REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON

— MINISTRY OF PRODUCTION

— MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

— MINISTRY OF INTERIOR

(1981-82 to 1984-85)

— MINISTRY OF FOOD AND AGRICULTURE

(1983-84 and 1984-85)

CONTENTS

SUMMARY OF RECOMMENDATIONS

1. MINISTRY OF PRODUCTION

1. Planning Division should undertake a study of Public Sector Enterprises to evaluate their role and contribution to the Economy. (Para 2.5).

2. The cost of socio-economic benefits for each project being established on other than economic considerations should be computed so that a workable standard of efficiency and productivity could be determined. (Para 2.6).

3. All investments which were made without economic considerations in a certain socio-political set up, should be reviewed. (Para 2.9).

2. FEDERAL CHEMICALS AND CERAMICS CORPORATION LIMITED

1. The performance of the following units was not satisfactory :—

(i) Anti-Biotics (Private), Limited.

(ii) Ittehad Pesticides.

(iii) Kurram Chemical Company Limited.

(iv) D.D.T. Factory Nowshera.

(v) Pak. Dyes and Chemicals.

(vi) Sind Alkalies Limited.

(vii) Swat Ceramics Limited.

(viii) Pakistan PVC Limited.

Ministry of Production should prepare a working paper on their future prospects.

3. NATIONAL FERTILIZER CORPORATION OF PAKISTAN

1. Financial restructuring of Pak-China Fertilizer Limited be carried out by writing down the assets which were received from Chinese Government free of cost and writing off the loss. (Para 4.14).

2. Problems of gas supply to Pak China Fertilizers Limited should be solved on priority basis. (Para 4.14).

4. PAKISTAN AUTOMOBILE CORPORATION LIMITED

1. A long term plan for Automobile Industry in Pakistan should be developed so that the growth of automobile industry is not erratic. (Para 5.16).

2. The working results of the Baluchistan Wheels Limited were not satisfactory and efforts should be made to improve them. (Para 5.20).

3. Disinvestment of Domestic Appliances Limited should be expedited. (Para 5.27).

4. Multiplicity in the brands of tractors being imported or assembled, needs to be limited. (Para 5.58).

5. Allocation of loans for purchase of tractors should be enhanced. (Para 5.58).

6. Number of dealers and service and repair facilities of tractors should be suitably increased to promote mechanized farming. (Para 5.58).

5. PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION

1. Disinvestment of the following concerns should be expedited :—

(i) Pak-Iran Textile Mills Limited.

(ii) Tarbella Cotton and Spinning Mills, Haripur.

(iii) Al-Libas Internal Limited.

(iv) Mehran Flocking Industries Limited.

(v) Shahdad Kot Textile Mills Limited.

(vi) Larkana Sugar Mills Limited.

(vii) Cotton Ginning Factory, Piranwala.

2. Financial restructuring of Tarbella Cotton and Spinning Mills should be carried out by excluding the cost of plant and machinery received from China as a gift. (Para 6.18).

3. Government should provide adequate subsidy to Harani Woollen Mills Limited. Electricity and telephone facilities should also be provide at the Mill's premises. A Committee of experts should also examine the possibilities of making the Mill more viable. (Para 6.26).

6. PAKISTAN STEEL MILLS CORPORATION

1. Financial results of following units were not satisfactory and needed to be improved :—

(i) Heavy Foundry and Forge Engineering Limited.

(ii) Karachi Pipe-Mills Limited.

(iii) Pakistan Machine Tool Factory Limited.

(iv) Pioneer Steel Mills Limited.

(v) Spe ial Steels of Pakistan, Limited.

2. Pakistan Standards Institute should take effective steps to enforce standards of steel in the country. (Para 9.36).

3. Financial restructuring of Pakistan Switchgear Limited should be considered. (Para 9.36).

7. STATE PETROLEUM REFINING AND PETRO-CHEMICAL CORPORATION LIMITED

Adequate protection to carbon black industry in the country should be provided. (Para 10.5).

2. An early decision to reactivate or abandon the secondary oil refining facilities project should be taken. (Para 10.7).

8. TEXTILE MACHINERY CORPORATION OF PAKISTAN LIMITED

The Corporation should be restructured to make it financially viable. (Para 11.3).

9. MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

Bolan Medical College Project should be completed as early as possible so that the investment already made in the project could be rescued. **(Para 12.16).**

10. MINISTRY OF FOOD AND AGRICULTURE

A comprehensive study on Livestock production in the country, its growth and potential should be carried out to determine guidelines for the future. **(Para 14.4).**

1. INTRODUCTION

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

(i) Ministry of Production.

(ii) Ministry of Health, Special Education and Social Welfare.

(iii) Ministry of Interior.

(iv) Ministry of Food and Agriculture. (Pertaining to 1983-84 and 1984-85).

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 Mr. M. S. Amjad, DG, PEC 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 : *January*, 1988.

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.*

---

2. MINISTRY OF PRODUCTION

2.1. Appropriation Accounts of the Ministry of Production for the years 1981-82 to 1984-85 were examined by the Standing Committee on Public Accounts on 27th March, 1986, 30th March, 1986, 27th August, 1986 and 2nd, 5th and 6th April, 1987.

2.2. The views of the Committee regarding regularization of excess expenditure has been discussed in its Report on the accounts of the Ministry of Finance which has been laid before the National Assembly.

2.3. Ministry of Production is basically responsible for administering Public Sector Manufacturing Organizations in the country, although some of the public sector enterprises are outside its purview and are controlled and managed by other Ministries such as Ministry of Industries and Ministry of Petroleum and Natural Resources. As a result of this situation, the public sector enterprises are not being subjected to uniform standards of efficiency and productivity. Besides, the existing system of control also creates problem of coordination and make a uniform approach towards public sector investment difficult.

2.4. The Committee during its examination of the accounts of Ministry of Production, asked the representatives of Planning and the Finance Division if the Federal Government has ever developed any standards or guidelines to determine the scope, criterion or long-term policy for public sector investment in the country and was surprised to note that these aspects were never given due attention. Consequently the growth of public sector enterprises in the country, has been without any well conceived rationale and without adequately safeguarding the environments in which they should have grown and played a pre-determined role.

2.5. The Committee thus requested the Planning Division to undertake a study of the Public Sector Enterprises and make a presentation on the following aspects :—

(a) the total investment of Federal Government in public enterprises ;

(b) Date pertaining to return on investments 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 ?

(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 sector enterprises ? and

(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 ?

2.6. One of the major considerations advanced by the Government for establishing public enterprises, is the socio-economic benefits for people of under-developed areas. In such cases, the only standard of judging the performance of a manufacturing organization *i.e.* the profitability, is compromised. Unfortunately the socio-economic benefits accruing from the establishment of such concerns and the implied cost which is to be borne by the Government as a consequence of the decision which is not based purely on commercial considerations, is not computed and indicated. As a result the managements of these concerns operate with an idefinite and ambiguous notion of the cost of accrued social benefits. If an organization earns nominal profit, it is attributed to managements efficient handling of the affairs. If however the organization runs into difficulties, the plausible explanation of justifying their unsatisfactory performance on the basis of socio-economic benefits is always there. This situation shall continue to exist will such time, the cost of socio-economic benefits is not computed for each project and enterprise. For instance, it should be known to the management of Harnai Woollen Mills that what standards of efficiency are expected of them by the Government. They cannot compete with a private sector Woollen Mill established at Karachi or Lahore and therefore they can never try to achieve this objective. The cost of the fixed liability due to the location of the plant that they are carrying permanently, if identified and determined, even roughly, will enable them to work for a standard which would be achieveable and for which they can be made accountable.

2.7. Another important issue that the Committee came across during its examination of various manufacturing units of the Ministry of Production, was that the policies of the Federal Government were, at times, at variance with each other. As a result the investment made in the public sector enterprises especially in the engineering industries has failed to achieve the desired results. For instance, the demand for tractors in the country is limited but the Government has permitted tractor assembling plants of more than one make to meet this limited demand. The result is that the transfer of technology in this particular field could not be achieved beyond a certain degree. If the basic objective of the Government in installation of tractor industry in the country, was the transfer of technology, it has not been achieved substantially and cannot be achieved till the overall investment policy in this sector remains unchanged. The situation is more pronounced in automobile industry.

2.8. The Committee is of the firm view that the public or private sector investment in an industry can only lead to technology transfer if it is provided adequate protection from external and internal economic forces. Unless the Government works in this direction, the future of public sector investment would remain bleak.

2.9. Another important feature was that in a number of cases investment was made without adequate economic considerations in a certain socio-political set up but no efforts to review these decisions and to take corrective measures were made after the changes in the socio-political set up. This has resulted in a constant drain on the exchequer. An instance of this type of investment was the Pak-Iran Textile Mills at Quetta and Uthal. The Committee recommends that all such cases should be reviewed and such cases should be reviewed and such units should be disinvested as early as possible.

2.10. The results of examination of individual units being controlled by the Ministry of Production are discussed in succeeding chapters.

2.11. Minutes of the proceedings are placed at Annexure " A ".

3. FEDERAL CHEMICALS AND CERAMICS CORPORATION LIMITED

3.1. The FC & CCL was established in August, 1973 as a private Limited Company in public sector. It is wholly owned by the Federal Government and its main task is to manage and promote chemicals and allied industries in the public sector.

3.2. Presently it is controlling and managing 14 projects, the financial results of which are discussed in succeeding paragraphs. An overall review, however, indicates that the financial results of the following units were not satisfactory and needed immediate attention :

(i) Ittehad Pesticides, Kalashah Kaku.

(ii) Kurram Chemical Company Limited.

(iii) Swat Ceramics Company (Private) Limited.

(iv) Pakistan PVC Limited.

(v) Pak Dyes and Chemicals Limited.

(vi) Sind Alkalies Limited.

ANTI-BIOTICS (PRIVATE) LIMITED

3.3. Working results of the Company for the four years under review were as under :—

(*Rs. in million*)

	1982	1983	1984	1985
Sales	14.893	29.357	35.589	32.951
Cost of Sales	12.208	21.907	26.945	24.861
Gross profit	2.685	7.450	8.644	8.090
Operating Net profit/(Loss) ...	(1.971)	0.920	1.366	0.203

3.4. The unit set up during 1959 in public sector was engaged in penicillin manufacture and came into being through an agreement between the Government of Pakistan and UNICEF and UNTAA (UN's auxiliary organizations) with the objective of producing the product economically for use in Pakistan on no-profit no loss basis. Under the agreement, the Government committed itself to operate the plant at full capacity. The arrangements did not last longer and the Government freed itself from the commitment by converting the project into a private limited company for commercial operations.

3.5. The management did not find the company viable with the existing inadequate production facilities. A PC-I scheme was proposed in August, 1977 for acquisition of high yielding strain and balancing and modernisation of existing facilities at an estimated cost of Rs. 7 million. The objectives of the scheme were to reduce the production cost by 30 per cent by using better techniques and to increase the production from 12.5 MMU to 50 MMU per annum. The scheme was not approved by the Government and the management had to curtail its plan. Additional facilities were acquired at a cost of Rs. 4.8 million arranged through a loan from NDFC; and the production capacity was increased to 20 MMU in 1981-82. Additional facilities posed a two fold problem to the company.

Firstly the production facilities could not be utilised due to lesser sales ; and on occasions the plant remained shut down. Secondly the cost of production also increased due to lesser utilisation of production capacities coupled with the additional depreciation and interest charges relating to the additional facilities.

3.6. The necessity of financial restructuring having already been accepted by the ECC in June, 1979, the company was allowed an additional equity of Rs. 10 million, out of which Rs. 4.5 million were released in November, 1984 and the balance in 1985-86. The delayed and inadequate action could not give the company, the desired relief as the persistent heavy interest charges did not allow the company to stand on its feet.

3.7. The company's viability depends largely on its ability to market its annual production of 20 MMU. Finished goods inventory is piling up over the years and the company could hardly sell 48 per cent of the available finished goods in 1985-86. Government's support in this direction is much needed otherwise the company is bound to collapse.

3.8. The Committee after hearing the administrative Ministry's view point, desired that a paper on the future prospects of the concern should be prepared for consideration.

ITTEHAD PESTICIDES

3.9. Working results for the unit for the four years under review, were as under :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85
Sales ..	17.965	26.562	38.202	37.380
Cost of Sales ..	16.158	22.327	31.466	32.009
Gross profit ..	1.807	4.235	6.736	5.371
Net profit/(Loss) ..	(7.711)	(0.042)	2.428	(0.057)

3.10. The Committee asked the management to submit a detailed report on the prospects of the project as the financial results were not quite satisfactory.

KURRAM CHEMICAL COMPANY LIMITED

3.11. Kurram Chemical Company Limited sustained a net loss of Rs. 0.904 million in 1981-82, and of Rs. 1.445 million in 1982-83. It earned a net profit of Rs. 0.037 million in 1983-84 and sustained a net loss of Rs. 0.020 in 1984-85.

3.12. The Committee was not satisfied with the performance and asked the Ministry of Production to submit a detailed report on future prospects of the company.

ITTEHAD CHEMICALS

3.13. The working results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	179.195	229.405	220.821	266.387
Cost of Sales	154.344	172.460	176.416	216.998
Gross profit	24.851	56.945	44.405	49.389
Net profit	14.209	38.356	20.533	25.409

3.14. The unit was, therefore, working satisfactorily and the Committee as such offered no comments.

RAVI RAYON LIMITED

3.15. Working results of the company for the three years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84
Sales	179.080	205.068	250.854
Cost of Sales	138.423	158.369	199.552
Gross profit	40.657	46.699	51.302
Net profit	14.246	20.201	25.819

The operating results of the company were thus satisfactory.

RAVI ENGINEERING LIMITED

3.16. Ravi Engineering Limited also earned a net profit of Rs. 0.594 million in 1982-83 and of Rs. 1.084 million in 1983-84. The operating results of the company were thus satisfactory.

D.D.T. FACTORY, NOWSHERA

3.17. The D.D.T. Factory, Nowshera sustained net loss of Rs. 1.636 million, Rs. 0.459 million and Rs. 3.630 million in 1981-82, 1982-83 and 1983-84 respectively. It earned a net income of Rs. 1.99 million in 1984-85.

3.18. The production of DDT was suspended due to dis-continuation of its use by the Government and production line was diversified to aluminium sulphate. The Ministry of Production informed the Committee that the factory was now producing only allum. It has now introduced another product *i.e.* detergent. About 75 workers have been transferred to Nowshera PVC Company which has reduced the administrative expenditure substantially.

3.19. The Committee directed that a study should be carried out about the future prospects of the factory as to how the installed capacity can be gainfully employed.

PAK DYES AND CHEMICALS LIMITED

3.20. Working results of the Company for the four years under review were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	10.866	10.878	12.506	14.859
Cost of Sales	9.223	8.694	11.335	12.239
Gross profit	1.643	2.184	1.173	2.620
Net Profit/(Loss)	(0.587)	0.094	(0.028)	0.484

The accumulated loss of the Company as on 30th June, 1985 was Rs. 6.591 million. The entire paid up capital of the Company had thus eroded.

3.21. The Committee asked the management to submit a study on future prospects of the organization.

SIND ALKALIS LIMITED

3.22. The Company earned net profit of Rs. 6.835 million and Rs. 0.212 million in 1981-82 and 1982-83 respectively. In 1983-84 it sustained an operating loss of Rs. 5.247 million. In 1984-85 it again earned a nominal net profit of Rs. 0.033 million. While the performance in 1984-85 improved as compared to 1983-84 the overall financial position of the Company was not satisfactory.

SWAT CERAMICS COMPANY (PRIVATE) LIMITED

3.23. The Company earned operating profit of Rs. 0.617 million, Rs. 3.435 million and Rs. 1.586 million in 1981-82, 1982-83 and 1983-84. It however sustained a net loss of Rs. 4.384 million in 1984-85. In view of the adverse position of the Company the accumulated loss sustained upto 30th June, 1985 have risen to Rs. 11.255 million.

3.24. The Committee was not satisfied with the working results and asked the management to submit a study on the future prospects of the concern.

SWAT ELUTRIATION PLANT

3.25. The Plant earned a net income of Rs. 0,529 million in 1983-84 and of Rs. 0.56 million during the year 1984-85. The financial results of the plant were therefore satisfactory.

NOWSHERA PVC COMPANY (PRIVATE) LIMITED

3.26. The Company was conceived in 1979 and the project was finally completed in February, 1984 at a cost of Rs. 17.4 million. WAPDA provided a complete PVC Plant costing Rs. 21.5 million.

The ultimate cost was thus Rs. 39 million. The Company earned a net profit of Rs. 1.756 million upto June, 1985.

PAKISTAN PVC LIMITED

3.27. Accumulated loss of the Company, as on 30th June, 1985, was Rs. 110.37 million. The Company assisted by long and short term bank borrowings however, continued to remain in production.

3.28. The Committee was not satisfied with the operating results and asked the management to prepare a study on the future prospects of the Company.

NATIONAL FIBRES LIMITED

3.29. Working results of the company for the three years under review, were as under :—

(*Rs. in million*)

	1983	1984	1985
Sales	610.06	376.30	351.70
Cost	173.77	323.00	313.57
Gross profit/(Loss)	(13.71)	53.30	38.13
Net profit/(Loss)	(73.80)	5.06	(37.66)

3.30. NFL was incorporated as a private limited company in January 1976 for production of polyester fibre and filament yarn. Fibre Section of the plant started commercial production from July, 1982 while the filament yarn section came into commercial production from April, 1983.

3.31. PC-I Scheme for the project was initially prepared in 1974 and was revised twice, first in 1978 and again in 1983. Due to various reasons the project implementation was delayed by six years which resulted in huge cost overruns and the project was completed at a cost of Rs. 670 million as against Rs. 290 million originally envisaged. The PC-I proforma was provisionally approved by ECNEC in April, 1985, subject to inquiry by the Auditor-General of Pakistan into causes of delay, cost overruns and appropriateness of product mix and technology. The Inquiry Report has since been discussed in ECNEC's Meeting.

3.32. The plant was designed for producing 12,000 tons fibre of 1.5 denier and 3,000 tons of draw-twisted (flat) filament yarn of 75—150 denier but due to change in market demand, fibre of 1.2 denier and texturised yarn of 75 denier were currently being produced. The changed product mix had reduced the designed capacity of the plant to 8400 tons in respect of staple fibre and to 1800 tons for DTFY. The original capacities could not be regained due to imbalances in fibre spinning section and DTFY section.

3.33. The cost disadvantage due to unfavourable financial structure, higher capital cost than anticipated and additional overheads incurred in protracted implementation of the project continued to act as a drag on its subsequent cost and profit performance. In 1983, the company sustained a loss of Rs. 73.80 million followed by a nominal profit of Rs. 5.06 million in 1984 which also had not resulted from better performance but was mainly due to change in accounting policies. A loss of Rs. 37.66 million in 1985 raised the accumulated loss to Rs. 106.40 million which was understated to the extent of Rs. 53.65 million due to reversal and subsequent non accountal of the penal interest. The liquidity of the company was unsatisfactory and its equity stood completely eroded.

3.34. Audit's major recommendations therefore included :

* financial restructuring ;
* stabilising of production ;
* reducing waste and improving quality of products ;
* eliminating dealers for distribution of fibre (commission paid during 1983—85 was approximately Rs. 18 million).
* importing MEG in bulk instead of in drums (excessive payment of Rs. 40 million till June 1985) ;

* reducing the employees strength particularly those employed on daily wages (average 449 per year during 1983—85); and

* increasing the capacity utilisation by boosting up sales and debottlenecking of fibre spinning and DTFY Sections.

3.35. Management of the company was changed in April, 1985. The Management took cognizance of major problems and weak areas and initiated action for rectifications. Most of the recommendations were implemented upon in the post-evaluation period. The company earned a net profit of Rs. 31.19 million. The production of polyester fibre (9,687 M/tons) and filament yarn (1,576 M/ton) was the highest ever achieved since inception. Other improvement were : decrease of process losses from 28.1 per cent to 21.6 per cent, saving of Rs. 7.86 million due to bulk purchase of MEG and Rs. 7.48 million due to elimination of distributors for polyester fibre. As a result of these efforts, the accumulated loss was brought down from Rs. 106.4 million in 1985 to Rs. 75.21 million in 1986. There is however, further scope to cut costs by shedding excessive labour and purchasing TPA and MEG on cash basis instead of 6 months credit, which is costing US $ 30 per M/ton more in foreign exchange and 10 per cent of the additional landed cost as import duty.

3.36. The fact however, remained that without exclusion of cumulative interest liability of Rs. 96.77 million, the favourable position may disappear. Again, without the existing level of protection on imported polyester fibre and filament. NFL may cease to be competitive.

3.37. Further improvements in production was not possible without debottlenecking of spinning section and increasing the number of high speed machines in DTFY. The implementation of these proposals depended upon approval of the financial restructuring.

3.38. The Committee directed that a detailed report fixing the responsibility for accumulated losses should be submitted before it recommends financial restructuring.

4. NATIONAL FERTILIZER CORPORATION OF PAKISTAN LIMITED

4.1. NFC was incorporated in August, 1973 as a private limited company wholly owned by Government of Pakistan, for efficient management of fertilizer projects in public sector.

4.2. The Corporation controls five units and a marketing company. The operating results of all the units except Pak-China Fertilizer and Pak-American Fertilizer, were satisfactory. The problems of these two units have been discussed separately in the Report.

LYALLPUR CHEMICALS AND FERTILIZERS LIMITED

4.3. Working results of the Company for the four years under review, are summarized below :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales including subsidy	140.328	144.406	141.878	155.978
Cost of Sales	120.190	126.791	121.784	135.388
Gross profit	20.138	17.615	20.094	20.590
Net profit	15.698	4.099	4.579	4.947

4.4. The operating results of the company were thus satisfactory, keeping in view the subsidy element.

PAK SAUDI FERTILIZERS LIMITED

4.5. Working results of the company for the four years under review, are summarized below :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales including subsidy	835.85	797.89	784.10	[illegible]
Cost of Sales	463.69	477.82	510.30	525.91
Gross profit	372.16	320.07	273.80	298.49
Net profit	240.16	202.49	190.66	197.41

4.6. The operating results of the company were satisfactory.

PAK-CHINA FERTILIZERS LIMITED

4.7. The working results of the Company for the four years under review were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales (including price differential) ..	47.045	306.290	200.488	211.546
Cost of Goods Sold	28.813	188.203	178.480	203.444
Gross profit	18.232	118.087	22.008	8.102
Net profit	12.930	100.365	22.008	8.442

4.8. Pak-China Fertilizers Limited was set up at Haripur under the direction of the Government, for production of Urea with the objectives to :

(i) help in developing industrial activity in the relatively under developed area;

(ii) provide direct employment to about 316 persons and indirect employment to a larger number of persons engaged in transportation and marketing;

(iii) help boost agriculture production by increased application of fertilizers;

(iv) utilize indigenous raw material abundantly available at low cost and;

4.9. Land acquisition for the fertilizer complex planned to be set up at Haripur was started in the last quarter of 1974. Plant, equipment, erection supervision and technical assistance was provided by China as grant in-aid. Starting from May, 1975, the plant was estimated to be completed in 2½ years. The installation of the plant, was however, seriously delayed mainly because of delays in supply of plant and equipment by China. The project was completed in about 7 years and started production in April, 1982. The project was completed at a cost of Rs. 638.526 million as against the original PC-I proforma estimates of Rs. 344 million.

4.10. The socio-economic objectives of the setting up of the plant were achieved, with the exception of utilization of the indigenous raw material.

4.11. The urea plant supplied by China had inbuilt disadvantages of outdated technology, low production capacity (95,770 tons) and higher inputs of raw material, fuel and energy. This resulted in doubling the cost of the product as compared to its sister unit Pak-Saudi Fertilizers Limited. In addition, plant was beset with the problem of gas load—shedding during winter for the last five years which further increased the cost of product. Inspite of these disadvantages the company was in profit, because of the controlled prices of urea and payment of the subsidy by the Government.

4.12. Urea prices were decontrolled by the Government with effect from 20th May, 1986. Since the operations of the company were not viable without subsidy, the Government reduced the price of the natural gas (main raw material) being supplied to the company from Rs. 140.36 to Rs. 90.51 HM^3 with effect from 1st July, 1986. This relief to the company resulted in a reduction in the cost of urea by Rs. 300 per ton. Even this relief is not likely to make the company's operations viable.

4.13. There were diseconomies in the consumption of raw materials, fuel and energy. However, during 1984-85 and 1985-86 the consumptions were brought down. The consumption of ammonia and electricity in production of urea was still higher than the desired standard which needs control. The company as on June 30, 1986 employed 611 persons as against the estimated requirement of 316 persons in PC-I.

4.14. The Committee after detailed discussions, directed as under :—

(a) Finance Division should examine financial restructuring of the company by writing down the assets which were received from Chinese Government free of cost and writing off the loss ; and

(b) The Ministry of Petroleum and Natural Resources should try to solve the problems of supply of gas on priority basis.

NATIONAL FERTILIZER MARKETING LIMITED

4.15. The company, established in 1976, is responsible for marketing the fertilizers produced by NFC group. Company's paid up capital is Rs. 7 million which is held by NFC group of companies. Company's working capital requirements were high because of the volume of its sales which reached Rs. 2953.21 million in 1984-85. Finances arranged through loans, bank borrowings and overdue payables to associated companies resulted in financial charges to the tune of Rs. 64.17 million in 1984-85. The company is operating on no profit no loss basis inasmuch as all its expenses (incidentals) are reimbursed by the Government. Production of nitrogenous fertilizers, especially urea, was in excess of country's demand. Urea is also produced in private sector. The situation gave rise to competition.

4.16. Consequently the selling expenses on locally produced fertilizers increased from Rs. 352.98 million (19.4 per cent of sales) in 1981-82 to Rs. 619.00 (22.1 per cent of sales) in 1984-85. The market share of the company on nitrogenous and phosphatic fertilizers also increased from 45 per cent and 30 per cent in 1983-84 to 48.5 per cent and 33 per cent in 1984-85.

4.17. In order to avoid unnecessary competition resulting in increased marketing expenses it was recommended by the Audit that the following measures be considered :—

* allocation of urea marketing zones to companies ;
* restriction to generic nomenclature ;

* FDFI may possibly import simple phosphatic fertilizers like TSP rather than compound fertilizers containing nitrogenous content, because the country was already producing excess nitrogenous fertilizers.

4.18. The PAC after going through the Performance Evaluation Reports and reply of the department thereon made the following recommendations :

(i) Audit should look into the working of rate of Rs. 57.47 per ton storage capacity as worked out by the management.

(ii) A study may be carried out to :

(a) Assess requirements of reasonable number of storages.

(b) Reduce transportation charges and cost of sales to the minimum.

PAK-ARAB FERTILIZER LIMITED

4.19. Working results of the company for the four years under review are as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	1183.078	1042.413	1156.559	1732.086
Cost of Goods	741.207	768.986	900.670	1254.077
Gross profit	441.871	273.427	255.889	478.009
Net Profit	319.779	197.888	195.697	396.293

4.20. Company's new plants of NP and CAN were found deficient in many respects when put into operation by end of 1978. There were intrinsic flaws in process design, the plants were unable to operate at capacity, mechanical breakdowns were frequent, inputs were high and the quality of production was inferior. Plant rectification took 4 years, costing Rs. 97 million to the company. Resultantly, benefits from the project were delayed. It was stated by the company, that quality of the product had improved after plant rectification, and capacity utilisation with reference to installed capacity had also improved. However, the consumption of input was still higher than designed, in many cases. The company's financial position is satisfactory. Under cost *plus* (price differential) formula the company is likely to operate profitably.

4.21. Auditor-General was of the view that measure be adopted to control the production costs. Fixation of rated capacity also needs a review.

4.22. The Committee after examination made the following recommendations

(i) A thorough study for better planning should be carried out both from the industrial and cultivators point of view.

(ii) The ways of reducing cost of production of fertilizer must be found as it may not be possible to compete with imported fertilizers after the withdrawal of subsidy.

PAK-AMERICAN FERTILIZER LIMITED

4.23. Working results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	156.71	125.09	138.56	188.17
Cost of Sales	87.79	98.98	107.27	129.51
Gross profit	68.92	26.11	31.29	58.66
Net profit	60.80	16.99	23.87	41.25

4.24. First nitrogenous fertilizer plant of the country, producing ammonium sulphate, with an installed capacity of 50,000 tons per annum went into production in February, 1959. Installed capacity was doubled by adding another plant ten years later. Coal was used to produce synthesis gas during pre-1973 period, during which plants operated at about 70 per cent of their installed capacity. When coal was substituted with natural gas the plants started operating at near capacity level. The size of the plant was small and process technology old. In 1981, it was felt that the plants had outlived their life and were totally unreliable. A rehabilitation scheme was approved by the Government. In its phase-I, critical parts of the plants were replaced and the work was completed in 1985. It was expected that the plant life would thereby increase by about 7 years. During this period company was to take decision on the nature of the product and size of the new plant to be replaced by the existing one.

4.25. Financial position of the company is satisfactory. Net profit of the company for 1984-85 was Rs. 41.25 million. The company is expected to operate profitably under the cost *plus* (*ex*-factory price) formula agreed to by the Government.

4.26. Audit was of the view that there was room for improvement in certain areas and it was suggested that :

— Cost of production needed to be reduced by exercising better financial control.

— Employment of personnel be restricted to the minimum necessary.

— Diseconomies in the usage of raw material be eliminated.

— Inventory levels of stores and spares be maintained according to requirement.

4.27. Management disagreed in the case of first three on grounds of the age of the plant. As regards the fourth, Management maintained that the constant repairs and maintenance of an old plant necessitated high level of stores and spares but agreed to the disposal, by auction, of obsolete and unserviceable spares valuing Rs. 2.2 million promising further improvement through a computerized inventory control system.

4.28. After examining the views of the Auditor-General and explanation of the Department the Committee recommended that the management must find some solution to the problem of gas load shedding, which had adversely effected the productivity of the Factory.

5. PAKISTAN AUTOMOBILE CORPORATION LIMITED

5.1. Pakistan Automobile Corporation Limited was incorporated in 1973 to develop and manage automobile engineering industry in the country.

5.2. A brief resume of the units and companies controlled by PACO is given in subsequent paragraphs, from which it would appear that most of the subsidiaries were in financial trouble and needed immediate attention of the Government.

NAYA DAUR MOTORS LIMITED

5.3. Naya Daur Motors Limited is wholly owned subsidiary of PACO. It is engaged in production of jeeps and spare parts on order.

5.4. Operational results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	152.727	153.968	168.308	141.748
Cost of Sales	131.187	139.137	163.206	125.155
Gross Profit	21.540	14.831	23.102	16.593
Net Profit/(Loss)	(7.915)	(14.211)	0.095	(12.852)

5.5. The equity of the Company amounting to Rs. 30 million has been completely eroded due to commulative loss of Rs. 45.4 million as on 30th June, 1985.

5.6. The Committee asked the management to come up with the proposals regarding future of the Company.

5.7. The accounts of Pak. Suzuki Motor Company Limited, were not examined as the evaluation of the Company by the Auditor-General's organization was underway.

SIND ENGINEERING LIMITED

5.8. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1982	1983	1984	1985
Sales	663.36	805.83	634.11	467.02
Cost of Sales	606.55	749.59	593.77	422.28
Gross profit	56.81	56.24	40.34	44.74
Net profit	35.34	31.35	14.29	19.15

5.9. Sind Engineering Limited (SEL) was originally established in 1963 as Wazir Ali Engineering Limited by Awami Autos Limited (AAL), formerly Ali Automobiles Limited as an ancillary engineering works for its automotive assembly with fabrication and die casting facilities. SEL and Awami Autos Limited were managed by a single management until 1st July, 1984 when Awami Autos ceased operations and was finally merged with SEL with effect from 1st March, 1986.

5.10. The company earned profits consistently since its takeover except for the years 1977-78 and 1978-79. Paid-up capital increased from Rs. 2.00 million as on 30th June, 1981 to Rs. 17.50 million as on June 30, 1986 while general reserves stood at Rs. 97.93 million on the same date. SEL's profitability, after showing a consistent declining trend during 1981—84, had again improved in subsequent years. However, this was not a matter of complacency for the management as it was mostly the "other income" from scrap, commission on booking of Suzuki Vehicles, interest earned and income from clearing service which mainly contributed towards company's profitability.

5.11. The fact otherwise remained that the company was not so solid as it appeared to be for the following reasons :—

— Profitable franchise of Suzuki 4-Wheelers was withdrawn from SEL in January, 1984, thereby depriving the company of a substantial and assured market. The company suffered an operating loss of Rs. 2.64 million in 1983-84 mainly on this account.

— The decline in sales was partly offset by increasing the sale of Toyota Hiace/Coaster. SEL had no franchise and the vehicle was likely to be withdrawn.

— Karachi Road Transport Authority was understood to have decided in principle not to issue road permits to mini-buses in Karachi. Company's sale of Mazda T-3000, which was used as mini-bus, was likely to be adversely affected by this decision.

— Surplus capacity of 4-Wheeler plant was being utilised by assembling Suzuki Van for Pak Suzuki Motor Company (PSMC). This arrangement may not continue as PSMC was planning to expand its project after which all assembly work will be done in house.

— PACO had submitted a PC-I scheme for transferring Suzuki 2-Wheelers plant to Mack Trucks under a joint venture with management of a private company, M/s. Al-Hilal. Although 2-Wheeler plant was not presently running in profit, the decision would deprive the company of its substantial business.

— Company's Lahore branch (with 104 employees) and Rawalpindi branch (with 56 employees) were unprofitable. In addition to the revenues generated by these branches, SEL was spending Rs. 3.5 million annually on them.

5.12. The management was well aware that SEL would have to rely upon Mazda for its future. Future plans therefore, include progressive manufacturing of T-3500 as mini-truck of 3-4 tons, developing a standardised non-airconditioned Coaster and continuing the sale of mini-buses as inter-city commuters. The overall demand may not, however, be commensurate with existing facilities and SEL would also have to compete with Pak Hino Limited which is already producing trucks of 4-5 tons capacity. There is, however, a potential to expand the market of mini-trucks by institutional promotion but the company, besides closing its Lahore and Rawalpindi branches, will have to lay off the surplus employees to keep itself commercially viable in the face of changed circumstances and reduced activities.

5.13. Audit concluded that the company earned profits mainly from sale of Scrap and got an ' A ' category rating by Expert Advisory Cell. It failed to earn a profit on Suzuki motorcycles neglecting an important product line. Its main product line *viz.* MAZDA T-3000 series was under marketing strain due to decision of Sind Government to phase out " Mini " buses in Karachi. Its decision to sell SUZUKI and develop a new MAZDA chassis in 3-4 tons range has an inherent risk element.

5.14. The Department gave a detailed explanation on the points raised by Audit. It was reported that Motor Cycles were being dispensed with during the one year period, the existing factory will run alright with new arrangements. The Chairman PAC at this point wanted to know that a large number of coasters were being imported, could your factory compete with it. The Department held that it was a very small business to do. The representative of Planning Division observed that there was trend toward Japanese Technology. Japanese were misers in technology transfer, we could see towards west who could transfer technology. There were three methods of getting technology. Either it should be purchased, stolen or developed at a very heavy cost. Ministry of Production was however of the view that Japanese policy of transfer of technology had undergone some change.

5.15. A Member questioned how India could get it and Pakistan could not ? The Department informed that transfer of technology was a relative term. The Chairman PAC asked Planning Division to study the whole problems of multi-type autos. There should be some standardization.

5.16. The Committee after a detailed discussion directed that long-term plans should be finalized early and then implementation of these plans should be looked after.

AWAMI AUTOS (PRIVATE) LIMITED

5.17. The Awami Autos Limited is a unit of Pakistan Automobile Corporation Limited. The PACO entered into an agreement with the Suzuki Motor Company, Japan on 6th June, 1982 for carrying out the assembly, progressive manufacture, sale and distribution in Pakistan and export of the Suzuki Motor Company's products under a newly created company "Pak Suzuki Motor Company Limited". The business operations of assembling the Suzuki Motors were, therefore, transferred to new Company from Awami Autos with effect from 1st January, 1984 alongwith assets and liabilities and connected staff. The remaining operations of Hiace Toyota, Otis Lifts, Air-conditioners were also transferred to Sind Engineering Limited with effect from 1st July, 1984. Thus during the year 1984-85 no business was conducted by the Awami Autos Limited. The Company is under process of dissolution and the Management intends to close the books and records by 30th June, 1986.

BALUCHISTAN WHEELS LIMITED

5.18. The Company was established in 1980 to manufacture and arrange marketing of auto wheels. The project was completed in May, 1983 and commenced operations in June, 1983. The cost of the project amounted to Rs. 248.119 and involved an overrun of Rs. 45.49 million over the approved cost.

5.19. The Company sustained a loss of Rs. 13.67 million and Rs. 35.627 million in 1983-84 and 1984-85 respectively.

5.20. The Committee was not satisfied with the working results and asked the Ministry of Production to examine the future prospects of the Company and furnish a report to the Committee.

DOMESTIC APPLIANCES LIMITED, KARACHI

5.21. Working results of the Company for the four years under review were as under :—

(*Rs. in million*)

	1982	1983	1984	1985
Sales	28.611	22.618	15.811	20.899
Cost	23.336	20.358	15.383	18.853
Gross profit	5.275	2.260	0.428	2.046
Net profit (loss)	1.689	(2.597)	(5.573)	(5.805)

5.22. Domestic Appliances Limited (DAL) was incorporated as a private limited company in 1974. It was set up originally as Northern Electric Company in the early 70's in the private sector for progressive manufacture of airconditioners. It was purchased by National Motors Limited (NML) a unit of PACO in 1973 for about Rs. 2 million and started as a joint venture of NML and Awami Autos Limited, another unit of PACO, for progressive manufacture of air-conditioners and refrigerators. Shares held by NML were transferred to PACO in 1981.

5.23. DAL started with the assembly of 'ADMIRAL' airconditioners in June, 1974 and 'SINGER' refrigerators in 1975, but could not compete successfully in the market and operations were suspended in 1977. In 1980, DAL started assembly of 'ACMA' airconditioners in collaboration with ACMA Electrical Industries Limited, a company incorporated in Singapore. During 1980—84 Rs. 9.8 million were spent on balancing and modernisation for production of 'Indesit' Refrigerators which commenced in January, 1984.

5.24. Although DAL started a deletion programme for 'ACMA' airconditioners, it suffered a serious setback when the fan motors in airconditioners developed locally by Siemens proved defective, damaging the image of the product. Production remained suspended for one year because of accumulation of unsold stocks. Inventory of raw materials also piled up.

5.25. Blockage of capital in inventories of raw materials and finished goods and investment in balancing and modernization scheme increased the burden of financial charges which coupled with overheads posed a major drain on Company's profitability.

5.26. Accumulated losses increased from Rs. 0.41 million in 1979-80 to Rs. 12.57 million in 1985-86 which were more than 4 times the paid-up capital as on 30th June, 1986.

5.27. The management informed the Committee that it had already been decided to disinvest the unit. The Committee directed the management to report the final outcome of the disinvestment proposal.

TRAILER DEVELOPMENT CORPORATION LIMITED

5.28. Working results of the company for the four years under review were as under :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85
Sales	70.95	59.82	84.11	22.00
Cost of Sales	63.70	57.40	85.51	24.46
Gross profit	7.25	2.42	(1.40)	(2.46)
Net profit/(loss)	0.031	(3.92)	(7.00)	(8.51)

5.29. TDC was set up in the private sector in October, 1965 as Jaffer Industrial Corporation Limited. It was nationalised in 1972 and renamed as Trailer Development Corporation Limited with PACO holding all its shares. In 1975, it was made a subsidiary of National Motors Limited to serve as a vendor for MNL's progressive manufacturing programme. On 1st July, 1984, the company became a subsidiary of PACO. TDC had, in addition to trailer fabricating and bus body making, facilities for axle manufacturing, machining jobs and miscellaneous jobs like exhaust system etc. Both PACO and MNL seem to be responsible for non-utilisation of TDC's facilities to make it a unprofitable unit.

5.30. The company inherited an accumulated loss of Rs. 1.4 million at the date of takeover which increased to Rs. 62.58 million (inclusive of written back loan of Rs. 31.66 million) as on June 30, 1986. The company's equity thus stood completely eroded. The short-term measures for writing off of a loan of Rs. 5 million by PACO and Rs. 31.66 million by NML and allocation of foreign exchange during 1979—81 for trading of Toyota Hi-Lux also did not help to rehabilitate the company. Persistent losses were attributable to :

* Inadequate workload and delays in delivery schedules ;
* Excessive overhead burden ;
* Heavy financial charges on bank borrowings due to poor liquidity and blockage of funds in redundant machinery (Rs. 8.89 million), obsolete stores (Rs. 6.3 million) and receivables (Rs. 9.8 million).

5.31. Financial restructuring could not be arranged. Change of status from NML's subsidiary to PACO's subsidiary failed to have any favourable impact on company's liquidity as the step was necessitated more to save National Motors Limited from losses of TDC rather than to help the company by arranging adequate job orders from other sister units through its influence as a holding company. TDC had to secure orders on competitive basis which was hardly possible because of higher rates due to unabsorbed overheads and non-utilisation of full work force.

5.32. The company was able to earn for the first time, a nominal operating profit of Rs. 105,874 in 1985-86 due to production of 250 heavy duty semi-trailers in collaboration with an Italian firm, Calabrese. This could become TDC's standard product as NLC intended to purchase 1500 such trailers and bowers in the sixth five-year plan.

However, NLC under pressure of its own marketing needs, stopped placing further orders which left TDC with no major order in hand or likely to be secured in near future. In order to breakeven, TDC needed a sale target of Rs. 49 million which, in the circumstances, appeared to be impracticable. The management had therefore, laid off all but 11 employees from 15th December, 1986.

In the present situation, four alternatives are available :

(i) The company has been given a fresh life by reduction of its strength. A new start could be made by reorganising, after financial structuring, structuring the Planning and Designing and Marketing departments.

(ii) Alternatively, the company may be converted to a joint venture enterprise on the pattern of Hino Pak Limited and Al-Ghazi Tractors Limited.

(iii) The facilities may be utilized by PACO as a help to achieve its own objectives.

(iv) The unit may be disinvested provided a handsome offer is received.

5.33. The management informed the Committee that the factory had now been closed for good. In view of the decision to wind up the organization, the Committee made no recommendation.

NATIONAL MOTORS LIMITED

5.34. Working results of the Company during the four years under review were as under :—

(*Rs. in million*)

	1982	1983	1984	1985
Sales	853.02	929.15	931.01	753.40
Cost	781.08	818.31	816.70	661.57
Gross profit	71.94	110.84	114.31	91.83
Net profit (loss)	(30.18)	21.10	48.36	25.79

5.35. NML was originally established as General Motors Overseas Distribution Corporation in 1953. It was incorporated as Ghandhara Industries Limited in 1963 and taken over under the E.R.O. 1972. 60 per cent of its shares of Rs. 65 million are held by the PACO and rest by the public.

5.36. The main objective of NML was the assembly and progressive manufacture of trucks and buses for which it held a franchise for Bedford. It also assembled light commercial vehicles *viz.* Toyota Land Cruiser and Hi-Lux. In addition, NML also held distributorship for products of General Motors Corporation USA and all Toyota vehicles except Hi-Ace and Coaster.

5.37. The Company earned profits consistently since take over in 1972, upto 1980-81. There was a loss of Rs. 30 million during 1981-82. The NRL went into profit again when net profit before taxes added upto Rs. 94.26 million during 1982—85, there was an operating loss of Rs. 10.43 million during 1985-86 which was reduced to Rs. 1.43 million by other income.

5.38. NML was once a showpiece of the PACO because of reasons as under :—

* The unit had achieved 100 per cent capacity utilisation *viz.* 6000 trucks and buses and commanded a major market share. Even at present 80 per cent of the existing trucks buses are reportedly of Bedford make.

* Attractive dividend paid to shareholders led to the quotation of NML as " blue chip company " and in 1979 and 1980, it was included in top twenty companies.

* The unit had achieved a 60 per cent deletion for Bedford trucks and buses providing employment and technology for hundreds of small vendors and large vendors like Pakistan Machine Tool Factory, Bela Engineers, Baluchistan Wheel, Heavy Mechanical Complex and Nava Daur Motors Limited etc. During 1980—85, 57 vendors out

of 85 listed by NML completed contracts worth Rs. 1313 million. They included eight large public sector units whose value of supplies exceeded Rs. 800 million during 1980—85.

5.39. However, over the period ending 30th June, 1982 to 1986, the sales of manufactured goods decreased from Rs. 869.96 million to Rs. 528.30 million *i.e.* by 39.3 per cent. Sales of Bedford trucks/buses decreased from 5253 units in 1979-80 to 801 units during 1985-86 *viz.* by 84.8 per cent. Gross profit of Rs. 62.02 million during 1985-86 included Rs. 48.38 million *viz.* 78 per cent from sale of trading stock.

5.40. The car and light commercial vehicles in which NML had a dominant share also registered a decline in sales leading to loss of income. The major reasons for the downfall of Bedford trucks were mainly a general decrease in demand for trucks and buses in Pakistan, specially in the 7 tonnage range, increasing competition from other makes *viz.* Nissan, Isuzu and Hino (total 15 models), change in transport economics to favour vehicles of a heavier tonnage and poor quality of deleted parts.

5.41. In order to meet the declining sales of Bedford, NML has started assembling Isuzu trucks of Japanese origin.

5.42. The Department informed the Committee that the company could not survive with " Bedford ". It was aming at a production of 2500 Trucks Isuzu. Adjustment attempts with revised situation were underway. Since support was needed by the management, Isuzu may be accepted as standard product, a proposal to this effect had been sent to Government labour force with very high wage rate require immediate reduction upto 1000 Number. The balance could be absorbed. Establishment expenditure also require reduction. In view of reduction in the market of Bedford the company had been making losses. Due to reduced activity the present force could not be maintained. The management had taken steps for management improvement, and reduction in manpower. The representative of

Planning Division informed the Committee that against a capacity of 6000 trucks, it was being operated at 1000 whereas future proposals were upto 2500 only. Some thing was required to be done to utilize idle capacity.

5.43. The Committee after listening the management's point of view, directed that a detailed study on the future prospects of "National Motors" with specific reference to deletion programme, capacity utilization and marketing should be prepared.

BELA ENGINEERING LIMITED

5.44. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	140.51	254.32	227.86	127.32
Cost of Sales	136.96	204.47	184.81	100.45
Gross profit	3.55	49.85	43.05	26.57
Net profit/(Loss)	(29.17)	19.04	8.31	20.57

5.45. Bela Engineers Limited was originally conceived in 1970 by Ghandhara Industries Limited (now National Motors Limited) as Ghandhara Diesels Limited for the assembly and progressive manufacture of Bedford diesel engines for transport vehicles, marine craft, agricultural and industrial equipment, generators and construction equipment under licence from Vauxhall Motors Limited, U.K. After its take over in 1972, the unit was renamed as Bela Engineers Limited and was currently a unit of Pakistan Automobile Corporation (PACO) Limited. The main problem with Bela is that it failed to adopt an independent corporate strategy which is evidenced from the following facts :—

(i) Excessive preoccupation with only one customer, NML leading to failure in the development of more diverse and stable clientele.

(ii) Absence of franchise agreement with its principals due to which the management was unable to hold a stable price line and to smoothly pursue its deletion programme.

(iii) Absence of formal contract with NML, which enabled the latter to exploit the situation. For instance, National Motors did not place firm orders which often adversely affected Bela's production programme, leaving it stranded with idle inventories. Bela was asked to accept lower prices of their engine than fixed by the C.G.P., which considerably reduced company's margin. National Motors launched a direct booking scheme in 1980—82 and components worth, Rs. 233.11 million were forced upon Bela without any prior arrangement due to which these remained mostly unutilised.

5.46. Besides defective corporate strategy, company's other policies also left much to be desired :

— The company started assembling Ursus tractors by using Bedford engines in 1980-81. The project was not well conceived and the company ended with 106 unsold tractors worth Rs. 6.45 million.

— Material was requisitioned on " component basis " which led to build-up of imbalanced inventory. Despite spending a huge amount of Rs. 54.1 million to balance it, part of the inventory remained imbalanced. Ultimately the scrap, dormant and redundant inventory of the book value of Rs. 19.29 million was disposed of at a loss of Rs. 17.49 million in 1985-86.

— Percentage of rejected engines averaged 39 per cent which was very high and added to avoidable overheads.

— Sale of engines for industrial and commercial applications could not be pushed beyond 5 per cent of total sales mainly due to ineffective marketing efforts.

— Poor inventory management led to blockade of funds and high financial charges paid by the company were a drag on its profitability.

— Despite monopoly of Bedford truck till 1980, the company could not achieve deletion of more than 43 per cent.

5.47. Presently the management itself appeared to be disappointed with the future of Bedford engine and had gone for assembly of Fiat tractor engines as an alternative product line. However, the assembly function alone could not keep the company afloat in the long run because firstly, the margin on assembly was very low and secondly, the activity did not involve the use of the company's production facilities and as such contributed very nominal value addition.

5.48. Other future plans included assembly and progressive manufacturing of Mazda T-3000 engines for Sind Engineering Limited installation of flexible machining line for machining of cyliner blocks and heads of all types of vehicles. A more ambitious plan would be to develop a standard engine which with certain modifications and different versions could be used in all vehicles. This will facilitate deletion programme, thereby ending our reliance on foreign suppliers. The scheme would however, need Government support.

5.49. The Department briefed the Committee about working affairs of the Company. It was informed that originally it was a "Bedford" concern. The Bedford went down, it also went down. Investment was on 'Bedford'. Audit had proposed a flexible machinery line. This proposal was under active consideration. It required an investment of Rs. 20 to 30 crores. It would be economical after the above investment. During current year it would be decided, if Bela was to remain as it was or it was to be expanded. It depends on "Bedford" and "Al-Gazi". There were problems of disposing of inventory. A survey had been carried out by the Company. Some very serious discrepancies came to light. Inventory system was being developed.

5.50. On a question from Chairman PAC it was further reported that an investigation had been finalized and was under action. The discrepancies were due to mis-management and individual responsibility. The system had however been organised now. All unsold tractors had been sold. The Committee directed that a copy of departmental enquiry should be submitted to PAC. The Committee also emphasized upon the Management to improve their quality controls and produce engines which are acceptable in market.

MILLAT TRACTORS

5.51. Working results of the Company during the last four years were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	649.91	1064.07	1266.82	1335.07
Cost	591.03	971.69	1167.46	1250.06
Operating Profit	58.88	92.38	99.36	85.01
Net Profit	45.91	81.50	93.60	77.72

5.52. The main business activities of the company are to import, assemble and sell Massey Ferguson tractors, agricultural implements and tractor engines. The activities have been enlarged to include the manufacture of tractor spare parts by way of import substitution.

5.53. The company had an accumulated loss of Rs. 1.16 million as on January 1, 1972 when it was taken over by the Federal Government. As a result of subseqnent profitable operations this negative operational result was converted into a positive one and at the end of 1984-85, there was an equity of Rs. 181.78 million inclusive of Rs. 0.82 million as un-appropriated profit.

5.54. In terms of returns, the company is rated as one of the best units in the public sector. Its shares are quoted amongst the highest in the stock exchange.

5.55. The company expanded its production capacity in 1984-85 by 66.6 per cent (from 6,000 tractors to 10,000 tractors per annum) by adding Plant and Machinery worth Rs. 70.78 million (Rs. 34.52 million in 1983-84 and Rs. 36.26 million in 1984-85). The increase in capacity, however, did not enhance the actual production appreciably as the production in 1984-85 went up by 283 tractors only *i.e.* about 2 per cent. It is noteworthy that production in the two years immediately preceding expansion had already reached the level of 11,180 (in 1982-83) and 13,298 (in 1983-84). A small reduction (of 1.34 per cent) is also noticeable in the number of orders booked during 1984-85 (12,432) when compared to the number booked in 1983-84 (12,602). Although the company has continued to earn profit, the figures of profit show a declining trend. The provisional figures for the period July—December 31, 1985 show a net profit before taxation of Rs. 10.896 million compared to similar figure of Rs. 38.142 million for the corresponding period of the previous year (July, 1984- -December, 1985).

5.56. The company, has also failed to achieve the target of 85 per cent import substitution of tractor components planned up to the year 1985, in terms of value. The shortfall was of (85 per cent—60 per cent) 25 per cent. In his review of the provisional half yearly accounts for the period July—December 31, 1985, the Chairman PACO however, stated that " we have presently achieved a local content of about 65 per cent, in terms of value, in accordance with the deletion programme approved by the Government " The shortfall of 20 per cent still remains. The position merits attention considering the investments of over Rs. 100 million (Rs. 35 million received from PACO as interest free loan) having already been made on in-house manufacturing.

5.57. The department explained that only Crank Shafts, Connecting Roads, Injunction System and some other small value Electric items were being imported, which were not considered practical to manufacture locally at low cost. There is no incentive in indignisation of these items and as such the company has no proposal to increase this percentage in the near future.

5.58. After detailed discussion, the Committee recommended as under :—

(a) Multiplicity in the brands of tractors being imported or assembled needed to be limited. The brand with record of success in progressive manufacture of components locally, needed to be encouraged ;

(b) There was need for suitable increase in the number of dealers and service and repair facilities to promote mechanized farming in the country ;

(c) The period of delivery should be decreased by increasing production ;

(d) The Agriculture Development Bank should consider enhancing its allocation of loans for tractors.

6. PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (PRIVATE) LIMITED

6.1. Pakistan Industrial Development Corporation, which was established under an Ordinance in 1962 was dissolved from 1st April, 1985 and incorporated as a private limited company from that date.

6.2. The Corporation earned a net profit of Rs. 1.867 million in 1981-82, sustained a net loss of Rs. 0.695 million in 1982-83 and a loss of Rs. 0.278 million in 1983-84 and a further loss of Rs. 4.884 million in 1984-85. The main-stay of the Corporation was the property rent.

6.3. According to Audit, a sum of Rs. 10 million was outstanding as Advances, Deposits and Pre-payments. On June, 1982 which included doubtful advances of Rs. 0.727 million. The management explained that the amount of these advances had been considerably reduced and was presently Rs. 2.24 million only.

6.4. Similarly a sum of Rs. 3.907 million was outstanding on 30th June, 1982 against "Sandry Debtors" which included an unpaid rent of Rs. 2.30 million of which a substantial amount was disputed.

The management explained that a sum of Rs. 1.6 million was outstanding on account of rent enhancement and another amount of Rs. 0.137 million was under litigation.

6.5. The Committee was not satisfied with the explanation and asked for a detailed report on ' Advances ' and ' Sundry Debtors '.

PAK-IRAN TEXTILES LIMITED

6.6. The working results of the company which operates two Mills at Uthal and Quetta for the years 1980-81 to 1983-84 are as under :—

(Rs. in million)

	1980-81	1981-82	1982-83	1983-84
Sales	116.720	155.216	107.106	62.490
Cost	215.723	275.288	215.314	188.964
Gross Loss	99.003	120.072	108.208	126.474
Net Loss	160.049	205.867	237.854	258.222

The accounts for the year 1984-85 were not laid before the Committee. The Mills had ceased to operate since June and September, 1983 due to heavy losses.

6.7. The above Mills incorporated as a Public Limited Company, with an authorised capital of Rs. 600 million, started as a joint venture with Iran for the social uplift of the backward region of Baluchistan. The paid up capital was Rs. 268.30 million of which 51 per cent was contributed by Pakistan through PIDC and the remaining 49 per cent by Iran. The Company set up two Textile Mills, Lasebella Textile Mills Limited, Uthal and Bolan Textile Mills Baleli (Quetta). The two mills were to be completed in May, 1978 and June, 1979 respectively but were completed late with a total cost of Rs. 670.76 million which was 52 per cent higher than that envisaged in the original plan. The commercial production in both the Mills started in 1979-80.

6.8. Net equity as on 30th June, 1985 worked out to negative value of Rs. 1001.42 million as reported by the Experts Advisory Cell of the Ministry of Production in its Annual Report 1984-85. Audit while identifying the reasons for failure of the mills reported that high cost of sales did not compare with the prevailing market prices. Financial expenses increased from Rs. 53.709 million in 1980-81 to Rs. 71.824 million in 1981-82. The production was not planned according to market demand. The accumulated losses were to the tune of Rs. 1 billion.

6.9. The Department explaining the reasons for losses stated that the location of the mills was in the areas without basic infrastructure and there was a continuous shortage of capital. This was due to bad management and ill planning. The decision was originally taken on social and political grounds. A proposal of re-structuring was under consideration of the Government.

6.10. The PAC directed that the persons involved in advising the setting up of these mills may be identified and reported. The Committee comprising a member of the PAC and a representative each of Audit, the Finance, and the Ministry of Production will look into the case in order to fix the responsibility on persons who sanctioned this project and also to suggest ways and means to over-come the causes of continuous losses. The Committee would also look into the fact that why dis-investment was not made after 1983.

TARBELA COTTON AND SPINNING MILLS HARIPUR

6.11. Working Results of the Company for the last 4 years were as under :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85 (First 9 months)
Net Sales	76.892	76.004	108.598	63.562
Cost of Sales	87.446	83.936	125.974	78.943
Gross Loss	10.554	7.932	17.376	15.381
Net Loss	19.748	15.685	26.343	23.962

6.12. The Mills thus sustained an accumulated loss of Rs. 88.238 million as on 31st March, 1985.

6.13. Final PC-I of the project with a cost estimate of Rs. 122 million which was more or less based on actual expenditure, was approved by ECNEC in February, 1980. ECNEC while according the approval stipulated that "consideration should be given to dis-invest the unit to the private sector at an appropriate time".

6.14. The project became operational in January, 1981. Evaluation of the project was carried out in early 1982. It was found that :—

* prospects for a substantial increase in the level of production in order to enable the unit to break even were not evident, and

* the unit was likely to continue to incur heavy operating losses for a number of years to come on account of very heavy depreciation charges and financial expenses.

6.15. Subsequent events, it appears, have proved this point. Despite some increase in quantum of production and improvement in capacity utilisation the unit's sales revenue persistently fell short of its cost of sales. Consequently it has been incurring losses since its inception, which by March, 1985, had aggregated to Rs. 88.2 million. The loss was capitalised during 1983-84 and 1984-85 by a charge to the plant and machinery. This measure added to the already heavy burden of depreciation charge. Provisional accounts show that a further loss of about Rs. 24 million was sustained during April, 1985 to January, 1986. Total loss of Rs. 112 million was thus incurred in five years' operating life of the project, which constitutes 88 per cent of the completion cost of the project. The chances of the unit's retrieval and its becoming a financially viable entity, even in distant future, are bleak.

6.16. Socio-economic objectives have been achieved to the extent that the project has provided employment to over 1200 Tarbela-affectees who will hopefully continue to remain engaged even after disinvestment.

6.17. The Management explained that the Mill was conceived to provide livelihood to evactees of Tarbela Dam. Considering the socio-economic aspect of the project, proposals for financial restructuring had been sent to Government and were under consideration. Efforts for disinvestment through public advertisement were also made but no bids were received. A Committee has been appointed by the Government to negotiate sale of the project through NDFC.

6.18. The Committee after hearing the Department, observed that :—

(a) the price of the Plant and Machinery received as a free gift from China should not be exhibited in the balance sheet;

(b) other proposals for financial restructuring be expedited; and

(c) the disinvestment proposals should also be expedited.

HARNAI WOOLLEN MILLS LIMITED

6.19. The Working results of the Company for the last four years were as under :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85
Sales	17.722	20.896	19.939	10.615
Cost of Sales	23.289	29.148	31.621	22.482
Gross Loss	5.567	8.252	12.682	11.867
Net Loss	13.415	17.773	24.826	22.514

6.20. The company had thus incurred accumulated losses of Rs. 99.963 million as on 30th June, 1985.

6.21. The mill was a profitable concern from 1961 to 1977 (except 1974). The position, however, continued to deteriorate thereafter. This was mainly because of a scheme for Balancing, Modernisation and Expansion (BME) carried out during 1975—78 at a capital cost of about Rs. 20 million. The BME scheme suffered from delays (15 months) and cost overruns (Rs. 5 million) and was apparently not well conceived in as much as it :

* totally ignored the woollen plant, which was installed more than 30 years ago and used local raw material, in the main, for production of woollen fabrics/blankets;
* was restricted to worsted section, which was dependent on import of raw materials. Worsted material itself catered to a limited clientele;
* did not seem to have been based on a proper market-survey as was fully established by the situation countenanced by the unit, later, in marketing its products;
* created an imbalance in spinning and weaving capacities which had to be corrected by an additional expenditure of Rs. 2.5 million on installation of shuttle-less looms.

6.22. PC-I of the BME scheme projected that implementation of the scheme would result in increase in production of worsted fabrics by about 185,000 meters per annum and an annual increase in pre-tax profit of Rs. 4.6 million. The maximum increase in production achieved was 59,700 metres (1981) which was only 32 per cent of the projection. Production continued to decline in subsequent years 1982 to 1985, and worsted section is infact lying closed since March, 1985. While the benefits visualised in the BME scheme did not accrue, capital investment made in its implementation had the effect of increasing the burden of financial and depreciation charges. The result was that sales revenue of the mills persistently fell short of its cost of sales and losses increased from year to year. Accumulated loss as on June 30, 1985 stood at about Rs. 100 million. Provisional figures for July, 1985 to January, 1986 showed a further loss of Rs. 14 million.

6.23. Equity had been eroded as far back as 1979. Continued dependence on borrowed funds in subsequent years had multiplied the financial expenses, which constituted 74 per cent of sales in 1985 and would have risen to 96 per cent of sales had PIDC not waived interest of Rs. 2.3 million for 1984-85 due on amounts owing to it.

6.24. Audit was of the view that the company's chances of recovery would depend on the initiative and success of the Management in improving the marketability of their products. This could not be done and sales continued to decline over the years. Production of the mills was currently confined to woollen blankets for supply to the Defence and Railway Departments. The sale rates for these supplies were less than the company's cost of production. It appears hardly feasible that given the existing level of limited production and restricted sales, the unit will ever be able to arrest the trend of losses, which have persisted with increasing intensity during the last five years ended June 30, 1985.

6.25. The Committee had earlier directed that a straight case of subsidy in the shape of injection of equity should be made out to the Government on the grounds of poor location of the factory and the social benefits being accrued. Audit pointed out that no action had been taken on the PAC's directive Chairman PIDC explained that this was the oldest industrial unit in the public sector and was being run without any commercial consideration on purely social grounds. The number of employees had been reduced from 1000 to 600 and only the blanket unit was working. There was no electricity available and there was also the problem of availability of skilled labour in the area. He also informed the Committee that UNDP had undertaken a study of the project and had made certain workable suggestions which were being examined.

6.26. The Committee after detailed discussions made the following recommendations :—

(a) the Government should provide adequate subsidy to ensure that the factory is not closed down and continues to provide socio-economic benefits in a far flung area of Baluchistan ;

(b) more political commitment at all levels should be enlisted for this Mills. Efforts should be made to secure policy decisions, so that orders for the Police and Army and other Civil Armed Forces are as far as possible are placed on this mills on negotiated terms ;

(c) Telephone and Electricity need to be provided for the Mills at the earliest possible, to make it more viable ;

(d) A Committee of experts should be appointed to make specific recommendations within two months about measures to be taken for making the Mills more viable ;

(e) Old stock lying in the Mills should be disposed of as early as possible, to obviate further deterioration.

TALPUR TEXTILE MILLS

6.27. The Mill has been closed down from 12th November, 1977 after incurring consistent losses. The accumulated losses being Rs. 162 million.

6.28. The Committee had earlier suggested that the question of appointment of liquidator through a Court of Law should be considered without further loss of time. It was, however, explained by the Managing Director PIDC that the liquidator could not be appointed in this case because it was not a company.

6.29. The Committee asked the Ministry of Production to submit a detailed report as to how they intend to proceed with the liquidation of the factory.

DIR FOREST INDUSTRIES COMPLEX LIMITED

6.30. Dir Forest Industries Complex Limited was conceived in 1966, but was completed in 1981 at a cost of Rs. 303 million as against Rs. 63 million originally estimated. It went into commercial production in 1983. The working results for the three years under review, were as under :—

(*Rs. in million*)

	1982-83	1983-84	1984-85
Sales	28.710	66.581	67.53
Cost of Sales	34.607	86.154	101.86
Gross (Loss)	(5.897)	(19.573)	(34.33)
Net (Loss)	(25.041)	(45.671)	(61.79)

6.31. The project thus suffered substantial losses in its very inception. The Committee asked the Auditor-General to prepare a detailed report evaluating the prospects of the organization.

AL-LIBAS INTERNATIONAL LIMITED

6.32. PIDC Garment Factory Karachi was established in 1981 by procuring the machinery from defunct Garment Corporation Limited. The factory was converted into a private limited company in July, 1983 and named as Al-Libas International Limited. The company accumulated losses of Rs. 11.726 million upto 1985. It was closed *w.e.f.* July, 1985.

6.33. The Committee after detailed discussions observed as under :—

(a) Action taken to disinvest the company should be reported ; and

(b) An enquiry should be conducted to determine as to how the company was established and also who were the officials responsible for taking the decision.

MEHRAN FLOCKING INDUSTRIES LIMITED

6.34. A private party established a flocking industry in 1974-75. The factory, however, remained inoperative since its installation. PIDC purchased the above factory in 1980 at a cost of Rs. 4.27 million. The factory was now being run by PIDC and during 1981-82 to 1983-84 had sustained an accumulated loss of Rs. 3.414 million.

6.35. The Committee after deliberating on the issue observed that it was not a sound decision to purchased the factory and asked the Ministry of Production to furnish a detailed report as to how it was decided to purchase the factory and who were the persons responsible for it. The Committee also recommended that the factory should be disinvested.

SHAHDADKOT TEXTILE MILLS LIMITED

6.36. The Shahdadkot Textile Mills was completed in 1980 and started production the same year. The Mill sustained an accumulated loss of Rs. 283.283 million upto 30th September, 1984. The Mill was, therefore, virtually closed and in a state of bankruptcy and no improvement could be expected unless complete administrative and financial restructuring is done.

6.37. The Committee observed that the disinvestment of the unit should be speeded up.

SPECIALIZED REFRACTORY PROJECT

6.38. Certain deposits of magnesite were discovered near Abbottabad. To exploit these resources, PIDC decided to set up a plant in 1970. Development expenditure so far incurred on the project amounted to Rs. 8.762 million. The project has been stopped from 25th May, 1985 due to cancellation of extracting licence by the Government.

6.39. The Committee was not satisfied with the state of affairs and asked the Ministry to submit a detailed report about the future prospects of the project.

QUAIDABAD WOOLLEN MILLS LIMITED

6.40. Quaidabad Woollen Mills Limited was set up by PIDC in 1955 for generating socio-economic benefits by providing employment to local people, development of cottage industry and encouragement of sheep breading and sheep farming in the area. Initially production of Woollen blankets for the armed forces was started.

6.41. In 1961 it was decided to stop manufacture of blankets and switch over the production of machine made blankets. The Company enjoyed almost a monopoly in machine made woollen carpets during 1963 to 1983 and the financial results of the company were quite satisfactory.

6.42. A scheme for balancing, modernisation and expansion of the unit was initiated in March, 1975. The scheme was ultimately completed in June, 1983 at a cost of Rs. 20.85 million. Meanwhile a few units with similar type of products came up in the private sector and the company had to face a stiff competition in marketing its increased production. This led to piling up of unsold goods. The company suffered a serious set back, in 1984-85 sustaining a loss of Rs. 6.52 million. The Company thus went into debt.

6.43. Adverse trend appears to have been arrested by better marketing strategy and the sales have picked up in 1985-86.

6.44. The Committee expressed its satisfaction on the overall performance of the unit and appreciated the efforts made by the management to come out of the crisis, faced in 1984-85.

LARKANA SUGAR MILLS LIMITED

6.45. The factory was completed at a cost of Rs. 115 million in November, 1974 and started commercial operation from 1975-76. The unit from the outset faced shortage of sugarcane supply, as cane procurement from the zone reserved for the Mill, never exceeded half the plant requirement. The unit had therefore, been a losing concern throughout. The accumulated loss on 30th June, 1983 were Rs. 61 million. Losses sustained up March, 1985 to September, 1985 totalled to Rs. 128 million which had exceeded the cost of the project.

6.46. The Committee observed that the Mill should be disinvested as early as possible.

COTTON GINNING AND PRESSING FACTORY, PIRANWALA

6.47. In May, 1980, PIDC ventured to established a Cotton Ginning and Pressing Factory at Piranwala. The factory was installed at a cost of Rs. 3.686 million. It is working at 13 per cent of its capacity and had sustained accumulative loss of Rs. 2.232 million upto 30th June, 1985.

6.48. The Committee directed that the factory should be disinvested and an enquiry should also be conducted as to how this bad decision was made.

7. PAKISTAN STEEL MILLS CORPORATION LIMITED

7.1. The Corporation incurred a net loss of Rs. 1631.611 million in 1984-85, the first complete year of its operation, as compared to a loss of Rs. 1,485.772 million during the year 1983-84. The accumulated losses were, therefore, Rs. 3,117.383 million.

7.2. The Committee was not able to investigate into the affairs of PASMIC due to non-availability of adequate data and decided that the affairs of the Corporation should be examined at the time of examination of next year's accounts.

8. STATE CEMENT CORPORATION OF PAKISTAN

8.1. The State Cement Corporation of Pakistan (SCCP) was incorporated as a private limited company in public sector in 1973. By 1975, it had established itself a holding company of all the cement factories in the country.

8.2. The operational units of the Corporation were in a reasonable financial shape mainly because of the monopoly and Government regulated prices.

GENERAL REFRACTORIES LIMITED

8.3. The Company produces special fire bricks which are generally used for furnace of steel, sugar and cement factories. The Company sustained a net loss of Rs. 7.202 million and Rs. 4.764 million in 1981-82 and 1982-83 respectively. It, however, earned a net profit of Rs. 2.867 million and Rs. 2.894 million in 1983-84 and 1984-85 respectively. The Company thus appears to have come out of its loosing spree.

GHARIBWAL CEMENT LIMITED

8.4. Working results of the Company for the three years under review, were as under :—

(*Rs. in million*)

	1982-83	1983-84	1984-85
Sales	274.371	324.366	372.674
Cost of Sales	254.467	293.967	339.431
Gross profit	19.904	30.399	33.243
Net profit	9.304	20.763	23.465

The working results were satisfactory.

JAVEDAN CEMENT COMPANY

8.5. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	266.241	355.387	419.207	465.166
Cost of Sales	206.376	293.666	361.529	406.534
Gross profit	59.865	61.721	57.678	58.632
Net profit	10.012	9.960	13.753	12.600

The working results were satisfactory.

KOHAT CEMENT COMPANY LIMITED

8.6. The Company started its production from 1st January, 1984. The working results for the period ending 30th June, 1985 are as under :—

(*Rs. in million*)

	1983-84	1984-85
Sales	159.14	259.255
Cost of Sales	119.17	195.379
Gross profit	39.97	63.876
Net Profit	3.00	3.485

The working results were satisfactory.

MUSTEHKUM CEMENT FACTORY

8.7. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	261.62	301.77	309.85	429.74
Cost of Sales	242.06	295.09	362.35	373.30
Gross Profit/(Loss)	19.20	6.68	(52.50)	56.44
Net Profit	14.60	9.22	21.34	23.67

The overall performance was satisfactory.

NATIONAL CEMENT INDUSTRIES LIMITED

8.8. Working results of the Company for the three years under review, were as under :—

(*Rs. in million*)

	1982-83	1983-84	1984-85
Sales	171.598	180.427	216.231
Cost of Sales	149.013	157.196	198.713
Gross Profit	22.585	23.232	17.519
Net Profit	8.415	6.941	6.981

The overall results were satisfactory.

THATTA CEMENT COMPANY LIMITED

8.9. The factory started production from December, 1982. Its working results for the three years under review, were as under :—

(*Rs. in million*)

	1982-83	1983-84	1984-85
Sales	129.555	274.745	313.855
Cost of Sales	96.964	196.196	244.937
Gross Profit	32.591	78.549	68.918
Net Profit	5.172	7.999	9.690

Working results were satisfactory.

ZEAL-PAK CEMENT FACTORY LIMITED

8.10. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	363.053	428.088	628.382	660.382
Cost of Sales	328.113	382.799	586.487	607.400
Gross Profit	34.940	45.288	41.895	52.982
Net Profit	23.128	12.642	19.732	29.606

The working results were satisfactory.

ASSOCIATED CEMENT LIMITED

8.11. Working results of Associated Cements for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	278.236	292.356	389.969	406.448
Cost of Sales	254.289	273.220	359.924	378.846
Gross profit	23.947	19.137	30.045	27.602
Net Profit	8.731	3.306	6.903	9.690

The working results were satisfactory in view of the pretty old plant.

DANDOT CEMENT COMPANY LIMITED

8.12. The project started commercial production from 1st March, 1983. The working results for the three years under review, were as under :—

(*Rs. in million*)

	1982-83	1983-84	1984-85
Sales	84.307	250.427	263.539
Cost of Sales	61.880	181.819	198.674
Gross profit	22.427	68.608	64.864
Net profit	4.056	8.607	12.008

The working results appeared to be satisfactory.

MAPLE LEAF CEMENT FACTORY

8.13. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	113.67	143.30	157.38	194.175
Cost of Sales	96.19	125.49	150.25	176.467
Gross profit	17.48	17.81	7.13	17.708
Net profit	16.45	15.35	5.40	17.910

8.14. Maple Leaf Cement Factory was installed at Iskanderabad by PIDC in 1956 to produce ordinary portland cement having production capacity of 380 tons of clinker per day. An other kiln was added in 1960 with a production capacity of 570 tons clinker per day. The company's plants were quite old. Cement was being manufactured through wet process which was rather expensive, at least, as far as fuel and energy was concerned. However, it was commendable that the company's management paid special attention to repair and maintenance and were keeping the old plants in good shape to achieve production at satisfactory capacity levels.

8.15. Due to partial stoppage of gas supply in 1983-84, the company had to switch over to the use of furnace oil—costlier fuel—which effected the production economy.. The increase in retention price from Rs. 486 to Rs. 506 per ton during 1983-84 could not absorb the increased fuel and energy cost and Government had to pay Rs. 20.433 million to compensate the increase in costs. The retention price was increased to Rs. 656 per ton in 1985 and to Rs. 713 in 1986. Net profit before tax was Rs. 17.19 million in 1984-85 and Rs. 21.697 million in 1985-86.

8.16. Production performance of kiln-II was poor as compared to older kiln-I. It was stated that the design of kiln-I was better and it was not possible to obtain the same production performance from kiln-II. Consumption of inputs during 1979-86 indicated quite significant variations which needed control to utilise resources to the optimum efficiency level.

8.17. The Committee after detailed discussions asked the management to improve their controls for better efficiency.

WHITE CEMENT INDUSTRY LIMITED

8.18. Working results of the Company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	14.71	19.01	30.60	50.04
Cost of Sales	11.60	15.71	24.63	36.25
Gross profit	3.11	3.30	5.97	13.79
Net profit	3.24	3.17	.2.91	6.92

8.19. White Cement Industries (PVT) Limited was established in 1966-67 with production capacity of 15,000 tons per annum. In 1977, the SCCP planned to double its existing production capacity. The project was approved by CDWP in October, 1977 and by ECNEC in May, 1978. It was estimated to be completed in 30 months. The project was completed in January, 1984 *i.e.* after 67 months ECNEC's approval. Estimated cost (PC-I—1977) and actual costs were as under :—

(*Rs. in million*)

	Local	Foreign	Total
PC. I Proforma (1977)	27.010	25.519	52.169
Actual cost	67.557	23.598	91.155

8.20. PC-I proforma of 1977 was based on 90 per cent imported plant and machinery. It was, however, desired by ECNEC to utilize maximum local resources. The contract with M/s. FLS was delayed as Production Division in January, 1979 desired to obtain quotations from the contractor for supply of the entire plant and equipment. As a result, the arrangements with M/s. FLS as already agreed to in August, 1978 were finalised in January, 1980. This exercise did save virtually nothing in foreign exchange but increased the local costs by more than 150 per cent besides considerable delays in completion of the project resulting in production losses and imports of white cement to fill the demand gap. Operating results of the company after expansion were not as good as were before expansion. Net income did not increase corresponding to increase in sales. This was due to restricted production resulting in low capacity utilisation and low off take due to competition with imported cement. The results, however, improved considerably in 1985-86. The capacity utilisation was improved and fuel and power consumption was controlled.

9. STATE ENGINEERING CORPORATION LIMITED

9.1. State Engineering Corporation was established in July, 1979 as a holding company to promote industrial self-reliance and build-up a technological base in the country. The units of the Corporation are divisible in two distinct groups :

(i) which are running satisfactorily such as Heavy Mechanical Complex and Metropolitan Steel; and

(ii) which are in financial trouble and need immediate corrective measures such as special Steel of Pakistan and Heavy Forge and Foundry.

9.2. The financial position of the operating units is summarized in subsequent paragraphs.

HEAVY FOUNDRY AND FORGE ENGINEERING LIMITED

9.3. The Company sustained a net loss of Rs. 2.538 million in 1984-85. The accumulated loss rose to Rs. 52.072 million as on 30th June, 1985. The company was, therefore, in serious financial trouble.

HEAVY MECHANICAL COMPLEX (PRIVATE) LIMITED

9.4. The working results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	229.823	540.102	566.274	550.106
Cost of Sales	191.047	493.164	549.294	516.076
Gross profit	38.776	46.938	16.980	34.030
Net profit	17.882	28.028	7.116	26.113

The working results were thus satisfactory.

KARACHI PIPE MILLS LIMITED

9.5. The working results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	113.106	129.487	114.386	79.543
Cost of Sales	77.811	101.060	89.985	73.060
Gross profit	35.295	28.427	24.402	6.483
Net profit (Loss)	21.774	14,799	7.959	(11.873)

9.6. The sharp decline in the sales was caused due to failure of the management to meet the growing competition from the private sector. The Committee was not satisfied with the operating results and asked the management to come up with the proposals to revitalise the organisation.

PAKISTAN MACHINE TOOL FACTORY LIMITED

9.7. Working results of the factory for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	166.821	123.701	139.796	214.471
Cost of Sales	123.866	96.129	121.543	175.867
Gross profit	42.955	25.572	18.253	38.604
Net Profit	10.507	(0.269)	(13.372)	2.097

9.8. The working results improved in 1984-85 but the overall financial position was not satisfactory.

PAKISTAN ENGINEERING COMPANY LIMITED

9.9. Working results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	453.41	519.96	476.29	520.06
Cost of Sales	350.79	422.04	384.08	419.37
Gross profit	102.62	97.92	92.21	100.69
Net profit	26.78	28.61	9.93	15.48

9.10. The company set up in private sector was nationalized in 1972. It is engaged in manufacturing of light engineering products like machine tools, turbines, pumps, concrete mixers, power looms, slow speed and high speed diesel engines, electric motors and bicycles. Production facilities for steel ingots, rolled material and power transmission towers also existed.

9.11. The company had been in trouble since long but its sickness came into lime light in 1979-80 when its management was changed. A huge loss of Rs. 45 million was disclosed, which remained concerned through window dressing of the accounts. The position further aggravated in 1980-81 and the management was compelled to seek the Government's intervention. The then Finance Minister arranged for a relief of Rs. 60 million in the interest charges, from the lending banks during 1980—83, which was considered a sufficient breathing spell for the management to rehabilitate the company's affairs. Another relief was provided by WAPDA during the period by affording an opportunity to the company to supply power transmission towers on cost-plus basis.

9.12. Full benefit of the breathing spell could not be derived by the management by rehabilitating the company's affairs on long term basis :

— Engineering products like reaper, wheat thresher, monoblock design on centrifugal pumps, D.C. motors and other products stated to be in demand and recommended by marketing department for development in the company's R&D Department could not be either attempted or developed. An attempt to develop reaper was made but the project was abandoned after spending at a lot of money and energy.

— PECO's success in pre-take over period lay in induction of new products in its production spectrum, as soon as the old items faced competition. Such an induction was already over-due at the time of take over of the company by the Government. No new light engineering product was introduced except a substitution of German origin H.S. diesel engine with Chinese one under a progressive deletion programme. It is pertinent to note that :

* Profit per engine assembled and sold dwindled with the increase in deletion of imported parts through local manufacture and ultimately in 1985-86 when 55

per cent deletion was achieved, which is a matter of pride for the management, a gross loss of Rs. 1 million was incurred.

* Chinese H.S.D. engine is facing hard competition from the imported cheaper one of the same origin and capacity utilisation in the concerned shop did not exceed 87 per cent in 1985-86.

Production of bicycles was increased from 67,000 in 1979-80 to 121,000 in 1983-84 and the same is expected to exceed the target of 160,000 in 1986-87. Here too, full benefit of the market situation was not availed and BMR to boost the production to 300,000 conceived in 1983-84 is expected to be implemented in the next year. The competitors in private sector on the other hand took the lead by increasing the production and aggressive marketing.

— Two electric motors for industrial use, newly developed by the company could not help the company to utilise the available production facilities in the concerned division and its utilisation remained below 20 per cent in 1985-86.

— Proposals for manufacturing new products like alternate self-starters, domestic and industrial pumps made by the Company's experts who visited Europe in mid 1985 could not mature.

— Works comprising Rolling Mills at Karachi was closed down and disposed of.

9.13. In brief, the company could not manage to utilise the available idle capacity. A study by experts engaged by Asian Development Bank is stated to be in progress. The consultants will suggest the necessary MBR of the plants as also the induction to deletion from the production spectrum.

9.14. The company took maximum benefit of the WAPDA's orders and its gross profit earnings on towers were always higher than those earned on other products. During 1982-83, towers sales were only 55 per cent of the total sales whereas gross profit earned on them was 79 per cent of the total gross profit. The arrangements suited the management and company's dependence on WAPDA's orders increased. In 1985-86, however, when WAPDA's orders for power transmission towers dropped substantially, the company incurred a loss of over Rs. 40 million. The new management also revealed doubtful Debts of Rs. 5 million and missing stocks of Rs. 2.068 million which contributed towards this loss. Further loss is expected when physical count of raw material manufactured and purchased parts is carried out as desired by statutory Auditors. This is second time that concealments are being revealed with the change in management.

9.15. Auditor-General's findings of the company's performance evaluation covering the vital areas of production, marketing and personnel, were :

— Sufficient idle capacity existed in the company's works which needed identification for its best utilisation.

— Production losses and rejections were not given due attention.

— Arrangements for control on electricity consumption did not exist in general, and in Finance Division where the same existed, the excessive consumption was observed.

— Piece rate system appeared liberal and cases were observed where workers were earning over 300/400 per cent in excess of their normal earning without working over-time.

— Incentive to avoid " absenteeism and consequent payment of over-time to other works " appeared ineffective.

— The company was over-staffed specially in officers' cadre.

— The company was not getting its due share in market due to its incompetitive prices resulting from heavy labour cost and overheads.

— The company had largely depended on sales to Government departments and public sector and no sales promotion activity of the items meant for general public, was noticed.

Keeping in view these findings and others mentioned in the report, recommendations to improve the situation were made. Introduction of new engineering products involving more skill and technique not available out-side the company, was also recommended.

9.16. The Committee after discussing the management's point of view stressed upon the Ministry to develop a long term plan for rehabilitation of the company. PECO should play a key role in introduction and popularization of farm technology in the country.

PIONEER STEEL MILLS LIMITED

9.17. Working results of the Mills for the four years under review, were as under :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85
Sales	56.935	60.758	43.234	31.233
Cost of Sales	39.482	44.574	33.454	30.016
Gross profit	17.453	16.184	9.780	1.217
Net profit/(Loss)	4.720	5.154	0.259	(0.636)

9.18. The company thus had entered into a critical stage. The Committee suggested that its affairs should be looked into and efforts made to put it back on rails.

QUALITY STEEL WORKS LIMITED

9.19. Working results of the company for the four years under review, were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	149.947	152.573	119.907	112.927
Cost of Sales	118.044	127.975	101.871	108.311
Gross profit	31.903	24.598	18.036	12.211
Net profit	3.082	5.148	5.735	2.289

9.20. The profits of the company have been marginal over the last four years and it has been a border line case.

SPECIAL STEELS OF PAKISTAN LIMITED

9.21. The factory was closed in December, 1979 after consistant losses. It sustained further loss of Rs. 88.034 million during the last 5 years, raising the accumulated loss to Rs. 678.997 million upto 30th June, 1985.

9.22. The Committee directed that either the plant should be sold without further loss of time or it should be rehabilitated.

METROPOLITAN STEEL CORPORATION, KARACHI

9.23. Working results of the Corporation for the last 4 years were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	402.45	437.75	412.93	468.88
Cost of Sales	349.47	391.67	379.57	419.95
Gross profit	52.98	46.08	33.36	48.93
Net profit	27.86	20.11	5.24	18.27

9.24. Financial position of the company was satisfactory as a result of continuous favourable operating results since 1977-78 and accumulation of reserves of Rs. 56.23 million against a paid-up capital of Rs. 27 million as on June 30, 1985. Prior to 1982-83, billets were imported through TCP against six months advance requirements, on payment of service charges at a rate of 4 per cent of landed cost of imported material. The arrangement besides resulting in delayed imports also led to increased financial and warehousing costs. The billets are now supplied locally by Pakistan Steel but the Management, at times, faces difficulties in getting timely supplies of the billets which adversely affects the production.

9.25. The sale of hot-rolled products was under severe market pressure since 1978-79 firstly because the preferential buying by government agencies from nationalised units was discontinued as a matter of policy and secondly because the selling price of company's products was higher by Rs. 1000—1200 per ton due to use of more expensive steel billets as raw material as compared to ship plates used by the competitors in the private sector. The small and medium size consumers went for lower prices due to which the company was persistently lossing on M.S. Bars since 1978-79. The profits mainly came from sale of special steel wire, wire rods and bailing hoops which had greater margin and in which there was presently no competition. The company's monopolistic position can no longer last because new units of Ittefaq, Chaudhry, Hashwani and Al-Qavi group for the manufacturing of wire rods, bailing hoops and special steel wire have been sanctioned in the private sector.

9.26. The profitability showed a declining trend and the net profit tapered down to Rs. 5.24 million in 1984 from Rs. 29.99 million in 1978-79. It was attributable to declining sales, under utilisation of capacity, inefficiences of the Bar Mill and 10 inch Bar Mill and increasing costs of major inputs. Although the company earned a net profit of Rs. 18.27 million in 1985 the future did not appear to be very bright because of likely competition from private sector with the company's hitherto monoply products.

9.27. The company has never been able to attain its designed capacity utilisation which has ranged from 58 per cent to 66 per cent. The cost of production was high in Bar Mill because it was run on A.C. motors. The 10 inch Bar Mill produced only small size bars which could be purchased from the market at much cheaper rates. Operation of these two mills was not economical. The management was cognizant of these production bottlenecks and was contemplating the closure of these mills.

9.28. The Management explained that Metropolitan Steel Corporation strived to play its role in serving the nation by producing quality goods for projects of national importance as well as for the common consumers in private sector. The company management was also aware that producing quality goods was costlier than producing sub-standard goods with cheaper raw material and indulging in unethical and dubious methods. Government decisions however effect the company profitability to a great extent. In the national interest it was suggested as under :—

(a) It should be made obligatory for the users of reinforcement bars in Public Sector as well as Private Sector, by enforcing section 9 of the Ordinance No. (XIVIII of 1961) (Ordinance to provide for standardisation and marketing of Goods) which provides. " The Central Government may prohibit the sale of any article which does not conform to the Pakistan Standard ".

(b) It should be made compulsory for consumers of M.S. Bars and Rods in Government Agencies and Autonomous Bodies to use the goods products from Pakistan Steel Billets only. The Audit observed that Company on its own cannot guide the consumers to purchase products which are termed " quality products ". Management has stated that use of ship plate has increased from 100,000 tons in 1979 to 800,000 tons in 1982-83. This is indicative of consumers preference over quality products of the company. The company is advised to apprise the Government through appropriate channels quoting full facts and figures, of its fears, that the investment by private sector in setting up wire rod mills is not in national interest.

9.29. The Committee after detailed discussions made the following observations :—

(i) PSI should take effective steps to enforce the Pakistan Standards particularly of steel. Standards may not be confined only for the high quality but various standards should be laid down for different uses.

(ii) A possible association of quality producers may be formed to undertake publicity of standardised products.

PAKISTAN SWITCH GEAR LIMITED, LAHORE

9.30. Working results of the Company for the last four years were as under :—

(Rs. in million)

	1981-82	1982-83	1983-84	1984-85
Net Sales	38.58	24.44	24.89	28.63
Cost of Sales	34.68	19.83	20.41	23.45
Gross Profit	3.90	4.61	4.48	5.18
Net profit	0.75	0.66	0.72	0.60

9.31. The Company was designed to manufacture Low Tension Electrical Equipment, but was not able to utilise its full production capacity. As such it started producing High Tension Relay and Control Panels for WAPDA during 1976-77. These Panels were supplied on single tender basis through negotiations and the company was able to earn profit. Since the company could not utilise its full capacity, the profits were nominal.

9.32. WAPDA, however, floated international tenders for Panels from 1981-82 in which the company also participated but in order to be competitive had to quote considerably lower rates than the previous ones. Export credit facility at a rate of 2 per cent and lower custom duty on imported components for contracts secured in international bidding nevertheless provided some relief. In addition conversion of ADP loan of Rs. 5.21 million into equity by the Government in 1981-82 provided a relief of Rs. 651,000 per annum to the company which otherwise was payable as interest.

9.33. The company's earning for 1981-82 to 1984-85 was nominal due mainly to low capacity utilisation. It was only 4.66 per cent of the equity in 1984-85 and the future appeared to be bleak due to shrinkage and instability in demand for L.T. Equipment.

9.34. Audit suggested that the company's production spectrum be broadened by addition of new L.T. equipment items and by importing technology for manufacturing high tension electrical equipment like SF-6 circuit breakers.

9.35. In reply on a question the Ministry stated that Yugoslavian Technology was acceptable to WAPDA, although they preferred R.C.A. The Western prices were higher and they were not prepared to the transfer of Technology. The Yugosalavian were installing their machinery as equity and their circuit breakers (H.T.) were also acceptable to WAPDA. The negotiations were in process, and in another few months the management shall be in a position to finalize and expected production by the end of this year.

9.36. The Committee after detailed discussion, made the following observations :—

(i) Due care should be exercised when the equity participation be in the form of machinery.

(ii) A strict inventory control may be initiated in the project.

(iii) Redundant staff may be done away with as far as possible.

(iv) Financial restructuring may also be considered, to improve the working of the project.

10. STATE PETROLEUM REFINING AND PETROCHEMICAL CORPORATION LIMITED

10.1. The State Petroleum Refining and Petrochemical Corporation Limited was established in 1974 by the Federal Government as a holding company to manage and control petroleum and petrochemical products.

10.2. The financial results of various operating units are discussed in subsequent paragraphs.

ENAR PETROTECH SERVICES LIMITED

10.3. The Company earned net profit of Rs. 0.179 million Rs. 0.127 million, Rs. 2.22 million and Rs. 4.84 million in 1981-82, 1982-83, 1983-84 and 1984-85 respectively. The financial results of the Company were satisfactory.

NATIONAL PETROCARBON LIMITED

10.4. The Company manufacturers carbon black and special asphalt. The Company sustained an operating loss of Rs. 6.632 million and Rs. 0.328 million in 1983-84 and 1984-85 respectively which was mainly because of the losses on production of carbon black.

10.5. The Committee after detailed discussions, recommended that the Government should provide adequate protection to carbon black industry in the country.

NATIONAL PETROLEUM LIMITED

10.6. National Petroleum Limited, was incorporated in May, 1983 to instal and operate secondary oil refining facilities. The project was, however, stopped after incurrence of an expenditure of Rs. 93.11 million pending decision on the report of the foreign consultants.

10.7. The Committee recommends that Government should take an early decision to reactivate the project or to abandon it.

NATIONAL REFINERY LIMITED

10.8. Working results of the Company for the four years under review were as under :—

(*Rs. in million*)

	1981-82	1982-83	1983-84	1984-85
Sales	6,869.93	8,083.38	8,072.89	8,892.52
Cost of Sales	6,708.17	7,918.44	7,858.03	8,637.33
Gross Profit	161.76	154.94	214.86	255.19
Net Profit	52.25	53.20	114.45	120.00

Working results were, therefore, satisfactory.

11 TEXTILE MACHINERY CORPORATION OF PAKISTAN LIMITED

11.1. The Corporation was incorporated by the Federal Government in July, 1973 to set up projects to manufacture various types of textile machinery in the country. The Corporation established two companies, namely Textile Winding Machinery Company Limited and the Spinning Machinery Company of Pakistan Limited which went into commercial production in 1979 and 1982 respectively.

11.2. The operating results of the two companies were as under :—

(*Rs. in million*)

	1983-84 Profit/ (Loss)	1984-85 profit/ (Loss)	Accumulated (Loss)
1. Spinning Machinery Limited ..	(10.382)	(13.797)	(56.765)
2. Textile Winding Machinery Ltd ..	(3.989)	(0.016)	(15.665)
	(14.371)	(13.781)	(72.430)

11.3. The Committee, after detailed discussions recommended that the Corporation should be restructured to make it financial viable.

12. MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

12.1. Appropriation Accounts of Ministry of Health, Special Education and Social Welfare for 1981-82 were examined by the PAC on 28th October, 1984. The Committee was dissolved before it could finalise its report. The Accounts for 1982-83, 1983-84 and 1984-85 and the report of the Auditor-General of Pakistan thereon were examined by the Standing Committee on Public Accounts on 31st August, 1986, 7th September, 1986 and 8th January, 1987.

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

12.3. In National Institute of Health Islamabad (Biological) Production Division no effective system of recovery of dues was in-force. As a result, substantial amounts were over due. Ministry of Health was directed to streamline the procedure for recovery of dues in the Institute.

12.4. Chairman Public Accounts Committee during his visit to Quetta also visited Civil Surgeon Office and Dispensary at Quetta and had observed that the building did not appear to have been properly designed resulting in substantial wastage of space. There were also no arrangement for facilities and medical attendance for femal patients.

12.5. The Department in reply explained the administrative difficulties and assured the Committee that necessary facilities will be provided shortly. The Committee observed that the dispensary has not been properly planned and should now be effectively utilised.

BOLAN MEDICAL COLLEGE, QUETTA

12.6. The Auditor-General of Pakistan in his report pointed out that Bolan Medical College Complex was approved at Quetta in May, 1973 at a cost of Rs. 75 million. The project was revised to Rs. 250

million in May, 1977 and was again revised for Rs. 478.5 million in 1982 and finally for 730 million in 1984. The project was to be completed by end 1980 but had not yet been completed. The project is presently bogged down and no work was being done.

12.7. The execution of the project was initially entrusted to Communication and Works Department Government of Baluchistan and was subsequently transferred to consultants and Ministry of Health (Engineering Advisor). The execution has been entrusted to Pak. PWD since August, 1983.

12.8. The work remained without supervision of the consultants from April, 1976 to September, 1981. No progress reports were available with the project authorities for the period prior to 1st September, 1981. The position was similar upto June, 1983 and since then works had been nearly suspended.

12.9. There was no prescribed accounting system which could depict clear picture of the accounts. The project accounts had neither been maintained on PWD pattern nor on the commercial basis. The poor financial control also led to many financial irregularities.

12.10. In the Audit Report for 1981-82 two cases involving excess payments and shortages of Rs. 0.016 million were pointed out. In 1982-83, nineteen cases involving irregular expenditure of Rs. 35,209 million, excess payment of Rs. 0.505 million and other cases of undue financial aid, non-recovery, infructuous expenditure totalling Rs. 3.374 million were reported. Similarly during 1983-84 and 1984-85 five cases of excess payment and other financial irregularities involving an amount of Rs. 45.309 million were reported. The construction standards of civil, electrical, airconditioning and heating works were very poor.

12.11. The study of the project indicated that the project was not planned properly which has necessitated its three revisions. The execution was not supervised and monitored efficiently which led to change of control from Baluchistan Government to Health Division and from Health Division to Pak. PWD. The study also shows that no sincere and fruitful efforts were made by any controlling agency to take remedial steps for efficient execution of the project. A huge investment of about Rs. 380 million already made had not produced any benefits even after a lapse of 12 years. It was recommended that the project may be started immediately and new priorities be fixed in the revised completion schedules so that maximum segments of the project can be completed for use in the light of the fund allocation. Similarly, tender documents and contract agreement may be reviewed and defaulting contractor may be penalized for delay and defective works.

12.12. Audit further pointed out that complete records pertaining to projects were not available, and they had to put relevant prices together and consequently it had emerged that it was a case of poor planning and inefficient implementation.

12.13. The Departmental representative informed the Committee that there had been a number of inquiries conducted into the administration of the project, but without any concrete results. As a consequence Rs. 30 million have already been spent on the project, but the facilities developed are still in a shape that they cannot be utilised.

12.14. Secretary Health further informed that the execution of the project was handed over to the Ministry of Works in 1983. NES PAK submitted a report in 1986 that the structures need to be strengthened due to seismic effect and below specification construction. According to their estimates, the remedial measures will cost Rs. 35 million.

12.15. On an enquiry from the Committee the representative of the Works Division pointed out that the work was awarded in 1974 at such high rates that they were comparable with 1986 price level.

12.16. The Committee examined the situation at length and was not able to reconcile itself with the apathetic attitude in which this important national project was executed, the Committee recommends that the Bolan Medical College Project should be accorded highest priority and should be completed as early as possible so that the investment of Rs. 380 million so far made in the project could be rescued.

12.17. The Committee also decided to examine the disciplinary aspect of the case separately.

12.18. The minutes of the proceedings are placed at Annexure " B ".

13. MINISTRY OF INTERIOR

13.1. Appropriation Accounts of Ministry of Interior for 1981-82 were examined by the Public Accounts Committee on 10th January, 1985. The Committee was 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 thereon were examined by the Standing Committee on Public Accounts on 28th August, 1986 and 22nd July, 1987.

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

13.3. The minutes of the proceedings are placed at Annexure " C ".

14. MINISTRY OF FOOD AND AGRICULTURE

14.1. Appropriation Accounts of Ministry of Food and Agriculture for the years 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 July, 1987.

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

14.3. The actual expenditure under 'Grant No. 53—Plant Protection Measures' during the year 1983-84 exceeded the allocation by Rs. 27 million, while the 'Grant No. 55—Plant Protection Measures' closed with a saving of Rs. 41 million in 1984-85. The Committee was not satisfied with the explanation provided by the Department and decided to hold an enquiry in the matter.

14.4. While discussing the Grant pertaining to Livestock Division, the Committee felt that adequate attention had not been given to the development of livestock on a scientific basis, in the country in the past and recommended that a comprehensive study on Livestock production, in the country its growth and potential, should be carried out to determine guidelines for the future.

14.5. A question in regard to the functions of Livestock Division was also raised as to what extent the subjects which were exclusively allocated to provinces in the Constitution could be dealt with by the Federation and whether any demarcation has been made between the Federal and Provincial responsibilities. The representatives of the Ministry stated that the primary function of the Livestock Division was to keep a liaison between international agencies and the Provincial governments. The Committee decided to examine this question in depth later on.

14.6. The Japanese Government provided two grants for import of tractors, which were placed at the disposal of the Federal Directorate of Fertilizer Imports (FDFI). The implements imported against the above grants could not be disposed of and as a result a part of the grant remained blocked. The Committee directed the Ministry to conduct an enquiry into the matter.

14.7. There were a number of cases of shortlanding shortages and sweepings of fertilizer, reported by the Auditor-General. These cases have been commented in detail in the Report on the accounts of Ministry of Food and Agriculture for the years 1981-82 and 1982-83.

14.8. Minutes of the proceedings are placed at Annexure "D".

ANNEXURES A TO E

PROCEEDINGS

OF

PUBLIC ACCOUNTS COMMITTEE
(1981-82 TO 1984-85)

MINISTRY OF PRODUCTION

MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

MINISTRY OF INTERIOR

MINISTRY OF FOOD AND AGRICULTURE
(1983-84 AND 1984-85)

Annexure " A "

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 27th March, 1986

Fourth Sitting (PAC)

*3182. 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) Sardarzada Muhammad Ali Shah Member, National Assembly .. .. *Chairman.*

(2) Rai Arif Hussain, Member, National Assembly.. .. *Member.*

(3) Ch. Muhammad Sarwar Khan Member, National Assembly. *Member.*

(4) Mr. Shahabuddin Shah Hussainy, Member, National Assembly .. .. *Member.*

(5) Mr. Miangual Aurangzeb, Member, National Assembly.. *Member.*

(6) Shahzada Jam Muhammad Yusuf Member, National Assembly .. .. *Member.*

National Assembly Secretariat :

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

(2) Ch. Abdul Qadir, Joint Secretary.

(3) Mr. Muhammad Aslam, Deputy 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. A.A. Zaidi, Deputy Auditor-General (A&R).

(5) Mr. Muhammad Saleem Siddiqui, Accountant General Pakistan Revenues.

(6) Mr. Ahmed Nawab Qureshi, Director General Commercial Audit.

(7) Mr. M. S. Amjad, Director General (PEC).

Ministry of Finance :

(1) Mr. Tanwir Ali Agha, Deputy Secretary (Budget).

(2) Mr. S. Farogh Naweed, F.A. (Production).

3183. *Accounts examined.*—Accounts pertaining to the Ministry of Production were examined during the course of the day.

*Paragraphs upto 3181 pertain to other Ministries/Divisions.

3196. Audit, however pointed out that this wrong payment was made because it was not in the notice of the management that octroi charges were refundable. There appeared to be something wrong in the system and the working, which required to be looked into.

3197. The PAC issued the following directions :—

(i) The procedure with the KPT/KMC should be streamlined. The Committee took a serious view of this problem cropping up and desired that it should be sorted out at the earliest. If the Department pays any amount to clearing agent, the responsibility of taking refund from the KPT should be that of the department and not by the some clearing agent.

(ii) A copy of the report of the FIA may be obtained by Department and furnished to P.A.C.

3198. The paragraph was deferred.

Ittehad Pesticides Kala Shah Kaku

3199. *Shortage of raw material worth Rs.* 371,426 (*Para* 34, *page* 38-*ARCA*).—The paragraph was settled, subject to verification by Audit.

3200. *Non-recovery of advances Rs.* 77,750 (*Para* 35, *page* 39-*ARCA*).—The PAC dropped the paragraph subject to verification of recovery by Audit.

State Cement Corporation of Pakistan Ltd.

3201. (*Para* 563-564, *page* 215-*ARCA*).—Paragraphs were settled subject to verification by Audit.

Maple Leaf Cement Factory Ltd.

3202. (*Para* 595, *page* 226-*ARCA*).—Subject to verification of reply by Audit, the PAC dropped the paragraph.

Zeal Pak Cement Factory Ltd.

3203. (*Para* 630, *page* 235-*ARCA*).—The paragraphs were settled, subject to verification by Audit.

Pakistan Engineering Company Ltd.

3204. (*Para* 670, *page* 246-*ARCA*).—Subject to verification by Audit, the paragraphs were settled.

COMPLIANCE REPORT 1979-80

P.I.D.C.

3205. *Loss of Rs.* 60,569 *on Account of Non-recovery of Advances from a clearing agent* (*Para* 960, *page* 288-*PAC Report* 1979-80).—Loss of Rs. 60,569 was pointed out by Audit on account of non-recovery of Advances from clearing Agents.

3206. The department now stated that the matter had been referred to N.F.C. Audit pointed out that the matter had been delayed as it related to 1979 and the PAC was not concerned with the N.F.C. except that full facts relating to compliance should have been furnished to PAC. The department explained that the party involved had disappeared. The matter was taken to arbitration and was pending in the High Court.

3207. The Chairman remarked that when a directive was issued by the PAC it should be complied with and such delays would not be tolerated as it amounted to wastage of PAC's time.

3208. It was directed by the PAC that the Ministry should go into it and furnish a report. The Ministry must take note that P.A.C.'s directives have always to be complied with strictly and promptly. The paragraph was deferred.

Harnai Woollen Mills Ltd.

3209. *Working Results* (*Paras* 400—403, *pages* 154-155-*PAC Report* 1979-80).—The Committee had earlier directed that a straight case of subsidy in the shape of injection of equity might be made out to the government on the ground of poor location of the mills and its social cost. Audit pointed out that in fact the position was the same and no action on the PAC's directive had been taken. The Department explained that a number of reviews were taken. The number of workers had been reduced to 600 against 1000 workers the Mills had previously. Manufacturing of all other cloth had been stopped and only the blanket section was operating. This was the oldest unit and was being run as welfare unit and not on commercial consideration. No one was accepting M.D's post although it had been advertised many times.

3210. One of the members stated that financial restructural proposals should be invited. The matter had been referred to the Ministry of Finance which might consider either to subsidise this unit or close these Mills.

3211. Audit pointed out that the loss of Rs. 2.5 Crores per year was being sustained by the Mills and it had accumulated to Rs. 99.5 Million. It was explained by the departmental representative that there was no electricity available to the Mills besides the problem of labour in Baluchistan. The UNDP which was undertaking a study had made certain suitable suggestions which were being considered for implementation.

3212. The PAC finally commented that since the matter was with Ministry of Finance, all out efforts should be made to solve this problem.

3213. *Physical verification of stores and stock* (*Paras* 404-405 *page* 155-*PAC Report* 1979-80).—The paragraph was settled, subject to verification by Audit.

3214. *Audit Comments* (*Para* 957. *page* 287-*PAC Report* 1979-80).—It was explained by the Department that revised PC-I Scheme was under preparation and would be submitted in due course. The excess expenditure incurred on balancing and modernisation Scheme would be regularised.

3215. The P.A.C. directed that report should be submitted within one month.

Talpur Textile Mills Ltd.

3216. *Disposal of the Mills* (*Paras* 434—437, *pages* 161-162-*PAC Report* 1979-80).—The PAC had suggested earlier that the question of appointment of a liquidator for the mills through the court should be considered without any further loss of time as the court might take a very long time to decide the pending case. It was explained by the departmental representative that the liquidator could not be appointed in this case because it was not a company. Some efforts had been made to improve the situation and the position was better now.

3217. Audit pointed out that there was loss of Rs. 162 Million for which something must be done. The P.A.C. did not make any observation, since the things were improving.

Swat Ceramics

3218. *Quality Control* (*Para* 899, *pages* 274-275-*PAC Report* 1979-80).—It was decided by the PAC earlier that an inquiry should be held as to what went wrong with the original report of the consultants about the suitability of Swat Clay for the Ceramics Complex. Either the Japanese consultants were not fully qualified or the samples provided to them were not correct. A detailed report on this, stating, *inter-alia*, the action taken against those departmentally responsible, should be submitted to the Public Accounts Committee.

3219. After hearing the explanation of the department the PAC dropped the paragraph and is issued the following directives :—

(i) Due care should be taken in the selection of the consultants, initially.

(ii) Departments should, in view of the experience regarding, Swat Ceramics etc ; and BMR of Harnai Woollen Mills not tend to depend blindly on consultant report.

Nowshera DDT Factory

3220. *Profitability* (*Para* 912, *page* 279-*PAC Report* 1979-80).—The PAC had earlier remarked that now only Allum was being produced by this Factory. A paper should be submitted about what was being planned regarding this Factory now and about the proposed PVC project and Whether the stocks would be disposed of.

3221. The department explained that the Factory was running on profit now and the latest profit was Rs. 518.000. They had disposed of the old stocks and closed DDT manufacturing and shifted over to other products. The paragraph was settled by the P.A.C.

Javedan Cement Ltd. Karachi

3222. (*Para* 138, *page* 40-*PAC Report* 1979-80).—The PAC was of the view that the policy seemed to be discriminatory in the matter of compulsory with drawals, like price differential and development surcharge and export of Javedan's Cement by the SCCP. The company's financial position was weakened, without safeguarding the interest of the minority share holders. Rs. 66 Million were paid to the company at a later stage as subsidy, but it was not accepted as a counter balancing factor. The evaluation report pointed out that 11,840 tons of Clinker, valued at Rs. 2.50 Million, had been contaminated and lost. The PAC, had called for a report about the matter.

3223. The department explained that in this case uncontrolable situation arose which was perhaps due to non-taking of proper security measures. The report had already been submitted. Reasonable steps were being taken now.

3224. The PAC directed that management should be careful in future and dropped the paragraph.

Gharibwal Cement Ltd., Lahore

3225. (*Para* 140, *page* 41 *and para* 1019, *page* 301-*PAC Report* 1979-80).—It was held by the PAC earlier that Uniform policy for charging of depreciation should be adopted in all the cement units. The department explained that a Uniform policy was being adopted in the Cement Units.

3226. The PAC, dropped the paragraph subject to verification by Audit.

National Petro Carbon Ltd.

3227. (*Paras* 946 *and* 947, *page* 298 *PAC Report* 1979-80).—This was a case in which the P.A.C. had directed that a proper explanation as to how the figures of the revised estimate etc. were arrived at, should be submitted. The Audit now pointed out that actual expenditure was Rs. 170.367 Million against approved Cost of Rs. 154.270 Million as per revised PC-I. This required revised approval to the revised PC-I. The departmental representative explained that a case had already been submitted to the Planning Division and the report would be sent to the PAC when received. The paragraph was deferred.

3228. *Replies under verification.*—Replies to the following paras were under verification by Audit. These were settled subject to verification by Audit.

Para No. of PAC Report 1979-80	Page No. of PAC Report 1979-80
422	39
423	40

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES

Metropolitan Steel Corporation, Karachi (Pages 1—44/Perf. Eval. Report Vol-I)

3229. The Auditor General of Pakistan explaining the object of Performance Evaluation stated that these evaluations were stated to assist the management through indentification of any major weaknesses in the area of operation and recommending corrective measures to increase productivity. The Performance Evaluation Units did not in any way interfere with managements discretion in Conducting their affairs. This was a new experiment and had brought department and Audit closer to each other. It was a sort of collective wisdom pooled for efficiency and better results in the enterprises.

3230. *Introduction.*—Metropolitan Steel Corporation Ltd. was established as a Private Ltd. Company in 1959. The company was taken over by the Federal Government on January 2, 1972. It was currently functioning under the State Engineering Corporation Ltd. It had a total strength of 1330 employees including the head office employees.

3231. *Overall Assessment.*—Financial position of the company was satisfactory as a result of favourable operating result for five years ending June the 30th 1981. The profitability was highest in 1977-78 after that it was never as good due to the following reasons :—

(i) Reduction in sales of hot rerolled products.

(ii) Use of expensive imported billets.

(iii) Competition from Private Sector.

(iv) Changes in Custom duty rates.

3232. It was recommended that ship plate and scrap be explored for use of raw material and the government be approached to enable the company to avoid bulk import of billets through T.C.P. to save four percent service charges of T.C.P.

3233. (a) *Areas of agreement with the Conclusions and Recommendations of Audit* :

(i) The management has taken measures for improvement in reporting of stock transactions by the factory. The incidence of stocks items reflecting credit balances in stock books has been eliminated.

(ii) Arrangements have also been made to record cost in respect of various cost centres to ascertain costs of various products.

(iii) Constant review of the systems and procedures was being carried out to exercise better internal control for improving effieciency and to safeguard company's interest at every stage.

(iv) Internal Audit arrangement was being strengthened as suggested.

(v) Maximum and minimum inventroy levels were being established as recommended. Lists of slow moving items were being prepared and necessary action was being taken to minimise inventory level.

(b) *Areas of Disagreement with conclusion and recommendations of Audit.*

(i) *Receivable from Government Agencies.*—Management explained that from the recommendations it was implied that the company was not making efforts hard enough to realise its dues from Government Agencies. The fact of the matter was that the Compnay was making constant efforts for realisation of its dues from Government Agencies and Autonomous Bodies directly through Sector Corporation and through the Ministry of Production. The Audit, however, observed that the company had not identified the resultant improvement from efforts made in this regard. The study on againg of debts as on June, 30, 1985 carried out by the company showed a total outstanding of Rs. 562 Million of which an amount (*i.e.* 19.5%) of Rs. 10.95 Million had been outstanding more than 2-3 years. This figure included Rs. 7.74 Million outstanding against WAPDA.

(ii) *Use of cheap Raw Material.*—The Management further did not agree with the recommendation for use of cheap raw material in the form of locally available ship plates sold by the ship breakers. They as a Public Sector Enterprise must produce quality products to cater for the requirement of projects of national importance undertaken by the public sector as well as for the quality conscious public at large. Reinforcement bars produced from Ship Plates develop defects and were not safe to use in constructions of Buildings. There had been cases of collapsing of under-construction building structures resulting from the use of inferior quality construction material. As a public sector corporation it would not take chances with the lives and property of the people. It was felt that the Government should enact legislation compelling the Building Industry and private consumers to use only quality reinforcement bars which meet with the laid down standards. According to BSS 4461, the raw material of which metallurgical history was not known should not be used for reinforcement bars. It was therefore suggested that the Government should make a law that raw material of which the metallurgical history was not known, should not be used in production of Reinforcement Bars.

The Audit was of the view that there were only two options left with the company : either to completely withdraw from this market and to utilise the ge erated capacities elsewhere or to continue to incur losses. The latter option was in company's interest in the longer run and it was with this prospective that the management was asked to consider the desirability of using ship plates to produce alternative product to cater for entirely a different segment of consumers with low and medium size income for reinforcing construction of small houses. Unless the company could at least breakeven by reducing production costs and increasing sales through intensified marketing efforts, it should either withdraw from producing reinforcement bars or find alternative ways by modernising and balancing its production facilities to use cheap raw material for producing small size bars largely used in small constructions.

(iii) *Organisation & Personnel.*—The Management explained that the maximum personnel strength was fixed at 1382 an attempt was made, not to fill the vacancies immediately which might cause due to resignation, super-annuation or natural deaths as long as the affairs could be managed with temporary workers. Due to this there was fluctuation of strength in various years but in no case this fluctuation had exceeded the maximum strength of 1382. Overtime payment had been conrtolled and reduced considerably in subsequent period. The Audit held the view that the critaria for fixing the maximum personnel strength at 1382 with breakup for production and non-production workers in respect of each plant, were not available. Apparently the maximum strength obtaining at a particular time as taken as standard strength. The optimum level of strength needs to be determined keeping in view the attainable capacities. This strength might be got apporved by the Board of Directors.

(iv) *Book Debts.*—It was explained by the managements that concerted efforts were made by it directly and through Sector Corporation and at Ministry level for recovery of outstanding dues from Government Agencies and WAPDA which would impose penalties and recover liquidated damages at slightest infringement on the part of the management but take their own time in paying their bills. The situation was not the same in their dealings with suppliers from private sector. The Audit, however, further pointed out that Book Debts have been reduced from Rs. 76.19 Million as at June 30, 1984 to Rs. 56.21 Million at June 30, 1985. It was, however, not clear whether the reduction had occurred in current debts or the old outstanding debts had also been recovered. Out of total debts of Rs. 6.68 Million outstanding for more than three years, debts of Rs. 3.58 Million were outstanding against WAPDA. Rs. 1.16 Million against public sector enterprises and Rs. 1.77 Million against private parties. Efforts needed to be made for recovery of these debts.

(v) *Production capacity utilization.*—The department explained that the Tables of production figures of hot rolled products after netting off rolling of squares from total production give misleading impression of the efficiency of hot rolling mills. The Evaluation Cell staff of Audit have noted the explanations about mill capacities from published accounts as under :—

(a) Capacities are retained on historical basis and are not necessarily attainable.

(b) These are relative to product mix.

(c) Larger the size and quantity for continuous run, larger the production and *vice-versa*.

Inspite of the above, the concerned officers had applied their own yard stick for measuring efficiency and drawn a conclusion that the capacity over the four years 1978—81 continued to remain suppressed. When it was stated that the capacities were retained on historical basis it meant, that the mills were capable of achieving capacity production as indicated. It could not, however, be expected that 44 years old units would operate with the same efficiency as these units would have operated within 5/10 years of their installation. This vital factor had not been taken into consideration while forming the opinion about the capacity utilisation. The fact should be borne in mind that operating of such old plant as it was, in itself an achievement. The re-rolling mills efficiency more or less had remained constant and the fluctuation in total tonnage was purely on account of product mix.

The Audit held that the management's argument that the fluctuation in total tonnage was purely due to product mix carried some validity. The fact was that the operations of Bar Mill and 10" Bar Mill had been found un-economical by the management. The production on 10" Bar Mill has almost been discontinued, whereas the closure of the Bar Mill was under active consideration of the management. Since the historical capacity was not attainable, a realistic assessment of the same was recommended.

(vi) *Future Prospects*.—The department explained that Metropolitan Steel Corporation strived to play its role in serving the nation by producing quality goods for projects of national importance as well as for the common consumers in private sector. The company management was also aware that producing quality goods was costlier than producing sub-standard goods with cheaper raw materials and indulges in unethical and dubious methods. Government decisions however effect the company profitability to a great extent. In the national interest it was suggested as under :—

(1) It should be made obligatory for the users of reinforcement bars in Public Sector as well as Private Sector, by enforcing Section 9 of the Ordinance No. XVIII of 1961 (Ordinance to provide for standardisation and marketing of Goods) which provides. "The Central Government may prohibit the sale of any article which does not conform to the Pakistan Standard".

(2) It should be made compulsory for consumers of M.S. Bars and Rods in Government Agencies and Autonomous Bodies to use the goods products from Pakistan Steel Billets only. The Audit observed that Company on its own cannot guide the consumers to purchase products which are termed "quality products". Management has stated that use of ship plate has increased from 100,000 tons in 1979 to 800,000 tons in 1982-83. This is indicative of consumers preference over quality products of the company. The company is advised to apprise the Government through appropriate channels quoting full facts and figures, of its fears, that the investment by private sector in setting up wire rod mills is not in national interest.

3234. The committee had a detailed discussion on the replies of the management and Audit Comments thereon and observed that systems required a lot of improvement. As for problem of receivable, and WAPDA's shift over to private sector for their structural requirements etc. due to low price, the committee was of the view that WAPDA had its own problems and a high level get-together of both the organisation could produce better results. The fields of cooperation could be explored through these contacts. As for other problems,

3235. The Committee made the following observations :—

(i) PSI should take effective steps to enforce the Pakistan Standards particularly of steel. Standards may not be confined only for the high quality but various standards should be laid down for different uses.

(ii) A possible association of quality producers may be formed to undertake publicity of standardised products.

3236. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points/paragraphs of the Appropriation Accounts, Audit Reports 1981-82 and Compliance on the PAC Report for 1979-80. These, would be deemed to have been settled, subject to such regularisation action or recovery as may be necessary under the rules.

3237. The Committee then adjourned to meet at 09.00 a.m. on Sunday, the 30th March, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 8th September, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 30th March, 1986

Fifth Sitting (PAC)

3238. 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) Sardarzada Muhammad Ali Shah, Member, National Assembly .. .. *Chairman.*

(2) Rai Arif Hussain, Member, National Assembly .. *Member.*

(3) Ch. Muhammad Sarwar Khan, Member, National Assembly .. .. *Member.*

(4) Mr. Shahabuddin Shah Hussainy, Member, National Assembly .. .. *Member.*

(5) Mr. Miangul Aurangzeb, Member, National Assembly .. *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. 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) Mr. Muhammad Saleem Siddiqui, Accountant General, Pakistan Revenues.

(6) Mr. M. S. Amjad, Director General (PEC).

(7) Mr. Javed Akhtar Sheikh, Director (PEC).

Ministry of Finance :

(1) Mr. Tanwir Ali Agha, Deputy Secretary (Budget).

(2) Mr. S. Farogh Naweed, FA (Production).

3239. *Accounts examined.*—Accounts pertaining to the Ministry of Production were examined by the Committee during the course of the day. The following departmental representatives were present :—

(1) M . Hasan Zaheer, Secretary.

(2) Mr. Abdul Ghafoor Mirza, Joint Secretary.

(3) Mr. Masrur Hasan Khan, Chairman (PIDC).

(4) Maj. Gen. M. Saeed Khan, Chairman (SEC&PACO).

(5) Syed Birjees Asghar, EX-MD (PSL).

(6) Mr. Zaheer Ahmed Khan, Chairman (NFC).

(7) Mr. A. Qidwai, M.D. (NFML).

(8) Mr. M. Nasir Butt, M.D. (PFL).

(9) Mr. Sikandar M. Khan, M.D. (Millat Tractors Ltd.).

MINISTRY OF PRODUCTION

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES

Pakistan Switchgear Limited Lahore (Pages 49—92/Perf. Eval. Report—Volume-I)

3240. (a) *Objectives of Performance Evaluation.*—There was a general agreement on the objectives of performance evaluation between the Mangement and Audit. The management was of the view that the Audit wanted to *see* every thing in ideal condition, which did not exist in the Industry. The Audit, however, brought out that its recommendations were pragmatic, based on obejective assessment of constraints, weaknesses. After giving due consideration to the points of view of the management the recommendations for broadening the production spectrum of H.T. equipment and import of technology for H.T. equipment like SF-6 circuit breakers were pregmatic and have been agreed to by management.

(b) *Area of Agreement between Management and Audit.*—There was general agreement on following points raised in Performance Evaluation Report :—

(i) Production.

(ii) Purchasing Function.

(iii) Marketing

(iv) Personnel.

(v) Management System.

(vi) Future Prospects.

(c) *Areas of Disagreement—Financial data & analysis.*—The Audit observed that there was scope to increase sales and thus to utilize considerable idle capacity and also to decrease cost of sales, which was high. The Department, however, emphasized that all possible steps were taken to boost sales but use of capacity was dependent on demand. The goods, were produced according to customers orders. The Department, however, promised to do their best in this respect. Audit still was of the view that arrangements for monitoring the production loss were required to be made.

(d) *Stores & Stocks.*—The Audit submitted that inventory level had increased by 224.7% during 1979-80 and by 114.8% in 1980-81 due to higher purchases, as compared to consumption required, and as such control over store purchase was needed. The management held that stores were procured in bulk when orders were anticipated and came down to normal when orders were met. This had a decreasing trend quantitatively. The Audit, however, was of the view that management stand was not supported by facts as following was the ratio of consumption as compared to inventory held during the last 4 years :—

1981-82	1982-83	1983-84	1984-85
59.6%	60.1%	71.0%	62.0%

3241. *Marketing.*—The management did not agree with the suggestion that sales promotion activities need to be strengthened through setting up a marketing net work as under the existing turnover, setting up of new sales office was not economical.

3242. The PAC informed that this was old established Company known as "English Electric Company" and was purchased in 1973 as unit of PECO. It was manufacturing circuit breakers, insulators, switchgears etc. It was further stated by the Department that the company was negotiating manufacture of circuit breakers with Yugoslavia.

3243. In reply on a question the Ministry stated that Yugoslavian Technology was acceptable to WAPDA, although they preferred R.C.A. The Western prices were higher and they were not prepared to the transfer of Technology. The Yugoslavian were installing their machinery as equity and their circuit breakers (H.T) were also acceptable to WAPDA. The negotiations were in process, and in another few months the management shall be in a position to finalise and expected production by the end of this year.

3244. The P.A.C. after detailed discussion issued the following directions :—

(i) Due care should be exercised when the equity participation be in the form of machinery.

(ii) A strict inventory control may be initiated in the project.

(iii) Redundant staff may be done away with as far as possible.

(iv) Financial restructuring may also be considered, to improve the working of the project.

Millat Tractors Ltd., Lahore (Pages 93—137/Perf. Eval. Report—Volume-I).

3245. *Introduction.*—The Company was originally incorporated in 1964 under the name of 'Rana Tractors and Equipment Ltd'. It was nationalised in 1972 and renamed as Millat Tractors Limited (M.T.L.). Its paid up capital at the end of 1982 was Rs. 13.82 million. It had annual capacity of assembling 7,500 Tractors.

3246. *Overall Assessment.*—Millat Tractors Ltd., has been rated as one of the best units in Public Sector. It was quoted highest in Stock Exchange Market. It had a revenue reserve of Rs. 43 million and total assets valued over Rs. 405 million at the end of 1982. An important objective of import substitution of tractor components was achieved by encouraging private enterprises. The percentage of local production of tractor components which was 28% in 1980 will be 85% by 1987.

3247. The department explained that only Crank Shafts, Connecting Rods, Injunction System and some other small value Electric items were being imported, which were not considered practical to manufacture locally at low cost. There is no incentive in indignisation of these items and as such the company has no proposal to increase this percentage in the near future.

3248. *Refund of Custom Duty.*—Custom duty amounting to Rs. 36.1 crore paid to government as import duty was received from the customers as part of price package. It was waived by the Government and refund was obtained in 1980-81 & 1981-82. This refund was taken as income by the company.

3249. The Audit held the view that refund was due to the customers from whom the money was recovered. The department explained that the refund was not made to the customers who paid it as it was not possible to locate them. It was however passed on to future customers by charging them lower price as compared to actual escalation in purchase price of CKD Tractors.

3250. The Chairman observed that company also took credit of income tax, in addition to refund of import duty. There appeared to be some point in adopting the above course. It should be ensured that such thing did not happen again.

3251. Marketing and Sales Five Brands of Tractors *viz* MF, FIAT, IMT, Bulorus and Ford had been standardised by the government for progressive manufacture in the Public and private sector. In private sector, other Brands of tractors in completely build up or semi knocked down condition were being imported. This could lead to increase under utilisation of existing assembly capacities of the company.

3252. It was explained that Market Share of M.T.L. was 41% currently and balance of the market was in the hands of other parties.

3253. The PAC observed that Multiplicity in the Brand of tractors being imported needed to be limited. The Brand with a record of success in progressive manufacture of components locally needed to be encouraged. A policy decision by government was required.

3254. *Dealer Organisation.*—There had been very slow increase in number of dealers inspite of increase in sales. The Management explained that the number of Dealers had now been increased from 22 to 31 and main dealership has been established at each District Headquarter. Similarly Spare Parts Dealers had also been increased from 59 to 62.

3255. The PAC observed that there was need for suitable increase in the number of Dealers, and these should be net-work of Spare Part Dealers, Service and Repair facilities to enable the farmers to develop mechanised farming.

3256. *Delivery time of tractor to customers.*—The department explained that time of delivery was being reduced from 5-1/2 to 3-1/2 months. The interest was paid to the customers on the amount deposited in Advance, one month after the encashment of the Bank Draft. Thus the cost of utilizing of customers advance works out to 10% against 14% paid in borrowed funds.

3257. It was observed by the PAC that the period of delivery should be further decreased by increasing production and the A.D.B.P. might consider to enhance its allocation of loans for tractors, improve the off-take of locally produced tractors.

Pak-Amercian Fertilizers Limited, Iskanderabad (Pages 1—39/Perf. Eval. Report Volume-II).

3258. *Overall Assessment.*—The Company which is the oldest in the country started production in 1959. The management of project was transferrred to N.F.C. in August, 1973. Its paid up share capital was Rs. 90 Million. The company had monopoly in the local production of amonium sulphate. *Ex*-Factory price was fixed by the Government, allowing a return of 20% over the paid up capital. The factory had a designed capacity of 50,000 Tons which was increased to 100,000 Tons in 1977. The factory kept running at optimum capacity due to managerial dedication.

3259. The machinary, being very old, it had heavy maintenance costs. Experts from Romania, China and the World Bank were invited to suggest ways and means for prolonging the economic life of the plant. They recommended complete replacement. The World Bank, however, agreed to finance a programme for replacement or renovation of certain components involving a capital expenditure of Rs. 110 Million.

3260. It was explained by the management that due to heavy maintenance costs, its production cost per ton was very high. Although attempts were being made to run the factory at capacity, but factors like load shedding of gas for two to three months effect. The production very badly. To implement the recommendation of World Bank, PC-I has since been prepared. The factory will have to be modernised or closed down.

3261. After examining the performance Evaluation Report and explanation of the Department the PAC made the following recommendations :—

(i) The plant being very old, its maintenance consequently was very high. Management should expedite submission of study report to government in view of the importance of the problem.

(ii) The management must find some solution to the problem of gas load shedding, which adversely effected productivity of the Factory.

Pak-Arab Fertilizers Limited Multan (Pages 40—99/Perf. Eval. Report Volume-II)

3262. *Introduction.*—Natural Gas Fertilizer Factory, predecessor of Pak, Arab Fertilizer Ltd., was set up by WPIDC in 1962. The National Fertilizer Corporation took over control in May, 1974. In July, 1975 a new company "Pak-Arab Fertilizer Ltd." was formed with foreign participation. The existing facilities were contributed as part of N.F.C. equity. New machinery was installed by the company with a Financial outlay of over Rs. 2.511 Million. The annual capacities were as under :—

Calcium-Amonium Nitrate	450,000 Tons.
Nitro-Phosphate	304,500 Tons.
Urea	59,400 Tons.
Total ..	813,900 Tons.

3263. *Overall Assessment.*—The original PC-I prepared in June, 1972 estimated the project cost at Rs. 832.4 Million. Due to improper assessment of magnitude it has three successive revisions in 1975, 1976 and 1981. The delay in execution resulted in three times increase in cost, which was Rs. 2500 million up to 1982. The material consumption ratio was high and product quality failed to conform to required specification. Full capacity utilization of Plant could not be achieved. The prices of fertilizers were controlled and profitability of the company was established by payment of subsidy to provide a 15% return on equity. The rate of return as adjusted was payable to the company's foreign participants in foreign exchange. There was a proposal to increase capacity of its Urea Plant. The feasibility of expansion of Urea production needed to be re-assessed by including possibilities of export at international prices, in view of the fact that country was already surplus in Urea.

3264. It was observed by Audit that import project ratios were much lower than what these should be. Even designed ratios were not being attained. If the government undertook to stop subsidy over fertilizer, were there any plans with the management to face such a situation, and would it be possible to compete with imported fertilizer ?

3265. The management explained that such possibilities were under study and they were locking for such eventualities and the de-regulation would be faced.

3266. The Chairman remarked that due to low cost of gas, it would not be feasibille to compete with Middle East industries whereas in our country gas rates were increasing and something must be done in this respect. There were two approaches ; one was Industrial approach ; and the other Agricultural approach. If fertilizer production cost was more there would be less consumption, less crops, high prices of wheat etc. Something must be done to improve defects of planning.

3267. The Public Accounts Committee made the following recommendations :—

(i) A thorough study for better planning should be carried out both from the industrial and cultivators points of view.

(ii) The way of reducing cost of production of fertilizer must be found as it may not be possible to compete with imported fertilizers after the withdrawal of subsidy.

National Fertilizer Marketing Ltd. Lahore (Pages 100—152 Perf. Eval, Report Volume II)

3268. *Introduction.*—N.F.M.L. was established in June 1976 with a paid up capacity of Rs. 500,000 subscribed by N.F.C. and its manufacturing companies. The main objective was to manage nation wide sale of all fertilizers produced by N.F.C. manufacturing units. It sales represented 44% of total fertilizer sale in the country. It had a network of 1500 dealers and 58 rented storages all over the country.

3269. *Overall Assessment.*—N.F.M.L's rate intially was of a sales agent, appointing dealers, but was subsequently expanded to purchasing fertilizers from manufacturing units, storing it, and selling it to the appointed dealers. Under the purchase terms, the payment was required to be made, within 48 hours of receipt of Bill to the manufacture. Following which N.F.M.L. was liable to interest whereas sale to dealers was on credit.

3270. The Company drew up a programme to construct its own bulk storage godowns as against existing hiring of small stores. A loan of Rs. 35 million was sanctioned by ADBP. Three such bulk storage godowns were constructed at a cost of Rs. 66.5 million as Phase-I of the Scheme.

3271. The Audit pointed out that the bulk storage scheme needed re-appraisal due to following factors :—

(i) Bulk storage would cost Rs. 158 as annual expenses per ton of storage capacity against comparable cost of hired space of Rs. 44.93 only.

(ii) More manpower would be required to handle these bulk storage arrangements.

(iii) Additional transport cost would be involved for transportation of stores from factory to these godowns and again from these godowns to dealers.

3272. The Department, however, explained that bulk storage scheme had been conceived after taking into account the national constraints of transportation by Rail/Road and the need to move the locally produced fertilizers nearest to the consumption areas for seasonal consumption. Thus the consultants and Ministries concerned considered that the Fertilizer units could remain in production throughout the year, while the products could be moved out through optimum utilisation of Rail/Road system.

3273. Running of Block trains to fewer destinations was an important factor in the Scheme, as the Railway was unable to provide wagons for multiple number of stations. It was also pointed out that annual expenses for per ton storage capacity will not be more than Rs. 58 as against Rs. 158 worked out by Audit. It also not rational to compare cost of bulk storage with hired storage.

3274. The PAC after going through the Performance Evaluation Reports and reply of the department thereon made the following recommendations :—

(i) Audit should look into the working of rate of Rs. 57.47 per ton storage capacity as worked out by the management.

(ii) A study may be carried out to :—

(a) Assess requirements of reasonable number of storages.

(b) Reduce transportation charges and cost of sales to the minimum.

Tarbela Cotton spinning Mills Ltd; Haripur (Pages 1-02 Perf. Eval. Report Volume-III)

3275. *Overall Assessment.*—The mill was set up to provide employment opportunities to the persons displaced due to formation of Tarbela Dam Reservior. The capital cost of the project had been increased to Rs. 122 million against Rs. 63.65 million shown in the original P.C.I. Actual expenditure of Rs. 120 million had so far been incurred which includes Rs. 35 million as national cost of plant and machinery supplied by China.

3276. It was pointed out by Audit that the unit during the first year of its operations had incurred a loss of Rs. 10.28 million, against profit of Rs. 11.1 million mentioned in P.C.I. During 1983-84 there was a loss of Rs. 26.34 million and during 1984-85 (up to March, 1985) the loss was of Rs. 23.96 million. The provisional accounts showed a further loss of Rs. 24 million from April, 1985 to January, 1986. Thus a total loss of Rs. 112 million was incurred during the last 5 years. The project did not appear to become a financially viable unit even in distant future. The possibility of dis-investment was required to be considered.

3277. The Management explained that Mill was conceived to provide livelyhood to evictees of Tarbela Dam. Considering the Social Economics importance of project, proposal for financial restructuring had been sent to the government and was under consideration. Efforts for disinvestment were also made through public advertisement by inviting bids but no offer was received. The Committee appointed by Government was negotiating sale of the project against bids/offers through N.D.F.C.

3278. The PAC after hearing the department suggested as under :—

(i) The price of free gift should not be exhibited in the Balance-Sheet.

(ii) In absence of any other solution, the possibility of suitable disinvestment may be considered.

Harnai Woollen Mills Ltd., Harnai (Pages 43—99/Perf. Eval. Report Volume-III)

3279. *Introduction.*—The mill was set up by PIDC in 1953 at Harnai in Baluchistan with objectives of generating Socio-Economics benefits by providing work to local people, in addition to utilization of indeginous wool available in the area. It had 1094 employees on rule, which came down to 560 during 1984-85. The project was now a constantly losing concern.

3280. *Overall Assessment.*—The project had a paid up capital of Rs. 5 million upto 1980-81 against authorised capital of 15 million. Except during 1974, the Mills had been continuously declaring profit during 1961—77. Serious problems arose after a scheme for balancing, modernisation and expansion was carried out during 1975—78, at a capital cost of Rs. 19 million. The scheme was over ambitiously prepared.

3281. While explaining their difficulties the Management stated that the Baluchistan Government was not prepared to take over Harnai Wollen Ltd., nor it was possible to dis-invest the money. The labourers also showed their inability to manage its affairs. The Mills were located in far flung areas and thus it could not react to the market not it were possible to compete with private sector. The Communication/Road links were very poor and it took days to contact Karachi oven on telpephone Electricity had also not yet been provided by WAPDA. The Mills were sole suppliers of woollen cloth to Government but this concession had also been withdrawn which was the main factor of the failure of Harnai Woollen Mills. The Management, however, was of the view that the affairs could improve if Police Department and Army should place orders to meet their requirements on negotiated prices as the Mills were not in a position to compete with private sector.

3282. After discussions, the PAC recommended that a through study of problems should be carried out by the management which should some with some reasonally workable proposals. The PAC made the following recommendations :

(i) More political commitment at all enlisted for this Mills, Efforts should be made to secure policy decisions, so that orders for the Police and Army are as possible placed on this mills on negotiated terms.

(ii) Telephone and Electricity need to be provided for the Mills at the earliest possible, to make it more viable.

(iii) A Committee of experts should be appointed to make specific recommendations within two months about measures to be taken for making the Mills more viable.

(iv) Old stocks lying in the Mills should be disposed of as early as possible, to obviate further deterioration.

3283. The Committee then adjourned *Sine-di*.

M. A. HAQ,
Secretary.

Islamabad, the 8th September, 1986.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 27th August, 1986

Eleventh Sitting (PAC)

*690. 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. .. .. *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) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*

(6) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(7) 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) Mrs. Suraiya Hafeez, Deputy-Auditor General (CA).

(3) Syed Aftikhar 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. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

Mr. S. Farogh Naveed, FA (Production).

691. *Accounts examined.*—Accounts pertaining to Ministry of Production were examined by the Committee during the course of the day.

*Paragraphs upto 689 pertain to other Ministries/Divisions.

MINISTRY OF PRODUCTION

692. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the above Ministry. The following departmental representatives were present :—

(1) Mr. Zafar Iqbal, Secretary.

(2) Mr. Abdul Ghafoor Mirza, Joint Secretary.

(3) Mr. Zaheer Ahmed Khan, Chairman (NFC).

(4) Mr. Saadat Khan, Chairman (FCCCL).

(5) Mr. S. Saleem Abbas Jeelani, Chairman (Pak Steel).

(6) Mr. Kanwar Idris, Chairman (PACO).

(7) Mr. Javed A. Farooqi, M.D. (ALL & SEL).

(8) Dr. M. Usman Faruqui, M.D. (BELA).

(9) Dr. Sharafat Ali Chaudhry, M.D. (Quaidabad Woollen Mills).

(10) Ch. M. Ashraf Waraich, M.D. (Harnai Woollen Mills).

(11) Mr. Rashed H. Lodi, M.D. (Pak. Iran Textiles).

(12) Ch. G.S. Mustaq, M.D. (IC/IP).

(13) Mirza Naeem Ahmed, G.M. (F&A) P.I.D.C.

(14) Dr. Imtiaz A. Khan, Chairman (SCCP).

963. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Production	107
2.	Capital Outlay on Industrial Development	186

APPROPRIATION ACCOUNTS

694. *Grant No.* 107—*Ministry of Production* (*Page* 718-*AA*).—According to the Appropriation Accounts the grant closed with a net saving of Rs. 66,487. While commenting on excess/saving under different Objects of this grant, the Audit observed that all such excesses and savings should have been covered by the Department through Reappropriation. The Committee did not make any observation on this grant.

695. *Grant No.* 186—*Capital Outlay on Industrial Development* (*Page* 722-*AA*).—Audit pointed out that there was an excess of Rs. 149,588,114. This excess included an amount of Rs. 90,775,114 which pertained to the year 1980-81. Similarly an amount of Rs. 58,813,000 was also shown in the Appropriation Accounts, due to adjustment carried out by Audit against short booking during 1980-81.

696. After listening to explanation of the Department, the Committee recommended the regularisation of excess.

COMMERCIAL ACCOUNTS

697. *Pakistan Industrial Development Corporation* (*Para* 3, *page* 12-*ARCA*).—The accounts of five units of PIDC for the year 1984-85 were not furnished to Audit. The accounts were required to be got Audited and approved by the General Body within six months of close of the financial year. The Department explained that the accounts for 1982-83 had since been furnished to the Audit on 14-3-1984. Audit, however, held that the accounts had not been furnished so far. The departmental representative explained that one of those units was Larkana Sugar Mills which had certain local problems. Strict instructions had been issued to the units to complete the accounts and furnish these to the Commercial Audit.

698. The Committee directed that the accounts for 1984-85 of five units of PIDC should be furnished to the Commercial Audit without any further delay and Department should ensure that these are not delayed in future.

Tarbela Cotton and Spinning Mills

699. *Operational Working Results* (*Para* 497, *page* 227-*ARCA*).—Audit pointed out that operational working results of completed projects disclosed net

profit of Rs. 3.206 million after adjustment of abnormal losses on two projects as detailed below :—

(*Rs. in million*)

Completed Project	Profit/Loss
Bannu Sugar Mills	17.658
Larkana Sugar Mills	5.413
Cotton Ginning Factory, Piranwala	1.347
	24.418
Less : Losses On :	
Tarbela Cotton Spinning Mills	(19.747)
Talpur Textile Mills	(1.465)
	(21.212)
	3.206

700. The heavy losses in respect of the Tarbela Mills warranted review of the working of the project by experts for adoption of remedial measures, while the liquidation process of Talpur Textile Mills need to be expedited to avoid heavy losses. The Department explained that the consultants were preparing a report for carrying out the modification to improve quality of yarn. The Talpur Textile Mills was joint venture of PIDC and Fateh Textile Mills. Suits/filed by PIDC & M/s. Fateh Ltd., the Partner's against each another were pending. The Mills also stood attached by the Income Tax Department. The possibility of arriving at settlement between the partners was being explored.

701. Audit at this point reported that Tarbela Cotton Mills were being dis-invested by PIDC. The Chairman thereupon wanted to know the terms of dis-investment. The Department explained that negotiations were being carried out on fixed assets basis and 25% advance payment. The capital loss was estimated at about 88 million, and the loss as on 30-6-1986 was Rs. 13 crores. Audit, however, observed that this was a subject for special Audit. The Committee observed that a Special Audit of the sale terms of Tarbela Cotton and Spinning Mills may be carried out and a report furnished to the PAC during its next meeting.

702. *Advances Deposits and Pre-payments of Rs.* 10 *Million* (*Para* 498, *page* 227-*ARCA*).—According to Audit against a total amount of Rs. 10 Million outstanding on this account as on 30th June, 1982 there were doubtful advances of Rs. 0.727 million in the accounts. The Department explained that the amount of these advances, deposits and pre-payment had been considerably reduced and the present position was, that the amount of such outstanding was only Rs. 2.24

million and was further being reduced. An amount of Rs. 6.36 lac was outstanding on account of House Building Advances and another major amount of Rs. 5.88 lac represented Sundry creditors. Audit observed that there appeared to be something defective in the system. Overall control was required to be reviewed and the Department should come up with full details when the accounts for 1983-84 are presented.

703. The Committee directed that the procedure should be tightened up and overall control of Finance may be reviewed. A detailed report of Advances exceeding Rs. one lac may be furnished to the PAC.

704. *Sundry Debtors of Rs.* 3.907 *Million* (*Para* 499, *page* 228-*ARCA*).—According to the Audit Report an amount of Rs. 3.907 million on account of Sundry debtors was outstanding as on 30-6-1982. This included unpaid rent of Rs. 2.30 million, out of which a substantial amount was disputed and was outstanding for several years. A sum of Rs. 1.579 million was outstanding for a period of 2 to 18 months and no provision for doubtful debtors was made. Such things affect the profit and loss position of the PIDC which should be taken serious notice of. The Department explained that an amount of Rs. 16 lac was ouststanding on account of rent increases, to which the tenants did not agree. An amount of Rs. 1.37 lac was under litigation and negotiations were being carried out with the tenants in respect of disputed claims. These were very old cases and some of them pertained to the year 1960. The Chairman observed that the Department should have come with full details. The Department should take it seriously and provide a complete list of outstandings of Rs. 2.3 million.

705. The Committee directed that report on the subject with full details of outstandings in this case may be provided to the PAC.

706. *Physical Verification of Assets* (*Para* 500, *page* 228-*ARCA*).—Audit in their report observed that physical verification of assets was not being carried out in order to ascertain physical existence of assets. The Department explained that there was a delay in carrying out physical verification due to reorganisational process. The instructions had been issued and physical verification was being carried out.

707. The Committee observed that this was a serious omission and the Department should ensure that such things should not happen again.

708. *Pak-Iran Textile Mills Ltd.* (*Para* 507, *page* 231-*ARCA*).—According to Audit, the above Mills incorporated as a Public Limited Company, with an authorised capital of Rs. 600 Million, started as a joint venture with Iran for the social uplift of the backward region of Baluchistan. The paid up capital was Rs. 268.30 million of which 51% was contributed by Pakistan through PIDC and the remaining 49% by Iran. The Company set up two Textile Mills, Lasbella

Textile Mills Ltd., Uthal and Bolan Textile Mills Baleli (Quetta). The two mills were to be completed in May, 1978 and June, 1979 respectively but were completed late with a total cost of Rs. 670.76 million which was 52% higher than that envisaged in the original plan. The commercial production in both the Mills started in 1979-80. The working results of the 2 mills were given below :—

(*Rupees in million*)

	1983-84	1982-83	1981-82	1980-81
Sales	62.490	107.106	155.216	116.720
Cost of Sales	188.964	215.314	275.288	215.723
Gross Loss	126.474	108.208	120.072	99.003
Operating Expenses ..	131.748	129.646	85.795	61.046
Operating Loss	258.222	237.854	205.867	160.049

Both the Mills were going into losses. Net equity as on 30th June, 1985 worked out to negative value of Rs. 1001.42 million as reported by the Experts Advisory Cell of the Ministry of Production in its Annual Report 1984-85. Audit while identifying the reasons for failure of the mills reported that high cost of sales did not compare with the prevailing market prices. Financial expenses increased from 53.709 million in 1980-81 to 71.824 million in 1981-82. The production was not planned according to market demand. The accumulated losses were to the tune of Rs. one billion. The Department explaining the reasons for losses, stated that the location of the mills was in the areas without basic infrastructure and there was a continuous shortage of capital. This was due to bad management and ill planning. The decision was originally taken on social and political grounds. A proposal of restructuring was under consideration of the Government.

709. The PAC directed that the persons involved in advising the setting up of these mills may be identified and reported to the PAC. The Committee comprising a member of the PAC and a representative each of Audit, the Finance, and the Ministry of Production will look into the case in order to fix the responsibility on persons who sanctioned this project and also to suggest ways and means to overcome the causes of continuous losses. The Committee would also look into the fact that why dis-investment was not made after 1983.

710. *Cotton Ginning and Pressing Factory* (*Para* 514, *page* 234-*ARCA*).— According to Audit, the PIDC Cotton Ginning and Pressing Factory, Piranwala was established in May, 1980 by taking over assets of the defunct PIDC Timber

Seasoning Plant. It was audited for the first time in 1982-83 when the Audit made the following observations :—

(a) Under estimation of the cost of machinery and equipment in the PC-I had led to an increase in the capital cost of the factory from Rs. 2.624 million to Rs. 3.686 million. While admitting the underestimation, Management stated that the addition of Saw-Gins in 1982-83 with a view to increase the production capacity also led to a rise in cost. This reflect poor planning. Against the production capacity of 20,000 bales a nominal production of 2,619 bales had been admitted by Management in its reply.

(b) As per feasibility report the wastage should not have exceeded 2%. However, the waste percentage was as high as 5.51 % which the Management attributed to the quality of cotton used. This again appear to be a case of incorrect estimation at the feasibility stage.

(c) Payment of Rs. 76,279 to PIDC Head Office, and Rs. 77,384 as contribution to Expert Advisory Cell, Ministry of Production stated to have been made during the year also added to the financial burden of the factory.

711. The financial results showed a downward trend, till arrested in 1984-85 :

(*Rs. in million*)

	Operating Profit/ (Loss)	Net Profit/ (Loss)
1981-82	1.697	0.881
1982-83	1.187	0.374
1983-84	3.663	3.650
1984-85	0.15	0.163

712. The present trend needs to be maintained. The Department in their reply reported that 1980-81 was the first year of operation of the factory and it could not work at capacity. The production was low. The factory was leased out to Punjab Seed Corporation which stored only 2nd pick cotton for ginning in the factory and this was another reason for drop in production.

713. The Chairman PAC remarked that this was a big joke as it was told that total cost of this small project was Rs. 35 lacs and losses were Rs. 36.5 lacs. Against the capital cost of Rs. 43 lacs there was only a profit of Rs. 113 million

during one year. Audit thereupon informed that the factory was working at 13% of its capacity and as such its accumulated losses were Rs. 2.23 million during 1981-82 to 1984-85.

714. The Committee directed that an enquiry may be held by the Department and responsibility fixed on persons who decided to set up this factory and report furnished to the Committee within one month.

715. *Al-Libas International Ltd.* (*Para* 521, *page* 237-*ARCA*).—As per Audit, PIDC Garment Factory, Karachi was established in 1981 with a loan of Rs. 5.825 million. Machinery was procured from defunct Garment Corporation Ltd. The Factory was converted into Private Ltd. Company from 1st July, 1983. The Management did not produce before Audit the feasibility report/PC-I. The approved budget for 1982-83 was also not supplied for examination. Operating loss during 1982-83 amounted to Rs. 2.505 million, which increased in 1983-84 to Rs. 4.203 million and then in 1984-85 it was Rs. 5.018 million. The main reason for losses was a wide gap between manufacturing cost and selling price and also due to increase in financial charges. The machinery worth Rs. 92.116 million imported against foreign loans was lying idle due to closure of weaving and finishing department, when interest charges on capital loans were being paid. The accumulate losses from 1982-83 to 1983-84 were Rs. 11.726 million.

716. The Department accepted the Audit findings and explained that the working capital shortage was provided by the Government through subsidy of Rs. 18.86 million. The Expert Advisory Cell had reported marginal improvement. A member at this point observed that factories in private sector were earning millions, how it was that this factory was running in loss. Another member also observed that Public Sector Factories were installed where private sector was shy, but in this case it was otherwise.

717. The PAC directed that the Department should hold an inquiry for the loss and a report about the persons who decided to set up this project may be furnished to the PAC.

718. *Mehran Flocking Industries Limited* (*Para* 526, *page* 238-*ARCA*).—According to Audit, in September, 1980 M/s. Islmail Flocking Industries Limited offered to Sell to PIDC their flocaking plant situated at Industrial Area, Kotri. The fully automatic plant of Italian Origin, imported in 1973-74, had been erected in 1974-75 under supervision of Italian Engineers, but it remained unoperative. A Committee of four officers of PIDC examined, discussed the case with the owner in September, 1980 and the deal was finalised at Rs. 4.27 million which was the market value of the assets and not the book value. An agreement for sale was executed and Rs. 190,000 was paid by way of advance. The Agreement, however, stipulated that if the purchaser *i.e.* PIDC was not satisfied with the Performance of the Plant and Machinery, the agreement shall stand terminated

and the seller shall be liable to refund the advance received less the cost incurred on trial run of the Plant and Machinery. The possession of the Plant and Machinery and other assets was taken over on 10th February, 1981 and production started.

The working results were as below :—

(*Rs. in million*)

	1983-84	1982-83	1981-82
Sales	0.263	0.235	0.005
Cost of Sales	0.803	0.678	0.362
Gross Loss	0.540	0.443	0.357
Operating Expenditure	0.819	0.771	0.487
Net Loss	1.358	1.212	0.844

The continued loss had been attributed by Management to great financial and technical difficulties experienced in the beginning. In reply to Audit's Objection as to why clause 11 was not invoked to terminate the agreement, it was stated that the "Performance of plant and Machinery was satisfactory during trial". The production was, however, suspended from March, 1983. Audit suggested that an inquiry may be held to look into the purchase of the assets at market rate instead of book value and to look into the reasons for not invoking clause 11 of the agreement and terminating the contract, when technical difficulties were experienced in the trial run. The Department, however, explained that the failure was due to the marketing problem which could not be managed by them. They admitted that it was a bad decision.

719. The PAC after going through the explanation of the Department directed that an inquiry may be held by the Department regarding the ill-conceived purchase of this industry from private party and a report submitted to the PAC, within one month indicating the names of the original owners of this industry.

720. *Shahdadkot Textile Mills Ltd., Larkana* (*Para* 534, *page* 242-*ARCA*).—According to Audit the Mills were completed in 1980 with 25056 spindles and 550 weaving looms. The unit started production in the spinning Department in February, 1980 and in the weaving Department in October, 1980. The factory worked much below rated capacity during 1981-82 and 1982-83. In its annual report for 1984-85 Expert Advisory Cell admitted that during 1983-84 and 1984-85, the unit virtually remained closed and had operated on 50% of rated capacity in the case of Cotton Yarn and Nil capacity in the case of Cotton Cloth. The reasons for low productivity were non-availability of skill, high rate of labour absenteeism, defective airconditioning system and interrupted supply of Cotton. The

accumulated loss was stated to be 39.9 crores. The Department agreed with the reasons of non-utilisation of capacity and in addition reported that labour force was resistant to 7 days working programme and one of the reasons was excessive sense of security and protection to workers. A case of restructuring was referred to the Ministry and a case of subsidy was also lying in the Finance. Proposal for its dis-investment was disallowed.. The Chairman questioned if the construction was defective. The Department admitted that cooling system of the building and airconditioning was defective. The Committee thereupon directed that an inquiry may be held and report should be furnished to the PAC. The ways and means to improve the working may also be suggested in the report which should be submitted in the next meeting.

72 *Specialised Refractory project (Para* 544, *page* 245-*ARCA*).—As per Audit Report, deposits of 1.48 million tons of magnesite of refractory grade were discovered by PIDC in the Kumhar area near Abbottabad. Agreements to set up a plant were executed with the Government of the Peoples Republic of China in April, 1970 and December, 1971. The Capacity of the plant was estimated to be 15,000 tons of magnesite/magnesite chrome bricks and 20,000 tons of dead burnt magnesite. A PC-II scheme was submitted on 6th May. 1977 which was approved on 8th June, 1978. The capital cost of the scheme was estimated to be Rs. 3.36 million and the entire work was to be completed during the year 1977-78. The work was, however, not completed as scheduled and due to rise in prices, the scheme was revised in March, 1980 raising the capital cost to Rs. 7.297 million, with completion period 1981-82.

722. The Management in its reply admitted the submission of PC-I scheme to the Government in May, 1982 stating that the decision for setting up Refractory Plant was still pending while the Project was technically and economically viable. The Development expedinture so far, incurred on the Project amounted to Rs. 8.762 million. No profit and loss account of the project had so far been prepared. The Chartered Accountants in their report for the year ending 1984-85 recommended that the same be prepared so that a true and fair view of performance of the project was determined. The Department informed that an agreement had been signed for joint venture. The project was to cost Rs. 13 crores. This had been approved by the Government of Pakistan and the project had passed through various stages. The company had been registered, 51% of the shares were going to Chines and 49% to Pakistanis. PIDC's participation was only to the extent of Rs. 12,000,000. The consultants had been engaged. The Managing Director had been appointed. The office had also been set up at Karachi. The lease had also been obtained and every thing for take off had been set. The Committee did not make any other observations except that the Ministry should give a report of working with foreign collaboration.

723. *Talpur Textile Mills Limited* (*Para* 548, *page* 246-*ARCA*).—According to Audit, the Mills were a joint venture of PIDC and M/s. Fateh Textile Ltd. The Mills had consistently been running into losses. The net losses for the last six years were as below :—

30th June, 1978	Rs. 3.032 million.
30th June, 1979	Rs. 3.708 million.
30th June, 1982	Rs. 3.113 million.
30th June, 1983	Rs. 3.351 million.
30th June, 1984	Rs. 3.638 million.
30th June, 1985	Rs. 1.744 million.

The Mills finally closed down in 1977. The accumulated losses on 30-6-1985 stood at Rs. 38,817,187 million and expenditure continued to be incurred on Salary, Wages and Staff benefits, TA and entertainment. In addition expenditure was incurred on stationery, audit, tax, consultant's fee and legal expenses. The heaviest item continued to be interest on bank overdrafts which amounted to Rs. 412.714 million on 30-6-1985. As stated by Management the PIDC and Fateh Textile Mills have gone into litigation against each other. The Income Tax Department had also got the mills attached for non-payment of arrears of Income Tax. The Department explained that the case was pending in the court of law. The partnership deed with M/s. Fateh Textile Mills was not registered and the Department wanted to correct the position. While reporting the present position the Management stated that it was a junk now and losses had accumulated to 3.8 crore. An amount of Rs. 412 million was on account of interest charges.

724. The Committee observed that progress of the settlement of the case may be furnished to the PAC in its next meeting.

725. *Textile Machinery Corporation of Pakistan* (*Para* 671, *page* 293-*ARCA*).—According to Audit, the Corporation own the Spinning Machinery Company, and Textile Winding Machinery Company, the Corporation sold goods valuing Rs. 4.270 million during 1982-83 as against Rs. 5.472 million in the previous year. It earned gross profit of Rs. 0.118 million as compared to Rs. 1.016 million of the previous year. Net loss for the year was Rs. 0.865 million as against net profit of Rs. 0.002 million in the previous year. The accumulated loss on 30th June, 1983 amounted to Rs. 1.452 million. The decrease in gross profit during the year was due to disproporitionate increase in cost of sales. It increased to 97% of sales, as against 81% in the previous year. Cost of sales was required to be controlled.

726. The Department explained that the Corporation was not an operating unit. It main functions were to monitor and control operations of its companies and to plan new projects. The supply and erection of high drafting conversion

equipment was undertaken during the year 1981-82 and 1982-83 as a special project, to gain experience and technical expertise both at the Corporation and Units levels. This also helped in exploring avenues for business in the field of textile machinery other than for what its units were specifically set up. Now high drafting conversion components and parts were one of the regular features of production at Spinning Machinery Company of Pakistan Ltd. Lahore. Such an activity was neither within the normal fnctions of the Corporation nor it was equipped to handle this on a regular basis. The decrease in the gross profit was mainly due to higher cost of purchase, decrease in sales, and also sale of part of inventories to TWMC at cost *plus* nominal profit. Due to some profits earned in previous years, on supplies and erection of machinery at various textile mills, it had been possible to avoid debiting any expenses to the Companies. Normally, a Corporation such as this, should not be incurring any profits or losses. Whatever profits accrue as a result of dividends on Government investments in the units through TMC, would be paid back to the Government, while the actual expenditure on maintenance and running of TMC Head Office should be debited to the Units. The figure of loss of Rs. 0.865 million for the year 1982-83 was due to the fact that the Corporation had decided not to charge service charges from its units. The Committee did not make any observation except that the points raised by Audit should be considered for both the units.

727. *Sind Engineering Limited* (*Para* 488, *page* 223-*ARCA*).—According to Audit, the working results of the Company for the year 1982-83, as compared to previous year 1981-82, were as under :—

(*Rs. in million*)

	1982-83	1981-82
(a) Sales (Net)	805.832	663.357
(b) Cost of sales	749.591	606.550
(c) Gross profit	56.241	56.807
(d) Percentage of gross profit to sales	6.97	8.56

During the year 1982-83, the percentage of gross profit to sales worked out to 6.97% as against 8.56% during the previous year. This decrease in percentage of gross profit by 1.59% were due to higher cost of sale caused by increase of 20% in salaries, wages, benefits to production employees and due to assembly of additional products *viz*. Suzuki Cars and Vans as compared to previous year. Necessity of curtailing the cost of sales and increasing the sales volume was stressed upon the Management.

728. The Department explained that the necessity of curtailing the cost of sales and increasing sales volume had been noted. Due to diversification of products which range from vehicle to elevator, etc. and present accounting system did not provide for product-wise cost centre. However, in view of Audit observations the actual product-wise cost for Motorcycles, Mazda & Toyota vehicles was being calculated from June, 1985.

729. The Committee observed that affairs of the Company should be improved through better administrative and financial control.

Federal Chemical and Ceramics Corporation Limited

730. *Infructuous expenditure of Rs.* 154,460 (*Para* 31, *page* 36-*ARCA*).—According to Audit Report, an officer of the Corporation remained on the strength of the Corporation without any assignment, between the period 5.79 to 4.80 and during 5/81 and 6/81. He was paid Rs. 144,000 on account of pay and allowances and other prequities @ Rs. 12000 p.m. A further amount of Rs. 10,400 was spent on his training which was of no use to the Corporation. The balance amount was also related to his assignment. Thus the expenditure proved to be infructuous.

731. The Management explained that his appointment and training was made under orders of Ministry of Production. The circumstances which led to delays in his posting etc. were explained. These were stated to be peculiar in nature. The Board of Directors was empowered to sanction such expenditure. The Committee was not satisfied with the explanation, and directed the Ministry to furnish a full report during next meeting.

732. *Irregular payment of Conveyance Allowance* (*Rs.* 68,476) (*Para* 34, *page* 37-*ARCA*).—Audit pointed out that certain senior officers of Swat Ceramics Company, Nowshera were provided cars from 1st February, 1981 and also allowed reimbursement of the cost of the 96 Litres petrol p.m. for local travelling between residence and place of duty and all extra local travelling for official business to which TA/DA was not admissible. These officers were only responsible for routine servicing and lubrication of the cars, whereas the cost of major repairs was borne by the Company. In addition to free transport facility of motor car, they were also paid 50% conveyance allowance. Dual facility of free transport and the payment of 50% conveyance allowance of Rs. 68,476 during 1st February, 1981 to 30th April, 1982 simultaneously was not justified. The facility was, however, converted into loan scheme with effect from 1st May, 1982.

733. The Management stated that the Company was experiencing difficulties in satisfying the basic requirements of its executives with regards to housing and transportations and they might lose the experienced officers in case the above facility was not provided to them. The Management further intimated that 50% conveyance allowance was allowed with the prior approval of the Board of

Directors. They reply was not convincing as the Board of Directors was not competent to allow 50% conveyance allowance, in violation of the standing orders of Finance Division, which prohibited such payment, when official car was provided to officers for travelling between their residence and place of duty.

734. The Department explained that the matter was referred to the Competent Authority, in view of ambiguity and confusion created in the implementation of car scheme.

735. Final decision in the matter, had since been taken by the Competent Authority and the car accounts of the individual concerned were being finalised according to decision and amount recoverable would be recovered.

736. The PAC directed that the recoveries should be made, irregularity regularised where necessary. Subject to verification of recovery/regularisation action by Audit, the paragraph was dropped.

737. *Doubtful recovery of Rs.* 188,619 (*Para* 35, *page* 38-*ARCA*).—As per Audit Report, an amount of Rs. 188,619—Rs. 96,504 were recoverable from a concern for the supply of China Clay in August, 1979, by Swat Elutriation Plant, Mingora. The concern declined to pay for the reasons that there was excessive moisture against the permissible limit of 10% in the China Clay supplied to them and also there was shortage in some of the consignments. Therefore, the above amount had been adjusted on this account. In the same project, Rs. 92,115 were deducted by another buyer from their bills for short supplies of China Clay due to excessive moisture. This was neither investigated, nor responsibility fixed therefor.

738. The Management stated that efforts were being made to recover Rs. 96,504. The Management neither intimated the progress of recovery, nor the break-up of the amount adjusted by the buyer. As regards the claim of Rs. 92,115 the Management contended that the claim of shortage pertained to the excessive moisture, which was due to various unavoidable factors, like rainy season etc. and as such they intended to write it off. Audit suggested the Department to justify the loss with reference to the terms of the contract with the buyers and to seggregate the loss as a result of shortage and excessive moisture and recover/regularise the loss after proper enquiry, and adopt remedial measures to avoid such losses in future.

739. The Department explained that their China Clay being a new product M/s. Paper Corporation were convinced upon purchasing about that quality to be used as a filler for paper manufacturing. After getting supply of 1000 Tons of over 2nd Grade Clay they found a cheaper substitute to the product and thus raised complaints of moisture etc. Any way the claim is under settlement. Similarly an excessive moisture contents claims of M/s. EMCO was pending who were their reliable customers and a case for writing off the debit was being prepared.

They had to deal with the customers, keeping in view the market competition conditions and all steps for sale promotion had to be adopted keeping in view open market practices of business. The Committee settle the para, subject to verification by Audit.

740. *National Fibres Limited (Para 400, page 191-ARCA)*.—Audit pointed out that PC-I prepared in March, 1978 had set the date of completion of project as April, 1978, and cost of completion was Rs. 337 million, with a foreign exchange component of Rs. 225 million. The actual cost, however, worked out to Rs. 650 million. The plant could only commence production after trial runs in 1982. Excess, of trial period sales over the related cost, was also adjusted against expenditure during development stage.

741. The Department explained to the Committee that reasons of delay in completion of the project, were shortage of cement, steel etc. and due to other unavoidable hindrances *viz* delayed release of Government equity, and foreign exchange etc. Similarly cost under estimation was due to change in technology during construction and installation period. The revised PC-I had already approved by the Government covering additional costs.

742. Audit then pointed out that Auditor General's Special Enquiry Report on National Fibre was discussed in the ECNEC in its meeting on 21-8-1986. It was decided that Ministry of Production should take administrative action against the person(s) responsible for the time and cost over runs and mis-management in the project implementation. A high powered Committee was also constituted under the Chairmanship of Deputy Chairman, Planning Commission (with Secretaries Finance, Industries, Production, Planning and Commerce as members) to go into the viability of the project.

743. The Committee observed that further progress may be reported to the Committee in due course.

744. *Ittehad Chemicals (Para 388, page 186-ARCA)*.—While offering their comments on the Accounts for 1982-83, Audit pointed out that heavy expenditure was being incurred by the project on sales promotion, yet it would not achieve the desired results and stock continued to pile up. The sales promotion expenditure of the company on account of "rebates & commissions" and "advertisement" had increased manifold, while the sales volume had increased only by 6%, which indicated ineffective marking policy and call for specialized efforts.

745. The Department explained that in view of the liberalized import policy adopted by the Government during 1982-83, about 100,000 tons of Caustic Soda Liquid (on 50% concentration basis) was imported by the private sector and dumped in the local market at ridiculously low prices. Consequently, to compete with this imported stuff they were left with no choice but to increase their sale

efforts in the shape of allowing increased commission and rebates to our agents and customers alongwith other incentives. During 1981-82, no such competition with imported stuff existed, hence our selling expenses remained lower.

746. The Committee after considering the explanation of the Department, dropped the paragraph.

Javedan Cement Limited

747. *Non-clearance of stores in transit* (*Rs.* 695.558) (*Para* 41. *page* 42-*ARCA*).—Audit pointed out that the records of stores-in-transit of Javedan Cement Limited revealed that items valuing Rs. 695.558 were outstanding for about eight years. For instance, Ball Bearing Showal valuing Rs. 380,123 and spares LEPOL CRATES valuing Rs. 109,866 were being shown in transit since December, 1975 and March, 1976 respectively. Non-clearance of such old items indicated that these stores were either pilferred or destroyed, due to which these were not taken on charge.

748. The Department explained that this was a very old case pertaining to the financial years 1973-74 to 1975-76. They tried their best and were able to find details of consignments valuing Rs. 70,814.07 and the same were adjusted in their books, and now the amount outstanding under this head was Rs. 624,744.10. The files of the rest of the consignments/were not traceable and the concerned officers had either left/retired from the service and they felt that they had no option except to write off this amount after obtaining approval from the competent authority. This was due to heavy imports, the balance under this head was being reduced and it would further come down.

749. The PAC observed that the Department should make efforts to clear outstandings and get these verified by Audit subject to this paragraph was dropped.

750. *Kohat Cement Company Limited* (*Para* 43, *page* 43-*ARCA*).—As per Audit Kohat Cement Company Limited invited tenders for the supply of one lac Hollow Blocks through the press. Eight suppliers submitted their tenders. The first, second and third lowest bidders quoted their rates with grading analysis of block samples as under :—

Rate	Grading Analysis Sand/Cement Ratio
1st Lowest Rs. 2.24 per block	1 : 20
2nd Lowest Rs. 2.48 per block	1 : 16
3rd Lowest Rs. 2.54 per block	1 : 24

The laboratory tests revealed that the samples of the first lowest were the best. His offer was. however, not considered on the ground that he had no experience in block making and would be incapable of manufacturing the blocks. according to specification, and that he would not possibly meet the demand in the specified time, even with reasonable extension. The tender of the second lowest bidder was also set aside in consideration of his sample being very poor in analysis, and the work was awarded in March, 1978 to the third lowest tenderer. The above contention of the Management was not correct as the grading analysis showed sand/cement ratio 1 : 20 in case of 1st lowest against 1 : 24 of the 3rd, then how the later was acceptable. Besides, the supply was to be completed by 2nd June, 1978 but he supplied only 103,876 blocks against the contracted quantity of 254,000 upto 22-1-1979. Thus, although extra expenditure of Rs. 31,163 was incurred in addition to Rs. 9, 289 (paid as difference of cost of cement due to increase in the price during the period of supply) the supply was not completed in full and within the stipulated period and frequent extensions were allowed to the contractor.

751. The Department explained that the offer of 3rd lowest party was accepted for the reasons that the 1st lowest, M/s. Muhammad Ali did not possess block manufacturing machine and the strength and size of hand-made blocks could not be relied upon. At one time hand-made blocks may show the best strength and at the other time the worst. Sampling analysis of M/s Moghal Brothers showed worst result. M/s Crushandum had a sophisticated imported Hollow Block making machine and that the difference in price of cement due to legislative increase in price of cement was paid to the contractor for balance work only because cement was to be arranged *Ex*-Factory rate vide clause No. 29 of the contract. It was further reported that it was a technical mistake, the tender of first lowest was not required to be considered at all, as it did not fulfil the stipulated conditions.

752. The Committee directed that Audit should verify the position and report.

753. *Associated Cement Limited* (*Para* 573, *page* 254-*ARCA*).—Audit pointed out that during 1982-83, the gross profit decreased which in addition to other reasons, was mainly due to increase in the cost of sales and also due to decrease in production, which was required to be looked into by the Management.

754. It was explained by the Management that the shortfall in production was mainly attributed to complete stoppage/curtailment of gas. The decision regarding curtailment of gas in Rohri Works was taken by Executive Committee of National Economic Council, Government of Pakistan, Islamabad. There was complete shut down of gas during two months January and February, 1983. There was continuous gas load shedding from November, 1983 to the end of June, 1984. In order to cover this difficulty, oil firing equipment was installed at

Rohri and Wah Cement Works. Had there been no shut down or curtailment of gas, the production of cement would have increased by 114,908 tons in Rohri and 36003 Tons in Wah, resulting in total production of 703360 (552449+114908+36003) as against production of 622751 tons during the last year. It was assured that all steps were being taken to solve the problems. The Committee did not make any observation.

755. *State Engineering Corporation Limited* (*Paras* 617—666, *pages* 271—290-*ARCA*).—Audit pointed out that the State Engineering Limited was running 10 companies. It would be seen that only one company *i.e.* Metropolitan Steel, Corporation Ltd. was continuously making a profit though the profit was on the decline till 1983-84 and had picked up only in the year 1984-85. Seven other companies had run into losses and the position was particularly bad during 1984-85. One company Northern Foundry and Engineering Works Ltd. went into liquidation on 7-4-1984 while the Special Steel of Pakistan was lying closed since 1979. The main reasons for losses were attributed to disproporticnate increase in administrative expenses, increase in financial expenses and decrease in sales. Corrective measures were required to control the said expenses and to increase sales to make the companies commercially viable. The affairs of two comaanies viz Northern Foundry Engineering Works Ltd. and Special Steel of Pak Ltd. needed special consideration. The rated capacity and actual production of the plan for the year 1981-82 and 1982-83 of Northern Foundry and Engineering Works Ltd. was as below :—

	1981-82	1982-83
Rated capacity (m.t.)	4000	4000 m. tons.
Production (m.t.)	628	207 m. tons.
Capacity utilized (%)	15	6 m. tons.

Working results

	1981-82	1982-83
Gross loss	Rs. 0.300 m.	Rs. 0.911 m.
Net loss	Rs. 2.362 m.	Rs. 2.090 m.

The accumulated losses of the company on 30-6-1983 went up to Rs. 24.293 million. In view of the poor performance of the company and heavy losses the Government decided to close the plant from 7-4-1984.

756. The Special Steels of Pakistan Limited, a subsidiary of the State Engineering Corporation, was established as the sole special steel manufacturer in Pakistan. The Project was initiated by P.L.D.C. in early 1960, but later on was entrusted to private sector *viz.*, *Valika Group*. Subsequently it was nationalised. The Plant sustained heavy losses from its inception due to various factors, mainly because it was working far below its rated capacity. The plant's production efficiency was as low as only 4% of the designed production capacity. The main reasons for operation below capacity were stated to be defective design of product-mix resulting in production of items which were not wholly saleable in the market and highly adverse capital structure based on debt-equity ratio of 92.8 resulting in heavy financial burden making the products uncompetitive in the market. As per orders of Economic Council of Cabinet, the Project was closed down with effect from 31-12-1979. The Company upto 30-6-1980 had already sustained losses of Rs. 590.063 million. In the last 5 years since 1980 the company sustained a further loss of Rs. 88.034 million so that the accumulated losses at close of 30-6-1985 stood at Rs. 678.997 million. The State Engineering Corporation Ltd. had submitted to the Government in March, 1981 a short term feasibility report requesting certain concessions. However, no decision appeared to have been taken by the Government, Inview of the heavy yearly losses the desirability of taking an immediate decision in the matter was stressed. It was note-worthy that no review of this factory appeared in the Annual Report for 1984-85 of the Experts Advisory Cell of the Ministry of Production.

757. The Department explained that the SSP was not under liquidation but plant was closed by Government in December, 1979 because its operation had become un-economical due to Devaluation of Pak rupee in 1973 resulting in heavy debt burden, lack of Working Capital, and imbalance in plant and machinery. Accumulated loss during the year had increased by only Rs. 3.744 million due to maintenance of plant by hot running operation in order to keep the plant in running condition. The H.F.F. company started commercial production during 1977-78. Its capacity utilisation had increased from 12.7% in 1978-79 to 30.4% in 1982-83. The losses were mainly due to heavy interest burden and lack of market. The company was making every effort to achieve break even level. In N.F.F. due to inherited technical defect the plant could not be operated economically. The company at present was under liquidation.

758. The Department further reported that they were in profit for the last four years. Heavy Mechanical Complex and Metropolitan Steel were in profit. The Pakistan Machine Tool Factory was also giving a nominal profit. All other projects were improving.

759. *Loss of Rs. 651,666 due to acceptance of post dated cheque from a client (Para 49, page 46-ARCA).*—Metropolitan Steel Corporation accepted a post dated cheque for Rs. 500,000 for sale of 1,000 tons M.S. Bar in September, 1978. The

cheque dated 19th October, 1978 was dishonoured with the remarks that signatures differ. This fact was brought to the notice of the party on 14th November, 1978. After protracted correspondence with the client for payment, a Civil Suit was filed in the High Court of Sind in October, 1981 which gave decree in December 1981 in favour of the Corporation for Rs. 651,666 including the interest of Rs. 151,666. Since, then there was no trace of the party and the chances of recovery were remote. The Department explained that the company was trying to realise the amount for which it had obtained a court decree. All efforts were being made to trace out the party and execute the decree. Audit, however, further observed that the suit was filed late, thus facilitating the party to disappear. The Chairman PAC observed that early recovery should be arranged and got verified from Audit.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES, 1984 (VOLUME-I, II & III)

760. *Quaidabad Woollen Mills Ltd, Quaidabad (Pages 1—43 Perf. Eval. Report Vol-I).*—Audit, while reporting overall assessment intimated that the company enjoyed a monopoly in machine-made wilton type woollen carpets during 1963 to 1983. Production and sales progressively increased over the years. After-tax profits ranging between Rs. 0.79 million to Rs. 2.38 million per annum and aggregating Rs. 8.58 million were earned during 1979 to 1983. Dividends totalling Rs. 1.75 million were paid and bonus shares worth Rs. 2.5 million were issued during that period. Accumulated unappropriated profit as on June 30, 1983 amounted to Rs. 3 million. A scheme for balancing, modernisation and expansion (BME) of the unit was intiated by PIDC in March, 1979 and was approved by the CDWP in October, 1979, subject to the condition that financial resources would be found by the unit outside the ADP The scheme envisaged installation of additional production facilities at an estimated cost of Rs. 18.6 million with a view to increasing the production capacity of carpets by about 50%. There were delays in implementation of the scheme. Reasons included difficulties and time lag in arranging for the necessary funds through loans. The scheme was ultimately completed in June, 1983 at a cost of Rs. 20.85 million. Meanwhile a few units with the same type of products came up in the private sector, thereby affecting the monopolistic position of the company. The company had to face a stiff competition in marketing its increased production. This led to pile-up of unsold goods which in turn forced the company to reduce its production. Additional depreciation and financial charges, resulting from the BME scheme, could not thus be absorbed. The company suffered a serious set-back in 1984-85, sustaining a loss of Rs. 6.52 million which wiped away the surplus accumulated over the past ten years. The company went into debt to the extent of Rs. 1.67 million and 22% of its equity stood eroded, as on June 30, 1983.

The following are the Causative factors :—

(a) 30% decrease in production owing mainly to marketing difficulties. Production of designed carpets in an attempt to diversify the company's products excessive down-time due to load shedding and machinery break-downs etc. were other contributory factors.

(b) Excessive process losses.

(c) Substandard production of a batch of carpets (4500 square metres) which had to be sold at reduced rates. This also damaged the reputation of the company's product.

(d) Increase in cost of production due to inflationary rise in price of inputs and utilities without a corresponding increase in the sales-price due to competition from the private sector.

(e) Increase in depreciation charges which more than doubled to Rs. 2.64 million in 1985 as compared to Rs. 1.17 million in 1983.

(f) Increase in fiancial charges which more that tripled to Rs. 7.05 million in 1985 as compared to Rs. 2.13 million in 1983.

Adverse trend appears to have been arrested by better marketing strategy consisting in award of dealership on exclusive basis and extension of cerdit facilities to the dealers. Production during the first nine month of 1985-86 (upto March, 1986), had already exceeded that for 1984-85. Sales had also picked up. Provision figures for 1985-86 show that a profit of Rs. 1.3 million had been earned upto March, 1986. Efforts needed to be made to hold on to the market by an aggressive marketing strategy backed by a consistently high standard of quality of the product. Export channels need also to be explored in earnest, as previously suggested in the Evaluation Report.

761. The Management explained that the products inspite of competition were still selling at premium against absorbtion capacity of 15000 square meters against the production of 18000 square meters. It was further reported that the losses occurred due to reservation of one loom for C.D.A. The design of required carpets was not approved by the Consultants.

762. *Larkana Sugar Mills Ltd., Naudero (Pages 45—93/Perf. Eval. Report) Vol-I).*—According to Audit, this unit was completed at a cost of Rs. 115 million in November, 1974. It started commercial operations from 1975-76 season. Evaluation of the project was carried out in January, 1984. It was found that the unit from the outset faced shortage in sugarcane supply. The mill required about 252,000 tons of sugar-cane for a normal crushing season in order to operate to

capacity. This was never supplied in full except during 1981-82. Cane procurement from zone reserved form the mill (*i.e.* districts of Larkana, Shikarpur and Jacobabad) never exceeded half the plant requirement. Additional supplies had to be brought in from more distant "free" areas resulting in/ excessive cost of transportation. Unit's total sugar cane requirements could not event then be fully met. This affected its profitability with the result that the unit had been a losing concern throughout except for the year 1980—82 when a profit of Rs. 15 million was made due mainly to exemption from excise duty of Rs. 31 million. Losses had accumulated to over Rs. 61 million as on June 30, 1983, thereby eroding completely Government equity of Rs. 41.83 million. The unit was incorporated as a private limited company in July, 1983. It was also advertised for sale in 1983 but no buyer could be found. The unit's sales revenue had been persistently falling short of its cost of sales since 1982-83 onwards. The loss sustained upto March 31, 1985 totalled to over Rs. 112 million. The loss was capitalised by charging to fixed assets. It had the effect of substantially increasing the depreciation charges. A further loss of Rs. 16 million was incurred during April to September, 1985, taking up the aggregated loss to over Rs. 128 million which exceeded the cost of the project.

763. The Management ascribed their problems to the external factors of inadequacy of cane cultivation and "illegal" rice cultivation in about 26,000 acres of land in the vicinity of the mills. They held that viability of the mills was dependent on disallowing paddy cultivation in that area. There were, however, following areas of internal "mismanagement" :—

(a) Failure of the mills in duly lifting ripe sugar-cane from the fields which caused losses to growers and thereby discouraged them from growing sugar-cane in subsequent seasons.

(b) Delay in payments and other inconveniences caused to cane growers, especially in the matter of issuing purchase indents.

(c) Misdirecting cane development loans to non-genuine growers.

These discouraged farmers from growing sugar-cane in subsequent years. The Evaluation Team had suggested that it would be more beneficial for the mills to rehabilitate its image with growers instead of insisting on official pressure for banning paddy cultivation. The Management agreed to the suggestion. Commercial viability of the unit, however, depended upon its ability to meet its capacity requirement of sugarcane from within the reserved areas. The areas under cane cultivation in the zone reserved for the mills averaged 12,600 acres annually during 1979—83 as against 20,000 acres required by the mills to meet its cane target. It averaged 8200 acres during 1983—85. The land under cane cultivation in the reserved zone during 1984 was only 22% of the plant's total requirement. It fell to only 13% during 1985 and 1986. The pace of cane-growing and procurement since inception of the mills, therefore, provided scanty reason for optimism as to its commercial viability.

764. The Department explained in detail the reason for failure of the management to feed the mills to capacity and intimated that some goods work was done to pursue the growers of cane to cultivate more sugar cane. Provincial Government had also been approached to play its role. The PAC observed that there should always be appreciation for good work and depreciation for those who failed.

765. *Naya Daur Motors (Pvt.) Limited, Karachi (Pages 1—47)/Perf. Eval. Report Vol-III).*—The Company was originally incorporated in the private sector as an assembler and progressive manufacturer of 4×4 vehicles. At the time of take-over by Government in January, 1972 it was not enjoying good financial health and the accumulated/losses stood at Rs. 6.28 million. The company's assembled products *i.e.* CJ (series) jeeps, wagoneers and Gladiators (Pick-ups) could not stand in competition with popular Japanese vehicles. Their production was discontinued in 1983-84. Suzuki jeeps whose assembly was taken-up in 1974-75, however, continued although its marketing had also been transferred to Pak-Suzuki Motors Co. Ltd. since January, 1985. The company introduced in 1983-84 its own 4×4 vehicles initially under the name of ND-3 Jeeps and subsequently under the name of "Khizzal" This vehicle could not capture the market mainly because of out-dated French engine fitted in-to it, with the result that 275 such engines were still/lying unutilised. A plan to convert the company into an engineering based company was approved in 1977-78, but due to paucity of funds and other factors, major portion of it was asigned to newly established companies, namely "Baluchistan Wheel Rims" and "Bolan Casting Mill". The project's portion relating to balancing and expansion of press and die shop was completed at a cost of Rs. 98.58 million in 1983-84. Facilities in these shops were not, however, fully utilised. Orders worth Rs. 1.87 million only were completed in 1985-86. Presently the company had no product of its own and depended upon business from other companies for production of automotive components, iron castings and metal sheet fabrications. Suzuki Jeeps/Pick-ups were also assembled for sale through Pak-Suzuki Motor Co. Ltd. Thus there was neither substantial work on the engineering side nor any furture plans as assembly of Suzuki Jeeps/Pick-ups was likely to be withdrawn from NDML. Under-utilisation of production facilities since long had driven the company into losses which had accumulated to Rs. 66 million as on June 30, 1986.

766. The Department while admitting failure, explained that originally it was a trading concern and converted into Engineering Company. It was manufacturing American Jeeps, which became expensive after devaluation. The company undertook to assemble jeeps from imported K.G. Engines and other

spare. This arrangement could not work as the Company could not compete with Japanese Vehicles and again there was lack of knowledge. An amount of Rs. 22 million was tied up in inventory. The company management made serious efforts to rehabilitate its position but the plans did not proceed smoothly. An attempt to import Engines and Spares and than to produce a jeep of their own also failed.

767. The Chairman, PAC enquired as to why the Engines and Spares were not put on trial before import. The Management explained that nothing was wrong with these Engines and Spares ; it was coordination viz. putting up spares together which could not be done due to lack of expertise. The decision was an over estimation on the part of management. Audit pointed out that it was a loss, and an industry could not run indefinitely on protection. The management replied in the affirmative to a question from a member of PAC, if the company was capable of competing in quality and cost without protection. It was also informed that a training programme was in process with the help of Japanese. Audit was of the view that if the management was that hopeful, we could carry out another review after an year or so.

768. The Committee observed that they may dispose off Engines purchased earlier, if necessary, to avoid un-necessary overheads. The Committee directed that Ministry of Production may keep the company under close study to see whether by utilising engineering facilities alone, the Company can become commercially viable.

769. *Republic Motors (Pvt.) Limited, Karachi (Pages 49—89/Perf.-Eval - Report Vol -III).*—The company originally incorporated in the private sector by HAROON GROUP of Industries was nationalised in January, 1972 and inherited accumulated losses of Rs. 17.49 million. In 1973-74 the government banned the import of (CKD) cars in the country due to which the company's plant for assembly of light vehicles was only fractionally used. RML's heavy commercial vehicles lost marketability in the face of low priced Japanese vehicles with added features of superior design and fuel economy. Production of Dodge trucks/buses was, therefore, completely phased out in 1975-76, with the result that the company was left with no standard vehicle to assemble. RML thereafter assembled Isuzu, Ford, Nissan and Hino trucks/buses one after the other as per allocation by PACO which held the franchise of these products. This policy was detrimental to company's own interest because it did not allow RML to promote any vehicle on a long-term basis. The result was that franchises of For and Nissan went to private sector while the principlas of Isuzu also threatened to withdraw. Ultimately Isuzu was transferred to National Motors Ltd. to Provide a cushion for the declining sales of its Bedford trucks/buses. Thus RML not only lost two premium products which had enabled it to offest some of its losses but also lost substantial

business of booking completely built-up Datsun Cars/Pick-ups and Isuzu Troopers/ Pick-ups under gift scheme. The company had no say in the selection of products or their volume which were decided by the PACO. The management was always faced with the crises of launching a new product. The marketing problems were further compounded by stiff competition from National Motors, another PACO unit marketing Bedford trucks and other importers of foreign assembled vehicles. The company, however, used its assembly plant for light vehicles Suzuki pick-ups which brought down the accumulated losses from Rs. 48.02 million as on June 30, 1983 to Rs. 7.09 million as on June 30, 1985. In February, 1986 Hinopak Ltd. was incorporated as a public limited company and all movable and immovable assets of RML (except Lahore Workshop and real estate at Lahore and Karachi) were transferred to the newly established company, in which PACO had 40% shares. RML is now left with real estate and Lahore workshop for the effective utilisation of which the following possibilities are reportedly under consideration :—

(a) Conversion of RML into a marketing company to handle sales of all units of PACO beyond Bahawalpur.

(b) Merger of RML with Pak Suzuki Motor Co. Ltd. to manufacture automotive parts and marketing spare parts for its proprietory vehicles.

(c) Conversion of RML into a small engineering-based company to manufacture aluminium parts initially for Suzuki Car and subsequently for other vehicles.

An in-depth study of all schemes was needed to be carried out before taking a final decision.

770. The Department intimated that according to existing position the assests of the Republic Motors were one estate at Karachi and other at Lahore. That was in fact what was left of. The major assets had been transferred to HENO PAK company. There were 31 employees left, 23 at Lahore and 8 at Karachi. A suggestion had been put forth to management to convert it into a marketing company for selling their products or the company should be merged with the Pak Suzuki Limited for their deletion programme, alternatively it should function as an independent engineering company. If none of these alternatives could be accepted they should wind it up and assign it to some other company. The matter was being discussed with Government, Ministry of Production and Performance Evaluation Cell. A management decision would be taken after that exercise was gone through. The Committee directed that a report should be submitted in the matter in due course.

771. *National Petrocarbon Limited, Karachi (Pages 37—89 Perf. Eval. Report Vol-II)*.—Audit while reporting overall assessment intimated that the Carbon black project was conceived for better utilisation of aromatics (carbon

oil) of National Refinery, which was being down-graded. The technical marketing and financial presumptions used in justification for setting up the project were divergent from reality as follows :—

(a) Hypothetical calculations of feed stock ingredients at designing stage of the plant caused the designer to reduce the guaranteed annual production by 50% from 10,621 tons to 5,532 tons.

(b) Over 57% of the entire production was meant for export and the balance for local sales. Neither the export market could be established nor the local sales were made according to the target due to the high cost of production and availability of cheaper imports.

(c) Lower production/sales as compared to the projections made in PC-I, resulted in financial difficulties. Resultantly the Government had to waive the conditions of PAY AS YOU EARN (PAYE) Scheme, under which the project was approved and according to which it was expected to earn foreign exchange through exports for regular re-payments of French debt.

Project's failure was foreseen by the Management during the very first operational year. As such a merger with Pak Hy-oils Ltd. a profitable company, (merger was described as UN-HAPPY MARRIAGE OF ODD COUPLE by the PRESS) was effected with retrospective effect. The problem was, however, not solved completely as the accumulated losses at the end of the period under evaluation *i.e.* on June 30, 1983 still stood at Rs. 2.823 million. The plant remained shut during 1983-84 due to a pile up of finished goods inventory carried out from previous years. The prices of carbon black were increased during 1984-85 to reduce the losses and to some extent the Management was successful in its efforts during that years. This turned out to be a short sighted policy as the increased rates, did not suit the buyer *i.e.* GTR who resorted to bulk imports and their purchases from the company fell from 2,310 tons in 1984-85 to 692 tons in 1985-86.

772. The Audit felt that the cost of the product could be reduced by adopting following measures :—

(i) Internal re-organisation to reduce administrative expenses.

(ii) A reduction by Government in the cost of raw material, in view particularly of the reduced price of crude oil in the World market.

The first was for Management's consideration and the second for the Government.

773. The Chairman, PAC observed, it was a scheme " Pay as you earn ". The project was technically a failure. In 1983-84, the plant did not work at all.

The production was droppeddown and the cost increased. Audit at this further observed that their findings came true. They had suggested a reorganisation which they agreed, but did not implement the suggestion.

774. The Department intimated to the Committee that there were certain problems right from the start. The project was proposed to be installed at Korangi, but due to pollution hazard and shortage of water, electricity and availability of coaltar from Pakistan Steel Mills it was shifted to " Pipri ". The machinery was imported and 50% of construction work was completed when Government ordered not to install the tyre manufacturing plant. On protest the Government subsequently allowed to run the plant. The products were of international standdard. These were accepted by Iran, India and Bangladesh. The exports commenced. It was suggested to Government that duty on imports of Carbon Black should be increased for protection to the industry, the case was still pending with Ministry of Commerce. As for employees the Management held that they were keeping minimum strength required. Audit suggested that Ministry of Production should look into the whole thing. The Committee felt that Ministry of Commerce may examine the case of protection to the " Carbon Black " industry. The matter of merger with National Refinery may also be examined.

775. *National Fertilizer Corporation of Pakistan Limited (Pages 1—36/Perf. Eval Report Vol.-II)*.—Audit reported that the Pak. Saudi Fertilizers Ltd. approved by the Government in March, 1974 was one of the two major Urea production units in the country. The actual cost of the project went up to Rs. 2080,695 million (including a foreign currency component equivalent to Rs. 1,121,448 million) a which was 9% more than the PC-I estimate. The project started commercial production in October, 1980 *i.e.* 30 months later than the PC-I projections. The unit having installed production capacity of 557000 tons of Urea per annum operated at 90.1% and 100% capacity during 1981-82 and 1982-83. The capacity utilisation further increased to 104.49% and 105.3% during 1983-84 and 1984-85. Pak-saudi Fertilizers Ltd was a profitable concern. It earned net profit of Rs. 240 million in 1981-82 and Rs. 202 million in 1982-83. The profit declined slightly during 1983-84 and 1984-85 because of sale below Government fixed price due to market glut. The PAC suggested that Government should consider subsiding in put a gas charges. The company's general reserves, stood at Rs. 58 million as on June 30, 1985 and it paid divided @ 9% during 1984-85. Pak-saudi alongwith FFC, constituted about two-third of the total Urea production capacity in the country. Their commercial operation since 1980-81 had resulted in production of Urea in the country in excess of the market off-take (which remained lower than NFC projections), NFC, therefore, had to export Urea from Pak-saudi. Urea exports stood at 17%, 25% and 22% of the total production of the company during 1982-83, 1983-84, and 1984-85, respectively. The export

prices were stated to be lower than the domestic prices of Urea. The company was expected to continue facing hard competition until the existing domestic market conditions improved.

776. The Department, however, did not fully agree with remarks of Audit that " coming into operation of PSFL and FFC had made the country not only self sufficient but surplus in Urea ". These projects were sanctioned by the Government to substitute the imported nitrogenous fertilizers and make the country self-sufficient until the year 1981-82, after which it was expected that the growth in demand of Urea will exceed the capacity available in the country. However, as a result of retarted growth in national off take/fertilizers consumption in the country for a number of reasons Urea became temporarily surplus. The Government, therefore, decided to export some quantities to clear glut in the market.

777. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paras in the Appropriation Accounts, Audit Reports on civil and commercial accounts and Performance Evaluation Report. These would be deemed as settled, subject to such regularisation actions and verification by Audit as may be necessary under the rules.

778. The Committee then adjourned to meet again at 9.00 a.m. on Thursday, the 28th August, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 11th February, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 2nd April, 1987

Thirteenth Sitting (PAC)

*754. The Public Accounts Committee assembled at 09.00 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. .. .. *Chairman.*

(2) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(3) Mr. Shahabuddin Shah Hussainy, M.N.A. .. .. *Member.*

(4) Nawab Muhammad Yamin Khan, M.N.A. .. *Member.*

(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. Muhammad Aslam, Deputy Secretary.

(2) Mr. Gulzar Ahmed, Officer on Special Duty.

PAC :

(1) 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. Ahmed Nawab Qureshi, Director General, Commercial Audit.

(7) Mr. M. S. Amjad, Director General (PEC).

Ministry of Finance :

(1) Mr. M. Zafar Iqbal, FA (Production).

(2) Syed Zaki Haider, DFA (Production).

Planning and Development Division :

Dr. M. A. Aghai, Director General (Projects Wing).

755. *Accounts Examined.*—Accounts pertaining to the Ministry of Production were examined by the Committee during the course of the day.

---

*Paragraphs upto 753 pertain to other Ministries/Divisions.

MINISTRY OF PRODUCTION

756. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Production. The following departmental representatives were present :—

(1) Mr. Zafar Iqbal, Secretary.

(2) Khanzada Abdul Wadood Khan, Joint Secretary.

(3) Mr. Muhammad Yaqub, Assistant Accounts Officer.

(4) Dr. Imtiaz Ahmed, Chairman (SCCP).

(5) Air Marshal S. A. Changezi, Chairman (PIDC).

(6) Mr. Saadat Hussain Khan, Chairman (FCCCL).

(7) Mr. Zaheer Ahmed Khan, Chairman (NFC).

(8) Dr. M. H. Chaudhry, Chairman (State Refinery and Petroleum Corporation).

(9) Mr. K. Idrees, Chairman (PACO).

(10) Mr. Sikandar M. Khan, Managing Director (Millat Tractors Limited).

(11) Mr. Javid A. Farooqi, Managing Director (Sind Engineering Limited).

(12) Mr. Babar Mirza, Managing Director (National Motors Limited).

(13) Mr. Mahboobul Hasan, Managing Director (Heavy Mechanical Complex, Taxila).

(14) Major General Shujat Ali Bokhari, Chairman (Pakistan Steel).

757. This Ministry controlled the following Grants :—

S. No.	Name of Grant	Grant No.
	1983-84	
1.	Ministry of Production	107
2.	Capital Outlay on Industrial Development	184
	1984-85	
1.	Ministry of Production	109
2.	Capital Outlay on Industrial Development	189

758. *Reconciliation of Accounts with Audit.*—Committee was informed that reconciliation of figures from 7/86 onward was not done in the case of Pakistan Institute of Management and Pakistan Steel Mill Corporation. The Department was directed to up-date the reconciliation of Accounts with delay.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (1985)

Pak-China Fertilizer Limited, Haripur (Perf. Eval. Report—Pages 97—134 (Vol. II).—Audit briefed the Committee as under :—

759. Pak-China Fertilizer Limited was set up at Haripur under the direction of the Government for production of Urea with the objectives to :—

(i) help in developing industrial activities in the relatively under developed area;

(ii) provide direct employment to about 316 persons and indirect employment to a larger number of persons engaged in transportation and marketing;

(iii) help boost agriculture production by increased application of fertilizers;

(iv) utilize indigenous raw material abundantly available at low cost and

(v) import substitution.

Land acquisition for the fertilizer complex planned to be set up at Haripur was started in the last quarter of 1974. Plant, equipment, erection supervision and technical assistance was provided by China as a grant-in-aid. Starting from May, 1975, the plant was estimated to be completed in 2½ years. The installation of the plant, was, however, seriously delayed mainly because of delays in supply of plant and equipment by China. The project was completed in about 7 years and started production in April, 1982. The project was completed at a cost of Rs. 638.526 million as against the original PC-I proforma estimates of Rs. 344 million.

The socio-economic objectives of the setting up of the plant were achieved, with the exception of utilization of the indigenous raw material.

The Urea plant supplied by China had inbuilt disadvatages of out-dated technology, low production capacity (95,770 tons) and higher inputs of raw material, fuel and energy. This resulted in double the cost of the product as compared to its sister unit Pak-Saudi Fertilizers Limited. In addition, plant was be set with the problem of gas load-shedding during winter for the last five years which further increased the cost of product. Inspite of these disadvantages the company was in profit, because of the controlled prices of urea and payment of the subsidy by the Government.

Urea prices were decontrolled by the Government with effect from 20th May, 1986. Since the operation of the company were not viable without subsidy, the Government reduced the price of the natural gas (main raw material) being supplied to the company from 140.36 to Rs. 90.51 HM^3 with effect from 1st July, 1986. This relief to the company resulted in a reduction in the cost of urea by Rs. 300 per ton. Even this relief is not likely to make the company's operation viable.

There were diseconomies in the consumption of raw materials, fuel and energy. However, during 1984-85 and 1985-86 the consumptions were brought down. The consumption of ammonia and electricity in production of urea was still higher than standard which needs control.

The company as on 30th June, 1986 employed 611 persons as against the estimated requirement of 316 persons in PC-I.

760. The Chairman, PAC observed that Department should let the Committe know as to why this project was accepted when it was not useful and what was the loss figures, if the Department had some proposals to come out of it. The Department explained that once it was accepted, no body could refuse this offer from a friendly country. The loss since May, 1981 was Rs. 2.28 crore per year. It had now become Rs. 3 to 4 crore per annum. Actual loss was at a much lower figures. This loss was a Book Keeping Loss, due to charging depreciation on Machinery received from China free of cost. It was correct to say that this project should have not been installed. It was a good will offer from a friendly country and as such was accepted. Whatsoever was offered was taken over. The Industry had some problems. Power problem with WAPDA, Gas load-shedding for 3 months. Prices of Gas were also beyond control. The Machinery received free of Cost was charged by NFC. As such depreciation was a factor which contribute to loss figures.

761. The Committee directed that policy of charging depreciation on Assets received free of cost may be reconsidered. A quarterly report of load-shedding by WAPDA and OGDC should be submitted. There should be better Managerial control over efficiency.

762. The Committee further directed that :—

(a) The Finance Division should examine financial restructuring of the company by writing down the investment and writing off the loans;

(b) The Ministry of Petroleum and Natural Resources should try to solve problems of supply of natural gas on priority basis;

(c) The Ministry of Production should submit a quarterly progress report on the affairs of the company till compliance of PAC directive is achieved.

COMMERCIAL AUDIT REPORT (1983-84)

763. *Pak-Saudi Fertilizers Limited Inventory Level* (*Para* 282, *page* 182-*ARCA*).—As per Audit Report the Inventory level at the end of 1984 was Rs. 176.8 million as against the consumption of spares and stores for Rs. 47 million in 1983-84 and Rs. 22 million in 1982-83. The inventory level was therefore, considered to be on higher side. The Department informed the Committee that the increase in inventory cost level was due to payment of duty. The spares were under valued as the duty had not been paid. All attempts were being made to reduce physical inventory level. Audit observed that level had increased during 1984-85. This increase, was however, attributed towards inflation. There was no quantity increase.

764. Audit, however, observed that increase did not commensurate with increase in consumption. The closing balances were at a very high level. The Department informed that they would take care of Audit observation. The Committee desired that Department should submit a paper in the next meeting indicating the steps taken for better inventory control.

COMMERCIAL AUDIT REPORT (1984-85)

765. *Lyallpur Chemicals and Fertilizer Limited Blocking of Capital Rs.* 791,568 (*Para* 37, *page* 50-*ARCA*).—Audit in this case pointed out that Coal Pulverising Mill was purchased in June, 1980 from a sister unit for Rs. 78.237 for installation of additional grinding capacity. In order to make the mill service worthy, stores and spares for Rs. 713,331 were imported in 1981-82. The mill was neither installed nor the spares put to any use. The Department reported that the balance in the case of Jaranwala Mill had been reduced from Rs. 432,000 to Rs. 139,000 and from Rs. 713,000 to Rs. 166,000 in the case of Faisalabad unit. The Committee directed that a report in the matter may be submitted alongwith report called for in respect of Para No. 182 for 1983-84.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (1985)

766. *National Motors Limited, Karachi* (*Perf. Eval. Report—Pages* 45—87 (*Vol. I*).—Audit while giving overall assessment reported that NML was originally established as General Motors Overseas Distribution Corporation in 1953. It was incorported as Ghandhara Industries Limited in 1963 and taken over under the E.R.O 1972. 60 per cent of its shares of Rs. 65 million were held by the PACO and rest by the public. The main objective of NML was the assembly and progressive manufacture of trucks and buses for which it held a franchise for Bedford. It also assembled light commercial vehicle *viz.* Toyota Land Cruiser and Hi-Lux. In addition, NML also held distributorship for products of General Motors Corporation USA and all Toyota vehicles except Hi-Ace

and Coaster. The Company earned profits consistently since taken over in 1972, upto 1980-81. There was a loss of Rs. 30 million during 1981-82. The NML were into profit again when net profit before taxes gave upto Rs. 94.26 million during 1982—85, there was an operating loss of Rs. 10.43 million during 1985-86 which was reduced to Rs. 1.43 million by other income.

767. NML was once a showpiece of the PACO because of reasons that the unit had achieved 100 per cent capacity utilisation *viz.* 6000 trucks and buses and commanded a major market share. Even at present 80 per cent of the existing trucks and buses were reportedly of Bedford make. Attractive dividend paid to shareholders led to the quotation of NML as " blue chip company " and in 1979 and 1980, it was included in top twenty companies. The unit had achieved a 60 per cent deletion for Bedford trucks and buses providing employment and technology for hundreds of small vendors and large vendors like Pakistan Machine Tool Factory, Bela Engineers, Baluchistan Wheel, Heavy Mechanical Complex and Naya Daur Motors Limited etc. During 1980—85, 57 vendors out 85 listed by NML completed contracts worth Rs. 1313 million. They included eight large public sector units whose value of supplies exceeded Rs. 800 million during 1980—85.

768. However, over the period ending 30th June, 1982, the sales of manufactured goods decreased from Rs 869.96 million to Rs. 528.30 million *i.e.* by 39.3 per cent. Sales of Bedford trucks|buses decreased from 5253 units in 1979-80 to 801 units during 1985-86 *viz.* by 84.8 per cent. Gross profit of Rs. 62.02 million during 1985-86 included Rs. 48.38 million *viz.* 78 per cent from sale of trading stock. The car and light commercial vehicle in which NML had a dominant share also registered a decline in sales leading to loss of income. The major reasons for the downfall of Bedford Trucks were mainly a general decrease in demand for trucks and buses in Pakistan, specially in the 7 tonnage range, increasing competition from other makes *viz.* Nissan, Isuzu and Hino (total 15 models), change in transport economics to favour vehicles of a heavier tonnage and poor quality of deleted parts. In order to meet the declining sales of Bedford, NML had started assembling Isuzu Trucks of Japanese origin.

769. Audit observed that as far as the deletion programme of National Motors was concerned its effectiveness was yet to be determined in terms of three parameters *viz* :—

(1) Transfer of technology.

(2) Import substitution.

(3) Social cost and benefits.

Reference was made to the original concept of deletion to actually mean indigenization and a study was required to determine the actual 'local' content in the deleted parts :—

The new product line *viz.* Isuzu was of Japanese origin and the Japanese were reluctant to transfer technology so what gurantees could the Ministry give so that the above stated aim of deletion could be achieved.

Audit also highlighted the mismanagement of (KV) inventories of Bedford vehicles leading to excessive purchases and carrying costs.

770. The Department informed the Committee that the company could not survive with "Bedford". It was aiming at a production of 2500 Trucks Isuzu. Adjustment attempts with revised situation were underway. Since support was needed by the management, Isuzu may be accepted as standard product, a proposal to this effect had been sent to Government Labour force with very high wage rate require immediate reduction upto 1000 Number. The balance could be absorbed. Establishment expenditure also require reduction. In view of reduction in the market of "Bedford" the company had been making losses. Due to reduced activity the present force could not be maintained. The management had taken steps for management improvement, reduction of manpower and to bring changes in production pattern. The representative of Planning informed the Committee that against a capacity of 6000 trucks, it was being operated at 1000, whereas future proposals were upto 2500 only. Some thing was required to be done to utilize idle capacity.

771. The PAC directed that a study of the whole problem should be carried out and report submitted to PAC. The report should also cover the problems of idle capacity utilization, competition and deletion.

772. *Sind Engineering Limited, Karachi* [*Perf. Eval. Report—pages* 2—6 (*Vol. I*)].—Audit reported to the Committee that Sind Engineering Limited (SEL) was originally established in 1963 as Wazir Ali Engineering Limited by Awami Autos Limited (AAL), formerly Ali Automobiles Limited; as an ancillar engineering works for its automotive assembly with fabrication and die casting facilities. SEL and Awami Autos Limited were managed by a single management until 1st July, 1984 when Awami Autos ceased operations and was finally merged with SEL with effect from 1st March, 1986.

773. The company earned profits consistently since its takeover excepting for the years 1977-78 and 1978-79. Paid-up capital increased from Rs. 2.00 million as on 30th June, 1981 to Rs. 17.50 million as on 30th June, 1986 while general reserves stood at Rs. 97.93 million on the same date. SEL's profitability, after

showing a consistent declining trend during 1981—84, had again improved in subsequent years. However this was not a matter of complacency for the management as it was mostly the " other income " from scrap, commission on booking of Suzuki Vehicles, interest earned and income from clearing service which mainly contributed towards company's profitability.

774. The fact otherwise remained that the company was not so soil as it appeared to be for the reasons that :—

(a) Profitable franchise of Suzuki 4-wheelers was withdraw from SEL in January, 1984, thereby depriving the company of a substantial and assured market. The company suffered an operating loss of Rs. 2.64 million in 1983-84 mainly on this account.

(b) The decline in sales was partly off-set by increasing the sale of Toyota Hiace|Coaster. SEL had no franchise and the vehicle was likely to be withdrawn.

(c) Karachi Road Transport Authority was understood to have decided in principal not to issue road permits to mini-buses in Karachi. Company's sale of Mazda T-3000 which was used as mini-bus, was likely to be adversely affected by this decision.

(d) Surplus capacity of 4-wheeler plant was being utilised by assembling Suzuki Van for Pak. Suzuki Motor Company (PSMC). This arrangement may not continue as PSMC was planning to expand its project after which all assembly work will be done in house.

(e) PACO had submitted a PC-I scheme for transferring Suzuki 2-wheelers plant to Mack Trucks under a joint venture with management of a private company, M|s. Al-Hilal. Although 2-wheeler plant was not presently running in profit, the decision would deprive the company of its substantial business.

(f) Company's Lahore branch (with 104 employees) and Rawalpindi branch (with 56 employees) were unprofitable. In addition to the revenue generated by these branches, SEL was spending Rs. 3.5 million annually on them.

775. The management was well aware that SEL would have to rely upon Mazda for its future. Future plans, therefore, include progressive manufacturing of T-3500 as mini-truck of 3-4 tons, developing a standardised non-airconditioned Coaster and continuing the sale of mini-buses as intercity commuters. The overall demand may not, however, be commensurate with exiting facilities and SEL, which would also have to compete with Pak Hino Limited which was already producing trucks of 4-5 tons capacity. There was, however, a potential

to expand the marchs of mini-trucks by institutional promotion but the company, besides closing its Lahore and Rawalpindi branches, will have to lay off the surplus employees to keep itself commercially viable in the face of changed circumstances and reduced activities.

776. Audit concluded that the company earned profits mainly from sale of Scrap and got an A category rating by Expert Advisory Cell. It failed to earn a profit on Suzuki motorcycles neglecting an important product line. Its main product line *viz.* Mazda T-3000 series was under marketing strain due to decision of Sind Government to phase out " Mini " buses in Karachi. Its decision to sell Suzuki and develop a new Mazda chassis in 3-4 tons range has an inherent risk element.

777. The Department gave a detailed explanation on the points raised by Audit. It was reported that Motor Cycles were being dispensed with during the one year period, the existing factory will run alright with new arrangements. The Chairman PAC at this point wanted to know that a large number of coasters were being imported, could your factory compete with it. The Department held that it was a very small business to do. The representative of Planning Division observed that there was trend toward Japanese Technology. Japanese were misers in technology, we could see towards west who could transfer technology. There were three methods of getting technology. Either it should be purchases, stolen or developed at a very heavy cost. The Department was of the view that Japanese policy of transfer of technology had undergone some change.

778. A Member questioned how India could get it and Pakistan could not? The Department informed that transfer of technology was a relative term and had lot of meaning. The Chairman PAC asked Planning Division to study the whole problems of multi-type autos. There should be some standardisation.

779. The Committee after a detailed discussion directed that long-term plans should be finalized early and then implementation of these plans should be looked after.

780. *Bela Engineers Limited, Karachi* [*Perf. Eval. Report—Pages* 93—132 (*Vol. I*)].—Audit while giving overall assessment reported that Bela Engineer Limited was originally conceived in 1970 by Ghandhara Industries Limited; (now National Motors Limited) as Ghandhara Diesels Limited for the assembly and progressive manufacture of Bedfords diesel engines for transport vehicles, marine craft, agricultural and industrial equipment, generators and construction equipment under licence from Vauxhal Motor Limited, U.K. After its take over in 1972, the unit was renamed as Bela Engineers Limited and was currently a unit of

Pakistan Automobile Corporation (PACO) Limited. The main problem with Bela was that it failed to adopt an independent corporate strategy which was evidence from the following facts :—

(i) Excessive preoccupation with only one customer, NML, leading to failure in the development of more diverse and stable clientee.

(ii) Absence of franchise agreement with its principals due to which the management was unable to hold a stable price line and to smoothly pursue its deletion programme.

(iii) Absence of formal contract with NML, which enable the latter to exploit the situation. For instance, National Motors did not place firm orders which often adversely affected Bela's production programme, leaving it stranded with the idle inventories. Bela was asked to accept lower prices of their engine than fixed by the CGP ; which considerably reduced company's margin, National Motors launched a direct booking scheme in 1980—82 and components worth Rs. 233.11 million were forced upon Bela without any prior arrangement due to which these remained mostly unutilised.

Besides defective corporate strategy, company's other policies also left much to be desired *viz* :—

(a) The company started assembling Ursus tractors by using Bedford engines in 1980-81. The project was not well considered and the company ended with 106 unsold tractors worth Rs. 6.45 million.

(b) Material was requisitioned on "component basis" which led to build-up of imbalanced inventory. Despite spending a huge amount of Rs. 54.1 million to balance it, part of the inventory remained imbalanced. Ultimately the scrap, dormant and redundant inventory of the book value of Rs. 19.29 million was disposed of at a loss of Rs. 17.49 million in 1985-86, reportedly without the approval of the Board.

(c) Percentage of rejected engines averaged 39 per cent which was very high and added to avoidable overheads.

(d) Sale of engines for industrial and commercial applications could not be pushed beyond 5 per cent of total sales mainly due to ineffective marketing efforts.

(e) Poor inventory management led to blockade of funds and high financial charges paid by the company were a drag on its profitability.

(f) Despite monopoly of Bedford truck till 1980, the company could not achieve deletion of more than 43 per cent.

Presently the management itself appeared to be disappointed with the future of Bedford engine and had gone for assembly of Fiat tractor engines as an alternative product line. However, the assembly function alone could not keep the company afloat in the long run because firstly, the margin on assembly was very low and secondly, the activity did not involve the use of the company's production facilities and as such contributed very nominal value added. Other future plans included assembly and progressive manufacturing of Mazda T-3000 engines for Sind Engineering Limited installation of flexible machining line for machining of cylincer blocks and heads of all types of vehicles. A more ambitious plan would be to develop a standard engine which with certain modifications and different versions could be used in all vehicles. This will facilitate deletion programme, thereby ending our reliance on foreign suppliers. The scheme would, however, need Government support.

781. While summerising, it was informed that there was Excessive dependence upon National Motors to whom 95 per cent of sales were made. Declining sales of Bedford trucks had in turn an adverse impact on Bela's sales. The company failed to push sale of industrial and commercial applications beyond 5 per cent due to ineffective marketing and preoccupation with one customer. There was inventory mismanagement and accumulation of imbalanced CKD components. Poor workmanship resulting in rejects upto 39 per cent. Assembly of Fiat tractor engines on behalf of Al-Ghazi Tractors Limited on *ad hoc* basis could not be relied upon as a permanent alternative product line. It also could not keep the company afloat in the long run. Diversification was needed to gainfully utilise 611 employees. Planned progressive manufacture of T-3000 engines for Sind Engineering Limited was not enough to absorb the entire strength. Machining of cylinder heads and engine blocks for all type of vehicles could be provided. Development of a standardised engine to be used in all vehicles with different versions could also be considered.

782. The Department briefed the Committee about working affairs of the Company. It was informed that originally it was a " Bedford " concern. The Bedford went down, it also went down. Investment was on ' Badford ' Audit had proposed a flexible machinery line. This proposal was under active consideration. It required an investment of Rs. 20 to 30 crores. It would be economical after the above investment. During current year it would be decided, if Bela was to remain as it was or it was to be expanded. It depends on " Bedford " and " Al-Gazi ". There were problems of disposing of inventory. A survey had been carried out by the Company. Some very serious discrepancies came to light. Inventory system was being developed.

783. On a question from Chairman PAC it was further reported that an investigation had been finalized and was under action. The discrepancies were due to mis-mangement and individual responsibility. The system had however

been organised now. All unsold tractors had been sold. The Committee directed that a copy of departmental enquiry should be submitted to PAC within 10 days. The Committee also emphasized upon the Management to improve their quality
The Committee also emphasized upon the Management to improve their quality

784. *Domestic Appliances Limited, Karachi* [*Perf. Eval. Report Pages* 3—38 (*Vol. II*)].—Audit reported that, the Domestic Appliances Limited (DAL) was incorporated as a private limited company in 1974. It was set up originally as Northern Electric Company in the early 70's in the private sector for progressive manufacture of airconditioners. It was purchased by National Motors Limited (NML) a unit of PACO in 1973 for about Rs. 2 million and started as a joint venture of NML and Awami Autos Limited, another unit of PACO, for progressive manufacture of airconditioners and refrigerators. Shares held by NML were transferred to PACO in 1981. DAL started with the assembly of "Admiral" airconditioners in June, 1974 and "Singer" Refrigerators in 1975, but could not compete successfully in the market and operations were suspended in 1977. In 1980, DAL started assembly of "ACMA" airconditioners in collaboration with ACMA Electric Industries Limited, a company incorporated in Singapore. During 1980—84, Rs. 9.8 million were spent on balancing and modernisation for production of "Indesit" Refrigerators which commenced in January, 1984. Although DAL started a deletion programme for "ACMA" airconditioners, it suffered a serious setback when the fan motors in airconditioners developed locally by Siemens proved defective damaging the image of the product. Production remained suspended for one year because of accumulation of unsold stocks. Inventory of raw materials also plied up. Blockade of capital in inventories of raw materials and finished goods and investment in BM Scheme increased the burden of financial charges which coupled with over-heads posed a major drain on Company's profitability. Accumulated losses increased from Rs. 0.41 million in 1979-80 to Rs. 12.57 million in 1985-86 which were more than 4 times the paid-up capital as on 30th June, 1986. PACO had decided to disinvest the unit and currently various offers were being considered.

785. The Chairman PAC observed that it appears from the position brought out that it should be packed up. The Department explained that the factory was to be closed due to excessive labour cost. Presently after retrenchment was being run on daily labour basis and there was no loss. The possibility of dispensing with it was being explored. There were accumulated losses also. The Committee was also informed that labour was to be kept all the year round, although it was a seasonal industry. The Committee observed that final action should be taken early to avoid loss of Public Money.

786. *Trailer Development Corporation Limited, Karachi* [*Perf. Eval. Report pages* 3—40 (*Vol. I*)].—According to Audit Report, the TDC was set up in the

private sector in October, 1965 as Jaffar Industrial Corporation Limited. It was nationalised in 1972 and renamed as Triler Development Corporation Limited with PACO holding all its shares. In 1975, it was made a subsidiary of National Motors Limited to serve as a vendor for NML's progressive manufacturing programme. On 1st July, 1984, the company became a subsidiary of PACO. TDC had, in addition to trailer fabricating and bus body making, facilities for axle manufacturing, machining job and miscellaneous jobs like exhaust system etc. Both PACO and NML seem to be responsible for non-utilisation of TDC's facilities to make it a profitable unit.

787. The company inherited an accumulated loss of Rs. 1.4 million at the date of takeover which increase to Rs. 62.58 million (inclusive of written back loan of Rs. 31.66 million) as on 30th June, 1986. The company's equity thus stood completely eroded. The short-term measures of writing off of a loan of Rs. 5 million by PACO and Rs. 31.66 million by NML and allocation of foreign exchange during 1979—81 for trading of Toyota Hi-Lux also did not help to rehabilitate the company. Persistent losses were attributed to inadequate working and delays in delivery schedules, excessive over-head burden, heavy financial charges on bank borrowings due to poor liquidity, and blockade of funds in redundant machinery (Rs. 8.89 million), obsolete stores (Rs. 6.3 million) and receivables (Rs. 9.8 million).

788. Financial restructuring could not be arranged. Change of status from NML's subsidiary to PACO's subsidiary failed to have any favourable impact on company's liquidity as the step was necessitated more to save National Motors Limited from losses of TDC rather than to help the company by arranging adequate job orders from other sister units through its influence as a holding company. TDC had to secure orders on competitive basis which was hardly possible because of higher rates due to unabsorbed over-heads and non-utilisation of full work force.

789. The company was able earn for the first time a nominal operating profit of Rs. 105,874 in 1985-86 due to production of 250 heavy duty semi-trailers in collaboration with an Italian firm Calabrese. This could become TDC's standard product as NLC intended to purchase 1500 such Trailers and Bowsers in the Sixth Five-Year Plan. However, NLC under pressure of its own marketing needs, stopped placing further orders which left TDC with no major order in hand or likely to be secured in near future. In order to breakeven, TDC needed a sale target of Rs. 49 million which, in the circumstances, appeared to be impracticable. The Management had, therefore, laid off all but 11 employees from 15th December, 1986. It appeared that PACO had already decided to disinvest the company.

790. In the present situation, the following four alternatives were available :—

(i) The company had been given a fresh life by reduction of its strength. A new start could be made by reorganising, after financial structuring, the Planning and Designing and Marketing departments.

(ii) Alternatively, the company may be converted into a joint venture enterprise on the pattern of Hino Pak. Limited and Al-Ghazi Tractors Limited.

(iii) The facilities may be utilised by PACO as a help to achieve its own objectives.

(iv) The unit may be disinvested provided a handsome offer is received.

791. The Department reported that it was a losing concern when nationalised. An attempt was made to make it a healthy unit but resulted in failures and its 320 number labour strength had been dis-employed. It had been closed for good. The Committee closed the discussion with the words "well done".

COMMERCIAL AUDIT REPORT (1983-84)

792. *Payment of Demurrage Charges—Rs.* 285,300 (*Para* 40, *pages* 52-53-*ARCA*).—Audit pointed out that Awami Autos Limited, paid demurrage charges amounting to Rs. 285,300 during the year 1982-83 on three consignments due to improper documentation by the clearing agents and the Management. The consignment could have been cleared on indemnity Bonds and Demurnage avoided. The Department admitted that there was omission in one case. The customs and NIC did not cooperate in the matter. It was, however, a single case in 500 crore transaction. The Committee observed that the Department should be careful in future and settled the paragraph.

COMMERCIAL AUDIT REPORT (1984-85)

793. *Loss of Rs.* 1.673 *million* (*Approx*) *due to Import and Disposal of Machines not Suited to Local Conditions* (*Para* 38, *page* 50-*ARCA*).—According to Audit Report, Pakistan Automobile Corporation Limited, imported 300 rice transplantors in 1977-78 from Korea and China at a cost of Rs. 2.4 million. The transplantors were, however, not found suitable for local conditions. Some of these had to be re-exported bearing carriage charges and some otherwise had to be disposed of the Corporation suffered a loss of Rs. 1.673 million in this deal. The Department reported to the Committee that this was an experiment and the decision for import of this machinery was taken at highest level. The experiment failed and Department had learnt a lesson. The paragraph was dropped by the Committee.

794. *Non-recovery of Demurrage Charges—Rs.* 192,296 (*Para* 46, *page* 55-*ARCA*).—According to Audit, a sum of Rs. 192,296 was paid as demurrage, due to delay in clearance of consignment, which could have been avoided. The Department reported that due to " go slow " movement there was a delay of two days which could not be avoided. The Committee accepted the explanation and settled the paragraph.

795. *Loss of Rs.* 335 *on Maintenance of Rest House* (*Para* 42, *page* 52-*ARCA*).—Audit pointed out that Millat Tractors Limited, had been maintaining a Rest House at Khaira Gali since its nationalization in March, 1972. The Company had not disposed it off since than and had incurred an avoidable expenditure of Rs. 335,125 on its maintanance. The Department informed that there was an expenditure of Rs. 2,800 per month only which was not very heavy. The total amount of loss as worked out included depreciation and expenditure during last 8 years. It was promised that the Audit proposal would be submitted before the Board of Directors before final action in the matter was taken. The paragraph was settled.

Non-acceptance of Insurance Claims Rs. 214,000 (*Para* 40, *page* 51-*ARCA*)

Purchase of Machinery at a Higher Cost Rs. 95,800 (*Para* 41, *page* 52-*ARCA*)

796. The paragraphs were settled without any observation.

797. The Committee then adjourned to meet again on Sunday, the 5th April, 1987, to continue examination of accounts of Ministry of Production.

M. A. HAQ,
Secretary.

Islamabad, the 18th July, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 5th April, 1987

Fourteenth Sitting (PAC)

798. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 & 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*
(2) Malik Said Khan Mahsud, Minister of State for Water & Power .. .. *Member.*
(3) Mr. Shahabuddin Shah Hussainy, M.N.A. .. .. *Member.*
(4) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*
(5) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*
(6) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

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) 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. M.S. Amjad, Director General (PEC).

(8) Mr. Niamatullah Abid, Director (PEC).

Ministry of Finance :

(1) Mr. M. Zafar Iqbal, Joint Secretary.

(2) Syed Zaki Haider, DFA (Production).

Planning and Development Division :

(1) Mr. Muhammad Aslam, Assistant Chief.

(2) Mr. M.Y. Siddiqui, Deputy Chief.

799. *Accounts Examined.*—Accounts pertaining to the Ministry of Production were examined by the Committee during the course of the day.

MINISTRY OF PRODUCTION

800. The Committee continued examination of the Appropriation Accounts etc., pertaining to the Ministry of Production. The following departmental representatives were present :—

(1) Mr. Zafar Iqbal, Secretary.

(2) Khanzada Abdul Wadood Khan, Joint Secretary.

(3) Mr. Muhammad Yaqub, Assistant Accounts Officer.

(4) Air Marshal S.A. Changezi, Chairman (PIDC).

(5) Mr. Saadat Husain Khan, Chairman (FCCCL).

(6) Dr. Imtiaz Ahmed Khan, Chairman (SCCP).

(7) Mr. M. Imtiaz-ur-Raheem, General Manager (F) (PECO).

(8) Sh. Anwar Alam, General Manager (F) (SEC).

(9) Mr. Mahboobul Hasan, Managing Director (HMC Taxila).

(10) Mr. A. Wahab Siddiqui, Managing Director (TWMC).

(11) Maj. Gen. Shujat Ali Bokharee, Chairman (Pak. Steel).

APPROPRIATION ACCOUNTS (1983-84)

801. *Grant No.* 107—*Ministry of Production* (*Page* 860-*AA*).—The grant closed with an excess of Rs. 120,934 which was attributed to payment of advance salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

802. *Grant No.* 184—*Capital Outlay on Industrial Development* (*Page* 860-*AA*).—There was a saving of Rs. 133,023,248 under this grant, which was surrendered by the Ministry in time. The Committee did not make any observation.

APPROPRIATION ACCOUNTS (1984-85)

803. *Grant No.* 109—*Ministry of Production* (*Page* 849-*AA*).—The grant closed with a saving of Rs. 546,892 which was within permissible limit. The Committee did not make any observation on it.

804. *Grant No.* 189—*Capital Outlay on Industrial Development* (*Page* 850-*AA*).—This grant closed with an excess of Rs. 3,000,000 . The Department explained that Rs. 10 million were released for Heavy Mechanical Complex after adjustment. Rs. 3 Million were drawn after proper approval. It was considered to be an additional grant. It was actually a mistake on the part of State Bank, which made the payment twice. The Committee directed that proper Budgetary Controls should be exercised who-so-ever was responsible should be careful in future. The excess was recommended for regularisation through Excess Budget Statement.

COMMERCIAL AUDIT REPORT (1984-85)

805. *Expected Loss of Rs.* 187,476 *due to short delivery of Cement and non-recovery of penalty Rs.* 830,000 *from a carriage contractor* (*Para* 50, *pages* 56-57-*ARCA* 1984-85).—According to Audit, Kohat Cement Company Ltd. concluded for one year an agreement in March, 1980 with M/s Zahoori & Co. for transportation of Cement to be procured from sister units for utilization in Civil Works. Fresh agreement for one year was again made after expiry of first agreement. During the period of contract the contractor delivered 16,600 bags short out of the Cement handed over to him for cartage. The value of this quantity worked out to Rs. 747,000. An amount of Rs. 559,524 was adjusted against the amount of Security Deposit lying with the management, leaving a balance of Rs. 178,476 still recoverable in addition to penalty leviable under terms of agreement.

806. The Department explained in reply that a Civil Suit had been filed and was pending in a Court of Law. The Chairman PAC observed that legal notice was given after a considerable delay of 3-1/2 years. No-body bothered to check it during the contract period. The representative of Department intimated that the case was referred to Marshal Law in the first instance and some recovery was possible. No doubt there was negligence but it was due to the fact that appropriate storage arrangements were not available. The Committee directed that the Department should be careful in future. The paragraph was settled with the directive to prevent such cases in future.

807. *Overpayment due to irregular esclation Rs.* 374,293 (*Para* 67, *page* 68-*ARCA* 1984-85).—Audit pointed out that in the case of a Cement Company a work of contruction of Building was awarded to a contractor at an estimated cost of Rs. 11 Million in June, 1979 with date of completion as July, 1980. The contractor could not complete the work according to the schedule. No extension in time limit was allowed to the contractor. In February, 1982, the contractor was granted excessive escalation of Rs. 374,293. Head Office of the Company also held escalation as excessive. The matter required investigation and recovery. The Department reported that the proportional amount for the period for which the contractor could not complete the work was deducted from his security deposit. An amount of Rs. 737,971 had been claimed as liquidated damages and the case was pending in the Court of Law. The Committee deferred the paragraph being Sub-Judice.

COMMERCIAL AUDIT REPORT (1983-84)

808. *Extra Expenditure of Rs.* 4.588 *Million by issue of Pulses and Cloth at subsidised rates* (*Para* 45, *page* 57-*ARCA* 1983-84).—Audit pointed out that in the case of Heavy Mechanical Complex, the organisation had been supplying Pulses and Cloth at subsidised rates to the Staff/Worker from 1974 to 1982 although such facility was withdrawn by Government in 1974. This resulted in extra

expenditure of Rs. 4.588 million. The Department intimated to the Committee that the orders referred to by the Audit were not in the notice of the Organisation. They were, however, on their own taken up the matter with the bargaining agents and was being discussed each year.

809. The Committee directed that the Department should be careful in future. It should be ensured that fringe benefits allowed by Government were not or and above, the increases allowed through bargaining agents.

810. *Irregular Payment of Bonus/Advance payment to Officers* (*Rs.* 1.007 *Million*) (*Para* 46, *page* 57-*ARCA* 1983-84).—According to Audit the management made an irregular payment of Rs. 1.007 Million on account of Bonus etc ; to officers, who were not entitled to it under Government Instructions. The Department reported that these payments were approved under the Companies Act/Ordinance. The Committee observed that it should be ensured that relevant Government Orders were always put up before the Board of Directors, whenever such matters were considered. The paragraph was, however, settled.

811. *Pioneer Steel Mills Limited* (*Working Results*) (*Para* 413, *page* 237-*ARCA* 1983-84).—Audit in this case pointed out that the Mills had been facing tough competition from private sector. The Mills were neither operating at installed capacity nor at Budgeted capacity. The low production had come down to break even point. This trend will lead to losses in subsequent years. The Management should take effective steps to boost up sales. The marketing strategy should be revised to meet the challenge.

812. The representative of the Department informed the Committee that Company was on disinvestment list. It was sold earlier, but there was legal lacuna in it. It could only be sold to *ex*-owner. A Bill to cover legal requirement of sales to parties other than *ex*-owner had already been proposed for introduction in the Assembly. The Company could not be run, in absence of final decision in the matter. All attempts were taken to reduce losses in the above conditions "Economic Reforms Order" (Amendment) was lying pending.

813. The Chairman PAC observed that it was not possible to control the losses every where and one could take care of losses at one place. Was it not possible to install more factories to absorb surplus labour and then to run all on profit ?

814. The Departmental representative informed that since there was hard competition, the Department had to be harsh in removing causes hindering the progress. The overall position of the Department was that a profit to the extent of 150 Crores was being earned by the Steel Mill. The Government announced increases in remunerations and allowances over and above those agreed with bargaining agents. This was required to be looked into at higher level.

815. The Committee after a detailed discussion directed that. —

(i) New fields should be explored to absorb surplus labour. The existing mills should be un-burdened from extra labour contributing towards losses. A paper should be submitted on the subject through Planning Division.

(ii) The Government should not announce fringe benefits to the workers over and above those agreed to by bargaining agents.

816. The Auditor General of Pakistan at this point observed that no doubt there was labour problem, but it had been discussed much. There were problems of Financial Management, Marketing and other weeknesses which are also required to be looked into. For example in this case legal action was considered essential after disinvestment exercise had been completed. The required paper should also cover all these aspects. The PAC desired that Secretaries Production, Labour, Planning, representatives of Finance and Audit should make a collective effort in preparation of this paper.

817. *Quality Steel Works Limited* (*Para* 416, *page* 239-*ARCA* 1983-84).—Audit pointed out that the Company earned a net profit of Rs. 5.73 million in 1983-84. This profit, however, decreased to Rs. 2.29 Million in 1984-85. The Management should look into the reasons of decreasing trend before it was too late. The Department reported that main decrease in net profit was due to reduction in sales of towers/structuers to WAPDA. The Committee directed that the Department should carry out a proper cost study. The WAPDA should also see that they were helpful to the organisation.

818. *Non-recovery of material from contractors Rs.* 1.101 *Million* (*Para* 47, *page* 58-*ARCA* 1983-84).—Audit pointed out that during 1977-78, Quality Steel Mills supplied material to five parties for execution of certain jobs. The un-utilized material valuing Rs. 1.101 Million was not taken back and had to be subsequently written off. The Department explained that it was a negligible amount. The proper guarantee in this case was not taken. Terms also were vague. The Department had already taken safeguards. The Committee expressed its dis-satisfaction over the lapses and asked the Production Division to be more vigilant in future. Subject to these remarks, the paragraphs was settled.

COMMERCIAL AUDIT REPORT (1984-85)

819. *Metropolitan Steel Corporation Limited—Loss of Rs.* 521,716 (*Para* 48, *pages* 55-56-*ARCA* 1984-85).—Audit in this case pointed out that in June, 1983 the Corporation exported mild and deformed steel bars to a party in Dubai, through an irrevocable letter of credit.

The amount of L.C. was credited to the accounts of the Corporation by United Bank Limited. Subsequently the party rejected the consignment on the plea that bars were in coils and not in straight length. The Corporation incurred extra expenditure of Rs. 521,716 on re-import of material.

820. The Department explained that party declared documents defective on flimsy grounds. The U.B.L. debited our accounts and refunded the proceeds to the party, which was not regular, the Bank had been warned for making this refund. The consignments were sold at higher rate and thus loss had reduced to fifty percent.

821. The Committee observed that warning was not sufficient in view of conduct of Bank in this case. A serious note should be taken. It was directed that Ministry of Finance and the banking council should look into it and a detailed report indicating the names of those involved in it should be submitted within one month. The consideration of paragraph was deferred.

822. *Special Steel of Pakistan Limited—Shortage of Stores—Rs. 7.954 Million (Para 643, page 324-ARCA).*—Audit reported to the Committee that in 1983-84, physical verification of stores revealed shortage of Rs. 7.954 million. The Department explained that the case was in the process of finalisation. A Committee was formed to look into the reasons of these shortages and to fix responsibility. The Committee delayed the report and the responsibility had also not been fixed. The Chairman PAC observed that the case was pertaining to 1983-84 and now it was 1987. It had been delayed. The Committee directed that the case should be finalized within one month and a report submitted to P.A.C.

823. *Swat Ceramics Company Limited—Loss of Rs. 18,498 due to non-recovery of advance (Para 43, pages 52-ARCA 1984-85).*—Audit pointed out that an advance of Rs. 44,000 was paid to a Firm for supply of bricks. The supplier failed to complete the contract. An amount of Rs. 34,39 thus stood overpaid to him. The Department accepted the observation and reported that the supplier had since closed its business and had gone into liquidation. The claim had been referred to the liquidator. The paragraph was settled subject to verification by Audit.

824. *Mis-appropriation of Cash amounting to Rs. 59.519 (Para 52, page 58-ARCA 1984-85).*—According to Audit Report, an incharge of Fair Price Shop who was advanced money for purchase of Atta, Ghee and Sugar, amounting to Rs. 59,519 disappeared in February, 1983 and mis-appropriated the amount. No security was obtained from him at the time of his appointment, although previous incharge also mis-appropriated, a sum of Rs. 60,831.

825. The Department informed the Committee that a decree had already been obtained from the Court and recovery was expected soo .. The Committee observed that proper security should have been taken from him The paragraph was settled subject to verification by Audit.

826. *Operational Results* (*Para* 406, *page* 233-*ARCA* 1984-85).—Audit brought to the notice of the Committee that the Company sustained a loss of Rs. 4.511 Million in 1984-85 and Rs. 11.803 million in 1985-86 on its operations. The Department explained the reasons for losses and reported that better results were expected during 1986-87. The Committee did not make any observation.

827. *Pakistan P.V.C. Ltd.—Expected Loss of Rs.* 64,992 *due to Non-Recovery from the Dealer/Agent* (*Para* 57, *page* 62-*ARCA* 1984-85).—According to Audit, a firm was appointed as dealer for the products of the Company. In accordance with the terms of his dealership he was to make full payment for orders placed by him and was also required to pay Rs. 10,000 as security deposits. An amount of Rs. 5,000 only was accepted as security and he was allowed credit facilities in contravention of terms of h.s agreement. Thus an amount of Rs. 69,992 was outstanding against him which he had refused to pay, resulting in a loss to Company.

828. The Department reported that the firm had defaulted and even had closed the business. All possible attempts were being made to recover the amount. It was not considered appropriate to sue the party as it would have been an expenses proportion. For the future, precautionary measures/were being taken. The Committee observed that there should be some definite legal course open in such cases. Something must be done to safeguard interests of the Public.

829. *Ittehad Pesticides-Blocking of funds.* (*Para* 234, *page* 164-*ARCA* 1983-84).—Audit in their report observed that funds to the extent of Rs. 58.144 million were blocked in stock-in-trade, stores and spares and trade debtors, which appeared to be on very high side. The Department informed the Committee that there had been improvement since then. The amount had been reduced to 35 Lacs and was further being reduced. The paragraph was settled by the Committee.

COMMERCIAL AUDIT REPORT (1983-84)

830. *Pakistan Steel Mills Corporation Ltd—Loss of Rs.* 1.336 *Million* (*Para* 42, *pages* 54-55-*ARCA* 1983-84).—According to Audit Report, a contractor employed on Coke Oven by product plant of Pakistan Steel Mills was allowed extra man hours due to supply of defective material and drawing to him in 1977, which resulted in a loss of Rs. 1.336 Million due to extra payment. The Department explained in reply that some of steel structures which were twisted during storing and transportation were repaired before installation. Some modified work in addition to that in B.O.Q. was got done from the contractor. The additional

man hours were allowed after a fair assessment by the Engineer and not as a matter of course. Audit pointed out that an officer was deputed to verify the assessment made but records were not produced. The Committee directed that the reply should be verified by Audit.

831. *Irregular/Unjustified payment of Rs.* 608,919 *for supply of Labour* (*Para* 43, *pages* 55-56-*ARCA* 1983-84).—Audit reported to the Committee that a payment of Rs. 608,919 was made in March, 1981 to a contractor for the commitment made by him to supply a labour force of 100 man during the period July to September, 1978 and again during July to September, 1979. The payment was irregular. It was reported that the contractor neither submitted his bill in 1978, nor during 1979. In 1980 all the records required were prepared and the bill was submitted by the contractor.

832. The Department explained that based on experience of 1977, when rains played havoc. It was decided to keep a labour force ready to meet any emergency. Proper records kept by Director Project, were shown to Audit. The records could again be shown, if so required. The Committee was not satisfied with the explanation and directed the Chairman PASMIC to take disciplinary action against the officials responsible and intimate results to the PAC. Names of those who made such a contract may also be reported.

833. *Loss of Rs.* 101,777 *due to undue favour to a contractor* (*Para* 44, *pages* 56-57-*ARCA* 1983-84).—According to Audit, terms of a contract for supply of POL to a contractor from Pump of a Steel Mills were changed subsequently to the benefit of the contractor which resulted in a loss of Rs. 101,777 to the Company. The Department explained that the bid was negotiated with the contractor who allowed 10% rebate on the contract value. The rate of P.O.L. were also negotiated and were omitted to be incorporated in the letter of intent. It was pointed out subsequently by the contractor and corrective action was taken. The Committee accepted the explanation and settled the paragraph.

COMMERCIAL REPORT (1984-85)

834. *Loss of Rs.* 76,482 *in purchase* (*Para* 45, *page* 54-*ARCA* 1984-85).—Audit pointed out that quotation on urgent basis were called at a notice of three days, but acceptance was delayed by two months, which resulted in revision of rates and consequently extra expenditure of Rs. 76,482 had to be incurred. The Department explained that the delay was due to non-availability of Foreign Exchange. The Committee accepted the explanation and dropped the paragraph.

835. *Loss of Rs.* 88,295 *due to non-recovery of short landing of* 32.49 *M. tons bloom* (*Para* 55, *pages* 60-61-*ARCA* 1984-85).—Audit brought out that 32 M. ton Bloom valuing Rs. 88,295 was short received in August, 1982. It was imported from Steel Corporation of America. The claim was lodged in March, 1983,

to bulk purchase of MEG and Rs. 7.48 million due to elimination of distributors for ployester fibre. As a result of these efforts, the accumulated loss was brought down from Rs. 106.4 million in 1985 to Rs. 75.21 million in 1986. There was, however, further scope of cut costs by shedding excessive labour and purchasing Terephthalic Acid and Methylene Ethylene Glycol on cash basis instead of 6 months credit, which was costing US $ 30 per M/Ton more in foreign exchange and 10% of the additional landed cost as import duty. The fact, however, remained that without exclusion of cumulative interest liability of Rs. 96.77 million, the favourable position may disappear. Again, without the existing level of portection imported polyester fibre and filament, NFL may cease to be competitive. Further improvements in production was not possible without debottlenecking of spinning section and increasing the number of high speed machines in DTFY. The implementation of these proposals depended upon approval of the financial restructuring. Installation of an additional fibre line of 12000 tons/annum capacity also needed serious consideration.

853. The Department reply reported that there were delays and also cost overruns but these were due to unavoidable circumstances. The loan was in American Dollars, whereas payment was in German Marks. There were heavy fluctuation in rate of Exchange. Supplies were withheld. It was NDFC which came to the rescue the Company. There were various factors which resulted in delay. Cement was in short supply. The construction was delayed. Again there were heavy rains. The Company earned profit during one of its operation years. The Department, however, intimated that it could not fix responsibility on any one.

854. The Committee directed that a copy of the report of Auditor General may be supplied to the PAC. The Bill introducing an amendment may be expedited to facilitate early restructuring.

855. *Stock in Trade* (*Para* 241, *page* 167-*ARCA* 1983-84).—Audit pointed out that Stock in Trade of the Company (Rs. 64.344 Million) included Rs. 3.062 million value of 130 Tons chips out of 250 Tons imported from Italy in 1981, which could not be processed being contaminated with impurities. A claim for compensation was stated to have been lodged with the supplier without any result. The Department explained the circumstances leading to import of material and reported that inspection could only be carried out on receipt of material. The Committee was not satisfied with the explanation and directed that names of those who placed the order and accepted it should be supplied to PAC.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (1985)

856. *Antibiotics* (*Pvt.*) *Limited, Iskanderabad* (*Perf. Eval. Report*) *Pages* 39—41 (*Vol*-II).—Audit reported that the unit set up during 1959 in Public sector

was engaged in pencillin manufacture and into being through an agreement between the Government of Pakistan and UNICEF & UNTAA (UN's auxilliary organisations) with the objective of producing the product economically for use in Pakistan on no-profit no-loss basis. Under the agreement, the Government committed itself to operate the plant at full capacity. The arrangement did not last longer and the Government freed itself from the commitment by converting the project into a private limited company for commercial operations. The management did not find the company viable with the existing inadequate production facilities. A PC-I scheme was proposed in August, 1977 for acquisition of high yielding strain and balancing and modernisation of existing facilities at an estimated cost of Rs. 7 million. The objectives of the scheme were to reduce the production cost by 30% by using better techniques and to increase the production from 12.5 MMU to 50 MMU per annum. The scheme was not approved by the Government and the management had to curtail its plan. Additional facilities were acquired at a cost of Rs. 4.8 million arranged through a loan from NDFC and the production capacity was increased to 20 MMU in 1981-82. Additional facilities posed a two fold problem to the company. Firstly the production facilities could not be utilised due to lesser sales and on occasions the plant remained shut down. Secondly the cost of production also increased due to lesser utilisation of production capacity coupled with the additional depreciation and interest charges relating to the additional facilities. The necessity of financial restructuring having already been accepted by the ECC in June, 1979, the company was allowed an additional equity of Rs. 10 million, out of which Rs. 4.5 million were released in November, 1984 and the balance in 1985-86. The delayed and inadequate action could not give the desired relief to the company as the persistent heavy interest charges did not allow the company to stand on its feet. The Management agreed in general with all of our findings and recommendations, but the reduction in administrative cost, as agreed to, was not visible. The administrative cost which was only 8.80% of sales value of production in 1983-84 increased to 12.76% of the same in 1985-86. The company's viability depended largely on its ability to market its annual production of 20 MMU. Finished goods inventory was piling up over the years and the company could hardly sell 48% of the available finished goods in 1985-86. Government's support in this direction was much needed otherwise the company was bound to collapse.

857. The Department informed the Committee that it was donated by United Nations in 1959. The Company was required to run on no profit, no loss basis. There was only capital of Government. The Government withdrew subsequently all concessions. In 1974, the institute was handed over to the Department. Imports were being allowed Even the Government Department were not compelled to buy their requirements from the company. The problems were increasing every day. Audit's contention that the product was banned was not correct.

It was some other dispute, which was not relevant to banning of Pencillin. It was running in losses since last 22 years but during 1983—85 it had earned some profit.

858. The Committee directed that the Management should make all out efforts for its capacity utilisation. It further directed that the Government should buy all its requirements from Antibiotic Ltd. and not from market.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (1986)

859. *Pakistan Engineering Company Ltd., Lahore (Perf. Eval/Pages* 130—182 *(Vol-I)*.—According to Performance Evaluation Report the company set up in private sector was nationalised in 1972. It was engaged in manufacturing of light engineering products like machine tools, turbines, pumps, concrete mixers, power looms, slow speed and high speed diesel engines, electric motors and bicycle. Production facilities for steel ingots, rolled material and power transmission towers also existed. The company had been in trouble since long but its sickness came into limelight in 1979-80 when its management was changed. A huge loss of Rs. 45 million was disclosed, which remained concealed through window dressing of the accounts. The position further aggravated in 1980-81 and the management was compelled to seek the Government's intervention. The then Finance Minister arranged for a relief of Rs. 60 million in the interest charges, from the lending banks during 1980—83, which was considered a sufficient breathing spell for the management to rehabilitate the company's Affairs. Another relief was provided by WAPDA during the period by affording an opportunity to the company to supply power transmission towers on cost plus basis. Full benefit of the breathing spell could not be derived by the management by rehabilitating the company's affairs on long-term basis. It may be pertinent to note that :—

(i) PFCO's success in pre-take over period lay in induction on new products in its production spectrum, as soon as the old items faced competition. Such an induction was already over-due at the time of takeover of the company by the Government. No new light engineering product was introduced except a substitute of German origin. H.S. diesel engine with Chinese one under a progressive deletion programme.

(ii) Engineering products like reaper, wheat thresher, monoblock design on centrifugal pumps, D.C. motors and other products stated to be in demand and recommended by marketing department for development in the Company's R&D Department could not be either attempted or developed. An attempt to develop reaper was made, but the project was abandoned after spending on it a lot of money and energy.

(iii) Profit per engine assembled and sold dwindled with the increase in deletion of imported parts through local manufacture and ultimately in 1985-86 when 55% deletion was achieved, which was a matter of pride for the management, a gross loss of Rs. 1 million was incurred.

(iv) Chinese H.S.D. engine was facing hard competition from the imported cheaper one of the same origin and capacity utilisation in the concerned shop did not exceed 87% in 1985-86.

(v) Production of bicycles was increased from 67,000 in 1979-80 to 121,000 in 1983-84 and the same was expected to exceed the target of 160,000 in 1986-87. Here too, full benefit of the market situation was not availed and BMR to boost the production to 300,000 conceived in 1983-84 was expected to be implemented in the next year. The competitors in private sector on the other hand took the lead by increasing the production and aggressive marketing.

(vi) Two electric motors for industrial use, newly developed by the company could not help the company to utilise the available production facilities in the concerned division and its utilisation remained below 20% in 1985-86.

(vii) Proposals for manufacturing new products like alternate self starters, domestic and industrial pumps made by the Company's experts who visited Europe in mid 1985 could not mature.

(viii) Works comprising Rolling Mills at Karachi was closed down and disposed of.

860. In brief, the company could not manage to utilise the available idle capacity. A study by experts engaged by Asian Development Bank was stated to be in progress. The consultants will suggest the necessary MBR of the plants as also the induction to deletion from the production spectrum. The company took maximum benefit of the WAPDA's orders and its gross profit earnings on towers were always higher than those earned on other products. During 1982-83, towers sales were only 55% of the total sales whereas gross profit earned on them was 75% of the total gross profit. The arrangements suited the management and company's dependence on WAPDA's orders increased. In 1985-86, however, when WAPDA's orders for power transmission towers dropped substantially, the company incurred a loss of over Rs. 40 million. The new management also revealed doubtful debts of Rs. 5 million and missing stocks of Rs. 2.068 million which contributed towards this loss. Further loss was expected when physical count of raw material manufactured and purchased parts was carried out as desired by statutory Auditors. This was second time that concealments was being revealed with the change in management.

861. Findings of the company's Performance Evaluation covering the vital areas of production, marketing and personnel, were :—

(a) Sufficient idle capacity existed in the company's works which needed identification for its best utilisation.

(b) Production losses and rejections were not given due attention.

(c) Arrangements for control on electricity consumption did not exist in general, and in Finance Division where the same existed, the excessive consumption was observed.

(d) Piece rate system appeared liberal and cases were observed where workers were earnings over 300/400% in excess of their normal earning without working over-time.

(e) Incentive to avoid "absenteeism and consequent payment of over-time to other workers" appeared ineffective.

(f) The company was over-staffed specially in officers' cadre.

(g) The company was not getting its due share in market due to its in competitive prices resulting from heavy labour cost and overheads.

(h) The company had largely depended on sales to Government Departments and public sector and no sales promotion activity of the items meant for general public, was noticed.

Keeping in view these findings and others mentioned in the report, recommendations to improve the situation were made, Introduction of new engineering products involving more skill and technique not available out-side the company, was also recommended. The management agreed in principle with all of the findings and recommendations. Implementation of recommendations concerning rationalising of piece rate system and other affecting the labour force directly looked doubtful in view of enormous pressure of politically motivated C.B.A. as hinted in the Ministry's reply. The representative of the Department observed that he was in agreement with the points raised by Audit in the Performance Evaluation Report and intimated that the study report of the Bank appeared to be ambitious.

862. The representative of Management reported that the conditions upto 1979 were not satisfactory. The Banks were charging penal rates of interest. All financial payments to the company were stopped. There were no funds to lift consignments from the port. Heavy demurrage charges accumulated. The relations with Banks deteriorated and none was prepared to cooperate. The chartered Banks were convinced to lift consignments and place in bounded were houses.

863. A demurrage of 5 million accumulated due to non lifting of their consignments for want of funds, NDFC came out to the rescue of the company and loaned Rs. 36 million on one L.C. The loan was paid back. The management had taken corrective measures. There were 5400 workers in 1980. The strength had been reduced to 4300. Pay rates were lower than any other company. As for bicycle manufacture, the annual production from 1962 to 1979 never increased to 50,000 No. It was 1,20,000 during 1984-85. It was estimated at 1,60,000 in 1986-87.

864. While explaining working of Furnaces it was reported that one of the Furnaces was not complete for operation. As for imported Furnace, it was not economical to operate it due to heavy maintenance charges. In absence of regular supply line, only one was in production and the other was kept ready as a stand by arrangement. It was not considerable to run both at a time. The company was earning profit due to increase in production, and decrease in labourers. The mian reason for losses during 1985-86. was that the old claims were not paid by WAPDA during 1985-86. Tower business was finished by WAPDA. A new engine line was necessary as old parts imported became dearer due to increase in Foreign Exchange Rate. Foreign suppliers stopped further supply thus there was no choice, but to change to new engine. The Company was facing difficulties due to imports by private sectors.

865. The Chairman PAC wanted to know if the company could run on Agriculture Machinery. The Management reported that it would require heavy investment to rehabilitate it to full capacity. It would be seen very carefully, as to what production line will be selected. Audit suggested that some technical experts should be asked to prepare a plan as the Management was not sure about its future plans, in spite of much experience. The Committee directed that an overall study of the whole problems should be carried out and specific recommendations submitted to PAC.

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

867. The Committee then adjourned to meet again at 9.00 a.m. on Monday, the 6th April, 1987.

K. M. CHIMA,
Secretary.

Islamabad, the 30th September, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 6th April, 1987

Fifteenth Sitting (PAC)

868. The Public Accounts Committee assembled at 09.00 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. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Nawab Muhammad Yamin Khan M.N.A. .. .. *Member.*

(4) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(5) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

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) 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.

Planning and Development Division :

Mr. Muhammad Yunus Siddiqui, Deputy Chief (I & C).

869. *Accounts Examined.*—Accounts pertaining to the Ministry of Production were examined by the Committee during the course of the day.

MINISTRY OF PRODUCTION

870. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Production. The following departmental representatives were present :—

(1) Khanzada Abdul Wadood Khan, Joint Secretary.

(2) Ch. Ali Ahmad, Deputy Chief.

(3) Mr. Muhammad Yaqub, Assistant Accounts Officer.

(4) Dr. Imtiaz A. Khan, Chairman (SCCP).

(5) Mr. Inam Alam Dad, Managing Director (SCCP).

(6) Ch. Muhammad Hanif, General Manager (Finance) (SCCP).

871. Performance Evaluation Reports pertaining to the State Cement Corporation of Pakistan were discussed.

872. *Kohat Cement Company Limited, Kohat* [*Perf. Eval. Report, pages* 1—52 (*Vol. II*)].—According to Audit, the project was set-up in the relatively backward area of Kohat with the objectives of attainment of market equilibrium between supply and demand of cement and affording sizeable employment potential to the people of the area. The project was approved in 1975 at an estimated cost of Rs. 324 million. It took over 8 years in completion as compared to a period of 3 years envisaged in PC-I Actual cost of project was Rs. 717 million. The project was in commercial operation since October,1983. It had been a losing concern financially upto June, 1986. Loss incurred during October, 1983 to June, 1986 aggregated to about Rs. 135 million. This loss was entirely borne by SCCP who allowed to the company a subsidy of Rs. 149 million during this period. The losses were due to below capacity utilisation (83 per cent during 1984-85 and 1985-86) and high cost of production due to consumption of raw materials and fuel, electricity, etc. at rates higher than the PC-1 or budgeted standards). Both the above problems were, due to plant defects, which kept the output of the three main operative sections (*i.e.* crusher, kiln and cement mill) below their designed capacities. Plant defects also caused excessive stoppages. Nearly one half of operational hours of cement mill and one third of those of kiln were, on an average, lost during first two years (1983-84 and 1984-85). It was estimated that excessive stoppages had resulted in loss of production to the extent of over 130,000 tons during last three years (October, 1983 to June, 1986). The project was also overstaffed. It was admitted that the project had achieved its objective of affording sizeable employment potential to the people

of the area. Its employees strength in 1986 was 848 which however, was excessive as compared to PC-1 which provided for 650 employees. Cherat Cement Factory, a private concern which had a capacity of 1100 tons per day against 1000 tons of KCCL and was located in an identical area had only 374 employees and was running at full capacity against 83 per cent capacity utilisation in KCCL. The management explained that major portion of overstaffing was in the maintenance section because of frequent breakdowns. The plant when commissioned in September|October, 1983 had revealed a number of defects due to relatively inferior technology of Romania who had supplied the plant. Because of inherent defects in the plant, the company was treated as a special case and accordingly its budgeted targets of production, capacity utilisation, percentage efficiency were allowed by the SCCP to be kept lower than the designed standards. The management had tried to rectify the defects. Design of transmission system was also modified. The unit took a turn for the better during the first six months of current year (July—December, 1986). Production efficiency of the plant, specially of the crusher had increased. Stoppages of kiln was considerably controlled although the cement mill continued to give problems due to higher percentage of stoppages. There was also reduction in some elements of costs. Operating expenses specially the financial charges also decreased. These factors enable the company to show an operating profit of Rs. 9.3 million during the first six months of current year. The management hoped that they would maintain the trend of profitability and that for the 1986-87 the company would not be in need of subsidy from the SCCP. The unit thus had potential of becoming economically viable. Efforts had to be made to achieve full capacity utilisation. Capacity utilisation during July—December, 1986 was only 89 per cent. Production could be raised to capacity through better control over production process and improved plant maintenance. Over employment also needed to be curtailed.

873. The Department admitted that there had been delay in arrival, clearance, erection, and commencing of plant. There were certain technical defects as well. It was Romanian Technology. There was certain procedural problems, which could only be cleared during process of production. There were logestic problems for cartage between Karachi and Kohat. Final costs were much more than the estimated cost. There were disputes with construction firms. The defects were being rectified. It was making profit now and management expects that it will be a healthy project. The Committee was not satisfied with reasons of delay and directed that delay should be justified.

874. *Maple Leaf Cement Factory Limited, Iskanderabad* [*Perf. Eval. Report Pages* 52—84 (*Vol. II*)].—Audit briefed the Committee that Maple Leaf Cement Factory was installed at Iskanderabad by PIDC in 1956 to produce

ordinary portland cement having production capacity of 380 tons of clinker per day. An other kiln was added in 1960 with a production capacity of 570 tons clinker per day. The company's plants were quite old. Cement was being manufactured through wet process which was rather expensive, at least, as far as fuel and energy was concerned. However, it was commendable that the company's management paid special attention to repair and maintenance and were keeping the old plants in good shape to achieve production at satisfactory capacity levels. Due to partial stoppage of gas supply in 1983-84, the company had to switch over to the use of furnace oil—costlier fuel—which affected the production economy. The increase in retention price from Rs. 486 to Rs. 506 per ton during 1983-84 could not absorb the increased fuel and energy cost and Government had to pay Rs. 20.433 million to compensate the increase in costs. The retention price was increased to Rs. 656 per ton in 1985 and to Rs. 713 in 1986. Net profit before tax was Rs. 17.19 million in 1984-85 and Rs. 21.697 million in 1985-86. Production performance of kiln-II was poor as compared to older kiln-I it was stated that design of kiln-I was better and it was not possible to obtain the same Production performance from kiln-II. Consumption of fuel and energy inputs during 1979—86 indicated significant variations which needed control to utilise resources to the optimum efficiency level. Company's sales, purchase and partially finance departments are located at Lahore. Keeping in view the sales zone of the company, there appears little justification for keeping sales and finance personnel at Lahore. The Department informed the Committee that Audit suggestion had been noted. Capacity utilisation was 99.2 per cent. Profits were increasing every year. The Chairman observed that private sector was entering into the market for competition and thus special efforts were required toward betterment. The Department reported that company was in a position to force competition. The Committee directed that Internal Audit should be strengthened and attempts should continue for betterment.

875. *White Cement Industries Limited, Iskanderabad* [*Perf. Eval. Report, pages* 86—115 (*Vol. II*)].—In this case Audit observed that White Cement Industries (PVT) Limited was established in 1966-67 with production capacity of 15,000 tons per annum. In 1977, the SCCP planned to double its existing production capacity. The project was approved by CDWP in October, 1977 and by ECNEC in May, 1978. It was estimated to be completed in 30 months. It was based on 90 per cent imported plant and machinery. It was, however, desired by ECNEC to utilise maximum local resources. The contract with M|s. FLS was delayed as Production Division in January, 1979 desired to obtain quotations from the contractor for supply of the entire plant and equipment. As a result, the arrangements with M|s. FLS already agreed to in August, 1978 were

finalised in January, 1980. The exercise did save virtually nothing in foreign exchange but increased the local costs by more than 150 per cent besides considerable delays in completion of the project by 37 months resulting in production losses and imports of white cement to fill the Damage gap. Estimated cost (PC-1 proforma 1977) and actual costs were as under :—

(*Rs. in million*)

	Local	Foreign	Total
PC-I proforma (1977)	27.010	25.159	52.169
Actual cost	67.557	23.598	91.155

Operating results of the company after expansion were not as good as were before expansion. Net income did not increase corresponding to increase in sales. This was due to restricted production resulting in low capacity utilisation and low off take due to competition with imported cement. The results, however, improved considerably in 1985-86 when the capacity utilisation was improved and the fuel and power consumption were controlled. In view of the growing demand of white cement in the country, the Corporation may consider the expansion of the production capacity of the company for import substitution. The Department reported that Audit suggestions were welcomed. The proposed yardstick was not possible as it was the only white cement plant in the country. Costs could only be compared with private sectors, when such plants are installed. The Committee appreciated the work done by management and observed that there was a scope for betterment.

CH. ABDUL QADIR,
Additional Secretary.

Islamabad, the 30th September, 1987.

Annexure 'B'

FEDERAL COUNCIL SECRETARIAT

Sunday, the 28th October, 1984

Sixth Sitting (PAC)

*816. The Public Accounts Committee assembled at 9.30 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) Syed Saieed Hasan, Member, Federal Council .. .. *Member, Acting Chairman.*

(2) Akhunzada Bahrawar Saeed, Member, Federal Council.. *Member.*

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

Federal Council Secretariat :

(1) 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) Syed Iftikhar Shabbir, Deputy Auditor-General (Co-ord).

(3) Mrs. Suraiya Hafeez, Deputy Auditor-General (CA).

(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, Audit and Accounts Works.

Ministry of Finance :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mr. Shamsul Haq, F.A. (Health).

*Paragraphs upto 815 and 817 to 853 pertain to other Ministries/Divisions.

MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

854. The Committee then took up for its examination, the Appropriation Accounts etc., pertaining to the Ministry of Health, Special Education and Soical Welfare. The following departmental representatives were present :—

(1) Mr. Irshasd Ahmad, Additional Secretary.

(2) Mr. Muhammad Yusuf Khan, Deputy Secretary (B&I).

(3) Mr. Mehr Khan, Section Officer (F&A).

(4) Mr. M. Sharif, Section Officer (B&C).

(5) Dr. S. Mohsin Ali, Medical Superintendent (CGPC).

(6) Dr. Z.A. Jan, Deputy Director General (GC).

855. This Ministry controlled the following grants :—

S.No.	Name of Grant	Grant No.
1.	Health and Social Welfare Division	65
2.	Medical Services	66
3.	Public Health	67
4.	Other expenditure of Health and Social Welfare Division ..	68
5.	Development Expenditure of Health and Social Welfare Division	152

856. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation of Accounts for the year 1983-84 had not yet been completed. *The departmental representative was, therefore, directed that all pending reconciliation work should be completed within a fortnight.*

857. At the outset, *the Committee discussed the Foreign Exchange Accounting System and took the following decision —*

As directed by the PAC in its last session vide Federal Council Secretariat U.O. No. F. 10 (1) 1981-82/84-PAC, dated 13-9-1980, the foreign exchange accounting statement should be furnished by the Ministry of the PAC at its next meeting.

858. *The Committee also further took the following decisions about the Format of replies to Audit Reports etc.—*

(i) *Ministries and Divisions are required to furnish replies* vis-a-vis *Audit Reports etc. in the appropriate format and to reproduce only such portions of the Audit Reports etc. as relate to the Ministry and on which the Ministry has a reply to submit. Unnecessary reproduction of portions of Audit Reports etc. makes the statement of repllies from Ministries avoidably bulky and wasteful.*

(ii) *Attaching copies of each and every communication as Annexures to replies should also be avioded, wherever the same may not be essential. Copies of such documents need only be furnished to Audit.*

AUDIT REPORT

Irregularities and losses in Central Government Poly Clinic/Hospital during 1975—79

859. *Loss of Rs. 17,425 due to irregular and uneconomical purchases [Para 3 (i) (a), page 145-AR].*—Audit had pointed out that 150 beds were purchased @Rs. 340 per bed for Rs. 51,000 in June, 1977 without adopting 'open Tender System', with the result Government could not avail a itself of the benefit of Competitive rates or superior quality. Another lot of sixty beds was purchased for Rs. 55,500 in June, 1977 from two firms at Rs. 925 per bed after rejecting an offer of Rs. 800 per bed, given by a third firm. The transaction resulted in a loss of Rs. 7,500. The loss was yet to be investigated and responsibility fixed.

860. In their reply, the Ministry explained that these beds were purchased for a newly constructed ward in the Islamabad Poly Clinic. Tenders were called through the press. The lowest tender was accepted and order was placed on the firm for immediate supply of the beds. But the firm failed to suppiy the beds up to the end of March, 1977. Therefore, this order was cancelled and another order for the purchase of fowler beds @Rs. 800 each was issued. But the firm again failed to present the sample to the purchasing Committee for approval. After waiting up to June, 1977 an order was placed on the firm of Uni-Combine to supply the requisite beds @ Rs. 925 each as opening of the ward could not be postponed for an indefinite period.

861. Thereupon, Audit alleged in their comments that the reply of the Ministry was not clearly. The reply referred to only the purchase of 60 beds whereas Audit observation related the purchase of 150 beds without calling tenders @ Rs. 340. As regards the 60 beds purchased @ Rs. 925 while an offer of Rs. 800 had been approved. Audit maintained that the Ministry while this rate was approved no order had been placed on the bidder. As such, the Ministry should re-check the position and give a complete reply to Audit.

862. Questioned as to what was the normal price, the departmental representative submitted that it was between Rs. 230 and Rs. 250. Some 20 beds were purchased for Rs. 220 each. The Audit representative raised a question as to when the department invited tenders and whether they had asked for a sample and whether the furnishing a sample not a requirement before awarding a contract. The departmental representative replied that the contractor did not supply the sample. No sample was produced by the lowest tenderer. His tender was outlisted because he had not met the requirement.

863. After discussion, *the Committee, directed that action should be taken against those responsible for purchasing beds at Rs. 340 per unit., instead of Rs. 220 per unit, without inviting tenders.*

864. *Tender inquiry for the supply of bed sheets etc.* [*Para 3, (i) (b), page 146-AR*].—According to Audit, in response to tender inquiry for the supply of 1088 bed sheets and 475 bath and hand towels, the lowest offers of Rs. 12, Rs. 4 and Rs. 3.50 respectively, were accepted by the Ministry in October, 1975. Yet supplies of the three items were actually obtained @ Rs. 18, Rs. 15.70 and Rs. 8 respectively, in June, 1976, without assigning any reason. This resulted in a loss of Rs. 9,925.

865. The department explained that the contractor, with whome an order was placed for the supply of these items, failed to do so, although reminders were sent to him more than once. Therefore, an order was placed on an other contractor for the supply of these items at higher rates, as these were required urgently.

866. After discussion, the Committee directed that action should be taken against those who purchased bed sheets and towels at higher rate without inviting tenders. The department was also asked to ensure that, in future, samples of these articles were duly obtained in each case with the tenders.

867. The Committee further directed that as the procedure followed by the department was defective, a workable and proper procedure should be evolved to ensure that there were no loopholes were left to allow unscrumpless officials to take advantage. Subject to Audit monitoring the compliance with the recommendations, the paragraph was dropped.

868. *Loss of Rs. 8,120 due to lost discount* [*Para 3 (ii), page 146-AR*].—Audit had reported that medicines were being purchased at a discount of 2% to 2-1/2 % from the local drug stores, while other approved firms were prepared to supply the same drugs at 5% to 8% discount. The Government thus, sustained a loss of Rs. 8,120 worked out on the basis of test-check.

869. It was stated by the department that the manufacturers did not supply 100% medicines on 8% discount. as they manufactured a limited number of medicines. Besides damands for medicines are based on individual prescription whereas the Manufacturers do not sell their products on retail basis.

870. Audit maintained that the reply of the department indicated that proper procedure was not being followed by the hospital. The Ministry may advise the hospital to ensure compliance with the purchase procedure. The Committee directed the department to do so. Subject to such direction, the paragraph was dropped.

871. *Non-recovery of Rs. 332,550 on account of excess calls from residential telephones* [*Para 3 (iii), page 1046-AR*].—Audit had pointed out that Rs. 87,936 were paid in excess of the prescribed ceiling, from Government account, for calls made from residential telephones of fourteen doctors during 1975 to 1978.

872. The department explained that as the users of the telephones did not to pay the amounts due from them, the A.G.P.R. was requested to make deductions in installments from their pay bills.

873. A member enquired as to why recoveries were not made so far ? The departmental representative answered that these recoveries were to be made from salaries in installments.

874. After discussion, *the Committee directed that action should be taken for the non-recovery of excess calls and a workable procedure for such recovery should be evolved. A report should be furnished covering both the above issues alongwith up to date position of outstanding recoveries to the PAC. The consideration of the paragraph was deferred.*

875. *Irregular construction of room for Canteen* [*Para 3 (iv), page 146-AR*].—As reported by Audit, Rs. 17,875 were reimbursed to the Canteen Contractor who had constructed a room for his Canteen in the premises of the Clinic in 1978. The claim was admitted without supporting vouchers. No estimate was prepared and approval of the plan was not obtained from CDA/PWD. The expenditure was irregular and in contravention of paragraph 10 of General Financial Rules.

876. The department informed the Committee that the Canteen was functioning in a room of the Islamabad Poly Clinic. On the other hand, a telephone exchange was also to be installed, but there was no room for it. It was, therefore, decided to use the canteen premises for the installation of the telephone exchange. As regards the canteen, as it was not possible to construct a new room for the purpose, the Canteen Contractor was asked to construct a cabin in the premises of the hospital on the understanding that he would be reimbursed its cost.

877. Audit maintained that the basis of acceptance of the Contractor's claim of Rs. 17,875 should have been given as it was not supported by vouchers or recommendations of CDA engineers who were incharge of the premises.

878. A member of the Committee remarked that if the department had to provide space, there was nothing wrong with it. But, the department should have obtained the Vouchers for the cost of construction. The departmental representauve submitted that in case the Committee approved the CDA Engineer would be requested to carry out the measurements and certify that the expenditure incurred was correct.

879. The Committee accepted the above suggestion of the departmental representative and made no further observation on this paragraph.

880: *Undue favour of two Contractors [Para 3(v), page 146-AR]*.—Audit had reported that in Central Government Hospital (Now General Hospital), Rawalpindi undue favour was given to Contractors whose higher rates were accepted by the Ministry in August, 1978 for the supply of fruit and liveries for the Hospital. The hospital authorities had recommended that lowest rates but the Ministry accepted the second lowest bid on the plea, which was not substantiated, that the contractor would not be able to supply the items at the quoted rates. Due to acceptance of higher rates the Government sustained a loss of Rs. 116,055

881. It was explained by the department that the lowest tenders in the two cases, were not accepted because the rates quoted for certain items were below the prevailing market prices. It was, therefore, felt that it would not be possible for the contractor to maintain the standard of quality for these items at the rates proposed by them. Therefore, the second lowest tenders were accepted.

882. Replying to a query, the departmental representative submitted that the General Hospital remained under the Federal Government for a number of years but since last year it had been handed over to the Punjab Government. A member of the Committee again enquired as to who was responsible for the maladministration of and incurring of expenditure at the Islamabad Hospital. The departmental representative submitted that a detailed report would be furnished to the Committee.

883. *The Committee directed that a note on the Islamabad Hospital Complex should be furnished to the Committee by December, 1980 explaining as to why the Complex was not put to use so far, thus causing wasteful expenditure.*

884. *As for undue favour to Contractor's in regard to General Hospital, Rawalpindi, the Audit representative assured that he would again look into it, and also submit a report to the Committee, if deemed necessary.*

885. *Non-realisation of Departmental receipts (Para 4, Pages 146-AR)*.—In the National Institute of Health, against the supply of sera and vaccines worth Rs. 2,236,000 during January to June, 1981, Rs. 1,057,984 remained unrealised. This was a violation of the provisions of Paragraph 28 of the G.F.R. Vol-I. The

unrealised receipts prior to January, 1981 could not be assessed due to non-production of proper records. The whole account of sale proceeds required re-casting and the un-realised amount should be recovered without further loss of time.

886. It was explained by the Ministry that the Audit party from A.G.P.R. Islamabad conducted the audit and inspection of the Proforma Accounts of the Biological Production Division, of the Institute for the years 1980-81 to 1982-83, when it visited the Institute from 9-1-1984 to 19-1-1984. The latest position of recoveries as on 31-5-1984 was that Rs. 962, 616 were realised and a balance of Rs. 95,367 was outstanding. The matter of recovery of the balance was being pursued by the Institute authorities with the concerned agencies. Audit pointed out that there was no effective and regular system of realisation of dues of the Institute and as such same receipts remained outstanding indefinitely.

887. After a discussion, *the Committee directed the departmental representative that recoveries due to National Institute of Health should be expedited and procedures for Payment to the Institute stream-lined.*

888. *Excess Payment of Rs. 5,406 (Para 5, page 107-AR).*—Audit had reported that in a Public Works Division under the Ministry of Health, an excess payment of Rs. 5,406 was made to a contractor on account of incorrect calculation during June, 1978. The excess payment was pointed out during local Audit in December, 1979 and was brought to the notice of the Ministry of Health in April, 1980, but recovery had not been reported to Audit so far.

889. The Ministry explained that the Bolan Medical College Complex had since been transferred to the Pak. P.W.D. Quetta in compliance with the President's Directive. The Chief Engineer, Pak. P.W.D. Quetta was also the Project Director of the Complex. The matter of recovery of Rs. 5,406 had, therefore, been taken up with him, but so far no reply had been received.

890. Replying to a query about the excess payment, the departmental representative informed the Committee that previously the Project was under the Ministry of Health and was now transferred to the Ministry of Works. A member of the Committee remarked that there were many complaints about the Bolan Medical College. The departmental representative informed the Committee that the department had prepared a report in this respect. In the report, the P.W.D. questioned the suitability of the site for the location of the hospital. The Planning Commission had gone into the whole matter in 1982 and prepared a report. Thereupon, the member enquired as to whether the department had taken any action on that report, and had they taken any action against the persons concerned ? The departmental representative expressed that the report was not with our Ministry.

891. After further consideration, *the Committee directed that a full report about the construction of Bolan Medical College should be prepared, in consultation with the Pak, P.W.D. and furnished to the Committee. Audit should also be associated with it. The report should also indicate as to what is proposed to be done to retrieve the situation.*

892. *Shortage of material worth Rs. 10,600, (Para 6, page 147-AR).*—Audit had pointed out that in a Public Works Division under the Ministry of Health, tolls and plant articles amounting to Rs. 10,600 were fund short during physical verification, conducted by the Divisional Officer in 1976-77. The shortage was pointed out during local audit in December, 1979. The department stated in reply, that the case had already been registered with the F.I.A.

893. It was explained by the department that the matter of recovery of Rs. 10,600 had been taken up with the Chief Engineer Pak. P.W.D. Quetta, but no reply had been received so far.

894. After discussion, the Committee decided to drop the paragraph, subject to the departmental representative looking into it, and furnish the latest position of outstanding recovery to PAC, if necessary.

895. *Outstanding Audit and Inspection Reports [Para (7), pages 280-281-AR].*—After having gone through the Audit objection and the reply of the department, the Committee decided that the paragraph be treated as settled.

896. *Delay in processing of G.P. Fund Cases [Para 274—77), pages 281—285-AR].—The Committee directed the departmental representative to go into the cases and finalise them as early as possible. Audit should also follow the matter and see whether the cases of G.P. Fund had been finalised.*

897. *Delay in the processing of pension cases [Para 3 (111—129), pages 286—291-AR].*—The Committee, taking into consideration the importance of the finalisation of the pension papers, *directed that a note should be furnished to it indicating in each cases the date of receipt of the application for pension, the date on which it was referred to Audit and the date on which Audit finalised the case.*

APPROPRIATION ACCOUNTS

898. *Grant No. 65—Health and Social Welfare Division (Page 610-AA).*—According to Audit, the difference of Rs. 664,200 between the Audit and the departmental figures in respect of the final Grant was due to the fact that Audit had correctly taken the supplementary grant of Rs. 283,000 which appeared in the supplementary grants book, as against Rs. 947, 200 mentioned by the department. The supplementary grants for the difference were agreed to by the Finance Division but the relevant schedules were submitted late *i.e.*, in may and June 1982. Whereas the last date for submission was 20-4-1982. The Ministry should give reasons for the late submission of schedules.

899. Audit further pointed out that the difference of Rs. 447,497 in Actuals was due to the following reasons :—

(i) Short booking of Rs. 10,838 by C.A.O. under Code 421 (030).

(ii) Double accounting of Rs. 19,402 by the department in their working under Code 421(500).

(iii) Non-accounting by the Ministry the expenditure of Rs. 477,736 relating to National Commission on Child Welfare Rawalpindi under this Ministry which had already been reconciled, under code 471 (500).

900. Consequently, Audit had reflected a net excess of Rs. 1,153,249 whereas the department had depicted the not excess of Rs. 41,552, only.

901. *The Committee observed that Audit and the department should sit together and finalise the case.*

902. *Grant No. 66—Medical Services (Pages 626—634-AA).*—According to Audit, the difference of Rs. 971,700 between the Audit and the departmental figures in regard to the Final Grant was in the supplementary grant. The Supplementary Grant Book contained a Supplementary Grant of Rs. 7,135,000 and not Rs. 8,106,700 as stated by the department. The schedules for the difference were submitted by the Ministry after the due date *i.e.* 20-4-1982. Audit further pointed out that in actuals the difference of Rs. 1,803,870 was due to the fact that the department had not included actuals relating to some offices.

903. A member of the Committee remarked that the biggest saving of Rs. 7,556,683 was under '500 Commodities and Services' and stated that such large saving required explanation. He also suggested that the department should furnish explanation for the excess of Rs. 184,750 under object 012 Other Staff under the function head 422-General Hospital and Clinics, and the saving of Rs. 184,308 under object 030 Other Allowances.

904. In view of the above position, *the Committee directed that specific explanation should be furnished by the Ministry in regard to excess/savings under the objects 422—012, 030, 100, 500 and 600 to the Committee. The paragraph was deferred.*

905. *Grant No. 67—Public Health (Pages 636—640-AA).*—According to Audit there was a difference of Rs. 24,028 between the Audit and the departmental figures of expenditure. No observation was made by the Committee.

906. *Grant No. 68—Other Expenditure of Health and Social Welfare Division (Pages 620-621-AA).*—The Appropriation Accounts show a saving of Rs. 190,850 under this Grant, whereas the department maintained that the saving was only Rs. 5,500.

907. After going through the comments of Audit, the Committee did not make any observation in respect of this grant.

908. *Grant No. 152—Department Expenditure of Health and Social Welfare Division (Pages 622—625-AA).*—The Appropriation Accounts show a net saving of Rs. 11,844,332, under this grant whereas the department indicated a saving of Rs. 2,689,462. A member pointed out that a surrender of Rs. 143,102,260 had been shown in the Appropriation Accounts 1981-82, but the department had not given any concrete explanation for such surrender.

909. The same member also asked for a comprehensive reason for the department having spent most of the amount on the item " Others ".

910. After discussion, *the Committee directed the departmental representative to furnish full explanation to the Committtee for the savings allocated for medicines against this Grant.*

911. *The Committee also further took the following decision :—*

> *The Ministry should note that explanations should be furnished in all cases where large surrenders are made and also where there are above 5 per cent of the allocation.*

COMMERCIAL ACCOUNTS

912. *Fair Price Drug Stores [Para 3(XIX) to (XXII), Page 7-ARCA].*—Audit reported that the accounts were not compiled so far.

913. It was explained by the department that these paragraphs also were included in the Auditor-General's Report on Commercial Accounts for the year 1980-81 as paragraph 3 (VIII) to (XI), Page 6 of the Report. The replies to these paragraphs of the Ministry were considered by the PAC in its meeting held on 10th May, 1984 and decided that the matter may be got regularized through the Finance Division. Accordingly a case had been sent to that Ministry. Final decision, as soon as taken, would be conveyed to Audit. Thereupon, Audit stressed that the decision of the Finance Division needed to the expedited.

914. Replying to a query as to whether the final decision had been taken by the Finance Ministry and if when did not department receive the reply from that Division, the departmental representative stated that it was received on 17th July, and on 16th October, 1984 another reply was also received. Finance Division had said that the keeping of accounts was the responsibility of the Auditor-General of Pakistan. The department was advised to take up the matter with the Auditor-General. Thereupon, a member observed that the Committee had felt that its previous directive was given with the concurrence of Audit. Hence there was no need for a further reference to the Auditor-General.

915. The Committee, therefore, did not make any further observation on this paragraph *and directed that action should be taken on the basis of its earlier directive.*

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

916. *Fair Price Drug Stores (Page 7-ARCA) (Paras 840—842, pages 260-261-PAC Report 1979-80).*—The Committee had previously directed that a self-contained note should be furnished to it about Fair Price Drug Stores, there working, financial position etc. by the end of March, 1983.

917. In compliance, the Ministry explained that a self-contained note was submitted to the Deputy Director Commercial Audit, Karachi on 29th March, 1983. It was elaborated therein that the Federal Government established 14 Fair Price Drug Stores in 1972-73 and 1973-74 in the country with a working capital of Rs. 1,991,214 in order to ensure continued availability of drugs when there was an apprehension of drug-shortage due to the introduction of the generic scheme which was opposed by the Pharmaceutical Industry and Trade. Due to un-satisfactory management of these stores and mis-appropriation of funds by some of the Managers of these stores, the Federal Government decided to liquidate the aforesaid stores. It was further pointed out in the note that due to political appointments of Managers and other staff in these stores, no proper accounts were maintained by them. The accounts and financial position of 10 Fair Price Drug Stores based on the available records were prepared by Health Division. Those accounts were audited by the Commercial Audit Department. From all the aforesaid Fair Price Drug Stores it would be observed that a total loss of Rs. 270,082 had been sustained by 8 Fair Price Drug Stores namely Quetta, Multan, D. I. Khan, Bahawalpur, Rawalpindi, Landikotal and Mardan due to their un-satisfactory management and a total profit of Rs. 469,938 was made at Lahore and Peshawar. Thus there was a net profit of Rs. 199,856 at the 10 stores.

918. The Ministry further explained that the position regarding the compilation of Commercial Accounts of the remaining four Stores was as under :—

(i) *Larkana.*—This Store was established in June, 1974 with a working capital of Rs. 100,000. It remained in operation till May, 1976. The Manager of the Stores was suspended due to mis-appropriation of funds and case against him was registered by the F.I.A. authorities. The F.I.A. authorities had finalized the case and the accused the then Manager of the store had been found guilty for embezzlement of Rs. 46,670. He had been sentenced to 18 months rigorous imprisonment and a fine of Rs. 35,000. The Commercial Accounts of the store could not be prepared due to non-availability of the relevant records.

(ii) *Hyderabad.*—It was also established in 1974 with a working capital of Rs. 100,000 and was wound up in April, 1986. The Manager of Store never maintained any accounts. After the winding up of the Store, records, were transferred to Islamabad for preparation of the accounts but the requisite documents were not available ; hence the account could not be prepared.

(iii) *Faisalabad.*—It was established in June, 1974 with a working capital of Rs. 100,000 and was wound up in March, 1976. Efforts were made to prepare its accounts but the same could not be prepared as the Manager did not maintain proper records.

(iv) *Karachi.*—This store was established in 1973 with a working capital of Rs. 350,000 and it was wound up in November, 1975. Due to misappropriation of funds, a case had been registered against the Manager of the Store by F.I.A. which was still in the Court of Law. Accounts of the store cannot be prepared till such time as the matter was decided by the Court.

919. During the discussion of the above mentioned departmental explanation, the Ministry brought to the notice of the PAC that the point had also come under discussion in the meeting of PAC held on 10-5-1984 and the PAC, after deliberations, had directed that the case of four Fair Price Drug Stores, Karachi, Larkana, Hyderabad and Faisalabad may be taken up with the Finance Division for condonation of the maintenance of accounts thereof.

920. The Audit representative interrupted and said that one of the four cases had been decided and another had been sent to the F.I.A. for further investigation. The other two persons were out of country. Therefore, the accounts could not be prepared. Relatively speaking it was a small part of the whole.

921. A member of the Committee observed that the PAC had asked whether these persons had been dismissed, or had resigned or had left the country. Four out of 14 Stores had not produced their records, but action had been taken against only one. Who had decided to take action against only one. The Auditor-General observed that as far as the responsibility of the Audit in the matter was concerned, it could not examine every account every year and it had therefore been suggesting time and again that the department should introduce internal audit and should have effective control over the shops.

922. *The Committee after discussion came to the conclusion that the department should take every step to finalise the matter in the light of the Committees arlier decision and report to Audit.*

923. *Infructuous expenditure on the purchase of a Plant—Rs. 23,555 (Page 15-Interim—AR) (Paras 326—328, page 76-PAC Report 1970-71) (Paras 806-807, pages 261-262,-PAC Report 1979-80).*—As the Ministry had previously not furnished any reply, the Committee directed the departmental representative to submit their reply early. In compliance, the Ministry explained that the case regarding regularisation of an expenditure of Rs. 23,555 incurred in the modification of C.G.P.C. Building had been taken up with the Finance Division. As the Hospital along with its assets including the plant in question had been transferred to the Punjab Health Department *w.e.f.* 1-7-1980 in compliance with a Presidential directive, M/s. Siemens were requested by the Medical Superintendent, Rawalpindi General Hospital to carry out inspection to install the X-Ray Plant. The firm, however, could not conduct the survey, as the original documents of the machine were not available, Thereupon, Audit pointed out that the X-Ray plant procured for the Central Government Poly Clinic, Islamabad in June, 1972 could not be installed during its eight years of retention with Federal Health Authorities. In June, 1980, on de-centralisation of Central Government Hospital Rawalpindi, the Provincial Health Authorities became the custodian of the Plant. Rs. 23,555 were spent by the Central Government Poly Clinic on laying down the special electrical wiring etc. The amount was not spent on the modification of Clinic's building. According to the Clinic's letter dated 21-7-1973, the firm had already completed 3/4th of the job when orders for the stoppage of installation of the Plant were conveyed. The engineers had warned that it would be spoiled by lack of proper looking after, as the electronic equipments lying in the room and exposed to humidity would become ineffective. Audit further pointed out that despite the lapse of 12 years neither the Federal nor the Provincial Health authorities had been able to put the plant in commission.

924. Explaining the position during the course of discussion, the departmental representative informed the Committee that in 1972 two officers *i.e.* Medical Superintendent, Poly Clinic and another senior officer went to Lahore and they purchased the equipment on the presumption that they were purchasing from the M.S.D. and not from the open Market. Therefore, no formalities of inviting tenders were required. Then they informed the Ministry that they had purchased a plant which was very useful and required for the Poly Clinic. Since the Ministry did not agree to that purchase, the Plant was lying and it was not installed or commissioned. After some period the Ministry ordered that the plant may be transferred to the Rawalpindi General Hospital.

925. *After discussion the Committee desired to know the responsibility of the officials concerned. It also directed Audit to See that the plant was either used or disposed of. The Committee further directed the Audit to submit its full comments for the consideration of the Committee as incomplete information and comments would not serve any purpose. The paragraphs were, therefore, deferred.*

926. *Grant No. 65—Medical Services (Page 80-AA). (Paras 830—832, pages 258-259-PAC Report 1979-80).*—The Committee had previously directed that in so far A.G.P.R. was concerned, disciplinary action should be taken against any employee found responsible for it in the office of the A.G.P.R. Similary, those concerned with such accounts in the supervisory levels should also be dealt with suitably.

927. A member of the Committee observed that Audit was supposed to take disciplinary action. The Finance representative observed that apparently there was no reconciliation. There had been a number of cases in which the Committee had asked Audit to take disciplinary action against the employee of the A.G.P.R. but the Audit department had not reported one single case in which such action had been taken. The Audit representative assured the Committee that he would submit a report on the action taken in this respect.

928. *The Committee directed the Audit to submit its full comments for consideration of the Committee as the incomplete comments would not serve the purpose. The paragraphs were, therefore, deferred.*

929. *Grant No. 150—Development expenditure of Health and Social Welfare Division (Page 178-AA) (Pages 837-838, page 260-PAC Report 1979-80).*—The Committee previously directed the department to furnish full details of expenditure and clearly state whether the expenditure was incurred on purchase of equipments or the construction of the Islamabad Hospital.

930. After going through the details furnished by the Ministry a member remarked that he would like to have more information and in the report it should be mentioned explicitly as to how much foreign exchange was utilized on equipments *i.e.* both electronic or electrical, what was the warrantee given by the manufacturer.

931. After discussion, *the Committee further directed that the report should show as to what equipment had been purchased. This would be considered alongwith the paragraph on Islamabad Hospital Complex. These paragraphs were, therefor, deferred.*

932. *Procedure for purchase abroad (Para 839, page 260-PAC Report 1979-80).*—Earlier, the Committee had directed that the procedure in regard to allocations for purchases from abroad needed to be reviewed.

933. In compliance, the Ministry submitted that according to prevailing procedure Ministries, Divisions, and Departments submit their indents for purchases abroad to the Department of Supplies, an attached Department of the Ministry of Industries which floats the bids, invites tenders, and places orders on the successful bidders. It therefore, felt that the information should be obtained from the Ministry of Industries who should also be directed to review the prevalent procedure.

934. After discussion, *the Committee directed that the Ministry of Industries should be addressed to take action on the following directive of the PAC, as they are the concerned Ministry* :—

> "*The Committee came to the conclusion that the procedure in regard to allocations for purchase from abroad needs to be reviewed.*"

935. *Fair Price Drug Stores (Para 841, page 261-PAC Report 1979-80).*—The Chairman of the PAC had previously remarked that somebody should be held responsible for this mess. It should be stated by the department as to how much loss was inherited, how much of it had been realised and the amounts remaining as outstanding.

936. After going through the departmental reply, *the Committee decided that the Finance Division should be requested for the condonation of non-maintenance of Accounts of the closed-down Stores.*

937. *Grant No. 98—Group Head 'C' Grants for Medical purposes (Paras 464-465, page 107,-PAC Report 1976-77) (Para 843, page 261-PAC Report 1979-80).*—The departmental representative was previously directed by the Committee to ascertain the bottlenecks in the procedure, if any, to avoid such an occurrence in future.

938. Questioned as to what was the latest position, the departmental representative informed the Committee that it had been sorted out and all the accounts had been reconciled.

939. Thereupon, the Committee decided to drop the paragraph.

940. *Excess expenditure relating to J.P.M.C. Karachi (Paras 844-845, page 261-PAC Report 1979-80).*—In compliance, the Ministry explained that on further inquiry, it was revealed that the excess expenditure was due to the reappropriation of a sum of Rs. 1,306,200. Had the amount been not re-appropriated, there would have not been an excess of Rs. 1,197,217.

941. The department further explained that as regards action against the defaulter who failed to furnish the details of excess/surrenders on the basis of actual expenditure in the preceding months, the Director, J.P.M.C., Karachi held Qazi Muhammad Owais the then Assistant Director General responsible for it. As he had retired from service, no disciplinary action was possible against him.

942. After discussion, *the Committee directed that action should be taken against the officer, who failed to proceed against Qazi Muhammad Owais before his retirement. A report on such action should be furnished by December, 1984.*

943. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other paragraphs/points concerning the (i) Appropriation/Commercial Accounts for 1981-82 and the Audit Reports thereon ; and (ii) compliance report of PAC's recommendations in their Report for 1979-80. This would be deemed as settled subject to such regularisation action as may be necessary under the rules.

M. A. HAQ,
Secretary.

Islamabad, the 28th December, 1985.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 31*st August*, 1986

Thirteenth Sitting (PAC)

*860. 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. .. .. *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) Nawab Muhammad Yamin Khan, M.N.A. .. .. *Member.*
(6) Malik Said Khan Mahsud, M.N.A. .. .. .. *Member.*
(7) Shahzada Jam Muhammad Yusuf, 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. 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. Iftikhar Ali Khan Raja, Director General, (A&A Works).

Ministry of Finance :

(1) Mr. S. M. Badrul Hassan, Deputy Secretary (Budget).
(2) Mr. Shamsul Haq, F.A. (Health).

*Paragraphs upto 859 and 861 to 892 pertain to other Ministries/Divisions.

MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

893. The Committee then took up for examination the Appropriation Accounts etc., pertaining to the Ministry of Health, Special Education and Social Welfare. The following departmental representatives were present :—

(1) Mr. Fazalur Rehman Khan, Secretary.

(2) Mr. S. H. Rizvi, Joint Secretary.

(3) Mr. Muhammad Yusuf Khan, Deputy Secretary.

(4) Rear Admiral M. Mohsin Pal, D.G. (Health).

(5) Mr. Mehr Khan, Section Officer.

(6) Mr. Muhammad Iqbal Khan, Engineering Adviser.

(7) Mr. S. I. H. Zaidi, Joint Secretary (SE&SW Division).

(8) Mr. Pervez Iqbal, SWPO.

(9) Mr. M. Sharif, S.O. (B&C).

894. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Health and Social Welfare Division	63
2.	Medical Services	64
3.	Public Health	65
4.	Other Expenditure of Health and Social Welfare Division ..	66
5.	Development Expenditure of Health and Social Welfare Division	150

895. *Reconciliation of Accounts with Audit.*—Audit pointed out that Reconciliation of Accounts with AGPR, Islamabad for the year 1985-86 in respect of 27 Departments of Special Education and Special Welfare Division were not carried out at all. Similarly reconciliation work of 30 offices under Ministry of Health was not commenced for the year 1985-86. The Committee took a very serious view of neglecting this important work and directed that the reconciliation should be completed within one month.

APPROPRIATION ACCOUNTS

896. *Grant No.* 63—*Health and Social Welfare Division* (*Page* 398-*AA*).—The grant closed with a saving of Rs. 595,720 which was within permissible limits. The Committee did not make any observation.

897. *Grant No.* 66—*Other Expenditure of Health and Social Welfare Division* (*Page* 403-*AA*).—According to Appropriation Accounts there was a saving of Rs. 998,532 which worked out to 23 per cent of Final Grant of Rs. 4,251,000. The Department pointed out that figures of actual expenditure had not been shown correctly by Audit and that there was an expenditure of Rs. 3,904,759 as against Rs. 3,252,468 shown by Audit and thus there was a saving of Rs. 83,241 only which was less than 3 per cent of the Final Grant. Audit explained that the difference was due to the fact and some of the expenditure shown by the Department was booked in 1981-82 and some of it during 1983-84 by the respective Accounts Officers. The Chairman PAC observed that such situations could be avoided by carrying out reconciliation at appropriate time.

898. The PAC directed that the Department should reconcile figures of expenditure regularly with Audit. As for saving, the Department should not have gone for Supplementary Grant when there was a saving. The Department should be careful in future.

899. *Grant No.* 150—*Development Expenditure of Health and Social Welfare Division* (*Page* 404-*AA*).—According to Audit there was an excess of Rs. 62,462,304 under this grant, which was about 18 per cent of the Final Grant. The Department in this case again contested the figures of actual expenditure and Final Grant shown by Audit and reported that a surrender order of an amount of Rs. 6,700,000 had not been accounted for under correct head. Audit reported that the position pertaining to difference in figures of expenditure would be verified from various Sub-offices.

900. On a query from the Chairman PAC, the Department briefed the Committee on the progress of work being done in respect of Islamabad Hospital Complex, which according to Department was progressing satisfactorily towards its completion. The PAC after discussion desired that Auditor-General should carry out Performance Audit of this Project. The Department should also furnish a brief pertaining to this project.

901. *Grant No.* 64—*Medical Services* (*Page* 406-*AA*).—This grant closed with a saving of Rs. 4,230,551 which was about 3 per cent of the Final Grant. Audit observed that Supplementary Grant of Rs. 12,609,000 proved to be partly un-necessary due to this saving. The saving being within permissible limits, the Committee did not make further observation.

902. *Grant No.* 65—*Public Health* (*Page* 411-*AA*).—There was an excess of Rs. 2,536,369. The Committee after going through the explanation of the Department recommended the excess for regularisation.

AUDIT REPORT

903. Consideration of Para 1, page 62, Para 2, page 63, Para 3 and 4, page 64 of Audit Report were deferred upto 7th September, 1986.

Special Points

904. *Civil Surgeon's Dispensary, Quetta.*—The Chairman during his visit to Quetta visited Civil Surgeon Office and Dispensary at Quetta and observed that building did not appear to have been properly designed, which resulted in wastage of substantial space. There was no arrangement for providing medical attendance to female patients. The dispensary was also not provided with any investigation facilities.

905. The Department while replying to the observations by Chairman PAC reported that the dispensary at Quetta was established during the year 1983-84 and was to cater for the out-patients only, No in-door facilities were envisaged in the original scheme. In fact, in other Provincial Capitals too *i.e.*, Karachi, Lahore and Peshawar where there are larger number of Federal Governments, in-door facilities in the Civil Surgeon's Dispensaries were not available Patients requiring in-door facilities were referred to Provincial Government Hospitals where Federal Hospitals do not exist. A PC-I for the construction of Dispensary at Quetta to cater for the out-door treatment only was designed by the Pakistan Public Works Department and after having gone through the normal process, it was finally approved by the Planning Commission at a cost of Rs. 4.704 million in June, 1982.

906. With regard to the observation of the Chairman of Public Accounts Committee about the covered area of the building that it can accommodate 10—15 hospital beds, it is clarified that the building consists of 3 Wings—a male and a female wing to accommodate office of the Civil Surgeon, male and female Medical Officers, waiting room, registration room and rooms for carrying out minor surgical procedures. The third wing is the services wing to accommodate X-Ray machine and laboratory etc. As regards equipments, this Division has already proposed in budget provision for 1986-87 for the purchase of Ambulance, X-Ray plant and other furniture and fixture. However, Finance Division had agreed only to X-Ray plant due to resource constraint.

907. The post of Civil Surgeon|Associate Physician was created in August, 1983. The post was reported to the Federal Public Service Commission for making recruitment. The Commission had since made the nomination and it

was expected that the officer would be in position by the end of September, 1986. However, the Acting Civil Surgeon had furnished the details of the equipment that were required in the dispensary. He had asked for the post of a Lady Medical Officer, a Sanitary Worker and facilities of equipments of Radiological Department, Clinical Laboratory, Dental Surgery, Eye and ENT Sections and Ambulance. The provision of X-Ray plant Pathological Laboratory and Electric Cardiograph Machine as pointed out by the Chairman, Public Accounts Committee will also be considered and will be provided with in the available resources to the centre in consultation with the regular Civil Surgeon, Quetta, and, if funds were not available, in consultation with the Ministry of Finance. The space available will be utilised for the improvement of the dispensary and it was hoped that the resources invested in the dispensary will not go waste.

908. The Committtee after discussion observed that it appeared to be wrong decision taken at that time and was a waste of Public Money. Some one should be responsible for this wastage. The names of the persons responsible should be intimated to the PAC. The dispensary should now be better utilized.

909. *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.

M. A. HAQ,
Secretary.

Islamabad, the 17th February, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Sunday, the 7th September, 1986

Eighteenth Sitting (PAC)

*1134. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, 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) Mr. Anwar Aziz Chaudhry, Minister for Local Government and Rural Development .. .. *Member.*
(3) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*
(4) Rai Arif Hussain, M.N.A. .. .. *Member.*
(5) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*
(6) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*
(7) 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) 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) Raja M. Saleem Khan, Director, Foreign Audit.
(7) Mr. Iftikhar Ali Khan Raja, Director General, Audit and Accounts Works.
(8) Mr. Abdur Rauf Khan, A.A.O. (IS&F).

Ministry of Finance :

(1) Mr. Masood Ahmed, Deputy Secretary.
(2) Mr. Shamsul Haq, F.A. (Health).
(3) Mr. H. A. Niazi, F.A. (Works).

*Paragraphs up 1133 and 1135 to 1174 pertain to other Ministries/Divisions.

MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

1175. The Committee then took up for examination Performance Audit Report pertaining to Bolan Medical College Complex, Quetta. The following departmental representatives of Ministry of Health, Special Education and Social Welfare were present :—

(1) Mr. Fazalur Rehman Khan, Secretary.

(2) Admiral M. Mohsin Pal, D.G. (Health).

(3) Mr. S. H. Rizvi, Joint Secretary. (Health).

(4) Mr. Muhammad Yusuf Khan, Deputy Secretary.

(5) Dr. Q. A. Subur Khan, ADG (Development).

(6) Mr. Iqbal Ahmed, Engineer Adviser (Health).

(7) Mr. Mehr Khan, Section Officer (F&A).

(8) Mr. S. R. Poonegar, Additional Chief Secretary (Development) Government of Baluchistan.

1176. The following departmental representatives of Works Division were also present :—

(1) Mr. Abdur Rahim Mahsud, Secretary.

(2) Mr. Abdul Wahab, Joint Secretary.

(3) A. W. K. Sherwani, Director General (Pak. PWD).

(4) Mr. S. Fasihuddin, Chief Engineer, Planning (Pak. PWD).

(5) Sh. Faiz Ahmed, Chief Engineer (Pak. PWD), Karachi.

(6) Mr. S. Tahzibul Hasan, Chief Engineer (Pak. PWD), Quetta.

(7) Mr. M. I. Rajput, Chief Engineer (Pak. PWD), Islamabad.

PERFORMANCE AUDIT REPORT

1177. *Bolan Medical College Complex, Quetta.*—The Performance Audit Report was considered alongwith the Inspection Note of Chairman, Public Accounts Committee who visited the project in July, 1986 (Annexure E).

1178. In Performance Audit Report it was pointed out that Bolan Medical College Complex, consisting of one Medical College, a teaching hospital and a nursing school with residential and hostel accommodation facilities was approved in May, 1973 at an initial cost of Rs. 75 million in pursuance of a public announcement by the then Prime Minister. The project was revised to Rs. 250 million in May, 1977 with foreign exchange component of Rs. 45.938 million. A second revised PC-I for Rs. 478.5 million, was granted anticipated approval in December, 1982 but third revision had again been made amounting to Rs. 730 million by Pak. PWD, in 1984.

1179. In addition to the objectives as laid down in PC-1, the Project aimed at improving health standard, providing training facilities and job opportunities to skilled/unskilled persons. The entire project was to be completed by the end of 1980 but owing to change in scope of work and lack of proper progress control, the complex was expected to be completed in August, 1986 subject to the condition of availability of funds in due time.

1180. The execution of the project was initially entrusted to provincial Communication and Works Department which was then transferred to consultants and engineering adviser of the Ministry of Health. The execution had been entrusted to Pakistan P.W.D. in August, 1983.

1181. The administration of the Complex (Located at Quetta) had been under the direct control of the Ministry of Health, Government of Pakistan, Islamabad and payments were also released from Islamabad.

1182. The work remained without supervision of the consultants from April, 1976 to September, 1981. No progress reports were available with the complex authorities for the period prior to 1st September, 1981. The position was similar upto June, 1983 and since then works had been nearly suspended.

1183. As regards its accounting procedure, there was no prescribed accounting system which could depict clear picture of the accounts. The project accounts had neither been maintained on PWD pattern nor on the commercial basis. The poor financial control also led to many financial irregularities.

1184. In the Audit Report for 1981-82 two cases involving excess payments and shortages of Rs. 0.016 million were pointed out. In 1982-83 nineteen cases involving irregular expenditure of Rs. 35.209 million, excess payment of Rs. 0.505 million and other cases of undue Financial Aid, non-recovery, infructuous expenditure totalling Rs. 3.374 million were reported. Similarly during 1983-84 and 1984-85 five cases of excess payment and other financial irregularities involving an amount of Rs. 45.309 million were reported. The construction standard of civil, electrical, airconditioning and heating works was very poor.

1185. The study of the project indicated that the project was not planned properly which necessitated its three revisions. Similarly the execution was not supervised and monitored efficiently which led to charge of control from Baluchistan Government to Health Division and from Health Division to Pak. P.W.D. The study also shows that no sincere and fruitful effort was made by any controlling agency to take remedial steps for efficient execution of the project. A huge investment of about Rs. 340 million already made had not produced any benefits even after a lapse of 12 years. It was recommended that the project may be started immediately and new priorities be fixed in the revised completion schedules so that maximum segments of the project can be completed for use in the light of the fund allocation. Similarly, tender documents and contract agreement may be reviewed and defaulting contractor may be penalized for delay and defective works.

1186. Audit further pointed out that complete records pertaining to project were not available. They had to put relevant pieces together and consequently it had emerged that it was a case of poor planning and inefficient implementation.

1187. On a query from Chairman PAC as to why there had been inquiries in the case of this project, the departmental representatives intimated that it was due to complaints received, and further reported that an arbitration clause was inserted in 1980. Director General was supposed to be the Arbitrator, but contrary to the provisions of contract Brig. Mohammad Ashraf was appointed as arbitrator by Ministry of Health. He gave the Award. The Ministry challenged the Award in a Court of Law, the work was suspended and thus delay. The Department admitted that quantity of construction was not good but it was better than any other construction work at Quetta. The Director General Health visited Quetta under orders of Prime Minister. He submitted a Summary on the basis of which Health Division was directed to take over the project. They had already spent Rs. 30 million on the project.

1188. It was further informed that the work was handed over to Ministry of Works in October, 1983. In 1986 Nes-Pak submitted their report. They suggested remedial measures, implementation of which was to cost Government Rs. 35 million. They pointed out that even the laid down specifications were not followed in execution of the works.

1189. On an inquiry from Chairman PAC, the representative of Works Division reported that the work was allotted at such high rates in 1974 that it could be executed and completed at those very high rates in 1986. Government had spent Rs. 38 crore so far on this project.

1190. A member at this point observed that Public Money was spent without caring for rules and regulations. There had been serious violation of rules and regulations for which the responsibility must be fixed.

1191. The Committee after a long and detailed discussion expressed its displeasure over the fact that no senior officer visited the project while it was under construction. The case may be handed over to F.I.A. for probe into it and to submit a report to the Committee fixing the responsibility for mis-management.

1192. The Committee then adjourned to meet again at 09.00 a.m. on Monday, the 8th September, 1986.

M. A. HAQ,
Secretary,

Islamabad, the 29*th March*, 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 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) 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 Pakistan Revenues.

(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 Husain, Joint Secretary (Budget).

(2) Mr. Tanwir Ali Agha, Deputy Secretary.

(3) Mr. Shamsul Haq, FA (Health).

*Paragraphs upto 526 and 528 to 588 pertain to other Ministries/Divisions.

MINISTRY OF HEALTH, SPECIAL EDUCATION AND SOCIAL WELFARE

589. The Committee then took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Health, Special Education and Social Welfare. The following departmental representatives were present :—

(1) Mr. Fazalur Rehman Khan, Secretary.

(2) Surgeon Rear Admiral M. Mohsin Pal, Director General (Health).

(3) Major General (Retd.) M. I. Burney, Executive Director (NIH).

(4) Mr. S. H. Rizvi, Joint Secretary.

(5) Dr. S. Mohsin Ali, Medical Superintendent (F.G.S.H.).

(6) Mr. Muhammad Yusuf Khan, Deputy Secretary.

(7) Mr. Iqbal Ahmed Khan, Engineering Adviser.

(8) Dr. Mushtaq Ahmed Chaudhry, DDG (M).

(9) Mr. Mehr Khan, Section Officer (F&A).

590. This Ministry controlled the following grants—

S. No.	Name of Grant	Grant No.
	1983-84	
1.	Health, Special Education and Social Welfare Division ..	63
2.	Medical Services	64
3.	Public Health	65
4.	Other Expenditure of Health, Special Education and Social Welfare Division	66
5.	Development Expenditure of Health, Special Education and Social Welfare Division	148
	1984-85	
1.	Health Division	65
2.	Medical Services	66
3.	Public Health	67
4.	Special Education and Social Welfare Division	68
5.	Other Expenditure of Health, Special Education and Social Welfare Division	69
6.	Development Expenditure of Health Division	153
7.	Development Expenditure of Health, Special Education and Social Welfare Division	154

APPROPRIATION ACCOUNTS (1983-84)

591. *Grant No. 63—Health and Social Welfare Division (Page 302-AA)*.—This grant closed with an excess of Rs. 1,328,358. The Department reported that the excess was due to payment of Advance Salary on Eid and also due to revision of pay scales. The Committee recommended the excess for regularisation through Excess Budget Statement.

592. *Grant No. 64—Medical Services (Page 508-AA)*.—There was an excess of Rs. 3,875,489 under this grant, which was stated to be mainly due to payment of Advance Salary on Eid and revision of pay scales. The Committee recommended the excess for regularisation through Excess Budget Statement.

593. *Grant No. 65—Public Health (Page 514-AA)*.—This grant closed with an excess of Rs. 343,779. The Department explained that except for an excess of Rs. 122,705 under "Commodities and Services" attributed to the difference in figures booked by Audit and Department the remaining excess was on account of payment of Advance Salary on Eid and revision of Pay Scales. The Committee recommended the excess, for regularisation and desired that the Secretary may submit a paper giving information regarding facilities to be provided in Islamabad Hospitals with a view to avoid sending people abroad for treatment.

594. *Grant No. 66—Other Expenditure of Health, Special Education and Social Welfare Division (Page 520-AA)*.—According to the Appropriation Accounts, this grant closed with an excess of Rs. 1,671,827. The Department reported that this excess included Rs. 1,143,216 booked on account of debits for expenditure pertaining to the year 1982-83. Then again there was a case of double booking of expenditure. The Committee directed that the position may be reconciled with Audit. The excess was, however, recommended for regularisation through Excess Budget Statement.

595. *Grant No. 148—Development Expenditure of Health, Special Education and Social Welfare (Page 522-AA)*.—According to Appropriation Accounts, this grant closed with a huge saving of Rs. 234,876,322. The Department explained that an amount of Rs. 25.8 Million was announced in the Budget to be spent for special education of handicap children, although no such demand was made. The representative of Finance observed that this was some thing more unusual. Ordinarily it was not possible which would be sorted out. The Department reported to the Committee that funds for the schemes costing more than 100 Millions could not be utilized as the response from Provincial Government was not forthcoming as they had no proper Administrative Machinery to implement

the projects. Similarly certain proposals for procurement of equipment for Islamabad Hospital Complex were not finalized. A proposal for conversion of Foreign Exchange into local currency for an exchange component of Rs. 8,600,000 was not agreed to by the Planning and Development Division, apprehending that there was no time left to utilize it.

596. The Committee directed that F.I.A. may be asked to submit their report on Bolan Medical College Complex. The PAC will discuss this issue in its next meeting with the Department.

AUDIT REPORT (1983-84)

597. *Excess payment of Rs.* 35,675,105 (*Para* 1, *page* 86-*AR*).—According to the Audit Report, payment of Rs. 35,675,105 were made to the contractor over and above of the value of work done as reported by the Consultants in June, 1982. The Department replied that Consultants verification was not correct and this happened due to non-coordination between the contractors and Consultants. The contractor had already sought an arbitration. An arbitrator had been nominated by Ministry of Health under orders of Prime Minister. The Department had prepared terms of reference, which were being sent to Law Secretary and then to Audit.

598. The Committee deferred consideration of the Paragraph. It will be taken up alongwith other points of " Bolan Medical College " in the next meeting. The Committee further directed that in case more than one Divisions were involved, the case should be finalized within two months.

APPROPRIATION ACCOUNTS (1984-85)

599. *Grant No.* 65—*Health Division* (*Page* 516-*AA*).—This grant closed with a saving of Rs. 3,073,577. The Department intimated that saving was mainly due to vacant posts which could not be filled in and also due to the facts that expected delegations for which budget provision was made did not arrive. The Committee directed that a paper be prepared showing the effects as to how much budget and facilities were required which should create a situation where there remained no need for any persons going abroad for treatment.

600. *Grant No.* 66—*Medical Services* (*Page* 520-*AA*).—As per Appropriation Accounts, there was an excess of Rs. 13,421,712 under this grant. The Department explained that there was no excess under this grant. An expenditure of Rs. 26,756,426 on account of purchase of two C.T. Scanners from Development Budget was incorrectly booked by Audit under this grant. Actually there was a saving under this grant. The Committee directed that the matter should be looked into by Audit and Department and position reconciled.

601. *Grant No. 67—Public Health (Page 526-AA)*.—According to Appropriation Accounts there was a saving of Rs. 1,728,506 under this grant, which was 6 per cent of the Final Grant. The Department explained that this was again due to variation in Departmental and Audit Figures. The Committee directed that the reconciliation should be carried out in time.

602. *Grant No. 68—Special Education and Social Welfare Division (Page 532-AA—)*.The grant closed with a saving of Rs. 1,901,166, which was 28 per cent of the Final Grant. The Department explained that the main saving was due to certain posts having remained vacant. The officer with Technical Qualification were required, which were not available inspite of best efforts, hence saving. The Committee accepted the explanation.

603. *Grant No. 69—Other Expenditure of Special Education and Social Welfare Division (Page 534-AA)*.—There was a saving of Rs. 2,899,595 under this grant which was attributed to less release in certain cases. An amount of Rs. 2,075,196 was surrendered on 30th June, 1985, but was not accepted, being late. The Committee observed that surrenders should be made well in time.

604. *Grant No. 153—Development Expenditure of Health Division (Page 535-AA)*.—In this case, the grant closed with a saving of Rs. 119,541,307, which was 18 per cent of the Final Grant. The Department reported to the Committee that funds were not released for want of utilization report. Certain amounts surrendered were not accepted. There was certain cases of wrong booking also. The Committee viewed, this trend of saving under Development Grant as serious and observed that the Department should be careful in future.

605. *Grant No. 154—Development Expenditure of Special Education and Social Welfare Division (Page 539-AA)*.—This grant closed with a saving of Rs. 27,166,410, which was 73 per cent of the Final Grant. The Committee was not happy with the saving and observed that savings should be avoided in future.

606. *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, as may be necessary, under the rules.

607. The Committee then adjourned sine-die.

M. A. HAQ,
Secretary.

Islamabad, the 18th July, 1987.

Annexure 'C'

FEDERAL COUNCIL SECRETARIAT

Thursday, the 10th January, 1985

Fifteenth Sitting (PAC)

*2455. The Public Accounts Committee assembled at 09.00 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) Akhunzada Bahrawar Saeed, Member, Federal Council *Member*

(3) Mir Jam Ghulam Qadir Khan of Lasbela, Member, Federal Council .. .. *Member*

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

(5) Mr. 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. 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, Director General, Audit and Account Works, Lahore.

(8) Raja M. Saleem Khan, Director Foreign Audit, Islamabad.

---

*Paragraphs upto 2454 pertain to other Ministries/Divisions.

Ministry of Finance :

Mr. Manzur Husain, Joint Secretary (Budget).

2456. *Accounts Examined*.—Accounts pertaining to the Ministry of Interior were examined by the Committee during the course of the day.

MINISTRY OF INTERIOR

2457. The Committee took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Interior. The following departmental representatives were present :—

(1) Mr. Roedad Khan, Secretary General.

(2) Mr. Mazhar Rafi, Additional Secretary.

(3) Mr. Abdul Wahab, Joint Secretary.

(4) Mr. U. D. Khan, Deputy Secretary.

(5) Brig. Tafsirul Islam, DIG, F. C (NWFP).

(6) Mr. Ghulam Qasim, A. S. (F. C., Baluchistan).

(7) Mr. M. A. Bari, Director, Immigration and Passport.

(8) Mr. Bashir Ahmad Khan, D. G. (Registration).

(9) Major Haron Rashid, DAA and QMG (HQ Pakistan Rangers).

(10) Ch. A. Majeed A. Auolakh, Principal, Central Jail Staff Inst., Lahore.

(11) Mr. M. S. Khattak, (DCD), Islamabad.

(12) Mr. Javed Hasan Aly, Director (FIA).

2458. This Ministry controlled the following grants :—

Sl. No.	Name of Grant	Grant No.
1.	Ministry of Interior	86
2.	Islamabad	87
3.	Passport Organisation	88
4.	Civil Armed Forces	89
5.	Registration Organisation	90
6.	Civil Defence	91
7.	Federal Investigation Agency	92
8.	Other Expenditure of Ministry of Interior (except CDA portion)..	93
9.	Development Expenditure of Ministry of Interior	157

2459. *Reconciliation of Accounts with Audit.*—The Committee noted that the reconciliation work of the Ministry for the year 1984-85 had not yet been completed. *As such the Committee directed that the outstanding work of reconciliation of accounts should be got completed expeditiously.*

APPROPRIATION ACCOUNTS

2460. *Grant No. 86—Ministry of Interior (Pages 768—772-AA).*—The Vice-Chairman observed that the complete picture of the grant had not been given by the Ministry in their brief. The Appropriation Accounts show that there was actually an overall saving of Rs. 1,215,958. The overall position of the grant was not shown. Under the primary units of the Grant there were excesses. Then also in the case of a number of primary units, Audit had commented that the figures were different from the reconciled amounts. The Vice-Chairman emphasised that the overall position of the Grant should always be shown. If the appropriation had been done at the appropriate time this difficulty would not have arisen.

2461. The Vice-Chairman further remarked that the explanation given by the Ministry against each object was not at all satisfactory. It appeared that no one followed the accounts for the year under review. Nobody knew under which object there was saving and under which there excess. The accounting control required to be improved.

2462. *Grant No. 93—Other Expenditure of Ministry of Interior (Pages 774—779-AA).*—The Appropriation Accounts show a saving of Rs. 7,332,743 under this grant but the overall position had not been mentioned in the brief of the Ministry. For the saving of Rs. 6,159,900 under object "500—Commodities and services", it was explained by the Ministry that the actual expenditure had not been correctly booked by Audit. The actual expenditure was Rs. 8,233,147 and not Rs. 1,935. Thus there would have been an excess of Rs. 137,042 and not the saving shown in the Appropriation Accounts. The Ministry further stated that out of the above excess and amount of Rs. 67,033 had been incurred on the Police Guards posted at Pakistan Mint, Lahore, which was due to grant of one advance increment and enhancement of rates of Dearness Allowance and Conveyance Allowance with effect from 1st July, 1981. The remaining excess of Rs. 70,009 had been incurred on account of Security Prisoners and Detenus, due to the increased activities of terrorists and anti-social elements.

2463. Audit stated that the difference between Audit and Departments actuals represented (i) debits of Rs. 6,110,000 omitted by mistake by DAGPR, Lahore adjusted in 1982-83; (ii) expenditure of Rs. 600,000 relating to Code 600 adjusted here.

2464. The Vice-Chairman observed that the Accounts had not been reconciled and the expenditure was not booked. It is a case of defective accounting which should be avoided. The responsible officer in Audit should be called upon to explain as to why : (i) he failed to get the accounts reconciled at proper time ; and (ii) he did not watch the expenditure against the grant.

2465. *After discussion, the Committee took the following decisions on grants Nos. 86 and 93 :—*

(i) *Re-appropriation between Grants and Objects must be resorted to at the proper time to avoid savings and excesses.*

(ii) *The Accounts Section of the Ministry should be strengthend for better management of Accouns and those, who failed to reconcile the Accounts at the proper time and did not effect the reappropriations timely, should be dealt with suitably.*

(iii) *The Ministry should arrange to secure monthly accunts from the various organisations under it, for monitoring the expenditure regularly.*

2466. *Grant No. 157—Development Expenditure of Ministry of Interior (Pages 780—782-AA).*—The Ministry could not explain the excess of Rs. 298,769 shown against this grant in the Appropriation Accounts. As regards the excess of Rs. 299,019 under object "513—Agriculture Research and Extension Services Burner Pilot Project", the Ministry stated that the actual excess was of Rs. 617,322. Explaining the position, the Ministry stated that releases amounting to Rs. 613,300 were made by U.S. Aid in November, 1981, but provision for it could not be made in the budget through Supplementary Grant and as such, the excess had occurred. A member of the Committee further remarked that the amount was not shown in the recoveries either and enquired as to why the department had not passed a recovery entry. The departmental representative replied that it was a dollar grant and the department had to ensure the allocation of matching fund, *i.e.* equivalent fund in rupee. On the member persisting the departmental representative admitted that there was a lapse on their port.

2467. After discussion, *the Committee took the following decisions :—*

(i) *A recovery entry must invariably be made, simultaneously with that of expenditure from any foreign grant or Aid.*

(ii) *The Accounting Officer in the Ministry, who omitted the above action in this case, should be taken against him.*

(iii) *The excess expenditure should be regularised through the Excess Budget Statement.*

2468. *Grant No. 87—Islamabad (Pages 784—804-AA)*.—The Appropriation Accounts show an excess of Rs. 1,226,970 under this grant. The explanation furnished by the Ministry against each object of the grant was not found satisfactory by the Committee. The Committee observed that no one in the Ministry seemed to be interested in maintaining correct accounts. Accounting control should be improved. The Vice-Chairman also observed that the officer incharge of the accounts in the Ministry had not delivered the goods properly in maintaining the correct accounts. *The Committee directed that the department should have the Accounts reconcile with Audit.*

2469. *Grant No. 88—Passport Organisation (Pages 806—808-AA)*.—A not saving of Rs. 322,477 is shown in the Appropriation Accounts under this grant. The Committee observed that the Accounting control was not satisfactory and it should be improved as the explanation furnished by the Ministry was not convincing Audit also pointed out that in the reply of the Ministry an overall position of Grant as shown in Appropriation Accounts had not been reproduced. When advised to do so, the Ministry declined to accept this advice. The Committee did not, however, make any further observation on this grant.

2470. *Grant No. 89—Civil Armed Forces (Page 810-AA)*.—Audit had exhibited a net excess of Rs. 12,704,829 under this grant. The Ministry had not given an overall position of the grant. As regards the excess of Rs. 12,777,900 under object '020—Regular Allowances', the Ministry explained that the figure of Final Grant had not been correctly worked out by Audit. According to Final Grant shown in the Skeleton Appropriation Accounts of AGPR. (Sub-offices, Peshawar and Quetta), issued *vide* their letter No. BUD. II/R.B./81-82/486-88, date 1st March, 1983 and B&R/App.|A|cs|88|82|780, dated 9th December, 1982 respectively, the Final Grant under this Code Head was as under :—

		Rs.
Baluchistan		120,684,600
N.W.F.P.		101,314,789
	Total ..	222,998,389

Thus there would be an excess of (Rs. 232,723,989—221, 998,389) Rs. 10,725,600 instead of Rs. 12,777,900 as shown in Appropriation Accounts.

2471. The Ministry further stated that the above excess was due to enhancement of rates of Dearness Allowance, Conveyance Allowance and House Rent Allowance, with effect from 1st July, 1981 for which no provision existed in the Budget. The Vice-Chairman observed that the excess due to the increased allowance could not be avoided therefore, the explanation of the Ministry was acceptable. The department should, however, have a through check over the accounting system as the whole accounting section was very poor.

2472. *The Committee finally directed that wherever a Ministry might request Finance Division for any Supplementary Grant, for the purpose of meet-inescapable expenditure on pay and allowances, the latter should be extremely careful and realistic, before they decide to decline such a request.*

2473. *Grant No. 91—Civil Defence (Pages 820—876-AA).*—It was explained by the Ministry that the saving of Rs. 52,036 under this grant was within the permissible limit. The Committee observed that excesses shown at page 824 in the appropriation Accounts under each object were unnecessary and should not have occurred, had the department taken the trouble to reappropriate. *The Committee directed that the department must take action against people incharge of Accounts who did not maintain the Accounts properly.*

2474. *Grant No. 90—Registration Organisation (Pages 828—830-AA).*—The Appropriation Accounts show a net excess of Rs. 413,140 under this grant, but the overall position of the grant had not been given in the brief of the Ministry. As regards the excess of Rs. 529,753 under object " 500—Commodities and Services ". It was explained by the Ministry that there was Misprinting of the Final Grant which should be Rs. 9,709,500 instead of Rs. 709,500. Thus there would be a saving of Rs. 165,613 instead of an excess. The saving was within permissible limit. Thereupon, Audit conceded that the actuals expenditure included a belated adjustment of Rs. 695,406 at Lahore for 1975-76 and 1977-78.

2476. *Grant No. 92—Federal Investigation Agency (Pages 832—836-AA).*—The Appropriation Accounts show an excess of Rs. 222,596 under this grant, but the Ministry had again not given the overall position of the grant in the brief. The excess under objects " 011—Officer, ' 012—Other Staff ' 020—Regular Allowances and 030—Other Allowances " Amounting to Rs. 63,282 ; Rs. 31,808 ; Rs. 84,664 ; and 36,423, respectively, were explained by the Ministry to be due to the wrong expectation that the increase, sanctioned by the Government from 1st July, 1981 under pay and Allowances would be met out of expected savings and therefore, Supplementary Grant was not asked for. But the expenditure exceeded anticipations. The total excess was, however, only 1.02 per cent over Final Grant. Audit stated that the explanation submitted by the department for the excesses was convincing. The Committee, therefore, did not make any further observation on these objects.

COMPLIANCE ON THE POINTS RAISED IN THE PAC's REPORT ON ACCOUNT FOR 1979-80

2477. *Reconciliation of Accounts with Audit (Para 472, page 171-PAC Report 1979-80).*—The Committee had directed the departmental representative to furnish a report to the Committee as to who had failed to get the Accounts reconciled in time. In compliance, the Ministry informed the Committee that the reconciliation for the year 1980-81 had been completed by all the Departments under the control of this Ministry. Audit had also verified it. The Committee decided to drop the paragraph.

2478. *Grant No. 86—Passport Organisation (Page 102-AA) (Paras 476-477, pages 172-173-PAC Report 1979-80).*—The Committee after examining the departmental reply and Audit Comments dropped the above paragraphs.

2479. *Grant No. 87—Civil Armed Forces (Page 103-AA) (Para 478, page 173-PAC Report 1979-80).*—A member of the Committee had previously observed that action should be taken against the persons who failed to carry out timely reconciliation of the Accounts for 1979-80. It was explained by the Ministry that the reconciliation from 1979-80 had already been done by the CAF components *i.e.* I.G., F.C., NWFP, Peshawar, Baluchistan, Quetta, D.G. Coast Guards and D.G. Pakistan Rangers. Audit commented that the reconciliation had been completed, but report on any action taken against the persons who failed to carry out reconciliation, as directed by PAC, had not been furnished.

2480. The Vice-Chairman enquired as to what action was taken against the persons concerned? The departmental representative replied, that no action had been taken.

2481. *After discussion, the Committee directed that action should be taken by the Ministry against those who defaulted in the case.* The paragraph was, therefore deferred.

2482. *Grant No. 91—Function Head "250—Narcotics Control" (Page 107-AA) (Para 483, page 174-PAC Report 1979-80).*—The Committee had previously directed that a senior officer in the Ministry should take interest in financial matters. There should be frequent and regular internal checks and the quaterly reconciliation with Audit should be regular. The Ministry stated in their reply that the reconciliation was now being conducted on monthly basis. Thereupon, Audit stated that reconciliation was now being conducted monthly, but stated that nothing had been said on PAC's directive regarding internal check.

2483. *In view of the position stated above and after discussion, the Committee directed that a report regarding Internal Checks should be furnished to Audit by the Ministry expeditiously.*

2484. *Expenditure incurred on works in anticipation of technical Sanction (Para 74, page 41-AR) (Paras 485-486, page 175-PAC Report 1979-80).*—The Committee after consideration of departmental reply dropped the above paragraphs.

2485. *Grant No. 85—Functions Head "228—Others" (Page 101-AA).—(Para 475, page 172-PAC Report 1979-80).*—The Committee had previously directed that the department should carry out the reconciliation for 1979-80 again, correct their figure and settle the difference with Audit. The Ministry simply stated in their reply that the cases were under examination. Audit pointed out in their comments that the cases related to defunct FSF and final reply from the Ministry was still awaited.

2486. *In view of the position mentioned above, the Committee directed that the cases must be finalized expeditiously. The paragraph was, therefore, deferred.*

2487. *Irregularities detected in the accounts of the defunct FSF (Para 48, pages 41-42-AR) (Paras 487-488, page 185-PAC Report 1979-80).*—The Ministry had previously been directed by the Committee to submit a revised explanation in respect of each case separately, covering all the points raised in the Audit paragraphs.

2488. After examining the revised explanation of the Ministry, Audit offered their comments as follows :—

(i) The Court had decided the case but the losses of Rs. 62,106 and Rs. 69,484 at Tarbela Camps had not been written off.

(ii) The loss of Rs. 51,425 due to defalcation could not be overlooked on the grounds that the record could not be connected for which FSF and successors were responsible.

(iii) For the loss of over seven years, the case had been gathering dust with the FIA.

2489. *After discussion on the above points, the Committee observed that there had been no report by the FIA in this case for seven years. The Committee, therefore, directed that the Ministry should go into the causes of delay and take suitable action thereon.*

2490. *Wasteful expenditure of Rs. 199,042 on printing FSF Brochure [Para 48 (ii), pages 42-43-AR] (Paras 489—491, page 176-PAC Report 1979-80).*—The Committee was satisfied with departmental reply and decided to drop the above paragraphs.

2491. *Loss of Rs. 48,796 due to un-economical purchase of brass band and loss of Rs. 163,000 on recruitment of band staff [Para 48 (iii), page 43-AR] (Paras 492—496, pages 167-177-PAC Report 1979-80).*—Previously the Committees had directed that Audit should look into the record again and report back, if necessary. Audit are examining the detailed report furnished by the Ministry, pointed that in the concluding paragraph 18 of the report, responsibility had also been fixed on M|s. Ghulam Hussain Butt, Deputy Director and Bostan Khan, A.S.I. Ministry should have initiated action against the staff who were still in active service instead of soliciting further Audit Comments *vide* their letter, dated 23rd November, 1982. Audit further stated that the Ministry had not commented upon the disposal of the defective instruments.

2492. The Vice-Chairman, observed that a report had not been submitted to the Audit by the Ministry and no further comments received from the department. A member of the Committee however remarked that it was Audit who were expected to look into the matter and report back to PAC, if necessary, but that Audit had not done so.

2493. *After discussion, the Committee finally directed that the department and Audit should go into this case jointly and report back to the Committee. The paragraph was deferred.*

2494. *Unnecessary purchase of vehicles [Para 48 (v), page 44-AR] (Paras 501—504, pages 178-179—PAC Report 1979-80).*—After examining the reply of the Ministry and detailed Audit comments thereon the Committee decided that Audit should pursue the matter.

2495. *Non-recovery of repatriation charges from Pakistan Destitutes abroad (Para 49, page 45-AR) (Paras 505—509, pages 179-180-PAC Report 1979-80).*—No material observation was made by the Committee. The departmental representative informed the Committee, that the case would be taken up with the Foreign office. It was a very old case. No further observation was made by the Committee.

2496. *Wasteful expenditure of Rs. 1,020,963 on purchase of Steel Tubulars Charpoys and Kit Boxes (Para 50, page 45-AR) and (ii) Undue financial favour to a Woollen Mills resulting in a loss of Rs. 214,615 (Para 52, page 47-AR) (Para 510, page 180-PAC Report 1979-80).—The Committee deferred the consideration of the above paragraphs.*

Grant No. 88—Ministry of Interior (*Paras* 305-306, *pages* 94-95-*PAC Report* 1977-78) (*Paras* 515-516, *page* 182-*PAC Report* 1979-80).—

Grant No. 90—Civil Armed Force (*Paras* 308—311, *pages* 95-96-*PAC Report* 1977-78) (*Para* 517, *page* 183-*PAC Report* 1979-80).—

2497. The Committee did not make any observation on the above paragraphs.

AUDIT REPORT

2498. *Un-adjusted Advances* (*Para 3, page 188-AR*).—Audit had reported that Rs. 9,498,822 were drawn by the Pakistan Narcotics Control Board as advances for payment of Custom duty, wharfage, demurrage etc., and for the purchase of arms and ammunition etc., during 1974-75. The advances were subject to adjustment but these were lying unadjusted till January, 1983. The matter was brought to the notice of the Board and the Administrative Ministry in August, 1978. Need for immediate settlement of these advances was indicated.

2499. The Committee was informed by the Ministry that the adjustment was pending only for settlement of Rs. 87,240 with the Economic Affairs Division who were being reminded regularly.

2500. *After discussion the Committee directed that the matter should be settled within one month. The paragraph was, therefore, deferred.*

2501. *Irregularities noted in the Accounts of the FIA (H.Q.) during 1969—1978* (*Para 4, pages 188-189-AR*).—Following irregularities were pointed out :—

(i) Absence of accounts of stores worth Rs. 183,576.

(ii) Non-recovery of Rs. 78,768 on account of excess calls from residential telephones.

2502. It was explained by the Ministry in their reply that : (i) the entries of items purchased, had been traced out in the Stock Register. The case of verification of entries and settlement of Draft Para had been up with the AGPR, Islamabad by the Director General, FIA. As far as (ii) was concerned, the Ministry stated that all the officers, against whom arrears on account of excess residential telephones were pending, had been directed to deposit the amounts without further delay. *In view of the above position the Committee directed that Audit should pursue the matter.*

2503. *Recoveries not effected Rs. 2,519* (*Para 19, page 221-AR*).—*The Committee after going through the departmental reply and Audit Comments, directed Audit to watch the recovery of balance amount.*

2504. *Outstanding Audit and Inspection Reports [Para 1—Sr. No. 8 (i) to (iv), pages 280-281-AR].*—The Committee directed the departmental representa*tive to furnish report to Audit relating to Sr. No. 8 (i) and (ii) within one month Sr. No. 8 (iii) and (iv) were treated as settled by the Committee.*

2505. *Points not discussed to be treated as settled.*—The Committee did not make any observation on other points and paragraph: (i) in the Appropriation Accounts or the Audit Report thereon; and (ii) in the compliance Statement on the PAC's Report for 1979-80. These would be deemed as settled subject to such regularisation action as might be necessary under the Rules.

M. A. HAQ,
Secretary.

Islamabad, the 30*th April,* 1986.

NATIONAL ASSEMBLY SECRETARIAT

Thursday, the 28th August, 1986

Twelfth Sitting (PAC)

*779. 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. .. .. *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) Nawab Muhammad Yamin Khan, 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) 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 Revenue.

(6) Mr. M. S. Amjad, Director General (PEC).

(7) Mr. Iftikhar Ali Khan Raja, Director General (A&A Work).

(8) Mr. Ahmad Nawab Qureshi, Director General, Commercial Audit.

Ministry of Finance :

Mr. Muhammad Sher Khan, Joint Secretary.

*Paragraphs upto 778 and 780 to 836 pertain to other Ministries/Divisions.

MINISTRY OF INTERIOR

837. The Committee then took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Interior. The following departmental representatives were present :—

(1) Mr. S. K. Mahmood, Secretary.

(2) Mr. A. R. Siddiqui, Joint Secretary.

(3) Mr. S. Faiz Ahmed Zaidi, Deputy Secretary.

(4) Mr. Azkhar Ahmed, Section Officer.

(5) Mr. A. H. Siddiqui, Section Officer.

(6) Mr. Amirul Hasan Alvi, AAO.

838. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1.	Ministry of Interior	83
2.	Islamabad	84
3.	Passport Organisation	85
4.	Civil Armed Forces	86
5.	Registration Organisation	87
6.	Civil Defence	88
7.	Federal Investigation Agency	89
8.	Other Expenditure of Ministry of Interior (exception CDA Portion)	90
9.	Development Expenditure of Ministry of Interior ..	155

839. *Reconciliation of Accounts with Audit.*—The Committee observed that reconciliation of figures was not carried out regularly. In certain cases reconciliation of Accounts for the year 1985-86 had not yet been started, in another case it was incomplete. The Committee directed that the reconciliation work must be completed expeditiously and up-dated without further delay.

APPROPRIATION ACCOUNTS

840. *Grant No.* 83—*Ministry of Interior* (*Page* 511-*AA*).—According to Appropriation Accounts the grant closed with a saving of Rs. 2,212,580 which was 10 per cent of the final grant. Audit observed that in view of this saving supplementary grant of Rs. 2,574,000 prove to be unnecessary. The Department, however, contested the figures of actual expenditure as shown by Audit. The Committee directed that figures of actual expenditure should be verified and reconciled with Audit.

841. *Grant No.* 90—*Other Expenditure of Ministry of Interior* (*Page* 514-*AA*).—There was a net excess of Rs. 6,912,365 under this grant, which was 5 per cent of the final grant. In this case again the Department pointed out discrepancies in the expenditure figures. Audit observed that no explanation in respect of Appropriation Accounts for Narcotics Control had been furnished by the Department. The Committee was briefed about the activities of PNC Board, Peshawar. The Committee did not make any observation.

842. *Grant No.* 155—*Development Expenditure of Ministry of Interior* (*Page* 518-*AA*).—The Grant closed with a saving of Rs. 35,511,411, which was substantial and worked out to about 70 per cent of the final grant. The Department explained that funds in certain cases were either not released or released on 20th June, and could not be expended as only 10 days were left in the close of financial year. The Chairman PAC observed that there was a saving of Rs. 21,630,872 under 500-Commodities and Service these funds should have not been budgeted at all. The Department explained, this represent foreign exchange allocation and the expenditure was incurred by United Nations directly but was not booked. The departmental repretsentatives thereafter admitted that accounts in his Department were not properly maintained. A Deputy Secretary had been put on the job and the procedures had now been streamlined and rationalised. The Committee accepted the explanation.

843. *Grant No.* 84—*Islamabad* (*Page* 522-*AA*).—The grant closed with a nominal saving of Rs. 2,689. The Committee did not make any observation.

844. *Grant No.* 85—*Passport Organisation* (*Page* 534-*AA*).—According to Appropriation Accounts this Grant closed with a net excess of Rs. 611,516. The Departmental figures, however, depicted that there was only a nominal excess of Rs. 9,516. Audit did not account for Supplementary Grant of Rs. 602,000 sanctioned by the Finance. Audit was, however, of the view that the said supplementary grant did not appear in the Book of Supplementary, grants, as such could not be considered to have been authorised. The Committee did not make any observation.

845. *Grant No.* 86—*Civil Armed Forces* (*Page* 536-*AA*).—There was a net excess expenditure of Rs. 60,854,617 over and above the Final Grant of Rs. 854,284,000. While explaning this excess, the Department informed the Committee that excess was mainly on Pay of Officers, Pay of Staff and Allowances, which was inevitable, and could not be avoided. Supplementary Grant was not allowed and there was Economy Cut of Rs. 56 million. The Committee held the explanation as satisfactory and recommended that the excess be regularised.

846. *Grant No.* 87—*Registration Organisation* (*Page* 542-*AA*).—The Grant closed with a net excess of Rs. 1,952,120 which was 4 per cent of Final Grant. The excess was attributed, by the Department, to the enhancement of allowances with effect from 1st July, 1982 and reported that supplementary grant asked for this inevitable expenditure was dis-allowed. Audit was, however, of the view that a re-appropriation of Rs. 448,117 from sub-head 020—Reg Allowances was made. Had this re-appropriation been restricted to the money available for re-appropriation, the excess would have been avoided. The Committee directed the Ministry to be more careful in future.

847. *Grant No.* 88—*Civil Defence* (*Page* 544-*AA*).—This Grant closed with a net saving of Rs. 628.818, which was 6 per cent of the final grant. The Department explained that the saving was due to non-receipt of debits from P.A.F., and certain posts remained vacant which could not be filled in Audit, however, held that the saving came to the notice of Department well in time and could have been surrendered. The Department was required to be vigilant in Financial matters. The Committee did not make any further observation.

848. *Grant No.* 89—*Federal Investigation Agency* (*Page* 550-*AA*).—This Grant closed with a net excess of Rs. 2,440,273 which worked out to 7 per cent of the Final Grant. The Department while explaining this excess intimated to the PAC that a supplementary grant of Rs. 1,710,000 was sanctioned by the Finance and could not be printed in the Book of Supplementary Grants. Similarly payment of equipment under "Durable Goods" for F.I.A. was made in the hope that Finance Division will allow Supplementary Grant applied for the purpose, but it was not sanctioned in this case and in other cases of excess. The Committee observed that the Department should limit its expenditure to the amount of Grant.

AUDIT REPORT

849. *Administrator, Islamabad Territory Accounts* 1979-80 (*Para* 15, *page* 89-*AR*).—According to Audit Report, the collection of Duties and Taxes in the Federal Territory of Islamabad should normally be credited to the Federal Government. It was, however, noticed that WAPDA Cess Electricity Duty and Stamp Duty were being credited to the Punjab Government without authority, which was required to be justified.

850. The Department explained that WAPDA Cess|Electricity Duty was being credited to Federal Government after 1983. As for collections prior to 1983 were concerned, Punjab Government was approached to refund such collections, but the did not agree. Ministry of Finance observed that if the amount was not refunded, they could deduct it from releases to the Punjab Government. Audit observed the Department should supply the total amount recoverable on this Account from Punjab Government.

851. The Committee directed that the amount should be adjusted through the Government adjuster and dropped the paragraph subject to recovery by Federal Government and verification by Audit.

852. *Non-surrender of Un-utilized/Unspent balance* [*Para* 16 (3), *pages* 89-90-*AR*].—Audit pointed out that Deputy Commissioner Islamabad was provided an amount of Rs. 136,296 for various projects of Union Councils for 1981-82. An unspent balance of Rs. 20,296 was not surrendered on 30th June, 1982. Similarly an unspent balance of Rs. 67,825 was not surrendered earlier on 30th June, 1981. The funds were lapsable, and as such were required to be refunded, which were irregularly held. The irregularity was required to be regularised. The Department explained that the funds had since been utilized in subsequent years.

853. The Committee observed that the Department should be careful in future and the paragraph was dropped.

854. *Non-recovery of Rs.* 264,503 *on account of Mis-use of Government Vehicles* [*Para* 16 (4), *pages* 89-90-*AR*].—Audit pointed out in their report that Government Vehicles provided to Pakistan Narcotics Control Board were misused by Secretary Interior in contravention of Staff Car Rules, 1980 and standing orders on the subject. These vehicles were used in addition to staff car provided to him. The Department admitted that the vehicles had been used for private purposes which was not admissible under the rules. The Secretary who committed the irregularly had since retired.

855. The Committee directed that this practice should not be repeated in future, and settled the paragraph.

856. *Irregular Expenditure of Rs.* 200,000 (*Para* 17, *page* 91-*AR*).—According to Audit, an amount of Rs. 200,000 was drawn as Advance in February, 1980 by Civil Defence Organisation for participation in Pakistan Day Parade. An expenditure of Rs. 41,200 was incurred on preparation of Float by Northern Aviation Industries, an amount of Rs. 33,620 spent on purchase of Uniforms, and another sum of Rs. 124,482 was stated to had been spent on purchase of meals and other Miscellaneous Expenditure. Audit held that number

of irregularities were committed. No contract was executed for preparation of Float. The Uniform were provided free to the participations, who took it away with them. The financial rules were not observed while incurring miscellaneous expenditure. It was also intimated that the amount of Rs. 200,000 drawn as Advance was deposited into a Commercial Bank which was also irregular.

857. The Department intimated the PAC that the money was deposited into the Commercial Bank for day to day use and contract of Float was also awarded after fair competition. The Uniforms were provided free of cost under orders of Head of State. Strict instructions had, however, been issued to all concerned to observe financial rules. The Committee directed that the Department should be careful in future. The paragraph was settled.

858. *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 actions and verification by Audit as may be necessary under the rules.

859. The Committee then adjourned to meet again at 9.00 a.m. on Sunday, the 31st August, 1986.

M. A. HAQ,
Secretary.

Islamabad, the 17*th February*, 1987.

NATIONAL ASSEMBLY SECRETARIAT

Wednesday, the 22nd July, 1987

Nineteenth Sitting (PAC)

*1148. The Public Accounts Committee assembled at 09.00 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. .. .. *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. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(6) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K.M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional 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) Mr. A.A. Zaidi, Deputy Auditor General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Ahmad Nawab Qureshi, Director General (CA).

(6) Mr. Irfan Hussain, Director General (A&A Works).

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Mian Abdul Hakim, Director (Project Wing) Planning Division.

(3) Mr. Sajid Hussain, Deputy Solicitor, Justice Division.

*Paragraphs upto 1147 & 1149 to 1185 pertain to other Ministries/Divisions.

MINISTRY OF INTERIOR

1186. The Committee then took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Interior. The following departmental representatives were present :—

(1) Mr. S. K. Mahmood, Secretary.

(2) Mr. Muhammad Iqbal, Joint Secretary.

(3) Mr. M. Hussain Chaudhry, Deputy Secretary.

(4) Mr. A. H. Siddiqui, Section Officer (F&A).

(5) Mr. Amirul Hasan Alvi, A.A.O.

(6) Mr. Bashir Ahmad Khan, D.G. (Registration).

(7) Mr. Omar Khan Afridi, Administrator (ICT).

(8) Mr. Riaz Ahmed, Deputy Director (Civil Defence).

(9) Mr. Dilshad Najmuddin, Chairman (PNCB).

(10) Col. Sadiq Ali, DIG, F.C. (Baluchistan).

(11) Col. Muhammad Akbar, DDG (Punjab Rangers).

(12) Brig. Syed Tafsir-ul-Islam, DIG, (FC) NWFP.

(13) Syed Wasiq Shah, Director (I and P).

1187. This Ministry controlled the following grants :

S. No.	Name of Grant	Grant No.
1	2	3
	1983-84	
1.	Ministry of Interior	83
2.	Islamabad	84
3.	Passport Organisation	85
4.	Civil Armed Forces	86
5.	Registration organisation	87
6.	Civil Defence	88
7.	Federal Investigation Agency	89
8.	Other Expenditure of Ministry of Interior	90
9.	Development Expenditure of Ministry of Interior.. ..	153

APPROPRIATION ACCOUNTS 1983-84

1188. *Grant No.* 83—*Ministry of Interior* (*Page* 642-*AA*).—The grant closed with an excess of Rs. 648.365. The Department explained that the excess was due to payment of Eid salary in advance. The Committee recommended the excess for regularisation through Excess Budget Statement.

1189. *Grant No.* 84—*Islamabad* (*Page* 646-*AA*).—There was an excess of Rs. 16,012,668, which was 23% of the Final Grant. The Department explained that a Supplementary Grant of Rs. 12,421 million allowed by the Finance Department was not printed in the Book of Supplementary. The remaining excess was mainly due to payment of advance salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

1190. *Grant No.* 85—*Passport Organisation* (*Page* 678-*AA*).—As per Appropriation Account there was an excess of Rs. 1,766,108 under this grant. The Department explained that Supplementary Grant sanctioned by Finance Division was not included in the Supplementary Schedule of authorised expenditure. The Committee recommended the excess for regularisation through Excess Budget Statement.

1191. *Grant No.* 86—*Civil Armed Forces* (*Page* 680-*AA*).—The grant closed with an excess of Rs. 50,743,206. The main excess of Rs. 44,361,413 was under Object 0—12, Other Staff. The Department explained that the excess was due to revision of Pay Scales and payment of advance salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

1192. *Grant No.* 87—*Registration Organisation* (*Page* 688-*AA*).—The grant closed with an excess of Rs. 7,149,123. The Department explained that the excess was mainly due to payment of advance salary on Eid. Audit pointed out that there was an excess of Rs. 1,646,995 under Object Commodities and Services. The Department in their written reply stated that the excess was due to printing charges of Registration Forms of Identity Cards to the Voters in Local Bodies Election which were not budgeted. Audit on this explanation observed that the expenditure not budgeted was an expenditure on new service and could not be passed through Excess Budget Statement. The Chairman, PAC observed that a decision in the matter should be taken immediately, in consultation with Justice Division. The examination of this grant was deferred by the Committee.

1193. *Grant No.* 88—*Civil Defence* (*Page* 690-*AA*).—An excess of Rs. 63,717 under this Grant which was 1% of the Final Grant was stated to be due to payment of advance salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

1194. *Grant No.* 89—*Federal Investigation Agency* (*Page* 694-*AA*).—The grant closed with an excess of Rs. 2,033,687, which was due to advance payment of salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement. As for delay presently being observed in carrying out inquiries by FIA, the Committee desired that systems should be corrected and reformed, to avoid delays.

1195. *Grant No.* 90—*Other Expenditure of Ministry of Interior* (*Page* 700-*AA*).—This grant was jointly controlled by Ministry of Interior and Cabinet Division. The saving under Ministry of Interior was Rs. 5,462,083, which was 25% of Final Grant of Rs. 20,764,000. The Department explained that the saving was due to difference in the figures of Expenditure. The Committee did not make any observation.

1196. *Grant No.* 153—*Development Expenditure of Ministry of Interior* (*Page* 708-*AA*).—This grant closed with a saving of Rs. 35,246,718, which was 50% of the Final Grant of Rs. 71,261,000, which was mainly due to Development Schemes of Narcotics Control Board. The Department explained that Foreign Exchange allocation was not available in Local Currency as such there was a saving. The Chairman, PAC wanted to know the activities and progress made by Narcotic Board. The Department explained that the Board was doing pretty well. A Five Year Plan had been prepared to eradicate Narcotic al-together. The Committee directed that the Ministry of Interior should present a paper to PAC setting out measures to control the use of Narcotics in Pakistan. A copy of Five Years Plan may also be supplied.

APPROPRIATION ACCOUNTS 1984-85

1197. *Grant No.* 86—*Ministry of Interior* (*Page* 650-*AA*).—The grant closed with an excess of Rs. 190,664 which was 1% of the Final Grant. The excess was mainly due to creation of additional posts for which there was no budget provision. The Committee recommended the excess for regularisation through Excess Budget Statement.

1198. *Grant No.* 87—*Islamabad* (*Page* 652-*AA*).—There was an excess of Rs. 4,809,854 under this grant. The Department explained that the excess was due to the fact that funds were not provided in accordance with the sanctioned strength. Moreover there were certain accounting errors. The Committee observed that Finance should look into the fact as to how the funds were not allowed in accordance with the sanction strength. The excess was recommended for regularisation through Excess Budget Statement.

1199. *Grant No.* 88—*Passport Organisation* (*Pages* 680-*AA*).—There was an excess of Rs. 33,161 under this grant which was less than 0.12%. The Committee recommended the excess for regularisation through Excess Budget Statement.

1200. *Grant No.* 89—*Civil Armed Forces* (*Page* 682-*AA*).—This grant closed with an excess of Rs. 38,947,409. The Department explained with figures that the Demand of Department for expenditure as Pay of the Staff & Officers were cut down and Final Grant was allowed much less that the actual expenditure. The Committee recommended the excess for regularisation through Excess Budget Statement and directed that Department and Finance should look into it and see how the budget was not allowed in accordance with the sanctioned strength of posts and report the factual position to the P.A.C.

1201. *Grant No.* 90—*Registration Organisation* (*Page* 688-*AA*).—There was an excess of Rs. 2,443,910 under this grant. The Department explained that main excess expenditure was due to the fact that large quantity of printing work was done due to elections. The Supplementary Grant was not allowed. The Committee recommended the excess for regularisation through Excess Budget Statement.

1202. *Grant No.* 91—*Civil Defence* (*Page* 692-*AA*).—There was an excess of Rs. 161,682 under this grant. The Department regretted that this excess was due to compilation of incorrect figures by its lower formation. The Committee recommended the excess for regularisation through Excess Budget Statement.

1203. *Grant No.* 92—*Federal Investigation Agency* (*Page* 698-*AA*).—The Grant closed with an excess of Rs. 3,305,740. The Department explained that economy cut was imposed by Finance. The Budget was not sanctioned according to the sanctioned strength of staff. The Committee desired that Finance and Department should see how the budget was not allowed when posts were sanctioned. The excess was recommended for regularisation.

1204. *Grant No. 93—Other Expenditure of Ministry of Interior (Page 702-AA)*.—This grant was jointly controlled by Ministry of Interior and Cabinet Division. As for grant of Ministry of Interior there was a saving of Rs. 1,874.914, which was stated to be due to non-accountal of a surrender order. The Committee accepted the explanation.

1205. *Grant No. 159—Development Expenditure of Ministry of Interior (Page 705-AA)*.—This grant closed with a saving of Rs. 9,966,616. It was explained that the main saving was due to the fact that Foreign Exchange did not come and expenditure in local currency could not be incurred. The releases were also not made in full and the amounts already released could not be utilised. The Committee did not make any observation.

AUDIT REPORT—1983-84

1206. *Non-recovery of repatriation charges Rs.* 865,573 (*Para* 1, *page* 108-*AR*).—According to Audit Report, an expenditure of Rs. 865,573 was incurred in 27 Pakistan Missions Abroad on repatriation of destitute Pakistanis during the period 1975 to 1983. An amount of Rs. 169,955 could only be recovered. Audit further informed the Committee that the balance had increased to Rs. 9,878,795. The Department informed the Committee that all efforts were being made to recover the amount. The enforcement Agencies were being pressed to recover the outstanding amount. The Committee after a detailed discussion over the procedure of recoveries observed that it was largely due to the fact that no coordinated liaison existed between the Ministry of Interior and Ministry of Foreign Affairs. The Ministry of Interior was only informed of the recovery due, when a Draft Para on the subject was issued by Audit. Interior Ministry had no control over this expenditure, as it was incurred by the Missions under Ministry of Foreign Affairs. Officers and Staff entrusted with "Consular Work in Pakistan Embassies Abroad" were not controlled by Ministry of Interior. It was further desired that issuance of Passports and Visas was a sensitive matter which was more of a security matter than a diplomatic affair.

1207. The PAC, therefore, recommended that the staff of Ministry of Interior should supervise this work in the missions abroad so that they could be held responsible and accountable in the event of any lapse/aberration in procedure and policy. Presently there appear to be no clear cut delineation of responsibilities among these two Ministries. The Committee also directed that some procedure should be devised to expedite old outstanding recoveries.

1208. *Un-authorised Installation of International Lines and Excess Expenditure of Rs.* 45.937 (*Para* 5, *page* 111-*AR*).—Audit pointed out that in Narcotics Control Board. 3 international direct dialling telephones have been installed without approval of the Cabinet Division and also that an un-authorised expenditure of Rs. 45.937 was incurred on telephone calls. The Department explained that the matter had since been regularised. The paragraph was settled.

1209. *Irregular Expenditure of Rs.* 40,822 *on P.O.L* (*Para* 6. *page* 111-*AR*).—Audit pointed out that in Narcotics Control Board, staff car of the Chairman (B-21) was treated as operational vehicle and irregular expenditure of Rs. 40,822 was incurred on its P.O.L. from 1980 to 1983. The Department explained that the expenditure was covered under the special rules approved by the Finance for this Department. The Committee settled the paragraph.

1210. *Non-production of Purchase Documents of Rs.* 3.7 *Million* (*Para* 2, *page* 113-*AR*).—Audit pointed out that in 1981—84, Commandant South Waziristan Scouts spent Rs. 3.7 million as difference of half mounting articles. The purchase documents were not produced on the grounds that funds were exempted from Government Audit. The Department in their reply explained that the fund was maintained outside the Public Fund and was exempt from Audit under the Government Orders and suggested that a Committee may be formed to consider this aspect of case, so that the matter was solved once for all.

1211. The Committee directed that Finance Department and Audit should sit together to sort out the matter and submit a report.

1212. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points paragraphs 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.

1213. The Committee then adjourned to meet again at 09.00 a.m. on 26th July, 1987.

K. M. CHIMA,
Secretary.

Islamabad, the 6*th January*, 1988.

Annexure 'D'

NATIONAL ASSEMBLY SECRETARIAT

Monday, the 27th July, 1987

Twenty-first Sitting (PAC)

*1267. The Public Accounts Committee assembled at 09.00 a.m. in the Parliament House, Islamabad to continue the examination of the Federal Accounts for 1983-84 & 1984-85. The following were present :—

P.A.C :

(1) Sardarzada Muhammad Ali Shah, M.N.A. .. .. *Chairman.*

(2) Malik Said Khan Mahsud, Minister of State for Water and Power .. .. *Member.*

(3) Sardar Aseff Ahmed Ali, M.N.A. .. .. .. *Member.*

(4) Rai Arif Hussain, M.N.A. .. .. *Member.*

(5) Ch. Muhammad Sarwar Khan, M.N.A. .. .. *Member.*

(6) Mr. Shahabuddin Shah Hussainy, M.N.A. .. .. *Member.*

(7) Mr. Miangul Aurangzeb, M.N.A. .. .. .. *Member.*

(8) Shahzada Jam Muhammad Yusuf, M.N.A. .. .. *Member.*

National Assembly Secretariat :

(1) Mr. K. M. Chima, Secretary.

(2) Ch. Abdul Qadir, Additional 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) Mr. A.A. Zaidi, Deputy Auditor General (A&R).

(4) Sh. Muhammad Sadiq, Accountant General Pakistan Revenues.

(5) Mr. Ahmed Nawab Qureshi, Director General (CA).

(6) Mr. Irfan Hussain, Director General (A&A. Works).

(7) Mr. M. Saleem Siddiqui, Director General, Defence Audit.

Ministry of Finance and Planning Division :

(1) Mr. Manzur Hussain, Joint Secretary (Budget).

(2) Dr. M.A. Aghai, Director General (Project Wing), Planning Division.

*Paragraphs upto 1266 and 1268 to 1293 pertain to other Ministries/Divisions.

MINISTRY OF FOOD AND AGRICULTURE

1294. The Committee then took up for examination, the Appropriation Accounts etc., pertaining to the Ministry of Food and Agriculture. The following departmental representatives were present :—

(1) Mr. Muhammad Siddique, Secretary.

(2) Mr. Abdur Rauf, Additional Secretary.

(3) Dr. M. Anwar Khan, Joint Secretary (L).

(4) Mr. M. Mahmud, Joint Secretary (A).

(5) Mr. M. Tariq Janjua, Joint Secretary (F).

(6) Mr. Aboodullah Jan, Inspector General (Food).

(7) Mr. Mohammad Sharif, Crops Commissioner.

(8) Mr. G. Yazdani Khan, MD (RCP).

(9) Mr. Shafi Niaz, Chairman (APC).

(10) Brig. (Retd.) Kh. Nasim Iqbal, GM (FDFI).

(11) Mr. Mohammad Farooq Ahmad, Director (ZSD).

(12) Maj. General Mohammad Akram, MD (PASSCO).

(13) Dr. Abdul Kafi, Adviser and Director (PP).

1295. This Ministry controlled the following grants :—

S. No.	Name of Grant	Grant No.
1	2	3
	1983-84	
1.	Food and Agriculture Division	51
2.	Forests	52
3.	Plant Protection Measures	53
4.	Other Agricultural Services	54
5.	Subsidy on Wheat	55
6.	Zoological Survey Department	56
7.	Livestock Division	57
8.	Fisheries	58

1	2	3
9.	Other Expenditure of Food and Agriculture Division ..	59
10.	Capital Outlay on Purchase of Food	127
11.	Capital Outlay on Purchase of Fertilizer	128
12.	Capital Outlay on other purchase by Food and Agriculture Division	128-A
13.	Development Expenditure of Food and Agriculture Division.	146
14.	Development Expenditure of Livestock Division	147
15.	Capital Outlay on Food Storage and other works.. ..	178
	1984-85	
1.	Food and Agriculture Division	52
2.	Forests	54
3.	Plant Protection Measures	5
4.	Other Agricultural Services	5
5.	Subsidy on Wheat	57
6.	Zoological Survey Department	58
7.	Livestock Division	59
8.	Fisheries	60
9.	Other Expenditure of Food and Agriculture Division ..	61
10.	Capital Outlay on Purchase of Food	129
11.	Capital Outlay on Purchase of Fertilizer	130
12.	Capital Outlay on other Purchases by Food and Agriculture Division	130-A
13.	Development Expenditure of Food and Agriculture Division..	150
14.	Development Expenditure of Livestock Division	152
15.	Capital Outlay on Food Storage and other Works ..	183

APPROPRIATION ACCOUNTS 1983-84

1296. *Grant No. 51—Food and Agriculture Division (Page 412-AA).*—Under the portion of grant for Food and Agriculture Division, the saving of Rs. 41,329 was nominal. The Committee did not make any observation.

1297. *Grant No. 52—Forests* (*Page* 418-*AA*).—The grant closed with an excess of Rs. 444,973, which was stated to be due to payment of advance salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

1298. *Grant No. 53—Plant Protection Measures* (*Page* 426-*AA*).—This Grant closed with an excess of Rs. 27,837,929. While explaining the excess, the Department reported that the Budget was not allowed according to requirement. A Supplementary Grant of Rs. 27 million was asked which was not allowed by Finance. Indent for pesticides had already been placed and there was no alternative, but to incur this expenditure. The Finance also aid not inform that Demand had been rejected. Finance, based the budget on previous year, revised conditions were not taken into Account.

1299. The Chairman, PAC wanted to know if all this excess expenditure was in Foreign Exchange. The Department informed that it was in Foreign Exchange and targets of spray had to be met. Audit pointed out that while placing indents, the funds were certified to be available, when these were not actually available. A member at this point enquired whether PAC could withold recommendations of this excess ? Audit informed that according to the procedure as laid down, it must go through Excess Budget Statement.

1300. The Committee directed that a Committee comprising of a Member of PAC. Additional Secretary Finance and a representative of Audit will hold an inquiry in case of expenditure when Budget was specifically refused and submit a report to PAC within one month

1301. *Grant No. 54—Other Agricultural Services* (*Page* 430-*AA*).—In the portion of Grant representing food and Agriculture Division there was an excess of Rs. 837,296. The excess was attributed to payment of advance salary on Eid and revision of Pay Scales. The Committee recommended the excess for regularisation through Excess Budget Statement.

1302. *Grant No. 55—Subsidy on Wheat* (*Page* 436-*AA*).—The grant closed with a saving of Rs. 150,000,000, which was equal to the grant. The Department reported that claims of subsidy were not received from Provincial Governments, as such an amount of Rs. 53 million was surrendered. The claims of 97 million were submitted to Finance in the last week of June, 1984, but the funds were not released by Finance. The Committee accepted the explanation.

1303. *Grant No. 56—Zoological Survey Department* (*Page* 438-*AA*).—The grant closed with an excess of Rs. 203,245 and was due to payment of advance salary on Eid. The Committee recommended the excess for regularisation through Excess Budget Statement.

1304. *Grant No. 57—Livestock Division (Page 442-AA)*.—There was an excess of Rs. 193,983 under this grant which was 8% of the Final Grant and was attributed to the advance salary on Eid. A member of the PAC observed that "Livestock" was a provincial subject how it has appeared the Federal Accounts. The Department informed that National Commission on Agriculture was already preparing a report on this subject. The member wanted a clarification, if a subject which was a provincial subject could be taken on Federal list. The representative of the Department held that Federal Ministry's job was mainly to keep a liaison between international agencies and Provincial Governments. It was important, as the Industry in the country was also dependant on Agriculture. The Chairman PAC observed that a study at national level was essential.

1305. The Committee directed that a study at national level on increase of production of "livestock" should be carried out.

1306. *Grant No. 59—Fisheries (Page 446-AA)*.—The grant closed with a saving of Rs. 314,019, which was 8% of the Final Grant. The Department explained that this was due to vacant posts, which could not be filed during the year. The Committee did not make any observation.

1307. *Grant No. 59—Other Expenditure of Food and Agriculture Division (Page 450-AA)*.—There was an excess of Rs. 5,714,341 under this grant, which was stated to be due to belated adjustments of Rs. 5.4 million for the year 1979-80. The Committee recommended the excess for regularisation through Excess Budget Statement.

1308. *Grant No. 127—Capital Outlay on Purchase of Food (Page 452-AA)*.—The grant closed with an excess of Rs. 345,289. The Department informed the Committee that excess occurred in Food Counsellor of Mission at Washington and was due to increase in rate of Foreign Currency and Foreign allowance. The Committee accepted the explanation and recommended the excess for regularisation.

1309. *Grant No. 128—Capital Outlay on Purchase of Fertilizer (Page 454-AA)*.—There was an excess of Rs. 905,474 under this grant, which was mainly due to payment of liabilities of previous year on account of Transportation Charges. The Committee recommended the excess for regularisation.

1310. *Grant No. 128—A Capital outlay on other purchase by Food and Agriculture Division (Page 460-AA)*.—There was a saving of Rs. 16,053,888 under this grant. The Department. reported that the amount was meant for import of Tractors against two Japanese Grants. The Japanese decided that it must be utilised towards purchase of Tractors in Japan. A.D.B. declined to utilise this grant, and it was placed at the disposal of this Department FDFI was the only agency to import these Tractors and implements from Japan. Due to certain delay, the import could nature in April and expenditure incurred upto June, 1984. The balance could not be utilised or surrendered due to omission which was regretted. The recoveries on this Account were, however, accounted for in next year. A member wanted to know something about the instruments imported from this grant and were still lying un-disposed. The Department informed that they were looking into this matter and remedial measures were also being taken to avoid such recurrence.

1311. Audit pointed out that an additional expenditure of Rs. 2,150,738 was also incurred in this account with out any allocation. There were total receipts of Rs. 28 million against expenditure of Rs. 154 million. The remaining amount was unaccounted for. The Committee was informed that there was wrong booking by A.G. Actually the recovery was 85 million. The representative of Finance wanted to know where the recovery was booked. The Chairman, PAC wanted to know as to when full recovery was expected. The Department informed that five "makes" had been sold and only one "make" remained to be sold.

1312. The Committee after a detailed discussion directed that the Department must hold an inquiry in this case regarding purchase of Japanese Tractors and non-disposal of their implements, which remained stored. It may also be reported, if it was stipulated that the Japanese Loan was to be used for purchases in Japan only. The Auditor General may inquire into wrong booking of Rs. 2,150,738 by Audit without authorisation, and report to the Committee.

1313. *Grant No. 146—Development Expenditure of Food and Agriculture Division (Page 462-AA)*.—As per Appropriation Accounts the portion of grant representing Food and Agriculture Division closed with a saving of Rs. 498,336,017 which also included an excess of Rs. 2.5 million under Commodities & Services due to belated adjustment pertaining to 1981-82.

1314. The Chairman, PAC observed that there was an excess of Rs. 8,833,000 under "object 622—Wheat Seeds" against a Nil provision in the Budget. Audit held that when there was no budget provision. This could not be passed through Excess Budget Statement. The matter was required to be looked into. The examination was deferred.

1315. *Grant No. 147—Development Expenditure of Livestock Division (Page 474-AA)*.—There was a saving of Rs. 19,950,516 under this grant. The Department informed the Committee that saving was due to non-receipt of debits from UNDP/EAD relating to Marine Fisheries Development Project and non payment to Foreign Consultants as their agreement was not approved by the Government. The Committee accepted the explanation.

1316. *Grant No. 178—Capital Outlay on Food Storage and other Works* (*Page* 478-*AA*).—The Grant closed with a saving of Rs. 177,928,653. The Department explained that saving was due to non release of Funds by Finance Department. Only Rs. 65 million were released. The representative of Finance observed that major portion of this grant was to be met from Foreign Aid. The Department should let the Committee know, if this Aid was received. The Department informed that only 10 million were released against Demand of 50 million, there was no point in going to Finance for 2nd and 3rd releases. The Committee directed that the Department should observe financial discipline strictly. PAC further directed Finance Division alongwith representative of Ministry to check up why amounts were not released and report to PAC.

APPROPRIATION ACCOUNTS- 1984-85

1317. *Grant No. 52—Food and Agriculture Division* (*Page* 415-*AA*).—The saving of Rs. 1,012,465 under this grant. was within permissible limits. The Committee did not make any observation.

1318. *Grant No. 54—Forests* (*Page* 421-*AA*).—There was a saving of Rs. 429,380, which was stated to be due to belated adjustments. The Committee accepetd the explanation.

1319. *Grant No. 55—Plant Protection Measures* (*Page* 424-*AA*).—The Grant closed with a saving of Rs. 41,033,082. The Department informed the Committee that an amount of Rs 16,000,000 was surrendered in time while explaining the excess under Object-000-Commodities & Services, it was reported that this was due to actual expenditure on spray on a committed area of 7.75 lakh acres.

1320. The Committee after some discussion on manner of procurement of Pesticides and its consumption by the Department, directed that Chairman PAC alongwith Additional Secretary Finance and representative of Audit will inquire in the case of purchase of Pesticides. Ministry of Food and Agriculture will make records available.

1321. *Grant No. 56—Other Agricultural Services* (*Page* 430-*AA*).—There was a saving of Rs. 2,019,651 under this grant. It was stated that it was due to some accounting error. The Committee did not make any observation.

1322. *Grant No. 57—Subsidy on Wheat* (*Page* 436-*AA*).—There was a saving of Rs. 151,714,400 under this grant. The Department stated that the Wheat did not arrive due to Shipment difficulties. The saving was surrendered on 30-6-1985, but was too late. The Committee did no make any observation.

1323. *Grant No. 58—Zoological Survey Department* (*Page* 438-*AA*).—There was a saving of Rs. 129,313 under this grant. The Department reported that Rs. 50,000 were surrendered in time and the balance was due to payment of eleven months pay during the year. The Committee did not make any observation.

1324. *Grant No.* 59—*Livestock Division* (*Page* 442-*AA*).—There was a saving of Rs. 190,459 which was with in permissible limits. The Committee did not make any observation.

1325. *Grant No.* 60—*Fisheries* (*Page* 446-*AA*).—There was a saving of Rs. 212,841 which was within permissible limits. The Committee did not make any observation.

1326. *Grant No.* 61—*Other Expenditure of Food and Agriculture Division* (*Page* 448-*AA*).—The grant closed with a saving of Rs. 613,545. The Department reported that saving was due to strict economy measures adopted and also due to certain vacant posts. The Committee did not make any observation.

1327. *Grant No.* 129—*Capital Outlay on Purchase of Food* (*Page* 450-*AA*).—This grant closed with a saving of Rs. 552,601,232. The Department reported that saving was surrendered in time. The Committee did not make any observation.

1328. *Grant No.* 130—*Capital Outlay on Purchase of Fertilizer* (*Page* 454-*AA*).—According to Appropriation Accounts, there was a saving of Rs. 26,349,283. The Department, however, explained that a Supplementary Grant of Rs. 640,192,000 was al'owed by the Finance to the Department and the Department continued to incur expenditure, keeping in view his Supplementary grant which was, however, withdrawn by the Finance on 24-6-1985 reducing the amount of grant from, Rs. 291,061,000 to Rs. 165,089,000 against which an actual expenditure of Rs. 2,264,711,717, was incurred. Thus there was an excess of Rs. 613,842,717 which was due to withdrawal of Supplementary Grant. The Committee was informed that Finance Minister directed Food and Agriciulture Department to investigate certain aspect of Fertilizer Imports.

1329. The Committee after some discussion directed that an inquiry will be held by the Chairman PAC in this case of excess expenditure on purchase of Fertilizer. Ministry of Finance and Ministry of Food and Agriculture will make records available.

1330. *Grant No.* 130-*A*—*Capital Outlay on other Purchases by Food and Agriculture Division* (*Page* 460-*AA*).—This grant closed with a saving of Rs. 2,150,738 which was equal to actual expenditure against Nil grant. The Department reported that it was an accounting mistake. The Committee directed Audit to look into its and report to the Committee.

1331. *Grant No.* 150—*Development Expenditure of Food and Agriculture Division* (*Page* 462-*AA*).—There was saving of Rs. 492,456,228 under this grant. The Department reported that an amaunt of Rs. 461,040,000 was surrendered but was not included, being late surrender. The Committee did not make any observation.

1332. *Grant No.* 152—*Development Expenditure of Livestock Division* (*Page* 482-*AA*).—The Grant closed with a saving of Rs. 27,251,843 which was 76% of the Final Grant. The Department reported that an amount of Rs. 13,456,927 was surrendered. The remaining saving was mainly due to non-receipt of expenditure statement from UNDP and due to late surrender not accepted. The Committee did not make any observation.

1333. *Grant No.* 183—*Capital Outlay on Food Storage and Other Works* (*Page* 490-*AA*).—There was a saving of Rs. 12,857,186 under this grant. The Department informed the Committee that the expenditure could not be incurred, as project could not be approved by ECNEC during the year. The Committee did not make any observation.

1334. Representative of Ministry of Finance observed that Finance would like to know the recoveries affected on various heads as that was an important part of the budget and should also be given due consideration. PAC agreed to this proposal.

AUDIT REPORT—1983-84

1335. *Loss by Non-recovery of Shortlanding claim—Rs.* 0.568 *Million* [*Para* 1 (ii), *page* 61-*AR*].—According to Audit Report a Vessel arrived in February, 1980, 221 M/Tons Fertilizer valuing Rs. 0.568 Million was shortlanded. The Department did not follow the proper procedure for conducting a Joint Survey and got the shortlanding accepted by the shipowner. Out of the total claim of $ 57,421, the Department deducted $ 32,940 from the demurrage claim. Ministry have not intimated the present position of the balance claim of $ 25,481. The Department reported that the claim was being persued vigorously with a Foreign Company (Iraqi) through Ambassy of Pakistan in Iraq. Progress towards recovery was expected. The Chairman observed that nothing had been done since last seven years. The matter was required to be expedited.

1336. The Committee directed that recovery action should be expedited. Subject to verification of recovery, the paragaph was dropped.

1337. *Loss of Rs.* 0.2 *million due to shortages of stores during storage* [*Para* 1(*iii*), *pages* 61, 62-*AR*].—Audit pointed out that 116,994 M/Tons Fertilizer stored in godown during February, 1979 to July, 1979 valuing Rs. 202,682 was declared short. The reply of the Ministry is not relevant to the audit observation. This case was investigated by O.S.D. (Enquiries) of the Establishment Division and as per his report (Para 665 page 232 of the enquiry report) the then General Manager FDFI was responsible for streamlining the administration of godown. Therefore, the shortage was attributable to his negligence. Ministry have not indicated the action taken on the enquiry report submitted to them in April, 1986. The Department informed the Committee that the Fertilizer had to be stored due to heavy imports during the year. An inquiry was held and action on the recommendation of Inquiry Officer was under process.

1338. The Paragraph was settled subject to verification of recovery and final action by Audit.

1339. *Loss of Rs.* 1.02 *million due to shortlanding of Fertilizer* [*Para* 1(*iv*), *page* 62-*AR*].—According to audit, against a ship. 596 M/Tons of Fertilizer was declared shortlanded in May, 1979. However, the Survey report prepared in December, 1979 attributed the shortage as wrong delivery rather than shortlanding. No shortlanding claim was lodged by the Department against the shipowners. In the inquiry report submitted to the Ministry by the O.S.D. (Inquiries) Establishment Division in April, 1986, three Departmental officers have been held responsible for the loss. Ministry have not intimated the action taken on the report of the Inquiry Officer. The Department intimated that Inquiry report was under action. The reply to charges against officials had been received and were under scrutiny with the Ministry. The Chairman, PAC observed that the action had been delayed, and that delayed action was, in fact, no action. The Department intimated that the procedure had now been streamlined and it has now improved.

1340. The Committee directed that the final action should be expedited and be got verified by Audit. Chairman PAC also directed the Secretariat of Assembly to find out what were the directions given by PAC in previous year's reports and what action had been taken by Department on those directions.

1341. *Loss of Rs.* 0.414 *million due to shortage and sweepings of Fertiliser* [*Para* 1(*v*), *page* 62-*AR*].—As per Audit, a Vessel carrying bagged fertilizer arrived in December, 1980. No Joint Survey of the cargo was conducted. After despatch of 77.827 M/Tons Fertilizer valuing Rs. 205,298 it was declared short. As per final despatch statement furnished to Audit by the Department a further quantity of 314.7 M/Tons was despatched as sweeping, allowing rebate involving a loss of Rs. 207,889. In the inquiry report submitted by the O.S.D. (Inquiries) to the Ministry in April, 1986 the shortage has been attributed to excessive trucking and double handling and no body in FDFI has been held responsible. Ministry have not indicated the position of regularisation of loss on account of shortage and sweeping. The Department informed the Committee that the action as suggested by the Inquiry Officer in his Inquiry Report was being completed.

1342. The Committee directed that final action including regularisation action where necessary should be expedited and got verified by Audit.

1343. *Loss of Rs.* 0.45 *million due to non-recovery of cost of Fertiliser/Empty bags shortlanded, customery fee and sweeping at Port.* (*Para* 2, *page* 63-*AR*).—According to Audit, 151 M/Tons of Fertilizer alongwith 1991 Empty bags were-shortlanded in a consignment in December, 1981. Three different claims for US $ 43,459, $ 1,350 and $ 207 for the compensation and one claim of US $ 500 for customery fee were lodged by the Department on 24th March, 1982, 27th December, 1981, 12th January, 1982 and 20th March, 1982 respectively. These claims still remain unfinalized due to improper and in-effective action to enforce recovery. A quantity of 44 M/Tons was also despatched as sweeping, allowancing rebate causing a further loss of Rs. 21,983, which also remain unregularised Action to enforce recovery against the parties concerned needs to be expedited. The Department reported that certain quantity of bags were shortlanded in 1981. The customery claims for shortlanding was lodged, which did not mature. A suit was filed last/year. The PAC directed that final action in this case should be verified by Audit.

1344. *Non-recovery of cost of Fertilizer shortlanded Rs.* 56,019 (*Para* 4, *page* 64-*AR*).—Audit pointed out that 37 M/Tons of Fertilizer valuing Rs. 56,019 was shortlanded in a consignment in March, 1978. Claim lodged in June, 1978 for compensation could not be enforced by the Department because they failed to get the Joint Survey report signed by the shipowners Agent who subsequently backed out on the ground that instead of shortlanding it was a case of shortage which occurred due to fault of the stevedores. According to the inquiry report of O.S.D. (Inquiries) Establishment Division submitted in April, 1986, the shortage occurred partly due to handling loss and partly due to negligence of an officer of the Department. Position of action taken on the inquiry report has not been indicated by the Ministry. The Department informed the Committee that an Inquiry was held in this case by an Inquiry Officer appointed by the Establishment Division. He held that shortage was not due to any fault of the contractor. There was no shortlanding in this case. A quantity of 23,750 M/Tons was recommended to be Written off. A quantity of 13.600 M/Tons was attributed towards negligence. Final action was under way.

1345. The Committee directed that the action may be expedited. Subject to these remarks, the paragraph was dropped.

COMMERCIAL ACCOUNTS—1983-84 & 1984-85

1346. *Korangi Fisheries Harbour Authority* (*Para* 3, *page* 12-*ARCA*-1983-84 *Para* 2, *page* 12-*ARCA*-1984-85).—Audit in these paras reported that a total number of 202 Accounts in 1983-84 and 216 Accounts in 1984-85 were in arrears and were not provided for Audit in time. The Department reported that Accounts were made available to Audit with some delay. The Committee directed that Accounts should, in future, be provided in time. Subject to these remarks, paragraph was dropped.

1347. (*Para* 197, *page* 151-*ARCA*-1984-85).—According to Audit, provision of Rs. 4.6. million in foreign exchange was made during 1983-84 for consultancy services from Asian Development Loan. An amount of US $ 2899 (Rs. 39,227) was spent to meet the Air Passage etc. of the Chairman KEHA at Manila while the balance amount could not be utilized due to non-induction of the Consultants. The Department explained that the expenditure could not be incurred due to late appointment of Consultant. The examination of Paragraph was deferred by PAC.

Roti Corporation of Pakistan

1348. (*Para* 4, *page* 12, *ARCA*-1984-84 & *Para* 3, *page* 12-*ARCA*-1984-85).—Audit while intimating upto date position reported that the accounts for and upto 1984-85 have been compiled ; the accounts for 1977-78 were provided to Audit on 22-10-1984. External Audit of the Accounts for the year 1978-79 to 1980-81 had been completed while that of 1981-82 was in progress. The Department reported that all out efforts were being made to bring the accounts position upto date. The PAC directed that accounts position should be brought upto date expeditiously.

1349. *Loss of Rs.* 181,922 *on sale of rejected/un-serviceable material* (*Para* 13, *page* 32-*ARCA*-1984-85).—Audit pointed out that in 1981-82, a unit of the RCP disposed of rejected/unsaleable atta, soda, poly bags etc. at a loss of Rs. 181,922. This material became unfit for use either due to long storage or 'over milling'. The Department informed the Committee that the material was procured according to consumption of material and Demand of 'ROTI', but due to change in 'Mix Formula' and sharp fall in demand of 'ROTI', there was long storage, which could not be avoided, No disciplinary action was involved. The Committee accepted the explanation and settled the Paragraph.

Pakistan Agriculture Storage/Services Corporation Ltd.

1350. *Operation results* (*Para* 132, *page* 115, 116-*ARCA*-1983-84).—Audit pointed out that there was a loss of Rs. 163 million during 1983. The loss had accumulated to Rs. 594.432 million against a paid up capital of Rs. 30 million, which necessitated borrowing involving Financial Charges to the extent of Rs. 276.633 million. It was further reported by Audit that an amount of Rs. 300 million was provided in the budget for 1985-86 for re-imbursment to the Corporation by the Government, but was re-appropriated for some other purpose. The Paragraph was settled with the remarks that the position would be reviewed alongwith the next years accounts.

1351. *Sundry Debtors* (*Para* 133, *page* 166-*ARCA*-1983-84).—Audit pointed out that Sundry Debtors of Rs. 416 million as on 31-12-1983 have come down to Rs. 33 million by 31-12-1985. Age analysis of outstanding amount was not prepared. The Department informed that recipient agencies were Provincial Governments in this case. Ministry of Finance had made suggestions to solve the problems. It was under correspondance with Provincial Government. The PAC directed Finance Division to sort out the problems with Provincial Government. The Paragraph was settled.

AUDIT REPORT—1984-85

1352. *Loss of Rs.* 2.24 *million due to shortage and damages of Wheat & Gunny Bags* [*Para* 1 (*i*), *page* 63-*AR*]. Audit reported to the Committee that the accounts of a consignment of wheat imported in May, 1977 revealed shortages of 838 M/Tons and damages of 549 M/Tons while 10,000 Gunny Bags became unserviceable during handling at Port. The cumulative loss worked out to Rs. 2,240,657. The matter was reported to the Department/Ministry in June, 1980, 1982 respectively. The Ministry stated that instead of the shortages 1559 M/Tons wheat was damaged which was subsequently disposed off causing net loss of Rs. 2.20 million. Audit informed the Committee that actually in April, 1984 (after eight years from the arrival of the ship) an additional Stock Account of 1010 Metric Tons of damaged wheat was furnished to Audit to cover up the shortage but the original supporting vouchers *i.e.* check weighment certificate does not indicate the name of the ship. The quantity of 1010 M/Tons was collected as sweepings from different Wharves and disposed of. No inquiry report relating to this case has been furnished to Audit. The Department reported that a quantity of 1559 M/Tons was disposed of. One handling agent did not render his accounts of disposal thus these could not be produced. The write off action was in process.

1353. The Committee directed that write off action may be expedited and reported to the PAC. The paragraph was derferred.

1354. *Loss due to shortage of* 780.850 *M/Tons Rs.* 2.071 *million* [*Para* 1 (*ii*), *page* 64-*AR*].—According to Audit Report, against a consignment of 16,899 M/Tons of Urea imported in November, 1980 a quantity of 781 M/Tons valuing Rs. 2.071 million was reported to have shortlanded which could not be substantiated as the Department had not arranged for Joint Survey and timely issue of KPT shortlanding certificate. Consequently no compensation could be obtained from shipowners. The O.S.D. (Inquiries) of the Establishment Division in his report submitted in April, 1986 (Para 640 to 649, page 230 to 232) has opened that it was a case of shortage which had occurred due to following reasons :—

(i) 47.820 M/Tons handling loss.

(ii) 80.660 M/Tons adjustable against despatch earning.

(iii) 658.370 M/Tons attributable to mishandling of cargo by the stevedoring contractor.

1355. The Ministry has not intimated position regarding the action taken on the report of enquiry officer. The Department informed the Committee that according to the terms of the contract the supplier was required to make good the loss. A claim of US $ 209,189.71 was lodged. The supplier, however, did not pay the claim. The matter was referred to Justice Division, who nominated an Advocate to recover the amount of claim. A suit was being filed in a Court of Law.

1356. The Committee directed that an inquiry may be held in this case and Chairman PAC would represent PAC. The paragraph was deferred.

1357. *Loss of Rs. 1.533 million due to shortages: damages, sweeping and mishandling of stores* [*Para* 1 (*iii*), *page* 64-*AR*].—Audit pointed out that in four consignment of Fertilizer shortages, damages, sweeping and mishandling, 862 M/Tons involving a loss of Rs. 1.533 million were reported. The losses have not been investigated and regularised. It had been reported that inquiry in three cases has been entrusted to O.S.D. (Inquiries) of Establishment Division whose report is awaited. The Department reported that an inquiry in this case was being conducted by O.S.D. (Inquiries) Establishment Division. A report was awaited.

1358. The Committee directed that an inquiry may be conducted, Chairman PAC will represent PAC. The paragraph was deferred.

1359. *Loss due to damages of imported wheat* [*Rs.* 1,508,609] *para i* (*iv*), *page* 64-*AR*].—Audit pointed out that 1541 M/Tons of wheat imported in March, 1985 valuing Rs. 3.72 million was damaged apparently because necessary protective measures were not taken by the Department Handling Agent at port against wheather, pilferage etc. The Department informed that the damaged wheat was sold to private parties for Rs. 2.215 million. No Inquiry Report has been furnished to Audit. The Ministry should have conducted an enquiry. The Department intimated that the damages were due to heavy rains which was beyond the control of Department. A case of write off was in process. The Committee directed that an Inquiry may be held. The paragraph was deferred.

1360. *Loss due to Shortages and Damages at Port Rs.* 538,710 [*Para* 1 (*vi*), *page* 65-*AR*].—According to Audit, against a consignment of Fertilizer imported in September, 1982 shortage of 52 M/Tons and damage of 280 M/Tons valuing Rs. 124,169 and Rs. 424,539 respectively was reported. The Department reported that the case has been entrusted to O.S.D. (Inquiries) for conducting detailed inquiry on 17-2-1987 and the report was awaited. The Committee directed that an Inquiry in the case may be held, Chairman PAC will represent PAC. The paragraph was deferred.

1361. *Loss due to Shortages, Sweeping etc. Rs.* 0.344 *million* [*Para* 1 (*vii*). *page* 65-*AR*].—Audit reported that in two consignments of Urea Fertilizer imported in October, 1981, a quantity of about 40 M/Tons valuing Rs. 113.010 was reported short at the Port. Another quantity of 408 M/Tons was despatched as sweepings without obtaining the orders of competent authorities allowing 30%

rebate involving a loss of Rs. 202,189. Further claim for US $ 2747 on account of short supply of bags was not recovered. The Ministry has entrusted the case of loss due to sweeping only to the O.S.D. (Inquiries) for enquiry whereas the shortages remain to be investigated. The Department reported that the damages was due to rains, sweeping etc. For a portion of loss, inquiry was being held by O.S.D. (Inquiries) and for certain claims suits had been filed and hearing had also taken place.

1362. The Committee directed that an Inquiry may be held for the case for which suit had not been filed. Chairman PAC will represent the PAC. The paragraph was deferred.

1363. *Loss of Rs.* 0.287 *million due to damage and sweeping of stores* [*Para* 1(*viii*), *page* 66-*AR*].—Audit pointed out that in a consignment of Fertilizer imported in July, 1982 quantities of 133 M/Tons and 98 M/Tons were shown as damaged and sweeping respectively causing loss of Rs. 0.287 million. The case has been entrusted to O.S.D. (Inquiries) whose report was awaited. The Department admitted that handling loss was more than permissible limits. Action will be taken on receipt of inquiry report.

1364. The Committee directed that on Inquiry may be held. The Chairman will represent PAC in the Inquiry. The paragraph was deferred.

[*Para* 3, (*i*), *page* 66-*AR*], [*Page* 3 (*ii*), *page* 67-*AR*] [*Para* 3 (*iii*), *page* 67-*AR*], [*Para* 3 (*iv*), *page* 67-*AR*] *and* [*Para* 3 (*v*), *page* 67-*AR*].

1365. In the case of all these Paragraphs it was reported that the cases had been referred to O.S.D. (Inquiries), and a report was awaited. The examination of these Paragraphs was deferred. The Committee directed that inquiries may be held on all these cases. Chairman PAC will represent PAC in the said inquiries. The paragraphs were deferred.

1366. *Points not discussed to be treated as settled.*—The Committee did not make any observation on the other points/paragraphs in the Appropriation Accounts/Commercial Accounts and Audit Report thereon. These would be deemed as settled, subject to such regularisation action as may be necessary under the rules.

1367. The Committee then adjourned to meet again at 9.00 a.m. on 28th July, 1987.

K. M. CHIMA,
Secretary.

Islamabad, the 24th January, 1988.

Annexure 'E'

BOLAN MEDICAL COLLEGE QUETTA

INSPECTION NOTE OF CHAIRMAN PUBLIC ACCOUNTS COMMITTEE

1. The Chairman PAC visited Bolan Medical College, Quetta on July 3, 1986. The work on the project is under suspension since 1983. Only two Boys Hostels and some residential accommodation for the teaching staff have been completed and are under use. The remaining structures are in various stages of completion. The total expenditure incurred so far on the project is Rs. 385 million.

2. The Superintending Engineer Pak. PWD stated that the work has been held up at the specific instructions of ECNEC. The main causes of suspension of work were stated to be as under :—

(a) the structures were not designed as per seismic requirements of the area.

(b) the execution of work was far below the specifications as established from the core tests carried out under the supervision of NESPAK and existing structures were technically not strong enough to take the designed loan, and

(c) the contractor had no technical competence to carry out the strengthening of the structure.

3. The Chairman PAC desired that the Project should be examined by the Public Accounts Committee its next meeting (Sunday, 7th September, 1986) and the Principal Accounts Officers of Health and Works Divisions and representative of Planning Division should be invited to assist the committee in probing the causes of the blockade of huge capital invested, ineffective use of resources and failure of providing promised facilities to the citizens of Baluchistan. Both the Principal Accounts Officers should also be advised to ask all the concerned officers to be present in the meeting so that matter could be discussed thoroughly.

4. He also desired that Secretaries of both the Divisions should be asked to come duly briefed on the following aspects of the project :—

Design & Consultancy

(i) What were the original parameters given to the Consultants for preparing the Master Plan and specification of various buildings in the project ?

(ii) Were the parameters technically approved; and if so by which authority?

(iii) Were the parameters considered realistic ? If not how the unrealistic parameters were accepted ? Who was responsible for the lapses ?

(iv) Were the technical drawings and specifications prepared by the consultants, scrutinized and approved before execution of the works by any technical agency ; if not the reasons thereof ?

(v) Were there any major variations between the actual quantities executed and the estimated quantities of certain items of work ? If so what were the factors leading to such a variation and which authority permitted the variations ?

(vi) Were the variations due to the poor quality of work done by the consultants and if so what action has been taken against them ?

Execution of work

(vii) How the contractors were selected for the work and had all loop-holes been covered to ensure selection of a competent contractors ?

(viii) Has the work been executed by the contractor as per designed specifications ? If not, who were the persons responsible for supervision and acceptance of work and what action has been taken against them ?

(ix) When the contract awarded by the Provincial Government was cancelled, how the same contractors were awarded the work again and on what considerations and by what authority ?

(x) What were the salient features of the contract and have they been fulfilled ? For instance it was provided in the Agreement that the mobilisation advance shall be paid to the contractor, on having brought the batching plant at site. Why this condition was relaxed for release of mobilization advance and even during the execution? What action has been taken against the persons who were responsible for relaxing the terms and conditions in the agreement in favour of the contractor ?

Accounting & Supervision

(xi) It has been alleged that proper accounting system was not followed, while incurring expenditure on the project, as a result it has become difficult to determine the amount paid, amount receivable, and liabilities of the contractor. If so, the reasons thereof may be stated. Who was the authority responsible for the same and what action has been taken in this regard ?

(xii) It is said that the original contract for Civil Works was executed with a consortium of two contractors. One of the parties, however dis-associated itself from the project, but no notice thereof was taken by the executive agency. If the above assumption is correct the reasons and legal consequences thereof may be explained.

(xiii) When it came to the notice of executive agency that the work was much below the required specifications, why the contract was not rescinded and was simply suspended ?

(xiv) The audit has pointed out huge over payments to the contractors. What action has been taken by the executive agency to recover the over-payments and what action has been taken against the officers who were responsible for the over payment ?

(xv) It is alleged that the rates allowed for certain items of Civil Works were abnormally high, and the quantities of such items were subsequently increased out of proportion. If the above statement is correct, who was responsible for the failure and what action has been taken against them, in this regard ?

Procurement of Equipment

(xvi) It has been found that a lot of equipment for installation in the Hospital, imported from abroad was lying in the complex premises for last ten years. Following aspects should be attended in this regard :—

(a) When this equipment was imported ?

(b) What was the cost of imported goods ?

(c) Why was it imported when it was not needed in view of the slow progress of the work ?

(d) Why it could not be utilized in other Hospitals ?

(e) Who was responsible for the unplanned import of equipment and what action has been taken against him ?

General

(xvii) A list of all the officials who were responsible for the planning, design scrutiny and execution of various aspects of the project may also be provided.

5. The Chairman, PAC also desired that Secretaries of both the Divisions should also go through the Performance Audit Report of the project, prepared by the Auditor-General of Pakistan, and should come up with their considered view on the issues raised in the report.

6. The Chairman also desired that copies of all the relevant documents especially, the views of the Planning Commission while scrutinizing PC-I (or revised PC-I) of the project, and proceedings of Central Development Working Party and ECNEC should also be produced to the Committee.