chairman).</i> |
| (2) Akhunzada Bahrawar Saeed, Member, Federal Council.. | <i>Member.</i> |
| (3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council. | <i>Member.</i> |
| (4) Mr. Abdul Qadir, Former Chairman, Railway Board .. | <i>Member.</i> |
| (5) Mr. Yusuf Bhai Mian, Chartered Accountant | <i>Member.</i> |

Federal Council Secretariat :

- (1) Mr. M.A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenue.
- (6) Mrs. S.N. Sheikh, Director General, Commercial Auditor.
- (7) Mr. Iftikhar Ali Khan Raja, Director-General Audit & Accounts Works, Lahore.
- (8) Mr. S. Jamilur Rehman, Director of Audit, Industries, Supply & Food, Karachi.
- (9) Ch. Muhammad Ilyas, Director Revenue Receipt Auditor Lahore.

Ministry of Finance :

Mr. Manzur Hussain, Joint Secretary (Budget).

*Paragraphs upto 2295 pertain to other Ministries/Divisions.

CENTRAL BOARD OF REVENUES

2472. The Committee took up for its examination, the Appropriation Accounts etc., pertaining to the Central Board of Revenues. The Following departmental representatives were present :—

- (1) Mr. Fazlur Rahman, Chairman.
- (2) Mr. Aitezazuddin Ahmad, Member, (CE&ST).
- (3) Mr. Abadullah Akmal, Member (IT & Admn.)
- (4) Mr. S.T.R. Zaid, Chief (Customs).
- (5) Mr. Muhammad Maqsood, Director Research & Statistics.
- (6) Mr. Zafarul Majood, Secretary, (S.T.).
- (7) Mr. Afzal Hisan Naqvi, Secretary (Admn.)
- (8) Mr. Bahad Akhtar, Secretary (A-II).
- (9) Mr. M.W. Warsi, Second Secretary (C.C.)

2473. This Board controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Central Board of Revenue	45
2.	Sea Customs	46
3.	Land Customs and Central Excise	47
4.	Taxes on Income, Corporation Tax and Sales Tax	48
5.	Estate Duty	49

2474. *Reconciliation of Accounts with Audits.*—The Committee noted that some of the monthly Accounts for 1984-85 had not been reconciled, directed the departmental representative to get the reconciliations completed expeditiously and to see that in future monthly accounts be reconciled promptly and regularly.

2475. *Format of replies for PAC regarding Appropriation Accounts.*—The Committee directed that the Board should adopt, for replies on Appropriation Accounts, the same format as in the report of the Auditor General on Appropriation Accounts.

* Paragraphs nos 2471 contain number Ministries/Divisions.

APPROPRIATION ACCOUNTS

2476. *Grant No. 45—Central Board of Revenue (Pages 460—462-AA).*—The net saving of Rs. 815,232 under this grant being within the permissible limit of 5% of the final grant, Committee, did not make any observation on it.

2477. *Grant No. 46—Sea Customs (Pages 464—466-AA).*—The Appropriation Accounts show a saving of Rs. 7,356,591 in this grant, which includes saving of Rs. 5,264,027 under object '100—purchase of Durable Goods'. It was explained by the Department that the saving was due to (i) non-receipt of debits in AGPR, from the AOI & F for purchase of Boats (Rs. 3,962,567) and laboratory equipments (Rs. 689,729) ; and (ii) bills not passed by Audit in June, 1982 due to ban by Government (Rs. 611,712). Audit reported to the re-appropriation Rs. 1,447,600 from this object, and said that the re-appropriation order did not give any reasons. As regards the explanation for the saving, Audit felt that it should have given the A.T. number etc. debits not received from AOIC & F.

2478. The Committee decided that the department should give the information asked for by Audit and that the latter should verify it and thereafter report to the Committee.

2479. *Grant No. 47—Land Customs and Central Excise (Pages 468—472-AA).*—The accounts showed a net saving of Rs. 885,312 in this grant. It was explained by the department that the supplementary grant of Rs. 1,400,000 communicated to Audit *vide* Board's endorsement No. 10 (19)-I-Bud/81, dated 6-6-1982 and letter of even No. dated 7-6-1982 had not been taken into account. The position of the grant, after such inclusion and the reconciled actual expenditure would be as under :—

	Rs.
Original Grant	84,794,000
Supplementary Grant	3,900,000
(2,500,000 + 1,400,000)	88,694,000
Final grant	84,270,720
Actual reconciles expenditure	4,423,280
Saving	5,088,000
Amount of Economy out	+ 664,720
Net Excess	

The excess was mainly due to adjustment of expenditure for the previous year in Punjab circle of account.

2480. Audit stated that as the printed book contained no Supplementary Grant of Rs. 1,400,000, it was not taken in Appropriation Account.

2481. A member of the Committee observed that there was no reconciliation, that the departmental figure showed an excess of Rs. 664,720, that there was no explanation for the excess and that for excess and savings within the grant, the department could have re-appropriated one against the other.

2482. The Committee directed that the Department and Audit should reconcile the figure and Audit should obtain explanation for the excess and report the results to the Committee.

2483. *Grant No. 48—Taxes on Income, Corporation Tax and Sales Tax (Pages 474—476-AA).*—After taking into account the Economy Cut (Rs. 5,560,000), and the surrendered amount (Rs. 2,050,000), the Appropriation Accounts showed a net excess of Rs. 74,841 under this grant. In their written reply the Department had explained that the excess was mainly due to opening of new circles and grant of additional increment *w.e.f.* 1-7-1981.

2484. Audit pointed out in their comments that a Supplementary grant of Rs. 189,000 was obtained where an amount of Rs. 2,050,000 was surrendered. The Department explained that the supplementary grant was in lieu of an equal amount surrendered under grant No. 49.

2485. In view of the position stated above, a member of the Committee observed that the department should have given in their reply the account Surrendered. There should be a uniform practice. The departmental representative admitted this fact and assured the Committee that the department would comply with suggestion of the member of the Committee.

2486. *Object's 023—400—Repairs and Maintenance of Durable Goods and Works' Object—'500—Commodities and Services' Object '600—Transfer Payment'.*

Audit pointed out that according to details contained in the Appropriation Accounts, Rs. 46,500, Rs. 4,840,000 and Rs. 570,500 were re-appropriated to the above mentioned heads. The re-appropriation order did not contain any reasons. Moreover, the re-appropriation under object '400 and 500' proved expensive. The savings of Rs. 14,646 under object '400' and Rs. 835,573 under object '500' should have been utilized for covering excess under other heads.

AUDIT REPORT

2487. *Recovery of dues for excess calls etc. from residential telephones (Para 10, page 94-AR).*—Audit informed the Committee that the required sanctions had been received. The Committee, therefore decided that the paragraph may be dropped.

2488. *Irregular Payment for compensatory allowance amounting to Rs. 11,372 (Para 11, page 94-AR).*—Since the reply of the department was acceptable to Audit, the paragraph was dropped.

2489. *Delay in Processing of G.P. Fund Cases [Para 2, (Sr. No. 59) Pages 281—284-AR].*—Audit had reported that there was residue delay in the processing of the G.P. Fund case of Mr. Ishtiaq Ahmed, UDC while he was retired on 16-12-1980. The application for final payment of G.P. Fund received by Audit on 31-3-1982. It was explained by the Ministry that the complete papers for the final payment of G.P. Fund to the heirs of late Ishtiaq Ahmad, UDC were sent to the AGPR, Islamabad on 31-3-1982 but nothing had been heard from him so far, Audit replied that the CBR had not explained delay for one year and three months in the submission of G.P. Fund case. The payment was authorised by AGPR on 5-11-1982 and the person responsible for delay in payment authorisation had been given a written warning.

2490. The Committee felt that the a warning was not sufficient and directed that Audit should review the matter according to rules. The paragraph was, therefore, deferred.

2491. *Delay in the Processing of Pension Cases [Para 3, (S. No. 93 to 103), pages 286—290-AR].*—It was explained by the Board that the pension cases of the officials mentioned at Nos. 94 to 100 and 103 had since been finalized. The delay occurred due to late receipt of pension application from the retiring Government servants out of officials, namely Mr. Noor Khan Niazi mentioned at Sl. No. 93 had never been on the strength of the Board and as to official at Sl. No. 101 and 102 shown under Income Tax Department the offices to which they belonged could not be identified as no staff designated as Sapoy and Superintendent were borne on the strength of Income Tax Department.

2492. In view of the Position stated above, the Committee did not make any observation. The paragraph was, dropped.

2493. *Non-recovery of taxes and duties amounting to Rs. 3,138,382 (Para 4, pages 297—303-AR).*—Audit had reported that during the test audit, cases of short realisation or non-realization of taxes and duties were pointed out to the concerned authorities. As a result, while sizeable amount was recovered, a number of cases were still under correspondence with the audited formations. The need for expeditious recovery was stressed least the amount should become irrecoverable with the passage of time. Case-wise details of the total amounts of Rs. 3,138,382 recoverable from various assesses are given in the following paragraphs.

2494. *Short assessment of Government dues [Rs. 119,436 (Sub-Para-4 (i), page 297-AR].*—Audit had reported that Custom Duty and Sale Tax aggregating Rs. 137,649 were short-realised in 83 cases due to application of incorrect rates of exchange.

2495. *Short-realisation of Government dues—Rs. 47,789* [Sub-Para 4 (ii), page 297-AR].—Audit had reported that the value in foreign currency of certain imported goods was converted into Pak. rupees by applying incorrect rate of exchange. In view of the explanation given by the department against the above two sub-para's i.e. 4(i) and 4(ii) and the Audit comments thereon the Committee decided that efforts should be made to recover the amount. Audit will follow up, the recovery.

2496. *Non-levy of Regulatory Duty—Rs. 25,304* [Sub-Para 4 (iii), page 298-AR].—Audit pointed out that appeal filed by the party before the Collector of Customs (Appeals), Karachi had been pending since December, 1982. After hearing from the departmental representative that the appeal was rejected in February, 1984 and recovery certificate issued to the District Administration, the Committee decided that Audit should put up the total amount involved in Customs duty for 1981-82 and make a report about the work of the Collector of Customs (Appeals).

2497. *Short assessment of tax—Rs. 23,186* [Sub-Para 4 (iv), page 298-AR].—Audit had reported that while converting the foreign currency value of certain imported goods into pak. rupee, the import value was erroneously taken as Rs. 44,543 instead of Rs. 85,948. This resulted in short realisation of Customs Duty and Sales Taxes.

2498. In reply the department explained that the Collector, Land Customs of Central Excise, Lahore and reported that the outstanding amount of Rs. 23,023 had been deposited in the National Bank of Pakistan, Lahore.

2499. Thereupon, Audit stated that the department's reply was not complete. In fact, the taxes collected by the department in April, 1984 was refunded in September, 1984 on the plea that the recovery was time-barred. Actually department should have recovered the tax when it was pointed out by Audit in December, 1974. Department delayed issue of Demand Notice till March 1984 when it had become time-barred.

2500. In view of the above audit comments and discussion, the Committee directed that responsibility should also be fixed in this case for the loss of revenue and a suitable disciplinary action taken.

2501. *Short-computation of Customs duty—Rs. 17,375* [Sub-Para 4 (v), page 298-AR].—In view of the acceptance of departmental explanation by the Audit the Committee dropped the para.

Short-recovery of Government dues—Rs. 20,383 [Sub-Para 4 (vi), page 293-AR].—

Non-realisation of Additional Sales Tax—Rs. 1,334,321 [Sub-Para 4(vii), pages 298-299-AR].—

Non-realisation of Sales tax—Rs. 284,648 [Sub-Para 4(viii), page 299-AR].—

2502. After examining the replies of the Board and the Audit comments thereon, the Committee decided that the above mentioned paragraphs may be treated as dropped subject to Audit following up of recovery.

Non-levy of Additional sales Tax—Rs. 99,838 [Sub-Para 4(ix), page 299-AR].—

Non-levy of Sales Tax and Additional tax—Rs. 82,283 [Sub-Para 4(x), page 299-AR].—

2503. Since the amount involved in the above paras had been realised the Committee dropped the paras.

Irregular Grant of refund—Rs. 56,504 [Sub-Para 4(xi), page 299-AR].—

Loss of revenue due to failure to take timely action Rs. 56,568 [Sub-para 4 (xii), page 299-AR].—

2504. After discussion, the Committee decided that the sub-paragraph may be dropped subject to follow up action by Audit.

2505. In view of departmental explanation and Audit Comments thereon, the Committee decided that Audit should follow it.

2506. *Non-Realisation of Sales Tax—Rs. 58,980 [Sub-para 4 (xiii), page 300-AR].—*In view of the explanation given by the department and the Audit comments thereon, the Committee decided that the above mentioned sub-paragraph may be treated as dropped subject to verification the satisfaction of Audit.

2507. *Loss of revenue due to non-realisation of taxes—Rs. 38,815 [Sub-Para 4 (xiv), page 300-AR].—*Audit commented that this was yet another case where the department, after admitting the point brought out by Audit in time, failed to taken corrective action resulting in loss of revenue of Rs. 38,815. The departmental representative explained that it was pointed out to the department in 1976 when the whole thing and become time-barred any way yet, the department would like to fix responsibility as to why action was not initiated by the concerned officers of the department.

2508. In view of the above explanation to Committee decided to drop this sub-paragraph.

2509. *Non-short realisation of Sales Tax—Rs. 43,627 [Sub-Para 4 (xv), page 300-AR].—*The Committee desired that this should be followed up by Audit.

2510. *Non-levy of Additional Sales Tax—Rs. 24,227 [Sub-Para 4(xvi), page 301-AR].*—After discussion, the Committee decided that the sub-paragraph may be treated as dropped subject to verification by Audit.

2511. *Non-realisation of Additional Sales Tax—Rs. 15,000 [Sub-Para 4(xvii), page 301-AR].*—After discussion, the Committee decided that the sub-paragraph be treated as dropped subject to verification by Audit.

Short-realisation of Sales Tax—Rs. 10,544 [Sub-Para 4(xviii), page 301-AR].—

Non-levy of Sales Tax-Defence Surcharge, Rehabilitation Tax and Additional Sales Tax—Rs. 395,316 [Sub-Para 4(xix), page 301-AR].—

2512. The Committee desired that the Audit should watch the progress of recovery, subject to such observation the above mentioned sub paragraphs were treated as dropped.

Short-realisation of Wealth Tax and Additional Wealth Tax—Rs. 130,190 [Sub-para 4(xx), page 302-AR].—

Non-levy of Additional Wealth Tax—Rs. 105,655 [Sub-Para 4 (xxi), page 302-AR].—

2513. After discussion the Committee decided that Audit should watch the progress of recovery by verifying it.

2514. *Short-realisation of Wealth Tax—Rs. 52,843 [Sub-para 4(xxii), page 302-AR].*—Since the recovery reported by the department stood verified by Audit, the Committee dropped the sub-paragraph. Audit was requested to watch the balance recovery.

2515. *Non-realisation of Gift Tax—Rs. 173,000 [Sub-Para 4(xxiii), page 302-AR].*—After discussion, the Committee dropped the para subject to verification and satisfaction of Audit.

2516. *Gift Tax escaping assessment Rs. 21,950 [Sub-Para 4(xxiv), page 303-AR].*—After discussion, the Committee decided that Audit should watch the progress of the recovery and verify it. If Audit considered necessary then it may come back to the Committee for decision otherwise it will be deemed as settled.

2517. *Internal Audit System of the department (Paras 5—8, page 302-AR).*—The Committee observed that an Internal Audit system in the Department had already been introduced. The paragraphs were therefore dropped.

2518. *Delay in disposal of Inspection Reports and Audit Observations (Paras 9—11, pages 303-304-AR).*—Commenting on the explanation of the Department, Audit had pointed out that a report was to be considered cleared if all observations contained therein had been settled. As against 281 Inspection Reports and 2,871 Audit Observations reported outstanding on 1-12-1983, actual outstanding on the

same date were 1,536 and 10,121 respectively. Formation-wise details of the outstandings were supplied to the Department as required by them. Though the matter was pursued constantly through reminders issued regularly, arrears had continued to rise.

2519. The departmental representative informed the Committee that the department had already taken action in regard to the clearance of all the outstanding report. The Committee, therefore did not make any observation. The paragraph was treated a dropped.

COMPLIANCE ON THE POINTS CONTAINED IN THE COMMITTEE'S 1979-80 REPORT

2519-A. *Reconciliation of accounts with Audit (Para 1485, page 397-PAC Report 1979-80).*—The Committee after going through the departmental reply and Audit comments decided to drop the paragraph.

2520. *Reconciliation of Departmental Receipts with Audit (Para 1486, page 397-PAC Report 1979-80).*—Audit had pointed out to the Committee that the study paper was received on 3-1-1985. It would be examined by the Auditor-General's Office and comments submitted.

2521. In view of the position stated above, the Committee directed that the Auditor-General should also give his view on the report of the department. The paragraph was deferred.

2522. *Grant No. 46—Sea Customs (Page 60-AA) (Paras 1488-1489, page 398-PAC Report 1979-80).*—The Committee had lastly observed that a commission of 12% to the Post Office Department for Customs work appeared to be high. It may be examined whether this rate was justifiable. Cost accounting could be one solution for it.

2523. Commenting on the explanation of the department, Audit stated that 12% commission to Post Office Department had been justified by Finance Division. The Committee, therefore, did not make any observation and the paragraphs were treated as settled.

2524. *Non-recovery of overpaid reward of Rs. 36,303 (Para 2, page 19-AR) (Paras 1494—1496, page 399-PAC Report 1979-80).*—The Committee had previously directed that another exercise be undertaken by the department to see whether the original assessment of the C/F Price of Rs. 199,177 was excessive. The result should be reported to the Committee through Audit.

2525. In compliance, the department explained that the value of the seized cloth was originally assessed, immediately after the seizure, by the Appraiser under Custom Act, 1969. The value was appraised keeping in view the then normal

market price as well as the new and latest fashion prints of the cloth. Later on, the reduction in assessed price was due to deterioration of cloth as a result of storage as well as decrease in market rate. The original assessment of CIF price at the time of seizure was not excessive and the reward was correctly paid on the basis of the said assessment under the relevant provisions of the Reward Rules.

2526. Audit maintained that CIF value was not determined correctly for grant of reward because neither was it linked with the Import Trade Price, nor was it based on the past value record available with the department. As it was fixed arbitrarily it was revised downwards. The excess payment needed to be recovered.

2527. A member of the Committee enquired as to what was that total of the Rewards given in 1983-84? The departmental representative replied that he could not correctly recollect it. It would be about Rs. 10 lakhs.

2528. A detailed discussion was held on the paragraphs and the departmental representative elaborately explained the position which was accepted by Audit, as the procedure laid down by the C.B.R. was more workable. After discussion, the Committee decided to drop the paragraphs.

2529. *Delay in disposal of Inspection Reports/Audit observations (Para 3, page 65-AR) (Paras 1508-1512, pages 401-402-PAC Report 1979-80).*—After going through the departmental reply and Audit comments the Committee requested Audit to watch the progress.

2530. *Non-realization of additional wealth tax (Para 4(x), page 44-AR) (Para 1517, page 403-PAC Report 1979-80).*—The Committee after going through the departmental reply and Audit Comments, directed that Audit should verify the recovery. Subject to this the para was dropped.

2531. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs and points in the Appropriation Accounts for 1981-82 and the Audit Report there on and the compliance on PAC Report for 1979-80. These would be deemed as settled. Subject to such regularization action as may be necessary under the rules.

2532. The Auditor-General submitted a paper on "Improvement in Government Accounting Work" for consideration of the Committee (Appendix 'A').

2533. The Committee thereafter adjourned to meet at 9.00 A.M. on Thursday the 10th January, 1985.

M. A. HAQ,
Secretary.

Mumbai, the 22nd December, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 29th December, 1986

First Sitting. (PAC)

The Public Accounts Committee assembled at 0930 a.m. in the Parliament House, Islamabad to examine the Federal Accounts for 1982-83 & 1983-84. The following were present :—

P.A.C :

- | | | | |
|---|----|----|-----------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | Chairman. |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. | .. | Member. |
| (3) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | Member. |
| (4) Mr. Shahabuddin Shah Hussainy, M.N.A. | .. | .. | Member. |
| (5) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | Member. |
| (6) Mr. Miangual Arangzeb, M.N.A. | .. | .. | Member. |

National Assembly Secretariat :

- (1) Mr. M.A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz. H. Bokhari, Auditor General of Pakistan.
- (2) Syed Iftikhar Shabir, Deputy Auditor General (Co-ord.).
- (3) Mr. A.A. Zaidi, Deputy Auditor General (A&R)
- (4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (5) Mr. Sikander Aziz Eskar, Director, Revenue Receipt Audit.

Ministry of Finance :

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. Muhammad Zafar Mian, Joint Secretary.
- (3) Mr. Tanwir Ali Agha, Deputy Secretary.

2. *Accounts Examined*.—Accounts pertaining to the Central Board of Revenues were examined by the Committee during the course of the day.

CENTRAL BOARD OF REVENUES

3. The Committee took up for examination, the Appropriation Accounts etc. ; pertaining to the Central Board of Revenues. The following departmental representatives were present :—

- (1) Mr. I.A. Intiazi, Chairman.
- (2) Mr. Ahadullah Akmal, Member (Income Tax).
- (3) Mr. S. Aqueel Rizvi, Member (Customs).
- (4) Mr S.M. Yehia, Director (Research).
- (5) Mr. Shaukat Ali Bhatti, Secretary (Customs).
- (6) Mr. Muhammad Shafi, AAO.

4. This Board controlled the following grant :--

Sl. No.	Name of Grant	Grant No.
1982-83		
1.	Central Board of Revenues	45
2.	Sea Customs	46
3.	Land Customs and Central Excise	47
4.	Taxes on Income, Corporation Tax and Sales Tax	48
1983-84		
1.	Central Board of Revenues	45
2.	Sea Customs	46
3.	Land Customs and Central Excise	47
4.	Taxes on Income and Corporation Tax	48

5. *Reconciliation of Accounts with Audit.*—Audit pointed out reconciliation of figures under various Demands for the year 1985-86 was not initiated so far by the Department. The Committee directed that Department should expedite reconciliation work. It should be brought upto date and should not be allowed to fall in arrears in future.

APPROPRIATION ACCOUNTS (1982-83)

6. *Grant No. 45—C.B.R. (Page 306-AA).*—The Committee was satisfied with the explanation of the Department. No observations was made on the net excess of Rs. 214,575.

7. *Grant No. 46—Sea Customs (Page 310-AA).*—The grant closed with a net saving of Rs. 7,595,501.—The explanation of the Department was considered satisfactory. The Committee however, wanted to know the reasons of development of 'Bara Markets' in the country and desired that Committee should be briefed on the subject in the next meeting.

8. *Grant No. 47—Land Customs and Central Excise (Page 314-AA).*—As per Appropriation Accounts there was a net saving of Rs. 1,360,368 which was within 5% of the final grant. The Committee did not make any observation.

9. *Grant No. 48—Taxes on Income Tax and Sales Tax (Page 318-AA).*—There was a net excess of the 1,639,160 under this grant. The excess was due to enhancement in the rates on dearness allowances etc. It was, however, observed that since this excess was due to economy cut imposed, no excess Budget statement was required in this case.

AUDIT REPORT (1982-83)

10. The Auditor General of Pakistan explained that 10% of the receipt transactions were audited in respect of Wealth Tax, Gift Tax, Customs, Sales Tax and Federal Excise. During 1982-83 Audit pointed out that recoveries of Rs. 11.5 Million in the case of above taxes were made by the CBR at the instance of Audit. In the other cases pointed out in the Audit Report no recoveries had, however, so far been affected

11. *Short-assessment of Government dues Rs. 790,289 [Para 3 (iv), page 110-AR].*—Audit pointed out that in two cases certain goods were assessed to custom duty at lower than applicable rate. The Department has enforced demand in case of P.T.C. Jhelum (Rs. 649,289) but no action has been reported in case of Fauji Textile Mills, Jhelum (Rs. 141,000). The Department explained that in this case duty assessed was paid by the party. Audit, however, objected that duty was less assessed. The party was issued a notice to deposit the difference but the party went for appeal and the appeal although time barred, the Collector (Appeals) accepted it. Audit however, observed that Audit raised the objection within time limit, but demands were raised late.

12. The Chairman, PAC observed that the Department lost revenue due to delayed action which was very serious. Action should be taken against the person(s) responsible for the delay. The Department stated that they had introduced a system to avoid such delays in future.

13. The Committee directed that C.B.R. should submit a paper indicating judicial powers of the officers of Custom Department. Chairman C.B.R. may give his comments based on his experience. Since Government was put to a loss due to delayed action, the compliance to Audit observations should not be delayed and Inspection Reports should be replied within one month as delay perpetuates corruption. C.B.R. may issue a circular on the subject. Internal control should also be tightened up.

14. *Under-assessment of Taxes Rs. 223,078 [Para 3 (v), page 111-AR].*—According to the Audit Report, a Car was imported free of tax on the condition that owner would retain it for a period of five years. The car was disposed of before retention period. The car was reassessed in 1981 resulting in short recovery of Rs. 223,078. Since the owner had already left the country, the Ministry had decided to write off the amount. The Department admitted the short recovery and informed the Committee that it was decided to recover the amount from the official concerned. The officer filed an appeal against the above orders which was under examination. The Committee directed that disciplinary action should be taken against the defaulting officer, the paragraph was deferred.

15. *Short-realisation of Government dues Rs. 50,748 [Para 3 (ix), page 111-AR].*—In this case certain imported goods were assessed for custom duty at a concessional rate in May, 1978 resulting in short realisation of Rs. 50,748. The imported was not traceable. The Department had failed to recover the amount. The Department explained that the case pertained to a party from North Waziristan. The Political Agent had been asked to recover the amount. The department also reported that the officer responsible for short assessment had been identified and action was being processed. At the same time the matter was being taken up with the Chief Secretary of Provincial Government to issue instructions to District Administration on the subject. The Committee directed that amount should be recovered and report submitted to PAC. The Department should check up discrepancies, ambiguities etc. in the taxable items and see that there should be one rate for one item. Appointment of recovery officers in Customs and Central Excise department might be considered. The Committee directed Audit to review performance of recovery officer in Income Tax Department.

16. *Non-realisation of Additional Sales Tax Rs. 615,910 [Para 3 (xi), page 112-AR].*—Audit pointed out that additional sales tax of Rs. 615,910 was not charged from certain assessee in Rawalpindi. The C.B.R. in their reply stated that relevant records were transferred to the Collector in March, 1985 for recovery. The Committee was informed that the delay was due to change of the control of the formation from Income Tax to Sales Tax. The amount could not be recovered due to the case being time barred. The Committee directed that the fact should be got verified from Audit. The Committee also directed that while

black listing the firms, the decisions should be advertised and one government agency should be responsible for maintaining, publishing and updating the directory of black listed firms with their particulars. The directory should be regularly updated.

17. *Non-levy of Additional Sales Tax Rs. 289,629 [Para 3 (xii), page 112-AR].—* As per Audit Report additional sales tax of Rs. 289,629 was not levied in the case of eight assesses although it was leviable under the law. After hearing the explanation of the Department the Committee directed that the Department should recover the amount and get it verified by Audit.

18. *Short assessment of Additional Sales Tax Rs. 53,017 [Para 3 (xiii), page 112-AR].—* In this case also there was a computation mistake of Rs. 53,017 which the department promised to rectify. The Department explained that the recovery action was in progress. The Committee directed that the recovery should be made and subject to verification of recovery by Audit, the paragraph was settled.

APPROPRIATION ACCOUNTS (1983-84)

19. *Grant No. 45—C.B.R. (Page 372-AA).—* The grant closed with an excess of Rs. 338,724. The Committee after going through the explanation of the Department recommended the excess for regularisation under this grant. The Committee also directed that Reward Rules should be reviewed by the C.B.R.

20. *Grant No. 46—Sea Customs (Page 376-AA).—* There was a saving of Rs. 874,423 which was about 1% of the final grant. The Committee did not make any observation on this grant.

21. *Grant No. 47—Land Custom and Central Excise (Page 380-AA).—* This grant closed with an excess of Rs. 10,172,346. The Department explained that major amount of Rs. 13,899,987 was paid as advance salaries on Eid and due to revision of pay scale. It was inevitable expenditure. The Committee accepted the explanation and recommended the excess under this grant.

22. The Committee however, observed that a Dispensary had been set up for the Custom Staff and the Finance had allowed funds under the demand of this Department and questioned as to why such Dispensaries could not be set up for other Departments. This issue might be studied and brought before the P.A.C. by the Ministry of Finance when their accounts are examined.

23. *Grant No. 48—Taxes on Income and Corporation Tax (Page 384-AA).—* There was an excess of Rs. 16,691,029. The Department attributed this excess to the advance payment of salaries on Eid and revision of scale. The Committee accepted the explanation and recommended that excess may be included in the excess budget statement.

AUDIT REPORT (1983-84)

24. *Mis-use of Custom House Vehicles [Para 3(ii), page 60-AR].*—According to the Audit Report a sample testing of the record of official vehicles indicated following aspects of lax control :—

- Meter readings which was the basic record to authenticate proper use of vehicles was not being recorded ;
- Distances shown as covered in petrol account were more than those recorded in actual movement registers ;
- Distances shown as covered in the record were more than those shown by the Milometers of the vehicles ;
- Certain vehicles were shown to have been used by one officer simultaneously.

25. CBR contention that detailed recording was not necessary for operational vehicles was not supported by rules. The Department explained in reply that the rules laid down for the operation of staff cars could not be applied in the case of vehicles operating in the field in Custom Department as the vehicles were used in remote areas in pursuit of Smugglers etc. Audit at this point observed that there must be some rules for operation of Custom Vehicles and the Department could frame such rules with the approval of the competent authority.

26. The Committee directed that the C.B.R. should frame rules for the use of vehicles in the field with the approval of the competent authority by 31-1-1987 positively as rules framed by the Cabinet Division did not suit the conditions obtaining in the operation of vehicles by the field Officers of the Custom Department. The Committee also directed that no seized, detained, deposited or confiscated Vehicles should be used by any Government Official.

27. *Short realisation of Federal Excise Duty—Rs. 689,279 [Para 3(ii), page 134-AR].*—According to Audit two Sugar Mills in the Mardan District cleared 2197 M/Tons of Sugar in 1980-81 free of excise duty against their entitlement of 1083 M/Tons. This resulted in short recovery of excise duty of Rs. 689,279. The Department explained that the case was reviewed on receipt of audit objection and it was observed that there was no case of short realisation. Audit, however, maintained that the case required review keeping in view the Audit point of view. The PAC desired that the case should be re-examined and a report submitted within one month.

28. *Loss due to un-conditional release of smuggled goods—Rs. 716,372 [Para 3(xii), page 138-AR].*—Audit pointed out that smuggled goods seized during 1979-81 were returned to owners because of non-compliance of the mandatory provisions of law by the concerned authorities, resulting in a loss of Rs. 716,372.

29. C.B.R. in reply had stated that the goods under reference were seized by the Police, who did not submit case papers within the prescribed time. The matter was now being taken up at Board's level. The Department explained that the Inspector General of Police had again been approached to take appropriate action in the matter. The Committee directed that there should be better co-ordination between Police and Custom Department.

30. *Short realisation of Customs Duty—Rs. 491,665 [Para 3(xiv), page 138-AR].*—Audit pointed out that the Custom Duty on 10 Bills of Entries was computed short during the period March, 1978 to January, 1979 which resulted in a loss of revenue of Rs. 491,665. The Department explained that this was again a case where the recovery could not be made in full. A recovery of Rs. 128,000 could only be made. The Committee directed that the remaining recovery should be made and got verified by Audit.

31. *Short recovery of Government revenue—Rs. 261,887 [Para 3(xvi), page 139-AR].*—According to Audit taxes leviable on two consignments of Bounded goods were miscalculated resulting in a short recovery of Rs. 261,887. The Department explained that the recovery in this case also could not be made as it was a time barred case. The recovery had since been written off and Internal Audit was being strengthened to avoid such lapse. A member of the PAC at this point suggested that if proper punishment was awarded to those responsible for the delays, the Government could be saved from loss of revenue. The internal audit need be strengthened to detect such cases early.

32. *Over-payment of cash rewards Rs. 223,371 [Para 3(xviii), page 139-AR].*—Audit pointed out that an attempt to evade taxes was foiled in July 1979 and reward of Rs. 422,122 was sanctioned which involved an over payment of Rs. 223,371 as the reward was calculated on consignment basis rather than treating it as one case. The Department, however, contested the Audit Objection and explained that in this case no excess reward was involved. It was also reported that 1/3rd of the such reward was credited to C.P. Fund, which was governed by a Board of Trustees for the benefits of Custom Staff. Audit at this point desired that C.B.R. might examine if the reward should be allowed collectively on all consignments seized at a time or it should be allowed for each consignment separately. The C.B.R. promised to examine this aspect, and reported that a Committee had already been formed to look into it.

33. *Mis-appropriation of seized goods Rs. 69,184 [Para 3(xxiii), page 140-AR].*—According to the Audit Report goods valuing Rs. 69,184 seized in November, 1981 were not handed over by the official responsible for their custody to their successors. The Department did not take any disciplinary action for this irregularity. The Department explained in their reply that an amount of Rs. 8,593 had since been recovered. Inspector and U.C. involved in this case were being

charge sheeted. The Committee directed that recovery should be made and disciplinary action against those responsible should be finalised and got verified from Audit.

OTHER ISSUES

Refund of Sales Tax to M/s. Keamari Docks Limited, Karachi Rs. 16,142,225

34. M/s. Keamari Docks Limited, Karachi manufactured bare copper wire and paid Sales Tax of Rs. 16,142,225 during 26th July, 1978 to 26th February, 1984. They filed a refund claim on 25-3-1984 on the plea that their product fell under a heading which was exempted from Sales Tax. The Assistant Collector sanctioned the refund claim of Rs. 2,140,955 on 16th April, 1984 and rejected the remaining amount being time barred. The party filed an appeal against the order of the Assistant Collector to the Collector of Appeals who relaxed the time limit and remanded the case to the Assistant Collector on 13-6-1984. Thereafter the Assistant Collector allowed the refund of balanced amount of Rs. 13,980,333 on 14-6-1984.

35. C.B.R. re-opened the case on the basis of a report from Director, Intelligence and Investigations, Karachi, on 26th September, 1984. The orders of the Assistant Collector were set aside on 30-12-1984 and M/s. Keamari Docks Limited was directed to deposit Rs. 16,121,288 in to the Treasury. The firm had so far deposited Rs. 13.7 million and the action for the recovery of remaining amount was being taken. A reward of Rs. 1,398,086 and Rs. 38,400 was paid on 6-6-1985 and 30-6-1986 on respectively on detection of the case.

36. The issues involved in the above case were :-

(a) The decision of the Assistant Collector was *prima facie mala fide*. It showed how an officer who had been given extra-ordinary powers of discretion could play havoc with the Government Money.

(b) The reward paid to the informer and the Custom Staff was based on the recoverable amount and not on the actual recovery effected.

37. The C.B.R. explained that M/s. Keamari Docks Limited, Karachi manufactured bare Copper Wire and paid sales tax on it from 26-7-1978 to 26-2-1984. They filed a refund claim of sales tax amounting to Rs. 16,142,225.08 on 25-3-1984 on the plea that their product falling under PCT heading No. 74.10-B was exempt from sales tax vide SRO 697/(1)/77 dated 4-9-1977. The concerned Assistant Collector sanctioned the refund claim of sales tax to the tune of Rs. 21,40,954.94 vide his letter No. 12 of 1984 dated 16-4-1984. But in the same order rejected the claim for Rs. 14,00,270.86 being time barred in terms of rule 11 of Central Excise Rules, 1944. The party filed an appeal against the order of the Assistant Collector to Collector of Appeals (South Zone), who later on relaxed the time bar under the provision of rule 233-A of Central Excise Rules, 1944 read with General Order

3 of 1980 and remanded the case to the Assistant Collector for adjudicating the same on merits *vide* his order in appeal No. 161 dated 13-6-1984. Thereupon the Assistant Collector, Central Excise allowed the refund of Rs. 1,39,80,333.14 *vide* Order No. 16 of 1984.

38. On receiving an information, the staff of Directorate of Intelligence and Investigation (Customs and Excise), Karachi detected the case that the bare copper wire manufactured by the Company was classifiable under PCT heading No. 74.03 and not 74.10-B as contended by the Company. The same was not exempt from sales tax as no exemption was available under any notification and refund of Rs. 1,61,42,225.08 was wrongly allowed.

39. Central Board of Revenue, therefore, re-opened the case in exercise of the powers conferred under section 35-A of the Central Excise & Salt Act, 1944 read with sub-section 4 of section 3 of the Sales Tax Act, 1951. Accordingly M/s. Keamari Docks Limited was called upon to show cause as to why the unlawfully refunded amount of Rs. 1,61,21,288.08 should not be recovered from them. The Board *vide* its order No. 2 of 1984 dated 30-12-1984 set aside the orders of Assistant Collector dated 16-4-1984 and 14-6-1984 and directed M/s. Keamari Docks Limited to deposit the amount of Rs. 1,61,21,288.08 into the Government Treasury. Revision application of the party was not accepted by the Secretary to the Government of Pakistan *vide* Order-in-Revision No. 4 of 1985 dated 21-2-1985.

40. M/s. Keamari Docks Limited had so far deposited Rs. 1,37,00,000 and for the remaining amount of Rs. 24,21,288.08 action has been taken by the District Authorities for recovery as land revenue.

41. The informer in this case who provided information which led to the detection of this case involving recovery of Rs. 1,61,42,225.08 had been paid Rs. 5,64,043.00 and an equal amount was credited to the Common Pool Fund and Rs. 2,70,000.00 was given reward to the staff involved in detecting the case.

42. The Committee after listening to the Department directed that :—

(a) Action may be taken against the defaulting officers.

(b) A detailed report in this case may be submitted to PAC.

(c) Justification for the award which was very high may be given.

(d) A Committee comprising the Auditor-General of Pakistan and the Chairman, CBR should examine the following aspects of this case and submit a report to the Committee :—

(i) to identify reasons for the failure of the monitoring system to prevent and detect the fraud in time to guard against loss of public revenue and to propose an appropriate and effective monitoring system that will prevent similar recurrence in the future ;

- (ii) to assess the propriety and reasonableness of the reward sanctioned in this particular case and to suggest appropriate amendments in the existing Central Excise and Sales Tax Reward Rules, 1984 with a view to preventing un-merited rewards, particularly excessive rewards e.g. in cases where one section of the tax collecting machinery defaults and another section of the tax collecting machinery detects ;
- (iii) to propose a system whereby in respect of refunds/rebates/drawbacks relating to supplies allegedly made to public sector enterprises, the concerned customs authorities and the concerned public sector enterprises remain in effective communication.
- (iv) to examine the rule and adequacy of prescribed procedure (and their actual observance) in the Collectorate of Appeals and the Treasury in this case.

Over Staffing in Pakistan Mission U.K.—Custom Councillor

43. During the last visit of Chairman P.A.C. to Pakistan Embassy London, the necessity of various posts was discussed with the Ambassador and it was felt that the post of Custom Councillor was apparently not required.

44. The Department held that Custom Officer posted at present in U.K. Mission had lot of duties to function and the Department still was of the opinion that this post was essential. The Committee after going through explanation of the Department directed that C.B.R. may provide detailed justification for retaining posts of Custom Officer in U.K. Mission.

45. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paras, and points contained in Appropriation Accounts for 1982-83 and 1983-84 and the Audit Reports thereon. These would be deemed settled subject to such regularisation actions and verification by Audit as may be necessary under this rules.

46. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 30th December, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 29th March, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 31st March, 1987

Eleventh Sitting (PAC)

*645. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1984-85. The following were present :—

P.A.C :

- | | | | |
|---|----|----|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | <i>Chairman.</i> |
| (2) Malik Said Khan Mahsud, Minister of State for Water and Power | .. | .. | <i>Member.</i> |
| (3) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (4) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (5) Mr. Miangul Aurangzeb, M.N.A. | .. | .. | <i>Member.</i> |

National Assembly Secretariat :

- (1) Mr. Muhammad Aslam, Deputy Secretary.
- (2) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (3) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).
- (4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (5) Mr. Munir Ahmed Director General Audit (PT&T).

Ministry of Finance and Planning Division :

- (1) Mr. Muhammad Zafar Mian, FA (CBR).
- (2) Dr. M.A. Aghai, Director General (Project Wing), Planning Division.

CENTRAL BOARD OF REVENUES

*683. The Committee took up for examination, the Appropriator Accounts etc. ; pertaining to the C.B.R. for the year 1984-85. The following departmental representatives were present :—

- (1) Mr. L.A. Imtiaz, Chairman.
- (2) Mr. Abadullah Akmal, Member (IT).
- (3) Malik Asrar Ahmed Khan, Member (Admn. & Co-ord).
- (4) Mr. Aitezazuddin Ahmed, Member (CE&ST).
- (5) Syed Aqeel Rizvi Member (Customs).
- (6) Mr. Shaukat Ali Bhatti, Secretary (Customs).
- (7) Mr. Muhammad Shafi, Assistant Accounts Officer.

684. This Board controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Central Board of Revenue	45
2.	Sea Customs	46
3.	Land Customs and Central Excise	47
4.	Taxes on Income and Corporation Tax	48

APPROPRIATION ACCOUNTS (1984-85)

685. *Grant No. 45—Central Board of Revenue (Page 298-AA).*—This Grant closed with a saving of Rs. 3,275,028. The Department reported that saving was due to vacancies, and lesser expenditure in publicity and Advertisement. The saving was, however, surrendered on 31-3-1985. The Committee accepted the explanation.

686. *Grant No. 46—Sea Customs (Page 302-AA).*—According to the Appropriation Accounts this grant closed with an excess of Rs. 4,504,699. The Department explained that the excess was due to booking of debit on account of a Boat in the Account for June, 1985, which was not expected, but received from D.G. Supplies. The Committee recommended the excess for regularisation through Excess Budget Statement.

687. *Grant No. 47—Land Customs and Central Excise (Page 306-AA).*—There was a saving of Rs. 22,329,362 under this grant which was 10% of the Final Grant. The Department attributed the saving to non-purchase of vehicles for technical reasons, non-accountal of surrenders made after due date and difference in figures of expenditure. The Committee observed that position should be recoiled.

*Paragraphs upto 682 pertain to other Ministries/Divisions.

688. *Grant No. 48—Taxes on Income and Corporation Tax (Page 310-AA).*—There was a saving of Rs. 2,105,692 under this grant which was attributed to non-receipt of telephone bills in various circles. The Committee did not make any observation as the saving was within permissible limits.

AUDIT REPORT (1984-85)

689. *Serious Irregularities (Para 5, page 140-AR).*—Audit pointed out cases of non/short recovery amounting to Rs. 6,896,688, which were admitted by the Department. In cases involving an amount of Rs. 341,976 of recovery on account of violation of Baggage Rules 1977, the recovery could not be made, as the action of raising demands on the passengers was not pursued effectively. In some other cases involving recovery of Rs. 805,438 due to application of incorrect rates of exchange, the leakage of revenue was attributed to late communication of rates of exchange. The Board in reply explained that the procedures had now been streamlined and the recoveries were in process. The Committee directed that final action of recovery may be watched by Audit.

690. *Losses due to mis-appropriation of detained goods—Rs. 1,502,335 [Para 6 (a), page 141-AR].*—Audit point out that detained goods including currency valuing Rs. 1,502,335 were neither handed over by the outgoing custodian of these goods to the successor, nor were released to the passengers which showed that these were mis-appropriated. The Department informed the PAC that an amount of Rs. 5,27,000 had been recovered and for the balance write off proposals were under action, as the records, in spite of best efforts could not be traced. The Committee settled the Paragraph, subject to recovery write off and verification by Audit.

691. *Short Assessment of Taxes—Rs. 391,662 (Para 7, page 142-AR).*—As per Audit Report two consignments of beverage concentrate imported in March, 1980 to July, 1980 were mis-classified for assessment of Taxes, resulting in a short assessment of Rs. 391,662. The Department informed the Committee that it was a classification dispute, which was referred to CBR for ruling. The ruling had now received and the case dealt with accordingly. The Committee directed that Audit should verify the final action. The paragraph was settled subject to such verification by Audit.

692. *Non-recovery of Personal Penalties and Redemption Fines Rs. 103,600 [Para 8(b), page 143-AR].*—Audit pointed out that an amount of Rs. 103,600 imposed on account of personal penalties and redemption fine during 1979—81 was not recovered by the Department. The Department informed that an amount of Rs. 3,000 had been recovered, Rs. 70,000 was written off and remaining Rs. 30,000 was under inquiry for recovery. The Committee settled the paragraph subject to verification by Audit.

693. *Loss of Government Revenue—Rs. 197,981 (Para 9, page 144-AR).*—Audit pointed out that goods, liable to confiscation seized by other agencies, were required to be delivered to the custody of Custom Department. Goods valuing Rs. 197,981 were not delivered in time to the Customs Department, with the result that these goods had to be returned to owners. The representative of Board reported that matter had been taken up with Ministry of Interior for making recovery from those responsible for such delay. The Committee desired that progress of the case may be reported in the next meeting. Paragraph was deferred.

694. *Non-realization of sales Tax—Rs. 84,976 (Para 10, page 145-AR).*—According to Audit, sales tax leviable on imported items was not assessed in a custom office in 1983, which resulted in short realisation of Rs. 136,377. Recoveries amounting to Rs. 32,859 were reported, but the balance amount of Rs. 84,976 was not recovered. The Department informed the Committee that an amount of Rs. 49,021 had been written off and remaining amount of Rs. 35,000 was in process of recovery. The Committee settled the paragraph subject to verification by Audit.

695. *Short-realization due to incorrect assessment of Customs Duty and exemption from Sales Tax—Rs. 49,443 (Para 12, pages 145-146-AR).*—Audit in their report pointed out that a commercial importer was allowed to clear consignments of machinery parts at concessional rates for imports against industrial licence in March, 1978. The Department had failed to recover the amount of short assessment, although the case of recovery was initiated in July, 1985. The Department explained that the matter had been taken up with Deputy Commissioner, Faisalabad and A.C. Excise had been directed to watch recovery proceedings. The Committee settled the paragraph subject to verification of recovery by Audit.

696. *Short-realization of Government dues—Rs. 47,346 (Para 13, page 146-AR).*—Audit pointed out that certain consignments of imported goods cleared during 1980 to 1983, were under valued by excluding the element of right, which resulted in short realisation of Rs. 55,520 out of which an amount of Rs. 8,175 was stated to have been recovered and the balance was not recovered. The Department reported that recoveries had been made and only an amount of Rs. 21,177 remained to be recovered. The Committee desired that recovery should be made and got verified from Audit.

697. *Non-recovery of Excise Duty Rs.—1,853,900 (Para 19, page 149-AR).*—Audit in their report brought out that certain goods were removed from a mill for export during 1974—76. These were, however, not exported within the specified time limit, thus excise duty amounting to Rs. 1,853,900 not charged as Export rebate became recoverable from the mill management. When pointed out in October, 1976, it was reported that action will be taken in due course and that the amount had been included in total recoverable amount of Rs. 3,688,965. It w

further intimated in December, 1981, that the mills had been closed and Plant & Machinery had been attached. The District Authorities had been requested to recover the amount as arrears of land revenue.

698. The Chairman, PAC observed that the matter was first brought to the notice of Department in 1976 and the mill was closed in 1981. The non-recovery was due to delay which should be accounted for. The Department regretted the delay and reported that recovery action was in process. The Committee directed that Audit should watch final action recovery. The recovery should be expedited.

UN-AUTHORISED REMOVAL OF GOODS FROM BONDED WAREHOUSE

1. Date and Time .. .. .	..	23-9-1986.
2. Place of contravention/seizure ..	..	M/s. Paksaco Ltd : PWL 15/82 Baroot Hub, Baluchistan.
3. Name of the management ..	..	(i) Mr. Waqar Akhtar, Managing Director. (ii) Mr. Arshad Mahmood, Factory Manager.
4. Name of the clearing agent ..	..	Abdullah Enterprise, 504-Commercial Centre, Hasrat Mohani Road, Karachi.
5. Description of the offending goods imported .. .. .	..	Sack Kraft Paper.
6. Quantity of the goods .. .. .	..	3313 reels.
7. Declared import value .. .. .	..	CIF Rs. 14,427,091.
8. Taxes evaded .. .. .	..	Rs. 9,738,286.
9. Particulars of import licences ..	..	B-292912, B-313286 & B-306777.
10. Provisions of the law violated ..	..	Sections 97, 104, 107, 111 and 116 of Customs Act of 1969 punishable under Section 156 (1) (57) (58) and (59) of Customs Act of 1969.

698-A. It was detected that 3313 reels out of 7983 reels removed from a private Bonded Ware House on 13-9-1986.

(i) On 13-9-1986 the fraud was detected and warehouse was sealed.

(ii) Collector of Customs and Central Excise, Quetta imposed penalty of Rs. 38,338,000. in addition to the duty of Rs. 9,738,286 also to be recovered.

- (iii) The recovery of penalty was stayed by the CBR in response to appeal filed by the bondholder while a payment of Rs. 820,000 was made as one of the 12th instalment of total duty and taxes recoverable.
- (iv) Customs duty was worked out @ 40% under S.R.O. No. 13 (1)/76, dated 3-1-1986 read with S.R.O. No. 68 (1)/70, dated 17-4-1970 i.e. at concessionary rate whereas the statutory rate of duty and Sales Tax should have been applied. The goods were not removed in the specified manner but were removed fraudulently and as such concession was not available. This has resulted in extra loss of Rs. 2,760,448.
- (v) The fraud came to the notice of the department in September 1986 and was not reported to Audit under Rule 20 of the G.F.R. Vol.-I.
- (vi) It was alleged that the wall of the Warehouse was broken at the 3 places and the report was not lodged with the Police under the Criminal Code being a criminal offence. The complete enquiry of the case requiring administrative action against the officers officials at fault is still awaited.

699. The Committee asked for a detailed report on this case from Chairman C.B.R. within one month.

700. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points paras in the Appropriation Accounts and Audit Report thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

701. The Committee then adjourned to meet again at 9.00 a.m. on Wednesday, the 1st April, 1987.

M. A. HAQ,
Secretary.

Islamabad, the 18th July, 1987.

FEDERAL COUNCIL SECRETARIAT*Tuesday, the 28th August, 1984***Third Sitting (PAC)**

*165. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

- (1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan .. *Vice-Chairman.*
- (2) Syed Saieed Hasan, Member, Federal Council *Member.*
- (3) Akhunzada Bahrawar Saeed, Member, Federal Council .. *Member.*
- (4) Mir. Jam Ghulam Qadir Khan of Lasbela, Member, .. *Member.*
Federal Council.
- (5) Mr. Abdul Qadir, Former Chairman, Railway Board .. *Member.*
- (6) Mr. Yusuf Bhai Mian, Chartered Accountant *Member.*

Federal Council Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

- (1) Mr. Abdul Raouf, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.
- (6) Mrs. S. N. Sheikh, Director-General, Commercial Audit.

Ministry of Finance :

- (1) Mr. Manzoor Hussain, Joint Secretary.
- (2) Mr. Shamsul Haq, FA (I&B).

*Paragraphs upto 164 pertain to other Ministries/Divisions.

MINISTRY OF INFORMATION AND BROADCASTING

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

- (1) Mr. Anwar Zahid, Additional Secretary.
- (2) Mr. Abdul Khaliq Awan, Joint Secretary.
- (3) Mr. Abdul Latif, Deputy Secretary (F&A).
- (4) Mrs. Rehana Gill, Deputy Secretary (Co-ord).
- (5) Kazi Ahmad Saeed, DG (PBC).
- (6) Mr. Abdur Rauf, Controller (ABC).
- (7) Mr. Munir Ahmad Sheikh, D.G. (PNC).
- (8) Mr. Parvez Ahmad, Director (PID).
- (9) Mr. Anwar Ahmad, Director General, Films and Publication.
- (10) Mr. Zia Nisar Ahmad, M.D., (PTV).

247: The Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
(1)	Ministry of Information and Broadcasting	80
(2)	Directorate of Publications, Newsreels and Documentaries	81
(3)	Press Information Department	82
(4)	Information Services Abroad	83
(5)	Pakistan National Centres	84
(6)	Other Expenditure of Ministry of Information and Broadcasting.	85
(7)	Capital outlay on Purchase of Newsprint	131
(8)	Development Expenditure of Ministry of Information and Broadcasting.	156

248. *Reconciliation of accounts with Audit.*—The Committee noted that the reconciliation of Accounts in respect of the year 1983-84 had not yet been completed. *The departmental representative was directed that all the pending reconciliation work should be completed by September, 1984.*

*Paragraphs upto 245 pertain to other Ministries/Divisions.

AUDIT REPORT

249. *Review of Annual Development Programme for 1981-82 (Para 1, page 176).*—Audit had reported that the review of the Annual Development Programme, as well as the target and achievements therefor was not furnished by the Ministry, inspite of the issue of several reminders.

250. The departmental representative informed the Committee that the same had since been sent to Audit Office. Thereupon, the Committee decided to drop the paragraph.

251. *Irregularities in the Directorate General, Pakistan National Centre, Islamabad during 1971-72 to 1976-77 [Para 3 (i) (a), page 178—AR].*—According to Audit, Rs. 4,441,630 were spent on the purchase of 22 vans fitted with public address systems, power generators, tape recorders, television sets and projectors etc. against a budgetary provision of Rs. 3,713,600 in 1976-77. The vans, along with the equipment, were stated to have been transferred to the Mobile Information Unit, established on the 1st April, 1978. However, no records about this purchase and transfer were available and the vans were not borne on the stocks|records. The receipt and transfer of the vehicles to the Information Unit and the Stock|inventories in their respect were not produced to Audit. After the winding up of the Directorate of Mobile Information Unit in June, 1981, further use of the vans was also not intimated to Audit.

252. The department stated that the vans were purchased through the Department of IP&S with the approval of the Ministry of Information and Broadcasting. Papers relating to the purchase of the vehicles and their transfer to the Mobile Information Units were not readily forthcoming, and efforts were being made by the Directorate General, Pakistan National Centre to locate them. However, the records and stock inventories in respect of these vans were available with that Directorate. Since the merger of Mobile Information Units with the Directorate General in March, 1981, these vans were attached with various Pakistan National Centres and were being used for publicity purposes.

253. After hearing the above explanation, *the Committee directed the departmental representative that the photo copy/particulars of purchase documents should be furnished to Audit for verification.*

254. *Public Address System [Para 3 (i), (b), page 178—AR].*—Audit has pointed out that the Public Address systems (22 in number costing Rs. 150,194, and 22. T.V. sets, costing Rs. 41,413, were purchased in July, 1976 and February, 1977 respectively, without the open tender system. The Director-General was not competent to make such heavy purchases without tenders. Stock inventory records of the items were also not available and hence the expenditure was irregular.

255. It was explained by the Ministry that the Public Address Systems and Television sets were purchased through the Department of IP&S and the question of invitation of tenders by the Directorate General did not arise. This purchase had been approved by the Chairman, PNS who, being the head of the PNC, was fully competent to do so. The stock inventories and records of these articles were available with the Directorate General. *Thereupon, the Committee asked the departmental representative to provide photostat copies of the documents to Audit for verification.*

256. *Air-Conditioner worth Rs. 4,400 was not taken on stock [Para 3 (b) (ii), page 178-AR].*—Audit informed the Committee that fresh stock entry was verified on 13th August, 1984. The Air-Conditioner was found lying unserviceable in the stores. The Committee decided to drop the paragraph.

257. *Furniture, Fixture, and equipments [Para 3 (b) (iii) and (iv), pages 178-179-AR].*—Audit had reported that items of furniture etc. were purchased for Rs. 158,169 from the Rawalpindi Market for various National Centres at Abbottabad, Gujrat and Sukkur. The Director-General was not competent to incur such a heavy expenditure. The reasons for purchase of these items from Rawalpindi, instead of the local markets, were not recorded. The expenditure on the transportation of the purchased items from Rawalpindi to the Centres was also not intimated to Audit.

258. Similarly furniture etc. were purchased for Rs. 145,972 during 1971-72 to 1976-77. The items were not taken in the stock registers nor were their where abouts disclosed. Non-observance of Codal requirements needed to be investigated and responsibility fixed.

259. It was stated by the Ministry that the furniture and equipments were purchased with the approval of the Chairman, Pakistan National Centre from Rawalpindi, as the opening of these new Centres had been sanctioned and there were no responsible officials/officers at those stations, to whom the responsibility of purchases could be assigned. No transportation charges were borne by the Department. The items were inspected by the responsible officers of the Department at Rawalpindi.

260. A member of the Committee remarked that it was an unnecessary wastage of public money and it was expected that such a practice would not be repeated in future. The Vice-Chairman remarked that there were two points that two issues were involved in it, namely whether the manner of procurement was appropriate and whether the furniture and equipments were actually delivered. As to the first point, the question is that on the purchase of the furniture for various new centres centrally, there must have been extra transportation cost and, it would have been much cheaper to procure it locally. The second point

is whether Audit was satisfied with the purchase and documentation. It is seen that the furniture was procured, but there was no entry in the stock. The Department had said that they had obtained the receipts. It should now be verified by Audit.

261. *The Committee finally observed that, if anyone, who made these purchases, be still in service, he should be asked to explain as to why centralized purchases of furnitures was made at Rawalpindi, in deviation of the rules and orders. Audit will also verify whether the purchases so made were at all procured and taken in stock.*

262. *Infructuous Expenditure of Rs. 230,164 on hiring of office building (Para 4, page 179-AR).—*Audit had pointed out that, prior to the 1st September, 1977, the Pakistan National Centre, Rawalpindi had hired a building, covering 5,650 S ft. at a monthly rent of Rs. 2,825. In September, 1977, a new building in a non-commercial area, measuring 4,636 S ft. was hired @ Rs. 13,905 p.m. The monthly rent of the latter was assessed by the Pak. P.W.D. at Rs. 6,000 in January, 1979. In July, 1979, the rent was increased to Rs. 11,124 p.m. and a lease agreement executed for three years. Rs. 230,164 had been paid till May, 1980 over and above the assessment made by the Pak. P.W.D. Thus, financial propriety, as laid down in paragraph 10 of G.F.R. Vol-I, was not observed.

263. Audit further stated that, in September, 1981, the Ministry Justified their action on the ground that the rent @ Rs. 13,905 was based on the assessment made by the Cantonment Board before hiring the building and the assessment of Rs. 6,000 p.m. was made by the Pak. P.W.D. in January, 1979. After the assessment of the rent by the Pak. P.W.D. there was no justification to pay rent at the excessive rate. Besides, the offer of the previous owner for re-renting out their premises was not re-considered.

264. The Ministry explained that the payment of rent @ Rs. 13,905 p.m. on the basis of the assessment of the Cantonment Board, had the prior approval of Finance. In January, 1979, when the rent of the building was assessed by the Pak. P.W.D. @ Rs. 6,000 per month, the matter was again referred to the Finance Division and a decision for the payment of rent @ Rs. 11,124 per month w.e.f. 1st July, 1979 was taken by the Division at the level of Additional Finance Secretary. The payment of rent in this case was, therefore, regular. As regards the offer of the owner of the previous building for re-renting out his premises, this involved administrative problems, apart from being un-economical in the long run. However, before a final decision on these points were taken by the Department, the offer given by the owner in June, 1978 was withdrawn by him in January, 1979.

265. Audit pointed out in their comments that only the consent of the Financial Adviser was obtained, while the competent authority was the Finance Division itself. The excessive and irregular expenditure needed to be investigated.

266. After discussion, the Committee directed that the Ministry of Finance should examine and inform the Committee whether the Financial Adviser was competent to approve the hiring of the building at higher than the prescribed rates whether the person concerned was still in service and whether enquiry was necessary. The Ministry should furnish a brief to Audit. Audit should then submit the case to the Committee. The paragraph was deferred.

267. *Loss of Books costing Rs. 21,758 in Pakistani National Centre, Islamabad (Para 5, page 179-AR).*—Audit had claimed that, during the year 1971 to 1979, 2,139 books worth Rs. 21,758 were lost from a Library of the Pakistan National Centre. The loss was due to lack of proper security measures. The Centre stated that it was not possible to fix responsibility, as they had an open shelf system in the Library, and some-time classes were held there, whether the system the centre had to adopt proper security measures.

268. In their reply, the Ministry stated that the Library of the Pakistan National Centre had an open self system, where loss of books was inevitable. However, security measures had been strengthened by posting a librarian with skeleton staff. Out of 1516 missing books, 62 books had been traced out so far and action was in progress in relation to the remaining ones.

269. Questioned as to how did the department expect to recover the books the departmental representative submitted that some of these books were issued to members and some had been pilfered. 97 books were recovered from the members. Thereupon, the Vice-Chairman observed that efforts be made to recover the maximum number of books. The rest may be considered to be written off. The Committee decided that the paragraph may be treated as settled subject to verification by Audit.

270. *Non-finalisation of decade old inspection report (Para 6, page 179-AR).*—After having gone through the reply of the Ministry, the Committee decided to drop the paragraph subject to verification by Audit.

271. *T.A. Advances not adjusted—Rs. 218,678 (Para 7, page 180-AR).*—According to Audit T.A. advances, amounting to Rs. 218,678, allowed to three officials in March, 1972, December, 1977 and August, 1978 by the Ministry and the Information Wings of two Missions abroad on their postings/transfers, were lying un-adjusted.

272. The Ministry intimated that advances against two officials, amounting to Rs. 174,228 and Rs. 34,618, were adjusted in October, 1982 and January, 1983 respectively. The third official, against whom an advance of Rs. 9,831 was outstanding, did not belong to the Ministry of Information and Broadcasting.

273. Audit made out in their comments that the adjustment of advances in the two cases had been verified. It was further pointed out that in their revised reply dated 24th July, 1984 the Ministry of Information and Broadcasting had admitted that the third official, namely Mr. Nasir Mehmood, was their employee but was, subsequently, selected as Assistant Director, T & T Department. (Presently serving in Saudi Arabia).

274. Questioned as to why the advances were not recovered and how much time would it take for their adjustment, the departmental representative replied that the officials posted abroad drew the advance but did not submit their T.A. adjustment bills. The Vice-Chairman remarked that, if the Department would not press for adjustment, the advances would lie unadjusted indefinitely. This had to be watched. The Committee directed that the due recovery be expedited.

275. Recoveries not effected Rs. 26,925 (Para 8, page 180-AR).—According to Audit, different allowances, amounting to Rs. 26,925 overpaid during the years 1974—80 in six cases by four Missions, remained to be recovered. In two cases a Mission was also required in May, 1980 to calculate the over-paid amounts of the exchange compensation allowance and foreign allowance for recovery but no compliance was reported.

276. The Ministry explained that the over-payments were made to all the officers and staff in various Wings of the Pakistan Mission at Ankara, owing to wrong formula of calculation applied. Two of such employees belonged to the Information Section. A uniform action in this case was thus to be taken by the Mission, to determine the over-payments involved. The Mission had been requested to work out the amounts, overpaid in the cases of the two employees belonging to this Ministry. Moreover, to ensure uniformity, the Ministry of Foreign Affairs had been requested to intimate the action taken in the case of their employees.

277. In view of the above, the Committee decided drop the paragraph subject to verification by Audit.

278. Delay in processing of G.P. Fund Cases [Para 2, (60—62), page 281—286—AR].—In their reply to item No. 60 of page 285 of the Audit Report, 1981-82, the Ministry of Information and Broadcasting had stated that the delay in the finalization of G.P. Fund cases was due to the belated submission of

application by the subscriber. Audit maintained in their comments that it was the responsibility of the Ministry to obtain application for final payment, when the subscriber's services were terminated in April, 1980.

279. The Vice-Chairman remarked that the Ministry had delayed the case by two years, as to family had submitted the application only two months later. The Department took two years and four months to forward it to Audit. The departmental representative admitted the mistake and informed the Committee that it had got mixed up with the Account number of another person, having an identical name.

280. After hearing the explanation of the departmental representative, the Committee did not make any further observation and the paragraph was treated as dropped.

281. *Delay in the processing of Pension Cases [Para 3, (131—143), pages 286—293-AR].*—Under item No. 131, page 291 of the Audit Report 1981-82, concerning the Ministry of Information and Broadcasting, Audit had reported that, according to the prescribed procedure, pension cases should be processed one year before the retirement of Government Servants and they should be asked at least six months before retirement to sign the pension application. This was not done in this case.

282. The departmental representative informed the Committee that the cases had been settled. As such, the paragraph was treated as dropped.

APPROPRIATION ACCOUNTS

283. *Grant No. 80—Ministry of Information and Broadcasting (Pages 726—731-AA).*—Audit had shown a saving of Rs. 681,512 under this grant. The Committee did not make any observation in regard to this grant.

284. *Grant No. 85—Other Expenditure of Ministry of Information and Broadcasting (Pages 732—735-AA).*—According to Audit, an excess of Rs. 470,000 had occurred under the function “300—Community Services—Object—600—Transfer payment” The Ministry explained that the excess was due to the amounts of two releases made to the Pakistan Broadcasting Corporation having been inadvertently not taken into account while working the figure of savings resulting in an excessive surrender of the corresponding amount. The omission was regretted.

285. As the Ministry conceded that it was accounting mistake, on their part the Committee did not make any further observation on the object.

286. *Grant No. 156—Development Expenditure of Ministry of Information and Broadcasting (Pages 736-737-AA).*—The Committee did not make any observation regarding this grant.

287. *Grant No. 81—Directorate of Publications, Newsreels and Documentaries (Pages 738—740-AA).*—Audit had reflected a net saving of Rs. 2,571,066 under the this grant. The Ministry contended that the actual saving, on the basis of reconciled figures, worked out to Rs. 2,568,732. Audit made out in their comments that, under the actuals, there was a difference of only Rs. 2,339 (Rs. 15,058,138 Department—Rs. 15,055,799 Audit). From the detailed position, given in the reply of the Ministry, it transpired that there was a difference in the figures under Objects 011—020, 030, 100 and 500 mainly due to the expenditure of the Regional Film Wing, Lahore and the Regional Publications Wing, Lahore not having been reconciled. The Ministry|Department had been requested to supply the above detailed position, supported by reconciliation statement if any, for further verification by Audit.

288. The Vice-Chairman observed that the Ministry had asked for supplementary grant, which was not actually required. The Department should, in fact, have surrendered it. The departmental representative explained that this happened because the Ministry had placed orders for the camera equipments.

289. *The Committee directed that Audit should follow up the explanation of the Department regarding the demand for supplementary grant and the dates when the orders were placed, when received and when adjustment of the debits was made and then come back to the PAC.*

290. *Grant No. 82—Press Information Department (Pages 742—747-AA).*—A saving of Rs. 242,300 had occurred under this grant. After examining the explanation of the Ministry in respect of various objects of this grant, the Committee accepted it and not make any further observation.

291. *Grant No. 83—Information Service Abroad (Pages 748—750-AA).*—A net excess of Rs. 1,611,721 had been exhibited by Audit under this grant. It was explained by the Ministry that a supplementary grant of Rs. 2 million was sanctioned by the Finance Division. But the said sanction was not incorporated in the book of Demands for Supplementary Grants. Hence the excess, in terms of the standing instructions of the Finance Division as reiterated in their O.M. No. 4 (2)|B-II|81, dated the 24th March, 1982, the said Supplementary Grant remained valid. The excess would now be regularised through Excess Budget Statement for 1981-82. The Ministry further stated that, taking into account the above mentioned Supplementary Grant of Rs. 2 million there was a saving of Rs. 388,279, which was explained against the serious objects under this grant.

292. Questioned as to when did the Department apply for the supplementary grant, the departmental representative said that this was done on the 9th June, 1982. On a member of the Committee observing that this was too late and the departmental representative should ask the Ministry to make special arrangements for making timely request, the Audit representative intervened to say that, in case the Department required more time for their outside offices, they should get information in advance. The Ministry of Finance would not make an exception only for one Department, because they had to prepare the books well in time.

293. The Committee further viewed seriously the excess of Rs. 1,945,391 also under object "500 Commodities and Services". The explanation of the Ministry for this excess could not satisfy the Committee.

294. *The Committee, finally, took the following decisions :—*

- (i) *The budget of the offices of the Ministry of Information and Broadcasting abroad must be controlled by the Ministry and not the Chief Accounts Officer of the Ministry of Foreign Affairs. A suitable mechanism should be devised for this purpose. There should also be close liaison of the Ministry with the Chief Accounts Officer, and periodical reconciliation of the Accounts of the Ministry with him.*
- (ii) *The excess of Rs. 1,945,391 under the object "500—Commodities and Services" must be explained with more facts and figures.*
- (iii) *Strict instructions should be issued by the Ministry to their employees, posted abroad, not to exceed the allocations and, possibly, obtain prior concurrence from or at least inform the Ministry about any expenditure beyond allocations. The procedure for this should be settled, in consultation with the Chief Accounts Officer of the Ministry of Foreign Affairs.*

295. *Grant No. 84—Pakistan National Centres (Pages 752—754-AA).—*The Committee did not make any observation in regard to this grant.

296. *Grant No. 131—Capital Outlay on purchases of Newsprint (Pages 756—758-AA).—*Audit had shown neither any excess nor saving under this grant. However, an amount of Rs. 1,358,050 had been depicted at page 756 of the Appropriation Accounts, 1981-82 to have been surrendered.

297. Audit made out in their comments that this grant dealt with subsidy on Newsprint. The reason given in the surrender order was that this was due to lesser requirements. Subsidy on Newsprint was allowed to make paper available to Newspapers at reasonable rates. The mechanism adopted for it was that a provision would be made in the current revenue expenditure and an equal provi-

sion, with an equal recovery provision would be reflected on the capital side (Non-development). This arrangement of subsidy was however, dispensed from the 1983-84 budget.

298. A member of the Committee enquired as to what were the liabilities in 1980-81. The departmental representative replied that these liabilities were being settled and the department had covered them.

299. The Vice-Chairman read out the Audit comments on Note 2 to the Appropriation Accounts at page 758 thereof under "Recovery"—Object—810—State Trading and observed that the total losses, relating to the period 1971-72 to 1977-78, amounted to Rs. 14,779,991, whereas the total compensation received, as shown, was Rs. 5,203,075 there was some claim of insurance also and the balance was Rs. 9,552,243. What did the Department propose to do about it?

300. A member of the Committee further observed that the question of write-off did not arise. What was required now was to regularise this loss. The amount of the shortfall seems to have been subsidized. He asked whether the Department had paid all this amount? The departmental representative confirmed that the amount had already been paid.

301. After further deliberation, *the Committee decided that the Ministry should try to sort out this matter with the Insurance Company, otherwise they should examine as to how best could they meet the objection or regularise the losses. A copy of the letter sent to the P.I.C. and the reply of the P.I.C. should also be furnished to the Committee.*

COMMERCIAL ACCOUNTS

Pakistan Broadcasting Corporation

302. *Accounts of PBC for 1981-82 [Para 3 (xxvii), pages 6-7-ARCA].—* According to Audit, the Accounts for the year 1981-82 had not been made available to Audit upto February, 1983. It was confirmed by the Department that the Accounts for the year 1981-82 had since been compiled and got certified by the Statutory Auditors. The Director of Commercial Audit, Wah Cantt. had been requested to depute an Audit party to check these Accounts. The Department further stated that a copy of the uncertified Accounts had been sent to the Director General of Commercial Audit, Karachi, on the 30th December, 1982. Audit maintained that the Accounts of the Pakistan Broadcasting Corporation for 1981-82 had been printed in the Commercial Accounts, 1982-83.

303. The Committee, however, did not make any further observation on this paragraph which was treated as settled.

304. *Shalimar Recording Company Limited* [Para 3 (xxviii), page 7-ARCA].—Audit had reported that the Shalimar Recording Company had declined to entertain Government Audit during the year 1981-82.

305. The Ministry explained, in their reply, that a similar point was raised by Audit in connection with the Accounts for the preceding year, 1980-81. The point was discussed by the PAC in its meeting held on the 29th August, 1983 when the Committee observed as under :—

“The position should be examined by the Ministry, so that the Accounts of the Company are submitted to the Auditor General for his examination. If there is a difference of opinion between the Ministry and the Auditor General, the matter may be brought before the PAC”

306. The matter was accordingly re-examined by the Ministry, in consultation with Law Division, and it was held that the Company did not fall within the audit jurisdiction of the Auditor-General. Thus its Accounts were not amenable to the Auditor-General in October, 1983.

307. After discussion, the Committee made the following observations :—

(i) *A copy each of the reference made to the Law Division by the Ministry, about furnishing the Accounts of this company for audit by the Auditor-General, along with the Law Division opinion thereon, should be furnished to the Committee.*

(ii) *The Ministry may consider to implement the Government decision regarding “consent basis”, where Government held majority shares in any enterprises. The Government representative on the Board would, in such cases, voluntarily decide that the Auditor-General will audit the Accounts of the enterprise. The Government Directors on the Board of the enterprise would also furnish the audited Accounts of the company to the Auditor-General, for being presented to the PAC.*

(iii) *The Auditor-General may take up with the Ministry of Finance the above-said refusal of the Ministry of Information and Broadcasting to let him have access to the records of the Shalimar Recording Company.*

308. *Non-recovery of stipend from the trainees—Rs. 216,774* (Para 27, page 34—ARCA).—Audit had reported that, according to the surety bonds signed by the officers of the Pakistan Broadcasting Corporation, they were required to serve for three years, after the successful completion of their training, failing which they or their sureties were bound to repay all the expenses incurred on their training. However, thirty-seven trainees either absented themselves before the

expiry of their agreed period of service or resigned after getting training. Consequently, an amount of Rs. 216,774, paid to them on account of stipends became recoverable but the same remained un-recovered. The Corporation suffered a loss to that extent.

309. In their reply, the Ministry explained that a case for the write-off of the loss had since been made out by the Corporation, for approval by the competent authority. They were also considering ways and means to prevent the recurrence of such a situation in future.

310. Replying to a query, the departmental representative intimated the Committee that after getting training to the organisation graduate engineers tended to run away and it was very difficult to trace them.

311. A member of the Committee enquired as to how many remained in service out of the total? The departmental representative replied that only about 50 per cent remained in service and the Department could not easily trace those who ran away.

312. After hearing the above explanation, a member of the Committee suggested that PAC should try to recovery the amount and if it was not possible, it might be got written off, and the paragraph was treated as settled, subject to satisfaction of Audit.

313. *Delay in the Disposal of Audit/Inspection Reports (Para 48, pages 46-47-ARCA).*—The Committee directed the departmental representative that by the end of the year 1984, no Audit/Inspection report issued upto June, 1984 should be outstanding against the Ministry.

Associated Press of Pakistan

314. *Working Results (Paras 291—295, pages 135-136-ARCA).*—According to Audit, the Working of the formation disclosed an excess of income over expenditure by Rs. 2.686 million, as against the excess of expenditure over income amounting to Rs. 0.513 million during the preceding year 1980-81. The improvement in the working results was due to increase in Government grants, which rose from Rs. 9.876 million in the previous year to Rs. 13.239 million in 1981-82. There was an increase of Rs. 0.433 million in the expenditure of the formation, which rose from Rs. 15.784 million during the preceding year to Rs. 16.217 million in 1981-82. Strenuous efforts were needed to improve the financial position of the formation, so as to make it self-sustaining and viable.

315. The Department explained that, at present it was very difficult to make the Agency self-sustaining, due to the limited number of its subscribers. On the other hand, the cost of collection, editing and distribution of news was constantly on the increase, due to inflationary pressures beyond the control of the APP.

The Department further pointed out that the income from subscription had shown some improvement during 1981-82. It rose to Rs. 5.664 million as compared to Rs. 5.395 million during 1980-81, recording an increase of about 5 per cent. In order, however, to improve the income of the Agency further, the subscription rates had since been revised, effective from July, 1983. Thereupon, Audit commented that the profitability of the Agency had further gone down during 1982-83, as the excesses of income over expenditure was only Rs. 91,000 as against Rs. 2.686 million in 1981-82.

316. Questioned as to why the necessary from the allowances of the Directors had not been regularised, the departmental representative submitted that the cease had been dealt with on the wrong lines, mistaking it to be related to the Wage Board Award. The matter had, now been taken up with the Ministry of Finance. Thereupon, the Vice-Chairman observed that the Ministry should regularise it. No further comments were made by the Committee on the subject.

317. *Pakistan Broadcasting Corporation, Islamabad (paras 296—304, pages 137-138-ARCA).*—The Committee did not any observation except that cash of 30 million was not justified and could have been invested in short term deposit.

Pakistan Television Corporation Limited

318. *Working Results (Para 305, page 139-ARCA).*—Audit had informed the Committee that the net profit of the Corporation during 1982-83 increased to Rs. 76.941 million as against Rs. 67.490 million in the previous year.

319. Questioned as to why the Corporation was increasing its share capital, the departmental representative submitted that the Lahore T.V. Station was established in 1964 and its installed equipments had outlived their life. In case the station had been re-established and re-oriented, it would have been four times more costly because of inflation. A member of the Committee enquired as to why did the Department desire to increase their liability and suggested that additional capital should not be asked for unless absolutely necessary. The departmental representative informed the Committee that, financially, the Corporation was not losing anything.

320. *The Committee observed that it may be examined as to why P.T.V. Corporation was borrowing from the Government for capital expenses, and thereby increasing the liability of the Company when Rs. 20 crore were available in the Reserve. The financial advantages or disadvantages for adopting such a course should be analysed, for future action.*

**COMPLIANCE ON THE POINTS CONTAINED IN THE REPORT FOR
1979-80**

321. *Grant No. 79—Ministry of Information and Broadcasting (Page 95-AA) (Paras 1199—1200, page 340-PAC Report 1979-80).*—Audit had pointed out that according to the reply given by the Ministry, adequate action had been taken against the defaulting Officer.

322. The Committee did not make any further observation and the paragraphs were treated as settled.

323. *Irregularities occurred in Pakistan National Centre, Rawalpindi (Para 11, pages 22—24-AR) (Paras 1194—1198, pages 339-340-PAC Report 1979-80).*—After going through the Ministry's reply and the Audit comments thereon the Committee, observed that there seemed to be a difference in the versions of the Ministry as in their statement, and Audit comments. *Audit was requested to go into the matter again and see as to whether the PAC's directive was duly complied with or not and report to the Committee, if necessary.*

324. *Overpayment of freight by not availing reduction in rates—Rs. 1,590,970 (Para 22, pages 31-32-AR) (Paras 674-675, page 137, PAC Report 1976-77) (Para 1226, page 345-PAC Report 1979-80).*—The Committee had previously directed Audit to pursue the case. In compliance, the Department explained that, as the Trading Corporation of Pakistan had contested the ruling of the Law Division, the case was referred back to the latter. Subsequently, the case was discussed in a number of meetings between the Law Division, the Trading Corporation of Pakistan and the Ministry. In August, 1983, the Law Division advised the Ministry that it agreed with the opinion given by the counsel of the Trading Corporation of Pakistan, and that it recalled its earlier opinion.

325. Audit, who were advised of May, 1980, the Secretary, Law Division had agreed with the Audit's point of view. This advice was upheld by the Secretary, Law Division in January, 1981 again on a fresh reference made by the TCP. The advice of the Law Division was then recalled by the Law Division in August, 1983. But it was not clear whether the advice had been revised at the level of the Secretary, Law Division. Audit would request the Ministry of Information and Broadcasting to adopt the advice after it was confirmed at the Secretary's level.

326. A member of the Committee thereupon, observed that it was not understood as to whether the Ministry could ignore the legal advice. The Committee did not make any further observation on this paragraph, which was treated as settled subject to satisfaction Audit.

327. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs|points concerning (i) the Appropriation|Commercial Accounts, the Audit Report thereon pertaining to the Ministry for the year 1981-82 and (ii) the compliance on PAC's Report for 1979-80. These would be deemed as settled subject to such regularisation actions, as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 15th August, 1985.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 27th April, 1986

Fourth Sitting (PAC)

*185. The Public Accounts Committee assembled at 09.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

- | | | |
|--|---------|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. .. . | <i>Chairman.</i> |
| (2) Rai Arif Hussain, M.N.A. | .. .. . | <i>Member.</i> |
| (3) Ch. Muhammad Sarwar Khan, M.N.A. | .. .. . | <i>Member.</i> |
| (4) Malik Said Khan Mahsud, M.N.A. | .. .. . | <i>Member.</i> |
| (5) Shahzada Jem Muhammad Yusuf, M.N.A. | .. .. . | <i>Member.</i> |

National Assembly Secretariat :

- (1) Ch. Abdul Qadir, Joint Secretary.
- (2) Mr. Muhammad Aslam, Deputy Secretary.
- (3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy-Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant-General, Pakistan Revenues.
- (6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
- (7) Mr. Idris Ahmad, Director Audit (IS&F).

Ministry of Finance :

Mr. Shamsul Haq, FA (I&B).

186. *Accounts examined*—Accounts pertaining to the Ministry of Information and Broadcasting were examined by the Committee during the course of the day.

*Paragraphs upto 184 pertain to other Ministries/Divisions.

MINISTRY OF INFORMATION AND BROADCASTING

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

- (1) Mr. A.U. Zafar, Additional Secretary.
- (2) Mrs. Rehana Gill, Deputy Secretary (C).
- (3) Mr. Anwar Zahid, DG MD (PTV & PBC).
- (4) Malik Abdur Rauf, Controller (ABC).
- (5) Mr. Habib-ur-Rehman, Section Officer.
- (6) Mr. Iftikhar Ahmed, A.O.
- (7) Mr. Kafil Ahmed, DG (F&P).
- (8) Mr. M.Y. Sethi, P.I.O. (PID).
- (9) Mr. Munir Ahmed Sheikh, DG (PNC).
- (10) Mr. Ajaz Ahmad, F.D. (PBC).
- (11) Mr. Mutee-ur-Rehman, F.D. (PTV).

188. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Information and Broadcasting	77
2.	Directorate of Publication, Newsreels and Documentaries	78
3.	Press Information Department	79
4.	Information Services Abroad	80
5.	Pakistan National Centres	81
6.	Other Expenditure of Ministry of Information and Broadcasting	82
7.	Capital Outlay on Purchase of Newsprint	129
8.	Development Expenditure of Ministry of Information and Broadcasting	154

189. *Reconciliation of Accounts with Audit.*—Audit pointed out that reconciliation of Accounts with Audit was not up to date. The Accounts under Demand No. 84 in respect of Pakistan National Centre Larkana, Mirpurkhas and ~~Subsidiary for the year 1985-86 had not been reconciled even for the first Quarter.~~ Similarly accounts of the Director, Press Information Department, Peshawar, had also not been reconciled. The PAC directed that the Accounts reconciliation should be up dated.

APPROPRIATION ACCOUNTS.

190. *Grant No. 77—Ministry of Information and Broadcasting (Page 470-AA).*—Appropriation Accounts showed a net excess of Rs. 216,520 which needed an explanation because a sum of Rs. 646,000 was surrendered by the Department during the year. The Department explained that according to their figures the main excess of Rs. 229,786 was under Object Code 500—Commodities and Services and was due to the reason that two sealed Authorities on account of remittances Abroad were issued by Audit on 30th June, 1982 but the debit thereof was actually raised by Audit in 5,83. This came to the notice Department in August, 1983 while reconciling the Accounts. Had these debits been raised in time there would have been no excess. Audit, however, contested that according to reconciled figures the excess came to Rs. 220,374 under that head of account. Audit, further, held that an amount of Rs. 646,000 was surrendered in March, 1983 without taking into account the amount of Foreign Remittances. This was all due to non-reconciliation of accounts by the Department in time.

191. The PAC remarked that there was a surrender of Rs. 646,000 and an excess expenditure of Rs. 2.16 Lacs under this grant which showed in effective control on the accounts; the management and control of accounts needed improvement. This situation would not have arisen if reconciliation of accounts would have been completed in time.

192. *Grant No. 82—Other Expenditure of Ministry of Information and Broadcasting (Page 476-AA).*—According to Appropriation Accounts, the Grant closed with a net saving of Rs. 337,799. The saving, being nominal, the Committee did not make any observation.

193. *Grant No. 154—Development Expenditure of Ministry of Information and Broadcasting (Page 480-AA).*—In this case the total amount of the Final Grant of Rs. 1,200,000 was surrendered. The Department explained that the provision was made for improvement in 'Engineering' in Pakistan Broadcasting Corporation which could not be utilised as funds in Foreign Exchange were required to be provided by the U.N.D.P. as agreed to. These funds were not released till the close of the Financial year, hence the total amount was surrendered. The Department was not at fault, as no Foreign Exchange component was received. The E&D controlled this matter and they did not agree to release the Foreign Exchange as such the whole amount was surrendered. The Committee cautioned that the Ministry should make provision carefully after the Foreign Assistance had been committed.

194. *Grant No. 78—Directorate of Publication Newsreels and Documentaries (Page 482-AA).*—An amount of Rs. 1,198,501 appeared as saving under this Grant. Audit, however, pointed out that this was mis-print, the grant closed with an excess of Rs. 1,198,501 and not saving. The major excess was under Object

Code 100—'Purchase of Durable Goods' which was stated to be due to issue of debits, on accounts of cost of Cameras and other Equipment, raised by Audit. These debits came to the notice of the Department after the close of Financial year at the time of reconciliation of expenditure with Audit. These Cameras were purchased in 1981-82 but the debits were received in 1982-83. The Department held that they were not expecting debits, and promised to improve their Budgetary control. Audit commented that since the Department had already purchased the items and knew that the debits were coming they should have made a provision in the Budget.

195. The Department assured the Committee that such things would not happen in future. The paragraph was dropped by the PAC.

196. *Grant No. 79—Press Information Department (Page 486-AA).*—There was a net overall excess of Rs. 585,776 under this Grant. The Department explained that a Supplementary Grant of Rs. 800,000 had been shown in the Appropriation Accounts against a Supplementary Grant of Rs. 1,100,000 approved by the Finance. An amount of Rs. 3 Lacs approved as Supplementary Grant by the Finance on 7th June, 1983 had not been accounted for. Similarly there was a variation of Rs. 231,335 between the Audit and Departmental Figures of expenditure. Hence there was only an excess of Rs. 54,441 against Rs. 585,776 shown by Audit in the Appropriation Account. Audit, however, pointed out that as the accounts were not regularly reconciled by the Department, there was a difference in the figures the Department should carry out reconciliation work regularly.

197. A member remarked that there was excess under all Heads under this Grant which showed a tendency of over spending by the Department and also adversely effected the efficiency of the Department. Audit observed that it would be better for Secretary of the Department to look into the record of the previous years to see if there had been a tendency on the part of this Department to over spend the money granted to it. If it was so, steps should be taken for better budgetary controls.

198. The PAC directed that proper control of account under this Grant required looking into, and there was excess expenditure almost under all objects which was objectionable. The Ministry should submit a report within one month explaining the reasons for this over spending. Similarly accounts of 1982-83 and 1983-84 may be examined to check the tendency of over spending.

199. *Grant No. 80—Information Services Abroad (Page 492-AA).*—Appropriation Accounts showed a net overall excess of Rs. 2,936,748. The Department contesting the figures of actual expenditure as printed in the Appropriation Account, stated that the actual expenditure was Rs. 25,665,038 and

not Rs. 25,410,748 as shown by Audit. The difference was due to less booking by the Chief Account Officer under Object 600—Transfer Payments. Thus there was an overall excess of Rs. 3,191,038 and not Rs. 2,936,748. While explaining the excess, the Department stated that in the cases of Foreign Exchange Expenditure, it was due to increase in salaries of the Local Employees under Local Laws of Foreign Countries, delinking of Pak Rupee from Dollar, economy cut imposed on all establishment charges, revision of Foreign Allowance, Exchange compensation allowances etc. and unavoidable expenditure under Medical Charges. Similarly the Department explained that an excess of Rs. 1,756,628 under Object—500 in the Commodities and Services, was due to increase of Rent of Residential Buildings, de-linking of Pak Rupee from Dollar, price hike on commodities, and unavoidable expenditure under certain sub-heads. The Supplementary Grant of Rs. 7 Million was applied against which Supplementary Grant of Rs. 2,816,000 was allowed. Audit at this point commented that if the laid down procedure for getting the Supplementary Grant were not observed, this position was bound to happen. The Administrative Ministry and the Ministry of Finance may get together on this particular grant to thrash out differences and the reasons for excess. The Department may then come to PAC with cogent reasons for excess expenditure.

200. The PAC directed that the Department should issue instructions that excess expenditure must be avoided. Uniform system of control should be applied to all services represented abroad in Embassies. The case may be discussed with the Ministry of Finance and the Department should furnish the report to the PAC suggesting a procedure for avoiding the excess expenditure with these instructions the PAC decided to recommend regularization of excess expenditure under this grant.

201. *Grant No. 81—Pakistan National Centres (Page 496-AA)*.—This Grant closed with a saving of Rs. 628,144. The Department explained that Cabinet Division allowed to purchase 6 Toyota Vans by the P.N.C. during 1981-82, the Additional Secretary Finance agreed to the purchase of Vehicles, provided the expenditure was met by re-appropriation during 1982-83. The amount of anticipated saving during 1982-83 could not be surrendered before 31st March, 1983 as the same was kept for the purchase of Vehicles. The matter was again referred to Finance Division for formal approval in September, 1982 but due to financial constraints and economy P.N.C. was allowed to purchase only one Van in May, 1983. The Amount of Rs. 502,600 was surrendered on 30th June, 1983 but it was not accounted for by Audit as it was not surrendered by 31st March, 1983. The PAC did not make any observation in this case.

202. *Grant No. 129—Capital Outlay on Purchase of Newsprint (Page 500-AA)*.—Against Final Grant of Rs. 1,358,000 there was a saving of Rs. 1,281,288 which worked out to 94 per cent of the Grant. The saving was attributed to non-maturity of certain liabilities for which the provision was made. Audit pointed out that there were eases of heavy losses and shortages as pointed out in the Financial review and running account of State Trading Scheme for 1982-83. The Special Audit was conducted in 1977, when the Departmental Account of the Scheme of State Trading of Newsprint were found to be in a mess, the total loss pointed out was Rs. 69 Million. The losses included in the statement as per Annexure 'F' to Grant No. 129 worked out to Rs. 14.4 Million. The statement of losses prepared by the Department was not supported with an enquiry report based on detailed Departmental Investigation as required under the Rules. The wide variation in two set of figures necessitated detailed checking of the Departmental Accounts to verify and ascertain the correct position of the losses on the Scheme in each case.

203. The Department explained that the Accounts had been reconstructed and these were ready for certification. The Department prepared a Summary for the Ministry of Finance under the directions of previous P.A.C., involving an amount of Rs. 5.5 Crores. The Ministry of Finance directed that the accounts be got certified by the Audit. The Summary for certification of accounts was also sent. The amount could only be written off after these accounts were certified. It was further explained that the case was also referred to the F.I.A. One of the persons involved had already gone abroad who had no property in Pakistan. As for as the other was concerned, he had very little property in Pakistan and no useful purpose could be served by persuing the matter. It was requested that the matter may be closed and the amount involved may be written off. The F.I.A. also absolved them as such no criminal proceeding could be initiated against them.

204. The Chairman, however, remarked that, may be, that some more persons were involved, an enquiry should be restarted, so that the tendency could be curbed. Had things been settled in 1970-71 it would have not come to PAC now. Someone had taken benefit of this Public Money and no coverage should be given to a person involved. This Committee was not satisfied with the reply. The responsibility will have to be fixed. The PAC would like to see enquiry report of the Finance Secretary and the file of the Establishment Division on the subject.

205. The PAC directed that the Department must fix responsibility for loss of Rs. 5.5 Crore to the Government and provide a detailed report/explanation within one month to PAC on each item separately. A copy of Finance Secretary's enquiry report may also be submitted to the PAC.

AUDIT REPORT

206. *Loss of Rs. 48,461 due to fire in Newsprint Godown (Para 6, page 78-AR).*—Audit pointed out that 109,936 Tons of newsprint stored in a godown was damaged by fire in October, 1974 involving a loss of Rs. 472,725. The newsprint was insured at the rate of Rs. 4,300 per ton against actual cost of Rs. 6,000 per ton approximately, which resulted in a loss, and has not been regularised. The Department in the reply explained that an amount of Rs. 424,083 was paid by the Insurance Company after deducting a sum of Rs. 48,451 for deficiency of salvage which was the responsibility of Handling Agent. The Handling Agent had submitted a claim of Rs. 559,796 on account of services rendered. The claim was still pending for want of certain clarifications. The Department further explained that the case at the present was in Court of Law. The PAC deferred consideration of the case being subjudice.

COMMERCIAL ACCOUNTS

207. *Pakistan Broadcasting Corporation (Para 3, pages 10—14-ARCA).*—Audit pointed out that the accounts of the Pakistan Broadcasting Corporation were not made available for audit up to March, 1984. The Department informed that accounts for 1983-84 would be ready by next month and would be submitted to Audit. The lapse was regretted. The PAC directed that the position should be brought up to date and submission of accounts to Audit should be ensured on due date.

208. *Physical Verification of Assets by Public Sector Organisations (Para 52, page 52-ARCA).*—It was pointed out by Audit that Physical Verification was not being done in Public Sector Organisations although according to accepted accounting principles, the physical verification of assets by the organisations should be conducted at least once a year at regular intervals to verify that the book balances of such assets agreed with that emerging after physical count and the shortages/excesses were adjusted in the books. The Department intimated that Pakistan Broadcasting Corporation had completed physical verification of assets. The Audit, however, observed that this should be a regular feature. The PAC dropped the paragraph subject to verification by Audit.

Associated Press of Pakistan

209. *Over payment of Rs. 26,814 due to incorrect fixation of Pay of re-employed Military Personnel (Para 21, page 30-ARCA).*—According to Audit certain Retired Military Government servants were employed from 1976-77 to 1981-82. They were allowed scales of pay, alongwith full Pension in contravention of the instructions of the Government. Instead, they were required to be paid their last pay drawn less gross pension which resulted in excess payment of

Rs. 26,814. The Department explained that Associated Press of Pakistan is not a Government Department nor an autonomous body. Service conditions of its employees are governed by the provision of "Newspaper Employees Condition of Service Act, 1973" Read with "West Pakistan Industrial and Commercial Employment Standing Ordinance, 1968". The case of regularisation of pay and allowances of retired military personnel was in correspondence amongst Ministry of Information and Broadcasting, and Ministry of Finance and Justice Division. The Ministry further intimated that they had already asked the Associated Press of Pakistan to refund the excess payment made. It was further pointed out that it had already been decided that the payment should be made under Government Rules. The Department also observed that the payment was made in good faith and might not be recovered. The PAC observed that amount of excess payment should either be regularised or recovered. The paragraph was dropped subject to verification by Audit.

210. *Internal Audit in Government Commercial Organisations (Para 53, pages 56—59-ARCA)*.—Audit pointed out numerous cases in which satisfactory Internal Audit arrangements had not been made. The Pakistan Television Corporation in which the Internal Audit had been entrusted to a firm of Chartered Accountants had carried out post audit only. Setting up of an Internal Audit Department within the Organisation was stressed upon. The Department explained that there was no Internal Audit Department as such, the Chartered Accountants were employed for the purpose who submitted their reports monthly. The creation of a separate Internal Audit Department will cost much more. The Audit desired that copies of such reports may be submitted to Audit, to see how effective the existing arrangements were? The PAC observed that such reports may be supplied to Audit.

211. *Points not discussed to be treated as settled*.—The Committee did not make any observation on other points/paras of the Appropriation/Commercial Accounts for 1982-83 and Audit Reports thereon. These would be deemed to have been settled, subject to such regularisation action or (subject to verification by Audit) as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 23rd November, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 31st December, 1986

Third Sitting (PAC)

*123. The Public Accounts Committee assembled at 0900 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

- | | | | |
|--|----|----|----------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | .. * Chairman. |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. | .. | .. Member. |
| (3) Rai Arif Hussain, M.N.A. | .. | .. | .. Member. |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | .. Member. |
| (5) Mr. Shahbuddin Shah Hussainy, M.N.A. | .. | .. | .. Member. |
| (6) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | .. Member. |
| (7) Mr. Miangul Aurangzeb, M.N.A. | .. | .. | .. Member. |

National Assembly Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Syed Iftikar Shabbir, Deputy Auditor-General (Co-ord).
- (3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (4) Sh. Muhammad Sadiq, Accountant-General Pakistan Revenues.
- (5) Mr. Ahmed Nawab Qureshi, Director General, Commercial Audit.
- (6) Raja M. Saleem Khan, Director Foreign Audit.

Ministry of Finance :

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. Muhammad Zafar Mian, Joint Secretary.
- (3) Mr. Tanwir Ali Agha, Deputy Secretary.
- (4) Mr. Shamsul Haq, FA (Information and Broadcasting).

124. *Accounts examined.*—Accounts pertaining to the Ministry of Information and Broadcasting were examined by the Committee during the course of the day.

*Paragraphs upto 122 pertain to other Ministries/Divisions.

MINISTRY OF INFORMATION AND BROADCASTING

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

- (1) Mr. Abdul Majid Mufti, Secretary.
- (2) Mr. Abdul Khaliq Awan, Joint Secretary.
- (3) Mrs. Rehana Gill, Deputy Secretary (F&A).
- (4) Mr. S. A. Hussaini, Deputy Secretary (F&A).
- (5) Mr. Habib-ur-Rehman, Section Officer (F&A).
- (6) Mr. A. Vakil Khan, Section Officer.
- (7) Mr. M. Y. Sethi, PIO (PID).
- (8) Mr. M. E. H. Khilji, Director General (PNC).
- (9) Mr. Agha Nasir, MD (PTVC).
- (10) Mr. Kafil Ahmad, DG (Directorate Film and Publications).
- (11) Mr. Farooq Nisar, DG (APP).
- (12) Kh. Ijaz Ahmad, Director (PBC).
- (13) Kh. Ijaz Sardar, Director (Information Services Academy).

126. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1983-84		
1.	Ministry of Information and Broadcasting	77
2.	Directorate of Publications, Newsreels and Documentaries	78
3.	Press Information Department	79
4.	Information Services Abroad	80
5.	Pakistan National Centres	81
6.	Other Expenditure of Ministry of Information and Broadcasting	82
7.	Development Expenditure of Ministry of Information and Broadcasting	152
1984-85		
1.	Ministry of Information and Broadcasting	80
2.	Directorate of Publications, Newsreels and Documentaries	81
3.	Press Information Department	82
4.	Information Services Abroad	83
5.	Pakistan National Centres	84
6.	Other Expenditure of Ministry of Information and Broadcasting	85
7.	Development Expenditure of Ministry of Information and Broadcasting	158

APPROPRIATION ACCOUNTS (1983-84)

127. *Grant No. 77—Ministry of Information and Broadcasting (Page 602-AA).*—The grant closed with a saving of Rs. 146,181 which being nominal, no observation was made by the Committee.

128. *Grant No. 78—Directorate of Publications, Newsreels and Documentaries (Page 610-AA).*—There was an excess of Rs. 811,256 under this grant which was 4 per cent of the Final Grant. The Department explained that excess was due to Advance Pay allowed on Eid, and adjustment of belated debits of previous year. The Audit observed that Department should have a device of foreseeing liabilities. The Committee directed that the Department should be careful in future. The excess was recommended for inclusion in the excess budget statement.

129. *Grant No. 79—Press Information Department (Page 614-AA).*—This grant closed with an excess of Rs. 248,474, which was attributed to Advance Payment of salary on Eid and revision of pay scales. The Committee recommended the excess.

130. *Grant No. 80—Information Service Abroad (Page 620-AA).*—As per Appropriation Accounts, there was an excess of Rs. 2,799,704 Main excess of Rs. 2,56,096 was under sub-head "Commodities and Services". Audit held that excess was about 10 per cent and if the expenditure was inevitable, the Department should have gone for Supplementary Grant. The Department explained that excess was beyond the control of Department. There had been heavy fluctuation in foreign exchange rates. The expenditure pertained to external services publicity abroad. There were 67 Missions out of which 27 were manned by information staff. During last one and a half years there were Presidential visits to United Nations, Egypt, Saudi Arabia, Bangladesh and Sri Lanka. The information staff had to go through lot of exercise for projection of Pakistan. Then there were economy cut in the approved grant resulted in excess.

131. A member of the PAC observed that the External Publicity Wing be wound-up because it was not performing any useful function in improving the image of Pakistan abroad. If the perceptions about Pakistan have changed it was not because of any efforts on the part of this wing but because of change of geo-political situation in the region. The Department should supervise closely the work of officers posted abroad. The Department explained that the work of officers posted abroad was being watched constantly. Although the work done by them was not totally satisfactory, the Department expected to improve the work through constant supervision and checks over them.

132. The Committee after detailed discussion expressed its dissatisfaction with the performance of External Publicity Wing and it was observed that it had not performed any useful work in projecting correctly the image of Pakistan abroad. The excess was however recommended for inclusion in the excess budget statement for regularisation.

133. *Grant No. 81—Pakistan National Centres. (Page 624-AA).*—There was an excess of Rs. 611,005 under this grant which was 7 per cent of the Final Grant. The major excess was due to advance salary paid on Eid and revision of pay-scales. The Committee recommended the excess for regularisation.

134. *Grant No. 82—Other Expenditure of Ministry of Information and Broadcasting (Page 628-AA).*—The grant closed with a saving of Rs. 1,168,788. An amount of Rs. 230,340 was surrendered leaving a net saving of Rs. 938,448. The Committee did not make any observation, as saving being normal.

135. *Grant No. 152—Development Expenditure of Ministry of Information and Broadcasting (Page 630-AA).*—This grant closed with a saving of Rs. 2,928,200 which was 34 per cent of the Final Grant. The Department while explaining saving under this grant intimated that the funds were meant for special publicity campaign during the Sixth Five-Year Plan. A decision was taken by Planning Division and not by Information Department which resulted in saving. The Department further explained that the Government Departments did not carry out their publicity work through Information Department. The Committee observed that all Department should seek the services of Information Department for Publicity.

AUDIT REPORT (1983-84)

136. *Non-recovery of Foreign Allowance etc., Rs. 61,774 (Para 2, page 106-107-AR).*—According to Audit Report, Daily Allowance, Entertainment Allowance, Foreign Allowance and Exchange Compensation Allowance amounting to Rs. 61,774 was irregularly paid in Information Wing of a Mission abroad. They recoveries of irregular payment remained unaffected. The Department in their reply admitted the irregularity and reported that an amount of Rs. 23,888 stand recovered/adjusted and balance of Rs. 37,886 was being recovered. The Committee settled the paragraph subject to verification of recovery by Audit.

COMMERCIAL ACCOUNTS (1983-84)

137. *Delay in Preparation of Annual Accounts—Pakistan Broadcasting Corporation (Para 3-4, pages 12—14-ARCA).*—The Committee was informed by Audit that Accounts for 1982-83 and 1983-84 had been received and Accounts for 1984-85 and 1985-86 had become due. The Department intimated that delay was due to the fact that there were 55 units in all, as such it took some

time to collect their Accounts. Accounts for 1984-85 had been submitted to Audit. Accounts for 1985-86 were also ready and would be audited by Commercial Auditors upto January, 1987.

138. The Committee directed that Accounts for 1985-86 should be expedited. The Department should have a meeting with the Audit and revamp its Accounting Procedure.

139. *Loss of Rs. 101, 408 due to misplacement of a consignment of spare parts and non-refund of Custom Duty thereon. (Para 30, page 45-ARCA).*—As per Audit Report a consignment of imported spare parts was misplaced by the clearing agent in November, 1979, resulting in a loss of Rs. 101,408, National Insurance Corporation has paid a claim of Rs. 46,110, thus reducing the loss to Rs. 55,298. The department reported that 45 per cent of the loss had already been recovered and all efforts were made to recover the remaining amount. The Committee directed that follow-up action should be expedited and recovery got verified from Audit.

APPROPRIATION ACCOUNTS (1984-85)

140. *Grant No. 80—Ministry of Information and Broadcasting (Page 614-AA).*—As per Appropriation Accounts there was a saving of Rs. 3,360,165 under this grant, which was 13 per cent of the Final Grant. This included Rs. 3,258,000 surrendered by the Department in time. The Committee did not make any observation.

141. *Grant No. 81—Directorate of Publications, Newsreels and Documentaries (Page 622-AA).*—There was a saving of Rs. 700,059 which being nominal, the Committee did not make any observation.

142. *Grant No. 82—Press Information Department (Page 626-AA).*—The grant closed with a nominal saving of Rs. 209,101. The Committee did not make any observation.

143. *Grant No. 83—Information Services Abroad (Page 632-AA).*—The grant closed with an excess of Rs. 1,404,536. The major excess of Rs. 247,419 under "Other Allowances" (Medical Charges), Rs. 537,050 under "Purchase of Durable Goods" and Rs. 875,201 under "Commodities and Services" was attributed by the Department to economy cut, heavy fluctuations in rates of Foreign Exchange and curtailment of demand for Funds by the Ministry of Finance. Audit observed that Department was required to keep its expenditure within authorised limits. The Department should have clearly intimated the amount of excess attributed to fluctuations in foreign exchange rates. The Committee after going through the explanation of the Department directed that expenditure should be limited to the grant and recommended the excess for regularisation.

144. *Grant No. 84—Pakistan National Centres (Page 636-AA).*—This grant closed with a saving of Rs. 511,518. A member observed that he doubted if the National Centres were doing any useful work. He was of the view that the tax payers money could be better spent on more creative activities in the private efforts by closing these Centres. The Department explained that these Centres were meant for achievements of objectives with National Integrated Programmes and had been doing some useful work. The Committee did not make any observation on savings under this grant.

145. *Grant No. 85—Other Expenditure of Ministry of Information and Broadcasting (Page 638-AA).*—There was a saving of Rs. 476,347 which was nominal and the Committee did not make any observation.

146. *Grant No. 158—Development Expenditure of Ministry of Information and Broadcasting (Page 640-AA).*—This grant also closed with a saving of Rs. 2,836,000 which was 83 per cent of the Final Grant. The Department reported to the Committee that an amount of Rs. 2,750,000 was surrendered in time. The balance amount of Rs. 86,000 was surrendered on 30th June, 1985 as there was less expenditure on Publicity. The matter whether "Publicity" was a subject for Planning or Information had not yet been decided. The representative of Finance pointed out that there were saving under all grants except one, which would reveal that adequate funds were provided. The Demand was made more than the requirements. There was a total saving of 8 million under different grants. The Chairman PAC observed that Department should plan better financial discipline and the demand should be restricted to the requirements. Such saving tantamounts to blocking of public money unnecessarily. The Committee directed that Ministry of Finance may report the amount spent by different Ministries on Publicity.

AUDIT REPORT (1984-85)

147. *Infructuous Expenditure of U.S. \$ 7,374 [(Rs. 88,488) (Para 1, page 109-AR)].*—Audit pointed out that a Sound Mixing Console Table was purchased by the Department for Film Processing Laboratory in March, 1976 at a cost of U.S. \$ 7,374 (Rs. 88,488). Since then the equipment was not used and was lying idle. The Department admitted in reply that it was a bad planning and one of the officers responsible had since died and services of another had been terminated. Action was being taking to put the equipment in operation it was promised that it would be installed within four months.

148. The Chairman PAC observed that it was one of the bad cases of delay. It took 10 years to initiate proper action. Public money was spent without proper planning. The Committee directed that the Department should be careful in future. The paragraph was dropped subject to verification by Audit.

149. *Avoidable loss of Rs. 80,720 (Para 2, page 109-AR).*—According to Audit Report, a contract was awarded to a firm by Director General Films and Publications, for printing of year book 1978-79. The order was cancel when 75 per cent of the work had been completed by the firm. The printer was paid Rs. 80,720 as compensation. The Department explained the circumstances under which the work was stopped. It was intimated that it was decided to print year book upto 1981. The Master already completed was included in the Pakistan Year Book 1978—81. The Committee directed that the Department should be careful in planning. The paragraph was dropped subject to verification of write off sanction by Audit.

COMMERCIAL ACCOUNTS (1984-85)

150. *Non-entertaining state Audit (Para 70, page 71-ARCA).*—As per Audit Report, the management of Shalimar Recording Company had not agreed to entertain Government Audit on the grounds that the company was not set up by the Federal Government. The Department intimated that the matter was under consideration of the Justice Division. On a query from the Chairman PAC, it was reported by the Firm that PTV and PBS were Shareholders of the firm. The Department reported the NAFDEC was also a Shareholder. Audit informed the Committee that criteria was whether the firm was established by Government and that Share of Government was not the only factor.

151. The Committee directed that the case should be finalized at any early date. It was also recommended that Public money should be withdrawn from the companies who did not get their Accounts Audited.

152. *Associated Press of Pakistan (Para 295, page 188-ARCA).*—Audit pointed out that fixed assets amounting to Rs. 12.704 million as on 30th June, 1985 included 2 sets of Mobile Radio TP System purchased in June, 1977. These sets were lying idle since their purchase. Thus funds to the above extent remained blocked. The Department reported to the Committee that equipment was purchased for News coverage. It was, however, subsequently abandoned. The parts of this system were being used elsewhere in the present system. The Committee observed that the Department should be careful while planning their requirements. Subject to these observation, the paragraph was dropped.

153. *Points not discussed to be treated as settled.*—The Committee did not make any observations on other points paras and thus all such points in the Appropriation Accounts|Commercial Accounts and Audit Report thereon would be deemed to have been settled subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 11th June, 1987.

FEDERAL COUNCIL SECRETARIAT*Sunday, the 6th January, 1985***Eleventh Sitting (PAC)**

*1678. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

- | | |
|---|----------------------------------|
| (1) Mr. Masarrat Hussain Zuberi, former Secretary to the Government of Pakistan | Member.
(Acting
Chairman). |
| (2) Syed Saieed Hasan, Member, Federal Council | Member. |
| (3) Akhunzada Bahrawar Saeed, Member, Federal Council | Member. |
| (4) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council | Member. |
| (5) Mr. Abdul Qadir, former Chairman, Railway Board | Member. |
| (6) Mr. Yusuf Bhai Mian, Chartered Accountant | Member. |

Federal Council Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmed, Assistant Secretary.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.)
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.
- (6) Mrs. S. N. Sheikh, Director General, Commercial Audit.
- (7) Mr. Iftikhar Ali Khan Raja, Director General, (A.A. Works) Lahore.
- (8) Raja M. Saleem Khan, Director, Foreign Audit.

Ministry of Finance :

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. S. M. Hasan, F.A. (Tourism).

1679. *Accounts examined*—Accounts pertaining to the Tourism Division were examined by the Committee during the course of the day.

*Paragraphs upto 1677 pertain to other Ministries/Divisions.

TOURISM DIVISION

1680. The Committee took up for examination, the Appropriation Accounts pertaining to the Tourism Division. The following departmental representatives were present :—

- (1) Mr. Masood Nabi Noor, Secretary.
- (2) Mr. Anwar Kabir Sheikh, Joint Secretary.
- (3) Mr. S. A. H. Bokhari, O.S.D. (F&A).
- (4) Mr. Abdul Qayyum Khan, M.D. (PTDC).
- (5) Mr. Bashir Ahmed, Director Finance (PTDC).
- (6) Mr. Abdul Azim Siddiqui, Manager Audit (PTDC).
- (7) Mr. Rashid Ibrahim, Manager Accounts (PTDC).

1681. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Tourism Division	28
2.	Development Expenditure of Tourism Division	145

1682. *Reconciliation of Accounts with Audit.*—From the statement submitted by the AGPR, the Committee noted that progress in the reconciliation of accounts after June, 1984 had not been satisfactory. The departmental representative was directed that all the outstanding work of reconciliation of Accounts up to October, 1984 be completed, expeditiously.

APPROPRIATION ACCOUNTS

1683. *Grant No. 28—Tourism Division (Pages 264—268-AA).*—The appropriation accounts show a net excess of Rs. 1,163,580 in respect of this grant. A member of the Committee remarked that in view of the excess the surrender of Rs. 543,538 should be justified. The Acting Chairman further remarked that the department had shown excesses against various objects. Some of these could easily have been cleared by reappropriation from other objects which had savings. A member of the Committee also observed that there was utter lack of interest in accounts in the Division. No compliance was made by the department as previously promised by them. The Acting Chairman further remarked that something appeared to be missing in the internal coordination, and enquired as to whether the department had a whole-time accountant.

1684. The departmental representative replied in the affirmative. Thereupon, the Acting Chairman said that the fact remained that there was lack of supervision.

1685. A member of the Committee pointed out that under object '600—Transfer payment' there was an excess of Rs. 1,514,674. If a Supplementary Grant had been sanctioned it was not booked. The department should have regularised the position but there was no explanation to that effect in the brief. The departmental representative submitted that the figures of final grant and actual expenditure duly reconciled by Audit were Rs. 7,170,300 and Rs. 7,075,801 respectively and as such there was an actual saving of Rs. 94,499 and not an excess of Rs. 1,514,674. Audit commented that figures of final grant taken in Appropriation Accounts were correct. Regarding difference in actual expenditure, it was mainly due to booking of a debit of Rs. 175,513 relating to Code 900 under this code.

1686. On an enquiry by the Acting Chairman as to when the supplementary grant was sanctioned. The departmental representative said in June, 1982. Thereupon, the Acting Chairman observed that the Finance Ministry should also see to it that their instructions were carried out and the sanction was conveyed to Audit. This could also be done by the Financial Adviser to the Division.

1687. After discussion, the Committee directed that in future the department should ensure that the accounts are properly maintained. The Committee also observed that the cut off date prescribed by the Finance Division should be adhered to by the Department as presumably supplementary grants would not be sanctioned after that particular date.

1688. Grant No. 145—Development Expenditure of Tourism Division (Pages 270—272-AA).—The published accounts show a net excess of Rs. 19,672 under this grant. The Division explained that bills for Rs. 19,672 were pending with Audit, but surrender orders for Rs. 277,547, issued on 30th June, 1984 included the above amount on the presumption that the pending bills would not be cleared by AGPR on that date i.e. 30th June, 1984. However the bills for the above amount were passed by AGPR at about 11.45 P.M. on that date and as such there was an excess of Rs. 19,672.

1689. A member of the Committee remarked that the explanation given by the Division was obviously incorrect. The department should have kept a record of the bills sent to the A.G.P.R.

1690. After discussion, the Committee observed that excess expenditure was not explained correctly and convincingly besides that the accounts were not maintained properly. The Committee, therefore, directed that fresh explanation should be submitted and also action taken against those who prepared these briefs in such an un-satisfactory manner.

AUDIT REPORT

1691. *Delay in processing of G.P. Fund Cases [Para 2, (Sl. No. 73), pages 281—286-AR].*—Explaining the delay in the G.P. Fund case of Mr. Maqbool Shah (G.P. Fund Account No. PAMA—68), the Division stated that the official sent an application on 11th June, 1980 for the final payment of his Fund amount. But due to lack of supporting documents the application was found to be incomplete. Attempts were made many a time to contact him at the address given but he was not available. On his personal visit to the office in the month of January, 1982, all the relevant documents were completed by him and then they were sent to A.G.P.R. on 18th January, 1982 and after issuance of the sealed authority by the AGPR, payment was made to the official concerned on 15th June, 1982.

1692. *The Committee, felt that the passage of five months between completion of papers and payment was too long and directed the departmental representative that they should ensure prompt payment in all G.P. Fund cases in the future.*

COMMERCIAL ACCOUNTS

1693. *Sundry Creditors—Rs. 187,864 [Para 66 (Sl. No. 1), page 188-CA].*—A member of the Committee observed that the items shown in the Commercial Accounts 1981-82 Volume I related to the Pakistan Institute of Tourism and Hotel Management and enquired as to why were these amounts written back by the Tourism Division in the subsequent year when the lawyer, contractor and architect were available and could be paid. The departmental representative replied that the contractor's claim was not established. The member further remarked that if the department did not have to pay anyone, then there was no need to go to the Board for obtaining approval and asked as to why the Board approved the writing back of the amounts.

1694. The Committee observed that the department was not aware of the correct position regarding the liability of the credit balances appearing in the books and no explanation was furnished by the department for writing them back. *The Committee, therefore, directed that the matter should be looked into and a fresh reply submitted to the PAC.*

Sundry Debtors

1695. *Recoverable from National Training Bureau amounting to Rs. 27,744 [Para 66 (Sl. No. 4), page 188-CA].*—It was explained by the Division that the matter was placed before the Board of Governors of PITHM in its meeting held on 18th August, 1984 and the Board approved the writing off of Rs. 27,744.

1696. Replying to a query about the advance to the National Training Bureau, the departmental representative stated that the amount was advanced to the Bureau by the Manpower Division. The member further enquired as to whether the Training Bureau was wound up and, if not, why was the advance not recovered from it. *The Committee directed the department to find out all the facts and send a note to the Committee.*

1697. *Pakistan Embassy in United Kingdom (London)—Rs. 86,955.71 [Para 66 (Sl. No. 5), page 188-CA].*—The Division reported that the amount had since been refunded to the Pakistan Institute of Tourism and Hotels Management. *The Committee directed that Audit should verify the recovery.*

1698. *Income and Expenditure Accounts (Para 69, pages 194-195-CA).*—A member of the Committee remarked that the department had said in their reply that the accounts of PITHM tallied with the Income and Expenditure Account for the year ending 30th June, 1982 except for a typographical error in sub-total of income, which figure might be read as Rs. 1,017,292 in place of Rs. 1,017,592. This was not the correct explanation.

1699. *The Committee, therefore, directed the departmental representative that a correct explanation should be given to the PAC through Audit.*

Pakistan Tourism Development Corporation Limited

1700. *[Para 3 (ix), page 6-ARCA].*—Audit had reported that the accounts for the years 1981-82 pertaining to the PTDC had not made available to Audit even up to February, 1983.

1701. It was stated by the department that the Pakistan Tourism Development Corporation accounts for 1981-82 had since been sent to the Director-General, Commercial Audit *vide* No. MA (HO)|84-32-MA|HO|84-33, dated 15th July, 1984.

1702. Questioned as to why the Accounts were late, the departmental representative replied that the Accounts for 1981-82 had been completed and the accounts for 1982-83 were being processed.

1703. After further discussion, *the Committee directed that the PTDC accounts for 1983-84 should be furnished to Audit by February, 1985.*

Pakistan Institute of Tourism and Hotel Management

1704. *(Paras 105-106, page 74-ARCA).*—Audit did not have any comments to make on the accounts. A member of the Committee, however, drew the attention of the departmental representative to pages 191 and 195 of

Commercial Accounts Vol. I, 1981-82, which showed the Institute had Rs. 1,953,594 in Fixed Deposit and Rs. 100,944 in the current account, and asked as to what was the purpose of holding in to so much money when there were no activities. Did the Division have any idea about the future of the Institute. The Acting Chairman enquired as to what was the departmental position? The departmental representative explained that actually the Institute was started to train Pakistanis in Hotel Management and the record showed that every year they were running four courses. The department had a Board of Governors consisting of Hotel Executives as well as travel agents, but the response from the hotels was not entirely satisfactory. It had been stated that quality of training given in Pakistan did not match with the training which given abroad.

1705. Replying to a query, the departmental representative said that every year the department received offers from Italy, where specialized training in Hotel Management was available. Some Pakistanis had also been going there to get the training.

1706. In view of the above explanation the Committee did not make any further observation on these paragraphs which were treated as settled.

COMPLIANCE ON THE PAC'S 1979-80 REPORT

1707. *Grant No. 153—Development Expenditure of Tourism Division (page 165-AA) (Paras 371-372, pages 145-146-PAC Report 1979-80).*—Audit having confirmed that excess booking had been rectified through an errata, the Committee, decided that the paragraphs were deemed to have been settled.

1708. *Irregular use of Staff Cars (Para 67, pages 53-54-AR) (Paras 373—375, pages 146-147-PAC Report 1979-80).*—Since Audit had verified compliance the Committee decided that these paragraphs be treated as settled.

Pakistan Tourism Development Corporation

1709. *Wasteful expenditure of Rs. 343,722 (Para 29, page 34-ARCA) (Paras 376—378, pages 147-148-PAC Report 1979-80).*—Audit pointed out that despite PAC's directive that a final decision in the matter must be taken before the end of the financial year 1980-81, the Sound and Light project had not been wound up even after a lapse of 3 years.

1710. Audit further commented that the expenditure on pay and allowances of the employees continued to be incurred which amounted to Rs. 744,925 on 30th June, 1984.

1711. Keeping in view the above position these paragraphs were discussed and thereafter the Committee directed that the equipment of Sound and Light Project should be disposed off by the end of March, 1985.

1712. Overpayment of Rs. 110,360 to a consultant due to defective agreement (Para 30, page 35-ARCA) [Para 379 (i), page 148-PAC Report 1979-80].—While examining the accounts for 1979-80, the Committee had taken a serious view for the Division not furnishing a reply to the above mentioned paragraph which related to PTDC. Audit had reported that PTDC appointed a consultant in September, 1975 for designing Night Kabanas and Day Cabins on a Lake side. According to the agreement, following fee was payable :—

- (i) Sketch design 2 per cent of the total cost.
- (ii) Working drawing 2½ per cent of the total cost.
- (iii) Periodical supervision 1½ per cent of the total cost.

1713. Audit further reported that the work pertained to 27 Night Kabanas (in 9 blocks of 3 each) and 32 Day Cabins (in 8 blocks of 4 each). The Consultant did work for one block each of Night Kabanas and Day Cabins. Rest of the blocks were identical and the repetitive work was involved in it. In fact, fee of Rs. 29,214 worked out on the tendered average cost of one block each of Night Kabanas and Day Cabins was payable. But due to defective agreement fee of Rs. 257,426 worked out on the tendered cost of 9 blocks of Night Kabanas and 8 blocks of Day Cabins was paid resulting in excess payment of Rs. 228,212.

1714. The department explained that the consultants prepared plans, sketch designs, working drawings and tender documents of the whole project. Although the design generally was identical, they were prepared for different soils and these could not be repeated without adaptation. Therefore, the payment for 27 Night Kabanas and 32 Day Cabins was justified. The consultants, according to the Bye-Laws of the Institution of Architects, were justified to claim 6 per cent of the total cost.

1715. Audit pointed out that the Division had not given the reply to Audit objection of lack of planning which was borne out by the fact that instead of 27 Night Kabanas and 32 Day Cabins, only 24 Night Kabanas had been constructed.

1716. Replying to a query regarding the progress of work, the departmental representative stated that the construction of 24 Kabanas had been fully completed and furnished.

1729. A member of the Committee enquired as to why did the department not sell the hotels. The departmental representative replied that the department was proposing to associate with some body who would assist in financing their renovation and development, as the department did not have the money.

1730. *The Committee did not make any further observation except that the department should improve the management of the hotel and be more careful in the future.*

1731. (Para 252, page 131-ARCA, Para 378, page 148-PAC Report 1979-80).—Audit had pointed out in their comments that the resultant special audit report was sent to the Ministry in 1983, but reply was still awaited. Further findings of the Committee set-up by the Task Force as mentioned in the department's reply had not yet been conveyed to Audit.

1732. *The paragraph was, therefore, deferred by the Committee and directed that it was also concerned with earlier directive relating to paragraphs 380—382 which would also be applicable to this paragraph.*

1733. (Para 254, page 231-ARCA, Para 378, page 148-PAC Report 1979-80).—Audit had pointed out that an amount of Rs. 3,000,000 was found to have been kept in 30 days call notice account in a foreign bank in May, 1979 at 10 per cent. The amount was increased to Rs. 4,500,000 in June, 1980. Another amount of Rs. 53,923 was deposited with the Bank on 21st March, 1981. Thus, at present, a total amount of Rs. 4,533,923 was lying with a foreign bank in Pakistan.

1734. The department explained that the funds of the PTDC and PTDC Hotels which were invested in fixed deposits with BCCI (Foreign Bank in Pakistan) had been withdrawn and re-invested in a nationalised commercial bank.

1735. A member of the Committee remarked that the departmental explanation was not satisfactory. It was an irregular transaction.

1736. After discussion, *the Committee decided that the transaction being patently irregular, action should be taken against those who kept the money with a foreign bank and a report submitted by March, 1985.*

1737. (Para 255, page 133-ARCA, Para 378, page 148-PAC Report 1979-80).—The paragraph was treated as settled.

1738. (Para 256, page 133-ARCA, Para 378, page 148-PAC Report 1979-80).—*The Committee observed that matter had come under previous paragraphs as such the paragraph was deferred.*

1739. (Para 257, page 133-ARCA, Para 378, page 148-PAC Report 1979-80).—This paragraph was treated as settled.

1740. *Consideration of the remaining portion of the compliance on the PAC's Report 1979-80 was deferred as the Audit had to go through replies given by the Division.*

1741. *Points not discussed to be settled.*—The Committee did not make any observation on other points in the Appropriation and Commercial Accounts 1981-82 and the Audit Reports thereon; These would be treated as settled subject to such regularisation action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 22nd December, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 5th May, 1986

Eighth Sitting (PAC)

*433. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C :

- | | | | |
|--|----|----|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | <i>Chairman.</i> |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. | .. | <i>Member.</i> |
| (3) Rai Arif Hussain, M.N.A. | .. | .. | <i>Member.</i> |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (5) Malik Said Khan Mabsud, M.N.A. | .. | .. | <i>Member.</i> |

National Assembly Secretariat :

- (1) Ch. Abdul Qadir, Joint Secretary.
- (2) Mr. Muhammad Aslam, Deputy Secretary.
- (3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.)
- (4) Mr. A.A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant General Pakistan, Revenues.
- (6) Mr. Iftikhar Ali Khan Raja, Director General (A&A works) Lahore.
- (7) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
- (8) Mr. Sikandar Aziz Eskar, Director Revenue Receipt Audit.

Ministry of Finance :

- (1) Mr. S.M. Hasan, FA (Tourism).
- (2) Mr. I.A. Saeed, DFA (Tourism).

*Paragraphs upto 432 pertain to other Ministries/Divisions.

TOURISM DIVISION

*454. The Committee took up for examination, the Appropriation Accounts pertaining to the Tourism Division. The following representatives were present :—

- (1) Lt. Gen. (Retd.) Majibur Rehman Khan, Secretary.
- (2) Mr. Abdul Qayyum Khan, MD (PTDC).
- (3) Mr. Shah Alam, Economic Analyst.
- (4) Mr. Bashir Ahmad, Finance Director (PTDC).
- (5) Mr. Abdul Waheed Siddiqui, Manager Accounts, (PTDC).
- (6) Syed Qasim Abbas, Manager Audit (PTDC).

455. This Division controlled the following Grants :—

S. No.	Name of Grant	Grant No.
1.	Tourism Division	28
2.	Development Expenditure of Tourism Division	143

APPROPRIATION ACCOUNTS

456. *Grant No. 28—Tourism Division (Pages 190-91-AA).*—The grant closed with a net saving of Rs. 227,257. The saving being within permissible limits, the committee did not make any observation.

457. *Grant No. 143—Development Expenditure of Tourism Division (Pages 192-193-AA).*—The grant closed with a saving of Rs. 1,381,682, which was more than 50% of final grant and tantamounted to blocking of funds, which could have been used elsewhere. The Department explained that an amount of Rs. 520,000 was surrendered on 30-6-1983, but the surrender was not accepted. Similarly an amount of Rs. 310,000 was inadvertently booked by A.G.P.R. Gilgit against Kashmir Affairs Division. Another saving of Rs. 344,000 was due to non-adjustment of debits by A.G.P.R. Gilgit.

458. Audit held that the explanation was incorrect, no quarterly releases were involved in this case. Moreover it was incorrect to surrender the saving on 30th June, 1983, as no surrenders were acceptable after 31-3-1983. Had the expenditure been reconciled with A.G.P.R. Gilgit well in time, wrong booking/misclassification would have been corrected.

459. The Chairman desired to know the details of expenditure under this grant for which the Department was not prepared to provide information. The Committee was not satisfied with the explanation of the Department and directed that the detailed explanation for saving with full justification may be provided to PAC within one month.

*Paragraphs upto 453 pertain to other Ministries/Divisions.

COMMERCIAL ACCOUNTS

460. *Operating results of PTDC—(Para 106, page 86-ARCA).*—According to Audit the Pakistan Tourism Development Corporation sustained an operating loss of Rs. 1.340 million during the year 1981-82 as against an operating profit of Rs. 4.870 million earned during the previous year. The loss would have stood at Rs. 2.616 million, had the interest of Rs. 1.276 million earned on un-utilised grants received from the Government not been accounted for as income of the Corporation. The main reasons for the loss was that the operating profit of P.T.D.C. Hotels decreased from Rs. 4.606 million of the previous year to Rs. 2.342 million of the year under review. Similarly, the working of Flight Kitchen and Transport disclosed operating losses of Rs. 0.338 million and Rs. 0.159 million during the year 1981-82 as against operating profit of Rs. 0.210 million and Rs. 0.266 million respectively earned by these organisations during the previous year. Need, for improving the working of P.T.D.C. by controlling expenditure and increasing the earnings to the maximum possible, was stressed upon the Management.

461. The Department in reply explained that income had increased during the year as certain measures had been taken towards further improvement. The profit figure for four years were as below :—

1981-82	..	..	..	..	Rs. 2.003 million.
1982-83	..	..	..	..	Rs. 2.619 million.
1983-84	..	..	..	..	Rs. 4.245 million.
1984-85	..	..	..	..	Rs. 1.340 million.

462. The Chairman enquired the reasons for heavy difference in profits for the year 1982-83 & 1983-84. It was explained by the Department that no maintenance expenditure was incurred during 1983-84. Audit however, observed that the figures of income, expenditure and consequently operating profit for the year 1984-85 given by the Corporation in their reply did not tally with figure of certified Accounts. Further overall operating profit of Rs. 0.176 million for the year 1984-85 was mainly due to charging of less depreciation of Rs. 1.244 million and earning of Rs. 1.676 million interest on unutilised government grant.

463. The Committee after going through the explanation, directed that a detailed report including future policy in respect of each Hotel/Motel, alongwith working paper for the year 1982 to 1986 should be submitted to PAC in its next meeting. The paragraph was deferred.

464. *Un-spent Government Grant Rs. 39 million—(Para 107, page 86-ARCA).*—According to Audit Report, Rs. 87.694 million were received by the Corporation from Government as grants for capital expenditure upto 30th June, 1982. Against

which capital expenditure of Rs. 48.411 million was incurred, leaving a balance of Rs. 39.283 million as un-utilised, which should have been surrendered to the Government. The needful was not done by the Corporation and the unspent balance was retained by the Corporation, without authorisation.

465. Notwithstanding the fact that huge unspent balance of the grants already received were available with the Corporation, the Ministry of Tourism went on sanctioning fresh grants.

466. The Department explained that the Audit carried out a detailed audit of Accounts and raised numerous objections. The accounts had been recast and a report compiled. Audit commented that the Corporation, despite its inability to spend, had been receiving grants and suggested that development grants were required to be released according to Corporations actual requirements. The Chairman observed that the report of the Committee formed by the Ministry should be submitted to PAC. The PAC was also interested to visit the projects on the spot.

467. The Committee directed that a report on the achievements of objectives by P.T.D.C. may be submitted to PAC.

468. *Outstanding amounts (Para 109, page 86-ARCA).*—Audit pointed out that suspense Accounts of Rs. 588,974 as at 30th June, 1982 represented (i) cash drawn from banks by employees of the Head Office (Hotels) which remained unaccounted for ; and (ii) unverified payments from banks and units made by the Head Office (Hotels) employees. Action for an early recovery/adjustment of the amounts lying in the "Suspense Accounts" was required to be taken by the Management.

469. The Department stated in reply that a case for Rs. 173,038 was registered with FIA against Manager Accounts (H), as he withdrew the amount from the Banks. There were unverified transactions of Rs. 164,808 which were still unestablished. A case for an amount of Rs. 251,128 had also been registered with the police. Audit pointed out that steps were required to be taken to strengthen controls and internal checks to safeguard government interest. The Chairman, however, suggested that Audit should study the existing system of controls and suggest improvement. A report should be submitted to PAC.

470. The Committee directed that in future the efficiency of internal checks and controls should be commented upon by Audit.

471. *Sundry Debtors—Rs. 3.34 million—(Para 112, page 87-ARCA).*—As per Audit Report the Sundry Debtors of Rs. 3.339 million were outstanding as at 30th June, 1982. Year-wise break up of the outstanding was not prepared by the local office as such the aging as well as the chances of recovery of the debts could

TOURISM DIVISION

*357. The Committee took up for examination, the Appropriation Accounts etc ; pertaining to the Tourism Division. The following departmental representatives were present :—

1. Mr. Asif Rahim, Secretary.
2. Mr. Shakeel Ahmed, Joint Secretary.
3. Mr. S. Qasim Abbas, Manager Audit (PTDC).
4. Mr. Waheed H. Siddiqui, Manager Accounts (PTDC).
5. Mr. Zakir Hussain Syed, DMD (PTDC).

358. This Division controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1983-84		
1.	Tourism Division	28
2.	Development Expenditure of Tourism Division	141
1984-85		
1.	Tourism Division	28
2.	Development Expenditure of Tourism Division	144

359. *Reconciliation of Accounts with Audit.*—Audit pointed out that reconciliation for the year 1986-87 had not yet been started under certain Demands. The Committee directed that reconciliation work should not be allowed to fall in arrears.

APPROPRIATION ACCOUNTS (1983-84)

360. *Grant No. 28—Tourism Division (Page 232-AA).*—The grant closed with an excess of Rs. 34,424. The Department informed that it was due to payment of advance salary on Eid and revision of pay scales. The Committee recommended the excess for regularisation.

361. *Grant No. 141—Development Expenditure on Tourism Division (Page 238-AA).*—There was a saving of Rs. 687,046 under this grant which was about 22% of the Final Grant. The Department explained that actual expenditure against this grant was Rs. 3,101,957, and not Rs. 2,464,954 as shown by Audit.

*Paragraphs upto 356 pertain to other Ministries/Divisions.

Thus there was only a saving of Rs. 50,043 and not Rs. 687,046 as shown by Audit. The amount of Rs. 50,043 was surrendered late and as such it was not accepted. Reconciliation of figures with Audit was also promised by the Department.

362. The Committee directed Audit to verify the departmental explanation the Committee further observed that the Department should be more careful. The funds not required should be surrendered well in time. There was saving under all the grants. There appeared to be some thing wrong in the matter of budgetary control systems.

COMMERCIAL ACCOUNTS (1983-84)

363. *Pakistan Tourism Development Corporation [Para 11(ii), page 26-ARCA].*—Audit pointed out that an amount of Rs. 100,798 paid as Advance to Firms of Architects for the work of construction and renovation of Hotels was not recovered although the work was postponed. The [Department informed the Committee that it was not a percentage payment, it was a fee only. The work could not be carried out due to abnormal political conditions in the neighbouring country. It was admitted by the Department that no terms were settled with the Architects by the then Managing Director. The [amount of Rs. 100,798 was allowed as mobilisation advance. The [Committee conveyed its dis-pleasure for not settling terms with the consultants. The paragraph was dropped.

364. *Loss due to overpayment to contractors [Para 12 (ii), page 28-ARCA].*—Audit pointed out that a work of Filtered Water Supply System was awarded to a contractor in 1977, at very high rates without calling for tenders and even without preparing proper estimates. The Department explained that the work was of urgent nature and there was no time for calling tenders with prescribed time notice. The higher rates were due to height at which work was to be done. The Committee directed that the Department should be careful and avoid accepting single tender in future. The paragraph was dropped.

365. *Non-recovery of liquidated damages Rs. 518,269 from the Contractors (Para 13, page 29-ARCA).*—According to Audit Report, execution period in respect of 5 works was not adhered to by the contractors and works were considerably delayed, but the liquidating damages were not recovered according to the terms of the contracts.

366. The Department explained that the irregularities of Rs. 139,118 had been settled by Audit. In the remaining four cases, compensation clause was not involved, as the works were delayed due to the reasons beyond the control of the contractors. The works were subsequently completed. The Committee observed that works should be well planned. The paragraph was settled.

367. *Overpayment of Rs. 421,867 to a contractor and loss of Rs. 753,618 on dismantling of Log Cabins (Para 14, page 30-ARCA).*—Audit pointed out that a work "Construction of 18 Log Cabins at Naran" was awarded to a Contractor in 1977 on single quotation basis and on a defective agreement. The Contract was cancelled in July, 1979 by which time, a payment of Rs. 766,700, had been made to the contractor. A Committee subsequently observed the value of work at Rs. 289,565. The Contractor was thus overpaid Rs. 487,135. No recovery could be made as performance and surety bonds were not got revalidated.

368. The left over work was awarded to another Contractor. While the work was in progress, 10 Cabins collapsed and the work was abandoned and all the Cabins were dismantled. The second Contractor had executed the work for Rs. 408,755. This resulted in a loss of Rs. 885,890. The Department explained in reply that a Chief Engineer was involved in this case. The case had since been registered with the Police. The Chaffan was complete. A special Audit in this case had already been requested. The F.I.R. was lodged both against contractor and Chief Engineer. The Committee observed that this was a bad case, and follow up action should be taken and responsibility fixed.

369. *Overpayment of Rs. 285,923 to a Contractor (Para 15, pages 31-32-ARCA).*—Audit pointed out that a work for addition of 10 Rooms in Chinar-Inn at Gilgit was awarded to a Contractor in 1974. The total payment made to the Contractor was Rs. 865,306 where-as according to the actual measurements carried out by the management, the value of work done worked out to Rs. 519,383, resulting in an overpayment of Rs. 285,923. The performance bond obtained was not revalidated and as such it could not be encashed. The Department explained in reply that the payments were made with reference to progress of work done plus material supplied at site. The amount of final bill differed from the amount of contract due to certain deviations caused during execution. The contractor had gone to arbitration and that case was at the present in a Court of Law. The Committee directed that the Department should fix responsibility for lapses in the case. The paragraph was deferred.

370. *Overpayment of Rs. 25,720 to a Contractor for the work "Camping Site at Hunza" (Para 22, page 37-ARCA).*—According to Audit Report a work of Construction of Camping Site at Hunza was awarded to a contractor in 1979. The Contractor was overpaid Rs. 25,720 which had been accepted for recovery but no recovery has yet been made. The Department reported in reply that the recovery had since been made. The Committee settled the paragraph subject to verification by Audit.

371. *Investment of Government Funds Rs. 38.714 million (Para 102, page 99-ARCA).*—According to Audit Report, the Corporation had an unspent balance of Rs. 38.714 million on 30-6-1983, out of the funds provided by the government

for various development projects. The Board of Directors of PTDC decided in July, 1983 that the development funds received from government be treated as government equity but the approval of competent financial authority to effect this decision had not yet been obtained. The Department explained that grants received from government upto 30-6-1983 were to be treated as government equity in PTDC. The question of issuing shares to government was under consideration. Auditor General enquired at this point, if the Ministry of Finance was satisfied with the existing arrangements. Finance intimated that they were not satisfied. There were standard rules on the subject. The Ministry and Corporation should follow these rules. The Department however, reported that a decision in the matter had already been taken by Government. The Committee directed that the Department should follow codal instructions on the subject for compliance.

APPROPRIATION ACCOUNTS (1984-85)

372. *Grant No. 28—Tourism Division (Page 226-AA)*.—The grant closed with a saving of Rs. 1,177,206 which was 6% of the Final Grant. The Department reported that the savings were surrendered on 30-6-1985, which were not accepted, being late. The Committee observed that Department should ensure surrender of funds, not required, in time.

373. *Grant No. 144—Development Expenditure of Tourism Division (Page 230-AA)*.—There was a nominal excess of Rs. 5,719, which was recommended for regularisation by the Committee.

COMMERCIAL ACCOUNTS (1984-85)

374. *Pakistan Institute of Tourism and Hotel Management [Para 71 (3), Page 75-ARCA]*.—Audit pointed out that the Management had not made available their annual accounts for the years 1984-85 and 1985-86 to Audit. The Department regretted the delay and reported that the Institute remained without a Director for some time. The Accounts were, however, ready for production to Audit. The Committee directed that accounts should be furnished to Audit early.

Pakistan Tourism Development Corporation

375. *Launching of Schemes without proper feasibility (Para 9.1, page 24-ARCA)*.—Audit pointed out that the Corporation launched 4 schemes during 1976-79 to attract tourists from abroad without ascertaining their economic viability. The schemes were abandoned after spending Rs. 2.826 million. The expenditure included a sum of Rs. 1.94 million as cost of land. The Department stated in reply that the projects were approved on the recommendations of international consultants in a feasibility study. Later on, due to geo-political situation, the project was deferred. The amount spent on land had not been wasted as

the value of land had increased manifold. The Committee observed that it was a wrong decision and the Department should be careful in taking decisions. A proper analysis should be made before taking up such projects.

376. *Excess payment of Rs. 249,866 on renovating of hotels (Para 9.2.1, page 25-ARCA).*—According to Audit the renovation of Hotels and Motels was awarded to a Contractor without rendering and detailing the specifications or the cost involved. Subsequently the rate charged by the Contractor was considered exorbitant and the work was suspended. The Contractor was paid Rs. 246,866, in excess of his dues as ascertained by a Committee. The Department admitted that the work was allotted on single tender basis and reasons were not recorded. PTDC had now streamlined the procedure. Such lapses would not happen in future. The Committee conveyed its displeasure and directed that the Department should be careful and avoid accepting single tender in future.

377. *Excess payment of Rs. 165, 194 on landscaping (Para 9.2.2.1, page 25-ARCA).*—As per Audit Report the work of landscaping and plantation around Keonjhar Lake was awarded to a consulting firm without tendering and without specifying scope of work and other conditions. An excess expenditure of Rs. 165, 194 was incurred on the work on the basis of the negotiated rates subsequently obtained. The Department admitted that single tender was allowed without recording reasons. The comparison of rates made by Audit was not in order. The Committee after going through the explanation conveyed its displeasure and directed that Department should take disciplinary action against the M.D. for future acceptance of single tender should be avoided.

378. *Overpayment due to inadequate financial control (Para 9.4.2, page 27-ARCA).*—According to Audit Report as per terms of agreement with Consultancy charges were payable as a percentage of tendered cost. The payment in certain cases was, however, made on estimated cost of work, resulting in an overpayment of Rs. 20,346. The Department reported that against total tendered cost of Rs. 11,029,000, the amount due to Consultants was Rs. 706,400 plus Rs. 98,125 and Rs. 41,675 on Master Planning. A member wanted to know the detail of Rs. 98,125 and 1/2% Master Planning which the Department could not explain. Audit, however, observed that total amount actually paid to Consultants had not been given in the reply. The Committee observed that the details should be checked and got verified from Audit. The paragraph was settled.

379. *Infructuous Expenditure on designing of works outside the purview of PC-I Rs. 98,125 (Para 9, 5, page 27-ARCA).*—Audit observed that the Consultant engaged for preparing master plan and designing of Keonjhar Lake Project was also asked to prepare preliminary designs of certain works at an additional cost of Rs. 98,125. The works were not included in the PC-I or revised PC-I. The Department explained in reply that there was a provision for payment of

Rs. 237,290 for sketch designs of the projects against which a payment of Rs. 98,125 was only made. Audit however was of the opinion that charges for enough skeleton design were included in the charges agreed for detailed design. Audit further wanted to know if there was any protects for reduction in payment of the firm as stated by the Department, the departmental representative was not sure about it. The Committee directed that Audit should verify the explanation of the Department. Subject to this, paragraph was settled.

380. *Defective Contract Agreement resulted in extra expenditure of Rs. 25,000 incurred on fabrication of Bus Bodies (Para 10, pages 28-29-ARCA).*—According to Audit Report, P.T.D.C. awarded a work of body fabrication of two MAZDA Chasis to second lowest bidder at Rs. 59,500 per Chasis in 1980 by ignoring first lowest offer of Rs. 47,000. This resulted in an extra expenditure of Rs. 25,000. It was reported to the Committee by the Department that an inquiry in the matter was held and Area Manager was found responsible. He had since left the service and no action against him was possible. The compensation clause was being provided in future agreements now. The Committee directed that this should be avoided in future and the systems should be improved. The paragraph was, however, settled.

381. *Physical Verification of Fixed Assets Para 144, page 128-ARCA.*—Audit informed the Committee that Physical Verification of, Fixed Assets was not carried out during the year under review. The figure of Rs. 3.761 million for fixed assets and Rs. 17.601 million for development project represented book value only. Physical verification of assests was required to be carried out. The Department informed the Committee that it was being done now. The Committee directed Audit to verify the reply and paragraph was settled.

382. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paras in the Appropriation Accounts, Commercial Accounts and Audit Report thereon. These could be deemed as settled, subject to such regularisation action and verification by Audit as may, be necessary under the rules.

383. The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 6th January, 1987.

Islamabad, the 11th June, 1987.

M. A. HAQ,
Secretary.

FEDERAL COUNCIL SECRETARIAT*Monday, the 27th August, 1984***Second Sitting (PAC)**

*79. After completing the examination of Accounts of the Ministry of Interior for the year 1980-81, the Committee continued the examination of the Federal Accounts for 1981-82 and Compliance Report 1979-80 and took up, for its examination, the Appropriation Accounts etc., pertaining to the Culture, Sports and Youth Affairs Division for 1981-82. The following were present :—

P.A.C :

- | | | |
|---|----|----------------------------------|
| (1) Syed Saieed Hasan, Member, Federal Council | .. | Member,
(Acting
Chairman). |
| (2) Akhunzada Bahrawar Saeed, Member, Federal Council | .. | Member. |
| (3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council | .. | Member. |
| (4) Mr. Abdul Qadir, Former Chairman, Railway Board | .. | Member. |
| (5) Mr. Yusuf Bhai Mian, Chartered Accountant | .. | Member. |

Federal Council Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

- (1) Mr. Abdul Raouf, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (C.A.).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Account General, Pakistan Revenues.
- (6) Mr. Zaheeruddin Jeddy, Director General (PEC).
- (7) Mrs. S. N. Sheikh, Director General, Commercial Audit.
- (8) Mr. Saleem Siddique, Director, Concurrent Audit (CDA).

Ministry of Finance :

Raja Raza Arshad, Deputy Secretary.

*Paragraphs upto 78 pertain to other Ministries/Divisions.

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

*117. The Committee took up, for examination the Appropriation Accounts pertaining to the Culture, Sports and Youth Affairs Division. The following departmental representatives were present :—

- (1) Mr. Masood Nabi Noor, Secretary.
- (2) Mr. M. A. Beg, Joint Secretary.
- (3) Brig. (Retd.) M. Ashraf Chaudhri, Joint Secretary (Sports and Youth).
- (4) Mr. Agha Nasir, M. D. (NAFDEC).
- (5) Mr. Shabbir Ali, Section Officer (F&A).

118. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Culture, Sports and Youth Affairs Division	25
2.	Archaeology and Museums	26
3.	Other Expenditure of Culture, Sports and Youth Affairs Division.	27
4.	Development Expenditure of Culture, Sports and Youth Affairs Division	144
5.	Capital outlay of Culture, Sports and Youth Affairs Division.	176

119. *Reconciliation of Accounts with Audit.*—As the reconciliation of Accounts for 1983-84 was still not complete, the departmental representative was directed to have all the outstanding reconciliation work completed by September 30, 1984.

APPROPRIATION ACCOUNTS

120. *Grant No. 25—Culture, Sports and Youth Affairs Division (Pages 244—249-AA)*—As reported by Audit, a net excess of Rs. 6,829 had occurred under this grant. There was no variation between the figures of Audit and the Department. After going through the explanation of the Ministry and Audit comments thereon, the Committee did not make any material observation on this grant.

121. *Grant No. 26—Archaeology and Museums (Pages 260—262-AA)*.—Audit had intimated that the final grant had been accepted. There was a difference of only Rs. 752 between the Audit figure of Rs. 12,762,343 and the Departmental

*Paragraphs upto 116 pertain to other Ministries/Divisions.

figure of Rs. 12,761,591 under actual expenditure. Out of this the difference of Rs. 463 was at the AGPR Sub-Office, Peshawar and Rs. 289 at the AGPR sub-office, Karachi. A member of the Committee observed that, when the Audit made the final adjustment they should have informed the Department. The Audit representative replied that they had informed the Department. The Committee made no further observations on this grant.

122. *Administration of the Grant (Page 262-AA).*—Audit had reported that the saving of Rs. 2,784,657, worked out to 18 per cent of the Final Grant. The Department explained that this was not a saving as they had to surrender the amount according to the instructions of the Government. Thereupon, a member of the Committee remarked that this was the amount which the Department had paid through the NAFDEC. The departmental representative informed the Committee that loan was guaranteed by the Ministry of Finance and this was a firm commitment of the Government. The Department was pressurised and they could not locate any saving except this one. The same member enquired about the head under which the department had surrendered the amount. The departmental representative replied that he was not quite sure, but there was a separate head with the Ministry of Finance.

123. After hearing the departmental representative the Committee observed that this may be deemed as dropped subject to verification by Audit.

124. *Grant No. 27—Other Expenditure of Culture, Sports and Youth Affairs Division (Other than Charged) (Page 250—252-AA).*—A net saving of Rs. 13,263,591 was shown by Audit whereas the Department had depicted a saving of Rs. 12,967,491 against this grant. The Department further explained that the variation in Actual Expenditure between the Audit and Departmental figures was due to the fact that expenditure of Rs. 296,100 (Rs. 32,153,463—Rs. 31,857,463) in respect of grant-in-aid to the Authority for the preservation of Moenjodaro, Karachi had not been taken into account by Audit. Besides, the figure of saving of Rs. 12,967,491 included the amount of Rs. 12,420,000 on account of Recovery to the "Save Moenjodaro Fund". After deleting the amount of Recovery, there would remain a saving of Rs. 29,437, which was negligible.

125. Audit pointed out in their comments that, according to the procedure, the amount of Rs. 296,100 was to be accounted for as expenditure under Code 384 and also shown as recovery under this grant. By mistake, it was shown as deduct from expenditure by the A.G.P.R., Karachi. Besides, the amount of Rs. 12,420,000 was to be shown as expenditure under this grant and credited to the "Save Moenjodaro Fund". This was not done during 1981-82 due to a mistake. Similarly, another expenditure of Rs. 296,100, mentioned above was

to be shown under this grant and an equal amount was to be exhibited as recoveries under this grant. The recovery would have been met out of the "Save Moenjodaro Fund". This was also not done due to a mistake.

126. The Auditor-General, thereupon, suggested that the A.G.P.R. and the Ministry should get together to sort it out and a note should be submitted to the PAC.

127. After a further detailed discussion, the Committee decided that :—

- (i) All the amounts, spent over and above the balance in the Fund, should be listed out and referred to the Ministry of Finance for regularisation, according to rules.
- (ii) A note should be furnished to the Committee, setting out the entire position clearly. For example, the amounts transferred to the "Save Moenjodaro Fund", the amounts received from abroad, the amounts that remained un-spent, the orders about the establishment of these Funds and the interest, if any, secured on these Funds. The Department and the Audit should carry out this exercise, which should be completed in two months.
- (iii) A copy of the Constitution of "Save Moenjodaro Fund" also be furnished to the Committee.

128. Grant No. 144—Development Expenditure of Culture, Sports and Youth Affairs Division (Pages 254—257-AA).—A net Saving of Rs. 10,773,200 was shown by Audit under this grant. The Department claimed that a saving of only Rs. 2,156,200 had occurred under this grant and the variation with the Audit figures was due to the expenditure of Rs. 8,625,00 in respect of Sub-office, Karachi (Save Moenjodaro Fund) had not been taken into account by Audit, whereas Rs. 8,00 had been booked in excess under the sub-head '461—Stadium and Sports Complexes'; Factually, a sum of Rs. 2,000,000 was sought for as supplementary grant. This amount was released to the Provincial Government for the development of Peshawar stadium and also reconciled with the A.G.P.R. After adjusting the said figures, there was a net saving of Rs. 2,156,200, which took place because the AGPR Sub-Office, Karachi did not release Rs. 2,156,200 under orders from the Government.

129. Audit conceded that the expenditure of Rs. 8,625,000 should have been booked under this grant and an equivalent amount shown as Recovery (from the Fund) under the same grant. This mistake would be rectified in the next year's Account. Besides, the non-release of Rs. 2,156,200 was due to the orders/instructions of the Finance Division. Audit also pointed out that the difference of Rs. 8,000 (more) under the actual expenditure was due to a booking by the

A.G.P.R. Sub-Office, Karachi. The draft Appropriation Account, containing this booking, was issued to the Ministry on 13th February, 1983 but no response was received. Hence this booking was retained.

130. Questioned as to whether there was any UNESCC Air, the departmental representative replied in the negative. A member of the Committee observed that, an estimated recovery of Rs. 15,000,000 had been shown but no actual recovery was exhibited, whereas a fair amount should have been shown under, 'Actual recovery'. Audit intervened to say that the Foreign Aid, which was received, should have been taken into account. Apart from this it was not clear whether any economy cut was applied there. The departmental representative replied that economy cuts were so frequent and heavy on the grants of the department that, despite the funds having been received from abroad, the department had got no choice in their utilization. The Audit representative suggested that the department should sit together with the Ministry of Finance and seek clarifications for sorting this out.

131. The Committee agreed with the Audit's suggestion and did not make any further observation on this grant.

132. *Grant No. 176—Capital outlay of Culture, Sports and Youth Affairs Division (Pages 258-259-AA).*—The Committee did not make any observation under this grant except the query whether all the money was spent directly or transferred to some Bank Account. The departmental representative answered that it was spent directly.

AUDIT REPORT

133. *Outstanding Audit and Inspection Report [Para 1 (2) page 280-AR].*—Audit had reported that the Inspection reports for the years 1977—79 were outstanding against Culture, Sports and Youth Affairs Division, Islamabad. Despite reminders, no replies were received from them. Such a delay in attending to the Reports defeated the very object of Audit.

134. The Department explained that the Audit Reports for the years 1977—79 were received in the Division on 3rd September, 1980. Action on the observations of Audit was taken and all of them were settled in the subsequent audits, conducted by Audit parties on 18th June, 1982, 15th March, 1981 and 2nd August, 1983. However, the Ministry's annotated replies for 1977—79 were not sent to Audit. The observations of the Auditor-General had been noted for future guidance. The Committee decided that these should be sorted out, in consultation with Audit.

135. *Loss of Rs. 11,000 due to exgratia payment to a contractor (Para 3, page 50-AR).*—As reply of the Ministry had been accepted by Audit, the Committee decided to drop the paragraph.

COMMERCIAL ACCOUNTS

National Film Development Corporation Limited

136. *Irregular payment of Rs. 12,813 to a Managing Director as Car Maintenance Allowance in addition to Staff Car placed exclusively at his disposal (Para 11, page 21-ARCA).*—According to Audit, an officer of NAFDEC officiated as its Managing Director from 14th March, 1978 to 24th December, 1979 and a staff car was placed exclusively at his disposal for his use. He, however, also drew the car maintenance allowance @ Rs. 600 per month during the above period, to which he was not entitled. An irregular payment of Rs. 12,813 was thus made to him.

137. It was explained by the Department that the Financial Adviser (Culture) had intimated that the matter was referred to the Finance Division (Regulation Wing), who advised that the payment of Rs. 12,813 be recovered from the concerned officer. Since the officer was no more in the service of NAFDEC, necessary steps were being taken to trace his whereabouts for arranging recovery.

138. A member of the Committee remarked that if the officer was not within the country and the department found that it was not possible to recover the amount, it may have to be written off, though there could be no justification for the said car allowance to have been drawn.

139. *The Committee decided that the amount of car maintenance allowance paid irregularly to the Managing Director, NAFDEC, should be recovered from him,*

140. *Working Results (Paras 101-102, page 73-ARCA).*—Audit had intimated that the working of the formation disclosed a net loss of Rs. 0.09 million during the year 1981-82 as against a net loss of Rs. 1.89 million during the previous one. The decrease was mainly due to certain administrative expenses, amounting to Rs. 1.69 million which were charged to the previous year's Accounts, whereas the Accounts under review exhibited no effect of such expenses. The operational efficiency throughout the period in question was thus not encouraging and the total losses upto the 30th June, 1982 since the inception, had accumulated to Rs. 11.87 million. The performance of the Company hence needed to be gone into for locating the real causes of recurring losses and taking remedial measures to convert it into a self-sustaining concern.

141. Audit further reported that the bank overdraft stood at Rs. 1.43 million on 30th June, 1982 as compared to Rs. 2.60 million on 30th June, 1981.

142. The Department explained that the amounts kept in fixed Deposits (as also those kept in Current Account) mostly belonged to the outside parties e.g., Advance against Import Security Deposit, Principals' share payable by NAFDEC etc. According to the Balance Sheet, Current Liabilities, amounting to Rs. 8.988 million, existed on 30th June, 1982. Since most of these amounts in Fixed Deposits and Current Accounts did not belong to NAFDEC and write liable to be paid back at short notice, they could not be possibly utilised for the repayment of the loan. The decision to keep in Fixed Deposit, the amounts, which were not expected to be called back immediately, was taken in the best interest of the Corporation's finances. Alternatively, these amounts could have been allowed to remain in the Current Account which action was not considered advisable, as confirmed by Audit themselves.

143. The department further informed the Committee that a proposal about the financial re-structuring of the Corporation was already under submission to Government, in order to meet the perpetual financial crisis, due to the huge liability of Bank loan.

144. A member of the Committee enquired whether the department had not borrowed any money? The departmental representative submitted that the entire Bank loan of the National Bank of Pakistan had been paid back and the department did not have any overdraft.

145. In view of the position stated above, the Committee accepted the explanation of the Department and did not make any further observation, except the repayment of loan in all be ensured.

146. *Sundry Debtors (Para 103, page 73-ARCA)*.—Audit pointed out that Sundry Debts rose to Rs. 1,092,434 on the 30th June, 1982 as against Rs. 818,036 on the 30th June, 1981 involving an increase of 32 percent over the previous year. The outstanding amounts should not have been allowed to accumulate so much in view of the poor financial position of the formation. The department informed the Committee that Sundry Debts are Running Accounts and do not mean accumulation over the previous year. The amounts payable by the Exhibitors for the business done in the later part of a year would remain outstanding on the 30th June of that year to be recovered early next year. Thus, increase in the volume of business would give rise to increase in Sundry Debts.

157. *The Committee took a serious view of this lapse and directed the department that a fresh note of compliance be furnished to Audit by 30th September, 1984.*

158. *Wasteful Expenditure by a State owned authority (Para 149, page 54-PAC Report 1976-77) (Paras 357-358, pages 142-143-PAC Report 1979-80).—Audit intimated that the Division had not given any opinion regarding the full recovery of the imported film equipment, as wanted by the Committee, nor furnished a sanction duly, endorsed by the Ministry of Finance, for writing off the infructuous expenditure, as the film was not released.*

159. *Expressing their concern the Committee observed that the department was previously directed to submit submit a revised explanation on the main issues involved but had not done so. It again directed that specific actions must be taken on the directives of the PAC, where-ever so called for and a note submitted to PAC. Merely noting the directives, without taking due actions would be tantamount to non-compliance with them.*

160. *Wasteful expenditure by a State owned authority (Para 152, page 54-PAC Report 1976-77) (Para 359, page 143-PAC Report 1979-80).—The Committee noted that there was no compliance with the previous directive in this case also. As such, the directive, given by the Committee regarding paragraphs 357-358 above, would be applicable to this paragraph also.*

Wasteful Expenditure by a State owned authority (Para 153, page 54-PAC Report 1976-77) (Para 360, page 143-PAC Report 1979-80).

Excessive payment of allowance and incorrect appointment of a Director (Para 154, page 54-PAC Report 1976-77) (Para 361, page 143-PAC Report 1979-80).

161. *The Committee noted that the Division had not complied with the directive given by the PAC on the above mentioned paragraphs. It, therefore, decided to defer these paragraphs and asked for action as directed in respect of paras 357—359 above.*

162. *Points not discussed to be treated as settled.—The Committee did not make any observation on the other points (i) in the Appropriation and Commercial Accounts or Audit Reports thereon; and (ii) on the Compliance statement on the Committee's Report for 1979-80. These would be deemed as settled subject to such regularisation action as might be necessary under the rules.*

163. *The Committee then adjourned to meet again at 9.00 a.m. on Tuesday, the 28th August, 1984.*

M. A. HAQ,
Secretary.

Islamabad, the 20th September, 1985.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 5th May, 1986

Eighth Sitting (PAC)

*433. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C.:

- | | | | |
|--|----|----|-----------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | Chairman. |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. | .. | Member. |
| (3) Rai Arif Hussain, M.N.A. | .. | .. | Member. |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | Member. |
| (5) Malik Saïd Khan Mahsud, M.N.A. | .. | .. | Member. |

National Assembly Secretariat:

- (1) Ch. Abdul Qadir, Joint Secretary.
- (2) Mr. Muhammad Aslam, Deputy Secretary.
- (3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (6) Mr. Iftikhar Ali Khan Raja, Director General (A&A Works) Lahore.
- (7) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
- (8) Mr. Sikandar Aziz Eskar, Director Revenue Receipt Audit.

Ministry of Finance:

- (1) Mr. S. M. Hasan, FA (Culture).
- (2) Mr. I. A. Saeed, DFA (Culture).

434. *Accounts examined.*—Accounts pertaining to the Culture, Sports and Youth Affairs Division were examined by the Committee during the course of the day.

*Paragraphs upto 432 pertain to other Ministries/Divisions.

CULTURE, SPORTS AND YOUTH AFFAIRS DIVISION

435. The Committee took up for examination, the Appropriation Accounts etc. ; pertaining to the Culture, Sports and Youth Affairs Division. The following departmental representatives were present :—

- (1) Lt. General (Retd.) Mujibur Rehman Khan, Secretary.
- (2) Syed Sarfraz Ali, Joint Secretary.
- (3) Mr. S. Shabbir Ali, Section Officer (F&A).
- (4) Sh. Khurshid Hasan, Director General, Department of Archaeology.
- (5) Dr. M. Rafique Mughal, Director North Circle, Department of Archaeology.
- (6) Mr. Ashraf Ali, Director, Department of Archives, Islamabad.
- (7) Mr. S. Munawar Ahmed, Vice-Chairman, Central Board of Film Censors.
- (8) Dr. Khalid Saeed Butt, Director General, Idara Saqafat Pakistan.
- (9) Mr. Agha Nasir, Managing Director, NAFDEC.

436. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Culture, Sports and Youth Affairs Division	25
2.	Archaeology and Museums	26
3.	Other Expenditure of Culture, Sports and Youth Affairs Division	27
4.	Development Expenditure of Culture, Sports and Youth Affairs Division	142
5.	Capital Outlay on Culture, Sports and Youth Affairs Division ..	175

APPROPRIATION ACCOUNTS

437. *Grant No. 25—Culture, Sports and Youth Affairs Division (Page 175-AA).*—As per Appropriation Accounts there was a net excess of Rs. 686,118. The Department contested the figures of final grant and intimated that a supplementary grant of Rs. 719,000 was allowed to the Division which had not been accounted for by Audit. Audit, however, observed that the Supplementary grant stated to have been obtained was not printed in the Book of Supplementary Grants and as such was not required to be accounted for. The Department further explained that a technical supplementary grant of Rs. 719,000 was allowed by Finance under object 500—Commodities and Services during April, 1983.

438. On a question from Chairman PAC the representative of Finance stated that this was a technical grant, which was granted for payment of telephone bills, and equal amount was surrendered from Demand No. 27. The schedule of Supplementary grant was issued by D.F.A. in April, 1983. This could not, some how, been included in the Book of Supplementary Grants. The Committee accepted the explanation.

439. *Grant No. 26—Archaeology and Museums (Pages 188-189-AA).*—The saving being within permissible limits, the PAC did not make any observations.

440. *Grant No. 27—Other expenditure of Culture, Sports and Youth Affairs Division (Pages 179-180-AA).*—According to Appropriation Account this grant closed with a net saving of Rs. 4,351,973, which was 10 per cent of the Final grant. The Chairman PAC observed that such a huge saving should have been surrendered well in time and funds in excess of requirement should have not been budgeted. The Department explained that the funds were provided for Cultural Programmes. Such programmes were on reciprocal basis and it was very difficult to foresee, whether the Foreign Countries would respond to implementation of programmes as political and other considerations, some times hamper, such programmes. Audit pointed out that this was not a complete explanation. The major saving occurred on preservation of 'MOENJODARO'. The Department explained that saving under 'SAVE MOENJODARO' was due to delay in issue of sanction.

441. A member questioned about the details of expenditure in Pakistan Currency and Foreign Currency and asked for the break-up, which were not readily available with the Department.

442. The Committee observed that there was large saving under this grant, which was due to late issue of sanctions and may be avoided in future. Details of reappropriation carried out to 'Save Moenjodaro' and explanation for large savings may be furnished to PAC.

443. *Grant No. 142—Development Expenditure of Culture, Sports and Youth Affairs Division (Pages 182—184-AA).*—There was a net saving of Rs. 12,778,206 under this grant, which worked out to 30 per cent of the final grant. The Chairman observed that this was a case in which over-budgeting was made and the funds were neither utilized nor surrendered. There must be definite explanation for this serious lapse. The Department should hold an enquiry for blockade of Government funds. When questioned if there was any papers to justify this saving, the Department explained that they could produce records subsequently. It was observed by Chairman that it was of no use to

come without papers, it was just like going to school without books. The officers should come fully prepared otherwise this was just wastage of time. The officers responsible should be taken to task.

444. While explaining saving of Rs. 2,208,206 under object 417—Libraries and Museums, the Department stated that the saving was Rs. 5,906,206 and was due to the fact that funds were not released and the Development scheme was not approved. Audit desired to know the circumstances under which provisions of Funds were made for un-approved schemes. The Department also challenged the figures of final grant and stated that a sum of Rs. 302,000 re-appropriated from 'Save Moenjodaro' to Construction of "Golf Club Bhoorbun Murree" had not been taken into Account by Audit.

445. A member questioned as to how this money was diverted. The Department explained that this was done with the approval of Finance. There was a directive from the President and Finance Division diverted this grant. Full background was, however, not known. A detailed discussion in the matter was carried out.

446. The Committee directed that the huge savings in this grant were not explained adequately by the Department and convincing reasons for non utilization of the money were not given. The Department must submit a detailed report giving the reasons for huge savings. The report may also give the following details :—

- (1) The reasons furnished for diversion of funds from the "Save Moenjodaro Fund" to the Construction of "Golf Club, Bhoorbun" need elaboration, with the comments of Audit.
- (2) The Funds for construction of Golf Club Bhoorbun could have been diverted from the Funds for Hockey Club, why this course was not adopted?
- (3) Supplementary grant could have been obtained for construction of Golf Club, why this was not done?
- (4) Why the money allocated for "Save Moenjodaro" Fund was not spent for the purpose for which it was provided?

447. Grant No. 175—Capital Outlay on Culture, Sports and Youth Affairs Division (Page 186-AA).—The grant closed with a saving of Rs. 17,282,183 which was about 25 per cent of the Final grant. Audit commented that some mechanism was required to be developed to ensure that provisions voted were spent. The representative of Finance observed that procedures had been laid down and funds were released when the expenditure was certified by A.G.P.R.

448. *The Department explained that this grant had two components.—Local Currency and Foreign Aid Loans. The Finance did not release the funds as the Chinese Embassy was not prepared to provide details of invoices and thus the Department had to reschedule their works due to non-release of Funds by Finance. The Department could not force Chinese Embassy due to special relations with China.*

449. The PAC appreciated special dealings with Chinese Embassy and directed that this should not be made a precedent for others. The provisions in the budget should be realistic and huge savings must be avoided.

AUDIT REPORT

450. *Short/less Recovery of Rs. 169,998 [Para 1 (1) page 25-AR].—As per Audit Report, an amount of Rs. 109,333 was short recovered from a contractor on account of 6th instalment of lease money. The Department explained that the Audit observation pertained to auction of Booking Counters of Lahore Fort and Shahdra Manuments. Due to failure of the contractor to meet his contractual obligations, his security deposit amounting to Rs. 32,800 had been forfeited, and the case had been referred to Justice Division for clarification.*

451. Audit observed that loopholes in existing arrangements, where the public interest could not be safeguarded, were required to be removed. The recovery of Rs. 32,800 stated to have been made will be verified in due course.

452. The Committee directed that this case should be finalized early and process of recovery may be expedited. The paragraph was dropped, subject to verification of recovery by Audit.

453. *Paras not discussed to be treated as settled.—The Committee did not make any observation on other points [paras of Appropriation/Commercial Accounts and Audit Reports thereon. These would be treated as settled subject to any regularisation/recovery action required under the rules and verification by Audit.*

CH. ABDEL QADIR,

Joint Secretary.

Islamabad, the 23rd November, 1986.

341. *Reconciliation of Accounts with Audit*.—Audit reported to the Committee that the reconciliation of figures of Expenditure of "Aiwane Iqbal" and "Archives Library and Museum" for the year 1984-85 and 1985-86 had not so far been carried out. Similarly this work in respect of Demand No. 25, 26, 142, 145 for the year 1985-86 has also not been completed. Reconciliation for 1986-87 under certain demands was also in arrears. The Committee showed its concern over the delay and directed that the reconciliation should be up-dated.

APPROPRIATION ACCOUNTS (1983-84)

342. *Grant No. 25—Culture, Sports and Youth Affairs Division (Page 218-AA)*.—This grant closed with an excess of Rs. 230,425 which was due to payment of advance salary on Eid. The Committee recommended the excess for regularisation.

343. *Grant No. 26—Archaeology and Museums (Page 224-AA)*.—There was an overall excess of Rs. 875,544 under this grant. The Department explained that excess was due to non-accountal of Supplementary Grant of Rs. 161,000 which was due to late submission of schedule to Finance Division. Another amount of Rs. 573,851 was on account of payment of advance salary in 6/84 due to Eid-ul-Fitr. The Committee after going through the explanation, directed that the figures of expenditure as intimated by the Department should be verified by Audit. It was proposed to recommend the actual excess for regularisation.

344. *Grant No. 21—Other Expenditure of Culture, Sports and Youth Affairs Division (Page 228-AA)*.—As per Appropriation Accounts there was a saving of Rs. 2,912,004 under this grant, which was about 7 per cent of the total grant. The Department in their reply reported that provision for Implementation of Cultural Pacts with Foreign Countries and Pakistani Culture Programme could not be implemented in full during 1983-84. This resulted in saving. The Committee did not make any observation except that Audit should verify, if the Funds were actually released or not.

345. *Grant No. 140—Development Expenditure of Culture, Sports and Youth Affairs Division (Page 234-AA)*.—There was a huge saving of Rs. 46,334,664 under this grant, which was on the following projects:—

(i) Archives Libraries and Museums	18,654,164
(ii) Students Hostel	1,505,000
(iii) Stadium, Sports Complex	4,575,200
(iv) Others	3,614,000
(v) Surrenders with in prescribed time limit	17,986,000

The Department explained that expenditure of Rs. 9,096,319 on account of UNESCO Aid was not booked. The remaining saving was due to the fact that funds were not released as some Development Schemes were not approved. Audit

observed that funds for Schemes which were not approved were required to be surrendered upto 31st March, 1984. The Chairman PAC observed that this was tantamount to blocking of Development Funds unnecessarily. Had these been surrendered, these would have been utilized for development of the country.

346. The Committee showed its dis-pleasure for non surrender of Funds in time and directed that Ministry should be careful in asking for budget allocations.

347. *Grant No. 172—Capital Outlay of Culture, Sports and Youth Affairs Division (Page 242-AA)*.—There was no variation under this grant.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (1985)

348. *National Film Development Corporation Limited (Pages 9—43-Perf. Eval Report—Vol-III)*.—Audit gave overall assessment of the National Film Development Corporation Limited (NAFDEC) which was established on June 15, 1973 as a public limited company under the Companies Act, 1973, with government controlling majority of its shares. Charter of NAFDEC included production of quality films, establishment of National Film Institute/Academy, setting up of studios and allied facilities, export of Pakistani films, construction of cinemas, to hold international film festivals in Pakistan and to participate in such festivals abroad, and to be the sole agent for import and distribution of foreign feature films and raw film stock in Pakistan. The Corporation's ventures, into production of films, establishment of film institute and distribution of local movies, were complete failures. These failures were attributable to bad planning, lack of adequate expertise and skills, weak internal controls and defective policies. The construction of twin cinemas at Islamabad mainly financed from a loan of Rs. 10 million carrying 14 per cent rate of interest could not be turned into a viable proposition. The loan remains to be repaid in full, though interest of over Rs. 15 million had been paid thereon. The Corporation did not set up studios. As a result of NAFDEC's failures resulting in huge losses, the charter was revised in 1979 excluding therefrom the production of films, construction of cinemas and setting up of studios and film academy but adding provision for dubbing and sub-titling facilities in Pakistan and production of documentary movies on behalf of other organisations without any involvement of NAFDEC's funds. Even with the revised charter and reduced activities, the Corporation's performance remained unsatisfactory. It failed to provide dubbing and sub-titling facilities in Pakistan, and produced only a few documentary films. Major sources of NAFDEC's income were :

- (a) Service charges on import of raw film @ 7½ of licence value. The Corporation realized Rs. 22 million during 1973 to 1986 on this account.

change during the year due to Government re-thinking. Since the original design was prepared by the Chinese, it was decided to modify it to accommodate larger number of delegations. A Committee was formed, which proposed that revised design should be submitted to the Prime Minister for approval. The approval had been conveyed to the Chinese for desired modifications. Due to above factors, the funds could not be utilized. As for Schemes of District level, Provincial Government were to prepare the Schemes, which were not received and as such funds were not allocated.

354. The Committee was not satisfied and observed that it was a huge saving and directed that a Committee comprising of Secretary, Culture, Sports and Youth Affairs Division, Audit and representatives of Ministry of Finance should look into the reasons of huge savings under this grant and submit a report to the Committee.

355. Grant No. 177—Capital Outlay in Culture, Sports and Youth Affairs Division (Page 232-AA).—This grant closed with a saving of Rs. 2,690,000, which was 9 per cent of the Final Allocation. The Department informed the Committee that Actual Expenditure was not correctly shown in the Appropriation Accounts. An amount of Rs. 705,000 representing payment made on account of Custom Duty was not accounted for. An amount of Rs. 780,000 was less released. Equipment valuing Rs. 1,205,000 was not received in full from China. The explanation was not complete and Committee was not satisfied. The Committee directed that detailed and complete explanation should be got verified from Audit.

356. Points not discussed to be treated as settled.—The Committee did not make any observation on the other points paras in the Appropriation Accounts and Audit Report thereon and Performance Evaluation Report would be deemed as settled, subject to such regularisation action and verification by Audit as may be necessary under the rules.

M. A. HAQ,

Secretary.

Islamabad, the 11th June, 1987.

Annexure J**FEDERAL COUNCIL SECRETARIAT***Monday, the 29th October, 1984***Seventh Sitting (PAC)**

*976. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present:

P.A.C.:

- | | | |
|---|----|-----------------------|
| (1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan | .. | <i>Vice-Chairman.</i> |
| (2) Syed Saieed Hasan, Member, Federal Council | .. | <i>Member.</i> |
| (3) Akhuzada Bahrawar Saeed, Member, Federal Council | .. | <i>Member.</i> |
| (4) Mr. Yusuf Bhai Mian Chartered Accountant | .. | <i>Member.</i> |

Federal Council Secretariat:

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit:

- (1) Mr. Abdur Raouf, Auditor-General of Pakistan.
- (2) Mrs. Suhaiya Hafceez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Accountant General Pakistan Revenues.
- (6) Mrs. S. N. Sheikh, Director General, Commercial Audit.
- (7) Mr. S. Jamil-ur-Rehman, Audit Officer, Industries Supply Food.

Ministry of Finance:

Mr. Manzur Hussain, Joint Secretary (Budget).

977. *Accounts examined.*—Accounts pertaining to the Planning and Development Division were examined by the Committee during the course of the day.

*Paragraphs upto 975 pertain to other Ministries/Divisions.

PLANNING AND DEVELOPMENT DIVISION

978. The Committee took up for its examination, the Appropriation Accounts etc., pertaining to the Planning and Development Division. The following departmental representatives were present :—

- (1) Mr. S. K. Mahmud, Member (Projects).
- (2) Mr. M. Iqbal Malik, Deputy Secretary.
- (3) Mr. S. Z. H. Gilani, Section Officer.
- (4) Mr. Mubarak Khan, Director Finance (NLC).
- (5) Col. Mahmud A. Khan, Deputy Co-ord (NLC).

979. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Planning and Development Division	106
2.	Development Expenditure of Planning and Development Division	161

980. *Reconciliation of Accounts with Audit.*—The Committee noted that the accounts after 30th June, 1984 had not been fully reconciled by the Division as yet, and directed the departmental representative that the outstanding work of reconciliation of Accounts after June, 1984 should be expedited.

AUDIT REPORT

981. *Irregularities in the Peoples Planning Project (Defunct) Lahore (Para 3, page 236-AR).*—According to Audit, the following irregularities and losses were noticed in the accounts for the period May, 1973 to December, 1977—

- (i) During the four years' life of the organisation Rs. 18,139 were misused for private and political purposes being other than those for which the funds were allocated.
- (ii) Rs. 23,969 were spent from November, 1974 to March, 1975 on repair/renovation of the hired building in which the Office of the Project was located, without permission of the Ministry of Finance. The expenditure was not adjusted against the rent paid. After the project ceased to exist, partitioning material in the building was removed at Government expense and Audit was not informed of the fate of the material removed.
- (iii) As for the grant-in-aid, the Secretary invested Rs. 150,000 during October, 1976 in a Fixed Deposit, with a Commercial Bank in disregard of the provisions of para 209 of G.F.R. Vol-I. In August,

1979 it was learnt that interest of Rs. 1,000 and Rs. 2,125 had accrued on 25th February and 31st May, 1977 respectively on the deposit. The fate of the fixed deposit itself on the closure of the Project in December, 1977 was not given to Audit.

982. Audit further reported that the above irregularities brought to the notice of the Ministry in April, 1978, were admitted by the Department, but no corrective or retrieval steps had been taken by the end of February, 1983.

983. As far as Audit objection at (i) above, the Division stated that the Peoples Planning project (defunct), Lahore was a Public Project meant for Kachi Abadies of Lahore and Mr. Kausar Ali Shah was appointed to be the Honorary Secretary of the Project by the then Finance Minister. The funds released constituted Grants-in-Aid and the Secretary of Project was competent to sanction expenditure out of the funds placed at his disposal. Later, the Martial Law Authorities declared the Secretary as absconder and announced in a Press Report that his movable and immovable property had been confiscated by Government.

984. In regard to (i), the department explained that the Secretary of the Project was fully competent to sanction expenditure on the renovation of office building and orders of the Finance Division dated 18th May, 1973 apply only to Federal Government Ministries|Divisions|Departments. The People Planning Projects was a public body and was not a Government Department. The department further emphasized that had it been a Government Department there would have been no need for sanctioning Grants-in-Aid as it would have had a regular budget. It was working with Government Grants given without any condition. Under article 193 of Audit Code, the accounts were not covered by the Rules. As regards the partitioning material, it was not removed from the leased building.

985. As to the Audit objection at (iii), the department explained that para 209 of G.F.R. Vol. I quoted by Audit in their objection was irrelevant. No ban had been imposed under this rule on the investment of money. The amounts deposited as fixed deposit were subsequently with-drawn from time to time for meeting the requirements of the Project and this was duly reflected in the accounts and verified by the Inspection Officer. The balance of Rs. 2,433 was deposited in State Bank of Pakistan Lahore vide challan No. 13 dated 14th March, 1978 and a copy thereof was sent to the A.G.P.R.

986. After discussing the above explanation of the department on para 3 (i) (ii) and (iii) above, the Committee directed that a full report should be furnished to the PAC as to how this Project was established; the nature of this body; particulars of the grants made to it; was it to be governed by Government rules or not; was an account to be given to the Government of its funds; its

executing authority and whether it was a part of the people's Works Programme and any other relevant information available with the Division. Consideration of paragraph 3 was deferred.

987. *Irregular Expenditure (Para 4, page 236-AR).*—Audit had reported that Rs. 6,871 were spent on the entertainment of trainees of the "PERT Programme" which was not permissible as refreshments could only be served in official meetings. It was explained by the Division that the aforesaid expenditure had been regularized by the Finance Division. Thereupon, the Committee decided to drop the paragraph.

988. *Delay in processing of G.P. Fund Cases (Para 2, Sl. No. 40, page 283-AR).*—The Division explained that the item related to Mr. Muhammad Israr, Stenotypist whose resignation was accepted by the Division on 8th March, 1980. He applied for withdrawal of his G.P. Funds subscription on 19th December, 1981 which was submitted to A.G.P.R. on the same day.

989. After hearing the above explanation of the Division, the Committee decided that the item be dropped.

990. *Delay in the processing of Pension Cases (Para 3, Sl. No. 153, page 292-AR).*—It was explained by the Division that the item concerned Mr. Abdul Ghafoor, Staff Car Driver who retired from Government service on 5th February, 1981. His pension papers were submitted to the A.G.P.R. on 17th September, 1981. The main reasons for the delay in submission of the pension case were that the service rendered by the individual with Ex-Government of India had to be verified from his contemporaries. Moreover, he was up-graded in Revised N.P.S. No. 6 just a few days before his retirement. Thus the revised pay had to be fixed.

991. Since the case was finalised by Audit well in time (in less than a month) the Committee directed that the paragraph be treated as dropped.

APPROPRIATION ACCOUNTS

992. *Grant No. 106—Planning and Development Division (Pages 982—986-AR).*—The appropriation Accounts show a saving of Rs. 277,742,362 against the head "052—Planning—Object 500—Commodities and Services". The department explained in their reply, the broad details of this saving, as under :—

	Rs.
(1) High Planning and Development Division	206,715
(2) National Logistic Cell	277,535,647
Total	<u>277,742,362</u>

993. The saving at (i) above was due to return of unpassed bills by the Audit after close of the financial year 1981-82. As for the saving of Rs. 277,535,647 it was stated that an expenditure of Rs. 277,535,647 had in fact been incurred by the National Logistic Cell during 1981-82. The entire expenditure was financed by the National Logistic Cell out of the amount recovered by them from various Organisations. This recovery had not been adjusted by Audit due to the fact that it was not incurred through them during the financial year 1981-82. On this basis the reconciliation statement duly presented to Audit had not been accepted by them.

994. Audit's response is the departmental explanation for the saving of Rs. 277,535,647 on account of National Logistics Cell was that the expenditure incurred had not been routed through Audit office hence nothing was booked on this account. Audit further pointed out that in the last meeting of the PAC for 1980-81 the National Logistics Cell was asked to submit a detailed paper on its working *i.e.* treatment of receipt and payment, but nothing had so far been produced. The department had itself intimated that the NLC was utilizing its receipts for meeting its expenditure. Further explanation should have been given.

995. The appropriation Accounts showed no recovery against the budgeted recovery of Rs. 379,290,000 under Code No. "032—Planning—Deduct Amount recoverable from other Government Departments". The Division explained that, the actual recovery by NLC from various Organisations during 1981-82 was Rs. 344,737,914. Thereupon, Audit commented that a comparison of actual receipt (Rs. 344,737,914) with expenditure (Rs. 277,535,647) would reveal a surplus of Rs. 67,202,267. The department should also give particulars as to how of this amount was disposed off.

996. A member of the Committee enquired as to whether the National Logistic Cell was a separate body corporate or was it a Division of the Government and what the position of the 12th August, 1978 Notification. The departmental representative replied that the National Logistics Cell was initially created as special autonomous cell within the Ministry of Communications in accordance with the CMLA directives dated 20th and 23rd July, 1978. Thereafter, it was transferred to the Planning and Development Division.

997. After discussion, the Committee took the following decisions :—

- (i) A note should be furnished to the Committee through Audit showing as to where the grant-in-aid of Rs. 277 million, paid in March and June, 1982, reflected in the Accounts and whether this amount had been reconciled between the NLC and the Audit. It may also be explained if any part of this grant was meant for services. The

department should also inform the Committee as to how, under the rules, the Government could give a grant-in-aid to itself, as the call was a part of Government.

- (ii) Government should consider the possibility of constituting the National Logistics Board and National Logistic Cell as body corporate, separate from the Government, so that there is no problem of keeping the NLC accounts within Government books. Thereafter, Planning and Development Division will have to show in their Accounts only the grant-in-aid to the Cell and the payments made to the Cell for services rendered to various Government departments would have to appear in the Accounts of the Ministries concerned.
- (iii) All the activities of the National Logistics Cell, involving funds, should be reflected in the Cell's Accounts as these funds were supposed to be Government funds.

998. *Grant No. 161—Development Expenditure of Planning and Development Division (Pages 988—990-AA).*—The appropriation accounts show a net saving of Rs. 13,729,758 under this grant. The department had given explanation against each object of the functional head "032—Planning" which were discussed in the meeting. The Committee then observed that a workable procedure should be evolved by the Ministry in consultation with Audit to improve the accounting system so that the budgetary provision and expenditure etc. are up-to-date and the accounts presented before the PAC properly and up-to-date.

999. A member of the Committee pointed out that Audit had shown actual recovery as nil against the 'estimated recovery' of Rs. 13,162,000 under Code No. "032—Planning—National Fertilizer Development Centre" while the Ministry stated that the FAO had contributed this amount which remained unadjusted in the accounts for 1981-82 as the donor agency had paid on its own and directly the salaries of foreign consultants and staff and had itself acquired equipment. Audit claimed that as explained under the expenditure the adjustment advice was not issued during the year 1981-82 (either by the Ministry or by the Economic Affairs Division). The member maintained that in any case an entry should have been passed even if the money was paid directly by FAO, as the Government accounting rules required such recording. The same member further remarked that under object "032 Planning—Study on Japan Industrial Incentive (ADR)", the department had recovered Rs. 3,000,000 from an aid giving agency but the funds were not utilized for the purpose and were reappropriated. The department had not given any reason as to why the whole amount was unappropriated and whether it could do so. Similar was position under object "032 Planning—National Transport Research Centre".

1005. During the course of further discussion the Auditor General asked the departmental representative as to what type of services were being rendered to KPT and whether the NLC billed and recovered the money from that body. The departmental representative replied that anything which the Government wanted NLC to do for KPT was done by it and the work consisted particularly of regularisation of the goods traffic at the Karachi Port. NLC had billed KPT but had not paid by KPT. Audit representative said that the department should try to recover its dues from KPT.

1006. The Vice-Chairman enquired as to why the department had given up rendering these services. The departmental representative answered that, frankly speaking, it needed a lot of elaborate arrangements and the NLC had incurred losses. The Audit representative remarked that even if some losses were occurred these services would have served a national purpose.

1007. When questioned as to whether NLC was preparing proposal for additional more projects, the departmental representative submitted that it had many projects in view and that some feasibility studies were under preparation.

1008. Replying to a query about the position of construction services, and as to whether NLC was preparing separate accounts for such work, the departmental representative replied that NLC was submitting accounts to the various government departments for which it was undertaking construction work.

1009. Thereupon, the Committee took the following decisions:—

(i) In respect of the construction work undertaken by NLC for others the department should inform PAC of the total cost of such work separately for each work and the amount recovered against each work.

(ii) The department should produce promptly NLC's the accounts of 1984, and not just those of the previous year; and the things should be reflected correctly.

(iii) All the activities of NLC should be reflected in the accounts including work done for others and there should be full disclosure. The accounts should also show total administrative expenditure incurred and recoveries made from others and there charges to capital assets.

COMPLIANCE ON THE POINTS RAISED IN THE PAC'S REPORT ON THE ACCOUNT FOR 1979-80

1010. Grant No. 104—Planning and Development Division (Page 120-44) (Para 611-617, pages 209-211-PAC Report 1979-80).—In compliance with the directions previously issued, by the Committee, the department, had

1000. The department could not give PAC the reasons for the reappropria-
tion or confirm that it had powers to do so. Therefore, the Committee directed
the departmental representative to find out the facts and furnished a comprehensive
report to the Committee.

COMMERCIAL ACCOUNTS

1001. National Construction (Pak) Limited (Para 3 (a)(ii)), page 8-
ARCA]—Audit had reported that the Ministry agreed to entertain Government
Audit for the year 1981-82 in February, 1983. It was explained that the Govern-
ment Audit of MCC (PAK) Limited for the year 1981-82 had been delayed as
statutory audit of the Company's accounts for the year ending 30th June, 1981
and 30th June, 1982 had not been carried out by Ford, Rhodes, Robson, Morrow
Chartered Accountants, Karachi. This audit was completed on 31st December,
1983 and 29th February, 1984 respectively.

1002. In view of the position stated above the Committee directed that it
should be reviewed by Audit.

National Logistics Cell

1003. Working results for the year 1981-82 (Para 386—391, pages 164-165-
ARCA)—According to Audit, the excess of income over expenditure worked
out to Rs. 9.661 million during 1981-82 as against the Rs. 23.752 million during
the previous year, 1980-81. The excess was due to non-operational income
amounting to Rs. 30.613 million earned by the Cell during 1981-82 (1980-81
Rs. 21.935 million). The former amount included interest income of Rs. 26.242
million earned on investments (Rs. 300.524 million as on 30th June, 1982) made
out of interest free grant-in-aid, which stood at Rs. 833.589 million as 30th June,
1982. Audit further pointed out that factually the Cell sustained operating loss
of Rs. 20.952 million during 1981-82 as against operation profit of Rs. 1.817
million during the previous year.

1004. After examining the explanation submitted by the department and the
Audit comments thereon, the Vice-Chairman observed that there was confusion
about the status of the National Logistics Cell. Government spent money and
acquired assets which belonged to the Government. Therefore these assets should
appear in Government accounts and should not have been written off and charged
to expenditure. NLC should continue to maintain its separate accounts but the
assets and liabilities should also appear in Government books. The Committee
directed that all these matters concerning National Logistics Cell should be con-
sidered, discussed and conscious decisions should be taken in consultation with
Audit and then a comprehensive report should be furnished to the PAC.

furnished to the AGPR and the Federal Council Secretariat the accounts of the National Logistics Cell from August, 1978 to June, 1983 duly audited. A note on the Cell had also been furnished to the National Assembly Secretariat.

1011. A member of the Committee remarked that the explanation given by the Ministry was not comprehensive. However as the matter had already been raised and discussed again to day along with the Accounts for year 1981-82.

1012. Consequently, the paragraphs were dropped.

1013. *Grant No. 159—Function Head “032—Planning” (Page 193-AA) (paras 618-619, pages 211-212-PAC Report 1979-80).*—The Committee did not make any observation on these paragraphs which were dropped.

1014. *Function Head “032—Planning”—National Logistic Cell (Page 193-AA) (Paras 620-621, page 212-PAC Report 1979-80).*—The Committee observed that the point had been discussed while considering the reply of the Ministry on the Accounts for the year 1981-82.

1015. *Points not discussed to be treated as settled.*—The Committee did not make any observation on any other points and thus all such points in the (i) Appropriation Accounts|Commercial Accounts 1981-82 and the Audit Reports thereon, and the (ii) Compliance on the PAC's Report for 1979-80 would be deemed as settled, subject to such regularization action as may be necessary under the rules.

1016. The Secretary, Federal Council Secretariat had placed papers “Submission of various PAC Documents” before the Committee. The Committee observed that there was no sufficient time to discuss these Documents and directed that they should be taken up in the next meeting of the PAC.

M. A. HAQ,
Secretary.

Islamabad, the 28th December, 1985.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 26th August, 1986

Twenty Sitting (P.A.C)

*603. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C :

- | | | | |
|--|----|----|-----------|
| (1) Sardarzada Muhammad Aji Shah, M.N.A. | .. | .. | Chairman. |
| (2) Sardar Asaf Ahmed Ali, M.N.A. | .. | .. | Member. |
| (3) Raj Arif Hussain, M.N.A. | .. | .. | Member. |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | Member. |
| (5) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | Member. |
| (6) Mr. Mlangal Aurangzeb, M.N.A. | .. | .. | Member. |

National Assembly Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Sultana Hafeez, Deputy Auditor-General (CA).
- (3) Syed Ifthikar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (6) Mr. M. S. Amjid, Director General (PEC).
- (7) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

- (1) Mr. S. M. Badrul Hassan, Deputy Secretary (Budget).
- (2) Mr. Muhammad Afzal, FA (Planning).

*Paragraphs upto 602 pertain to other Ministries/Divisions.

PLANNING AND DEVELOPMENT DIVISION

*663. The Committee took-up for examination, the Appropriation Accounts etc., pertaining to the Planning and Development Division. The following departmental representatives were present:—

- (1) Mr. Usman Afridi, Additional Secretary.
- (2) Mr. Majeed Akhtar, Additional Secretary.
- (3) Mr. Ejaz Akhtar, Chief.
- (4) Mr. M. Ashraf, Deputy Secretary.
- (5) Mr. Khalilur Rehman Khan, (F&AG).
- (6) Brig. Ifzal Hussain, Acting DG (NLC).
- (7) Col. Mahmud Ahmed Khan, DD Plans and Budgeting (NLC).
- (8) Mr. Mubarik Khan, Director Finance and Accounts (NLC).
- (9) Brig. (Retd.) M. Y. Shah, Director (Finance) OCP.
- (10) Mr. Muhammad Akram, MD (NTCC).
- (11) Mr. Zahoor Ahmed, GM (Finance) NTCC.

664. This Division controlled the following grants:—

S. No.	Name of Grant	Grant No.
1.	Planning and Development Division	104
2.	Development Expenditure of Planning and Development Division	100

665. *Reconciliation of Accounts with Audit.*—Audit pointed out that reconciliation of accounts had not been carried out by the Department after March, 1986. The Department promised to up date the reconciliation with Audit. The Committee directed that reconciliation work should not be allowed to fall in arrears in future.

APPROPRIATION ACCOUNTS

666. *Grant No. 104—Planning and Development Division (Page 688-AA).*—Audit pointed out that there was saving of Rs. 410,715,466 under this grant, which was more than 80 per cent of the final grant. The Department explained that main saving of Rs. 410,215,454 was against allocation of Rs. 441,500,000 as share of NLC which was reduced to Rs. 410,595,000 after 7 per cent Economy Cut. The amount was not drawn by NLC as they were meeting their expenditure from their own sources.

*Paragraphs upto 662 pertain to other Ministries/Divisions.

667. The Committee observed that amounts not required to be utilised should not be budgeted as is resulted in blocking of capital, otherwise required.

668. *Grant No. 169—Development Expenditure of Planning and Development Division (Pages 691-692-AA).*—In this case Actuals were Rs. 135,246,672 against Final Grant of Rs. 191,748,000. Thus there was a net saving of Rs. 56,501,328 which was 29 per cent of Final Grant. The Department explained that in this case also major saving of Rs. 43,095,060 was due to the fact that 4th quarter release of Funds to NLC could not be made by the Finance. The Committee observed that they could not see with favour such savings.

COMMERCIAL ACCOUNTS

669. *National Construction (Pakistan) Limited [Para 3 (26), page 12-ARCA].*—The accounts of National Construction (Pakistan) Limited could not be audited as these were not produced. The Department reported that Audit by Chartered Accountants was in progress at the time when the Accounts were asked for. The Audit had now been completed by Chartered Accountants and Report had been approved by Board of Directors. These would now be produced when asked for by Audit.

670. The Committee directed that delay in production of records in the first instance may be looked into by Ministry and report should be submitted. Audit should submit Performance Evaluation Report on National Construction (Pakistan) Limited.

671. *National Logistic Cell [Para 3 (27), page 12-ARCA].*—According to Audit Report, the Accounts of NLC were not produced to Audit and they were not entertaining Government Audit. It was further reported that Performance Evaluation of the NLC also could not be carried out although a lot of correspondence on the subject had been exchanged.

672. The Department explained that according to the instruction issued by the Secretary General in Chief in September, 1977, the Performance Evaluation of Public Sector Commercial Enterprises was to be carried out by the Auditors comprising specialist in Business, Administrator, Financial Analysis and Corporate Management. The Corporation was not aware if the Auditors entrusted the job by Auditor-General of Pakistan Possessed the required qualification. They did not avoid Audit, what they wanted was that Auditors should be qualified. Audit, however, pointed out that they were still reluctant to produce records for Performance Evaluation. They had pressurised by saying that our Accounts should be audited by Commercial Auditors, so as to enable them to get releases of Funds, and if this was not done they would stop supplies to Afghan Refugees.

673. A member observed that PAC did not appreciate the argument of the Department that Auditor-General did not possess the required expertise. He categorically confirmed that Auditor-General had that expertise. Then again members of PAC were not experts but they were examining Accounts of the Department, the Department had no way out but to present the Accounts. There were certain glaring departures from accepted business practices. How a fleet of vehicles was purchased? These matters create doubts. The Department thereupon agreed that they will produce records for Performance Evaluation.

674. The Committee directed that Auditor-General will submit Performance Evaluation Report on NDC to the PAC.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES, 1984

[VOLUME (iv)]

National Tubewell Construction Corporation Limited, Lahore (Pages 1—28 Performance Evaluation Report [Volume (iv)]

675. *Introduction.*—The National Tubewell Construction Corporation Limited was incorporated in June, 1974 as a Private Limited Company under the Administrative control of Ministry of Water, Power and Natural Resources. The Administrative control was subsequently transferred to Overseas Construction of Pakistan, an Agency of Ministry of Planning and Development. The Corporation's major line of business was drilling and construction of tubewells for WAPDA, SCARP, and irrigation programme. The company also constructed tubewells for other Government Agencies such as "Faisalabad Development Authority", "Multan Development Authority" and "Lahore Development Authority". The Corporation had at its strength, 187 permanent employees consisting of 55 officers and 132 other employees. The company owned 15 rigs, 13 of which were capable of drilling large diameter hole and two for drilling small diameter holes useful for investigational work. The company could at an average drill 1200 tubewells per year. The Department reported that drilling capacity at the present was 1000 tubewells. Audit held that the capacity utilisation remained very low i.e. between 11 per cent to 34 per cent during the period 1975-76 to 1984-85.

676. Capacity utilisation during subsequent years was as below :

Financial Year	No. of Tubewell constructed	Capacity Utilisation
1982-83	307	26%
1983-84	200	17%
1984-85	207	17%
1985-86 (up to 3/86)	338	40%

Thus there was improvement during 1985-86. The WAPDA was, however, converting to "Tie Drainage" for which it was creating its own facilities. Since the Corporation was not equipped with any know how of Tie Drainage work, it should plan its future keeping in view these facts.

677. *Financial Analysis*.—Equity of the company increased over the year and stood at 32.48 million on 30th June, 1982, at the end of June, 1985 it was 33.20 million. It was reported that Corporation was financing its operations out of its own generated funds. Bank borrowing and loans had since been discontinued. Audit pointed out that receivables had increased to over 9 million and that companies turn over did not permit accumulation of receivables to that extent. The position of Bank debts was also not good, which had increased from 3.32 million in 1982-83 to Rs. 5.62 million in 1984-85. The Department reported that receivables amounting to Rs. 8.2 million had since been recovered and remaining receivables represent Security Deposits, Income Tax refundable and interest receivable. Audit suggested that diversification of business and investment may be considered for using substantial monetary balances which had accumulated. The management, however, was of the view that it was not possible as credit allocations for Public Organisations had been restricted and liquid funds were always required to meet working capital requirements.

678. *Field Operation*.—Audit held that the company was unable to increase its line of business particularly in private sector, for utilising idle capacity. This was mainly due to competition from private drilling companies. The Department informed the Committee that by persistent efforts, the Corporation could give better quality of work at competitive prices and private drilling companies now could not compete with NTCC. The Department, however, did not agree with the suggestion of disposal of excess drilling machinery, as it was held not to be in the interest of Corporation.

679. Audit suggested that a study by a suitable government agency to compare the economic performance and life span of tubewells in public sector constructed by NTCC and those constructed by private parties was needed. The management of the Corporation agreed to the proposal and confirmed such a study could be carried out by WAPDA who were major users of tubewell construction work.

680. The Committee after a detailed discussion of the working of the company directed that the Corporation must undertake works in open market and try to shed over capacity. A Committee be constituted to work out ways and means for the improvement and its report submitted to PAC as early as possible.

681. *Points not Disputed to be Treated as Settled.*—The Committee did not make any observations on other points in the Appropriation Commercial Accounts, Audit Report, and Performance Evaluation Report. These would be deemed as settled subject to such regularisation actions and verification by Audit as required under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 19th January, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 8th January, 1987

Ninth Sitting (P.A.C)

*527. The Public Accounts Committee assembled at 10.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C :

- | | | | |
|--|----|----|-----------|
| (1) Sardarzada Muhammad Ali Khan, M.N.A. | .. | .. | Chairman. |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | — | .. | Member. |
| (3) Rai Arif Hussain, M.N.A. | .. | — | Member. |
| (4) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | Member. |
| (5) Mr. Miangul Aurangzeb, M.N.A. | .. | .. | Member. |
| (6) Malik Said Khan Mahsud, M.N.A. | .. | .. | Member. |

National Assembly Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.).
- (3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (4) Sh. Muhammad Sadiq, Accountant General of Pakistan Revenues.
- (5) Mr. Iftikhar Ali Khan Raja, Director General, (A&A Works).
- (6) Mr. Ahmad Nawab Quershi, Director General, Commercial Audit.
- (7) Mr. M. S. Amjad, Director General (PEC).

Ministry of Finance :

- (1) Mr. Manzur Husain, Joint Secretary (Budget).
- (2) Mr. Tanwir Ali Agha, Deputy Secretary.
- (3) Mr. M. Afzal, FA (Planning).

*Paragraphs upto 526 pertain to other Ministries/Divisions.

PLANNING AND DEVELOPMENT DIVISION

*541: The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Planning and Development Division. The following departmental representatives were present :—

- (1) Dr. Moinuddin Baqai, Secretary.
- (2) Ch. Shaukat Ali, Member (Projects and Admn.).
- (3) Sh. Abdul Rashid, Joint Secretary.
- (4) Mr. Muhammad Ashraf, Deputy Secretary.
- (5) Mr. Khalilur Rehman, Section Officer (F&A).
- (6) Brig. Syed Afzal Hussain, Director (NLC).
- (7) Lt. General M. Saadat Ali, Chairman (OCP).
- (8) Brig. Aftab Ahmad Khan, Managing Director (MCP).
- (9) Mr. Ali Nawaz Jokhio, Managing Director (N.T.C.C.).
- (10) Mr. M. A. Hafeez, Acting Secretary (PIDE).

542. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1983-84		
1.	Planning and Development Division	104
2.	Development Expenditure of Planning and Development Division	158
1984-85		
1.	Planning and Development Division	107
2.	Development Expenditure of Planning and Development Division	164

APPROPRIATION ACCOUNTS (1983-84)

543. Grant No. 104—*Planning and Development (Page 130-AA)*.—Audit in this case pointed out that there was a saving of Rs. 605,783,507 under this grant which worked out to 93 per cent of the final grant. The Department had spent recoveries amounting to Rs. 679 Million towards expenditure which was not regular. The representative of Finance intimated that this was an incorrect

*Paragraphs upto 526 pertain to other Ministries/Divisions.

practice followed by the Department. NLC was a Commercial Department. The representative of the Department, however, informed that it was not decided whether NLC was a Commercial or non-Commercial Department. The practice of incurring recoveries towards expenditure had been stopped from the year 1986-87. Although it was being run on Commercial basis, it was brought on Commercial Lines gradually.

544. The Chairman, PAC observed that it was irregular, not to deposit recoveries in Federal Consolidated Fund. Irregular practice should have been stopped much earlier. The Committee directed that—

- (i) a Performance Evaluation of NLC may be carried out by Audit ;
- (ii) Performance Audit of "Chashma Right Bank Project" may also be carried out ; and
- (iii) a representative of Planning and Development Division must attend the PAC meeting when such projects are examined by the Committee.

545. The Committee was interested in the following aspects of the status of various Public Sector enterprises and directed the Planning and Development Division to make a presentation to the Committee accordingly :—

- (a) The total investment of Federal Government in Public Enterprises.
- (b) Data pertaining to return on investment, and whether it is considered as satisfactory by the planners ?
- (c) Have any guidelines been formulated for regulating Federal Government Investment in public sector enterprises ? If so, what are the guidelines and what is their rationale ?
- (d) Is it being monitored if these guidelines have been strictly followed ? If not, why not ?
- (e) If no guidelines have been formulated, how it has been ensured that *ad hoc* decisions made by the Government, were in public interest and conform to the overall economic policy of the Government ?
- (f) What is the future programme of Federal Government Investment in Public Enterprises ?
- (g) The Government raises resources at a cost. Is the return on these investments commensurate with the cost ? If not, what corrective measures are being considered/formulated ?

546. *Grant No. 153—Development Expenditure of Planning and Development Division (Page 846-AA).*—According to Appropriation Accounts, there was a saving of Rs. 138,115,237 which was 67 per cent of the final grant. The Department reported to the Committee that expenditure could not be incurred by the Nutrition Project, Federal Bureau of Public Enterprises, Javed Azfar Computer Centre, Pakistan Planning and Management Institute and Energy Planning during 1983-84, resulting in a saving of Rs. 104,307,282. In this case United States wanted a certificate from Pakistan Government, which was not supplied. Similarly quarterly release of a sum of Rs. 19,350,250 was not made by A.G.P.R. The Committee accepted the explanation.

COMMERCIAL AUDIT REPORT (1983-84)

547. *National Construction (Pak) Limited [Para 4 (56), Page 14-ARCA].*—Audit pointed out that the Annual Accounts of the formation for the year 1984-85 were not furnished to Audit in time. It was reported to the Committee that Audit was up-to-date and there was no problem now. The Committee observed that the Government should consider withdrawal of its capital from the companies who did not produce their accounts for audit. The Committee directed that a paper may be submitted by the Planning Division, (i) regarding profitability of the National Construction (Pak) Limited, (ii) on the projects going in loss on whose efficiency was doubtful.

548. *National Logistic Cell—Operating results (Paras 219—222, pages 158-159-ARCA).*—According to Audit Report National Logistic Cell earned an operating profit of Rs. 35 million and non-operating profit of Rs. 61 million. Out of operating profit of Rs. 35 million, an amount of Rs. 12.4 million was attributed to NLC cargo fleet, an amount of Rs. 16.1 million to Hired Motor Transport and Rs. 6.4 million to Hire charges of machinery. Audit further pointed out that Accounts for 1984-85 have not been submitted by the Company. During discussion the Committee was informed that Mechanized Construction Company was being dis-invested. The Company was only paying salaries of Staff, which was being absorbed elsewhere. Audit wanted to know the successor Agency, who would take care of Audit observation after it was closed. The Audit Representative explained the position as under:—

Mechanized Construction of Pakistan Limited

Formation and objects.—The Mechanized Construction of Pakistan was established as a limited company in August, 1974 under Companies Act, 1913 for the following objects (as given in the Memorandum of Association):

- (a) To take over whole or any part of the business being carried out by the Machinery Pool Organisation WAPDA together with the whole or any part of the assets, machinery, spares, land, workshops, warehouses

fixtures, furniture, stock in trade, assets and effects thereof, etc. and to pay therefor in cash or shares of the Company.

- (b) To carry on primarily the business of Builders, Contractors, Agents, Advisors, Managers with regard to construction, development, improvement of Irrigation, Water, Hyde Transmission, Electrification, Drainage, Flood control, Reclamation, Ports, Harbours, Railways, Recreational use of water resources, Highways and Airfield Projects and works of every description connected therewith, in general and as construction specialists, estimators, appraisers, surveyors, disposal purchasing agents within and outside Pakistan in any part of the world.
- (c) To carry on the business of professional managers and agents of all kinds of companies, firms, local bodies, government and other individual and association of persons.

Capital :

- (i) Authorised Capital of the Company was rupees 200 million divided into 20 million shares of Rs. 10 each.
- (ii) Paid up capital of the Company at the time of its establishment was Rs. 40 million which was subscribed by the Federal Government. In 1976 the Capital was raised to Rs. 120 million by converting cash development loan received by Ex-Machinery Pool Organization, WAPDA.

Performance of the Company.—Total expenditure incurred and revenue realized in respect of the projects executed by the Company upto November, 1982 was as under :—

	Expenditure	Revenue
In Pakistan :	(Figures in million)	(Figures in million)
72 Completed and 27 on-going Projects	Rs. 2202.4	Rs. 1606.6
In Iraq :		
3 Projects	45.9 Iraqi Dinar.	29.2 Iraqi Dinar.

Results of Audit.—(1) As a result of Audit 5 Draft Paras pointing out lapses, misappropriation, non-accountal of stores aggregating to Rs. 3,352,350 have been incorporated in the Audit Report for 1984-85 at Pages 125-126.

(ii) The losses and other financial irregularities pointed out through advance paras, being pursued with the N.C.P., are summarized below :—

	Rs.
Losses (20 cases)	16,428,200
Irregular/unauthorized expenditure (16 cases)	5,115,200
Non-recovery of dues (8 cases)	2,159,800
Non-accountal/payment for defective material (12 cases)	444,800
Over payment (1 case)	17,300
Undue financial Aid to Contractor (1 case)	156,300
Total	<u>24,321,600</u>

It was pointed out by Audit that responsibility should be fixed for attending the audit observations under process otherwise this Organization would meet the same fate as the Kohistan Development Board. The PAC did not agree with the Secretary, Planning and Development Division that the correspondence on the subject should be made to the Liquidator appointed for liquidation of the M.C.P. It was further directed that the Secretary Planning and Development Division would be responsible for attending the audit observations and keeping the record of M.C.P. for this purpose.

549. The Department informed the Committee that a liquidator had been employed. National Tubewell Corporation would be the successor Agency. The Chairman PAC at this point observed that loss of 16 million Iraqi Dinar was required to be regularised. The Department informed that a Committee had been formed to look into it.

APPROPRIATION ACCOUNTS (1984-85)

550. *Grant No. 107—Planning and Development Division (Page 828-AA).*—This grant closed with a saving of Rs. 647,949,349. It was reported by the Department to the Committee that the main saving was due to the fact that N.L.C. did not draw this amount, as they were incurring their expenditure out of their revenue. The Committee observed that a Performance report of N.L.C. may be carried as per directives under grant No. 104 for 1983-84.

551. *Grant No. 164—Development Expenditure of Planning and Development Division (Page 834-AA).*—There was a saving of Rs. 19,278,061 under this grant. The main saving of Rs. 13,160,910 was under object "Commodities and Services" which was due to the fact that allocation meant for TAP Cell and

Javed Azfar Computer Centre could not be utilized due to reasons beyond control. The Committee accepted the explanation and did not make further observation on it.

552. *Points/Paras not discussed to be treated as settled.*—The Committee did not make any observations on other points/paras in the Appropriation Accounts and Audit Reports for the years 1983-84 and 1984-85. These would be deemed as settled, subject to such recovery and regularisation action and verification by Audit, where necessary, under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 18th July, 1987.

FEDERAL COUNCIL SECRETARIAT

Tuesday, the 28th August, 1984

Third Sitting (PAC)

*165. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad, to continue the examination of the Federal Accounts for 1981-82. The following were present :—

P.A.C :

- (1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan. *Vice-Chairman.*
- (2) Syed Saïced Hameed, Member, Federal Council .. *Member.*
- (3) Akhuzada Bahrawar Saïed, Member, Federal Council. *Member.*
- (4) Mir. Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council. *Member.*
- (5) Mr. Abdul Qadir, Former Chairman, Railway Board. *Member.*
- (6) Mr. Yusuf Ishaq Mian, Chartered Accountant. .. *Member.*

Federal Council Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

- (1) Mr. Abdul Raouf, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafsa, Deputy Auditor-General (CA).
- (3) Syed Istikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (AdR).
- (5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenue.
- (6) Mrs. S. N. Sheikh, Director-General, Commercial Audit.

Ministry of Finance :

- (1) Mr. Manzoor Hussain, Joint Secretary (Budget).
- (2) Mr. A. Rashid K. Baloch, FA (EAD).
- (3) Mr. Masood Ahmad, DFA (EAD).

*Paragraphs upto 164 pertain to other Ministries/Departments.

ECONOMIC AFFAIRS DIVISION

*224. The Committee took up, for its examination, the Appropriation Accounts etc., pertaining to the Economic Affairs Division (EAD). The following departmental representatives were present :—

- (1) Mr. Makhdoom H. Chaudhri, Joint Secretary.
- (2) Mr. Salar Masood Ahmad, Deputy Secretary.
- (3) Mr. Imtiaz Ahmad Khan, Director of Accounts.
- (4) Mr. M. Khalil-ur-Rehman, Accounts Officer (F&A).
- (5) Mr. Muhammad Yusuf Malik, Section Officer (F&A).

225. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Economic Affairs Division ..	50
2.	Technical Assistance Schemes ..	51
3.	Development Expenditure of Economic Affairs Division.	149

226. *Reconciliation of Accounts with Audit.*—The Committee observed that the reconciliation of Accounts for the year 1983-84 had not yet been completed. The departmental representative was directed that all the pending reconciliation work must be completed before the end of September, 1984.

APPROPRIATION ACCOUNTS

227. *Grant No. 50—Economic Affairs Division (Pages 488—490-AA).*—Audit had reported an excess of Rs. 304,242 under the object "020—Regular Allowances". The Division clarified that the Supplementary Grant of Rs. 510,000 was duly approved, to cover the additional expenditure, resulting from the revision of pay scales, allowances, repairs/maintenance of durable goods and works and commodities and services. This was not accepted by the AGPR as it was not printed in the Book of Supplementary Grant by the Finance Division. It, therefore, resulted in excess, although it stood covered by the Supplementary Grant.

228. Audit pointed out that the actual expenditure was accepted by the Department. As regards the final Grant, the departmental plea about non-accountal of the Supplementary Grant of Rs. 510,000 was not correct. The Supplementary Budget book did not contained this amount and Audit had accordingly not taken it into account.

*Paragraphs upto 223 pertain to other Ministries/Divisions.

229. The Vice-Chairman remarked that the question was whether there was a supplementary grant or not. In case a supplementary grant of Rs. 510,000 was duly approved, it should have been included in the printed book. The departmental representative intimated that the grant was approved on the 25th May, 1982 and the schedule for supplementary grant was passed on to the Ministry of Finance on the 3rd June, 1982, for inclusion in the printed book.

230. Audit representative enquired as to what date was given by the Finance Division for sending the schedule. The departmental representative clarified that the instructions issued by the Finance said that the schedule for supplementary grant should be furnished to the Budget Wing by the 20th April. The Vice-Chairman asked as to how long, after the approval of the supplementary grant by the Ministry of Finance did the Department take to sending the schedule to the Budget Wing. The departmental representative reiterated that the supplementary grant was approved on the 25th May, 1982 and the Department despatched the schedule on the 3rd June, 1982. Thereupon, the Vice-Chairman observed that the major portion of the blame devolved upon the Economic Affairs Division, because that Division did not move early enough to furnish the schedule to the Budget Wing by the 20th of April, 1982.

231. *The Committee finally decided that responsibility should be fixed for this lapse and necessary action for not furnishing the schedule of Supplementary Grant to the Ministry of Finance by the prescribed date. The Committee further directed the departmental representative to prepare their brief in future according to the form in which Appropriation Accounts were printed.*

Grant 51—Technical Assistance Scheme (Pages 498—500-AA).

Grant No. 149 Development Expenditure of Economic Affairs Division (Pages 492—496-AA).

232. The Committee did not make any observation on the above-mentioned grants.

AUDIT REPORT

233. *Non-submission of detailed accounts of Rs. 334,000 (Para 8, pages 93-94-AR).*—According to Audit, a sum of Rs. 334,000 was advanced by the EAD to the Project Leaders of five Development Project in 1973-74. Project-wise adjustment accounts were to be rendered in the same financial year and the unspent balances refunded to the Government. Neither the adjustment accounts were submitted in time nor were the unspent balances refunded. The adjustment account for Rs. 265,000 was furnished in February, 1980 and the accounts for the remaining amount of Rs. 69,000 were awaited till January, 1983. It was explained by the Division that the work of the Peoples' Works

Programme along with the relevant records, was transferred on the authority of the Cabinet Division O.M. No. 104/49/74-Min dated 16th November, 1974 from the EAD to the Planning and Development Division in November, 1974. It was later transferred to the Local Government and Rural Development Division. The required accounts may, therefore, be called for from the Division concerned, who were in possession of the relevant records and had already rendered accounts for Rs. 265,000.

234. Questioned as to whether the Department had got the amount of Rs. 265,000, the departmental representative submitted that the amount had been already received. The Department had received the account of the balance amount of Rs. 69,000 from the Local Government Division and passed it on to Audit during 1980-81. The details were furnished to them on the 8th August, 1983.

235. *The Committee decided to defer the paragraph till the above position was confirmed by Audit.*

236. *Overpayment not recovered Rs. 16,247 (Para 9, page 94-AR).—* Audit had reported that two Missions abroad had over paid a sum of Rs. 16,247 during 1975—1980 to two officials on account of foreign allowance and exchange compensation allowance and this was required to be recovered. The over-payments were brought to the notice of the concerned Missions in February, 1981 but the recoveries had not been effected so far.

237. The Division explained that the over-payment of Rs. 8,847 made by the Pakistani Mission in Maldives to Qari Muhammad Yunus, had been written off by the competent authority. The other over-payment of Rs. 7,400, equivalent to \$ 747.24, made by the Pak. Mission in Sri Lanka to Dr. S. S. A. Hashmi, had already been recovered from him. The write-off sanction for Rs. 8,847 and the recovery of U.S. \$ 747.24 was verified by Audit. As such, the paragraph was dropped.

238. *Delay in processing of G.P. Fund Cases [Para 2, (Items 41-42), pages 281—284-AR].—* Audit had pointed out that there was some delay in the processing of the two above mentioned G.P. Fund cases. Remedial measures were required to prevent such lapses in future.

239. The Committee was satisfied with the explanation furnished by the Division and as such, the paragraph was treated as dropped.

COMPLIANCE ON THE POINTS CONTAINED IN THE PAC REPORT FOR 1979-80

240. *Foreign Currency Loans Accounting System (Paras 39-40 and 196-197) (Pages 12-13 and 250-251-PAC Report 1979-80).—*EAD were asked to set up a Committee, consisting of representatives of the Economic Affairs and

Finance Divisions and the Auditor-General, to define exact responsibilities in regard to Foreign Currency Loans Accounting System and to evolve clear-cut procedures. Mr. Yusuf Bhai Mian Member, PAC was also to be associated as and when needed.

241. The Division explained that the Committee, which was constituted in August, 1983, felt that the position could be improved if the Ministries/Divisions concerned were made responsible for advising adjustment in respect of Foreign Aid (received in Kind) to the A.G.P.R., directly, without involving the EAD. Copies of the Report of the Committee and the directions issued by the Finance Division were furnished to the Federal Council Secretariat vide O.M. No. 3 (5) [FAA-III] 72, dated 1st January, 1984 (Appendix 'B').

242. After discussion, the Committee directed that all the Ministries/Divisions should be advised that, when they appear before the PAC for the examination of their Accounts, they should bring with them a statement, indicating the amount and sources of foreign aid allocated to them, the expenditure incurred there from and the balance available against each.

243. Reconciliation of Accounts with Audit (Para 1183, page 336-PAC Report 1979-80).—The departmental representative informed that reconciliation had been carried out and was upto date now, the Committee did not make any observation on the paragraph.

244. Grant No. 147—Development Expenditure of Economic Affairs Division (Para 173-AA) (Para 1189, page 337-PAC Report 1979-80).—The Committee did not make any observation on the paragraph.

245. Points not discussed to be treated as settled.—The Committee did not make any observation on other paragraphs/points relating to (i) Appropriation Accounts and Audit Report thereon for the year 1981-82; and (ii) the Compliance on the PAC Report for 1979-80. These would be deemed as settled subject to such regularisation actions, as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 15th August, 1985.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 28th April, 1986

Fifth Sitting (PAC)

*226. The Public Accounts Committee assembled at 09:00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C :

- | | | | |
|---|----|----|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | <i>Chairman.</i> |
| (2) Rai Arif Hussain, M.N.A. | .. | .. | <i>Member.</i> |
| (3) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (4) Mr. Shahabuddin Shah Hussainy, M.N.A. | .. | .. | <i>Member.</i> |
| (5) Malik Said Khan Mahsud, M.N.A. | .. | .. | <i>Member.</i> |

National Assembly Secretariat :

- (1) Ch. Abdul Qadir, Joint Secretary.
- (2) Mr. Muhammad Aslam, Deputy Secretary.
- (3) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant General, Pakistan Revenues.
- (6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

Mr. Masood Ahmed, DAF (EAD).

227. *Accounts Examined.*—Accounts pertaining to the Economic Affairs Division were examined by the Committee during the course of the day.

*Paragraphs upto 225 pertain to other Ministries/Divisions.

ECONOMIC AFFAIRS DIVISION

228. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Economic Affairs Division. The following departmental representatives were present :—

- (1) Mr. S. S. A. Bukhari, Joint Secretary (A).
- (2) Mr. Salar Masud Ahmed, Deputy Secretary.
- (3) Mr. S. M. Nasir-ul-Haq, Director (Accounts).
- (4) Mr. Imtiaz Ahmad Khan, AO (Accounts).
- (5) Mr. Abdul Rauf, AO (F&A).
- (6) Mr. Mohammad Yusuf Malik, Section Officer (F&A).

229. This Division controlled the following Grants :—

S. No.	Name of Grant	Grant No.
1.	Economic Affairs Division	49
2.	Technical Assistance Schemes	50
3.	Development Expenditure of Economic Affairs Division	147

230. *Reconciliation of Accounts with Audit.*—The PAC noted with satisfaction that the reconciliation of Accounts with Audit was up to date.

APPROPRIATION ACCOUNTS

231. *Grant No. 49—Economic Affairs Division (Page 326-AA).*—The Grant closed with a net saving of Rs. 6,319. The Saving being nominal the Committee did not make any observation.

232. *Grant No. 147—Development Expenditure of Economic Affairs Division (Page 328-AA).*—As per Appropriation Accounts there was a saving of Rs. 5,000,000 under this Grant. The Department explained that releases from this grant were made to Provincial Governments on receipt of intimation of expenditure on the projects carried out by the Provincial Governments. Such expenditure reports continued to pour in up to the last day of the Financial year and the saving as such could not be surrendered in time. Saving was, however, surrendered on 30th June, 1984, but was not accepted being made after 31st March, 1983. The Finance Division did not agree to a proposal that surrenders in respect of this Grant might be allowed to be made up to 30th June. The Audit

at this point observed that some mechanism should have to be developed to control the expenditure against this Grant, as during last year there was similar situation. Since the matter had already been taken up with the Finance Division the PAC did not make any observations.

233. *Grant No. 50—Technical Assistance Schemes (Page 336-AA)*.—Audit had pointed out that there was an excess of Rs. 418,253 under "other than charged" section, which was due to incorrect surrender of saving. The Department explained that it was due to adjustment of Rs. 604,978 relating to 1981-82 booked in accounts for 1982-83, otherwise there was a saving of Rs. 171,044. The PAC did not make any further observation on this case.

234. *Points not discussed to be treated as settled*.—The Committee did not make any observations on other points/paragraphs of Appropriation Accounts for 1982-83 and Audit Reports thereon. These would be deemed to have been settled, subject to such regularisation action or recovery as may be necessary under the rules and subject to verification by Audit.

CH. ABDUL QADIR,
Joint Secretary.

Islamabad, the 23rd November, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 6th January, 1987

Seventh Sitting (PAC)

*384. The Public Accounts Committee assembled at 10.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present:—

P.A.C :

- | | | | |
|--|----|----|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | <i>Chairman.</i> |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. | .. | <i>Member.</i> |
| (3) Rai Arif Hussain, M.N.A. | .. | .. | <i>Member.</i> |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (5) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (6) Mr. Miangul Aurangzob, M.N.A. | .. | .. | <i>Member.</i> |
| (7) Malik Said Khan Mahsud, M.N.A. | .. | .. | <i>Member.</i> |

National Assembly Secretariat :-

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Guizar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (5) Mr. Ahmed Nawab Qureshi, Director General, Commercial Audit.
- (6) Mr. Iftikhar Ali Khan Raja, Director General, Audit and Accounts (Works).
- (7) Mr. M. S. Anjad, Director General (PEC).

Ministry of Finance :

- (1) Mr. Manzoor Hameed, Joint Secretary (Budget).
- (2) Mr. Muhammad Zafar Mian, Joint Secretary.
- (3) Mr. Tanwir Ali Agha, Deputy Secretary.
- (4) Mr. S. M. Hasan, AF (EAD).
- (5) Mr. I. A. Saeed, DFA (EAD).

*Paragraphs upto 383 pertain to other Ministries/Divisions.

ECONOMIC AFFAIRS DIVISION

*434. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Economic Affairs Division. The following departmental representatives were present :—

- (1) Mr. M. A. G. M. Akhtar, Secretary.
- (2) Mr. Bashir Ahmed, Joint Secretary.
- (3) Mr. S. M. Nasirul Haq, Director Accounts.
- (4) Mr. Imtiaz Ahmed Khan, Director Accounts.
- (5) Mr. Muhammad Yusuf, Section Officer.
- (6) Mr. Abdur Rauf, Accounts Officer.
- (7) Mr. Muhammad Salim Kazi, Accounts Officer.

*435. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1983-84		
1.	Economic Affairs Division	49
2.	Technical Assistance Schemes	50
3.	Development Expenditure of Economic Affairs Division ..	145
1984-85		
1.	Economic Affairs Division	49
2.	Technical Assistance Schemes	50
3.	Development Expenditure of Economic Affairs Division ..	148

APPROPRIATION ACCOUNTS (1983-84)

436. *Grant No. 49—Economic Affairs Division (Page 392-AA).*—This grant closed with an excess of Rs. 515,817. It was explained by the Department that Excess was due to Advance payment of salary on Bid and revision of pay scales. The Committee accepted the explanation and recommended the excess for regularisation.

437. *Grant No. 50—Technical Assistance Schemes (Page 392-AA).*—There was a saving of Rs. 4,551,449 under "other than charged" section of this grant. The Department explained that an amount of Rs. 3,597,500 was surrendered in time. The remaining saving was below prescribed Limits. The Committee observed that there should be better budgetary controls.

*Paragraphs upto 433 pertain to other Ministries/Divisions.

438. *Grant No. 145—Development Expenditure of Economic Affairs Division (Page 398-AA).*—There was no variation under this grant, as such the Committee did not make any observation.

APPROPRIATION ACCOUNTS (1984-85)

439. *Grant No. 49—Economic Affairs Division (Page 318-AA).*—According to Appropriation Accounts, this grant closed with a nominal saving of Rs. 184,334. The Committee did not make any observation.

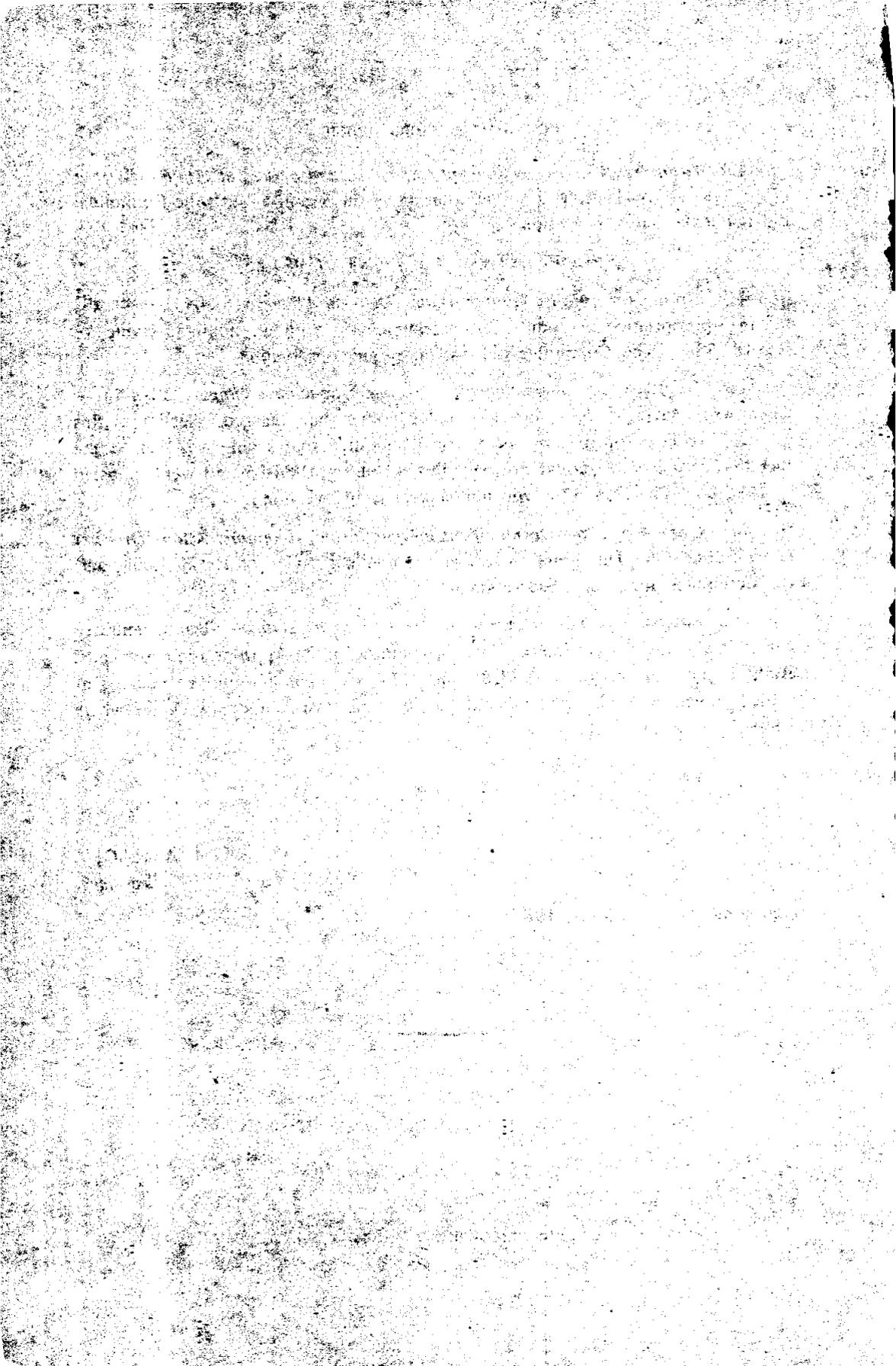
440. *Grant No. 50—Technical Assistance Schemes (Page 322-AA).*—There was a saving of Rs. 3,864,121 under "other than charged" Section of this grant. The Department reported to the Committee that saving was due to the fact that certain debts could not be adjusted during 1984-85 and were adjusted in 1985-86. The Committee did not make any observation.

441. *Grant No. 148—Development Expenditure of Economic Affairs Division (Page 326-AA).*—This grant closed with a nominal saving of Rs. 374,000, and the Committee made no observation on it.

442. *Points|Paras not discussed to be treated as settled.*—The Committee did not make any observation on other Points|Paras in the Appropriation Accounts, Audit Report for the years 1983-84 and 1984-85. These would be deemed as settled subject to such regularisation action, and verification by Audit where necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 11th June, 1987.



FEDERAL COUNCIL SECRETARIAT*Monday, the 27th August, 1984***Second Sitting (PAC)**

*79. After completing the examination of Accounts of the Ministry of Interior for the year 1980-81, the Committee continued the examination of the Federal Accounts for 1981-82 and Compliance Report 1979-80 and took up, for its examination, the Appropriation Accounts, etc., pertaining to the Statistics Division for 1981-82. The following were present :—

P.A.C. :

- | | | |
|---|----|---------------------------|
| (1) Syed Saieed Hasan, Member, Federal Council | .. | Member (Acting Chairman). |
| (2) Akhunzada Bahrawar Saeed, Member, Federal Council | .. | Member. |
| (3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council | .. | Member. |
| (4) Mr. Abdul Qadir, Former Chairman, Railway Board | .. | Member. |
| (5) Mr. Yusuf Bhai Mian, Chartered Accountant | .. | Member. |

Federal Council Secretariat :

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit :

- (1) Mr. Abdur Raouf, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (C.A.).
- (3) Mr. Syed Ifkhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Account General, Pakistan Revenues.
- (6) Mr. Zaheeruddin Joddy, Director General (PEC).
- (7) Mrs. S. N. Sheikh, Director General, Commercial Audit.
- (8) Mr. Saleem Siddique, Director, Concurrent Audit (CDA).

Ministry of Finance :

Raja Raza Arshad, Deputy Secretary.

STATISTICS DIVISION

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

- (1) Syed Sarfraz Ali Shah, Joint Secretary.
- (2) Mr. G. Muftaba Mirza, Census Commissioner.
- (3) Mr. S. S. Jaffar, Deputy Secretary.
- (4) Mr. M. Habib-ur-Rehman, Section Officer (F&A).

93. This Division controlled the following grants:—

S. No.	Name of Grant	Grant No.
1.	Statistics Division	107
2.	Development Expenditure of Statistics Division ..	162

94. *Reconciliation of Accounts with Audit.*—The Committee noted that some reconciliation work of the Division for 1983-84 had yet to be completed. The department was asked to get the same expedited.

APPROPRIATION ACCOUNTS

95. *Grant No. 107—Statistical Division (Page 992-AA).*—Audit had exhibited a saving of Rs. 666 and Rs. 158 under objects "011—Officer" and "012—Other Staff" respectively. The department made out that the saving being negligible, no explanation was required. Thereupon, Audit contended in their comments that, in object 012, the surrender of Rs. 2,389,000 against the budget provision of Rs. 7,154,300 was nearly one-third, which was excessive. The reasons given for the surrender were economy measures and actual requirements, which showed a lack of precision in budget estimation.

96. *Object—900—Miscellaneous Expenditure (Page 994).*—A saving of Rs. 43,000 had been shown under this object. The Division explained that this was due to non-remittance of Rs. 40,000 on account of annual contribution to the statistical Institute for Asia and the Pacific (Tokyo) and Rs. 3,000 to the International Institute Hague by the State Bank of Pakistan. Audit, however, maintained that the payment authorities for Rs. 40,000 and Rs. 3,000, issued by the Chief Accounts Officer, Ministry of Foreign Affairs to the State Bank were not honoured due to non-availability of Foreign Exchange at the credit of the Statistics Division. As the amount was finally not drawn during 1981-82, the same should have been included in the surrender.

*Paragraph upto 93 pertain to other Ministries/Divisions.

97. A member of the Committee enquired as to when was the subscription due to be paid? The departmental representative submitted that it was to be paid in 1981-82. The same member remarked that, if there was likely to be an excess, the Department should have asked for a supplementary grant.

98. *Object—062—Population Census and Registration—500—Commodities and Services (Page 994-A).*—Explaining the saving of Rs. 3,190,869 under this head, the department explained that Rs. 3,500,000 were provided to this organisation for conducting the Census of Pakistanis Living Abroad. The amount was, later on, transferred to the Chief Accounts Officer, Ministry of Foreign Affairs under the A.G.P.R.'s sealed authority No. FA-V|CAD|Auth|81-82|104-08, dated 3rd September, 1981. Out of this allocation, Rs. 309,131 were adjusted by the A.G.P.R. against the account of the Population Census Organisation and the balance of Rs. 3,190,869 were surrendered by the Chief Accounts Officer, Ministry of Foreign Affairs *vide* letter No. Cheque Assignment A|C|81-82|3-4, dated 4th July, 1982. The Committee, after going through the explanation of the Department and the Audit comments thereon, observed that saving should have been surrendered formally which should be noted for future.

99. *Grant No. 162—Development expenditure of Statistics Division (Page 1000-AA).*—No observation was made by the Committee under this grant.

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

M. A. HAQ,
Secretary.

Islamabad, the 20th September, 1985.

NATIONAL ASSEMBLY SECRETARIAT

Tuesday, the 26th August, 1986

Tenth Sitting (PAC)

*603. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present :—

P.A.C. :

- | | | |
|--|-------|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. .. | <i>Chairman.</i> |
| (2) Sardar Aseff Ahmed Ali, M.N.A. | .. .. | <i>Member.</i> |
| (3) Rai Arif Hussain, M.N.A. | .. .. | <i>Member.</i> |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | .. .. | <i>Member.</i> |
| (5) Nawab Muhammad Yamin Khan, M.N.A. | .. .. | <i>Member.</i> |
| (6) Mr. Miangal Aurangzeb, M.N.A. | .. .. | <i>Member.</i> |

National Assembly Secretariat :

- (1) M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord.).
- (4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (6) Mr. M. S. Amjad, Director General (PEC).
- (7) Mr. Ahmed Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

- (1) Mr. S. M. Badrul Hassan, Deputy Secretary (Budget).
- (2) Mr. Muhammad Afzal, FA (Statistics).

*Paragraphs upto 602 pertain to other Ministries/Divisions.

STATISTICS DIVISION

*682. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Statistics Division. The following departmental representatives were present :—

- (1) Mr. Akhtar Mahmood, Secretary.
- (2) Mr. Abdur Rahman, Joint Secretary.
- (3) Mr. Asghar Ali Khan, Deputy Secretary.
- (4) Syed Sajjad Hussain, Joint Commissioner (PCO).
- (5) Mr. Iftikhar Ahmed Siddiqui, Assistant Agriculture Census Commissioner.

683. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Statistics Division	105
2.	Development Expenditure of Statistics Division	161

684. *Reconciliation of Accounts with Audit.*—The Committee observed that the reconciliation work was not up-to-date. The reconciliation for the year 1985-86 had not even been completed as yet. It was directed that the reconciliation should be completed immediately and it should not be allowed to fall in arrears.

APPROPRIATION ACCOUNTS

685. *Grant No. 105—Statistics Division (Page 694-AA).*—This grant closed with a net saving of Rs. 5,706,569, which was about 10 per cent of the Final Grant of Rs. 54,584,000. Audit held that a Supplementary Grant of Rs. 2,000,000 was obtained although the Department had already sufficient funds and did not require more funds.

686. The Committee after going through the explanation of the Department directed that the Department should be careful in future because such actions block the funds badly needed elsewhere.

687. *Grant No. 161—Development Expenditure of Statistics Division (Page 702-AA).*—The saving of Rs. 2,022 being nominal, the Committee did not make any observation.

*Paragraphs upto 681 pertain to other Ministries/Divisions.

688. *Points not Discussed to be Treated as Settled.*—The Committee did not make any observation on the other points in the Appropriation Accounts, and Audit Report thereon. These would be deemed as settled, subject to such regularisation action and verification by Audit, as may be necessary under the rules.

689. The Committee then adjourned to meet again at 9.00 a.m. on Wednesday 27th August, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 19th January, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 8th January, 1987

Ninth Sitting (PAC)

*527. The Public Accounts Committee assembled at 10.00 a.m. in the Parliament House, Islamabad to commence the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present:—

P.A.C.:

- | | | | |
|--|----|----|-----------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | Chairman. |
| (2) Sardar Asef Muhammad Ali, M.N.A. | .. | .. | Member. |
| (3) Rai Arif Hussain, M.N.A. | .. | .. | Member. |
| (4) Nawab Muhammad Yasin Khan, M.N.A. | .. | .. | Member. |
| (5) Mr. Miangul Anwarzeb, M.N.A. | .. | .. | Member. |
| (6) Malik Said Khan Mahsud, M.N.A. | .. | .. | Member. |

National Assembly Secretariat:

- (1) Mr. M. A. Haq, Secretary.
- (2) Mr. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Alam, Deputy Secretary.
- (4) Mr. Gulzar Ali, Officer on Special Duty.

Audit:

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (3) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenue.
- (5) Mr. Iftikhar Ali Khan Raja, Director General (A&A Works).
- (6) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.
- (7) Mr. M. S. Amjad, Director General (PEC).

Ministry of Finance:

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. Tanwir Ali Agha, Deputy Secretary.

*Paragraphs upto 536 pertain to other Ministries/Divisions.

STATISTICS DIVISION

*553. The Committee took up for examination, the Appropriation Accounts, pertaining to the Statistics Division. The following departmental representatives were present :—

- (1) Mr. Akhtar Mahmud, Secretary.
- (2) Mr. Abdur Rehman, Joint Secretary.
- (3) Mr. Asghar Ali Khan, Deputy Secretary.

554. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1983-84		
1.	Statistics Division	105
2.	Development Expenditure of Statistics Division	159
1984-85		
1.	Statistics Division	51
2.	Development Expenditure of Statistics Division	149

APPROPRIATION ACCOUNTS (1983-84)

555. *Grant No. 105—Statistics Division (Page 832-AA).*—There was a Saving of Rs. 804,195, which was within permissible limit and the Committee did not make any observation.

556. *Grant No. 159—Development Expenditure of Statistics Division (Page 848-AA).*—According to Appropriation Accounts, there was a nominal excess of Rs. 16,576. The Committee recommended the excess expenditure for regularisation.

APPROPRIATION ACCOUNTS (1984-85)

557. *Grant No. 51—Statistics Division (Page 394-AA).*—The grant closed with a saving of Rs. 8,503,054. The Department explained that the saving was surrendered in time. The Committee did not make any observation.

558. *Grant No. 149—Development Expenditure of Statistics Division (Page 405-AA).*—There was no variation under this grant.

*Paragraphs upto 352 pertain to other Ministries/Divisions.

AUDIT REPORT (1984-85)

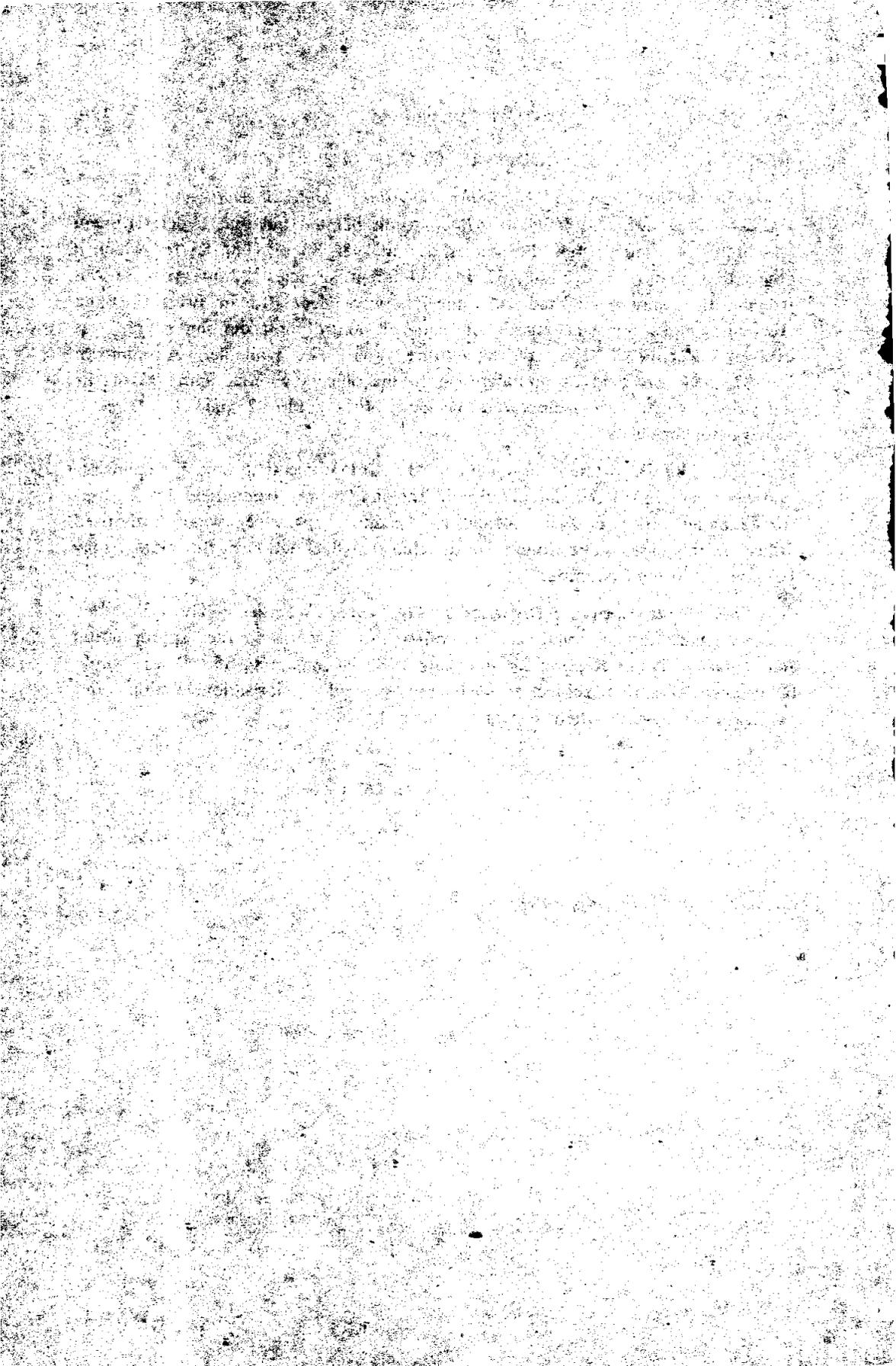
559. *Studies Funded by other Divisions and International Agencies* Rs. 2,868,432 (Para 1, page 61-AR).—Audit pointed out that Federal Bureau of Statistics under took 11 studies during 1982-83 to 1984-85 for which it received a sum of Rs. 2,868,432 from different agencies. Some very serious irregularities were committed. All receipts were deposited in Private Bank Account against financial rules. No financial control or accounting system was evolved. Record of a part of expenditure was not available. A sum of Rs. 835,484 was paid as remuneration to the officers without approval of the authority, which also included a payment of Rs. 117,02 paid by Director General to himself.

560. The Department intimated to the Committee that officer responsible had been suspended and an enquiry in the matter was being held by a Committee under orders of Prime Minister. Secretary Finance was Authorised Officer in this case. The Committee directed that final action of the enquiry may be reported to the Committee.

561. *Points/Paras not Discussed to be Treated as Settled.*—The Committee did not make any observations on other points/paras in the Appropriation Accounts and Audit Reports for the years 1983-84 and 1984-85. These would be deemed as settled, subject to such recovery and regularisation action and verification by Audit where necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 18th July, 1987.



FEDERAL COUNCIL SECRETARIAT*Wednesday, the 31st October, 1984***Ninth Sitting (PAC)**

*1331. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building Islamabad, to continue examination of the Federal Accounts for 1981-82. The following were present:—

P.A.C.:

- | | | |
|--|----|----------------|
| (1) Mr. A.G.N. Kazi, Governor, State Bank of Pakistan | .. | Vice-Chairman. |
| (2) Syed Saïeed Hasan, Member, Federal Council | .. | Member. |
| (3) Mr. Akhunzada Bahrawar Saeed, Member, Federal Council | .. | Member. |
| (4) Mir Jam Ghulam Qadir Khan, of Leshela, Member, Federal Council | .. | Member. |
| (5) Mr. Abdul Qadir, Former Chairman, Railway Board | .. | Member. |
| (6) Mr. Yusuf Bhai Mian, Chartered Accountant | .. | Member. |

Federal Council Secretariat:

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Syed Muhammad Ahmad, Assistant Secretary.

Audit:

- (1) Mr. Abdur Raouf, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. Khalid Rafique, Deputy Auditor-General (A&R).
- (5) Mr. M. A. Lodhi, Accountant General, Pakistan Revenues.
- (6) Mrs. S. N. Sheikh, Director General, Commercial Audit.

Ministry of Finance:

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. H. A. Niazi, FA (Environment and Urban Affairs).
- (3) Mrs. R. Yusuf, DFA (Environment and Urban Affairs).

*Paragraphs upto 1330 pertain to other Ministries Divisions.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

*1376. The Committee took up for its examination, the Appropriation Accounts etc., pertaining to the Environment and Urban Affairs Division. The following departmental representatives were present :—

- (1) Mr. Abdur-Rahim Mahsud, Additional Secretary Incharge.
- (2) Mr. Ayaz Ali Shah, Joint Secretary.
- (3) Mr. Mehboob Elahi, Deputy Secretary.
- (4) Mr. Khaliluddin, Section Officer.
- (5) Mr. Sulaman Shah, Section Officer.

1377. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Environment and Urban Affairs Division	69
2.	Other Expenditure of Environment and Urban Affairs Division ..	70
3.	Development Expenditure of Environment and Urban Affairs Division	153

1378. *Reconciliation of Accounts with Audit.*—The Committee noted with satisfaction that the reconciliation work of, the Division was up-to-date.

APPROPRIATION ACCOUNTS

1379. *Grant No. 69—Environment and Urban Affairs Division (Pages 653-654-AA).*—There was no material point for consideration by the Committee under this grant.

1380. *Grant No. 70—Other Expenditure of Environment and Urban Affairs Division (Page 656-AA).*—There was nothing material in this grant except that the Committee sought some information about reconciliation and Quaid-e-Azam Memorial Fund which was given by the departmental representative to the Committee's satisfaction

1381. *Grant No. 163—Development Expenditure of Environment and Urban Affairs Division (Page 658-AA).*—According to Audit, there is not excess of Rs. 18,625 under this grant. The department contended that the figures shown in

*Paragraphs upto 1375 pertain to other Ministries/Divisions.

the Appropriation Accounts for 1981-82 were incorrect. The correct figures of Final Appropriation, Actual Expenditure, Excess and savings as reconciled with A.G.P.R. are as given below :-

	Final Appropriation	Actual Expenditure	Surrender	Excess/ Savings
O.	900,000	895,625	281,375	—
S.	300,000			
E. Cat	—	23,000		

1382. Audit responded that the Final Grant difference between Audit and Department amounting to Rs. 300,000 was on account of Supplementary Grant, which was not appearing in the Book. As per standing orders, Audit takes only these supplementary grants which appear in the Book only. The schedule was sent by the Division in May, 1982, whereas the last date for this purpose fixed by Finance Division was 20th April, 1982. The Division should state reasons for the late submission of schedule.

1383. In view of the above position, the Committee directed that, in future, the request for the inclusion of the approved Supplementary Demand in the printed schedule of Supplementary Demands should be made by the Division to the Budget Wing of the Ministry of Finance, separately and in time.

AUDIT REPORT

1384. *Outstanding Audit and Inspection Report [Para 1 (4) (i), page 280-AR].*—The Committee noted that the paragraph had been settled with the Audit. As such, these were treated as dropped.

COMMERCIAL ACCOUNTS

Pakistan Environmental Planning and Architectural Consultants Ltd.

1385. *Working results (Paras 156-157, page 95-ARCA).*—The Company earned an income of Rs. 9.23 million on account of professional fee during the year 1981-82 as against Rs. 7.92 million of the previous year resulting in an increase of Rs. 1.31 million or 16.57%. Simultaneously, the operational expenses also rose to Rs. 8.69 million an increase of Rs. 1.20 million or 16.05%. Thus, there had been no improvement in the profitability of the Company. The need to control/minimise the operational expenses was, therefore, stressed on the Management.

1386. The Division agreed to the above Audit observation and promised to work for or to increase the profitability of the company. A member questioned the need for a separate Division whose only substantial function appeared to be supervising a relatively small autonomous Company. The Committee did not make any observation.

COMPLIANCE OF THE POINTS RAISED IN THE 1979-80 PAC'S REPORT

1387. The Committee did not make any observation on the compliance brief.

1388. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points in (i) Appropriation/Commercial Accounts 1981-82 and the Audit Reports thereon; and (ii) in the compliance brief on the PAC 1979-80 Report. These would be deemed as settled subject to such regularization action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 12th January, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 4th May, 1986

Seventh Sitting (P.A.C.)

*353. The Public Accounts Committee assembled at 9.00 a.m. in the State Bank Building, Islamabad to continue the examination of the Federal Accounts for 1982-83. The following were present:—

P.A.C.:

- | | | | |
|--|-----|----|------------------|
| (1) Sardarzada Muhammad Ali Sheh, M.N.A. | ... | .. | <i>Chairman.</i> |
| (2) Sardar Asef Ahmed Ali, M.N.A. | ... | .. | <i>Member.</i> |
| (3) Rai Arif Hussain, M.N.A. | ... | .. | <i>Member.</i> |
| (4) Ch. Muhammad Sarwar Khan, M.N.A. | ... | .. | <i>Member.</i> |
| (5) Malik Said Khan Mahsud, M.N.A. | ... | .. | <i>Member.</i> |

National Assembly Secretariat:

- (1) Ch. Abdul Qadir, Joint Secretary.
- (2) Mr. Muhammad Aslam, Deputy Secretary.
- (3) Mr. Gutzar Ahmed, Officer on Special Duty.

Audit:

- (1) Mr. Riyaz H. Bokhari, Auditor-General of Pakistan.
- (2) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).
- (3) Syed Iftekhar Shabbir, Deputy Auditor-General (Co-ord).
- (4) Mr. A. A. Zaidi, Deputy Auditor-General (A&R).
- (5) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (6) Mr. Iftekhar Ali Khan Raja, DG (A&A Works), Lahore.
- (7) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance:

- (1) Mr. H. A. Niaz, FA (Works).
- (2) Mr. M. Raziq, DFA (Works).

354: *Accounts examined.*—Accounts pertaining to the Environment and Urban Affairs Division were examined by the Committee during the course of the day.

*Paragraphs upto 352 pertain to other Ministries/Divisions.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

355. The Committee took up for examination the Appropriation Accounts etc. Pertaining to the Environment and Urban Affairs Division. The following departmental representatives were present :—

- (1) Mr. A. R. Mahsud, Secretary.
- (2) Mr. Ayaz Ali Shah, Joint Secretary.
- (3) Mr. Zaka Farooq Sheikh, Deputy Secretary.
- (4) Mr. Muhammad Irfan, MD (PEPAC).
- (5) Mr. M. Shafiq Akhtar, DM (Finance).

356. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Environment and Urban Affairs Division	67
2.	Development Expenditure of Environment and Urban Affairs Division	151

APPROPRIATION ACCOUNTS

357. *Grant No. 67—Environment and Urban Affairs Division (Page 420-AA).*—There was a nominal saving of Rs. 644. The Committee did not make any observation on this grant.

358. *Grant No. 151—Development expenditure of Environment and Urban Affairs Division (Page 424-AA).*—There was a net saving of Rs. 233,527. The Department contested the figure of Rs. 233,725 and reported that there was no saving in this case. Audit, however, pointed out that Department had accounted for the surrenders of Rs. 207,600 and Rs. 25,802 made on 16th June, 1983 and 30th June, 1983 respectively, whereas according to the Standing Instructions no such surrender was acceptable after 31st March, 1983. Thus the Department would have to explain the saving. On a query from a Member it was further explained that the grant was mainly meant for consultants for study. Audit observed that all surrenders made up to 31st March of a year were available for re-appropriation. The Department thereupon explained that the saving were roughly 3.5 per cent and was within reasonable limit. Since the works could not be completed in time the funds were allowed to lapse.

359. The Chairman PAC observed that strict watch should be kept on the funds. There appeared to be a tendency on the part of the Department to over-budget and thus to block the government funds and then were allowed to lapse at the close of the year. These were not surrendered well in time and as such the amounts could not be utilised on other projects where these were very much required. The Secretary of the Department explained that while budgeting, the Department kept in view the cuts and other reductions normally made by the Ministry of Finance during the year. Thus tendency of over budgeting had developed.

360. The Committee directed that the Ministry of Finance should review the whole system of existing budgeting keeping in view the over budgeting almost in every Ministry owing to the heavy cuts applied every year, and the shortages of funds faced by the Ministries Divisions in the last quarter of the Financial year.

COMMERCIAL ACCOUNTS

361. (Para 182, Page 111-ARCA).—Audit pointed out that PEPAC had shown net profit of Rs. 205,341 during 1982-83 as compared to Rs. 635,963 during the previous year. The decrease was due to reduction in professional income from Rs. 9.230 million in 1981-82 to Rs. 8.855 million in 1982-83. The Department explained that being a service organisation, it was basically providing the consultancy services to the private as well as the Public sector. Loss was due to the less receipts. Decidedly, the Department had shrunk its activities in the Housing and Physical Planning with which it was mostly concerned. Competition was becoming harder with the private sector. 87 per cent of the decrease was due to decline in revenue and 13 per cent due to increase in expenditure which was much less than general inflation. The Committee did not make any observation.

362. (Para 183, page 111-ARCA).—It was pointed out by Audit, that the receivables amounting to Rs. 2,688,601 could not be located in the books of the accounts viz. General Ledger and Debtors Ledger. There were thus chances of mis-appropriation|omission. The Department replied that the accounts were maintained on cash rather than accrual basis as such receivables were not shown in the books. Company was keeping records of such receivables in the register maintained for the purpose. Moreover the Commercial Audit did not object to the accounts being maintained on cash basis. It was thereupon observed by the Audit that accounts should also be drawn on accrual basis and the management may discuss with the Audit both the accounts.

363. The Committee directed that receivables must be reflected in the accounts of the PEPAC and this aspect of keeping accounts on cash or accrual basis should be referred to the Board of Directors of PEPAC. A study with the

association of Audit be carried out for preparing profit and loss accounts on cash or accrual basis.

364. (Para 51, pages 48-49, Para 52, pages 52-53, Para 53, pages 56-57, Para 54, pages 60-61-ARCA).—Replies to these paras were submitted to the Committee during the meeting. The Chairman PAC took a serious view of it and warned that delays in submission of replies to the Audit Paras, in future would be taken seriously. The paragraphs were deferred.

CH. ABDUL QADIR,
Joint Secretary.

Islamabad, the 23rd November, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 4th January, 1987

Fifth Sitting (PAC)

*229. The Public Accounts Committee assembled at 9.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 and 1984-85. The following were present :—

P.A.C.:

- | | | | |
|--|----|----|------------------|
| (1) Sardarzada Muhammad Ali Shah, M.N.A. | .. | .. | <i>Chairman.</i> |
| (2) Sardar Asaf Ahmad Ali, M.N.A. | .. | .. | <i>Member.</i> |
| (3) Ch. Muhammad Sarwar Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (4) Nawab Muhammad Yamin Khan, M.N.A. | .. | .. | <i>Member.</i> |
| (5) Mr. Miangul Aurangzeb, M.N.A. | .. | .. | <i>Member.</i> |
| (6) Malik Said Khan Mansud, M.N.A. | .. | .. | <i>Member.</i> |

National Assembly Secretariat

- (1) Mr. M. A. Haq, Secretary.
- (2) Ch. Abdul Qadir, Joint Secretary.
- (3) Mr. Muhammad Aslam, Deputy Secretary.
- (4) Mr. Gulzar Ahmed, Officer on Special Duty.

Audit :

- (1) Mr. Riyaz H. Bokhari, Auditor General of Pakistan.
- (2) Syed Iftikhar Shabbir, Deputy Auditor General (Co-ord).
- (3) Mr. A. A. Zaidi, Deputy Auditor General (A&R).
- (4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.
- (5) Mr. Iftikhar Ali Khan Raja, Director General (A&A Works).
- (6) Mr. Ziaul Haq Khan, Director General (Railway Audit).
- (7) Mrs. Naseem Akhtar, Deputy Director (Railway Audit).

Ministry of Finance :

- (1) Mr. Manzur Hussain, Joint Secretary (Budget).
- (2) Mr. Tanwir Ali Agha, Deputy Secretary.
- (3) Mr. H. A. Nisazi, FA (Works and Environment).
- (4) Mr. Mufshamat Raziq, DFA (Works and Environment).

230. *Accounts Examined.*—Accounts pertaining to the Environment and Urban Affairs Division were examined by the Committee during the course of the day.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

231. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Environment and Urban Affairs Division. The following departmental representatives were present :—

- (1) Mr. Abdur Rahim Mahsud, Secretary.
- (2) Mr. Ayaz Ali Shah, Joint Secretary.
- (3) Mr. Sarfraz Ahmed Syed, Deputy Secretary.
- (4) Mr. Haroon-ur-Rashid, Section Officer (F&A).
- (5) Mr. S. M. Irfan, Managing Director (PEPAC).
- (6) Mr. S. A. Qutab, General Manager (P) (PEPAC).

232. This Division controlled the following grants :—

S. No.	Name of Grant	Grant No.
1983-84		
1.	Environment and Urban Affairs Division	67
2.	Development Expenditure of Environment and Urban Affairs Division	149
1984-85		
1.	Environment and Urban Affairs Division	70
2.	Development Expenditure of Environment and Urban Affairs Division	155

APPROPRIATION ACCOUNTS (1983-84)

233. Grant No. 67—*Environment and Urban Affairs Division (Page 532-AA)*.—The grant closed with a saving of Rs. 246,922. The major saving was under "Transfer Payment" and was due to non-receipt of nominations from Provinces. The saving was surrendered. The Committee accepted the explanation.

234. Grant No. 149—*Development Expenditure of Environment and Urban Affairs Division (Page 548-AA)*.—As per Appropriation Accounts, there was a saving of Rs. 852,198 under this grant which worked out to 96 per cent of the Final Grant. The Department explained that payments to consultants could

not be made as they failed to complete the studies assigned to them. The Committee observed that Department should be careful in assessing their requirement while asking for funds.

APPROPRIATION ACCOUNTS (1984-85)

235. *Grant No. 70—Environment and Urban Affairs Division (Page 546-AA).*—This grant closed with a saving of Rs. 782,433 which worked out to 17 per cent of the Final Grant. The saving was attributed to non-filling of vacancies, as the formalities pertaining to recruitment by Federal Public Service Commission could not be finalized. An Authority of \$ 5,000 could not be paid within the financial year due to negligence of an official. Hence saving. The Committee observed that funds not required should have been surrendered in time and directed that department should be careful in future.

236. *Grant No. 155—Development Expenditure of Environment and Urban Affairs Division (Page 562-AA).*—There was a saving of Rs. 10,446,000 which the Department surrendered, as no progress was shown during the year by consultants in the case of studies entrusted to them for development work. The Committee did not make any observation.

M. A. HAQ,
Secretary.

Islamabad, the 11th June, 1987.

... ..
... ..
... ..

... ..
... ..
... ..
... ..
... ..
... ..
... ..
... ..
... ..

... ..
... ..
... ..
... ..
... ..

CH A M

...

...

APPENDIX "A"

IMPROVEMENT IN GOVERNMENT ACCOUNTING WORK

(209-210)

(See paragraph 2532 of Annexure F)

PAPER FOR PUBLIC ACCOUNTS COMMITTEE**SUBJECT :—Improvement in Government Accounting Work.**

Federal P.A.C. has often expressed anxiety, when in the course of examining Appropriation Accounts, instances came to its notice where expenditure booked by Accounts Offices was not accepted by a Ministry. On its directive, a working paper was submitted in October, 1981 wherein corrections made in the previous years accounts were submitted for information. (The said paper is included as Appendix H in PAC's report for 1978-79).

2. In order to present the efforts made to improve the quality of accounts, the corrections made since the submission of the last working paper, organizational changes made to improve the quality of accounts and the problems faced by the Accounts Offices a paper has been prepared which is circulated herewith for the kind information of the Public Accounts Committee.

PAPER FOR PUBLIC ACCOUNTS COMMITTEE

The progress made in some crucial areas of government accounts since 1981 (when a working paper on accounts was submitted to the PAC) is outlined below :—

- (a) *Correctness of figures in Appropriation Accounts.*—The agreement in departmental and Audit figures has improved, as shown below :—

		1978-79	1979-80	1980-81	1981-82
Agreed figures of	Final Grants ..	96.7%	94.0%	97.2%	90.9%
	Actuals	75.8%	74.2%	84.1%	87.9%
(These figures for 75-76 were 63.8 and 60%)					

- (b) *Corrections carried out in Appropriation Accounts already examined by PAC :*

- (i) Corrections within a grant .. In 12 Ministries for 75-76, 76-77, 78-79 and 79-80 accounts.
- (ii) .. between 2 grants .. In 23 Ministries for 75-76 to 79-80 Accounts.
- (iii) .. through accounts entries (involving heads whose balances are C/o from year to year).
Rs. 1,040.8 million.

(c) *Balances in Suspense Accounts*.—The overall suspense balances are reducing gradually.

(In million of Rupees)

	Civil	PO	Railways	Defence
1980-81	18,777	76	1,466	406
1981-82	16,258	77	1,686	298
1982-83	22,001	78	1,828	74
1983-84	23,071	74	1,820	NA

(d) *G.P.F. Accounts*.—The number of GPF accounts on Civil side have increased. Their maintenance has still shows some improvement, as indicated by following figures :

	Total No. of accounts	No. of incomplete accounts	No. of missing credits
1-7-1980	114,477	93,104	626,590
31-12-1982	136,813	35,970	430,307
31-12-1983	130,216	26,992	273,889

(e) *Monthly and Annual Accounts*.—Monthly accounts of all provinces as well as federal, are being submitted in time. The annual accounts are not only timely, the preparation time has been reduced by 3 months. It is intended to reduce these further by one month in the next two years.

2. Following notable procedural and organizational steps have been taken in the recent years ; some of these were inspired by the PAC and some were the outcome of departmental deliberations :

(a) *To ensure correct booking of accounts :—*

(i) Reorientation of training, emphasising on-job training, development of short subject-wise courses.

(ii) Shortage of Accountants is being met by direct recruitment in Grade 16.

(iii) Checking out and implementing Reconciliation programmes. (PAC's insistence and enquiry from Ministries about reconciliation has produced very healthy effect).

- (iv) Computerization of accounting has been undertaken.
 - (v) Classification chart has been revised and new classification finalized.
- (b) *To mitigate Suspense Balances*—
- (i) A Central Clearing House and one for each AG started.
 - (ii) Accounts of AGPR at provincial HQs separated from provincial accounts and placed in separate organizations (Branch offices of AGPR).
 - (iii) Exchange Accounts between Branch Offices of AGPR eliminated and booking expedited where payment takes place.
 - (iv) Suspense Accounts Committee (of 3 senior AGs) entrusted the study and simplification for controlling suspense balances.
 - (v) Control system of suspense balances (Quarterly Reporting) revised and elaborated.
- (c) *GPF Accounts* :—
- (i) Annual statements of balances are being issued regularly by all Accounts Offices.
 - (ii) *Ad hoc* adjustment of missing credits is being done and final payment cases are not to await checking of the account *ab-initio*.
 - (iii) Annual exam. of GPF final payment cases has been made a regular feature of Audit Reports.
- (d) *General*.—In addition to the procedural measures, efforts are being made in various directions to improve the functional activities. These efforts include introduction of larger number of calculators, adding machines, etc., comparative projection of functional results of each Accounts Office in the annual conference and meetings, entrusting special assignments such as reconciliation of book and bank balances, tallying investments and figures of public debt, fixing targets in consultation with AsG for compilation of accounts etc. etc. These and similar other methods are hopefully going to produce tangible results in the next years accounts.

2. There were cases where timely booking could not be carried out due to one factor or other. This also involved some carelessness on the part of dealing staff in Audit Offices. As directed by the Public Accounts Committee, in all such cases, disciplinary action has been taken against the persons held responsible. A list showing action taken is placed as Annexure 'C'.

3. *Major Problems.*—A number of factors adversely effect the efficiency of Accounts and Audit offices, which are listed below :

- (i) *Financial and Administrative handicaps.*—Pakistan Audit Department cannot rearrange its financial resources freely even within the sanctioned budget as it does not have adequate financial and administrative powers. This prevents any adjustments in deployment of manpower particularly when new work such as audit of newly created organizations, special audit of any organization or rearrangements of auditing processes or organizations arises.
- (ii) *Non-professionalism and weak training.*—The existing training arrangements are so weak that these do not meet departmental requirements. The rule books are virtually non-existent, training material is negligible, arrangements for training of trainees are absent incentives for training are not available. These and similar factors including intake of professionally un-qualified personnel present a serious problem.
- (iii) *Inadequate attention to Audit observations.*—Departments generally do not respond to the audit observations promptly as there is no sanctions which can be applied to obtain an adequate and prompt reply. This delays and often frustrates the corrective object of Audit.
- (iv) *Decreased Efficiency and Discipline.*—The levels of efficiency and discipline have decreased in reverse proportion to the level of officials. The work-force of Account and Audit Offices contains largest element of clerical Staff. Another level which was most important and where most accounting work, was checked and audit work initiated is that of the Supdt's (BS-16). This level has lost its traditional effectiveness. Therefore, it is necessary to replace *Number* with *Quality* by entrusting basic work to officers of higher level (e.g. BPS 18 and 19), gradually shifting emphasis from clerical and Supdt. level. (A reorganization proposal is under action with Ministry of Finance).
- (v) *Multiplicity and large volume of transactions.*—Accounting transactions have increased to an extent that manual accounting has become a herculean task. The increase is many times due to increase in Government expenditure and revenue and revision of classification chart. Computerization would help but this help would not be immediately available at all Stations, particularly district H.Qs.
- (vi) *Complicated Procedures, Systems and Methods.*—Procedures have not kept pace with changing requirements. Some of the defects e.g. transfer of Debits/Credits for long distances, book adjustments, large

and heavy documentation etc., have not undergone much change. (A few changes like those mentioned at (b) are not enough).

- (vii) *Absence of R & D*.—There is no arrangement for Research and Development in the audit and accounting work. Hence the techniques developed in the changing world as also improvements in formats cannot be introduced.
- (viii) *District Accounts Offices*.—In accounting work, a major problem is the duality of control on District Accounts Offices. As a result of un-certain future of accounting work in the districts, coupled with organizational and logistic difficulties, the performances on accounts compilation is badly affected.

LIST OF PERSONS AGAINST WHOM DISCIPLINARY ACTION HAS BEEN INITIATED

Para & Page No. of PAC Report	Grant No. Para No.	Amount	Action taken
1	2	3	4
Para 69, page 127—PAC Report 1976-77, M. O. Education.	Grant No. 31	Rs. 471,852	Debits were adjusted on receipt through office accounts of the dealing Assistant Mr. Muhammad Shafiq. However, Assistant has been warned for not closing the books and getting the same adjusted.
Para 24, page 49—PAC Report 1977-78, Cabinet Division.	Grant No. 9	Less Booking 1,459,974	Less booking was at Sub-office Quetta due to non-receipt of salary has since been parted out. The dealing Assistant Mr. Muhammad has been served with charge-sheet for not getting the salary in time. Adjustment has been carried out in the subsequent year.
Para 85-86, page 55—PAC Report 1977-78, Establishment Division.	Grant No. 157.	Less Adjustment 150,000	Booking was carried out in 1979-80 instead of 1978-79 (the amount was lying under suspense). Mr. Muhammad Shafiq, who was dealing with work, has been removed from service on 25-4-1981 in an-other case.
Para 323-324, page 97—PAC Report 1977-78, M. O. Interior.	Grant No. 95.	Less booking 950,000	Booking could only be finalized in 1981-82. Due to certain factors it remained under suspense. Mr. Faisal-ud-Din, P.A., who was dealing with this job during 1977-78, has been removed from service on 18-5-1978 in another case.
Para 82, pages Report 1977-78, Establishment Division.	Grant No. 138.	Less booking of Recovery.	The recovery below the grant should be equal to the expenditure. The booking could not be properly reflected in recovery. The dealing Assistant Mr. Makhidum Shah, Auditor has been warned to be careful in future.
Para 1344-45, pages 369-370—PAC Report 1979-80, M. O. Petroleum & Natural Resources.	Grant No. 184.	Excess booking 3,999,000	This was due to the fact that the debits received from Karachi were adjusted through J.E. Twice due to oversight. However Mr. Husain Rafoog dealing Assistant was asked to explain and directed to be careful in future.
PAC directive dated 30-10-1984, Cabinet Division.	Para 2 Sr. No. 11, Page 282, AR-1981-82.	Delay in processing of G.F. Fund cases.	One Assistant Accounts Officer, Clerk incharge and Auditor, responsible for delay in final payment case of Mr. Muhammad Ashraf S.T. Account No. GGC-2387, were warned to be careful and vigilant in performance of their duties.

APPENDIX " B "
**CONSTITUTION OF A COMMITTEE ON FOREIGN
AID ACCOUNTING**

(217-218)

(See paragraph 241 of Annex-K)

GOVERNMENT OF PAKISTAN
ECONOMIC AFFAIRS DIVISION

(Accounts Wing)

No. 3 (5) FAA-III/72.

Islamabad, the 1st January, 1984.

OFFICE MEMORANDUM

SUBJECT :—*Constitution of a Committee on Foreign Air Accounting.*

The Public Accounts Committee in its meeting held on 24th January, 1983 directed that a Committee consisting of the representatives of the Economic Affairs Division, Finance Division and the Auditor-General be set up by the Economic Affairs Division immediately, to go over the problems of Foreign Aid|Loans Accounting with the object, *inter alia*, of streamlining it by removing ambiguities if any.

In compliance to the directions of Public Accounts Committee a "Committee on Foreign Aid Accounting" consisting of the representatives of Economic Affairs Division, Finance Division and Auditor-General was constituted in Economic Affairs Division. The Committee held its meeting on 8th September, 1983 and deliberated upon the procedures of negotiation, budgeting, utilisation, disbursements of accounting and control of expenditure in respect of Foreign Aid Loans and Grants. The findings of the earlier committee constituted for the purpose in Finance Division were also taken into account. After careful consideration the committee came to the conclusion that the procedures were alright and the non-implementation of the relevant procedures, was the origin of whole trouble. The directions issued by Finance Division on 30th December, 1981 proved in-effective in the implementation of the procedures by the Ministries/Divisions and Executing Agencies concerned. Although Economic Affairs Division advises adjustment of the aid disbursed directly by Aid giving Countries/Agencies yet such adjustments are based on the accounts|acceptance furnished by Executing Agencies. Departments and Ministries|Divisions concerned. Still the Economic Affairs Division is used by Ministries|Divisions etc., as a shield to cover all lapses on their part concerning accounting and control of expenditure in respect of Foreign Aid budgeted under their Demands|Appropriations. The Committee felt that improvement in the present state of affairs concerning Foreign Aid Accounting could be effected if the route of adjustment of such aid is short circuited and Ministries|Divisions themselves are made responsible for advising

adjustments to Accountant General of Pakistan Revenues directly without involving Economic Affairs Division. It was therefore decided that necessary instructions in this regard be issued by Finance Division immediately.

Necessary directions have since been issued by Finance Division. 35 copies of the report of the Committee and the directions issued by Finance Division are enclosed for necessary action.

The receipt of the O.M. may please be acknowledge.

This issues with the approval of J.S. (D.M).

Sy/-
(SUHAIL AHMAD)
Director of Accounts.

Mr. Muhammad Aslam,
Deputy Secretary,
Federal Council Secretariat,
Islamabad.

No. F. II (1)-B (S) 83-2288

GOVERNMENT OF PAKISTAN

FINANCE DIVISION

(Budget Wing)

Islamabad, the 26th December, 1983.

OFFICE MEMORANDUM

SUBJECT :—*Procedure for Budgeting, Accounting and Control of Expenditure Relating to Foreign Aid (Loans and Grants).*

The undersigned is directed to refer to Finance Division Office Memorandum No. F. II (4)-B (S) 79-2168/81, dated the 30th December, 1981 (copy enclosed) and to state that the instructions contained therein do not appear to have been followed generally. In particular the instructions contained in para 3 (c) and (d) thereof have failed to receive desired attention. It is, therefore, requested once again that the instructions contained in that O.M. may kindly be followed rigidly and necessary steps be taken to ensure that no laxity in this connection recurs.

2. The instructions contained in para 3 (c) and (d) about the account of aid and their reflection in Government Accounts have been reviewed and it has been observed that expenditure against aid received in cash, whether as an advance or as re-imbusement, is reflected in Government accounts as a matter of course when funds for expenditure against the aid on the particular project are drawn either before or after the receipt of aid (according to nature of the aid i.e. re-imbusement or advance and), by operating upon relevant Demands/Appropriations and Heads of Accounts. The re-imbusement or advance relating to Projects of Provincial Governments/Autonomous Bodies when passed on to them are also reflected as "Loans and Advances" when funds are transferred to them. In case of aid disbursed by Donors/Lenders directly to suppliers, contractors, beneficiaries etc., Economic Affairs Division advises necessary adjustment to AGPR on the basis of accounts/acceptances of aid furnished by Ministries/Divisions/Executing Agencies concerned. It has been decided that in modification of the instructions contained in para 3 (c) and (d) of the Office Memorandum, dated the 30th December, 1981 referred to above, the following procedure shall be followed with effect from the year 1982-83 :—

- (i) The adjustment in respect of aid disbursed directly by Donors/Lenders, supported by Accounts of aid would be advised to AGPR, by Federal Ministries and Divisions in the case of Projects under their control (including the projects of the Autonomous Bodies under their control) and Finance Departments of the Provincial Governments concerned in the case of Provincial Projects or the Projects of Autonomous Bodies under the control of Provincial Governments.

- (ii) A copy of the advices with accounts of aid would invariably be furnished to Economic Affairs Division to enable it to maintain the accounts of receipt of aid centrally.
- (iii) The cases of adjustment of aid relating to earlier years which are under correspondence with Ministries/Divisions, Executing Agencies for acceptances or which have not been brought to account as yet for one reason or another would also be finalized by Ministries, Divisions and Finance Departments of the Provincial Governments concerned.
- (iv) Ministries, Divisions of the Federal Government and Finance Departments of the Provincial Governments would ensure that provisions of Rule 83 and Rules 94—98 of General Financial Rules Vol-I are applied to expenditure against Foreign Aid in letter and spirit. Control of expenditure against Foreign Aid and regularization of anticipated savings/excesses and also the reconciliation with AGPR to ensure reflection of all expenditure against Foreign Aid in Government Account should receive particular attention.

Sd/-

(MUHAMMAD AFZAL)

Deputy Secretary.

Tele : 22564

16

1. All Ministries/Divisions, Islamabad/Rawalpindi.

2. All Financial Advisers/Deputy Financial Adviser, Islamabad/Rawalpindi/Karachi. The DFAs shall exercise necessary checks to ensure compliance of the prescribed rules and procedures for regular submission of accounts of Foreign aid by Ministries/Divisions etc., to Accountant General, Pakistan Revenues under intimation to the Director of Accounts, Economic Affairs Division, in respect of expenditure incurred against foreign aid and regularization of savings/excesses on the basis of the disbursement data compiled by them.

Copy forwarded for information and similar action to :—

1. The Secretary, Finance Department, Government of Punjab/Sind/NWFP/Baluchistan, Lahore/Karachi/Peshawar/Quetta, (20 copies each). (Registered).
2. The Auditor-General of Pakistan, Central Government Offices Building, Gulberg-III, Lahore, (with 20 spare copies for endorsement to various Audit and Accounts Officers), (Registered).

3. Joint Secretary (TA/ER)|Joint Secretary (D.M.)|Chief (R&S)/
Deputy Secretary (DR)|Director of Accounts Economic Affairs
Division, Islamabad.
4. Joint Secretary (EF), Finance Division, Islamabad.
5. All Officers|Sections of the Finance Division.

Sd/-
(ABDUL HAQ)
Section Officer.
Tele : 29346

IMMEDIATE

GOVERNMENT OF PAKISTAN

FINANCE DIVISION**(Budget Wing)**

No. F. II (4)-B (S)|79-2168|81.

Islamabad, the 30th December, 1981.

OFFICE MEMORANDUM

SUBJECT :—*Procedure for Budgeting, Accounting and Control of Expenditure Relating to Foreign Aid (Loans and Grants).*

The undersigned is directed to invite a reference to the correspondence resting with the Finance Division's O.M. F. II (4)-B (S)|79-833|81, dated the 13th June, 1981 on the subject noted above and to state that it has been observed by the Public Accounts Committee that in spite of the repeated instructions/clarifications the responsibility of budgeting, accounting and regularization of savings|excesses relating to foreign aid (loans and grants) is not being realized in the required manner by administrative agencies concerned.

2. Attention in this context is invited to Rule 88 of the General Financial Rules (Vol. I) according to which the authority administering a grant is responsible for keeping the expenditure within the grant and exercise an effective control. The Controlling Officer should be in a position to estimate from month to month the likelihood of savings in and excesses over the grants and appropriations. Besides, Rules 94—98 *ibid* stipulate that when actual expenditure is likely to be less or more than the grant the savings|excesses should be regularized by such authorities by Surrenders, Reappropriations and Supplementary Grants. It has been observed that this responsibility is not fulfilled in respect of Foreign Aid budgeted under the Demands of the Ministries|Divisions with the result that large variations against the provisions of Foreign Aid occur year after year.

3. In order, therefore, to make the budgeting of disbursements more realistic, curb the tendency of utilizing the rupee fund of Annual Development Programmes in full, irrespective of the progress of the utilization of foreign aid, ensure timely reporting of disbursements by the executing authorities for accounting|adjustments in Government's accounts their reconciliation and regularization of savings|excesses relating to the foreign aid (loans and grants),

it has been decided that besides the fulfilment of the other codal and procedural requirements, the following measures shall be taken by all administrative agencies concerned in future :—

- (a) The rupee expenditure directly related to foreign aid utilization shall be distinctly shown in budget documents and shall be separate from the rupee expenditure for other purposes. All Deputy Financial Advisers shall ensure that releases of rupee allocation related to foreign aid would be correlated to the receipt of that aid.
- (b) The availability of foreign aid and the amounts to be reflected in Budget Estimates shall be settled in the meetings of representatives of Economic Affairs Division, Executing Agencies and Finance Division before the meetings of Priorities Committee.
- (c) The administrative agencies shall furnish every month regularly to Economic Affairs Division the statements of accounts of Foreign Aid (Loans and Grants) in attached Proforma.
- (d)
 - (i) Releases of rupee development expenditure for the first quarter of the fiscal year shall be allowed by DFAs as usual but releases for the second quarter shall be allowed by them only when a certificate about the rendition of accounts of foreign aid and reconciliation of expenditure against such aid for the last quarter of the earlier year duly cleared by EAD and Audit Office is produced by the administrative agencies.
 - (ii) Releases for the third quarter shall be authorized by DFAs when such certificate in respect of the first quarter of the current fiscal year has been produced.
 - (iii) The releases for the fourth quarter are made on monthly basis. Releases for the month of April shall be made by DFAs after the required certificate for the second quarter has been received by them. Releases for the months of May and June shall be allowed when this certificate in respect of the third quarter has been produced to them.

Sd/-

(AHMAD HUSSAIN QURESHI)

Deputy Secretary.

Tele : 22564.

To

1. All Ministries/Divisions, Islamabad/Rawalpindi.
2. All Financial Advisers/Deputy Financial Advisers, Islamabad/Rawalpindi/Karachi. The DFAs shall exercise necessary checks to ensure compliance of the prescribed rules and procedures for regular submission of accounts of foreign aid by the Ministries/Divisions etc., to Director of Accounts, Economic Affairs Division and periodical reconciliation with Accountant General, Pakistan Revenues as well as EAD in respect of expenditure incurred against foreign aid and regularization of savings/excesses on the basis of the disbursement data compiled by them or the estimated disbursement for the period for which actuals are not available.

Copy forwarded for information and similar action to :—

1. The Secretary, Finance Department, Government of Punjab/Sind/NWFP/Baluchistan, Lahore/Karachi/Peshawar/Quetta.
2. The Auditor-General of Pakistan, Gulberg-III, Lahore.
3. Chief (R&S)/Deputy Secretary (DR), Director of Accounts, EAD, Islamabad.
4. All Officers of the Finance Division.

So/-
 (ABDUL HAQ)
 Section Officer.
 Tele : 29346.

Country/Agency

Name of Project.

Project No.

F.I.O.C./PA

Allocation

Grant/Foreign Loan/

Credit No. Major, Minor and detailed

heads of account

S. No.	Month	No. & date of order contract	No. & date of L.C. Established	Bank	Amount (Foreign Currency)	Nature of material	Invoice No. & date	B/L No. & date
1	2	3	4	5	6	7	8	9

Name of vessel & date of arrival	Value in Foreign Currency	Freight Insurance in Foreign Currency	Other Charges in Foreign Currency	Total in Foreign Currency	Equivalent amount in US Dollar	Rupee equivalent	How accounted for
10.	11	12	13	14	15	16	17

Note :-

1. The disbursement on account of Services should be entered in Col. 13.

2. Information in Col. 17 should indicate reference to the relevant account orders such as stores and stock registers etc.

MINUTES OF THE MEETING OF THE COMMITTEE CONSTITUTED TO REVIEW THE PROBLEMS CONCERNING FOREIGN AID ACCOUNTING.

The first meeting of the Committee formed in the Economic Affairs Division under instructions of the Public Accounts Committee to review the problems concerning foreign Aid Accounting and to streamline it by removing bottlenecks/ambiguities, if any, was held on 8th September, 1983. List of participants is attached as Annex A.

2. The members of the Committee Mr. Javed Talat, Joint Secretary (B), Finance Division, Qazi M. Alimullah, Joint Secretary (External Finance Wing) and Mr. Tanweer Ali Agha, Additional Accountant General Pakistan Revenues could not attend the meeting on account of their pre-commitments and were represented by their deputies.

3. The Chairman of the Committee welcomed the members and briefly outlined the objective of the Committee constituted in Economic Affairs Division under the Directive of the Public Account Committee. He pointed out that a Committee had already been constituted in Finance Division with the representatives of Economic Affairs Division, Auditor-General and Ministry of Finance to look into the procedure of budgeting, accounting and control of expenditure relating to Foreign Aid (Loans and Grants). The Committee had invited suggestions for improvements from the Federal Ministries, Divisions, Provincial Governments, etc. After thorough examination of the existing procedure and proposals, the Committee came to the conclusion that the present system of accounting, budgeting and control over expenditure is foolproof. There is a need to make the project authorities realise their obligations so far as the maintenance of accounts of expenditure relating to foreign aid (loans and grants), its incorporation in Government accounts and regularization of savings and excess is concerned. The Committee did not suggest any change in the procedure. The results of the Committee's deliberations were communicated to Federal Council for placing before the members of the Public Accounts Committee.

4. The PAC has, in their meeting of 24th January, 1983, now desired the constituting of another Committee in Economic Affairs Division to go over the problems concerning foreign aid accounting with a view, *inter alia*, to streamline it by removing ambiguities, if any, consultation with Mr. Yousuf Bhai Mian, a member of PAC and also by associating Joint Secretary (External Finance Wing), Finance Division for sorting out the matter relating to adjustment of loss/gain by exchange.

5. The Chairman pointed out that the existing procedure had been prescribed by the Ministry of Finance after careful thought and after having clearance of Auditor-General. Despite the clearly defined procedure, the transactions of foreign aid were not being incorporated in Government accounts and wide variations occurred between the budgeted appropriations and actuals. He further pointed out that although the responsibilities of project authorities for maintenance of proper accounts of foreign aid and its adjustment in Government accounts had been highlighted each year through issue of instructions at the level of Secretary, yet their had been little factual implementation towards improvement of accounts. The success of any system is dependent on its implementation by the individuals. Even the best system has no chance of success if the concerned hands did not share responsibility and exert to make it work. Unfortunately the present problem was direct outcome of this evil.

6. Since the responsibility for negotiation of foreign aid, projections of disbursements and servicing of external debt rests with Economic Affairs Division, the members of the PAC have always been given the impression by the project authorities that Economic Affairs Division is responsible for the control over expenditure and variations in actuals and budgeted appropriations operated/controlled by the project authorities. No doubt EAD prepares the estimates of disbursements against foreign assistance but corresponding amount have to be reflected as expenditure in Demands/Appropriations of respective Ministries/Divisions. The estimates of disbursements of foreign aid prepared by EAD are always based on date provided by the Project Authorities and tied up with the project authorities for their reflection as expenditure on projects.

7. While EAD has always acted promptly for adjustment in accounts, their reconciliation with the Accountant General of Pakistan Revenues and reflected debt liability in Government Accounts under appropriate Debt and Deposit heads, corresponding amount has not been adjusted/reflected under the respective expenditure heads by the project authorities who are required to keep detailed accounts of foreign aid, report utilizations along with heads of account to be debited to EAD/AGPR, reconcile these figures and regularise savings/excesses. The Project Authorities possess complete and up-to-date information on the basis of L/Cs opened, L/Cs retired, machinery and equipment received, etc. Until and unless the project authorities render these accounts to EAD/AGPR, the latter have no means of knowing what adjustment in accounts have to be carried out and under what head of account. While a few lenders/donor countries do provide such information to EAD at a belated stage these figures cannot form the basis of adjustment until and unless those are verified by the project authorities and heads of account intimated. The confirmation of the disbursements by project authorities is a pre-requisite for carrying out adjustments in time.

8. There is always gap in reporting of data by the donor/lending countries and that available with the project authorities on the basis of actual transactions. This gap can only be curtailed and timely adjustment incorporated if the project authorities act promptly not only for reporting of transactions, their accounting in Government accounts but also for regularization of saving|excesses.

9. Mr. Makhdoom H. Chaudhri, Deputy (DM), Economic Affairs Division explained the responsibilities of the project authorities so far as maintenance of accounts was concerned. He pointed out that the present procedure was workable but project authorities, through lack of interest and initiative, had caused things to deteriorate. The solution of the whole problem lies in making project authorities aware of their responsibility.

10. Mr. Zahid Saeed, DAG, giving a brief rundown on the method of adjustment, pointed out that the project authorities should have no difficulty in maintaining the accounts of Foreign Aid where they had effective control to regulate the transactions, and report to EAD|AGPR for adjustments in Government Accounts and regularise the savings|excesses. But where such control was retained by donors and requisite information was not forthcoming especially in the case of grants, the project authorities were helpless and could not be blamed for not rendering the accounts for adjustments in Government Accounts. Article 43 of the Audit Code lays down a different procedure for adjustments in such cases where control over expenditure is retained by the donors. Mr. Makhdoom Chaudhri, while appreciating the point, added that donors felt no obligation to render reports on the value or size of grants made by them particularly on expertise and their maintenance costs. The donors failed to appreciate the fact that foreign aid including grants (Technical Assistance) were to be accounted for at our end. The donor countries have been asked to provide the data for timely adjustment in Government accounts but there has not been positive response. The PAC may be asked to take cognizance of the limitations on the project authorities and EAD by retention of control over disbursement by donors.

(ii) The Chairman admitted that the problem was a genuine one and would have to be looked into in depth. But for the present he asked the members to confine themselves to the fact of Foreign Aid where the project authorities have effective means of control over expenditure. Giving an example he said, in case of all Japanese loans and grants LICs are established against foreign exchange provided by State Bank of Pakistan through OEC. In case of commodities from other countries a similar procedure is followed. Banks are designated at both ends to handle transactions. Project authorities are the first to receive information on transactions from designated banks but fail to pass on the same

to EAD/AGPR in time. Non-rendering of accounts by project authorities before the close of accounts led to non-adjustment in accounts and subsequently resulted in large variations with the final appropriations.

12. Another important responsibility of project authorities in this regard was the regularization of savings/excesses over budget estimates. The project authorities were in the habit of evading both duties and variations between actuals and final appropriation were invariably attributed to EAD at the time of PAC meetings. The Chairman agreed that EAD was usually made the scapegoat before the PAC. He said that he would meet Mr. Yousuf Bhai Mian separately and explain to him the procedure of accounting in detail and also inform him of each country's reporting procedure. He then invited concrete suggestions and the opinions of the members on the following :—

- (a) Do the prevailing circumstances require a change in procedure ?
- (b) Is there some shortcut method to set things straight ?

13. Mr. Zahid Saeed, DAG said that, in order to implement the procedure and make the project authorities realise their responsibilities releases of rupee funds be made conditional. Mr. Makhdoom H. Chaudhri informed the members that this had already been tried. DFAS of Ministries and Divisions had been directed by Ministry of Finance to authorise quarterly releases only when a certificate to the effect that accounts of the one but last quarter had been submitted to EAD. The response, however had been very poor and except for PARC no other Ministry/Division had rendered the certificate.

14. The Chairman stated that this method was neither practicable nor desirable. It was most likely that project authorities would not render statements of expenditure and would stop work altogether on projects. Secondly the method was not practical because although only ascertain amount of project cost was budgeted each year, contracts for full amounts were entered into from the very beginning. As it is not possible for suppliers to link their supplies to our financial year it would not be possible to hold up payments to them. Finally the procedure is based on co-ercion and has little chance of success. He suggested that Ministries/Divisions, Autonomous Bodies, Provinces, Project Authorities, etc., instead of rendering accounts to EAD for advising adjustment to AGPR, should send advices directly to AGPR for adjustment under intimation to EAD.

15. Mr. Makhdoom H. Chaudhri pointed out that, under the existing procedure, EAD had to collect the data of utilization from project authorities and thereafter advise adjustment. The requisite data has either not been received from project or it has been received after the close of accounts. The proposal

of the Chairman, if implemented, would eliminate unnecessary channel and made the project authorities directly responsible for non-adjustment of accounts. The project authorities would also not be able to shift blame to EAD in this regard.

16. Mr. Zahid, DAG apprehended that it would not be possible for AGPR to maintain control over project authorities but this apprehension was cleared by DS (EAD) explaining that it was not necessary for the AGPR to deal with the project authorities. They would be concerned with the controlling Ministries/ Divisions who would have to coordinate the data on utilizations showing expenditure and head of accounts where under aid was adjustable. The proposal was then agreed to by all members.

17. The Chairman summing up the meeting said that the proposal was likely to yield good results. The end users would be made responsible for reporting of data directly to AGPR, advising adjustments regularization of savings/excesses and providing explanation for the variations against the budgeted appropriations. He desired that an information flow chart on the above proposal be prepared which he would then discuss with Mr. Yousuf Bhai Mian, Member of PAC.

18. As regards the adjustment of Loss or Gain by exchange on annual basis, Mr. Makhdoom H. Chaudhri, DS (DM) informed the members that in response to the directive of PAC the balances of foreign loans and credits borne on Federal Government books as of 30th June, 1982 had been calculated at the exchange rate as of 30th June, 1982 and incorporated in Government accounts by the AGPR. It has been further decided to continue this exercise on annual basis so as to reflect the outstanding liability at the current rate of exchange. He also informed the members that the statements of balances for 1982-83 was currently under preparation and would be supplied to the AGPR by the end of September for incorporation in accounts for 1982-83.

LIST OF PARTICIPANTS

- | | |
|---|------------------|
| 1. Mr. S.G. Ahmad, Joint Secretary to the Government of Pakistan, Economic Affairs Division, Islamabad | <i>Chairman</i> |
| 2. Mr. A.M. Ansari, Chief, Economic Affairs Division, Islamabad | <i>Member</i> |
| 3. Mr. Makhdoom H. Chaudhri, Deputy Secretary to the Government of Pakistan, Economic Affairs Division, Islamabad | <i>Member</i> |
| 4. Mr. Mohammad Afzal, Deputy Secretary to the Government of Pakistan Finance Division, Islamabad | <i>Member</i> |
| 5. Mr. Muhammad Sharif, Deputy Secretary to the Government of Pakistan, Finance Division, Islamabad | <i>Member</i> |
| 6. Mr. Zahid Saeed, Deputy Accountant General, Pakistan Revenues, Islamabad | <i>Member</i> |
| 7. Mr. Sultan Ahmad, Section Officer, Finance Division, Islamabad | <i>Member</i> |
| 8. Mr. Suhail Ahmad, Director of Accounts, Economic Affairs Islamabad | <i>Secretary</i> |
| 9. Mr. Imtiaz Ahmad Khan, Accounts Officer, Economic Affairs Division Islamabad | |
| 10. Mr. Muhammad Wazir, Accounts Officer, AGPR, Islamabad. | |

REPORT OF THE COMMITTEE CONSTITUTED IN ECONOMIC AFFAIRS DIVISION ON THE DIRECTIONS OF PUBLIC ACCOUNTS COMMITTEE TO REVIEW THE PROBLEMS CONCERNING FOREIGN AID ACCOUNTING WITH A VIEW TO STREAMLINE THE PROCEDURE TO REMOVE AMBIGUITIES.

The committee in its meeting held on 8th September, 1983 studied the procedures of negotiations, budgeting, disbursements, accounting and control over expenditure in respect of Foreign Aid (Loans and Grants). It also took into account the deliberations and findings of the erstwhile committee constituted for the same purpose in Finance Division. After careful consideration it came to the conclusion that the procedure was alright and the deficiencies in accounts of foreign aid were the result of non-implementation of the procedures by the authorities concerned.

2. There did not exist any Problem in negotiation of aid and its budgeting and utilisation. The negotiation of aid constitutes the responsibility of Economic Affairs Division and Ministries|Divisions or the Executing Agencies are associated in the matter. The Budget Estimates of expenditure against the aid are prepared by the Ministries|Divisions|Executing Agencies concerned while that of receipts are prepared by Economic Affairs Division. The two estimates are coordinated and correlated. The tendency of over-budgeting of expenditure against aid to obtain more rupee funds has been curbed by the directions issued by Finance Division *vide* their O.M. No. F-II (4)-B (S) 79-2168-81, dated the 30th December, 1981 whereby the rupee expenditure related to foreign aid in the budget documents are now shown separately and the rupee releases related to Foreign Aid are correlated with actual receipt of aid. The utilisation of aid is the sole domain and responsibility of Executing Agencies|Ministries|Divisions concerned. After the aid negotiations have been completed and agreements signed between the two sides the project authorities conclude contracts, place orders for supplies, open LCs, employ Exports and Advisers and obtain facilities and Services.

3. The disbursement of aid is made by Aid giving Countries|Agencies in three different ways :—

- (i) The disbursement of aid is made in Cash, as an advance, which is placed at the disposal of Executing Agencies for expenditure on projects through normal channels *i.e.* by operating upon the relevant Demands|Appropriations.
- (ii) The disbursement of aid is made by Aid-giving Countries|Agencies on re-imbursable basis. In this case Executing Agencies|Ministries/Divisions etc. incur expenditure from own resources by operating upon the relevant Demands|Appropriations and the re-imbursment

received is credited to Government of Pakistan's Account. No further action is taken in case of re-imburement relating to Federal Projects but in case of other projects, the re-imburement is passed on to the Provincial Government|Autonomous Bodies as loans or grants as the case may be.

- (iii) The disbursement of aid is made by Aid-giving Countries|Agencies by Payment to suppliers, contractors, experts, and advisers and other beneficiaries direct. The basic data of disbursement is thus available with the executing agencies.

4. The disbursement of aid made in the manner described at (i) and (ii) above is reflected into Government Accounts as a matter of course when the aid is received or when expenditure is incurred by operating upon relevant Demands. No problem in accounting and control of expenditure or regularisation of savings|excess normally arise in such cases. It is only in the case of disbursement made in the manner described at (iii) that problems arise. In such cases Executing Agencies|Ministries|Divisions are required to furnish accounts of aid to Economic Affairs Division to enable it to issue necessary adjustment advices to Accountant General Pakistan Revenues for incorporation of aid transactions in Government Accounts. The accounts are usually not furnished to Economic Affairs Division which leads to non-adjustment of aid and expenditure there against in Government accounts with resultant savings under the relevant Demands|Appropriations. In cases where Economic Affairs Division, receives some information about disbursement from Aid-giving Countries|Agencies and makes references to the Ministries|Divisions| Departments concerned for verification and acceptance of aid and for identification of Demands|Appropriations under which aid is adjustable, it usually takes long time to receive necessary information from Ministries|Divisions concerned. The accounts of the relevant years are often closed finally before such information is received so that the adjustment of such aid in subsequent years results in excesses under the relevant Demands|Appropriations.

5. The directions issued by Finance Division to imposed restrictions on releases of funds to Ministries|Division to make them render necessary accounts of aid to EAD have proved ineffective. The committee considers that this is the area where some improvement can be effected by transfer of responsibility for advising adjustment of aid from EAD to Ministries|Divisions themselves. The adjustment in respect of Projects of Federal Government and Autonomous Bodies under the Federal Government would then be advised by the Federal Ministries|Divisions concerned and the adjustments in respect of Projects of Provincial Governments and their Autonomous Bodies would be advised by the Finance Department of the Provincial Governments concerned. Copies of such

adjustment advices would be endorsed to the Finance Department of the Provincial Governments concerned. Copies of such adjustment advices would be endorsed to Economic Affairs Division to enable it to maintain accounts of receipt of aid centrally. In this way the non-adjustment of aid directly disbursed by the Aid-giving Countries|Agencies or delays in the adjustment of such aid would also be obviated and Economic Affairs Division which has hitherto unnecessarily been dragged in the delays and non-adjustment of such aid would disappear from the scene. The committee directed that Finance Division may be asked to issue necessary instructions in this regard to all the Ministries/ Division and Provincial Governments.

6. The adjustment of Loss or Gain by Exchange on transactions of Foreign Loan was also examined by the Committee. It was disclosed that balances of Foreign Loans|Credits borne on Federal Government's Books as of 30th June, 1982 had been calculated at the exchange rate prevailing on that date and incorporated in the Federal Government's Accounts by Accountant General Pakistan Revenues. It was decided to continue such exercise on annual basis so as to reflect the outstanding liability at the current rate of exchange.

Sd/-

(S. G. AHMAD)

Chairman.

1. Sd/- Mr. A. M. Ansari,
Chief,
Economic Affairs Division,
(Member).
2. Sd/- Mr. Makhdoom H. Chaudhri,
Deputy Secretary,
Economic Affairs Division,
(Member).
3. Sd/- Mr. Mohammad Afzal,
Deputy Secretary,
For Mr. Javed Talat,
Joint Secretary (Budget),
Finance Division,
(Member).
4. Sd/- Mr. Mohammad Sharif,
Deputy Secretary,
For Qazi M. Alimullah,
Joint Secretary (E.F.),
Finance Division,
(Member).

5. SD/- Mr. Sultan Ahmad,
Section Officer,
Finance Division.
6. SD/- Mr. Tanweer Ali Agha,
Addl. Accountant General,
AGPR, Islamabad.
(Member).