



REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF THE FEDERATION
FOR THE YEAR
1993-94

NATIONAL ASSEMBLY SECRETARIAT
ISLAMABAD

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1993-94, 1996-97 & 1999-2000**

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PREFACE

Under the Constitution of the Islamic Republic of Pakistan, the disbursement from the Federal Consolidated Fund requires approval by National Assembly of Pakistan. While authorizing huge sums of the tax payer's money, the Assembly has a right to reassure itself that the moneys so granted were steered to the intended purpose and were spent prudently and in accordance with Rules & Regulations. The National Assembly oversees expenditure through its committee on Public Accounts, on the basis of Appropriation Accounts, Finance Accounts and Audit Reports prepared by the Controller General of Accounts and Auditor-General of Pakistan. The said reports are laid in the National Assembly as required under Article 171 of the Constitution.

The accounts of the Federal Government for the year 1993-94 were examined by two consecutive PACs of the House. The first PAC started its examination in October, 1996, but before it could complete its work, it was dissolved. The next Committee took up the unfinished agenda for scrutiny in July, 1997, and as a result of planned and dedicated efforts, it accomplished its task in December, 1998. The work of both the PACs has been brought together in this Report. However, the report could not be presented earlier in the House for one reason or the others to date.

The drafting and preparation of this Report has been made possible due to the concerted efforts of officers/staff of the Public Accounts Committee of the National Assembly Secretariat.

It is hoped that suggestions and recommendations of the Committee would encourage and assist the Government in smartening up the system and procedure for constructive financial management.



(TAHIR HUSSAIN)

Secretary

National Assembly Secretariat

Islamabad, the 11th April, 2018

COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE

1.	Syed Khursheed Ahmed Shah, MNA	Chairman
2.	Raja Muhammad Javed Ikhlas, MNA	Member
3.	Mr. Najaf Abbas Sial, MNA	Member
4.	Mr. Saeed Ahmed Khan Manais, MNA	Member
5.	Ch. Nazeer Ahmad, MNA	Member
6.	Sheikh Rohale Asghar, MNA	Member
7.	Syed Ghulam Mustafa Shah, MNA	Member
8.	Sardar Muhammad Jaffar Khan Leghari, MNA	Member
9.	Sahibzada Muhammad Nazeer Sultan, MNA	Member
10.	Rana Afzaal Hussain, MNA	Member
11.	Syed Naveed Qamar, MNA	Member
12.	Dr. Azra Fazal Pechuho, MNA	Member
13.	Mr. Shafqat Mahmood, MNA	Member
14.	Dr. Arif Alvi, MNA	Member
15.	Mr. Abdul Rashid Godil, MNA	Member
16.	Dr. Khalid Maqbool Siddiqui, MNA	Member
17.	Ms. Shahida Akhtar Ali, MNA	Member
18.	Syed Kazim Ali Shah, MNA	Member
19.	Sheikh Rasheed Ahmad, MNA	Member
20.	Mr. Mahmood Khan Achakzai, MNA	Member
21.	Sardar Ashiq Hussain Gopang, MNA	Member
22.	Ch. Pervez Elahi, MNA	Member
23.	Mian Abdul Mannan, MNA	Member
24.	Senator Ch. Tanvir Khan	Member
25.	Senator Sherry Rehman	Member
26.	Senator Muhammad Azam Khan Swati	Member
27.	Senator Molana Abdul Ghafoor Haideri	Member
28.	Senator Mushahid Hussain Syed	Member
29.	Senator Hidayat Ullah	Member
30.	Minister for Finance, Revenue & Economic Affairs	Ex-Officio Member

EXECUTIVE SUMMARY

Public Financing is controlled by the Parliament through a process, exercised by the Public Representatives, in two stages: 'proposals stage' and the 'results stage'. At the first stage, the government presents Budget proposals for the National Assembly's approval, which is imperative, to give effect to its policies and programmes. The second stage relates to the control over the expenditure of public money. This is the stage, where the Public Accounts Committee (PAC) comes into picture, when it examines the accounts of the Federal Government, compiled by the Controller General of Accounts (CGA) and the Auditor General of Pakistan. Under Article 171 of the Constitution of the Islamic Republic of Pakistan, the Auditor General of Pakistan submits Annual Audit reports to the President who causes them to be laid before the National Assembly. For a detailed scrutiny, these reports are referred to the Public Accounts Committee in order to examine whether the moneys shown in the accounts, as having been disbursed, were legally available for and applicable to, the service or purpose to which they have been applied or charged; that the expenditure conforms to the authority which governs it and that every re-appropriation has been made in accordance with the provisions made in this behalf under rules framed by the competent authority.

2. In order to create a productive atmosphere and for effective working, the PAC has institutionalized the following guiding principles: -

- i) The Principal Accounting Officers (PAOs)/Secretaries of the Ministries/Divisions, who represent them in the PAC meetings, were expected to be fair. They should not press on concealment of the irregularities.
- ii) It is a joint responsibility of the elected public representatives and the government functionaries to protect the national interest.
- iii) The Principal Accounting Officers (PAOs) must ensure their personal attendance in meetings of the Committee and PAC related communication must be given top priority.
- iv) All functionaries of Ministries/Divisions appearing before PAC must come fully prepared in order to promptly respond to the queries of the Committee.

PAC REPORTS

3. The accounts of the Federal Government for the year 1993-94 were examined by two consecutive PACs of the House. The first PAC started its examination in October, 1996, but before it could complete its work, it was dissolved. The next Committee took up the unfinished agenda for scrutiny in July, 1997, and as a result of planned and dedicated efforts, it accomplished its task in December, 1998 but could not present this report to the house. The work of both the PACs has been brought together in this Report. This was the Report containing large number of audit paras (1651 audit paras). The Committee met regularly at least once or twice in a month to consider this report. The PAC held meetings for 96 days during that period.

APPROPRIATION ACCOUNTS OF THE FEDERAL GOVERNMENT

4. Annually compiled Appropriation Accounts of the Federal Government bring out the position of budgetary control of the government. Expenditure against each grant is discussed by the Committee with the respective Principal Accounting Officer in the context of public funds placed at their disposal by the National Assembly, and actual spending by the departments under their control. Financial control and budget management also came under detailed review.

5. In the course of examination of the Appropriation Accounts for the year 1993-94, the Committee reviewed 205 grants. The Committee came across situations where excesses and savings were a regular feature. There was a liberal resort to supplementary grants, which in certain cases were obtained, towards close of the financial year, even though the original allocation was not consumed fully. Excesses even after receipt of generous supplementary allocations were also found in some cases.

6. The Committee repeatedly expressed concern over the state of financial indiscipline. While examining Appropriation Accounts in number of cases, the committee noticed that the Principal Accounting Officers (PAOs) were usually not equipped with the skilled assistance at the base level i.e. the Accounts Officers, who are responsible for maintaining the Accounts. In most of the Ministries/Divisions/Attached Departments and subordinate offices, it was observed that the PAOs were not vigilant enough to get the accurate budgetary estimates prepared for the next year or to monitor the flow of the expenditures through a proper system of internal control. The result was that a large number of cases of savings and excesses in spending the budgetary grants surfaced. In a country, where it is difficult to mobilize funds for the urgent needs for the development projects, the proper budgeting is very essential i.e. if we collect Rs. one billion as revenue and spend Rs. two billions, the available funds have to be rationed. If adequate budgetary allocation has been made to one department of the government, the other departments get less, even a saving by one department, which is not diverted to a needy project in another department in time, is a national loss. The Committee cautioned the Ministries and Divisions that strict notice would be taken of budgetary transgression.

7. In some cases the Committee observed variations in the figures of various components of the grant, although total amount of expenditure shown by the Office of Accountant General of Pakistan (Revenue) (AGPR) and Administrative Departments concerned were in agreement. The Committee advised the Controller General of Accounts (CGA) and all concerned to look into the matter and take corrective measures.

8. Most effective safeguard against misuse of public funds lies in creating some arrangement in each Ministry/Division that is mesh around effective internal controls/audit system. Strengthening the internal control is, therefore, vital to good governance. In some Ministries/Divisions/ Departments and their subordinate offices, the Committee noticed that the Officers dealing with their Accounts were not trained for such assignments, resulting weak internal budgetary controls. The Committee was informed by the Auditor General of Pakistan that on the directive of previous PAC, Chief Finance & Accounts officer are appointed for internal budgetary control system in Ministries/Divisions.

COMMENTS ON REPORTS OF THE AUDITOR-GENERAL

09. It is a fundamental principle of any parliamentary system that each Federal, Provincial and District Government must be held responsible to the legislature (by whose authority it governs) and through the legislature to the citizens at large. This includes the responsibility to account for the Government's use of tax payer's money, which is reported annually by the Auditor General of Pakistan in our case. Examination of all reports of the Auditor-General of Pakistan pertaining to the money spent by Federal Ministries and Departments is a national responsibility, which the PAC exercises on behalf of the National Assembly. These reports are in many volumes. These Federal spending are examined from different perspectives which include: review of financial transactions from regulatory, propriety and procedural points of view, comprehensive review of performance of Organizations, comments regarding future plans of public entities, comments arising out of accounting documents, special studies of various activities, etc.

10. Many significant issues surfaced during the Committee deliberations on the Report of the Auditor General. A brief and to the point replies by the PAOs and the directives issued by the PAC as a result of discussion on each para were issued for the necessary actions by the PAOs at the culmination of each PAC meetings which are appended to the report.

SIGNIFICANT ISSUES

11. It was regularly observed that the response of the Ministries and Departments to the audit observations is not satisfactory. Even the routine matters, which could easily have been sorted out, between the Audit and Departments concerned do not receive timely attention. The Committee did receive the required response from the Departments after the formal notices for its meetings were issued, however, it does not mean that all cases reported in Audit Reports are kept pending till the review by the PAC. To arrive at some agreeable solutions of the issues contained in the audit paras before the PAC meetings an important forum of the Departmental Accounts Committee (DAC) was activated. The result of the DAC meetings proved to be very useful and it helped in accelerating the disposal of issues by the PAC. The Committee has emphasized that in future the settlement of audit observations and reconciliation of accounts would be the primary responsibility of the Principal Accounting Officers. The PAC directed the Ministries/Divisions/Departmentsto:-

- i) Take necessary action by holding the meetings of DACs once a month to review audit paras at the earliest opportunity;
- ii) Review, at regular interval, the progress of all the pending audit paras;
- iii) Initiate disciplinary action in the cases in time, where required; and
- iv) Complete action at their end and try to settle disagreements with the Audit where possible, within three months of the receipt of Audit Report.

12. Generally, it was observed that some of the Principal Accounting Officers (PAOs)/Head of the Corporations/ Autonomous bodies either hesitate to appear before the PAC personally or when attended the meetings, they were found not fully prepared. During the meetings, they were often obliged to seek the assistance of their subordinates, sometimes at a very low level. This practice has always been discouraged by the PAC.

RELUCTANCE TO PRODUCE RECORD TO AUDIT

13. The PAC time and again observed the reluctance of Ministries/Divisions to produce the required record to the Audit, resulting unnecessary audit objections, which also consume valuable time of the PAC. The Committee directed that proper record be maintained and produced before the Audit as and when demanded.

COURT CASES

14. It was noticed that the Ministries/Divisions did not take timely actions to defend court cases effectively at an appropriate level. Some time PAOs were observed to have been assisted in such matters by an Officer, who was not even conversant with the facts of such cases. Serious efforts were not made to get the stay orders vacated in numerous cases with the result that recoveries and administrative actions were delayed. The PAC felt concerned about this state of affairs and directed for taking effective measures to curb this unhealthy trend in the public interest.

VIOLATION OF GENERAL FINANCIAL RULES

15. General Financial Rules (GFRs) were not observed by the Officers/Officials of some Departments while spending public funds placed at their disposal. The canons of propriety laid down in the GFRs need to be emphasized by the PAOs in respective Departments/Organizations. Every official or Institution must abide by the General Financial Rules (GFRs) while spending funds placed at their disposal. The canons of propriety laid down in the GFRs provide that every officer incurring or authorizing expenditures from public funds should be guided by the high standards of financial propriety. Among the principles, on which emphasis has been generally laid, are as under:-

- Every public servant should exercise the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money;
- The expenditure should not be, prima facie, more than the demand; and
- No authority should exercise power of sanctioning expenditure to pass an order that would be directly or indirectly disadvantageous to the national exchequer.

AUDIT OF PUBLIC SECTOR ORGANIZATIONS/CORPORATIONS

16. The increasing tendency to exclude the audit of public sector bodies, such as Corporations from the purview of the Auditor General dilutes the concept of sustainable accountability through legislative oversight. Reports of the private Auditors appointed by the Management of Public Sector Corporations/Enterprises are not presented to the legislature. Private Sector Auditors are appointed and highly paid by these Corporations/Enterprises; therefore, the issue of conflict of interest is always there. With a diluted statutory audit, tendency and chances of misusing public resources may increase. The Committee felt a need to ascertain whether some provisions of Power and Functions of Auditor General of Pakistan Ordinance No. XXIII of 2001, the Company's Act and other Acts/provisions of the rules, regulating the audit of accounts of Public Sector Corporations cited in PAC meetings, have a restrictive effect on the jurisdiction of the Auditor General and thereby encouraging other newly created Authorities and Autonomous Bodies to avoid audit by the Auditor General. This impacts the legislative oversight of public funds.

(2) Further, in some cases it was contested that the decisions of the Board of Directors of different Public Sector Enterprises (PSEs) in which representative of Finance Division also participated, over ride the normal Financial Rules of the Federal Government.

OFFICE OF THE AUDITOR GENERAL OF PAKISTAN

17. The PAC generally appreciates the hard work put in by the Auditor-General of Pakistan and his Officers in preparing the Audit Reports. However, there is a need for the audit staff to be more professional considering the present day challenges. The Auditors also have an obligation to constantly update and improve their skills in discharging their professional responsibilities. They must know and apply auditing, accounting and financial management standards, procedures and practices. They also should possess a good understanding of the constitutional, legal and institutional principles and standards, governing the operations of the audited entities. This will ensure the fairness, impartiality and competence of the Auditors.

NATIONAL ASSEMBLY SECRETARIAT

18. The PAC would like to acknowledge hardwork of the staff of PAC Wing, National Assembly Secretariat for their focused efforts for providing efficient support to the Committee in conducting its deliberations within shortest span of time.

CONCLUDING REMARKS

19. While submitting this Report to the National Assembly of Pakistan, the Committee finally recommends that:-

- i) Suggestions, directives and recommendations made by the Committee in this Report and the Actionable Points be accepted for implementation by respective Ministries/Divisions/Departments in the Federal Government; and
- ii) Excess budget statements for the year 1993-1994 are regularized in accordance with the provisions of the Constitution.



(TAHIR HUSSAIN)

Secretary

National Assembly Secretariat



(SYED KHURSHEED AHMED SHAH)

Chairman

Public Accounts Committee

Islamabad, the 11th April, 2018

**DETAILS OF EXCESS EXPENDITURE
FOR THE YEAR 1993-94**

EXCESS BUDGET STATEMENT FOR THE YEAR 1993-94

S#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
01.	M/O Interior (22 nd July, 1997)	89 - M/O Interior	34,805,000	5,056,000	39,861,000	48,922,167	9,061,167	The Committee Recommended the excess expenditure for regularization.
		90 – Islamabad	294,477,000	3,000,000	297,477,000	321,762,755	24,285,755	- do -
		92 – Civil Armed Forces	1,883,655,000	29,500,000	1,913,155,000	2,179,996,877	266,841,877	- do -
		93 – Pakistan Coast Guards	93,174,000	4,267,000	97,441,000	101,204,152	3,763,152	- do -
		94 – Pakistan Rangers	841,438,000	11,006,000	852,444,000	931,442,227	78,998,227	- do -
		95 – Registration Organizations	168,785,000	10,500,000	179,285,000	192,038,908	12,753,908	- do -
		96 – Civil Defence	17,644,000	794,000	18,438,000	19,187,636	749,636	- do -
		97 – FIA	89,804,000	8,500,000	98,304,000	104,120,962	5,816,962	- do -
02.	M/O Industries (24 th July, 1997)	82 – Other Expenditure of M/O Industries	72,693,000	-----	72,693,000	73,806,279	1,113,279	The Committee directed the Auditor-General to enquire in to the matter and report to PAC.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
03.	M/O Health (26 th July, 1997)	68 – Medical Services	774,418,000	139,906,000	914,324,000	942,139,780	27,815,780	The Committee directed the M/O Finance & Audit to look into the matter, fix responsibility & take disciplinary action against concerned officials.
04.	M/O Food, Agriculture & Livestock (11 th August, 1997)	159 – Development Expenditure of Livestock Division.	62,106,000	151,261,000	213,367,000	293,182,670	79,815,670	The Committee directed Principal Accounting Officer to examine the issue, fix responsibility for the delay and report to PAC within one month.
		136 – Capital Outlay on Purchase of Food	3,854,324,000	2,453,045,000	6,307,369,000	7,187,884,472	880,515,472	The Committee formed an IDC to sort out the issue, fix responsibility and report to PAC within one month.
05.	President's Secretariat (15 th September, 1997)	- Appropriation Staff, Household and Allowances of the President	77,188,000	50,000,000	127,188,000	154,159,915	26,971,915	The Committee issued the instructions to M/O Finance and Audit that (i) Audit should arrange the Audit for those Organizations which takes discretionary and contingent grants. (ii) M/O Finance revised the procedures and rules for discretionary and contingent grants.

S#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
06.	Cabinet Division (16 th September, 1997)	4 – Emergency Relief and Repatriation	17,160,000	485,026,000	502,186,000	520,829,676	18,643,676	The Committee formed a Sub-Committee under the Convenership of Ch. M. Berjees Tahir, MNA to examine the case & report to PAC within one month.
07.	M/O Railways (18 th September, 1997)	115 – Pakistan Railways (Charged)	527,831,000	201,309,000	729,140,000	786,712,757	57,572,757	Not discussed. However, the PAC regularized the grant on 05-07-2001.
		(OTC)	10,035,731,000	186,392,000	10,222,123,000	10,318,407,517	96,284,517	- do-
08.	Defence Division (9 th January, 1998)	34 - Federal Govt. Educational Institution in Cantonments & Garrisons	345,428,000	-----	345,428,000	348,770,561	3,342,561	The Committee recommended the excess expenditure for regularization.
		152 – Development Expenditure of Federal Govt. Educational Institution in Cantonments & Garrisons.	11,608,000	-----	11,608,000	11,758,000	150,000	The Committee recommended the excess expenditure for regularization.
09.	M/O Foreign Affairs (21 st January, 1998)	65 – Foreign Affairs	1,206,180,000	11,011,000	1,217,191,000	1,304,228,250	87,037,250	The Committee recommended the excess expenditure for regularization.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
		66 – Other Expenditure of M/O Foreign Affairs (Charged)	37,000,000	---	37,000,000	56,021,798	19,021,798	The Committee formed and IDC to examine the issue of charged grant to be convened into non-charged grant & suggest remedial measures & report to PAC within one month.
10.	Kashmir Affairs and Northern Affairs Division (21 st January, 1998)	130 - Kashmir Affairs and Northern Affairs Division	12,485,000	500,000	12,985,000	28,780,192	15,795,192	The Committee formed an IDC to reconcile the figures and suggest remedial measures to solve the problems being faced by the KANA Division. However, the Committee regularized the grants on 5-07- 2001.
		131 – Northern Areas	346,568,000	-----	346,568,000	364,739,208	18,171,208	- do -
		132 – Federal Govt. Educational Institutions in Northern Areas.	159,196,000	-----	159,196,000	176,008,332	16,812,332	- do -
		139 - Capital Outlay on purchases by Kashmir Affairs and Northern Affairs Division.	114,217,000	-----	114,217,000	114,349,927	132,927	- do -

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
11.	M/O Housing & Works (22 nd January, 1998)	75 – Civil Works (OTC)	667,681,000	5,300,000	672,981,000	682,401,891	9,420,891	The Committee recommended the excess expenditure for regularization.
		76 – Estate Offices	503,876,000	16,200,000	520,076,000	523,106,511	3,030,511	- do -
12.	M/O Production (12 th February, 1998)	114 – M/O Production	29,655,000	41,725,000	71,380,000	72,715,589	1,335,589	- do -
13.	States & Frontier Regions Division. (13 th February, 1998)	123 – Frontier Regions	422,959,000	-----	422,959,000	486,067,331	63,108,331	The Committee conveyed its displeasure on the excess expenditure and directed the Principal Accounting Officer to examine the case, fix responsibility, take action against concerned Official (s) and be careful in future.
		124 – Frontier Constabulary	459,468,000	-----	459,468,000	462,149,661	2,681,661	The Committee recommended the excess expenditure for regularization.
		125 – FATA	207,603,000	925,000	208,528,000	210,662,486	2,134,486	- do -
		126 – Other Expenditure of FATA	763,594,000	-----	763,594,000	829,859,447	66,265,447	The Committee directed the department and Audit to reconcile the figures and report to PAC within two months.

S#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
14.	M/O Communications (17 th February, 1998)	185 – Capital outlay on Communication Works	21,990,000	-----	21,990,000	22,370,590	380,590	The Committee recommended the excess expenditure for regularization.
15.	Aviation Division (18 th March, 1998)	30 - Aviation Division.	468,433,000	-----	468,433,000	486,592,572	18,159,572	-do-
16.	M/O Education (20 th March, 1998)	153 - Development Expenditure of M/O Education	510,264,000	29,302,000	539,566,000	560,925,607	21,359,607	-do-
17.	Pakistan Atomic Energy Commission (08 th July, 1998)	14 - Atomic Energy	565,503,000	23,434,000	588,937,000	588,960,479	23,479	-do-
18.	Planning & Development Division (09 th July, 1998)	173 - Development Expenditure of Planning & Development Division	61,032,000	100,153,000	161,185,000	161,466,742	281,742	- do -
19.	Special Education & Social Welfare (10 th July, 1998)	161 - Development Expenditure of Social Welfare	9,960,000	1,781,000	11,741,000	12,138,201	397,201	- do -
20.	Labour Division (10 th July, 1998)	103 - Labour Division	30,303,000	2,901,000	33,204,000	37,769,725	4,565,725	- do -
		104 - Other Expenditure of Labour Division.	1,848,580,000	-----	1,848,580,000	2,234,509,878	385,929,878	The Committee formed a Sub- Committee under the Convenership of Syed Zafar Ali Shah, MNA to examine the issue & report to PAC within one month.

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
21.	M/O Information & Media Development (11 th July, 1998)	83 - M/O information & Broadcasting	32,024,000	10,150,000	42,174,000	46,212,403	4,038,403	The Committee settled the grant. However, the committee directed the M/O Finance to examine the issue of excess of concerned Ministry & also report on the additional posts charged to the grant
		84 - Directorate of Publications, Newsreels & Documentaries	29,389,000	-----	29,389,000	32,538,669	3,149,669	The Committee recommended the excess expenditure for regularization.
		85 - PID	33,043,000	20,250,000	53,293,000	60,403,651	7,110,651	- do -
		86 - Information Services Abroad	77,380,000	4,600,000	81,980,000	88,650,132	6,670,132	- do -
22.	Finance Division (01 December, 1998)	42 - National Savings (OTC)	129,145,000	4,080,000	133,225,000	136,647,272	3,422,272	The Committee recommended the excess expenditure for regularization.
		44 - Grants-in-Aid & Miscellaneous Adjustments between the Federal & Provincial Govt.(Charged)	2,000,000,000	-----	2,000,000,000	2,010,000,000	10,000,000	-do-

S.#	Name of Ministry/ Division and Date of Meeting	Grant No. & Name of Grant	Original Grant	Supplementary Grant	Final Grant	Actual Expenditure	Excess Expenditure	PAC Recommendations
	1	2	3	4	5	6	7	8
		154 - Development Expenditure of Finance Division(OTC)	2,170,600,000	616,183,000	2,786,783,000	5,498,543,631	2,711,760,631	The Committee directed Audit to reconcile the matter with EAD.
		188 - Development loans and advances by the Federal Govt. (Charged)	15,509,500,000	-----	15,509,500,000	15,748,299,367	238,799,367	The Committee Settled the grant subject to verification by Audit.
		189 - External Development Loans & Advances by the Federal Govt. (Charged)	5,819,000,000	-----	5,819,000,000	7,823,828,817	2,004,828,817	The Committee formed an IDC to review the case & submit its recommendations to PAC within two months.
		- Audit	549,290,000	-----	549,290,000	549,291,004	1,004	Not discussed. However, it was regularized by the PAC on 5-7- 2001

REPORTS

AGRICULTURE RESEARCH DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Agriculture Research Division were taken up for examination by the Public Accounts Committee (PAC) on 23rd July, 1997.

- 1.1 The PAC, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving irregular transfer of funds, loss due to defective planning, wasteful expenditure and blockage of public funds etc.
- 1.2 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.
- 1.3 There were 13 paras and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.4 The Committee directed Audit to verify details/facts, given in certain cases by the Ministry in defence of their viewpoint.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Agriculture Research Division held on 23rd July, 1997 are as under:-

23RD JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. i) **GRANT NO.55-AGRICULTURE RESEARCH DIVISION (PAGES 176-177-AA)**

Audit pointed out that final grant was Rs.240, 109,000 and actual expenditure was Rs.207, 779,698. There was saving of Rs.32, 329,302.

The department informed that the saving occurred as the Finance Division did not release the amount till the end of the fiscal year.

- ii) **GRANT NO.158-DEVELOPMENT EXPENDITURE OF AGRICULTURE RESEARCH DIVISION (PAGE 190-AA)**

Audit informed that final grant was Rs.294,862,000 and actual expenditure was Rs.134,320,814. There was saving of Rs.160,541,186.

The department intimated that saving was due to non-release of fund and non-adjustment of loans.

The Committee directed Audit and the Division to reconcile both above grants within two weeks.

The above mentioned both the grants were again discussed by the Ad-hoc PAC and its directive is printed at page No. 460 of the APAC Report for year 1996-97.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

2. IRREGULAR/UN-AUTHORIZED EXPENDITURE OF RS.7.427 MILLION ON PURCHASE OF VEHICLES (PARA 2, PAGES 43-44-AR)

Audit pointed out that in a Research Project under the Agricultural Research Division a sum of Rs.7 million was drawn in May, 1993 for purchase of 12-double cabin Pick Ups and one Saloon Car. Later on an amount of Rs.480,000 was also drawn for installation of Air-conditioners in the purchased vehicles out of which Rs.427,047 were expended.

The department informed the Committee that the vehicles were purchased according to the requirements of the projects with the approval of the Chairman/Secretary through a high powered purchase Committee headed by Member Finance (PARC). All vehicles were distributed at different places and their entries have been made by the respective programme offices in their stock registers. The central stock ledger is being maintained and entries have now been transferred in the ledger.

The Committee was not satisfied with the explanation given by the department and formed a Sub-Committee under the Convenership of Ch. Muhammad Berjees Tahir, MNA comprising Kunwar Khalid Yunus, MNA, Sheikh Naseerul Haq, Director General Audit (FG) and Mr. Muhammad Iqbal Malik, Financial Adviser (M/O Food and Agriculture) to examine the case and submit report to PAC within one month. The Sub Committee could not finalize its report till the dissolution of the Assembly. On discussion of the para, the Ad-hoc PAC constituted another Sub-Committee under the Convenership of Mr. Hassan Bhutto. The report was finalized by the Sub-Committee. The findings of the Sub-Committee are as under:-

- i) Note of the displeasure may be communicated to the Ministry and the PARC for unauthorized re-appropriation and non-observance of the codal formalities while procuring the vehicles and be warned not to repeat such irregularities in future.
- ii) PARC may be directed to get the re-appropriation and the violation of codal formalities in the purchase of vehicles regularized from the Finance Division.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 464 of the APAC Report for year 1996-97.

3. **RECOVERY OF CONVEYANCE ALLOWANCE OF RS.2,102,373 FROM THE EMPLOYEES AVAILING PICK AND DROP FACILITY (PARA 3, PAGES 44-45-AR)**

Audit pointed out that recovery of Rs.2,102,373 on account of conveyance allowance from the employees who were also provided pick and drop facilities. The practice continued despite being repeatedly objected by audit in 1989, 1990 and 1994 which is contrary to Ministry of Finance instructions issued vide letter No.F.3(87)R-12/90 of 2/1/91.

The department intimated that full conveyance allowance has been recovered from officers who availed pick and drop facility. Monthly recovery is also being made from those availing the facility.

The Committee directed the department to recover the outstanding amount from the employees within three months.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 465 of the APAC Report for year 1996-97.

4. **PERFORMANCE EVALUATION REPORT ON ANIMAL SCIENCES INSTITUTE, ISLAMABAD.**

The Committee deferred the Performance Evaluation Report for the next meeting.

5. **RECOVERY OF RS.1,863,268 FROM ALLOTTEES ON NARC COLONY ON ACCOUNT OF ELECTRICITY CHARGES (PARA 4, PAGE 45-AR)**

Audit informed that recovery of Rs.1, 863,288 from the allottees of NARC colony on account of electricity charges paid to WAPDA out of public fund from July to October, 1989. These charges were required to be paid by residents of the colony. A similar payment of Rs.1, 544,935 was also pointed out in the Audit Report of 1988-89 but no measures to stop the irregularity were taken.

The department informed that bulk supply of electricity has been provided to NARC which include, street lights, water powers, offices and residences etc. Sub meters were installed at the residences with effect from October, 1991 and recovery was made from the occupants on actual consumption at prescribed rates. The amount of Rs.1,863,268 is not recoverable from the occupants as it includes expenditure on official installations.

The Committee settled the para.

6. **NON-SURRENDERING OF RS.1.647 MILLION TO GOVERNMENT ACCOUNT AT CLOSING OF FINANCIAL YEAR (PARA 5, PAGES 45-46-AR)**

Audit pointed out that in Agriculture Research Project-II an amount of Rs.1.645 million was available in the Government of Pakistan's share, assignment account on 30-6-1993.

According to Finance Division O.M. dated 13-5-1992, the account was lapseable and the amount was to be surrendered but the same was irregularly retained.

The department informed that according to Finance Division O.M dated 13-5-1992, the assignment account of ARP-II was lapseable. However according to latest instruction vide Finance Division O.M. No.F.2(3)-B(S)/Bd-1250/93 dated 23-10-1993, the balance in special imprest account in one year will be protected in the next years allocation.

The Committee conveyed its displeasure on the issue and directed the department to warn the concerned officials, who did not surrender the said amount.

7. **IRREGULAR EXPENDITURE OF RS.1.072 MILLION ON PURCHASE OF HINO BUS (PARA 6,PAGE 46-AR)**

Audit pointed out that the Ministry paid Rs.1.072 million to M/S Hino Pak Motors Ltd. for purchase of Hino bus. But there was no provision in PC-I of the Project for the purchase of Bus and the expenditure was treated unauthorized and irregular.

The department replied that the bus was purchased under ARP-I Project for strengthening the achievement and to maintain the infrastructure. The provision for purchase of vehicles was available and the bus was purchased by curtailing the purchase of small vehicles to facilitate the research scientists. An amount of Rs.34.420 million was provided where an expenditure of Rs.41,583 was incurred over PC-I provision due to increase in exchange rate of US dollar.

The Committee settled the para subject to the approval of the competent authority.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 466 of the APAC Report for year 1996-97.

8. **RECOVERY OF RS.689,374 ON ACCOUNT OF UN-AUTHORIZED DRAWL OF RESIDENCE TO OFFICE CONVEYANCE ALLOWANCE (PARA 7, PAGE 48-AR)**

Audit pointed out that NARC paid residence-cum-office conveyance allowance amounting to Rs.689,374 in contravention of Finance Division O.M. No.F.1/7/2-p-II/87 dated 1-7-1987 to all such employees who were residing within work premises during 1987-1992.

The department replied that NARC is spread over 1400 acres of land. The residential colonies are located at least 1-6 k.m. away from work premises.

The Committee was not satisfied with the explanation given by the department and directed to recover the amount from those officials who availed the facility.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 466-467 of the APAC Report for year 1996-97.

9. **RECOVERY OF RS.264,000 ON ACCOUNT OF MISUSE OF GOVERNMENT VEHICLES (PARA 8, PAGES 47-48-AR)**

Audit pointed out that NARC during 1989-92 two officers of B-19 & 20 of NARC used Government vehicles for 81000 k.m. for pick and drop, inspite of drawing conveyance allowance which is against the staff car rules.

The department informed that the conveyance allowance has been stopped in full and recovery of Rs.23,286 has been made. The recovery of Rs.264,000 has been condoned by the Chairman PARC.

The Committee directed the department to recover the amount from those officials who were using the vehicles.

10. **EXCESSIVE PAYMENT OF LEGAL CHARGES AMOUNTING TO RS.86,617 TO A PRIVATE PRACTITIONER ON ACCOUNT OF ADVICE/COURT CASES (PARA 11, PAGE 49-AR)**

Audit pointed out that PARC engaged two private legal practitioners during 1989-90. One of them was paid Rs.67,350 and the second drew monthly emolument @ Rs.6,800 resulting excessive payment of Rs.86,617 in violation of Rules of Business which required the permission of Ministry of Law and Justice.

The department informed that the PARC did not appoint any regular legal Advisor or Consultant for the perusal of cases in the courts. However, the efforts of audit are appreciable and the Council undertakes to observe the relevant provisions to observe the rules to prevent occurrence of such irregularities.

The Committee directed the department to examine the issue and report to the PAC.

ACTIONABLE POINTS FOR 1988-89

11. **IRREGULAR EXPENDITURE OF RS.1,246,391 INCURRED WITHOUT INVITING TENDERS THROUGH THE PRESS (PARA 2, PAGE 53-AR (ITEM 3-AP-88-89))**

The para was discussed in the PAC meeting on 10-12-1992 and the Committee advised the Principal Accounting Officer to ensure strict observation of rules and procedures.

The PAC conveyed its displeasure on irregular expenditure of Rs.1,246,391 on account of purchases and acquisition of services without inviting open tenders through press. The Committee directed the department to fix responsibility and issue show cause notice to the concerned officials.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 467 of the APAC Report for year 1996-97.

12. **RECOVERY OF RS.581,234 ON ACCOUNT OF ELECTRICITY CHARGES FROM OFFICERS RESIDING IN NARC OFFICERS COLONY (PARA 3, PAGE 53-AR (ITEM 4-AP-88-89))**

The para was discussed in the PAC meeting on 10-12-1992 and the PAC observed that system of bulk supply of electricity for further distribution was not satisfactory and advised the Division to arrange individually metered supply from WAPDA and discontinue the existing arrangements as soon as possible.

The department informed the PAC that since October, 1991 separate meters have been installed by WAPDA.

The PAC expressed its displeasure for not complying the directive of the PAC in time and settled the para.

ACTIONABLE POINTS FOR 1987-88

13. **LOSS OF RS.210,000 ON ACCOUNT OF THEFT OF STAFF CAR (PARA 2, PAGE 72-AR-87-88) (ITEM 6-AP-87-88)**

The para was discussed in the PAC meeting on 10-12-1992 and the Committee advised the audit to re-examine the case, particularly from the point of view of enforcing recovery of the stolen car.

Audit pointed out that according to enquiry report on stolen car amounting to Rs.210,000, the officer incharge was held responsible for the loss.

The Ministry intimated that the case is under trial in District Court.

The Committee directed the department to pursue the case in Court vigorously.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 468 of the APAC Report for year 1996-97.

ACTIONABLE POINTS FOR 1986-87

14. **PERFORMANCE AUDIT REPORT ON CROP MAXIMIZATION PROGRAMME (PARAS 1.1 TO 3.9, PAGES 61-76-AR-86-87) (ITEM 7-AP-86-87)**

The para was discussed in the PAC meeting on 10-12-1992 and the Committee advised the Principal Accounting Officer to make personal efforts for recovery of one bulldozer and five tractors.

The Ministry intimated that the cost of one bulldozer, Rs.182,000 have since been recovered and the case for balance recovery is under trial. The case of recovery of tractors delivered to Ministry of Local Government and Rural Development is still pending.

The PAC was not satisfied with the explanation given by the Ministry and directed the department to write the local government for recovery.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 468-469 of the APAC Report for year 1996-97.

AVIATION DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Aviation Division were taken up for examination by the Public Accounts Committee (PAC) on March 18 & 19, August 24 and December 3, 1998.

- 1.1 The PAC, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving irregular transfer of funds, loss due to defective planning, wasteful expenditure and blockage of public funds etc.
- 1.2 During the course of discussions in the meetings, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take concrete actions.
- 1.3 There were 81 paras and 4 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.4 The Committee directed Audit to verify details/facts, given in certain cases by the Ministry in defence of their viewpoint.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Aviation Division held on 18th & 19th March, 24th August and 03rd December, 1998 are as under:-

18TH MARCH, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I 1993-94)

1. GRANT NO.30-AVIATION DIVISION (PAGE 114-AA)

Audit pointed out that the final grant was Rs.468,433.000 and actual expenditures were Rs.486,592,572. There was an excess of Rs.18,159,572.

The Division informed that the expenditure was incurred by ASF for the purchase of spare parts and screening machine.

The Committee regularized the excess expenditure with the direction to be careful in future.

2. GRANT NO.32- METEOROLOGY (PAGE 116-AA)

Audit pointed out that an excessive amount of Rs.10,752,000 was surrendered converting the grant to be closed into excess of Rs.4,882,444.

The Committee regularized the excess expenditure.

3. **GRANT NO.151-DEVELOPMENT EXPENDITURE OF AVIATION DIVISION (PAGE 120-AA)**

Audit pointed out that the final grant was Rs.1,906,000 and actual expenditure was Rs.1,466,000. There was saving of Rs.440,000. Total saving was surrendered in time.

The Committee settled the grant.

4. **GRANT NO.186-CAPITAL OUTLAY ON AVIATION DIVISION (PAGE 122-AA)**

Audit pointed out that the final grant was 1,403,000 and actual expenditure was Rs.671,000. There was saving of Rs.732,000.

The Division informed that there was procedural mistake because amount was not released in time.

The Committee settled the grant with the direction to be careful in future.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

5. i) **EXCESS PAYMENT OF RS.75,190 (PARA A-I.3, PAGE 7-ARCW)**
ii) **EXCESS PAYMENT OF RS.265,500 (PARA A-II.1, PAGE 8-ARCW)**
iii) **OVERPAYMENT OF RS.487,392 (PARA A-II.3, PAGE 9-ARCW)**
iv) **EXCESS PAYMENT OF RS.225,000 (PARA A-II.4, PAGE 9-ARCW)**
v) **NON-RECOVERY OF RS.256,043 (PARA B-IV.4, PAGE 14-ARCW)**
vi) **NON-RECOVERY OF RS.69,000 (PARA B-V.2, PAGE 15-ARCW)**
vii) **OVERPAYMENT OF RS.86,400 (PARA B-VI.1, PAGE 15-ARCW)**
viii) **LOSS OF RS.3,574,383 (PARA C-I.1, PAGE 17-ARCW)**
ix) **LOSS OF RS.167,000 (PARA C-I.2, PAGE 18-ARCW)**
x) **LOSS OF RS.244,650 (PARA C-I.3, PAGE 18-ARCW)**
xi) **UN-AUTHORIZED PAYMENT OF RS.135,000 (PARA E-I.2, PAGE 24-ARCW)**
xii) **UN-JUSTIFIED PAYMENT OF RS.2,313,000 (PARA E-III.1, PAGE 24-ARCW)**

On the presentation of above twelve paras by Audit, the Committee formed an Inter-departmental Committee comprising a nominee each from M/O Finance, M/O Defence, Aviation Division and Audit to examine the issue and report to PAC within two months.

The above paras were again discussed by the Ad-hoc PAC and its directives is printed at pages No. 612-614 of the APAC Report for year 1996-97.

6. **EXCESS PAYMENT OF RS.50,733 (PARA A-III.1, PAGE 10-ARCW)**

Audit pointed out that as per Pak. PWD specification 14.6-5, the stacks of 14 inches high were required to be measured and paid for 12 inches but a formation of the Authority made payment for an item of work garden soil without applying the said factor. This resulted into excess payment of Rs.50,733.

The division informed that conversion factor pointed out by audit is not applicable to horticulture works rather it was applicable to civil works where filling of earth through ordinary soil is required and compacted.

The Committee was not satisfied with the reply given by the Division. So it was decided that office of the Auditor-General will refer the issue to the PWD for its professional opinion.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 616 of the APAC Report for year 1996-97.

7. **OVERPAYMENT OF RS.270,300 (PARA A-IV.1, PAGE 10-ARCW)**

Audit pointed out that according to clause 4(d) & (f) of the leased deed/agreement, it was the responsibility of the lessor to carry out repair & maintenance of the demised house and keep the demised premises, including sanitary and electrical fitting and system in good order. The lessor shall arrange for yearly white washing (if white washing has been used) or colour paint over every two years at his own cost. The agreement further provided, the lessee shall have the right to execute the necessary repair or work at the cost of the lessor and to deduct the full cost thereof from any sum due to the lessor under this lease. To the contrary the CAA made payment to their employee who were provided the facility of self hiring and also did not make recovery of the cost of repair maintenance work carried out through camp commandant headquarter CAA from the rent paid to the owners. This resulted into overpayment of Rs.270,300 during 1992-93.

The division informed that CAA is responsible for the day to day repair & maintenance of leased/hired houses as the owner does not take the responsibility of day to day repair & maintenance.

The Committee settled the para with the direction to be careful in future.

8. **NON-RECOVERY OF RS.1131.443 MILLION (PARA B-I.1, PAGE 11-ARCW)**

Audit pointed out that outstanding dues of Rs.1131.443 million were recoverable from M/s PIAC, Hajvary Airlines and Rajee Airlines on account of Aeronautical charges and Aerobridge charges for the year 1982 to 1993.

Against the recovery of Rs.1131.443 million, the department has reported recovery of Rs.300 million from PIAC which still requires verification by Audit. The matter is also

reported to have been taken up with the Cabinet for pursuance of the recovery. The slow process of recovery has resulted into accumulation of the heavy arrear which is adversely affecting cash flow of the Authority leading to loss and payment of heavy interest on loans.

After detailed discussion, the Committee constituted a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA, comprising Mir Faridullah Khan Jamali, MNA, Mr. Javed Arif, Director General Audit (Works), Mr. Mushtaq Hussain Syed, Financial Adviser (R & CA) and Sheikh Muhammad Saleem, Senior Joint Secretary, Aviation Division to examine the issue (Aero and non-aeronautic lands and recoveries of rent/lease outstanding thereon) and report to PAC within six months.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 612 of the APAC Report for year 1996-97.

9. **NON-RECOVERY OF RS.738,830 (PARA B-II.1, PAGE 12-ARCW)**

Audit pointed out that the Authority awarded in July, 1992 a license for collection of car parking fee at Jinnah Terminal Karachi to a contractor for one year at the monthly fee of Rs.412,786. According to clause 3 of the license agreement contract could be terminated in case license fee or any part thereof shall be in arrear. To the contrary the Authority failed to enforce the terms of agreement and the charges amounting to Rs.738,830 remained un-recovered even after the expiry of contract in August, 1993.

The Division informed that CAA filed a case against the contractor vide petition No.305 in 1996. No further development of the Court proceedings was reported except that the CAA was motivated for an out of court settlement but without any substantial achievement.

The Committee directed the Principal Accounting Officer to pursue the case in the court of law actively and take action against concerned officer who was responsible for the loss. The Committee further directed the department to take all effective possible measures to recover the loss and report to PAC within two months.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 617 of the APAC Report for year 1996-97.

10. **NON-RECOVERY OF RS.34,469,172 (PARA B-IV.1, PAGE 13-ARCW)**

Audit pointed out that the work "construction of Terminal Building and Runway at Rahim Yar Khan Airport" was awarded to M/s Technical Associate (Pvt.) Limited. The contractor occupied an area measuring 139606 feet of land of old runway as well as the area acquired for the new terminal building w.e.f. 14-01-1990 as reported by General Manager Estates in October, 1993 but no rent was charged. This resulted in non-recovery for the area/space amounting to Rs.34,469,172 upto 31-12-1993.

The Division informed that an area measuring 136606 square feet was occupied by M/s Technical Associates for site offices and storage. The contract for building and runway of Rahim Yar Khan was awarded to the contractor by the department of private affairs of his Highness Sheikh Zaid Bin Sultan Al Nahyan, President of UAE. The contractor is still working at the airport constructing the terminal building and then field offices are being used by the visiting officers of the department of private affairs of his Royal Highness. There is no provision in the CAA works procedure to charge rent from the contractor for the storage, tools or the site offices. M/s Technical Associates were not even the contractor of CAA hence there is no rule under which CAA can raise the bill to Technical Associates.

After discussion, the Committee directed the Audit to examine the issue again with the consultation of similar departments and report to PAC within one month.

11. i) **NON-RECOVERY OF RS.73,589 MILLION (PARA B-IV.3, PAGE 13-ARCW)**
 ii) **NON-RECOVERY OF RS.203,300 (PARA B-IV.5, PAGE 14-ARCW)**

Despite detailed discussion, the matter could not be resolved and Committee decided to form an Inter-departmental Committee comprising Mr. Javed Arif, Director General Audit (Works), Sheikh Muhammad Saleem, Senior Joint Secretary, Aviation Division and Sheikh Ikramullah, Financial Adviser (Aviation Division), to examine the matters and report to PAC within two months.

The above paras were again discussed by the Ad-hoc PAC and its directives is printed at page No. 613 of the APAC Report for year 1996-97.

12. i) **LOSS OF RS.351,636 (PARA B-IV.6, PAGE 14-ARCW)**
 ii) **NON-RECOVERY OF RS.7.5 MILLION (PARA B-V.1, PAGE 14-ARCW)**

On the presentation of above two paras by Audit, the Committee directed the department to solve the issue with M/s Air Rianta International Pakistan (Pvt) Limited by pursuing in the court or if feasible, through arbitration as soon as possible and report to PAC within two months.

The above paras were again discussed by the Ad-hoc PAC and its directives is printed at page No. 617 of the APAC Report for year 1996-97.

13. i) **LOSS OF RS.0.091MILLION (PARA C-I.4, PAGE 18-ARCW)**
 ii) **LOSS OF RS.4.674 MILLION (PARA C-II.1, PAGE 19-ARCW)**
 iii) **LOSS OF RS.559,000 (PARA C-III.1, PAGE 19-ARCW)**

On the presentation of above three paras by Audit, the Committee directed the Principal Accounting Officer to investigate the matters, fix responsibility, take action against concerned officer(s) and report to PAC within two months.

The Committee further directed the department to take effective possible measures to recover the losses.

The above two paras (C-1.4 & C-II.1) were again discussed by the Ad-hoc PAC and its directive is printed at page No. 617-618 of the APAC Report for year 1996-97.

14. i) **NON-RECOVERY OF RS.2,217,961 (PARA B-IV.2, PAGE 13-ARCW)**
ii) **LOSS OF RS.77,740/- (PARA C-IV.1, PAGE 20-ARCW)**
iii) **LOSS OF RS.401,100 (PARA D-I.2, PAGE 22-ARCW)**
iv) **IRREGULAR EXPENDITURE OF RS.279,754 (PARA E-IV.1, PAGE 25-ARCW)**
v) **UNDUE FINANCIAL AID TO THE CONTRACTORS AMOUNTING TO RS.358,487 (PARA E-VI.1, PAGE 25-ARCW)**

On the presentation of above five paras by audit, the Committee settled these paras subject to verification by Audit.

The above paras (except para E-IV.1) were again discussed by the Ad-hoc PAC and its directive is printed at page No. 615 of the APAC Report for year 1996-97.

15. **LOSS OF RS.282,301 (PARA C-V.1, PAGE 20-ARCW)**

Audit pointed out that the CAA acquired 70 acres of land adjacent to runway strip at Rahim Yar Khan. The land was leased out to a cultivator without wide publicity and even without any lease agreement in December, 1991 @ Rs.18,000 per grain crop which was subsequently enhanced to Rs.50,000 per annum. The prevailing rate was Rs.1500 to Rs.2,000 per acre per annum. The award of land at nominal rates resulted in loss of Rs.282,301 to the Authority from December, 1991 to December, 1993.

The Division informed that matter was inquired by a Board. The Board determined that 42 acres land was leased out and the average rate of Rs.1143 per acre per annum was obtained against the prevailing rate of Rs.600 to Rs.700 per acre. It was also held that total area was not worth cultivation and included saline land and sand dunes.

The Committee settled the para with the direction to be careful in future.

16. **LOSS OF RS.279,810 (PARA C-VIII.1, PAGE 22-ARCW)**

Audit pointed out that a contract for providing catering facility to CAA/PIA was awarded to M/s Pak American Hotel & Restaurant International Limited in August, 1992. The Company earned Rs.9.327 million during 1992-93 & 1993-94. No deduction @ 3% was made on account of income tax on the basis of an exemption certificate granted by the Commissioner of income tax.

The department informed that under section 50(4) of Income Tax Ordinance, the Commissioner was empowered to issue such certificate.

The Committee directed the Audit to refer the case to CBR for verification of the facts and necessary guidance.

17. **MISAPPROPRIATION OF MATERIAL RS.4,127,246 (PARA D-I.1, PAGE 22-ARCW)**

Audit pointed out that a formation of CAA/ADA carted 324.87 M/Tons bitumen costing of Rs.2,693,172 from Karachi Refinery during July, 1991 to September, 1991 and charged to work without any accountal of detailed consumption of the material. Similarly 172.78 M.Tones bitumen valuing of Rs.1,434,074 was shown to have been taken over by ACMP (Airport Construction Machinery Pool) in February, 1991 but no receipt was produced. This resulted into misappropriation of bitumen amounting to Rs.4,127,246.

The Division informed that the record is with FIA in connection with formal enquiry.

The Committee observed that necessary delay by FIA in the investigation of different cases has resulted in loss of millions of rupees to various government departments and agencies and directed the M/O Interior to ensure that the cases referred to FIA by Department/Ministries be investigated within the shortest possible time. The Committee also directed the National Assembly Secretariat (PAC Wing) to take up the issue with M/O Interior and FIA for active investigation.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 618 of the APAC Report for year 1996-97.

18. **UN-AUTHORIZED PAYMENT OF RS.1.9 MILLION (PARA E-I.1, PAGE 23-ARCW)**

Audit pointed out that the Authority donated Rs.1.9 million to Pakistan Squash Racket Federation in November 1992 without approval of the M/O Finance in contravention of Finance Division O.M. No.F.15(13)-R14/82, dated 5.9.1982. This resulted into unauthorized payment.

The Division informed that the payment was made with the approval of executive committee and there was not necessity to obtain separate approval of the Finance Division. The CAA is governed by its own regulations approved by the Board according to which specific provision for donation is kept annually to meet out such expenditure and as such the question to follow government orders for allowing donation only to promote the business of the Authority does not arise. The Committee settled the para.

19. **(PARAS A-I.6, B-III.1, B-VII.1, B-VIII.1, B-IX.1, C-IV.1, C-VII.1, E-II.1 & E-V.1, PAGES 8, 12, 16, 20, 21, 24 & 25-ARCW)**

The Committee settled these paras.

ACTIONABLE POINTS 1988-89
19TH MARCH, 1998

20. **OVERPAYMENT OF RS.75,800 TO A CONTRACTOR (PARA 2.1,PAGE 17-ARCW) (ITEM 12-AP-88-89)**

Audit pointed out that earth obtained as a result of cutting was not adjusted against the requirement of earth for making embankment which resulted in overpayment of Rs.75,800. The para was discussed in PAC meeting held on 22-11-1995 and directed that the amount over paid needs recovery and action taken against the responsible officer.

The Division has failed to effect the recovery and stated that an inquiry officer was appointed who reported that rates of sand cutting and earth cutting are the same.

The Committee directed the department to recover the outstanding amount from the contractor and report to the PAC within two months.

21. **INFRACTUOUS EXPENDITURE OF RS.84,670 (PARA 2.2, PAGE 17-ARCW) (ITEM 13-AP-88-89)**

Audit pointed out that 1-3/4 "thick terrozo floor was laid on 2" thick cement concrete floor without any provision in the agreement. It resulted into infructuous expenditure of Rs.84,670. The para was discussed in the PAC meeting held on 22-11-1995 and the Committee directed the department to expedite recovery along-with disciplinary action against responsible officer.

It was replied by the Authority in March, 1987 that terrozo floor was laid as desired by the client department. The reply was not supported with documentary evidence.

After detailed discussion, the Committee directed the Principal Accounting Officer to re-examine the issue and report to the PAC within one month.

22. i) **CONSTRUCTION OF NEW RUNWAY AND APRON(TWO BAYS) FOR WIDE BODIED AIRCRAFT AT LAHORE AIRPORT(PARA 1.1,PAGE 3-ARCW) (ITEM 14-AP-88-89)**
- ii) **LOSS DUE TO PROCUREMENT OF DEFECTIVE EMERGENCY LIGHTS - RS.598,690 (PARA 1.2,PAGES 10-11-ARCW)(ITEM 15-AP-88-89)**
- iii) **LOSS DUE TO AWARD OF WORK TO A CONTRACTOR OTHER THAN THE LOWEST-RS.660,000 (PARA 1.3,PAGES 11-12-ARCW)(ITEM 16-AP-88-89)**

On the presentation of above three paras by Audit, the Committee constituted an Inter-departmental Committee comprising Mr. Javed Arif, Director General

Audit(Works),Sheikh Ikramullah, Financial Adviser(Aviation Division)and a representative of M/O Defence to examine the cases and submit its report to PAC within two months.

The above para 1.1 was again discussed by the Ad-hoc PAC and its directive is printed at page No. 615 of the APAC Report for year 1996-97.

ACTIONABLE POINTS
24TH AUGUST, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-A-1993-94)

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

23. **(PARAS 5 AND 6, PAGES 15-16-ARPSE)**

Audit submitted before the PAC the working results of Pakistan International Airlines Corporation (PIAC) and pointed out that the Airlines has suffered net losses of Rs.47975 million in 1996-97.

The Division informed that the Board of Directors has decided to adopt a new balance sheet. The Corporation if show losses in external loans then it will be default.

The Committee was not satisfied with the performance of PIA and constituted a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA comprising Mr. Jalaluddin Qureshi, Director General (CA), Mr. Asif Zaman Ansari, Financial Adviser (R&CA) and Mr. Shahid Muzaffarul Islam, Director Finance (PIAC) and directed to furnish its findings to PAC within one month.

24. **(PARA 7, PAGE 17-ARPSE)**

Audit reported that increase in stores and spares from Rs.2326 million in 1992-93 to Rs.2856 million in 1993-94.

The Division stated that there was not much variation in stores & spares if value was compared in US \$. The Committee made no comments and settled the para.

25. **(PARA 9, PAGE 17-ARPSE)**

Audit pointed out that long term advances (unsecured) of Rs.1191 million as on June 30,1994 included advance of Rs.1088 million to PIA investment Limited, an associated company. The advance further increased to Rs.2305 million on June 30, 1997. The advance is now intended to be converted into equity.

The Division informed that it was a subordinate institution of the PIA. The PIA has 50% share in this company, negotiations with the Saudi partner to settle the issue wise on and there was a hope that this issue will be settled by March 1999.

The Committee after hearing the management's reply directed the department to resolve the issue as early as possible with the foreign partner. The Chairman assured the Committee that the matter would be resolved within two months.

26. **NON-SETTLEMENT OF ACCOUNT OF VVIP AIRCRAFT COSTING US \$ 36.898 MILLION (PAK. RS.1108.785 MILLION) (PARA 10, PAGES 18-19-ARPSE)**

Audit pointed out that PIA purchased a new Boeing Aircraft for VVIP use on August 2, 1992 for US \$ 29.499 million for the Government of Pakistan. A bridge loan of equivalent amount was advanced to PIA by M/O Finance. The approval of the PIA Board was obtained on August 27, 1992. The aircraft was placed at the disposal of Government of Pakistan for VVIP use in September, 1992. PIA continued to bear its operation and maintenance cost without any formal agreement with the Government. The deal resulted in unnecessary blockade of funds and lost opportunity cost to PIA.

The Division stated that the details of commercial lease were finalized in 1995 and entire lease payment due upto June, 1996 were made, hence the matter stood resolved.

The Committee was not satisfied with the reply offered by the management on the issue and formed a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA comprising Sheikh Muhammad Saleem, Senior Joint Secretary, Aviation Division, Mr. Jalaluddin Qureshi, Director General (CA), Mr. Asif Zaman Ansari, Financial Adviser (R&CA) and Mr. Kamaluddin Ahmad, Director Corporate Planning (PIAC) to examine the facts, as to why the plane was purchased within short period of time without assessing the international market price and report to PAC within two months.

27. i) **LOSS OF RS.37.997 MILLION IN FOREIGN CURRENCY DUE TO TRANSPORTATION OF ILLEGAL PASSENGERS (PARA 11, PAGES 19-21-ARPSE)**
ii) **IRREGULAR EXPENDITURE OF RS.1.816 MILLION ON ACQUISITION OF NEW OFFICE PREMISES ON LEASE (PARA 30, PAGE 41-ARPSE)**

On presentation of above two paras by audit, the Committee constituted an Inter-departmental Committee comprising a nominee each from M/O Defence, M/O Finance and Audit to investigate the facts and submit its report to PAC within two months regarding the loss to the Corporation.

28. **LOSS OF US \$ 0.915 MILLION (PAK. RS. 23.795 MILLION) ON THE OVERHAUL OF FAN REVERSERS AT EXORBITANT RATES AND WITHOUT MARKET EVALUATION (PARA 12, PAGES 21-23-ARPSE)**

Audit pointed out that PIA had been sending Fan Reversers, a component of aircraft engines, for overhauling to different companies of France and USA without inviting competitive rates during 1989-92. In May, 1992, enquiry was sent to other companies also. A comparative analysis of the four quotations received revealed that even the rates quoted by the highest bidder were considerably less than the rates paid by PIA during 1989-92 to the same bidder. Thus, PIA suffered loss of US \$ 0.915 million during 1989-92 which could be avoided had competitive bids been invited in 1989 and onwards.

The Division stated that this matter was pointed out in Internal Audit. This is a technical nature of work. Now we are changing the procedure.

The Committee directed the Principal Accounting Officer to examine the facts of the issue, fix the responsibility against the concerned officers, take action and report to PAC within two months.

29. **EXTRA EXPENDITURE OF POUNDS STERLING 0.2736 MILLION (RS.11.449 MILLION) DUE TO DELAYED FLIGHTS AT HEATHROW AIRPORT, LONDON (PARA 13, PAGES 23-24-ARPSE)**

Audit pointed out that PIA incurred extra expenditure of pound sterling 0.2736 million during 1990-91 on pax feeding and staff overtime due to delayed flights at Heathrow Airport London. The delayed flights constituted 44% of the total flights at Heathrow during the period. The extra expenditure could have been avoided/minimized had the overall flight Schedule of PIA network, which was the main cause of delayed flights, been strictly adhered to.

The Division stated that the reason for delayed flights were: (i) ATC congestion (ii) Technical reasons (break down/ delays)(iii)Bad weather; and allocation of slots at busy airports.

The Committee was satisfied with the explanation given by the department and settled the para.

30. **EXPECTED LOSS OF GBP 86,556 (PAK. RS. 3.895 MILLION) DUE TO DEFAULT OF AGENTS (PARA 14, PAGES 24-25-ARPSE)**

Audit pointed out that two sales agents of PIA at London defaulted in payment of GBP 126,157 in 1991-92, out of which GBP 71,426 had been recovered up to 1995 leaving outstanding balance of GBP 54,731. Recovery of further GBP 31,825 from some other agents was also doubtful. Thus the corporation was likely to suffer loss of GBP 86,556 mainly due to the fact that sufficient financial safeguards were not obtained from the agents.

The Division stated that the total outstanding on this account is GBP 39,019. The losses on this account were un-avoidable and it was a norm in the aviation industry. It is also stated that when the agent becomes bankrupt then it is not possible for us to recover the amount. The Committee settled the para.

31. **EXTRA PAYMENT OF US \$ 0.143 MILLION (PAK.RS. 3.613 MILLION) DUE TO TRAINING OF PILOTS AT HIGHER RATES (PARA 15, PAGES 25-26-ARPSE)**

Audit pointed out that PIA hired simulators for training of its pilots from M/s. Simuflite of USA at the rates ranging from US \$ 300 to 370 per hour during January, 1989 to September, 1993. The deal was done on single tender basis without getting competitive rates from other companies and even without obtaining approval of the competent authority.

However, rates were reduced by firm to US \$ 250 per hour in October, 1993 when PIA diverted its trainees to other sources. Had the alternate sources been contacted in January 1989 and negotiations were then carried out with simuflite to reduce the rates to US \$ 250, PIA could have saved US \$ 0.143 million at the minimum.

The Division stated that training rates in Paris, Tokyo and USA were surveyed and rates paid to the above firm were on lower site.

After hearing the management's reply, the Committee directed the department to get post facto approval of the competent authority and report to PAC and Audit within one month.

32. i) **EXPECTED LOSS OF US \$ 94,508 (PAK.RS. 2.846 MILLION) DUE TO NON-RECOVERY OF INTERLINE REVENUE FROM AIR ZAIRE (PARA 16, PAGES 26-27-ARPSE)**
ii) **EXPECTED LOSS OF RS.1.661 MILLION DUE TO DEFAULT OF AN AGENT (PARA 18, PAGES 28-29-ARPSE)**
iii) **LOSS OF RS.0.513 MILLION DUE TO THEFT/PILFERAGE OF CARGO CONSIGNMENT (PARA 21, PAGES 31-32-ARPSE)**
iv) **DUTY FREE SHOPS LIMITED (PARA 25, PAGE 37-38-ARPSE)**
v) **INTERNATIONAL ADVERTISING (PVT) LIMITED (PARA 31, PAGE 42-ARPSE)**
vi) **MIDWAY HOUSE (PVT) LIMITED (PARAS 34 & 35, PAGE 44-45-ARPSE)**
vii) **LOSS OF RS.670,779 DUE TO NON-RECOVERY OF COST OF FOOD SUPPLIED TO FOREIGN AIRLINE (PARA 38, PAGE 46-ARPSE)**

On the presentation of the above seven paras by Audit, the Committee made no comments and settled the paras.

33. i) **LOSS OF RS.1.053 MILLION DUE TO DEFALCATION OF SALE PROCEEDS AT AIR CARGO COMPLEX (PARA 19, PAGE 29-30-ARPSE)**
ii) **IRREGULAR EXPENDITURE OF RS.0.793 MILLION DUE TO GROSS VIOLATION OF GOVERNMENT RULES AND REGULATIONS (PARA 20, PAGES 30-31-ARPSE)**

On the presentation of above two paras by audit, the Committee directed the Principal Accounting Officer to investigate the cases, fix responsibilities, take action against the concerned official(s) and report to PAC within one month.

34. **LOSS OF RS.0.200 MILLION DUE TO UNDUE FAVOUR AND VIOLATION OF CORPORATION'S RULES (PARA 22, PAGES 32-33-ARPSE)**

Audit reported that undue favour was extended by PIA to a doctor in violation of the rules. The doctor joined PIA on September 23, 1984 and was immediately sent to USA for four months training. He was also granted three years leave without pay in March, 1989 though he was neither entitled to the same under rules nor recommended by his superiors. It was also a contravention of the Bond under which he was required to serve PIA upto 1994 or to pay Rs.200,000 being the training cost and liquidated damages.

On his failure to joining duty after expiry of leave in March, 1992 his services were dismissed in October, 1993 without recovering the training cost etc. The recovery could be made from his guarantors/sureties but "the clause of the guarantee/sureties could not be erroneously provided in the Bond".

The Division in its reply has contended that the conditions for grant of leave without pay were waived by the M.D.

After hearing the management's reply on the issue, the Committee directed the Principal Accounting Officer to recover the said amount and issue the notice to Ex-Managing Director why he violated the rules while making a decision to send a doctor abroad for training.

PIA HOLDINGS (PVT) LIMITED

35. **LOSS OF RS.9.836 MILLION DUE TO ABANDONMENT OF PIA HOLDINGS COMPLEX PROJECT (PARA 24, PAGES 35-36-ARPSE)**

Audit pointed out that PIA Holding Limited acquired land measuring 9356 square yards at Karachi Airport from Civil Aviation Authority in June, 1991 for Rs.4.720 million. The purpose was to construct a complex for duty free shops. Further expenses of Rs.5.116 million were incurred upto April, 1993 on consultancy fee, soil investigation, lease rental, salary of Director Special Projects and other incidental cost.

It was however, decided in August, 1993 to abandon the project keeping in view the fact that the company was going to be liquidated through voluntary wind up. Consequently, loss of Rs.9.481 million was written off in the account of the company in 1992-93.

The Division replied that the CAA and Ministry have now agreed to transfer the land to PIA and give credit for payments made to CAA. Hence no loss has occurred on this account.

The Committee was not satisfied with the explanation given by the department and decided that the Sub-Committee constituted under paras 5 and 6 above will also examine this para, with the direction to investigate the issue, fix responsibility and report to PAC within two months.

36. **IRREGULAR PAYMENT OF RS.8.348 MILLION TO CUSTOM STAFF TANTAMOUNTING TO ILLEGAL GRATIFICATION (PARA 28, PAGE 39-ARPSE)**

Audit pointed out that Duty Free Shops Limited was provided some custom staff by CBR in 1982 for posting at warehouses and sale points. The collector customs claimed Rs.3.742 million towards establishment changes of the staff for the period up to June, 1994. These charges included the house rent, conveyance and meal allowances etc.

DFSL, however, paid an additional amount of Rs.8.348 million to individual members of custom staff during the year 1991-93 towards house rent, conveyance, meal allowance and overtime allowance. This payment was made without approval of the CBR. It was considered as illegal gratification hence irregular.

The Division stated that conveyance, meal and overtime allowances were being made to the custom staff for working additional hours. The house rent allowance was only being paid at Mirpur (AK) in view of "Specific requirement from the respective Collectorate of Customs to pay a certain amount of house rent to the custom officials deputed for the Mirpur (AK) shop".

The Committee referred the matter to M/O Finance and Economic Affairs Division for the advice on the issue and intimate to PAC within one month.

37. **INFRACTUOUS EXPENDITURE OF RS.2.704 MILLION ON FOREIGN TOURS OF THE UNIONIZED STAFF(PARA 29,PAGE 40-ARPSE)**

Audit pointed out that DFSL, sent abroad 24 unionized employees including a driver and a computer operator for market survey and product diversification during 1991-92 at different foreign station involving an expenditure of Rs.2.704 million. The staff deputed for the purposes were not equipped with the necessary knows how and expertise required for the job. The extra expenditure stood irregular and infructuous as no business promotion results were achieved.

The Division stated that in order to arrest the trend of declining sales, the management developed a marketing strategy to include new items and 24 staff members including 5 union representatives were sent abroad.

The Committee conveyed its displeasure on misuse of powers by the then Managing Director (DFSL). The Committee further directed the Principal Accounting Officer to recover the loss from the concerned person (s) including the person (s) who made the decision to send irrelevant staff members abroad at the cost of public fund.

ACTIONABLE POINTS
3RD DECEMBER, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-A-1993-94)

MIDWAY HOUSE (PVT) LIMITED

38. **LOSS OF RS.117,471 DUE TO NON-RECOVERY OF DUES FROM A FOREIGNER TENANT (PARA 39, PAGES 47-48)**

Audit pointed out that Midway House Limited rented out two flats to an American for Rs.27,000 per month in September,1988 for three months. The tenant extended his stay up to April,1989 and suddenly left the country without payment of Rs.60,300 towards rent and Rs.57,171 towards telephone/telex charges. No security deposit and advance rent was obtained from him although the same was provided for in the agreement. Thus, the Company suffered loss of Rs.117,471.

The Division informed that despite extensive follow up, even by approaching the US Consulate, no positive result could be achieved.

The Committee directed the Principal Accounting Officer to fix the responsibility against those person(s) who were responsible for the loss and recover the outstanding amount from the concerned officer(s) and report to PAC within two months.

39. **PIA Hotels Limited (Paras 40-42, Page 49-ARPSE)**

Audit pointed out that the Company was incorporated on March 27, 1968 as a Public Limited Company under the Companies Act 1913. The Board of Directors of PIA Holding (Pvt) Limited (Holdings Company) in its meeting on December 15, 1986 had decided to liquidate the Company voluntarily and the Company ceased its operations in November, 1987.

The Division informed that the delay in final liquidation was attributed to the court cases with bank and settlement of the accounts with Government of Sindh.

The Committee settled the para.

40. **PIA SHAVER POULTRY BREEDING FARMS (PVT) LIMITED(PARA 44, PAGE50-ARPSE)**

Audit pointed out that the Company was incorporated on October 23, 1964, as a private Limited Company under the Companies Act,1913 (Now Companies ordinance, 1984). The main business activity of the Company is poultry forming. The Company is a wholly owned subsidiary of PIA Holding (Pvt) Limited, which is a wholly owned subsidiary of PIAC.

The Division informed that in the view of heavy losses, the Company ceased operations and closed the business during 1992-93. The accumulated losses of the Company stood at Rs.131.012 million as on June 30th, 1997 against the paid up capital of Rs.29.300 million.

The Committee directed the department to expedite the matter in the light of Government instructions.

41. **SKYROOMS (PVT) LIMITED(PARA 47, PAGE 52-ARPSE)**

Audit pointed out that Skyrooms (Pvt) Limited, a wholly owned subsidiary of PIA Holding (Pvt) Limited, was incorporated as a private limited Company on May 20, 1975. Formerly it was a wholly owned subsidiary of PIAC. The Company owns and manages "Airport Hotel" at Karachi. During 1996-97 also the Company sustained net loss of Rs.5.953 million which increase the accumulated losses up to Rs.72.897 million.

The Division informed that the process of liquidation is under consideration.

The Committee directed the department to expedite the matter in the light of Government instructions.

The above mentioned seventeen audit paras (5,6,9,10,11,12,15,19,20,22,24,28,29,30,39,44 & 47- ARPSE) were again discussed by the Sub-Committee of the Ad-hoc PAC at Karachi on 13-09-2002 report attached.

ACTIONABLE POINTS 1988-89

42. i) **UN-AUTHORIZED AND IRREGULAR PAYMENT OF BONUS TO OFFICERS AMOUNTING TO RS.13,986,535 (PARA 145, PAGE 101-ARPSE) (ITEM 17-AP-88-89)**
- ii) **IRREGULAR PURCHASE OF COMPUTER VALUING US \$ 104,584 WITHOUT OBSERVING PURCHASE PROCEDURE (PARA 149, PAGES 105-106-ARPSE) (ITEM 18-AP-88-89)**
- iii) **PERFORMANCE AUDIT REPORT ON EXTENSION OF FLIGHT KITCHEN AT KARACHI AIRPORT (PARA 151, PAGES 111-143-ARPSE) (ITEM 19-AP-88-89)**
- iv) **MIS-APPROPRIATION OF US \$ 43,178 (RS.820,382 APPROX) AT DUTY FREE SHOPS LIMITED, ISLAMABAD AIRPORT (PARA 164, PAGES 150-151-ARPSE) (ITEM 20-AP-88-89)**
- v) **LOSS OF US \$ 7077.57 EQUIVALENT TO PAK. RS.138,013 ON ACCOUNT OF DISHONORED CHEQUES (PARA 166, PAGES 152-153-ARPSE) (ITEM 21-AP-88-89)**

On the presentation of above five paras by Audit, the Committee made no comments and settled these paras.

CABINET DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Cabinet Division were taken up for examination by Public Accounts Committee (PAC) on September 16 & 17, 1997.

- 1.1 The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases i.e. non retrieval of 20,000 acres of land, loss due to award of work at higher rate on single tender, loss due to non-deduction of rebate, non recovery of rent, non recovery of spectrum Administrative fee, non recovery from Telecom/Mobile Sector/Operators etc.
- 1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 73 paras and 10 Grants reported by the Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Cabinet Division held on 16th and 17th September, 1997 are as under:-

16TH SEPTEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO. 1-CABINET (PAGE 41-AA)

An amount of Rs.13,154,124 was surrendered leaving net saving of Rs.428,244. The Committee settled the grant.

2. GRANT NO.2-CABINET DIVISION (PAGE 42-AA)

Audit pointed out that an excessive amount of Rs.57,960,893 was surrendered converting the grant to be closed into excess of Rs.10,581,025.

The department informed that there was misunderstanding between the department and the Division about expenditure figures.

The Committee directed Audit, M/O Finance and Cabinet Division to reconcile the figures and report to the PAC.

3. **GRANT NO.4-EMERGENCY RELIEF AND REPATRIATION (PAGES 44-45-AA)**

Audit reported that the department surrendered an amount of Rs.1,048,725 increasing the excess to Rs.19,692,401.

The Principal Accounting Officer informed the Committee that in view of Government decision for purchase of five helicopters, supplementary grant was obtained at the close of the financial year 1993-94 which could not be printed in the budget book.

Despite detailed discussion, the matter could be resolved. Therefore, the Committee formed a Sub-Committee under the Convenership of Ch. Muhammad Berjees Tahir, MNA, comprising Syed Zafar Ali Shah, Mir Faridullah Khan Jamali, MNAs, Sheikh Naseerul Haq, Director General Audit (FG) and Mr. M. Saleem Siddiqi, Additional Secretary, Cabinet Division to examine the case and report to the PAC within one month.

The Report of the Sub-Committee with the approval of the competent authority has already been forwarded to the Cabinet Division on 5.12.2000 for compliance.

The above grant was again discussed by the Ad-hoc PAC and its directive is printed at page No. 168 of the APAC Report for year 1996-97 & page No. 534 of Ad-hoc PAC report for the year 1999-2000.

4. **GRANT NO.5-LAND REFORMS (PAGE 46-AA)**

An excessive amount of Rs.1, 077,783 was surrendered converting the grant to be closed into excess of Rs.61, 103.

The Committee settled the grant.

5. **GRANT NO.6-OTHER EXPENDITURE OF CABINET DIVISION (PAGE 47-AA)**

An amount of Rs.24,975,614 was surrendered leaving net saving of Rs.14,018,707.

The department informed the Committee that figures of actual expenditure and saving shown by the audit was incorrect.

The Committee settled the grant.

6. **GRANT NO.16-STATIONERY AND PRINTING (PAGE 50-AA)**

An amount of Rs.15,498,610 was surrendered leaving net saving of Rs.26,993,051.

The department stated that saving was due to non-acceptance of surrender of saving by the Finance Division, no receipt of debits in the offices of AGPR, Islamabad/Karachi and non-utilization of funds allocated for supply of main stationery items by the Director General (Supplies), M/O Industries.

The Committee settled the grant.

7. **GRANT NO.140-CAPITAL OUTLAY ON LAND REFORMS (PAGE 51-AA)**

The entire budget provision was surrendered in time by the department.
The Committee settled the grant.

8. **GRANT NO.145-DEVELOPMENT EXPENDITURE OF CABINET DIVISION (PAGE 52-AA)**

There was saving of Rs.1,273,500. The department informed that funds could not be released and Cabinet Division surrendered the amount on 29-6-1994 which resulted the saving.

The Committee settled the grant.

9. **GRANT NO.182-CAPITAL OUTLAY ON WORKS OF CABINET DIVISION (PAGE 54-AA)**

There was saving of Rs.135,788,000. The department stated that saving was surrendered on 15-5-1994.

The Committee settled the grant.

10. **GRANT NO.183-CAPITAL OUTLAY ON NEW FEDERAL CAPITAL (PAGE 55-AA)**

An amount of Rs.144,641,000 was surrendered leaving net saving of Rs.99,688,000. The department stated that the saving was due to the fact that amount was not released during 1993-94.

The Committee settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

11. **UTILIZATION AND RESULTS OF HUGE RELEASES OF RS.245.469 MILLION NOT KNOWN (PARA 1, PAGE 13-AR)**

Audit pointed out that the Prime Minister's Disaster Relief Fund had released an amount of Rs.245,469,808 to the provinces i.e. Sindh, NWFP, Balochistan, Azad Jammu & Kashmir and Northern Areas in 1990-92 for providing relief and rehabilitation of the affectees by natural calamities. Neither Audit Certificates were obtained from the provincial Audit Offices nor Audit Statements showing the financial transactions of the funds have been obtained which is contrary to para 207 (3) of GFR Vol-I.

The department informed the Committee that all the agencies have been called for to submit their audit statements of the released amounts. Only the Government of Sindh has submitted an expenditure statement of Rs.45,534,556 which has been sent to Audit office on 13-4-

1995. The remaining expenditure statement of Rs.12,821,444 is still awaited from the Government of Sindh. Other agencies have been issued reminders on 16-9-1996 to expedite their expenditure statement.

The Committee directed the department to write to the provinces to send their expenditure statements to Audit for verification and report to the PAC within three months.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 172 of the APAC Report for year 1996-97.

The para was again discussed by a Sub-Committee of the Ad-hoc PAC on 29-07-2002. The Sub-Committee recommended the para for settlement subject to receipt of audit report from Baluchistan.

12. **LOSS OF RS.116,025 ON ACCOUNT OF UNDUE FAVOUR M/S B.M. INTERNATIONAL (PVT) LIMITED, ISLAMABAD (PARA 2, PAGES 13-14-AR)**

Audit informed that the lowest acceptable offer for supply of 35 units of delegate system was not availed. In addition, purchases of Rs.60,795 were made without calling tenders in contravention to para 144 of GFR Vol-I.

The department informed the Committee that the first lowest firm was not able to arrange the required system within the specified period of one month. The second lowest firm M/S H.M International demonstrated the system of Toya Japan which was also checked by the purchase Committee and the Cabinet Secretary. On the recommendation of the purchase Committee the award of contract to the second lowest bidder M/s H.M International was approved. In the meantime, the Cabinet Secretary directed that in addition to the items tendered, 5 Toya Misc. may also be purchased to enhance the existing facilities. These items were also purchased from M/s H.M. International and checked/approved by the purchase Committee before the award of contract for the tendered items.

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

13. **UN-AUTHORIZED PRINTING WORTH RS.1,447,673 WITHOUT NOC FROM PCP (PARA 3, PAGE 14-AR)**

Audit pointed out that the National Hijra Council got printed Books from the open market worth Rs.1,447,673 during 1988-92 without obtaining NOC from the Printing Corporation of Pakistan. It was violation of Finance Division O.M. No.F.1 (15)/R-12/80 dated 11-3-1981.

The department informed the Committee that the printing work related to the defunct National Hijra Council were not got done from PCP because previous printing works were pending with PCP and despite reminders it had failed to complete them. The work was of an urgent nature and it was not possible that the PCP could complete the same within the

required period. The work was got done from a private agency in the larger interest of the council.

The Committee was not satisfied with the explanation given by the department and directed the Division to hold an inquiry, fix responsibility and report to the PAC within one month.

14. **IRREGULAR PAYMENT OF HONORARIUM AMOUNTING TO RS.200,000 (PARA 4, PAGES 14-15-AR)**

Audit pointed out that the National Hijra Council had paid Rs.200,000 as honorarium in June, 1991 to the Editor of Arabic dictionary "Al-Ubab". The Chairman of the Council was not delegated financial powers to do so.

The department informed the Committee that the expenditure was incurred on purchasing manuscript of Arabic dictionary "Al-Ubab" from Pir Muhammad Hassan consisting 6000 pages. The amount was not paid as honorarium. The word honorarium was wrongly written in the sanction letter. The Chairman of the defunct council had the power to do so vide Cabinet Division No.1/2/87-NHC dated 8-4-1987.

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

15. **UN-AUTHORIZED BANK ACCOUNTS (PARA 5, PAGE 15-AR)**

Audit pointed out that the National Hijra Council had opened three bank accounts in the private banks in the name of Chairman National Hijra Council without prior approval of Ministry of Finance. Hence violated para 7 of GFR Vol-I.

The department informed the Committee that the council had been managed under the government resolution No.1/1/83-NHC dated 10/3/1994. The council had powers to open accounts in a bank as selected by itself. Hence the council had opened accounts in different banks.

The Committee settled the para.

16. **LOSS OF RS.200,000 ON ACCOUNT OF THEFT OF STAFF CAR (PARA 6, PAGES 15-16-AR)**

Audit pointed out that a staff car of Cabinet Division costing Rs.200,000 was stolen on 1-6-1992 and its FIR was lodged with the Aabpara Police Station, Islamabad. The Division neither reported the theft to Audit nor any departmental enquiry was conducted which was required under GFR 20 (1).

The department informed the Committee that the staff car No.IDE-259 (Suzuki Swift 1000 CC) was being used by the then Additional Secretary incharge of Inter Provincial Coordination Division which was parked in the Islamabad Hotel and was stolen from there.

FIR had been lodged with Aabpara Police Station, Islamabad. A departmental enquiry was also conducted which could not find anyone responsible for the incident.

The Committee directed the department to pursue the case vigorously.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 173 of the APAC Report for year 1996-97.

The para was again discussed by a Sub-Committee of the Ad-hoc PAC on 29-07-2002. The Sub-Committee recommended the para for settlement.

17. i) **SUSPECTED MISAPPROPRIATION OF RS.50,000 (PARA 7, PAGE 16-AR)**
ii) **IRREGULAR RETENTION OF GOVERNMENT FUNDS RS.0.98 MILLION (PARA 8, PAGE 16-AR)**
iii) **RECOVERY OF RS.94,904,024 FROM WORKS DIVISION ON ACCOUNT OF RENT OF BENEVOLENT FUND BUILDING (PARA 9, PAGE 17-AR)**
iv) **NON-DEDUCTION OF HOUSE RENT ALLOWANCE UPTO RS.143,574 (PARA 11, PAGE 148-AR)**
v) **IRREGULAR AND UN-AUTHORIZED RE-EMPLOYMENT AND PAYMENT RS. 301,980 TO 7 PROFESSORS BEYOND SUPERANNUATION WITHOUT APPROVAL OF COMPETENT AUTHORITY (PARA 16, PAGES 150-151-AR)**

On the presentation of above five paras by audit, the Committee made no comments and settled the paras.

ACTIONABLE POINTS
17TH SEPTEMBER, 1997

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

CAPITAL DEVELOPMENT AUTHORITY

18. **EXCESS PAYMENT OF RS. 68,879 (PARA A-I.1, PAGE 50-ARCW)**

Audit pointed out that the recovery of Rs. 68,879 on account of excess payment is required to be verified. The committee made no comments and settled the para.

19. i) **EXCESS PAYMENT OF RS. 170,888 (PARA A-I.2, PAGE 50-ARCW)**
ii) **EXCESS PAYMENT OF RS. 95,643 (PARA A-I.3, PAGE 51-ARCW)**
iii) **EXCESS PAYMENT OF RS.572,271 (PARA A-II.1, PAGE 51-ARCW)**
iv) **OVERPAYMENT OF RS. 248,328 (PARA A-II.2, PAGE 52-ARCW)**
v) **EXCESS PAYMENT OF RS. 130,731 (PARA A-II.3, PAGE 52-ARCW)**
vi) **EXCESS PAYMENT OF RS. 98, 288 (PARA A-II.4, PAGE 52-ARCW)**
vii) **EXCESS PAYMENT OF RS. 84,373 (PARA A-II.5, PAGE 53-ARCW)**
viii) **EXCESS PAYMENT OF RS. 75,803 (PARA A-II.6, PAGE 53-ARCW)**
ix) **EXCESS PAYMENT OF RS. 194,829 (PARA A-II.7, PAGE 53-ARCW)**

- x) **OVERPAYMENT OF RS.82,488 (PARA A-II.8, PAGE 54-ARCW)**
- xi) **EXCESS PAYMENT OF RS. 137,120 (PARA A-II.9, PAGE 54-ARCW)**

The Committee formed an Inter-departmental Committee (IDC) on the above eleven paras comprising a nominee each from Cabinet Division, PWD, Audit and NHA to re-examine the above issues and report to the PAC within one month.

The above paras were again discussed by the Ad-hoc PAC and its directive is printed at page No. 164 of the APAC Report for year 1996-97.

- 20. i) **NON-RECOVERY OF RS. 1,718,233 (PARA B-I.1, PAGE 55-ARCW)**
- ii) **NON-RECOVERY OF RS. 6,285,687 (PARA B-I.2, PAGE 55-ARCW)**
- iii) **NON-RECOVERY OF RS. 2,330,477 (PARA B-I.3, PAGE 55-ARCW)**
- iv) **NON-RECOVERY OF RS. 2, 330,356 (PARA B-I.4, PAGE 56-ARCW)**
- v) **NON-RECOVERY OF RS. 5,820,463 (PARA B-I.5, PAGE 56-ARCW)**
- vi) **NON-RECOVERY OF RS. 2, 422,642 (PARA B-I.6, PAGE 56-ARCW)**
- vii) **NON-RECOVERY OF RS. 1,135,567 (PARA B-I.7, PAGE 57-ARCW)**
- viii) **NON-RECOVERY OF RS.3,366,866 (PARA B-I.8, PAGE 57-ARCW)**
- ix) **NON-RECOVERY OF RS. 110,286 (PARA B-I.9, PAGE 57-ARCW)**
- x) **NON-RECOVERY OF RS. 3,561,556 (PARA B-I.10, PAGE 58-ARCW)**
- xi) **NON-RECOVERY OF RS. 3,424,953 (PARA B-I.11, PAGE 58-ARCW)**
- xii) **NON-RECOVERY OF RS. 6,076,220 (PARA B-I.12, PAGE 58-ARCW)**
- xiii) **NON-RECOVERY OF RS. 2,798,121 (PARA B-I.13, PAGE 59-ARCW)**
- xiv) **NON-RECOVERY OF RS. 6,261,073 (PARA B-I.14, PAGE 59-ARCW)**

On the presentation of above fourteen paras, the Committee formed a Sub-Committee under the Convenership of Syed Zafar Ali Shah, Nawab Salahuddin Abbasi, Syed Javed Ali Shah, MNAs, comprising of Mr. M. Ashraf Khan, Member (Admn) (CDA), Mr. Javed Arif, Director General Audit (Works), to examine the above paras one by one and submit recommendations to the PAC within three months.

21. **NON-RECOVERY OF RS.1,150,786 (PARA B-II.1, PAGE 59-ARCW)**

Audit pointed out that the rent of Government Hostel amounting to Rs.2,534,384 was recoverable from MNA's/Government officers. The authority has reported part recovery of the rent which required to be verified by the Audit with reference to documentary evidence.

The Committee directed the CDA to provide up-to date list of outstanding recovery to the Audit Department.

22. **NON-RECOVERY OF RS.1,196,078 (PARA B-II.2, PAGE 60-ARCW)**

Audit pointed out that the rent of Government Hostel amounting to Rs.2,534,384 was recoverable from MNA's/Government officers. The authority has reported part recovery of

the rent which required to be verified by the Audit with reference to documentary evidence.

The Committee directed the CDA to write to the defaulters for the payment of their dues, otherwise their names will should published in the National Newspapers.

23. **NON-RECOVERY OF RS. 187,520 (PARA B-II.3, PAGE 60-ARCW)**

Audit reported that the rent of Hostel amounting to Rs. 2,534,384 was recoverable from MNA's/Goverment Officers. The authority has reported part recovery of the rent which required to be verified by the audit with reference to documentary evidence.

The Committee directed the CDA to write to the concerned departments of defaulters for recovery and publish the names of defaulters in newspapers after two weeks and report to the PAC.

The above three paras were again discussed by the Ad-hoc PAC and its directive is printed at page No. 164 of the APAC Report for year 1996-97.

24. **NON-RECOVERY OF RS.88,617 (PARA B-II.4, PAGE 60-ARCW)**

Audit pointed out that the license fee of shops, rent and allied charges of cafeteria are recoverable to the extent of Rs. 144,962.

The Committee desired that CDA should engage a full time Revenue Officer for outstanding recoveries.

Further, para was again reviewed by the PAC on 07-09-1999. The Committee settled the para.

25. **NON-RECOVERY OF RS.16,723,288 (PARA B-III.1, PAGE 61-ARCW)**

Audit pointed out that the recovery of property tax relates to the period 1989-90 & 1990-91. The authority has stated that retarded progress of recovery is due to the fact that case for the anterevalidation of Cabinet Division notification dated 20-8-1991 is under process.

The Committee directed the CDA to pursue for making the law for recoveries.

26. i) **NON-RECOVERY OF RS. 921,925 (PARA B-III.2, PAGE 61-ARCW)**
ii) **NON-RECOVERY OF RS. 8,994,862 (PARA B-III.3, PAGE62-ARCW)**
iii) **NON-RECOVERY OF RS. 2,778,940 (PARA B-III.4, PAGE 62-ARCW)**
iv) **NON-RECOVERY OF RS. 3, 239,420 (PARA B-IV.1, PAGE 62-ARCW)**
v) **NON-RECOVERY OF RS. 1,004,442 (PARA B-IV.2, PAGE 63-ARCW)**
vi) **NON-RECOVERY OF RS.1,933,840 (PARA B-IV.3, PAGE 63-ARCW)**

On the presentation of above six paras, the Committee directed the CDA to make efforts to recover the outstanding amount and inform the Committee.

The above seven paras were again discussed by the Ad-hoc PAC and its directive is printed at page No. 164-165 of the APAC Report for year 1996-97.

27. **NON-RECOVERY OF RS. 241, 412 (PARA B-V.1, PAGE 63-ARCW)**

Audit pointed out that secured advance/mobilization advance was paid to the contractors and material was issued without assessing the actual requirement and with a view to provide undue financial aid to them.

The Authority stated that a part recovery of the outstanding amount have been recovered.

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

Further, para was again reviewed by the PAC on 07-09-1999. The Committee settled the para.

28. **NON-RECOVERY OF RS.931,736 (PARA B-V.2, PAGE 64-ARCW)**

Audit pointed out that mobilization advance was paid to the contractor in May, 1987. It was not recovered from the subsequent running payments made in June 1987, February 1988 and November, 1988.

The CDA stated that recovery shall be made from the final bills after the laps of ten years. Actually this amount should have been adjusted against the security deposit of the contractor.

The Committee directed the CDA to recover the outstanding amount from the Contractor and report to the PAC.

Further, para was again reviewed by the PAC on 07-09-1999. The Committee settled the para.

29. **NON-RECOVERY OF RS. 206,840 (PARA B-V.3, PAGE 64-ARCW)**

Audit reported that the cement valuing Rs. 206,840 was issued to the Contractor from April to October, 1993. The work was abandoned but the cost of cement has not been recovered. The CDA stated that recovery shall be made from the final bill.

The Committee was not satisfied with the explanation given by the department and directed the departmental representative to issue a final notice to the contractor and then take legal action.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 165 of the APAC Report for year 1996-97.

30.
 - i) LOSS OF RS. 18,781,355 (PARA C-I.1, PAGE 65-ARCW)
 - ii) LOSS OF RS.24,582,524 DUE TO MISMANAGEMENT (PARA C-II.1,PAGE 65-ARCW)
 - iii) LOSS OF RS.150,000,000 DUE TO DISCONTINUATION OF INSURANCE (PARA C-III.1, PAGE 65-ARCW)

Despite detailed discussion on the above three paras, the matter could not be resolved. It was therefore, decided to form an Inter-departmental Committee (IDC) comprising a nominee each from Cabinet Division, Audit, Finance Division and CDA to examine the issues, fix the responsibility and report to the PAC within two months.

31.
 - i) LOSS DUE TO NON-ACCEPTANCE OF HIGHEST BID RS. 121,984 (PARA C-IV.1, PAGE 66-ARCW)
 - ii) LOSS DUE TO ACCEPTANCE OF HIGHER RATES RS.315,967 (PARA C-V.1, PAGE 66-ARCW)
 - iii) LOSS OF RS.95,067 DUE TO ABANDONMENT OF WORK (PARA C-VI.1, PAGE 67-ARCW)

The Committee formed an Inter-departmental Committee on the above three paras comprising a nominee each from Cabinet Division, M/O Finance, Audit and CDA to examine the matter, fix the responsibility and report to PAC within one month.

The above mentioned six paras were again discussed by the PAC and its directive is printed at page No. 166 of the Ad-hoc PAC Report for year 1996-97.

32. LOSS DUE TO NON-RECOVERY OF TELEPHONE CHARGES RS.972,539 (PARA C-VII.1, PAGE 67-ARCW)

Audit pointed out that outstanding charges consist of local calls for which the MNAs were entitled, as the facility of free local calls were provided by the CDA. There is no such provision in the relevant rules. Unless funds are provided by the relevant Ministry for the local telephone for free calls, the authority has no obligation.

The Committee conveyed its displeasure and directed the department to recover the outstanding amount from the concerned MNA's and amend the rules for the future.

Further, para was again reviewed by the PAC on 07-09-1999. The Committee settled the para.

33. LOSS DUE TO EXCESSIVE MEASUREMENTS RS.123,150 (PARA C-IX.1, PAGE 68-ARCW)

Audit pointed out that M.S pipe of different sizes was dismantled and replaced in excess of the dismantled quantities. The authority could not justify the payment as the dismantled M.S. pipe was not accounted for in the record. The verification of record showed that an expenditure of Rs.13,396 was incurred on the dismantling of M.S. pipe 18" dia. Moreover, this type of pipe (18" dia) was also issued from CDA stores. Its cost was paid to the contractor @ Rs.1250 per rft plus 10% contractor's profit, but recovery

was made @ Rs.980. This resulted into excess payment of Rs.98,750 which needs recovery alongwith 1-1/2% water charges.

The department informed the Committee that there was no excess payment made to the contractor.

The Committee settled the para subject to verification by audit.

34. i) **IRREGULAR RELEASE OF PENALTY OF RS.172,720 (PARA D-1,PAGE 69-ARCW)**
ii) **LOSS OF RS.204,770 (PARA D-I.2, PAGE 69-ARCW)**

The Committee formed an Inter-departmental Committee (IDC) on the above paras comprising of a nominee each from Audit, M/O Finance and CDA to re-examine the issue and fix responsibility and report to the PAC within two months.

The above mentioned three paras were again discussed by the PAC and its directive is printed at page No. 166 of the Ad-hoc PAC Report for year 1996-97.

35. **BLOCKADE OF GOVERNMENT MONEY RS.1,767,147 (PARA D-II.1, PAGE 70-ARCW)**

Audit reported that the stores were purchased without assessing the future requirements. This is corroborated by the fact that a major portion is lying un-consumed presently since its purchase in 1990. The service ability of un-consumed material and its physical existence is of supreme significance which needs to be ascertained.

The CDA informed the Committee that the department has consumed some material (38%) within the span of seven years, which still requires to be verified by the Audit.

The Committee directed audit to verify the condition of the stores, un-consumed material etc, and report to the PAC within a week.

The above mentioned para was again discussed by the PAC and its directive is printed at page No. 167 of the Ad-hoc PAC Report for year 1996-97.

36. **NON-ACCONTUAL OF RS.123,778 (PARA D-III.1, PAGE 70-ARCW)**

Audit pointed out that the replaced spares of garbage containers were not accounted for. The authority has reported that recovery record has now been prepared.

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

Para was again reviewed by the PAC on 07-09-1999. The Committee settled the para.

37. **EXPENDITURE INCURRED ON DEPOSIT WORKS IN EXCESS OF DEPOSITS RS.29.501 MILLION (PARA D-IV.1, PAGE 70-ARCW)**

Audit pointed out that the expenditure was incurred by the authority in excess of the deposits. The authority stated that sponsoring agencies are being stressed for clearing the outstanding dues.

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

The above mentioned para was again discussed by the PAC and its directive is printed at page No. 167 of the Ad-hoc PAC Report for year 1996-97.

38. **EXPENDITURE INCURRED IN ANTICIPATION OF TECHNICAL SANCTION RS. 204.618 MILLION (PARA D-V.1, PAGE 71-ARCW)**

The position stated by the authority needs to be verified by Audit. The Committee settled the para subject to verification by the Audit.

39. i) **OUTSTANDING INSPECTION REPORTS AND AUDIT NOTES(PARA D -VI.1, PAGES 71-72-ARCW)**
ii) **NON-RECOVERY OF RS.56,345 (PARA B-II.5, PAGE 60-ARCW)**
iii) **LOSS DUE TO ACCEPTANCE OF UNWORKABLE RATES RS.214,501 (PARA C-VIII.1, PAGE 68-ARCW)**

The Committee settled the above paras.

40. i. **PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF 77 GOVERNMENT OWNED HOUSES ON ABANDONED PLOTS IN ISLAMABAD (CHAPTER 2, PAGES 28-30-ARCW)**
ii. **PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF PRESIDENTIAL ESTATE COLONY AT ISLAMABAD (CHAPTER 3, PAGES 32-38-ARCW)**
iii. **PERFORMANCE AUDIT REPORT ON DETAILED DESIGN OF METROPOLITAN WATER SUPPLY WORKS FROM KHANPUR TO ISLAMABAD AND RAWALPINDI (CHAPTER 4, PAGES 40-45-ARCW)**
iv. **SPECIAL AUDIT REPORT ON FAISAL MASJID PROJECT (CHAPTERS-2) (PARAS 1.2.1 TO 2.2.4, PAGES 2-11-ARCW-87-88)(ITEM 1-2-AR-87-88)**
v. **CONSTRUCTION OF CARRIAGE WAY FROM ZERO POINT TO SERVICE ROAD (EAST) OF H-9 AND G-9 SECTORS ISLAMABAD (CHAPTER 1-2) (PARAS 1.2.1 TO 2.2.4, PAGES 2-11-ARCW-87-88)(ITEMS 1-2-AP-87-88)**

The Committee formed a Sub-Committee under the Convenership of Mian Muhamad Zaman, MNA, comprising of Nawab Salahuddin Abbasi, Syed Javed Ali Shah, Syed

Zafar Ali Shah, Ch. Muhammad Berjees Tahir, MNAs, Mr. Javed Arif, Director General Audit (Works) and Mr. Mukhtar Ahmed, Joint Secretary, M/O Finance to examine the overall performance of the above projects and report to the PAC within three months.

The report of the Sub-Committee, on construction of 77 Government owned houses (Chapter 2) and Construction of Presidential Estate Colony (Chapter 3), with the approval of the competent authority has already been forwarded to the Ministry on 5-12-2000 for compliance.

CENTRAL BOARD OF REVENUE

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Central Board of Revenue were taken up for examination by Public Accounts Committee (PAC) on December 19, 1997, January 6 and February 16, 1998.

The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases i.e. involving short levy of tax, loss of revenue due to non-enforcements of provisions of law, inadmissible refund of sales tax, short realization of sales tax, non-realization of further tax, Inadmissible input tax, Grant of Inadmissible Reward, Non-enforcement of Indemnity, tax fraud by issuance, fraudulent drawl of sales tax, Evasion of customs dues and Non-levy of tax export sales etc.

During the course of discussion in the meeting, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate action.

There were 4 Grants and 252 paras reported by the Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meetings of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Central Board of Revenue (CBR) held on 19th December, 1997, 6th January, 16th February, 1998 are as under:-

19TH DECEMBER, 1997

AUDIT REPORT (INDIRECT TAXES) (VOL-III-1993-94)

1. AMOUNT S.NO. PARA NO. OF A.R. PAGE NO. OF A.R. RS.IN MILLION

1.	Chapter 1 (Overview) except paras 1.2 & 1.16	1-10	General
2.	2.1 (General)	13	General
3.	2.2	13	15.209
4.	3.2	21	6.850
5.	4.2	24	6.442
6.	4.3(b)(i)	26	0.461
7.	4.3(c)	27	0.210
8.	4.3(d)	27	0.057

9.	4.6(c)	32	0.245
10.	4.6(e)	33	0.077
11.	4.9(a)	37	0.224
12.	4.9(d)	39	0.179
13.	4.14	46	0.719
14.	4.16	48	0.361
15.	5.1	57	1.500
16.	5.5	60	0.225
17.	7.1	95	0.271

STUDY REPORT ON OPEN MANUFACTURING BONDS

18.	1.1 to 1.5 (General)	101-102	General
19.	2.1 to 2.2 (General)	103-106	General
20.	3.1 (General)	107	General
21.	5.12	125	0.284
22.	5.13	126	0.132
23.	5.14	126	0.098
24.	7.1 to 7.2	137-139	Summary of findings of study reports

STUDY REPORT ON SEIZED AND CONFISCATED GOODS

25.	Chapter 1 (General)	145-146	General
26.	3.1 (S&CG)	153	0.270
27.	3.3(iii) (S&CG)	155	0.125
28.	3.3 (iv) (S&CG)	156	0.253
29.	Chapter 4 (Conclusion)	161-164	Conclusion of study report.

STUDY REPORT ON REFUNDS AND REBATES

30.	Chapter 1 (General)	169	General
31.	3.2	177	0.005
32.	Chapter 4	181-182	Conclusions of study report.

STUDY REPORT ON GENERAL DUTY ON TELEPHONES

33.	Chapter 1 (General)	187-188	General
34.	3.4	196	264.000
35.	3.10	199	5.860
36.	Chapter 4 (Conclusion)	201-202	Conclusion of Study Report

Total Rs. 304.057

On the recommendations of Audit, the Committee decided to settle the above 36 paras.

2. **AMOUNT S.NO. PARA NO.OF A.R. PAGE NO.OF A.R. RS.IN MILLION**

1.	4.3 (a) (ii)	34	0.970
2.	4.3 (b) (ii)Partial	36	0.335
3.	4.7 (b)	50	0.437
4.	4.7 (c)	51	0.249
5.	4.9 (b)	55	0.204
6.	4.10	59	0.148
7.	4.12 (b)	62	0.222
8.	4.12 (c)	63	0.177
9.	4.17	71	0.270
10.	4.18	72	0.254
11.	4.21	76	0.139
12.	4.22	77	0.136
13.	6.1 (a)	84	10.468
14.	6.1 (c)	86	6.110
15.	6.1 (g)	90	0.446
16.	6.1 (i)	92	0.379
17.	6.6 (a) (i)-Partial	101	1.146
18.	6.10	111	1.754
19.	6.14(iii)	117	0.230
20.	6.14(iv)	118	0.261
21.	6.15	119	1.012
22.	6.16	120	0.840
23.	6.19-Partial	123	0.077
24.	6.20	124	0.282

STUDY REPORT ON OPEN MANUFACTURING BONDS

25.	5.10	166	2.475
26.	5.11	167	0.299
27.	5.15	171	0.094
28.	5.16	172	issue
29.	5.17	173	issue

STUDY REPORT ON SEIZED AND CONFISCATED GOODS

30.	3.3 (i)	195	Amount not mentioned.
31.	3.7	202	about reconciliation.
32.	3.8	203 to 208	Procedural observation

STUDY REPORTS REFUNDS AND REBATES

33.	2.3 Partial	214	0.856
34.	2.7 Partial	218	0.173
35.	2.8	219	0.102

STUDY REPORT ON CENTRAL EXCISE ON TELEPHONE SERVICES

36.	2.1 Partial	229	154.979
37.	3.1 & 3.6 Partial	235 & 236	588.538
38.	3.3	236	275.300
39.	3.11	240	4.880

Total Rs. 1,054.242

On the recommendation of Audit, the Committee decided to settle the above mentioned 39 paras subject to verification by the Audit:

However, 21 paras were again discussed by the Ad-hoc PAC & its directive is printed at page 535 of Ad-hoc PAC report for the year 1996-97.

3. **AMOUNT S.NO. PARA NO. OF A.R. PAGE NO. OF A.R. RS. IN MILLION**

1.	6.4	72-73	4.884
2.	5.9 (OMB)	123-124	39.360

Total Rs. 44.244

On the recommendations of Audit, the Committee decided to defer the above mentioned two Audit paras being subjudice in the court of Law.

However, above two paras were again discussed by the Ad-hoc PAC & its directive is printed at page 535-536 of Ad-hoc PAC report for the year 1996-97.

4. **NON RECOVERY OF GOVERNMENT DUES RS.184.085 MILLIONAMOUNT**
S.NO. PARA NO. OF A.R. PAGE NO. OF A.R. RS. IN MILLION

1.	4.1	23-24	10,542,059
2.	4.3 (a) (iii)	25-26	207,522
3.	4.9 (c)	38-39	193,896
4.	4.9 (e)	39-40	126,899
5.	4.12 (d)	44-45	76,310
6.	4.15 (a)	47-48	309,961
7.	4.15 (b)	48	95,505
8.	4.19	51-52	208,202
9.	4.20	52-53	186,764
10.	6.1 (e)	65-66	680,020
11.	6.1 (h)	67-68	442,679
12.	6.3 (a) (i)	70	11,522,687
13.	6.3 (c) Partial	71-72	302,462
14.	6.5	73	4,712,162
15.	6.6 (a) (i) Partial	74	88,758

16.	6.6 (a) (ii)	74-75	400,535
17.	6.6 (b) Partial	75	1,053,613
18.	6.7 (b) (i)	77-78	1,012,520
19.	6.8 Partial	78-79	498,573
20.	6.14 (i)	84	861,845
21.	6.14 (ii)	85	127,419
22.	6.17 Partial	87-88	338,512
23.	6.18	88-89	452,566
24.	6.19 Partial	89-90	218,188
25.	6.22 Partial	92	20,090
26.	5.1(OMB)	115	149,395,674

STUDY REPORT ON REPORTS AND REBATES

27.	2.7 Partial	175	10,066
		Total Rs.	<u>184,085,487</u>
		Say Rs.	<u>184.085 Million</u>

Audit informed that above mentioned 27 paras involved revenue of Rs.184.085 million have been admitted by the executive adding that recovery was under process since long. All these cases pertain to the year 1993-94.

The department informed the Committee that the scheme of no duty no draw back and Open Bonded House Scheme have been introduced now. The first notification to import bonded items without paying the duty was issued in 1989 and a notification to import the machinery without paying the duty has been issued in 1990.

The Committee directed the department to inform the progress of recovery to the Audit. The department was also advised to involve a representative of the Audit department to facilitate the recovery.

However, 27 paras were again discussed by the Ad-hoc PAC & its directive is printed at page 536-537 of Ad-hoc PAC report for the year 1996-97.

5. **AMOUNT S.NO. PARA NO. OF A.R. PAGE NO. OF A.R. RS. IN MILLION**

1.	3.1	21	0
2.	3.3	22	0
3.	4.3 (a) (i)	25	2,668,775
4.	4.3 (b) (ii)	26	115,000
5.	4.4	28	6,188,139
6.	4.7 (a)	34	721,329
7.	4.7 (d)	36	85,907
8.	4.11	41	780,696
9.	4.13 (a)	45	383,732
10.	4.13 (b)	46	336,320

11.	4.23	54	955,139
12.	5.2	57	14,980,000
13.	5.3	58	1,107,417
14.	5.4	59	866,519
15.	6.1 (b)	64	313,948
16.	6.1 (d)	65	931,500
17.	6.1 (j)	68	265,343
18.	6.2	69	15,483,137
19.	6.3 (a) (ii)	70	2,056,604
20.	6.3 (c) Partial	70	349,734
21.	6.6 (b) Partial	75	326,620
22.	6.6 (c)	75	706,338
23.	6.6 (d)	76	254,500
24.	6.7 (a)	77	2,060,265
25.	6.7 (b) (ii)	78	374,104
26.	6.8 Partial	78	2,672,574
27.	6.11	81	1,215,614
28.	6.12	82	217,797
29.	6.13	83	1,200,330
30.	6.17 Partial	87	386,674
31.	6.21	91	259,419
32.	6.22 Partial	92	196,000
33.	6.24	93	100,023
34.	3.2 (OMB)	107	0
35.	3.3 (OMB)	108	0
36.	3.4 (OMB)	109	0
37.	3.5 (OMB)	110	0
38.	4.1 (OMB)	111	0
39.	4.2 (OMB)	111	0
40.	4.3 (OMB)	111	0
41.	4.4 (OMB)	112	0
42.	4.5 (OMB)	112	0
43.	4.6 (OMB)	113	0
44.	5.3 (OMB)	116	7,540,931
45.	5.5 (OMB)	118	1,600,421
46.	5.7 (OMB)	120	594,494
47.	5.8 (OMB)	121	535,160
48.	5.18(a)(OMB)	130	0
49.	5.18(b)(OMB)	131	0
50.	6.1 (OMB)	133	0
51.	6.2 (OMB)	133	0
52.	6.3 (OMB)	134	0
53.	6.4 (OMB)	134	0
54.	6.5 (OMB)	135	0
55.	2.1 (S &CG)	147	0
56.	2.2 (S &CG)	149	0

57.	2.3 (S &CG)	150	0
58.	2.4 (S &CG)	150	0
59.	2.5 (S &CG)	151	0
60.	3.2 (S &CG)	153	450,000
61.	3.4 (S &CG)	156	0
62.	3.5 (S &CG)	157	0
63.	3.6 (S &CG)	158	0
64.	2.1 (R&R)	171	0
65.	2.2 (R&R)	171	0
66.	2.3 (R&R)	172	772,310
67.	2.4 (R&R)	173	26,921,911
68.	2.5 (R&R)	174	6,538,175
69.	2.6 (R&R)	175	0
70.	2.9 (R&R)	175	38,199,102
71.	3.1 (R&R)	177	0
72.	3.3 (R&R)	178	233,837
73.	3.4 (R&R)	178	11,287
74.	2.1 (CE on Telephone) Partial	189	1,344,981,000
75.	2.2 (CE on Telephone)	189	224,140,000
76.	2.3 (CE on Telephone)	190	0
77.	2.4 (CE on Telephone)	190	0
78.	2.5 (CE on Telephone)	191	351,536,000
79.	2.7 (CE on Telephone)	192	142,493,000
80.	2.8 (CE on Telephone)	192	36,527,581
81.	2.9 (CE on Telephone)	193	268,150,000
82.	3.2 (CE on Telephone)	195	281,518,630
83.	3.5 (CE on Telephone)	197	191,500,000
84.	3.7 (CE on Telephone)	198	30,800,000
85.	3.8 (CE on Telephone)	198	15,238,090
86.	3.12(CE on Telephone)	200	1,330,000

Total. 3,030,171,426
Say Rs. 3,030.171,426

Audit pointed out that the issues involved in the above 86 paras have now been contested by the department on technical grounds. In some cases replies received need to be re-examined for which Audit requires documents from the executive.

Despite detailed discussion, the matter could not be resolved. The Committee decided to form an Inter-departmental committee comprising of a nominee each from M/O Finance, Audit and CBR to examine the matter and report to the PAC.

However, 86 paras were again discussed by the Ad-hoc PAC & its directive is printed at pages 537-539 of Ad-hoc PAC report for the year 1996-97.

6. **NON-PRODUCTION OF RECORDS (PARA 2.3, PAGES 14-19-ARIT)**

Audit pointed out that the Auditor-General of Pakistan has authority to acquire any book or document relating to auditable transactions for audit. Documents and records relating to 419 units were not provided to the audit at the time of audit. Non-production of record to the audit indicates a possible intention of connivance and abatement with the tax-payers. The incidence of non-production of record was a persistent phenomenon and enables the departmental functionaries to conceal their inefficiencies or wrong-doing as well as giving un-necessary favours.

The department informed that they have issued instructions to their field offices to ensure production of record to Audit and would take disciplinary action against those who failed to do so. However, these instructions were not being complied with.

The Committee took serious notice of non producing the record for audit and warned the department to be careful in future.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 539-540 of Ad-hoc PAC report for the year 1996-97.

7. **UNDER-ASSESSMENT OF CUSTOMS DUTIES DUE TO NON-INCLUSION OF LOADING CHARGES IN IMPORT VALUE-RS.3,156,453 (PARA 4.5, PAGES 29-30-ARIT)**

Audit pointed out that short-assessment of government dues of Rs.3,156,453 due to under-valuation of imported goods were pointed out in September, 1993 and June, 1994. The short-assessment of government revenue has been admitted by the department in November 1997 stating that recovery action is in progress.

The Committee conveyed its displeasure on the performance of the CBR. The Committee formed an Inter-departmental committee comprising a nominee each from Audit, M/O Finance and CBR to examine the issue and report to the PAC within two months.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 540 of Ad-hoc PAC report for the year 1996-97.

8. **SHORT REALIZATION OF CUSTOMS DUES CAUSED BY UNDER VALUATION OF IMPORTED GOODS RS. 2,545,814 (PARA 4.6 (A, B & D), PAGES 30-33-ARIT)**

Audit pointed out that certain imported goods were cleared by the department at values less than their prescribed import trade prices as notified for the purpose of assessment of customs dues. The under-valuation led to short-realization of government revenues of Rs.2,545,814. The irregularity was admitted by the department.

The department informed that a sum of Rs.424,964 has been recovered and verified by the Audit. The balance amount of Rs.2,120,850 is still outstanding despite the lapse of four years.

The Committee directed the Principal Accounting Officer to examine the case, take action against the concerned officials, recover the balance amount and report to the PAC.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 541 of Ad-hoc PAC report for the year 1996-97.

9. **NON-REALIZATION OF CUSTOMS DUES RS.1,026,607 (PARA 4.8, PAGE 37-ARIT)**

Audit pointed out that customs dues of Rs.1,026,607 were neither assessed nor realized by the department.

The department informed that recovery of sales tax of Rs.132,237 while the Collector (Appeals) in his judgment upheld the audit observation but ruled the demand of customs duty of Rs.894,370 as barred by time.

The Committee directed the CBR authorities to take action against the concerned officers/officials, who were responsible for the losses of said amount of Rs.894,370. The Committee further ordered to recover the amount from the reported officers/officials.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page 541 of Ad-hoc PAC Report for the year 1996-97.

10. **SHORT REALIZATION OF GOVERNMENT REVENUE DUE TO APPLICATION OF INCORRECT RATE OF DUTY RS.265,330 (PARA 4.12(A), PAGE 42-ARIT)**

Audit pointed out that short-realization of government dues of Rs.265,330 was caused in three cases due to application of incorrect rate of customs duty (60% instead of 70%).

The department upheld the point of view of audit in one case involving Rs.77,765 during adjudication while the remaining two cases involving revenue of Rs.187,565 were reported to be under adjudication. These cases were about four years old, however, the final outcome was still awaited.

The Committee directed the CBR authorities to take action against the concerned officers who were responsible for short realization of government dues and report to the PAC.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page 541 of Ad-hoc PAC Report for the year 1996-97.

11. **NON-ASSESSMENT OF SALES TAX DUE TO IRREGULAR EXEMPTION RS.2,935,040 (PARAS 6.1 (F), 6.9 & 6.23, PAGES 66, 79 & 92-ARIT)**

Audit informed that irregularities involving government revenue of Rs.2,935,040 were pointed out in January/February, 1994 but the matter as reported by the department, was still under adjudication after a lapse of more than 3 and a half years.

The department informed that they had issued instructions to Field Officers on 5th November, 1996 to finalize adjudication process within six months which should in no circumstances exceed a year.

The Committee directed the department to take action against the concerned officials who were responsible for the said irregularities and report to the PAC.

The above three paras were again discussed by the Ad-hoc PAC & its directive is printed at page 541 of Ad-hoc PAC report for the year 1996-97.

12. **IN-ADMISSIBLE ADJUSTMENT OF INPUT TAX RS.1,409,251 (PARA 6.3 (B), PAGE 71-ARIT)**

Audit pointed out that sale tax, additional tax and surcharge aggregating to Rs.1,409,251 was short-realized due to adjustment of input tax on the purchase of parts and accessories of machinery which was inadmissible.

The department informed that recovery of sales tax of Rs.543,900 is underway. As to the additional tax and surcharge, the Collector (Appeals) set aside the demand on the plea that non-payment of sales tax was not deliberate. The Collector (Appeals) had decided the appeal in December, 1996 upholding the demand of sales tax. Therefore, now the non-payment of sales tax from December, 1996 onwards is deliberate and attracts levy of additional tax as well. The Committee made no comments and settled the para.

13. **NON-ASSESSMENT OF FIXED SALES TAX ON POWER-DRIVEN LOOMS RS.4,712,162 (PARA 6.5, PAGE 73-ARIT)**

Audit pointed out that fixed amount of sales tax on power-driven looms used for manufacturing of un-processed or grey cloth was levied w.e.f. 18th June, 1992. The department failed to realize the fixed sales tax of Rs.4,712,162.

The department informed that they have accepted the Audit's viewpoint but have shown their helplessness and inability to recover the amount. Later on, however, the department issued show cause notices to the concerned in October/November, 1997.

The Committee directed the CBR authorities to submit a comprehensive report to the PAC.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page 542 of Ad-hoc PAC Report for the year 1996-97.

14. **NON-REALIZATION OF CUSTOMS DUES FROM M/S ASIM FABRICS (PVT.) LTD. FAISALABAD (PARA 5.2, PAGES 115-116-ARIT)**

Audit pointed out that M/s Asim Fabrics (Pvt.) LTD., Faisalabad obtained a license to operate under Open Manufacturing Bond Scheme. They imported 'Plant and Machinery' and raw materials free of duties and taxes under the scheme. They failed to observe conditions of the license due to which their license was cancelled but without first realizing customs dues involved on machinery and raw materials imported free of duties and taxes under the scheme.

The Committee decided that Inter-departmental Committee constituted under para 4.5 above will also examine this para as well in detail. The Committee directed for taking action against concerned officials and report to the PAC within two months.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 542-543 of Ad-hoc PAC report for the year 1996-97.

15. **NON-REALIZATION OF CUSTOMS DUES ON PLANT AND MACHINERY AND RAW MATERIALS- RS.5,836,431 (PARA 5.4. PAGES 117-118-ARIT)**

Audit pointed out that non-realization of custom dues of Rs.5,836,431 from two manufacturing units who violated provisions of Open Manufacturing Bond Scheme. A sum of Rs.1,039,490 has been realized from one unit while action for recovery of the balance amount of Rs.2,729,751 from the same unit was stated to be in progress. Regarding the other case, the department stated that a contravention case involving customs dues of Rs.32,820,136 (including the amount pointed out by the audit) had been made out which is under adjudication.

The Committee directed the department to examine the case and report to the PAC.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 543-544 of Ad-hoc PAC report for the year 1996-97.

16. **UNLAWFUL EXEMPTION FROM CUSTOMS DUES ON IMPORTED PLANT AND MACHINERY- RS.1,218,030 (PARA 5.6, PAGES 119-120-ARIT)**

Audit pointed out that a unit of Multan imported plant and machinery under the Open Manufacturing Bond Scheme in 1990. The unit also procured raw materials without payment of taxes but did not observe the rules framed under the Scheme. The concerned Collector adjudged in October,1993 that customs dues of Rs.840,021 plus personal penalty of Rs.100,000 should be recovered from the unit. The unit has paid Rs.335,000 out of total dues of Rs.940,021. Audit contends that the penalty in this case should have been at least equal to the amount which the unit could have paid had it availed the facility

of deferment of custom dues under the rules which worked out to Rs.378,009 (calculated up to the date of adjudication).

The department informed that penalty is the discretion of the customs authority concerned.

The Committee directed the department to recover the outstanding amount and settled the para subject to verification by the Audit.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 544 of Ad-hoc PAC report for the year 1996-97.

17. **LOSS OF GOVERNMENT REVENUE IN THE THEFT CASE OF GOLD WORTH RS. 6.5 MILLION (PARA 3.3(I), PAGES 154-155-ARIT)**

Audit pointed out that seized gold weighing 23 Kgs. worth Rs.6.5 million was stolen from State Warehouse, Peshawar in 1991. The department informed that the matter was still under investigation.

The Committee constituted a Sub-Committee under the Convenership of Mr. Adnan Aurangzeb, MNA comprising Mr. Pervez Saleem, Financial Adviser, CBR, Mr. Aneee Marghoob, Director Audit, Revenue Receipts and Dr. Manzoor Ahmad, collector Customs and Central Excise, Peshawar Region to investigate the case and report its findings to the PAC within one month.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 544-545 of Ad-hoc PAC report for the year 1996-97.

ACTIONABLE POINTS
6TH JANUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

18. **GRANT NO.47-CENTRAL BOARD OF REVENUE (PAGE 134-AA)**

Audit pointed out that an amount of Rs. 7,403,066 was surrendered leaving net saving of Rs. 6,249,073.

The Committee conveyed its displeasure on the performance of the CBR., and settled the grant.

19. i) **GRANT NO.48-SEA CUSTOM (PAGE 135-AA)**
ii) **GRANT NO.49-LAND CUSTOMS AND CENTRAL EXCISE (PAGE 136-AA)**
iii) **GRANT NO.50-TAXES ON INCOME AND CORPORATION TAX(PAGE 137-AA)**

On the presentation of the above mentioned grants, the Committee expressed its displeasure on the matters and directed the Principal Accounting Officer to take action against the concerned officers who were responsible for not surrendering the savings in time and report to the PAC within one month.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

20. **IRREGULAR EXPENDITURE OF RS.581,313 TO AVOID BUDGET LAPSE (PARA 1, PAGES 38-39-AR)**

Audit pointed out that the Commissioner Wealth Tax, Lahore had purchased furniture & fixture amounting to Rs. 581,313. Out of total expenditure, Rs. 511,763 were drawn on 29-6-1993 just to avoid lapse of budget while payment to suppliers was made after about three months. Thus the rules contained in paras 95-96 and para 24 of Appendix-9 and para 144 of GFR-vol-1 were violated.

The department informed that the calling of open tenders was observed. The amount of Rs. 511,763 was not paid to the suppliers as the items were below specification and had been returned after inspection by the Departmental Inspection Committee. The defective items were replaced by the suppliers and then payments were made to him.

The Committee was not satisfied with the reply given by the department and directed the Principal Accounting Officer to review the matter, fix responsibility, take action against concerned officers for drawing the funds on 29-6-1993 and retaining it for three months and report to the PAC.

21. i) **LOSS OF RS.69,945 DUE TO PURCHASE OF LIVERIES ITEMS AT HIGHER RATES, (PARA 2, PAGE 39-AR)**
ii) **EXCESS EXPENDITURE OF RS. 54,666 AGAINST PRESCRIBED CEILING (PARA 3, PAGE 40-AR)**
iii) **IRREGULAR EXPENDITURE ON PURCHASE OF STATIONERY ITEMS AMOUNTING TO RS. 438,414 (PARA,4, PAGE 40-AR)**
iv) **CHANCES OF LEAKAGE PILFERAGE AND MALPRACTICE IN FINANCIAL TRANSACTIONS OF RS. 241,302 INCURRED ON MAINTENANCE OF GOVERNMENT VEHICLES(PARA-5, PAGE 41-AR)**
v) **IRREGULAR PURCHASE OF RS. 216,125 WITHOUT INVITING OPEN TENDERS (PARA,6, PAGE 41-AR)**
vi) **RECOVERY OF RS.123,583 DUE TO PAYMENT OF TELEPHONE BILLS OVER AND ABOVE THE PRESCRIBED CEILING (PARA,7, PAGES 41-42-AR)**
vii) **RECOVERY OF RS. 125,520 DUE TO UNAUTHORIZED DRAWL OF MOTOR CAR/MOTOR CYCLE MAINTENANCE ALLOWANCE (PARA 8, PAGE 42-AR)**
viii) **UN-AUTHORIZED AND IRREGULAR EXPENDITURE OF RS. 406,345 WITHOUT DELEGATED FINANCIAL POWERS (PARA-9, PAGE 42-AR)**

On the recommendation of Audit, the Committee settled above eight paras.

AUDIT REPORT (INDIRECT TAXES)(VOL-III-1993-94)

22. UNLAWFUL REFUND OF CENTRAL EXCISE DUTY- RS. 9,161,696 (PARA 3.5, PAGE 179-ARIT)-

Audit pointed out that Assistant Collector, Central Excise & Sales Tax, Gujranwala extended the benefit to M/s Pasrur Sugar Mills retrospectively i.e. from the crushing season 1993-94. By the unlawful action, the department lost Central Excise Duty of Rs. 9,161,696.

The department informed that the case is subjudice in the High Court, Lahore.

The Committee expressed its displeasure on the issue and directed the Principal Accounting Officer to take action against the concerned officer(s) for refunding the indirect taxes to the firm which have collected that tax from consumers on behalf of the Government and pursue the case in the court of law.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 545 of Ad-hoc PAC report for the year 1996-97.

23. SHORT-REALIZATION OF CENTRAL EXCISE DUTY- RS. 21.52 MILLION (PARAS 2.6 & 3.9, PAGES 191 & 193-ARIT)

Audit pointed out that M/s PAKTEL Ltd, Islamabad could not collect and pay the full amount of central excise duty on telephone charges billed/charged to their subscribers. The department has reported that the Company has been asked to deposit the Government dues.

The Committee directed the department to reconcile the issue with Audit within one month and report to the PAC. The Committee also asked the Principal Accounting Officer to review the existing system of collection of central excise duty and take immediate measures to recover the public money.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 546 of Ad-hoc PAC report for the year 1996-97.

24. NON-REALIZATION OF CENTRAL EXCISE DUTY- RS. 881.361 MILLION (PARAS 3.1 & 3.6, PAGES 195 & 197-ARIT)

Audit pointed out that central excise duty was not paid on service connections by M/s PTCL, Islamabad. The department stated that a recovery of Rs. 588.538 million pending judgment by the Appellate Tribunal. The balance amount of Rs. 292.823 is still recoverable.

The Committee made no comments.

AUDIT REPORT (DIRECT TAXES) (VOL-IV-1993-94)

25. i) **SHORT RECOVERIES/LOSSES ACCEPTED/CHARGED RS. 310.709 MILLION (PARAS 3.3 TO 3.6, 4.1 TO 4.4, 5.1 TO 5.50, 7.1 TO 7.9, 8.2, 8.3 & 9.2 TO 9.5, PAGES 26 to 190-ARDT)**
- ii) **OBSERVATIONS NOT RESPONDED- RS. 40.067 MILLION (PARAS 3.4 TO 3.6, 4.1, 4.4, 5.1, 5.7, 5.11, 5.12, 5.19, 5.24, 5.27, 5.32, 5.37, 7.3, 7.5, 8.2, 9.2, 9.3 & 9.4, PAGES 27-190-ARDT)**
- iii) **LOSSES CONTESTED BY THE EXECUTIVE ON TECHNICAL GROUNDS- RS.213.362 MILLION (PARAS 3.4 TO 3.6, 4.1 TO 4.4, 5.1 TO 5.48, 7.1 TO 7.8, 8.2, 9.2, 9.4 & 9.6, PAGES 26-191-ARDT)**
- iv) **NON-LEAVY OF ADDITIONAL TAX U/S 87 AMOUNTING TO RS. 28,746,900(PARA 3.4, PAGES 27-29-ARDT)**
- v) **NON-LEAVY OF ADDITIONAL TAX U/S 88 AMOUNTING TO RS. 19,522,830 (PARA 3.4, PAGES 31-32-ARDT)**

On the presentation of the above mentioned five audit paras by the Audit, the Committee formed an Inter-Departmental Committee comprising a nominee each from Audit, M/O Finance and CBR to examine the above issues and report to the PAC within three months. The Committee also directed the IDC to engage one officer from Law Division for better understanding and legal guidance.

The above paras at (i), (ii) & (iii) were again discussed by the Ad-hoc PAC & its directive is printed at page 547 of Ad-hoc PAC report for the year 1996-97.

26. **LOSS OF REVENUE AMOUNTING TO RS. 11,608,046 DUE TO NON-ADDITION OF INADMISSIBLE EXPENSES (PARA 5.2 (III), PAGES 53-56-ARDT)**

Audit pointed out that in case of a company (NTN 14-05-3362061) the amount allocated in the company's account as provision for doubtful debts and gratuity Rs. 11,608,046 was treated as expenses to arrive at the taxable income in contravention of Section 23 of the Income Tax Ordinance, 1979.

The department informed that the assessment record was examined but no expenses were ever claimed by the assessee. But in the balance sheet, the assessee declared the amount as provision. Hence, there is no loss of revenue.

The Committee directed the Principal Accounting Officer to examine the matter and report to the PAC within one month.

ACTIONABLE POINTS
16TH FEBRUARY, 1998

AUDIT REPORT (DIRECT TAXES) (VOL-IV-1993-94)

27. **LOSS OF RS.1,955,037 DUE TO INADMISSIBLE EXPENSE (FIRE LOSS) (PARA 5.2 (VIII), PAGES 58-59-ARDT)**

Audit point out that in the case of a company (NTN 07-01-1707277) being assessed in Range-I, Companies Zone-I, Lahore an amount of Rs.4,462,118 was charged in the P & L A/C on account of fire loss of capital assets for the assessment year 1990-91. The destroyed assets included portion of building and machinery on which depreciation had been charged under the third schedule to the Income Tax Ordinance, 1979. The destruction of the depreciated assets constituted disposal of individual assets included in a "class of assets" and thus the fire loss to the extent to Rs.4,335,081 pertaining to the building and machinery was not admissible as expenditure under the provisions of Rule 7(b) (ii) and Rule 8(5) (d) of the third schedule ibid read with the CBR's Circular No.14 of 1979 but the same was allowed by the department. This resulted in revenue loss of Rs.1,955,037.

The Principal Accounting Officer stated that the action has been taken against the company under section 66-A. It is not a time bar case. If an officer is found responsible for the delay, we will take action against him.

The Committee conveyed its displeasure on the issue and directed the department to examine the matter, take action against concerned officer(s) and report to the PAC within two months.

The Committee further instructed the Principal Accounting Officer to take all measures to recover the revenue loss.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 548-549 of Ad-hoc PAC report for the year 1996-97.

28. i) **LOSS OF RS.410,861 DUE TO NON-LEVY OF TAX U/S 80 C (PARA 5.7, PAGE 67-ARDT)-**
ii) **LOSS OF RS.26,410,398 DUE TO INCORRECT DETERMINATION OF DIVISIBLE INCOME OF THE PARTNERS (PARA 5.12, PAGES 89-90-ARDT)**

On the presentation of the above mentioned both paras by the Audit, the Committee conveyed its displeasure on the matters and formed an Inter-departmental Committee comprising a nominee each from Audit, M/O Finance and CBR to examine the issues in detail and report to the PAC within one month.

The above two paras were again discussed by the Ad-hoc PAC & its directive is printed at page 547-548 of Ad-hoc PAC report for the year 1996-97.

29. **NON-ADDITION OF INADMISSIBLE DEDUCTION AMOUNTING TO RS.890,829 (PARA 5.17, PAGES 102-103-ARDT)**

Audit point out that in the case of a company (NTN 13-04-3306096) being assessed in Circle-04 Companies-II Karachi, deduction on account of salaries of liftman Chowkidar and Sweeper aggregating to Rs.890,829 were claimed for the assessment years 1986-87 to 1992-93 against income from house property. Such deductions were not however admissible u/s 20 but the same were wrongly allowed by the assessing officer.

The department stated that expenses have been incurred every year necessarily and exclusively for the purpose of earning property income and hence no action is called for.

After hearing the department's reply, the Committee directed the Principal Accounting Officer to examine the matter, take decision in the national interest and report to the PAC within one month.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 549 of Ad-hoc PAC report for the year 1996-97.

30. **NON-ADDITION OF INADMISSIBLE DEDUCTIONS/EXPENSES AMOUNTING TO RS.6,167,000 (PARA 5.18(I), PAGES 104-105-ARDT)**

Audit pointed out that in the case of a company (NTN 13-04-3306658) being assessed in Circle-4 Companies Zone-II Karachi, deduction on account of pre-requisites to employees in excess of 50% of salary excluding pre-requisite was not admissible u/s 24(i) of the Income Tax Ordinance, 1979. Accordingly, the same was required to be added back but the disallowance on this account was short made by the assessing officer to the extent of Rs.6,167,000.

The department stated that the excess pre-requisites have been correctly disallowed at Rs.286,341 in the original assessment order. The limit for calculation of 50% of salary includes dearness allowance and bonus or commission payable to an employee in accordance with the terms of his employment as remuneration for his services (vide explanation to section 24(i) and rule 3 (2) (b) of the income tax rules) and this explanation of the assessee has been found satisfactory by the department.

After hearing the departmental reply, the Committee decided that Inter-departmental Committee formed under paras 5.7 & 5.12 above will also look into this para. The Committee also directed the M/O Law and Justice to nominate its representative.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 548 of Ad-hoc PAC report for the year 1996-97.

31. i) **LOSS OF REVENUE AMOUNTING TO RS.1,827,975 DUE TO NEGLIGENCE/INACTION CIRCLE 18 ZONE-B, KASUR (PARA 5.20(III),PAGE 109-ARDT)**

ii) **LOSS OF RS.758,952 DUE TO NEGLIGENCE(PARA 5.20(IV), PAGE 113-ARDT)**

On the presentation of the above mentioned both paras, the Committee conveyed its displeasure on the issues and directed the Principal Accounting Officer to examine both cases, take action against concerned officers, as to why they failed to collect the said taxes and report to the PAC within one month.

The above two paras were again discussed by the Ad-hoc PAC & its directive is printed at page 549-550 of Ad-hoc PAC report for the year 1996-97.

32. **CONCEALED INCOME OF RS.421,200 ESCAPING ASSESSMENT (PARA 5.26, PAGES 122-123-ARDT)**

Audit pointed out that in the case of a Registered Firm (NTN 02-03-0200128) an amount of Rs.421,200 on account of Bank Guarantee, on having been released by the Bank, was not shown in the balance sheet of the assessee firm and thus was concealed. This attracted provisions of Section 13/65 but the legal provisions were not invoked resulting in escaped assessment.

The department informed that action u/s 65 cannot be taken due to time limitation as proceedings in this case were not finalized by 30.6.1996 and the assessing officer posted in the circle as on 30.6.1996 was Mr. Shahzad Hasan.

The Principal Accounting Officer informed the Committee that action has been taken by the department against the responsible officer(s).

The Committee directed the Principal Accounting Officer to provide the details of action against the concerned officer(s) to Audit and the PAC.

The above para was again discussed by the Ad-hoc PAC & its directive is printed at page 550 of Ad-hoc PAC report for the year 1996-97.

33. i) **ENTRIES MADE IN DEMAND AND COLLECTION REGISTER WITHOUT SIMULTANEOUSLY PASSING ASSESSMENT ORDERS, PREPARING I.T 30 (TAX CALCULATION SHEET) AND ISSUANCE OF DEMAND NOTICE(PARA 6.1,PAGE 159-ARDT)**
- ii) **UNSIGNED ASSESSMENT ORDERS/IT 30 AND DEMAND NOTICES (PARA 6.2,PAGE 160-ARDT)**
- iii) **LATE SERVICES OF DEMAND NOTICES(PARA 6.3,PAGE 160-ARDT)**
- iv) **SIGNED BUT UNSERVED ASSESSMENT ORDERS/DEMAND NOTICES (CIRCLE 18, KASUR)(CIRCLE 19, KASUR ZONE-B, LAHORE)(PARA 6.4, PAGE 161-ARDT)**

On the presentation of the above mentioned four paras, the Committee conveyed its displeasure on the matters and directed the Principal Accounting Officer to take action

against the assessing officer for the gross negligence and report to the PAC within three months.

The above four paras were again discussed by the Ad-hoc PAC & its directive is printed at page 550-551 of Ad-hoc PAC report for the year 1996-97.

34. **LOSS OF REVENUE AMOUNTING TO RS.58,250 DUE TO NON CHARGING OF WEALTH TAX (WEALTH TAX CIRCLE 5, LAHORE) (PARA 7.5(I), PAGES 173-174- ARDT)**

Audit informed that the assessee under GIR No.III8/V rented her house to a diplomatic mission at Lahore as per rent deed dated 1-5-1988. During the assessment year 1992-93 the assessee declared the value of the house at Rs.2,165,000 and claimed exemption on the plea of self occupation without any evidence of termination of rent agreement from the concerned diplomatic mission or survey report of Provincial Excise and Taxation Department. The Wealth Tax Officer accepted the version of the assessee.

The department stated that levy of tax and penalty is contingent upon a definite finding by the Assessing Officer. No such findings have been reached. No loss occurred.

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

35. **NON LEVY OF WEALTH TAX/PENALTY OF RS.27,000 (CIRCLE WEALTH TAX, ISLAMABAD) (PARA 7.5(II), PAGE 174-ARDT)**

Audit pointed out that an assessee bearing GIR No.A-318, let out his property No.138, St.No.14, F-7, Islamabad was let out to the Embassy of Japan at a monthly rent of Rs.20,000 with effect from 01-07-1989. Accordingly GALV for the assessment year 1990-91 worked out to Rs.240,000 (20,000 x 12 x 10) but the same was not shown by the assessee. Wealth Tax to the tune of Rs.13,500 was leviable in this case alongwith minimum penalty of Rs.13,500 under section 17(i)(a) of the Wealth Tax Act,1963 but the needful was not done. This resulted in loss of Rs.27,000.

The Board has replied that notice u/s 17 was issued. No loss involved.

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

36. **NON RECOVERY OF CAPITAL VALUE TAX AMOUNTING TO RS.5.39 MILLION (SUB-REGISTRAR, GUJAR KHAN) (PARA 9.2, PAGES 187-188- ARDT)**

Audit pointed out that the persons responsible for registering or attesting the transfer of movable and immovable property as defined in the Finance Act, 1989 are required to collect the amount of Capital Value Tax from the purchaser or transferee. The Wealth Tax Department which is now clubbed with the Income Tax department is responsible for the administering and monitoring of collection of this tax.

As a result of audit records of Sub-Registrar Gujar Khan, Non-recovery of Rs.5.39 million was detected and intimated to the department in November, 1993.

The department stated that the matter was settled between the then Chairman, CBR and the Secretary Finance. It was decided that the amount will be deducted from the allocation of fund of the Government of Punjab. It implies that tax liability stands admitted and default established.

The Committee observed that it was a serious issue. The Committee directed the department to submit its comprehensive report regarding the issue. The Committee also asked the Principal Accounting Officer to present another report to the PAC regarding the problems of tax collection within one month.

The Committee also decided to take up the issues with the Prime Minister for necessary action, on receipt of the desired reports.

37. **CASE STUDIES REGARDING ISSUANCE OF EXEMPTION CERTIFICATES (PARAS 10.4.9, 10.4.16, 10.4.19, 10.4.22, 10.4.26, 10.4.27, 10.4.31 & 10.4.33, PAGES 197-206-ARDT)**

Audit pointed out that the study pertains to tax exemption certificates issued by the Commissioners of Income Tax. In all, 194 cases were examined. The position of these cases on the basis of reply furnished were as under:-

- (i) 56 cases in which wrong issuance of exemption certificate has been admitted.
- (ii) 6 cases in which final reply was awaited.
- (iii) 2 cases pending in appeal.
- (iv) 130 cases in which exemption certificates have been claimed to be correctly issued.

The department informed that the issues were being reconciled with Audit and action will be taken against the responsible officers.

The Committee was not satisfied with the explanation given by the department and constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA comprising Nawab Salahuddin Abbasi, MNA, Mr. Muhammad Shoaib Ansari, Deputy Auditor-General, Mr. Pervez Saleem, Financial Adviser (CBR) and Mr. Arif Asim, Chief (W.H Taxes) (CBR) to examine the matters and report to the PAC within three months.

38. **A CASE STUDY REGARDING EXCESSIVE REPORTING OF TAX COLLECTION (PARAS 11.7.1, 11.7.6 & 11.7.7, PAGES 225, 228 & 229-ARDT)**

Audit informed that there was a general tendency on the part of assessing officers that collection figures were over reported. Instances of this nature were pointed out in all the audit reports starting from 1987-88 onwards. A study in this respect was made in respect

of Circles 15,16,17, Sheikhpura, Circles 18 & 19, Kasur and Circles 28 and 31, Okara. It was noticed that large scale wrong booking were made as under:-

<u>Sl.No.</u>	<u>Station</u>	<u>Amount</u>
1.	Sheikhpura	67.415 million
2.	Okara	23.465 million
3.	Kasur	18.960 million

The Committee decided that the Sub-Committee of the PAC constituted under paras 10.4.9, 10.4.16, 10.4.19, 10.4.22, 10.4.26, 10.4.27, 10.4.31 & 10.4.33 mentioned above will also look into these paras as well.

ACTIONABLE POINTS 1987-88

39. i) **MIS-REPORTING OF FIGURES THROUGH PERFORMANCE REPORTS (PARAS 3.3.1 TO 3.3.3, PAGE 18-ARITR)(ITEM 1-AP-87-88)**
- ii) **UN-SATISFACTORY WORKING OF SALARY CIRCLES (PARA 3.4, PAGE 19-ARITR) (ITEM 2-AP-87-88)**
- iii) **LOSS DUE TO THEFT OF RECORD (PARA 3.8 (B), PAGES 21-22-ARITR) (ITEM 3-AP-87-88)**
- iv) **ADDITIONAL TAX U/S 87 (PARA 4.1(A), PAGE 25-ARITR) (ITEM 4-AP-87-88)**
- v) **ADDITIONAL TAX U/S 89 (PARA 4.1(B), PAGE 26-ARITR) (ITEM 5-AP-87-88)**
- vi) **PAYMENT OF CHEQUES/PAY ORDERS (PARA 4.3, PAGES 26-27-ARITR) (ITEM 6-AP-87-88)**
- vii) **REVIEW OF INTERNAL CONTROLS (PARA 4.4, PAGE 27-ARITR) (ITEM 7-AP-87-88)**

On the recommendations of Audit, the Committee settled the above seven paras.

ACTIONABLE POINTS 1988-89

40. **LOSS OF REVENUE FOR RS.1,967,057,641 DUE TO BAD DEBTS (PARA 4.20, PAGES 48-50-ARITR) (ITEMS 4-5-AP-88-89)**

Audit informed that the disposal is pending from Sub-Committee of the PAC.

The Committee directed the Sub-Committee to submit its report to the PAC.

41. **LOSE OF RS.9,554,551 DUE TO DELAY BY AUDITEES IN TAKING TIMELY REMEDIAL ACTION (PARAS 3.3, 3.7, 4.1, 4.4, 4.6 (D), 4.12 (D), PAGES 19,23,26,29,32 & 43-ARITR) (ITEM 6-AP-88-89)**

Audit stated that the audit comments were sent to the CBR vide letter No.107/DITA/AR/34-90 dated 11-8-1993. The Board has taken disciplinary action

against the officer in some cases. Audit further stated that Audit comments on procedural charges brought out by the department were conveyed to CBR on 26-6-1993 but no reply has been made by the CBR.

The Committee directed the CBR and the Audit to reconcile the system of recovery and report to the PAC.

42. **MIS-REPORTING OF FIGURE THROUGH MONTHLY PERFORMANCE REPORTS (PARA 5.5, PAGES 53-55-ARITR) (ITEM 7-AP-88-89)**

Audit informed that the physical verification has been conducted by the Audit and report sent to CBR in October, 1997 for acceptance consensus, but the needful has not been done by the Board as yet.

The Committee directed the CBR to settle this issue immediately and report to the PAC.

43. i) **LOSS WORTH RS.372,626,244 DUE TO NON-LEVY OF ADDITIONAL TAX U/S 86 TO 89 (PARAS 2.1 TO 2.8, PAGES 6-16-ARITR) (ITEM 8-AP-88-89)**
- ii) **LOSS OF REVENUE AMOUNTING TO RS.7,762,190 IN THE GRANT OF REBATE ETC. AND EXCESS DEPRECIATION ALLOWANCE FOR RS.48,148,751 (PARAS 3.12 TO 4.2, PAGES 17-27-ARITR) (ITEM 9-AP-88-89)**
- iii) **LOSS OF REVENUE FOR RS.158,001,046 DUE TO MISCELLANEOUS IRREGULARITIES (PARAS 4.1 TO 4.19, PAGES 26-47-ARITR) (ITEM 9-AR 88-89)**
- iv) **LOSS OF REVENUE OF RS.19,338,585 DUE TO NON-LEVY OF WORKERS WELFARE FUND (PARAS 6.1.1 TO 6.1.4, PAGES 61-64-ARITR) (ITEM 10-AP-88-89)**
- v) **STATE OF RECORDS IN INCOME TAX DEPARTMENT (PARA 5.3, PAGES 52, 65 TO 68-ARITR) (ITEM 11-AP-88-89)**

Audit informed that details about recoveries made for unrecoverable amounts involved in above five paras have not been furnished by the Board. The Committee settled these paras.

The Committee deferred the remaining paras of Actionable Points from 1985-86 to 1988-89 relating to CBR for the next meeting.

MINISTRY OF COMMERCE

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for 1993-94 pertaining to Ministry of Commerce were taken up for examination by Public Accounts Committee (PAC) on October 16 & 17, 1997.

- 1.1. The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving unauthorized excess expenditure/payment/re-imbursement/air tickets, loss due to non-recovery, loss due to investment etc.
- 1.2. There were 42 paras and 3 grants reported by Audit. These were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meeting of the PAC.
- 1.3. In some cases the Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Commerce held on 16th and 17th October, 1997 are as under:-

16TH OCTOBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.17-MINISTRY OF COMMERCE (PAGES 85-86-AA)

Audit pointed out that an amount of Rs.195,000 was surrendered leaving net saving of Rs.41,843,541.

The Ministry stated that there was controversy between Audit and the Ministry and we will reconcile the figures.

The Committee was not satisfied with the explanation given by the Ministry and formed an Inter-departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Commerce to examine the matter and report to the PAC within 15 days.

Further, the PAC again reviewed the grant on 05-04-1999. The Committee made no comments and settled the grant.

2. **GRANT NO.18-EXPORT PROMOTION (PAGE 87-AA)**

Audit pointed out that an amount of Rs.1,166,000 was surrendered leaving net saving of Rs.101,688,577.

The Committee directed the department to reconcile the figures with Audit within 15 days.

Further, the PAC again reviewed the grant on 05-04-1999. The Committee made no comments and settled the grant.

3. **Grant No.19-Other expenditure of Ministry of Commerce (Page 88-AA)**

Audit pointed out that an amount of Rs.769,500 was surrendered leaving minor saving of Rs.44,309.

The Committee made no comments and settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

4. i) **IRREGULAR INVESTMENT OF RS.1,650,000 AND NON-DEPOSIT OF RS.437,938 ON ACCOUNT OF INTEREST INTO GOVERNMENT ACCOUNT (PARA 1, PAGE 18-AR)**
ii) **RECOVERY OF LEAVE ENCASHMENT OF RS.189,787 (PARA 2, PAGES 18-19-AR)**
iii) **IRREGULAR EXPENDITURE OF RS.281,636 ON REPAIR AND MAINTENANCE OF RENTED BUILDING (PARA 3, PAGE 19-AR)**
iv) **NON-DEPOSIT OF REVENUE OF RS.662,979 INTO GOVERNMENT ACCOUNT AND NON-RECOVERY OF RS.58,974 FROM VARIOUS ORGANIZATION (PARA 4, PAGES 19-20-AR)**

On presentation of above paras by the Audit, the Committee formed an Inter-departmental Committee comprising of a nominee each from Audit (Convener), M/O Finance and M/O Commerce to examine the paras and report to PAC within one month.

Further, the above paras were again reviewed by the PAC on 05-04-1999. The IDC recommended that EPB and M/O Commerce should take immediate action for the approval by issuing notification, deciding the legal framework and establishment of the PPI and keeping in view its proposed merger with PDI. The above Audit paras would be examined individually once the formalities regarding legal frame work for the establishment of the organization are fulfilled. The Audit supported the recommendation of the IDC.

The PAC made no comments.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

5. i) **COTTON EXPORT CORPORATION OF PAKISTAN (PVT) LIMITED (PARAS 7 & 9, PAGES 25-26-ARPSE)**
ii) **COTTON TRADING CORPORATION OF PAKISTAN (PVT) LIMITED (PARAS 10 & 11, PAGE 27-ARPSE)**

On the presentation of the above paras by the Audit, the Committee constituted a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA, comprising of Syed Zafar Ali Shah, MNA, Mr. Jalauddin Qureshi, Director General (CA) Mr. Parvez Saleem, Financial Adviser, M/O Commerce and Mr. Muhammad Naseem Qureshi, Joint Secretary, M/O Commerce to re-examine the paras and report to the PAC within one month.

The Committee directed the Sub-Committee on paras 7 & 9 above to investigate as to why the Cotton Export Corporation went into losses. It conveyed its displeasure on the overall operational activities of the Corporation in the past years. The Committee also directed the IDC to find out as to how the National assets were destroyed and fix the responsibilities for the huge losses.

On paras 10 & 11, the Committee conveyed its displeasure on the performance of Cotton Trading Corporation of Pakistan and asked the Ministry as to who made the decision to settle the pending cases of the Corporation outside the court ?

However, Audit paras 7,9,10 and 11 were again discussed by the Ad-hoc PAC and its directive is printed at page No. 70-71 of the Ad-hoc PAC Report for year 1996-97.

Further, Audit para 10 was again reviewed by a Sub-Committee on 22-07-2002 and it directed the department to report the status of court cases to the Committee/Audit.

6. **EXPORT CREDITS GUARANTEE SCHEME (PARA 12, PAGE 28-ARPSE)**

Audit pointed out that the Export Credits Guarantee Scheme had been sustaining losses its main business of Export Finance coverage and under writing for many years.

The overall profit was due to investment income on the funds of Rs.150 million provided by the Federal Government. The total amount insured (Rs.14.740 million in 1994) does not justify the heavy management expenses of Rs.7.790 million.

The Committee conveyed its displeasure on the performance of the scheme and made following recommendations for the future:-

- (i) The Export Credit Guarantee Scheme should be demolished immediately.
- (ii) The original funds of Rs.150 million should be returned to the M/O Finance.
- (iii) The employees of the organization may be sent to surplus pool.

7. **NATIONAL INSURANCE CORPORATION (PARAS 13 & 14, PAGE 29-ARPSE)**

The Committee made no comments and settled the paras.

8. **PAKISTAN INSURANCE COLRPORATION (PARA 18, PAGES 31-32-ARPSE)**

The Committee settled the para.

9. **(PARA 20, PAGE-32-ARPSE)**

Audit pointed out the increase in amount due from persons and bodies carrying on insurance business in 1993. The management intimated that the balance was reduced by Rs.37 million, as a result of efforts made by them.

The Committee directed the department to expedite the outstanding recovery and report to the PAC Secretariat within 3 months.

10. **PAKISTAN TOBACCO BOARD (PARA 22, PAGE 33-ARPSE)**

Audit pointed out that the revision of the rates of Tobacco cess charged from the cigarette manufacturing companies has resulted in surplus of Rs.4.113 million during 1995-96.

The Ministry stated that main cess charged from Okara, Kunja, Mansehra and Mardan and most of cess spent for the research work. The Committee made no comments and settled the para.

ACTIONABLE POINTS 1987-88

11. **NON-RECOVERY OF RS.302,635 (PARA 1, PAGE 31-AR) (ITEM-1-AP-87-88)**

Audit pointed out that payment of Rs.302,635 was made out of Trade dispute revolving fund to foreign buyers/importers by Pakistan Embassies at Holland, Jeddah and Tehran.

The Ministry stated that Export Promotion Bureau has been instructed by the Ministry to revise the present system of making payments to foreign importers out of Trade Dispute Revolving fund in consultation with the audit authority.

While explaining the loss of Rs.302,635 by the department, the Committee directed the Principal Accounting Officer to write off the said amount and reveal the entire system of Revolving Fund for the future and report to PAC within one month.

The para was again reviewed by the PAC on 05-04-1999. The Committee made no comments and settled the para.

ACTIONABLE POINTS 1988-89

12. **NON-RECOVERY/NON-ADJUSTMENT OF CONTINGENT ADVANCES AND TA ADVANCES AMOUNTING TO RS.530,672 (PARA 1, PAGE 38-AR) (ITEM-1-AP-88-89)**

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

The Ministry stated that in the cases where first advance was outstanding no second advance was being sanctioned to those officer(s).

After the detailed discussion, the Committee directed the Principal Accounting Officer to recover the amount from the concerned officials. The Committee further directed the department to provide the evidence of Prime Minister's approval for the officers to visit abroad within 15 days to PAC.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 58 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS **17TH OCTOBER, 1997**

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

13. **RICE EXPORT CORPORATION OF PAKISTAN (PVT) LIMITED (PARA 26, PAGE 35-ARPSE)**

Audit pointed out that the accumulated losses of the Rice Export Corporation of Pakistan (Pvt) Limited amounted to Rs.273.857 million in September, 1995.

The Committee expressed its displeasure on the heavy losses of the Corporation and asked the Ministry of Commerce to wind up the Corporation in continuation of the Government programme.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 71-72 of the Ad-hoc PAC Report for year 1996-97.

14. **(PARA 27, PAGE 35-ARPSE)-**

Audit pointed out that the Corporation has been sustaining continuing losses of Rs.8360.34 since 1991-94.

The Committee observed that the losses were mainly attributed to the selling of rice below the cost price. Besides mis-management, financial indiscipline, lack of internal control/checks, also led to shortages/embezzlements which contributed to huge losses. The Committee was also informed that through an order of the then Government nearly 200 persons were given employment in the RECP on political grounds.

The Committee formed a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA comprising Syed Zafar Ali Shah, Kunwar Khalid Yunus, Nawab Salahuddin Abbasi, Mian Muhammad Farooq, MNAs, Mr. Jalaluddin Qureshi, Director General (CA) Mr. Pervez Saleem Financial Adviser, M/O Commerce and Mr. Saleem Iqbal, Joint Secretary M/O Commerce to examine the matter in detail and report to the PAC within one month.

The Committee further directed the Ministry that the officers/officials who were involved in the financial mis-management of the Corporation should not be allowed to retire under the golden handshake scheme.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 72-73 of the Ad-hoc PAC Report for year 1996-97.

15. **(PARA 28, PAGE 36-ARPSE)**

Audit pointed out that as a result of physical verification of stock carried out by Ibrahim Sheikh & Company, Chartered Accountant, shortage of 139,026.82 M. Tons of rice was found short-in RECP godown against handling agents relating to 1988-89 to 1991-92 crop. Besides shortages of 52827.50 M.Tons was also detected, which were handled under self handling scheme during crop year 1992-93 to 1994-95. Thus, shortage of Rice valuing more than Rs.1 billion (approx) was pointed out by the Chartered Accountant.

The Committee decided to refer this para to the Sub-Committee which was formed to examine the audit para 27 above with the same directions.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 73 of the Ad-hoc PAC Report for year 1996-97.

Further, the para was again reviewed by a Sub-Committee on 22-07-2002. The Sub-Committee directed the department to intimate the result of inquiry by the FIA to the Committee/Audit.

16. **(PARA 29, PAGE 36-ARPSE)**

Audit pointed out that the provision against husk, dust, sweeping and stock losses also increase to Rs.756.201 million in 1995 and to Rs.715.335 million in 1996 as compared to Rs.628.272 million in 1993.

The Ministry stated that these figures were estimated and now physical verification has been done. The Committee made no comments and settled the para.

17. **LOSS OF RS.35.469 MILLION DUE TO SALE OF SUPERIOR BASMATI RICE TO A PRIVATE PARTY DECLARING RICE UNFIT/UN-EXPORTABLE (PARA 31, PAGES 38-39-ARPSE)**

Audit pointed out that RECP sold 31,000 bags of superior basmati rice at throw-away rates to M/s Rose Enterprises by declaring the rice unfit for export and sustained a loss of Rs.35.469 million.

The Ministry informed that the issue was referred to FIA for investigation. The Committee directed the Ministry to approach FIA for its final report. The Committee further directed the department to take action against the responsible officials for the loss of Rs.35.469 million and report to PAC within three months.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 73-74 of the Ad-hoc PAC Report for year 1996-97.

Further, the para was again reviewed by a Sub-Committee on 22-07-2002. The Sub-Committee recommended the para for settlement.

18. **LOSS OF US \$ 82,344.53 EQUIVALENT TO PAK. RS.1.783 MILLION ON ACCOUNT OF DEMURRAGE CHARGES (PARA 32, PAGES 39-40-ARPSE)**

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

The Ministry informed that the RECP did not pay any thing to State Trading Corporation, Maritius. The Committee further directed the department to conduct an inquiry as to why the berth was not got in time, fix the responsibility, take action, and report to PAC within three months.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 74 of the Ad-hoc PAC Report for year 1996-97.

Further, the para was again reviewed by a Sub-Committee on 22-07-2002. The Sub-Committee recommended the para for settlement.

19. **DOABA RICE MILLS LIMITED (PARA 33-34, PAGES 41-42-ARPSE)**

Audit pointed out that there have been no operations of the company since 1992-93 as all the six units of the Company have been privatized up to December, 1993. The latest

accounts of the Company for the year ending 30th September, 1996 show the accumulated loss of Rs.128,659 million.

The Committee directed the Ministry to control the expenses of the Doaba Rice Mills Limited.

20. **PAKISTAN NATIONAL PRODUCE COMPANY LIMITED (PARA 35, PAGE 43-ARPSE)**

Audit pointed out that the accumulated losses of the Pakistan National Produce Company Limited rose to Rs.200.558 million as on September 30, 1996 which has eaten up entire equity of Rs.42.504 million. Operations of the Company are closed since 1992-93 due to privatization of its two units. The Company has to pay Rs.29 million to the Federal Government and Rs.190 million to RECP whereas Rs.60 million are receivable from the Privatization Commission as on September 30, 1996.

The Committee directed the Ministry of Finance to activate the privatization process of Pakistan National Produce Company Limited.

21. **STATE LIFE INSURANCE CORPORATION OF PAKISTAN (PARA 40, PAGE 45-ARPSE)**

Audit pointed out that the profitability of the Corporation is due to its almost monopolistic situation in the life insurance business. The overall performance of the Corporation is good and it is a profitable Corporation. The Committee settled the para.

22. **TRADING CORPORATION OF PAKISTAN (PARA 43-44, PAGES 47-48-ARPSE)**

Audit pointed out that the operational activities of the TCP have shrunk over the past 5 years except during the year 1993-94 (under discussion) in which it also sustained a loss of Rs.135.193 million. The accumulated losses amounted to Rs.234.216 million as on June 30, 1996, which has eroded 72% of the paid up capital and reserve amounting to Rs.312.500 million.

The Committee was satisfied with the explanation given by the Ministry and settled the para.

23. **NON-COLLECTION OF INCOME TAX- LOSS OF RS.20.185 MILLION (PARA 49, PAGE 49-ARPSE)**

Audit stated that a quantity of 50,000 M. tons of Soyabean Oil valuing Rs.672.833 million was auctioned by TCP (regional office) Lahore during 1990-91, Income tax amounting to Rs.20.185 million @ 3% under section 50(7) (a) of income tax ordinance 1979 was not collected. Resultantly, the state was put into a loss of Rs.20.185 million.

The Ministry informed that since TCP is a private limited Company as such section 50(7) (a) of the income Tax ordinance 1997 does not apply to TCP.

The Committee did not accept the explanation of the Ministry and directed the department to recover the Income Tax from the TCP within one month and report to the Committee. The Committee further directed the Ministry to conduct an inquiry, as to why Income tax was not collected in time and fix the responsibility under intimation to the PAC.

ACTIONABLE POINTS 1988-89

COTTON EXPORT CORPORATION OF PAKISTAN

24. **(PARA 19, PAGE 16-ARPSE)(ITEM 3-AP-88-89)**

Audit explained the working results of the Corporation which was going into continues losses.

The PAC accepted the recommendations of the Sub-Committee and settled the para.

25. **(PARA 23, PAGE 18-ARPSE) (ITEM 4-AP-88-89)**

Audit pointed out that stock theft of 400 bales for which FIR was lodged. The loss needed to be regularized under the order of the competent authority.

The Committee was not satisfied with the explanation given by the Ministry and directed the Principal Accounting Officer to re-examine the case and take possible action.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 75 of the Ad-hoc PAC Report for year 1996-97.

Further, the para was again reviewed by a Sub-Committee on 22-07-2002. The Sub-Committee Directed the Ministry to follow the case in the Court of Law.

26. **(PARA 24, PAGE 18-ARPSE) (ITEM 5-AP-88-89)**

Audit pointed out that loans outstanding against the Ginning Factories, Rs.37.361 million as on June 30, 1989, excluding mark-up were not recovered by CEC.

The Committee directed the department to issue the names of the defaulters, amount outstanding against each of them to the National Press and recover the outstanding amount within one month.

The Committee further directed the Principal Accounting Officer to take disciplinary action against concerned official(s) who were responsible for not recovering the outstanding amount in time.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 75-76 of the Ad-hoc PAC Report for year 1996-97.

Further, the para was again reviewed by a Sub-Committee on 22-07-2002. The progress of recovery was found satisfactory. The Committee, however, directed the department to pursue the court cases, effectively.

COTTON TRADING CORPORATION OF PAKISTAN

27. **(PARA 26, PAGE 19-ARPSE)(ITEM 6-AP-88-89)**

Audit informed that Rs.42.530 million were paid by the Company in excess against excise duty during 1976-77. The claim for refund was pending with CBR since 1987.

The Ministry intimated that despite pursuance, the case is still pending with CBR.

The Committee directed the Ministry to settle the issue with CBR.

NATIONAL INSURANCE CORPORATION

28. **(PARA 30, PAGE 22-ARPSE) (ITEM 7-AP-88-89)**

Audit informed that Rs.8.772 million was recoverable from Pakistan Insurance Corporation on account of National co-insurance Scheme in December, 1988.

The Ministry intimated that despite issue of several reminders to NIC and PIC no fruitful result could be achieved.

The Committee directed the Principal Accounting Officer to settle the issue with the audit..

RICE EXPORT CORPORATION OF PAKISTAN

29. **(PARA 6, PAGE 27-ARPSE) (ITEM 2-AP-85-86)**

On the recommendation of Audit, the Committee settled the para.

30. **(PARAS 41-42, PAGES 33-35-ARPSE) (ITEM 8-AP-88-89)**

Audit explained the working results of the Corporation which was running into losses. The Committee directed Audit and Ministry of Commerce to prepare a comprehensive report on causes of losses of the Corporation and suggest remedial measures, separately, in one month.

DOABA RICE MILLS LIMITED

31. **(PARA 49, PAGE 40-ARPSE) (ITEM 9-AP-88-89)**

Audit stated that the figures have been verified, the Committee settled the para.

STATE LIFE INSURANCE CORPORATION

32. **IRREGULAR REIMBURSEMENT OF MEDICAL EXPENSES AMOUNTING TO RS.103,730 (PARA 10, PAGE 29-ARPSE) (ITEM 4-AP-85-86)**

Audit pointed out the irregular reimbursement of medical charges amounting to Rs.103,730.

The Ministry intimated that out of Rs.103,730, Rs.21,950 have been recovered leaving a balance of Rs.81,780, which has neither been recovered nor action has been taken by the Corporation.

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

ACTIONABLE POINTS 1988-89

33. **(PARA 2, PAGE 652-ARPSE) (ITEM 10-AP-88-89)**

Audit pointed out that Rs.8.715 million were recoverable from various Sales Officer/Insurance Agents since 1972.

The Ministry intimated that since these were old balances and could not be recovered, the matter was being put up to the Board for approval of write off.

The Committee directed the Principal Accounting Officer to write off the balances and inform the Audit.

TRADING CORPORATION OF PAKISTAN

34. **IRREGULAR SANCTION OF HOUSE BUILDING ADVANCE OF RS.261,120 TO AN OFFICER ON DEPUTATION (PARA 12, PAGE 31-ARPSE) (ITEM 5-AP-85-86)**

Audit informed that the PAC had directed on 15-3-1989 to remove the officer from deputation. The directive was not complied with.

The case was again discussed by the PAC in June, 1996 and the Principal Accounting Officer was directed to settle the case with the officer outside the court.

The Ministry informed that Establishment Division has intimated that Secretary M/O Commerce should resolve the issue himself. The concerned officer has proposed a meeting of Secretary, M/O Commerce, Chairman TCP and himself.

The explanation given by the Ministry was accepted and Committee settled the para.

ACTIONABLE POINTS 1986-87

35. **INFRACTUOUS EXPENDITURE ON THE ENGAGEMENT OF A CONSULTANT RS.0.825 MILLION (PARA 6, PAGE 26-ARPSE) (ITEM 9(I)-AP-86-87)**

Audit pointed out that the Ministry un-necessary expended Rs.0.825 million on the engagement of a Consultant.

The Committee was not satisfied with the reply given by the department and directed the Principal Accounting Officer to investigate the issue and report to the PAC within one month.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 76 of the Ad-hoc PAC Report for year 1996-97.

Further, the para was again reviewed by a Sub-Committee on 22-07-2002. The Committee directed the department to follow the case in the court of law and intimate the progress to the Committee/Audit.

MINISTRY OF COMMUNICATIONS

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to M/o Communications were taken up for examination by Public Accounts Committee (PAC) on February 17 & 18, August 25 and December 3, 1998.

- 1.1 The PAC having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made recommendations in number of cases involving non receipt of rupees, loss due to laying base item, violation of Rules, Excess payments, unjustified procurement of imported vehicles and inadmissible payment etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 168 paras & 07 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meetings of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Communications held on 17th & 18th February, 25th August and 3rd December, 1998, are as under:-

17TH FEBRUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-1-1993-94)

1. GRANT NO 20-MINISTRY OF COMMUNICATIONS (PAGES 91-92-AA)

An amount of Rs.992,863 was surrendered leaving net saving of Rs.773,618.

The Committee settled the grant.

2. GRANT NO.21-DEPARTMENT OF SHIPPING CONTROL AND MERCANTILE MARINE (PAGES 93-94-AA)

An excessive amount of Rs.925,816 was surrendered converting the grant to be closed with an excess of Rs.221,497.

The Committee regularized the excess expenditure.

3. **GRANT NO.22-LIGHT HOUSES AND LIGHTSHIPS (PAGES 95-96-AA)**

An amount of Rs.266,103 was however surrendered leaving net saving of Rs.42,807. Remaining saving was surrendered on 15th May, 1994 which could not be taken into account owing to non-receipt of the surrendered order in the Audit.

The Committee settled the grant.

4. **GRANT NO.23-OTHER EXPENDITURE OF MINISTRY OF COMMUNICATIONS (PAGE 97-AA)**

An amount of Rs.16,430,424 was however surrendered leaving net saving of Rs.144,639,655.

After hearing the Ministry's reply, the Committee instructed the department to provide relevant record and information to Audit for further examination of the issue. The Audit will report the Committee after examination.

5. **GRANT NO.147-DEVELOPMENT EXPENDITURE OF MINISTRY OF COMMUNICATIONS (PAGE 98-AA)**

An amount of Rs.55,442,000 was however, surrendered leaving net saving of Rs.96,230,293.

The Committee settled the grant.

6. **GRANT NO.184-CAPITAL OUTLAY ON PORTS AND SHIPPING (PAGE 99-AA)**

Audit informed that final grant was Rs.746,018,000 and actual expenditure was Rs.287,126,000. There was saving of Rs.458,892,000.

The Committee settled the grant.

7. **GRANT NO.185-CAPITAL OUTLAY ON COMMUNICATION WORKS (PAGE 100-AA)**

Audit pointed out that the final grant was Rs.21,990,000, actual expenditure was Rs.22,370,590. There was an excess of Rs.380,590.

The Committee regularized the excess expenditure.

GENERAL REMARKS

The Auditor-General of Pakistan informed the Public Accounts Committee that despite the lapse of seven years, the NHA has still not framed its own rules and regulations and

managing its affairs on the basis of interim procedures in the shape of circulars. The Auditor General further told the Committee that authority was yet to come-up with an adequate accounting system which could provide a reliable basis for a comprehensive evaluation of the overall financial operations and ensure transparency.

The Principal Accounting Officer assured the Committee that rules and regulations will be framed within three months. The accounting system will also be completed and implemented in the same period of time.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

NATIONAL HIGHWAY AUTHORITY

8. (A) i) **OVERPAYMENT OF RS.945,201, (PARA A-V.14, PAGE 104-ARCW)**
- ii) **EXCESS PAYMENT OF RS.234,325 (PARA A-VI.5, PAGE 107-ARCW)**
- iii) **OVERPAYMENT OF RS.1,206,163 (PARA A-VII.5, PAGE 109-ARCW)**
- iv) **OVERPAYMENT OF RS.2,350,050 (PARA A-VII.7, PAGE 110-ARCW)**
- v) **OVERPAYMENT OF RS.706,221 (PARA A-VIII.4, PAGE 113-ARCW)**
- vi) **OVERPAYMENT OF RS.201,474 (PARA A-VIII.8, PAGE 114-ARCW)**
- vii) **EXCESS PAYMENT OF RS.408,464 (PARA A-VIII.9, PAGE 114-ARCW)**
- viii) **EXCESS PAYMENT OF RS.5,132,940 (PARA A-VIII.15,PAGE 116-ARCW)**
- ix) **EXCESS PAYMENT OF RS.69,615 (PARA A-VIII.16, PAGE 117-ARCW)**
- x) **EXCESS PAYMENT OF RS.4,120,900(PARA A-VIII.17,PAGE 117-ARCW)**
- xi) **EXCESS PAYMENT OF RS.6,254,522(PARA A-VIII.18,PAGE 118-ARCW)**
- xii) **EXCESS PAYMENT OF RS.4,211,275(PARA A-VIII.19, PAGE 118-ARCW)**
- xiii) **OVERPAYMENT OF RS.298,915 (PARA A-VIII.28, PAGE 122-ARCW)**
- xiv) **OVERPAYMENT OF RS.123,046 (PARA A-VIII.29, PAGE 123-ARCW)**
- xv) **NON-RECOVERY OF RS.698,206 (PARA B-II.2, PAGE 128-ARCW)**
- xvi) **LOSS OF RS.231,612 (PARA C-III.1, PAGE 131-ARCW)**
- xvii) **LOSS OF RS.561,388 (PARA C-IV.1, PAGE 131-ARCW)**
- xviii) **LOSS OF RS.75,593 (PARA C-V.1, PAGE 131-ARCW)**
- xix) **LOSS OF RS.65,760 (PARA C-VI.1, PAGE 132-ARCW)**
- xx) **OVERPAYMENT OF RS.4,794,990 (PARA A-IV.1, PAGE 95-ARCW)**
- xxi) **OVERPAYMENT OF RS.5,088,648 (PARA A-IV.2, PAGE 96-ARCW)**
- xxii) **EXCESS PAYMENT OF RS.7,967,246 (PARA A-IV.5, PAGE 97-ARCW)**

On the presentation of the above twenty-two paras by the Audit, the Committee constituted an Inter-departmental Committee comprising Mr. Javed Arif, Director-General Audit(Works), Mr. Yawar Zia, Financial Adviser(Communications) and Mr. Shahid Gulraiz Yazdani, Joint Secretary, M/O Communications to examine the issues and report to PAC within three months.

9. (B)i) OVERPAYMENT OF RS.239,099 (PARA A-III.5, PAGE 93-ARCW)
- ii) OVERPAYMENT OF RS.36,546,696 (PARA A-V.1, PAGE 99-ARCW)
 - iii) OVERPAYMENT OF RS.60,801,883 (PARA A-V.2, PAGE 100-ARCW)
 - iv) EXCESS PAYMENT OF RS.470,100 (PARA A-V.3, PAGE 100-ARCW)
 - v) OVERPAYMENT OF RS.104,639 (PARA A-V.8, PAGE 102-ARCW)
 - vi) OVERPAYMENT OF RS.683,300 (PARA A-VI.4, PAGE 107-ARCW)
 - vii) OVERPAYMENT OF RS.1,539,091 (PARA A-VII.1, PAGE 108-ARCW)
 - viii) OVERPAYMENT OF RS.1,573,135 (PARA A-VII.2, PAGE 108-ARCW)
 - ix) OVERPAYMENT OF RS.847,583 (PARA A-VII.3, PAGE 109-ARCW)
 - x) OVERPAYMENT OF RS.10,763,890 (PARA A-VII.4, PAGE 109-ARCW)
 - xi) OVERPAYMENT OF RS.207,841 (PARA A-VII.8, PAGE 110-ARCW)
 - xii) EXCESS PAYMENT OF RS.101,386 (PARA A-VII.9, PAGE 111-ARCW)
 - xiii) EXCESS PAYMENT OF RS.215,656 (PARA A-VIII.7, PAGE 114-ARCW)
 - xiv) OVERPAYMENT OF RS.80,600 (PARA A-VIII.25, PAGE 121-ARCW)
 - xv) OVERPAYMENT OF RS.76,526 (PARA A-VIII.26, PAGE 121-ARCW)
 - xvi) OVERPAYMENT OF RS.72,995 (PARA A-VIII.27, PAGE 122-ARCW)
 - xvii) OVERPAYMENT OF RS.191,062 (PARA A-X.1, PAGE 125-ARCW)
 - xviii) EXCESS PAYMENT OF RS.175,184 (PARA A-III.7, PAGE 94-ARCW)
 - xix) EXCESS PAYMENT OF RS.64,714 (PARA A-III.8, PAGE 94-ARCW)
 - xx) EXCESS PAYMENT OF RS.559,077 (PARA A-IV.3, PAGE 96-ARCW)
 - xxi) EXCESS PAYMENT OF RS.182,916 (PARA A-IV.4, PAGE 96-ARCW)
 - xxii) OVERPAYMENT OF RS.1,583,793 (PARA A-IV.7, PAGE 97-ARCW)
 - xxiii) OVERPAYMENT OF RS.74,070 (PARA A-IV.8, PAGE 98-ARCW)
 - xxiv) OVERPAYMENT OF RS.240,765 (PARA A-IV.10, PAGE 98-ARCW)
 - xxv) OVERPAYMENT OF RS.344,218 (PARA A-IV.11, PAGE 99-ARCW)
 - xxvi) EXCESS PAYMENT OF RS.8,856,991 (PARA A-V.6, PAGE 101-ARCW)
 - xxvii) OVERPAYMENT OF RS.178,452 (PARA A-V.15, PAGE 104-ARCW)
 - xxviii) EXCESS PAYMENT OF RS.105,602 (PARA A-V.18, PAGE 105-ARCW)
 - xxix) OVERPAYMENT OF RS.1,533,520 (PARA A-VI.2, PAGE 106-ARCW)
 - xxx) OVERPAYMENT OF RS.1,292,855 (PARA A-VI.3, PAGE 106-ARCW)
 - xxxi) EXCESS PAYMENT OF RS.201,404 (PARA A-VI.6, PAGE 108-ARCW)
 - xxxii) OVERPAYMENT OF RS.1,477,119 (PARA A-VIII.3, PAGE 112-ARCW)
 - xxxiii) OVERPAYMENT OF RS.3,705,594 (PARA A-VIII.5, PAGE 113-ARCW)
 - xxxiv) EXCESS PAYMENT OF RS.3,796,561 (PARA A-VIII.10, PAGE 115-ARCW)
 - xxxv) EXCESS PAYMENT OF RS.3,315,831 (PARA A-VIII.14, PAGE 116-ARCW)
 - xxxvi) EXCESS PAYMENT OF RS.3,669,261 (PARA A-VIII.21, PAGE 119-ARCW)
 - xxxvii) SHORT RECOVERY OF RS.86,025,944 (PARA B-I.2, PAGE 126-ARCW)
 - xxxviii) SHORT RECOVERY OF RS.25,640,000 (PARA B-I.3, PAGE 126-ARCW)
 - xxxix) SHORT RECOVERY OF RS.1,108,623 (PARA B-I.4, PAGE 127-ARCW)
 - xl) NON-RECOVERY OF RS.872,053 (PARA B-III.1, PAGE 128-ARCW)
 - xli) LOSS OF RS.685,000 (PARA C-I.1, PAGE 129-ARCW)
 - xl ii) EXCESS PAYMENT OF RS.66,711 (PARA A-V.5, PAGE 101-ARCW)
 - xliii) EXCESS PAYMENT OF RS.186,560 (PARA A-V.16, PAGE 104-ARCW)

- xliv) **EXCESS PAYMENT OF RS.102,534 (PARA A-VIII.11, PAGE 115-ARCW)**
- xlvi) **EXCESS PAYMENT OF RS.56,620 (PARA A-VIII.13, PAGE 116-ARCW)**
- xlvii) **EXCESS PAYMENT OF RS.3,315,831 (PARA A-VIII.14, PAGE 116-ARCW)**

On the presentation of the above mentioned forty six paras by the Audit, the Committee directed the Audit to examine and verify the issues and report to PAC within two months.

- 9.(C) i) **EXCESS PAYMENT OF RS.1,549,186 (PARA A-III.1, PAGE 92-ARCW)**
- ii) **OVERPAYMENT OF RS.7,811,713 (PARA A-III.3, PAGE 92-ARCW)**
- iii) **OVERPAYMENT OF RS.15,959,433 (PARA A-VI.1, PAGE 106-ARCW)**
- iv) **EXCESS PAYMENT OF RS.1,865,640 (PARA A-VII.10, PAGE 111-ARCW)**

Despite detailed discussion, the issues could not be resolved, so the Committee decided that the Inter-departmental Committee constituted under paras 1 to 22 at serial no. 8 (A) above will also examine above four paras as well.

The above mentioned seventy-two Audit paras were again discussed by the Ad-hoc PAC and its directives are printed at pages No.286-292 of the Ad-hoc PAC Report for the year1996-97.

9. **EXCESS PAYMENT OF RS.3,676,971 (PARA A-III.2, PAGE 92-ARCW)**

Audit pointed out that according to specification No.509.3.2 (construction requirements) of the General Specification of National Highway Authority, the Rip Rap shall be thoroughly compacted as construction progress and the finished surface shall present an even tight surface. The Authority included a quantity of 12517.348 cubic meter dumped by trucks in loose without observing the requirements of specification in the total measurement of the item, "Rip Rap" and paid as finished item. Thus the contractor saved labour cost beside looseness factor (voids) in the quantity of stone was not applied. This resulted into excess payment of Rs.3,676,971.

The Ministry first promised to effect recovery after obtaining rate analysis but now has contended that no excess payment is involved in view of the above specification number. The Ministry further stated that the amount has now been recovered.

The Committee settled the para subject to verification by the Audit. However, the Committee directed the Principal Accounting Officer to take action against concerned officer who made excess payment and report to PAC within one month.

The above Audit para was again discussed by the Ad-hoc PAC and its directives are printed at pages No. 292 of the Ad-hoc PAC Report for the year1996-97.

10. **OVERPAYMENT OF RS.496,475 (PARA A-III.4, PAGE 93-ARCW)**

Audit pointed out that the work, "Construction of Overhead Bridge at Railway Crossing on Wazirabad-Sialkot Road" was awarded in October, 1991 to M/s Shah Zaman (Pvt)

Limited at the negotiated cost of Rs.34,838,997 against the bid cost of Rs.36,519,592. The rebate was due to be recovered @ 4.6018897% instead of 3% determined & recovered by the department. This resulted in an overpayment of Rs.496, 475.

The Ministry informed that efforts are being made to recover the excess payment from the contractor.

The Committee instructed the Principal Accounting Officer to recover the excess payment and take action against concerned officer who was responsible for the said payment and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.293 of the Ad-hoc PAC Report for the year1996-97.

11.
 - i) **EXCESS PAYMENT OF RS.376,000 (PARA A-III.6, PAGE 94-ARCW)**
 - ii) **OVERPAYMENT OF RS.2,981,054 (PARA A-III.9, PAGE 95-ARCW)**
 - iii) **OVERPAYMENT OF RS.1,753,175 (PARA A-V.12, PAGE 103-ARCW)**
 - iv) **OVERPAYMENT OF RS.7,475,726 (PARA A-VIII.1, PAGE 112-ARCW)**
 - v) **OVERPAYMENT OF RS.3,661,821 (PARA A-VIII.2, PAGE 112-ARCW)**

The Committee settled the above mentioned five paras subject to verification by Audit.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directives are printed at pages No.291-292 of the Ad-hoc PAC Report for the year1996-97.

12. **EXCESS PAYMENT OF RS.773,496 (PARA A-III.10, PAGE 95-ARCW)**

Audit pointed out that a road work was allotted to a contractor in March, 1990 on the premium quoted by the contractor but payment was made at enhanced rates without any Authority. This resulted excess payment of Rs.773,496.

The Ministry stated that work remained suspended due to non-receipt of funds as such on resumption the contractor claimed higher rates.

After hearing the Principal Information Officer's reply, the Committee directed the department to take up the issue with the Finance Division for Ex-post Facto approval and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.293 of the Ad-hoc PAC Report for the year 1996-97.

13. **OVERPAYMENT OF RS.426,203 (PARA A-V.10, PAGE 102-ARCW)**

Audit pointed out that in a work under Peoples Works Programme, the lead involved was increased from 145 miles to 190 miles. This resulted in overpayment. It has been reported

that efforts are being made to recover the overpayment of Rs.426,203 from the contractor.

The Ministry stated that we are trying to recover the outstanding amount and disciplinary action has been taken against concerned officials at fault.

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

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.294 of the Ad-hoc PAC Report for the year 1996-97.

14. **OVERPAYMENT OF RS.1,195,700 (PARA A-V.11, PAGE 103-ARCW)**

Audit pointed out that the Authority made payment for supervision charges to the consultants for 5431 meters instead of 3257 meters where holes were drilled.

The Ministry stated that consultants were responsible for supervision and not for execution. This was not accepted as the contractor who drilled was paid for actual length drilled.

The Committee directed the Principal Accounting Officer to recover the said amount from consultants and take action as to who were responsible for the overpayment and report to PAC within one month.

15. i) **EXCESS PAYMENT OF RS.4,606,415 (PARA A-VII.6, PAGE 110-ARCW)**
ii) **EXCESS PAYMENT OF RS.12,055,585 (PARA A-VIII.20, PAGE 119-ARCW)**
iii) **OVERPAYMENT OF RS.209,815 (PARA A-VIII.24, PAGE 120-ARCW)**

On the presentation of above three para by Audit, the Committee directed the Principal Accounting Officer to examine the matters and report to PAC within one month.

The above mentioned Audit para (A-VII.6) was again discussed by the Ad-hoc PAC and its directives are printed at page No.294 of the Ad-hoc PAC Report for the year 1996-97.

16. **OVERPAYMENT OF RS.3,750,035 (PARA A-VIII.23, PAGE 120-ARCW)**

Audit pointed out that the Authority made payment for item "Stripping" which was neither provided in the agreement nor executed at site of work as per record measurement on the M.B. However, the contractor submitted his claim for this item of work which was admitted without any justification. The payment was not due as per agreement. This resulted into overpayment of Rs.3, 750,035.

The Ministry stated that word stripping has been used wrongly; actually unsuitable material was ordered to be executed by the engineer before constructing embankment

work. Further difference in rates if any will be recovered. Recovery of Rs.541, 450 in other case will be recovered.

The Committed directed the department that the case may be referred to the M/O Finance for settlement.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.288 of the Ad-hoc PAC Report for the year 1996-97.

17. **NON-RECOVERY INCLUDING INTEREST OF RS.1,938,954 (PARA B-I.5, PAGE-127-ARCW)**

Audit pointed out that an amount of Rs.1,938,954 was paid to the Bank on account of bank negotiation charges for opening of L.C. on behalf of the contractor. The payment was not admissible because it was not covered under the provision of agreement.

The Ministry stated that case was referred to Law Division by the M/O Communications, who did not give any clear cut reply rather they have advised to settle the issue between the parties concerned. Moreover, they have reproduced that the payment is to be made by the party who is suppose to make it according to the LC opened by the Bank.

Disregarding the terms of agreement and advice of the Law Division, NHA is insisting that L.C. was opened by the Authority and not the contractor.

The Committee referred the case to the M/O Finance and directed that the decision taken by the Ministry may be intimated to PAC.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.288 of the Ad-hoc PAC Report for the year 1996-97.

18. **NON-RECOVERY OF RS.1,371,126 (PARA B-IV.1, PAGE 128-ARCW)**

Audit pointed out that the cost of provision of signals, supervision charges and approval of drawings/design etc. paid to the Pakistan Railways was not recovered from the contractor as per provision of the contract agreement. This resulted in non-recovery of Rs.1,371,126.

The Ministry stated that the contractor was asked to assist NHA in obtaining all necessary permission etc. from Railways which he did accordingly and payment was made to Railways under the sanction of Chairman NHA.

The Committee directed the Principal Accounting Officer to examine the case and report to the PAC.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.288 of the Ad-hoc PAC Report for the year 1996-97.

19. **(PARAS A-I.1, A-I.2, A-I.3, A-II.1, A-II.2, A-IV.6, A-IV.9, A-V.4, A-V.7, A-V.9, A-V.13, A-V.17, A-VIII.6, A-VIII.12, A -VIII.22, A-VIII.30, A-VIII.31, B-I.1 & B-II.1, PAGES 6 TO 12-ARCW)**

On the recommendations of Audit, the Committee settled these paras.

ACTIONABLE POINTS
18TH FEBRUARY, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

PAKISTAN NATIONAL SHIPPING CORPORATION.

20. **(PARA 65, PAGE 59-ARPSE)**

Audit presented the working result of the Pakistan National Shipping Corporation of Pakistan (PNSC) for the last five years.

Audit stated that consequent to financial restructuring during 1989-90, the accumulated losses stood at Rs.3.922 million as on June 30, 1989 were wiped off and the Corporation earned profits during the years 1989-90, 1990-91 and 1991-92. It however, sustained losses of Rs.90.581 million in 1992-93 and Rs.252.575 million in 1993-94. Resultantly accumulated profit turned into accumulated deficit in 1993-94. The position further deteriorated in the year 1994-95 as the PNSC sustained net loss of Rs.434.344 million and its accumulated losses rose to Rs.565.639 million. In the years 1995-96 and 1996-97 the position has slightly improved as it earned net profit of Rs.44.076 million and Rs.187.009 million respectively. However, it had still accumulated losses of Rs.454.888 million which has eroded 35.81% of the equity of Rs.1270.219 million. The operations of the Corporation need to be improved by lifting greater share of national trade and maximum utilization of capacity of vessels. Moreover, attention towards controlling fleet expenses was also required for betterment of the Corporation. The cargo fleet reduced to 19 as against 23 in 1988-89, which further reduced to 15 in 1996-97.

The Chairman PNSC informed the Committee that there are many reasons of losses. The expenditure on maintenance of ships are much higher. The Government has not allowed to replace new cargo fleet. We bought three cargo fleet but Government has not allowed to use the port without paying the duty. The Corporation is trying to control over the losses. We will submit a comprehensive report to the PAC before 28th February, 1998 through Director General.

The Committee observed that operations of the Corporation needed to be improved by lifting greater share of national trade and maximum utilization of capacity of vessels. Moreover, attention towards controlling fleet expenses is also required for betterment of the Corporation.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at page No.188 of the Ad-hoc PAC Report for the year 1999-2000.

21. **(PARA 66, PAGE 60-ARPSE)**

Audit pointed out that stores and spares increased to Rs. 145.187 million in 1993-94 has against Rs.127.991 million in 1992-93, despite the fact that the fleet has been reduced from 22 in 1992-93 to 19 in 1993-94.

The Ministry stated that increase in prices and weakness of Pak. Rupee in relation to foreign currency, increased the amount of inventory. The Committee agreed with the point of the Corporation and settled the para.

22. **(PARA 68, PAGE 61-ARPSE)**

Audit pointed out that increase in the provision against agents and owners balances from Rs.106.440 million in 1992-93 to Rs.118.335 million in 1993-94. The same has further increased to Rs.157.601 million as on June 30, 1997.

The Ministry stated that the outstanding amount Rs.118.335 million was made due to insolvent of various agents/owners, so it is impossible to recover the losses.

The Committee directed the Principal Accounting Officer to recover the outstanding amount and take action against the concerned officers who were responsible for it under intimation to the National Assembly Secretariat (PAC) within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directives are printed at pages No.118 of the Ad-hoc PAC Report for the year 1999-2000.

Further, the para was discussed by the Sub-Committee of the Ad-hoc PAC .The Sub-Committee recommended the para for settlement, since the PNSC Board had written off the recoverable amount.

23. **LOSS OF RS.971,017 ON CHARTERING M.V.SEA BULK (PARA 69, PAGE 62-ARPSE)**

Audit pointed out that PNSC awarded a contract to a foreign shipping company through its local broker for shipment of 50,000 M Tons iron ore for Pak. Steel from Goa to Bin Qasim on March 20-30, 1991. The shipping agency failed to communicate the actual date of shipment till May,2,1991. In the meantime probable date of closure of port of Goa was notified in mid May, 1991. The Pak. Steel informed the PNSC of the seriousness of the situation. At this stage M. V. Sea Bulk was chartered to lift the cargo before the closing of Goa port. Thus, the Corporation sustained a loss of Rs.971, 017 in this deal. The Ministry while admitting the loss informed that the loss was offset by performing the remaining 4 shipments in normal manner. They further intimated that losses from M/s. Transtrade

could have been recovered but the contract was cancelled without any breach of contract and therefore, there were no legal means available to make recovery.

The Committee was not satisfied with the reply given by the Ministry and directed the Principal Accounting Officer to re-examine the matter and report to PAC within one month.

The Committee also asked the Principal Accounting Officer to take action as to who provided wrong information to the Ministry.

Further, the para was discussed by the Sub-Committee of the Ad-hoc PAC. The Sub-Committee recommended the para for settlement subject to satisfaction of the Audit. The Sub-Committee also directed the M/o Communications to provide the Audit with the information relevant to the case.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No.118 of the Ad-hoc PAC Report for year 1999-2000.

24. **(PARA 59, PAGE 57-ARPSC)**

Audit informed that the administrative control of Karachi Shipyard & Engineering Works was transferred to M/O Defence in September, 1993. The Committee decided that the para may be taken up when the accounts of M/O Defence are examined by the PAC.

PAKISTAN POSTAL SERVICES CORPORATION.

Audit informed the Committee that Pakistan Postal Services Corporation has not yet compiled centralized accounts for 1993-94 to be further audited by the Chartered Accountants and this Office.

The Principal Accounting Officer assured the PAC that department will provide its accounts for audit within 15 days.

PAKISTAN TELECOMMUNICATION CORPORATION.

25. i) **UNAUTHORIZED ADVANCE PAYMENTS TO FAVOUR M/S TIP & ALKATEL(PVT) LTD-RS.478.285 MILLION(PARA 1.1, PAGES 17-18 ARPTC)**
- ii) **NON RECEIPT OF STORE WORTH RS.26.655 MILLION(PARA 1.4, PAGES 19-20-ARPTC)**
- iii) **GROSS MISUSE OF A LARGE FLEET OF 155 VEHICLES CONSUMING RS.7.87 MILLION ON POL REPAIR & MAINTENANCE(PARA 1.5, PAGES 20-21-ARPTC)**

The Committee directed the Principal Accounting Officer to examine the above three paras and report to PAC within one month.

The above mentioned Audit paras were again discussed by the PAC in its meeting held on 22-04-1999. In which para 1.1 was settled by the Committee, whereas directive on paras 1.4 and 1.5 is printed at pages No.256-257 of the Ad-hoc PAC Report for Year 1996-97.

26. **LOSS DUE TO NON RECOVERY OF TELEPHONE DUES OUTSTANDING AGAINST CLOSED CONNECTIONS IN ITR-RS.120.675 MILLION(PARA 2.1, PAGE 26-ARPTC)**

Audit pointed out that a sum of Rs. 130,348,203 was outstanding against 4283 closed telephones during 1992-93. Only an amount of Rs. 9.673 million was recovered leaving a balance of Rs. 120,675,479.

The Ministry informed that an amount of Rs. 13,215,803 has been recovered from private subscribers, Rs.5,542,770 have been transferred to NTC against Government connections and cases amounting of Rs.85,761,057 were in the court for recovery by Magistrate.

The Committee conveyed its displeasure on the subject and directed the Principal Accounting Officer to recover the balance amount of Rs. 120,675,479 immediately and report to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at page No.257 of the Ad-hoc PAC Report for the Year 1996-97.

27. **LEAKAGE OF REVENUE IN BADAMI BAGH TELEPHONE EXCHANGE, LAHORE-RS.66,042 MILLION(PARA 2.2, PAGES 26-28-ARPTC)**

Audit observed from the comparison of billing of local and long distance calls to the subscribers of the Badami Bagh Telephone Exchange that Rs.13.766 million units of long distance calls and 100% local calls were not billed. Based on the ratio of gross calls to the long distance calls in Shahdara Telephone Exchange, the leakage of revenue in Badami Bagh Telephone Exchange was Rs. 66.042 million.

The Ministry in its reply gave a number of technical reasons which caused disparity in meter readings.

After hearing the Ministry's reply, the Committee directed the Principal Accounting Officer to take effective measures to recover the losses of the Corporation and report to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at page No.257 of the Ad-hoc PAC Report for the Year 1996-97.

28. **OUTSTANDING TELEPHONE DUES AGAINST FINALLY CLOSED TELEPHONES-RS.23.827 MILLION IN G.M. LTR, LAHORE (PARA 2.3, PAGE 28-ARPTC)**

Audit pointed out that in the telephone revenue jurisdiction of the SAOTR, Rex Market, Lahore an amount of Rs.23,827,224 remained outstanding against 146 subscribers whose telephones had been finally closed (mostly during 1992-93). No effective steps have been taken to recover the outstanding dues.

The Ministry stated that out of Rs.23,827,224 an amount of Rs.12,854,398 have been recovered from the defaulters. Hectic efforts are being made to recover the remaining amount from defaulters with the help of recovery Magistrate.

The Committee directed the Principal Accounting Officer to provide the names of defaulters within one week to National Press, take effective steps to recover the outstanding dues and report to PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.257 of the Ad-hoc PAC Report for the Year 1996-97.

29. **LOSS OF TELEPHONE REVENUE IN G.M. LTR RS.1.035 MILLION DUE TO CONNIVANCE OF PTC OFFICIALS (PARA 2.7, PAGE 30-ARPTC)**

Audit pointed out that certain officials and subscribers of the PTC fraudulently installed an ISD telephone No.336216 in the name of a private subscriber. Then with the connivance of telephone operators and other staff, overseas calls amounting to Rs. 1,035, 164 made from various departmental PCOs, during November, 1988 to February, 1989 were diverted to this telephone and the revenue collected from the public was not credited into the accounts of the PTC.

The Ministry informed that G.M.LTR, Lahore constituted an inquiry committee. On recommendation of inquiry committee, disciplinary action was initiated against persons at fault and they were charge sheeted and disciplinary case against the officials at fault is in process. For recovery of outstanding dues, the case is in the court of PTCL recovery Magistrate.

The Committee after hearing the Ministry's reply directed the Principal Accounting Officer to re-examine the issue. Moreover, take action against the ex-inquiry officer who did not inquire the issue accordingly and report to PAC within two months.

Further the para was again discussed by the PAC on 22-04-1999. The Ministry informed that recovery of revenue loss as land revenue at proportionate rate has been ordered. The Committee settled the para.

30. **IRREGULAR REBATE OF RS.100,026 IN G.M.ITR (PARA 2.10, PAGE 31-32-ARPTC)**

Audit pointed out that SAOTR Satellite Town; Rawalpindi granted rebate of Rs.100, 026 to a subscriber having private telephone connection on the basis of the decision of Divisional Vigilance Committee and Regional Vigilance Committee that NWD calls for

three months be treated as refused NWD calls. The grant of the rebate was considered as irregular as the record on the basis of which such rebates are allowed, was not made available during the course of normal annual audit inspection. It may be pointed out that in a digital exchange NWD calls have a proper record.

The Ministry informed that rebate was allowed to phone No 429695 from which actually no calls were made and this amount of Rs.100, 026 was fed and claimed from the subscriber of phone No.426696 who was residing in the upper portion of the same premises. The amount was fed in the bill of telephone No.426696 in the month of February, 1997 and telephone was disconnected on 29-3-1997. Subscriber requested to Minister for Communications for installments. The worthy Minister allowed 12 equal installments and subscriber paid 1st installment of Rs.10, 346 on 12-6-1997. The telephone is still disconnected.

The Committee directed the Principal Accounting Officer to investigate the matter, fix responsibility and take action against the concerned officer under intimation to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at pages No.257-258 Ad-hoc PAC Report for the Year 1996-97.

31. i) **BLOCKING OF FUNDS OF RS.61 MILLION IN G.M.DIG/SW(R & D), ISLAMABAD (PARA 3.1, PAGE 32-ARPTC)**
ii) **WASTEFUL EXPENDITURE OF REST HOUSE NEAR THANDIANI AT A COST OF RS.1.00 MILLION IN GM DEVELOPMENT (NORTH), PESHWAR (PARA 5.2, PAGE 35-ARPTC)**
iii) **EXCESS EXPENDITURE ON THE MANUFACTURING OF CABLE DUCTS AND SLABS RS.599,104 IN GM DEVELOPMENT CENTRAL(PARA 7.4, PAGE 41-ARPTC)**

On the recommendations of Audit, the Committee settled above three paras.

32. i) **NON REALIZATION OF COST OF CONTRIBUTION WORKS RS.12.507 MILLION IN G.M(DEVELOPMENT) CENTRAL, LAHORE (PARA 6.1, PAGE 37-ARPTC)**
ii) **SHORT REALIZATION OF THE COST OF CONTRIBUTION WORKS RS.1,039,259 IN G.M.DEV.(CENTRAL), LAHORE (PARA 6.2, PAGE 37-ARPTC)**
iii) **NON RECOVERY OF COST OF CONTRIBUTION WORKS RS.214,096 IN G.M.(DEV.) NORTH, ISLAMABAD (PARA 6.3, PAGE 38-ARPTC)**

The Committee settled above three paras subject to verification by the Audit.

The above paras were again discussed by the PAC and its directive is printed at page No.258 of the Ad-hoc PAC Report for the Year 1996-97.

33. i) **LOSS DUE TO THEFT OF COPPER WIRE RS.4.852 MILLION (PARA 8.1, PAGE 42-ARPTC)**
ii) **THEFT OF COPPER WIRE IN A UNIT OF CTR RS.2.455 MILLION (PARA 8.2, PAGE 43-ARPTC)**

The Committee directed the Principal Accounting Officer to put up both above cases for write off to the competent authority.

The above paras were again discussed by the PAC and its directive is printed at page No.258 of the Ad-hoc PAC Report for the Year 1996-97.

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34. **LOSS DUE TO AWARD OF WORK AT HIGHER RATES-RS.2.090 MILLION (PARA 8.3, PAGES 43-44-AR-PTC)**

Audit pointed out that the work relating to the supply, installation, testing and commissioning of 1000 KVA Diesel Engine Generator set for international Gateway exchange-I Karachi was not got done at the rate of Rs.8,396,500 offered by M/S Graves and Cotton Karachi on 21st September,1990 due to non-finalization of transaction within the validity period of bid. Subsequently, the said work was got executed by the same contractor at the rates of Rs.10,486,964 offered by him in September,1991. This resulted in loss of Rs.2,090,464 to the PTC due to carelessness and negligence of the staff concerned.

The Ministry stated that the overall cost of the estimate was raised by Rs.2,090,464 not due to non-finalization of transaction within validity period but the same was raised due to provisioning of certain items which were not included in the first detailed estimate sanctioned in September,1990.

The Committee constituted a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi MNA, comprising Mr. Adnan Aurangzeb MNA, Mr. Zahid Hussain Bukhari Director General Audit(PT&T), Syed Farooq Hasan Gilani, Financial Adviser (Communications) and Mr. Akhtar Ahmad Bajwa, Member Technical (PTCL), to investigate the loss due to award of work at higher rates in supply, installation and commissioning of 1000 KVA diesel engine generator meant for International Gateway Karachi and report to PAC within two months.

35. **LOSS DUE TO NON-RECOVERY OF SUI GAS, WATER SUPPLY AND ELECTRIC CHARGES-RS.1,415,828 IN PTC HEADQUARTERS, ISLAMABAD (PARA 8.4, PAGE 44-AR-PTC)**

Audit pointed out that during July 1992 to June 1993, the Chairman PTC Headquarters Islamabad paid a total sum of Rs.1,415,828 on account of bills of consumption of sui gas, water supply and electricity by the residents of PTC colony G-8/4, Islamabad and unauthorisedly placed it under a transitory head of account "Other Deposits" for subsequent recovery from the residents. But no recovery was found to have been made.

The Ministry stated that the deductions are made from the occupants at the rates equivalent to rates prescribed by CDA for the category of quarters. However, case is under process to install the Sub-meter for each quarter to effect recovery according to consumption.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to recover full charges of sui gas, electricity and water supply from the occupant from August 1998 and ensure that no financial burden be incurred on public exchequer on this account and that the loss incurred in the past, in this respect, be got written off from the competent authority and verified by audit.

36. **LOSS DUE TO NON-REALIZATION OF PENALTY FROM THE CONTRACTOR-RS.800,000 IN G.M DEVELOPMENT (NORTH) (PARA 8.7, PAGES 46-47-AR-PTC)**

The Audit pointed out that the DE NWD Development Islamabad signed an agreement with M/s National Enterprises Rawalpindi for the supply, installation, Testing and commissioning of six stationary and two mobile diesel generators at eight different stations. The project could not be completed within the agreed time schedule of 67 days and work was delayed by 4 months. Thus penalty @ Rs.100,000 per station was required to be imposed and recovered from the contractor but it was not done.

The Ministry stated that the extent of fault on the part of the firm for the execution/completion of the work was assessed, keeping in view the various factors hindering the timely completion of the work. Accordingly an amount of Rs.270,000 was determined as recoverable from the contractor as penalty. Out of the total amount of Rs.270,000 an amount of Rs.121,000 was recovered in cash and the balance in the form of spares.

The Committee constituted an Inter-departmental Committee comprising a nominee each from Audit, M/O Finance and M/O Communications to examine the facts on account of loss to PTCL due to non-realization of penalty from the contractors for the supply, installation, testing and commissioning of six stationary and two mobile diesel generators at a different stations. The IDC to submit its report to PAC within one month.

37. **IRREGULAR EXPENDITURE OF RS.2.845 MILLION ON PURCHASE OF STORES WITHOUT OPEN TENDERS IN GM CTR, LAHORE (PARA 9.1, PAGE 50-AR-PTC)**

Audit pointed out that the Divisional Engineer, Electrical, Lahore purchased certain items of stores valuing Rs.2,845,250 without calling for open tenders in contravention of rules, thus depriving PTC of the benefit of competitive rates.

The Ministry stated that the items were purchased at different occasions at different stations by inviting sealed quotations from reputed firms at relevant stations and lowest were accepted. Calling of tenders was not possible due to different occasions/stations and keeping in view the timely completion of important technical works.

The Committee directed the Principal Accounting Officer to examine the matter of irregular expenditures of Rs.2.845 million and report to PAC within one month.

38. i) **IRREGULAR PAYMENT OF ROAD CUT CHARGES-RS.1.637 MILLION (PARA 9.2, PAGE 50-AR-PTC)**
ii) **IRREGULAR EXPENDITURE ON CIVIL WORKS WITHOUT CALL OF TENDERS AND MAINTENANCE OF MEASUREMENT BOOKS-RS.351,969 IN LTR(PARA 9.7,PAGE 53-AR-PTC)**
iii) **CHARGE OF UNRELATED EXPENDITURE TO PROJECT NO.XIII/90-91 RS.2.369 MILLION(PARA 10.1, PAGE 58-AR-PTC)**

On the presentation of the above three paras, the Committee settled these paras subject to verification by the audit.

39. **UNJUSTIFIED PROVISION FOR FLUCTUATION OF RATES-RS.1.050 MILLION (PARA 10.4, PAGES 59-60-AR-PTC)**

Audit pointed out that according to clause-8 of the terms and the conditions of the contract “no claim was to be entertained by the PTC for escalation of fluctuation of market rates”. It implies that the entire work was to be carried out by the contractor within the agreed cost whereas the provision of Rs.1.050 million was made in estimate No.309/427-M/91-92 for fluctuation of market rates @ 10% of the total cost of work which was approved by the competent authority accordingly. This indicated that the estimate was prepared and sanctioned without proper scrutiny.

The Ministry stated that the provision of 10% of total cost of estimate was made to cover unforeseen expenditure which was later on partly utilized for an extended work after getting approval of competent authority. The work was completed in June 1995 and completion report was released in August 1995.

The Committee conveyed its displeasure on the issue and directed the M/O Finance to examine the matter and report to PAC within 15 days.

40. **UNAUTHORIZED EXPENDITURE WITHOUT PROVISION IN ESTIMATE-RS.375,000(PARA 12.1. PAGE 63-AR-PTC)**

Audit pointed out that an expenditure of Rs.375,000 was incurred by the Divisional Engineer-III, International gateway exchanged II, Karachi during 1993-94 on the purchase of magnetic tap drive dump terminal and Panasonic electric print board without provision in estimate. This expenditure was thus treated unauthorized.

The Ministry stated that the expenditure of Rs.375,000 was incurred against an available provision in the sanctioned estimate after making some desirable substitution which has been got approved from the competent authority.

The Committee after hearing the Ministry's reply referred the issue to M/O Finance for further examination with the direction to investigate whether the department acted under the rules or not and report to PAC within one month.

41. **UNAUTHORIZED EXPENDITURE IN EXCESS OF PROVISION IN ESTIMATE- RS.193,408 (PARA 12.2, PAGES 63-64-AR-PTC)**

Audit pointed out that an expenditure Rs.217,408 was incurred by the Divisional Engineer-III, International gateway exchange-II Karachi between October,1993 and March, 1994 for lifting of exchange equipment/store from ground to sixth floor of International Gateway Exchange building, Karachi against the provision of Rs.24,000 in estimate. This resulted in an unauthorized expenditure of Rs.193,408 being excess over sanctioned provision.

The Ministry stated that in the detailed estimate under observation the actual total expenditure was within sanctioned cost rather than there was saving of Rs.3,974,536. The provision for lifting charges of equipment was duly provided in detailed estimates on presumption basis which might fluctuate. The PAC made no comments and settled the para.

42. i) **PERFORMANCE AUDIT REPORT OF PROJECT NO.XIII/1990-91
EXPANSION OF INTERNATIONAL GATEWAY EXCHANGES
KARACHI AND ISLAMABAD (PARAS 1 TO 5, PAGES 71-84-AR-PTC)**
ii) **PERFORMANCE AUDIT REPORT OF PROJECT NO.XII/1990-91
EXPANSION OF SATELLITE EARTH STATIONS, ISLAMABAD
(PARAS 1-4, PAGES 100-103-AR-PTC)**
iii) **PERFORMANCE AUDIT REPORT OF PROJECT NO.XIV/1990-91
ESTABLISHMENT OF NEW OPTICAL FIBRE LINK AT RAWALPINDI
AND PESHAWAR (PARA 1-6, PAGES 113-125-AR-PTC)**

The Audit department submitted three performance audit reports of different Project of PTCL and pointed out; delays in completion, non-maintenance of accounts, financial indiscipline and loss of expected benefits which caused huge losses to the Government of Pakistan.

The Auditor General of Pakistan informed the Committee that the evaluation of the Projects should now be conducted by applying a three ees, i.e. economy efficiency,

effectiveness. The Principal Accounting Officer agreed to this concept and assured that all the Projects of the corporation would be evaluated on these principles.

The PAC formed a Committee comprising the representatives of Planning and Development Division, Advisory body already constituted by the PTCL, M/O Finance and Audit Department to review the above mentioned Projects and report to the PAC within two months.

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43. **(NON-COMPILATION OF ACCOUNTS (NOTE 2, PAGE 11-AR-PPSC))**

Audit pointed out that the corporation has not yet compiled their centralized accounts for 1993-94, to be further audited by the chartered accountants and the Audit Department.

The Ministry informed that the accounts have been compiled and submitted to audit immediately.

The Committee constituted an Inter-departmental Committee comprising Mr. Hakim Syed Akhtar Irshad, Joint Secretary, Law and Justice Division, Mr. Farooq Hasan Gallani, Financial Adviser (Communications), Mr. Zahid Hussain Bukhari, Director General Audit (PT&T) and Mian Iftikharuddin, Addl. Director General (Finance) (PPSC) to look into the matter and submit its report to PAC within one month.

The above para was again discussed by the PAC and its directive is printed at page No.278 of the Ad-hoc PAC Report for the Year 1996-97.

44. i) **LOSS DUE TO NON-ABOLITION OF SURPLUS POSTS IN SOUTHERN PUNJAB POSTAL CIRCLE- RS.5.0 MILLION (PARA 1.1, PAGE 19-AR-PPSC)**
ii) **STATE MAIL EXPRESS BUS RUNNING IN LOSS RS.456,387 (PARA 1.3, PAGE 20-AR-PPSC)**

On the presentation of above two paras by audit, the Committee settled these paras.

45. **MISAPPROPRIATION OF MONEY BY ISSUING BOGUS MONEY ORDER RECEIPTS RS.23,115 (PARA 1.5, PAGE 21-AR-PPSC)**

Audit pointed out that a postal official while performing duty at Multan Airport, Post Office misappropriated a total sum of Rs.23,115 by issuing bogus money order receipts to the remitters during July,1991 to September,1991.

The Ministry stated that the accused official has since been dismissed from service w.e.f 16-9-1993 and the case reported to the FIA Multan. An amount of Rs.500 being the surety money could be adjusted.

The Committee after hearing the Ministry's reply on the issue settled the para subject to verification by the Audit.

The above para was again discussed by the PAC and its directive is printed at page No.279 of the Ad-hoc PAC Report for the Year 1996-97.

46. **BLOCKING OF CAPITAL FUNDS- RS.3.228 MILLION (PARA 2.1, PAGES 21-22-AR-PPSC)**

The Audit pointed out that the postmaster General, Metropolitan Circle, Karachi made advance payment of Rs.3,228,000 during the period from June,1987 to March,1991 to the Pak. PWD for the work "Extension" of Al-Haidery "General Post Office Building Karachi". Despite the lapse of period of over eight years, construction work was not taken up. Public money thus remained blocked and Postal Department was deprived of the cost benefits.

The Ministry informed that the executing agency of P.O works is Pak. P.W.D. to whom advance payment is made against the deposit account. On conversion of the department into corporation it was decided that such projects at vantage points will henceforth be executed on BLT basis. On re-conversion of corporation into a department, the Pak. P.W.D. was asked to submit estimates according to approved designs. The alternate proposals for approval by the department was received on 16-7-1997. The execution was expected to start shortly.

The Committee expressed its displeasure on the state of affairs of the Post Office department. The Committee directed the Principal Accounting Officer to investigate the inordinate delay, fix responsibility for blocking of capital funds, take action against the concerned person(s) and submit its report to the PAC within one month.

The above para was again discussed by the PAC and its directive is printed at page No.279 of the Ad-hoc PAC Report for the Year 1996-97.

47. **FAILURE TO CONSTRUCT RESIDENTIAL QUARTERS DESPITE FUNDS RELEASE-RS.2.558 MILLION (PARA 2.2, PAGES 22-23-AR-PPSC)**

Audit pointed out that acquisition of land and construction of 64 quarters of various categories for the staff of the postal life insurance, Karachi was approved against certain projects in 1983-84 and 1984-85. The funds against these schemes were provided in 1985-86. In June, 1986 the department made a payment of Rs.2, 558,000 to the Karachi Development Authority for the purchase of 8 flats at a cost of Rs.330,000 each. The department failed to reap the expected benefits of the schemes due to lack of administrative foresight.

The Ministry informed that an amount of Rs.2.558 million was paid to K.D.A. on 30.6.1986 for construction of 8 flats for officers in K.D.A. scheme No.14-B and 24 respectively. Subsequently K.D.A. offered alternate flats in another scheme No.36

towards adjustment of paid amount. Booking of only 4 flats could be arranged due to price hike and change of specification as well as size of work to be carried out. The balance amount of Rs.398,000 was refunded. Almost 90% work has been accomplished and it is expected that the possession of flats shall be handed over by K.D.A. before end of the calendar year 1997.

The Committee directed the Principal Accounting Officer to take action against the concerned officials, for failure to construct residential quarters despite the fund release and report to the PAC within one month.

The above para was again discussed by the PAC and its directive is printed at page No.279 of the Ad-hoc PAC Report for the Year 1996-97.

48. i) **UNDER STATEMENT OF ASSETS-RS.650,160 IN PMG BALOCHISTAN, QUETTA (PARA 3.1, PAGE 23-AR-PPSC)**
ii) **UNDER STATEMENT OF ASSETS-RS.338,797 (PARA 3.2, PAGE 23-AR-PPSC)**
iii) **UNDER STATEMENT OF ASSETS-RS.97,687 (PARA 3.3, PAGE 24-AR-PPSC)**
iv) **UNDER STATEMENT OF ASSETS-RS.86,465(PARA 3.4, PAGE 24-AR-PPSC)**

The Committee directed on the above four paras, that necessary measures should be taken, under the rules on the issues, as recommended by the audit.

The above paras were again discussed by the PAC and its directive is printed at page No.279 of the Ad-hoc PAC Report for the Year 1996-97.

49. **IRREGULAR EMPLOYMENT OF DAILY WAGES STAFF-RS.299,635 IN PMG, SOUTHERN PUNJAB, LAHORE (PARA 4.3, PAGE 26-AR-PPSC)**

Audit pointed out that the Post Master General, Southern Punjab, Lahore employed more than 50 persons on daily wages to perform work of telephone operator, librarian, driver, sweepers, mistry etc during 1992-93 despite ban on the employment of contingent paid staff.

The Ministry stated that due to continuous ban on recruitment and policy of the Government for centralized recruitment a large number of the essential posts became vacant. It was absolutely necessary to make such arrangements in the interest of service.

The Committee referred the said para to M/O Finance for the detailed examination and report to PAC within one month, whether the approval of F.D was required or not.

The above para was again discussed by the PAC and its directive is printed at page No.280 of the Ad-hoc PAC Report for the Year 1996-97.

50. **NON-RECONCILIATION OF SAVING BANK ACCOUNT BALANCES (PARA 4.5, PAGES 27-28-AR-PPSC)**

Audit pointed out that the annual profit statements for the year 1993-94, contained minus balances of Rs.3,769,998 involving 411 Saving Bank Accounts opened in five General Post Offices. The head of the units made no attempt to reconcile the difference with the Post Office Accounts Office, Lahore.

The Ministry stated that generally the ledger portfolios of the saving bank accounts in G.P.Os contain accurate balances, however the annual profit statement prepared by the Postal Account Office, Lahore with the help of prescribed saving bank returns and deposit/withdrawal slips indicate difference in the balance of certain saving bank accounts which is duly reconciled by furnishing photo copies of the ledger portfolios.

The Committee settled the para subject to verification by Audit.

51. i) **LOSS OF REVENUE DUE TO NON RENEWAL OF BRSL/CBRLS IN PMG NWFP, PESHAWAR-RS.1,029,140 (PARA 1.2, PAGES 19-20-AR-PPSC)**
ii) **OPERATIONAL LOSS ON FAX SERVICE-RS.28,980(PARA 1.4, PAGES 20-21-AR-PPSC)**
iii) **NON VERIFICATION OF CONSOLIDATED TREASURY/POSTAL RECEIPTS-RS.38.256 MILLION(PARA 4.1, PAGES 24-25-AR-PPSC)**
iv) **DECLINING TREND IN VOLUME OF SERVICE PROVIDED TO PUBLIC IN SOUTHERN PUNJAB POSTAL CIRCLE(PARA 7, PAGES 29-30-AR-PPSC)**

On the presentation of above four paras, the Committee constituted an Inter-Departmental Committee comprising a nominee each from M/O Finance, M/O Communications and Audit to look into matter and report to the PAC within two months.

The above paras were again discussed by the PAC and its directive is printed at page No.280 of the Ad-hoc PAC Report for the Year 1996-97.

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52. **EXCESS PAYMENT OF RS.804,391 (PARA A-VIII.32, PAGE 124-ARCW)**

Audit pointed out that the authority did not utilize the rock material obtained as a result of excavation for formation of embankment as per item No.105.2 & 108.2 of standard specification. This resulted in excess payment of Rs.804,391.

The department stated that the rock executed by blasting is generally unsuitable to be used in fill material for low embankment due to size. By virtue of this the executed rock must be discarded or broken up to suitable and acceptable size. The contractor would claim extra for secondary blasting. The blasted rock surplus is the property of NHA.

The Committee constituted an Inter-departmental Committee under the Convenership of Mr. Yawar Zia, Joint Secretary (Exp), M/O Finance, Mr. Muhammad Saleem, Director General Audit (Works), Mr. Shoukat Usman, Joint Secretary, M/O Communications and Mr. Khurram Azad Khan, Chief (T&S), Planning and Development Division to review subject audit para, finalize its report and submit to the PAC within one month.

The above para was again discussed by the PAC and its directive is printed at pages No.287-288 of the Ad-hoc PAC Report for the Year 1996-97.

53. **NATIONAL HIGHWAY AUTHORITY**

The Auditor General of Pakistan informed the Committee that in the previous meeting of the Committee the Principal Accounting Officer assured that rules and regulations of the organization will be framed within three months. The standardized accounting system will also be adopted and implemented in the same period of time. Now seven months have passed, the department has not yet framed any rules/regulations and proper accounting system.

The Principal Accounting Officer assured the Committee that the desired accounting system along with rules and regulations will be framed in next three months.

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NATIONAL HIGHWAY AUTHORITY

54. **EXCESS PAYMENT OF RS.135,764 (PARA A-IX.1, PAGE 124-ARCW)**

Audit pointed out that the Authority failed to recover Rs.135,764 the cost of 625.641 cubic meter (M³) base material obtained & reused on the work as per record entries in the measurement book.

The Ministry informed that (i) the material was not reused as the area was slushy (ii) slush was removed as per site requirements and (iii) fresh/suitable material as per BOQ was used for repair work is not acceptable.

After hearing the Ministry's reply, the Committee referred the issue to an Inter-departmental Committee comprising a nominee each from M/O Communications, M/O Finance and Audit to examine the issue and report to PAC within two months.

During the discussion, the Auditor General of Pakistan also informed that in the previous meeting of the Committee, the Principal Accounting Officer assured that rules and regulations of the organization will be framed within three months. Now six months have passed

the department has yet not frame any rules/regulations and proper accounting system. The Committee may like to ask the position from the Ministry.

The Principal Accounting Officer once again assured the Committee that the desired accounting system along with rules and regulations will be framed by the end of the December, 1998. In this respect they may seek the assistance from Auditor-General's department.

The above para was again discussed by the PAC and its directive is printed at page No.287 of the Ad-hoc PAC Report for the Year 1996-97.

55. **LOSS OF RS.2,157,333 (PARA C-II.1, PAGE 130-ARCW)**

Audit pointed out that chapter VI of NHA Act, 1991 provide that the credit of NHA fund shall be placed, all funds received by the Authority from which the Authority can incur expenditure related to its functions including "Income from Polls". In violation of aforementioned provisions a contractor was allowed to collect toll tax from March, 1993 to May, 1993 as compensation/ bonus on the plea of early completion of work which was unjustified because there was no provision in the original contract for the payment for bonus/incentive.

The Ministry informed that the executive board had decided to provide compensation/bonus to the contractor for early completion of work. This was not against the law and regulation.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to examine the case, fix the responsibility against the concerned officer(s) and suggest measures how to recover the said amount and report to PAC within one month.

The above para was again discussed by the PAC and its directive is printed at page No.295 of the Ad-hoc PAC Report for the Year 1996-97.

56. i) **INFRACTUOUS EXPENDITURE OF RS.323,213 (PARA C-VII.1, PAGE 132-ARCW)**
ii) **INFRACTUOUS EXPENDITURE OF RS.1,159,160 (PARA C-VII.2, PAGE 133-ARCW)**

After hearing the Ministry's reply on the issues, the Committee settled the paras. However, the Committee directed the Ministry that department should work according to the rules and regulations, should not cross their limits and be careful in future.

57. **EXTRA PAYMENT DUE TO DELAY RS.63,608 (PARA C-VIII.1, PAGE 133-ARCW)**

Audit pointed that the work "Evaluation of Bids for a Motorway Project" was awarded to M/s Citybank. The mandate was signed on 9-6-1993. The payment was delayed up to 2-8-

1993. Thus T.T.selling rate exchange of US \$ prevailing on 2.8.1993 was applied instead of the rate dated 9-6-1993.

The Ministry intimated that mandate was signed on 9-6-93 while payment was made to Citybank on 2-8-1993. i.e. after delay. The Committee settled the para.

58. **IRREGULAR EXPENDITURE OF RS.1,210,415 (PARAS D-1.1-D-1.2, PAGE 134-ARCW)**

Audit pointed out that Motorway Project Sheikhpura-D.G. Khan was declared as non-viable economically at the feasibility study stage. The work "Evaluation of Bids" was awarded to M/s Citybank without calling tenders.

The Ministry informed that the project was well conceived in wide perspective as such projects would become economically viable with the passage of time. While assigning the job to Citibank, there cost of services was compared with the charges of M/s Bearstern of USA who were working for PTC.

The Committee directed the Principal Accounting Officer to examine the matter, fix responsibility and take action against the concerned officer(s) and report to PAC within two months.

The above two paras were again discussed by the PAC and its directive is printed at page No.288 of the Ad-hoc PAC Report for the Year 1996-97.

59. **MOBILIZATION ADVANCE OF RS.379,365,125 (PARA D-II.1, PAGE 135-ARCW)**

Audit pointed out that the Authority paid mobilization advance to contractor in June 1993 by pledging old machinery without assessing its present market value and obtaining an irrecoverable bank guarantee as per provision of clause 01-29 of the contract. The Contractor failed to start the work for one year. This resulted in irregular/undue grant of mobilization advance.

The Ministry intimated that 25% mobilization advance was payable to the contractor as per amendment No.1 dated 6-10-1998.

The Committee directed the Principal Accounting Officer to examine the matter and report to PAC within two months.

The above para was again discussed by the PAC and its directive is printed at page No.288 of the Ad-hoc PAC Report for the Year 1996-97.

60. **UNJUSTIFIED PAYMENT OF RS.240,000 (PARA D-III.1, PAGE 135-ARCW)**

Audit pointed out that the payment of Rs.240,000 was made to the contractor on account of idle charges of machinery in October 1992 for which there was no provision in the agreement.

The Ministry informed that the project remained suspended due to change in design and dissolution of Assembly. It was also argued that against the claim of Rs.598,000 the amount of Rs.240,000 was paid.

The Committee after hearing the Ministry's reply directed the departmental authorities to provide the relevant record for verification to Audit.

The above para was again discussed by the PAC and its directive is printed at page No.288 of the Ad-hoc PAC Report for the Year 1996-97.

61. **SHORT RECOVERY OF RS.80,357 (PARA B-V.1, PAGE 129-ARCW)**

The Committee settled the para.

COUNCIL OF ISLAMIC IDEOLOGY

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Council of Islamic Ideology were taken up for examination by Public Accounts Committee (PAC) on 13th October, 1996. There was only 1 grant reported by the Audit. The PAC settled the grant with direction to bring visible financial improvement.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Council of Islamic Ideology held on 13th October, 1996, are as under:-

13TH OCTOBER, 1996

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.117-ADVISORY COUNCIL FOR ISLAMIC IDEOLOGY (PAGE-308-AA)

The grant closed with a saving of Rs.4,642,100 which works out to 41.98% of the total grant. The department surrendered the amount of Rs.4,260,000 on 16th May, 1989 i.e. after the prescribed date of 15th May for surrender which was not accounted for. If above surrendered amount is taken into account the saving is reduced to Rs.382,000 which should also have been surrendered. The supplementary grant was also unnecessary.

The departmental representative informed the Committee that the Council was not in place that year and the amount of saving was not surrendered before time due to the expectations of appointment of the members anytime.

The Committee settled the grant.

CULTURE AND SPORTS DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to Culture and Sports Division were taken up for examination by Public Accounts Committee (PAC) on July 8, 1998.

- 1.1 The PAC having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made recommendations in number of cases involving non receipt of rupees, loss due to laying base item, violation of Rules, Excess payments, unjustified procurement of imported vehicles and inadmissible payment etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some policy directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 09 paras & 04 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meetings of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Culture and Sports Division held on 8th July, 1998, are as under:-

8TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL)(VOL-I-1993-94)

1. GRANT NO.24-CULTURE AND SPORTS DIVISION (PAGE 103-AA)

An excessive amount of Rs.718, 900 was surrendered converting the grant to be closed into excess of Rs.88,050.

The Division stated that the excess was mainly due to grant of additional ad-hoc relief and additional compensatory allowance by the Government during the financial year.

The Committee made no comments and regularized the excess expenditure.

2. GRANT NO.25-ARCHAEOLOGY AND MUSEUMS (PAGE 104-AA)

An excessive amount of Rs. 5,495,000 was surrendered converting the grant to be closed into excess of Rs.32,589.

The Committee regularized the excess expenditure with the direction to be careful in future.

3. **GRANT NO.26-OTHER EXPENDITURE OF CULTURE AND SPORTS DIVISION (PAGE 105-AA)**

The original grant was Rs.92,756,000, supplementary grant was Rs.11,903,000, final grant was Rs.104,659,000 and actual expenditure was Rs.98,848,214. There was saving of Rs.5,810,786.

The Division stated that the saving was due to non-release of grant-in-aid to various autonomous bodies and ban imposed by M/O Finance on 17-5-1994.

The Committee settled the grant.

4. **GRANT NO.148-DEVELOPMENT EXPENDITURE OF CULTURE AND SPORTS DIVISION (PAGE 108-AA)**

An excessive amount of Rs. 28,630,000 was surrendered converting the grant to be closed into excess of Rs.4,390,900.

The Committee regularized the excess expenditure.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

5. **NON-RECOVERY OF RS.502,680-ON ACCOUNT OF MISUSE OF GOVERNMENT VEHICLE(PARA 1, PAGE 20-AR)**

Audit pointed out that the Minister for Culture and Sports, in addition to the staff car provided by the Cabinet Division also used a Pajero from the Lok-Virsa, which was against the staff car rules. The vehicle remained under his use from 30th March, 1989 to 7th August, 1990 and covered a distance of 83780 K.M. Thus recovery of Rs.502,680 at the rate of Rs.6 per K.M. on account of using second vehicle is required to be made.

The Division informed that according to Lok-Virsa resolution of 1983, the Minister for Culture is also the Chairman of the Board of Governors of Lok-Virsa. On his requirement, the vehicle was placed at his disposal. It was used for general official work by the Private Secretary and staff attached to the Minister/Chairman. The department has recovered Rs.65,000.

The Committee directed the Principal Accounting Officer to examine the matter, recover the objected amount from the Ex-Minister and take disciplinary action against concerned officers who were responsible for delaying action. If the ex-Minister refuses to pay the said amount, his name may be published in the National Press.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No.526 of the Ad-hoc PAC Report for the Year 1999-2000.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES(VOL-X-1993-94)

NATIONAL FILM DEVELOPMENT CORPORATION

6. **(PARAS 72 & 75, PAGES 67-68-ARPSE)**

Audit pointed out that the Corporation is not recovering even the direct expenses from the operations. In these circumstances, closure of business would be less costly than continuing operations.

The state of the affairs of the Corporation was discussed in detail in the Cabinet meeting on 27-1-1997. It was decided to liquidate the Corporation within three months. The decision, however was not implemented by the Ministry/management, on the contrary, the Board of Directors in the meeting of June 18, 1997 decided that NAFDEC should continue operations.

The Committee intimated to National Assembly Secretariat (PAC) to write a letter to the Cabinet Division that the Board of Directors of NFDEC was not competent to over-rule the decision of the Cabinet. The Cabinet Division was directed to take appropriate action against the respective management. Cabinet Division was informed vide this Secretariat letter No.F.2 (1)/93-94/96-PAC, dated, 18-07-1998.

7. **LOSS OF RS.993,497 DUE TO PAYMENT OF ADDITIONAL TAX AS PENALTY
(PARA 76, PAGE 69-ARPSE)**

Audit pointed out that NAFDAC failed to deduct income tax of Rs.2,743,852 paid to various non-resident companies on account of royalties and rentals during the year 1975-76. The income tax authorities imposed penalty of Rs.933,497 in February, 1981 on NAFDEC on account of failure to deduct the tax as per law. The penalty was paid by NAFDEC from 1984 to 1988 in installments.

The Division informed the PAC that deduction of income tax was overlooked by the concerned Finance Manager at the time of payment. He had already left NAFDEC in 1979 and now it would be impossible to trace him out with a view to fix responsibility for the loss.

On pointing out by audit, the management intimated in December, 1993 that they would have appealed to the Tribunal of Income-Tax. However, the petition could not be filed and case became time barred.

The Committee directed the Principal Accounting Officer to investigate the matter and report to the PAC within one month. The Committee also advised the department to investigate whether the penalty included the original tax amount or not.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No.520 of the Ad-hoc PAC Report for the Year 1999-2000.

8. **(PARAS 73 AND 74, PAGES 67-68-ARPSE)**

On the recommendation of Audit, the Committee settled the paras.

ACTIONABLE POINTS 1988-89

NATIONAL FILM DEVELOPMENT CORPORATION

9. **(PARAS 92-93, PAGE 78-ARPSE)(ITEM 3-AP-88-89)**

Audit pointed out that trade debtors and other receivables amounting to Rs.0.218 million and Rs.0.350 million respectively remained outstanding as on June 30, 1989. The PAC directed the department on 24-4-1996 to recover the outstanding amount by June 30, 1997.

The Division informed that recovery of balance June 30, 1997 is not possible as such parties are out of business or not traceable.

The Committee directed the department to take up the issue with the Board of Directors with the request to write off the said amount.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No.817 of the Ad-hoc PAC Report for the Year 1996-97.

10. **(PARA 157-ARPSE-87-88)(ITEM 5-AP-88-89)**

Audit pointed out that an amount of Rs.1.893 million was given as advance under an agreement to Mr. Faiz Ahmed Faiz in April 1975 to produce three feature films for NAFDEC. Mr. Faiz was himself a Director on the Board of NAFDEC at that time. The films were to be directed by Mr. A.J. Kardar.

The first of such film of HUMAN HAPPINESS, was produced and taken by Mr. Faiz to London for processing. Somehow, the original prints of the film were received by Mr. A.J. Kardar. He demanded payment of some claim from NAFDEC for delivering the film. NAFDEC refused to pay anything to Mr. Kardar and filed a suit for recovery of the film and damages in court of Civil Judge, Rawalpindi, in April, 1990. The suit was decreed ex-parte in favour of NAFDEC in March, 1992. Execution of the decree however could not be done as Mr. Kardar was staying in London and had no property in Pakistan.

The PAC had directed on 24-4-1996 that the amount of Rs.4 million may be recovered from persons concerned immediately. Audit further stated that the amount of Rs.4 million has not yet been recovered from Mr. A.J. Kardar.

The Committee observed that Board of Directors is responsible for the huge Losses. The committee directed the Principal Accounting Officer to examine the issue whether the amount is recoverable or not and report to the PAC within one month.

The Committee deferred the remaining Actionable Points of Culture and Sports Division for the next meeting.

DEFENCE DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Defence Division were taken up for examination by Public Accounts Committee (PAC) from January 08 & 09, August 29, October 12 & 13 and December 03, 1998.

- 1.1 The PAC having considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in number of cases i.e involving irregular purchase, fraudulent drawl, losses, overpayment, embezzlement, theft of stores non-production of budget & expenditure figures to Audit, unauthorized payments, inability to effect recovery and undue favour etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 05 Grants and 202 paras presented by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Defence Division held on 8th & 9th January, 29th August, 12th & 13th October and 3rd December, 1998, are as under:-

8TH JANUARY, 1998

AUDIT REPORT (DEFENCE SERVICES) (VOL-V-1993-94)

1.			Amount
Sl.No.	Para No. of A.R.	Page No. of A.R	Rs. in million
1.	2.11	28	0.217
2.	2.14	31	0.108
3.	2.17	33	0.079
4.	2.18	34	0.051
5.	3.8	41	0.415
6.	3.9	42	0.269
7.	3.13	46	0.110
8.	3.1	35	US\$ 0.261
9.	3.3	36	4.281
10.	3.12	45	0.122
11.	3.15	48	0.078
12.	3.17	49	0.052

13.	4.1	50	0.051 + \$ 0.508
14.	4.6	55	0.603
15.	4.9	57	0.150
16.	6.3	69	0.782
17.	6.4	69	0.320
18.	6.5	70	0.121
19.	7.3	74	0.120
20.	8.1.3	77	0.762
21.	8.1.6	79	0.375
22.	8.1.8	81	0.130
23.	8.1.9	81	0.108
24.	8.1.11	83	0.082
25.	8.1.14	85	0.062
26.	8.2.4	88	0.455
27.	8.2.6	90	0.171
28.	8.2.7	90	0.103
29.	8.2.8	91	0.057
30.	8.5.2	102	0.123
31.	8.7.1	106	0.102
32.	8.8.1	108	0.172
33.	8.8.2	109	0.066
34.	8.12.1	113	0.226
35.	8.15.1	116	0.065
36.	9.2.3	122	0.449
37.	9.4.5(B)	137	0.070
38.	9.4.10	142	0.103
39.	9.5.3(B)	145	0.058
40.	9.5.4	146	0.253
41.	9.6.4	149	0.168
42.	9.11.1(1-4 & 6)	173	2.550
43.	9.11.2	174	0.510
44.	9.12.7	181	0.082
45.	9.12.11	184	0.055

Total Rs. 15.286 +

\$ 0.769

Audit pointed out the above mentioned 45 paras and stated that the Defence Division had arranged recovery of the overpaid amount involved or regularization of certain cases as per Government orders but relevant information/documents like recovery certificates/treasury receipts/copies of sanctions etc. were not been provided to Audit so far.

The Committee settled all the above paras subject to verification by the Audit. The above ten and twenty eight paras were again discussed by the Ad-hoc PAC and its directive is printed at page No.666-667 of the Ad-hoc PAC Report for the Year 1996-97.

2.			<u>Amount</u>
<u>Sl.No.</u>	<u>Para No. of A.R.</u>	<u>Page No. of A.R</u>	<u>Rs. in million</u>
1.	4.4(B) (NR)	53	0.435
2.	4.5(A&B)	54	0.675
3.	4.10 (NR)	58	0.079
4.	8.1.13	84	0.070
5.	8.4.7	99	0.168
6.	8.4.8	100	0.101
7.	8.6.1	102	0.612
8.	8.6.2	103	0.317
9.	8.6.3	104	0.184
10.	8.6.4	105	0.133
11.	8.6.5	105	0.073
12.	8.14.1	115	0.068
13.	8.16.1	117	0.051
14.	9.3.5	132	0.096
15.	9.4.5(A)	137	0.136
16.	9.4.7	138	0.164
17.	9.4.11 (NR)	142	0.062
18.	9.12.1	176	1.190
19.	9.12.3	178	0.228
20.	9.12.6	181	0.084
21.	9.12.8	182	0.070
22.	9.12.9	183	0.068
23.	9.12.10	184	0.061
24.	12.4 (NR)	210	0.110
Total Rs.			<u>5.235</u>

Audit pointed out the above mentioned 24 paras and intimated that no progress had been made for the last 4 to 5 years, while in 4 cases reply had not been furnished by the Division.

After detailed discussion, the Committee formed an Inter-Departmental Committee (IDC) on the above mentioned 24 paras, comprising a nominee each from Audit, M/O Finance and Defence Division to examine the issues and report to the PAC within two months.

The above nineteen paras were again discussed by the Ad-hoc PAC and its directive is printed at page No.667 of the Ad-hoc PAC Report for the Year 1996-97.

3			<u>Amount</u>
<u>Sl.No.</u>	<u>Para No. of A.R.</u>	<u>Page No. of A.R</u>	<u>Rs. in million</u>
1.	3.10	43	0.176
2.	5.4	63	0.627

3.	5.8	65	0.138
4.	6.6	71	0.064
5.	8.1.7	80	0.191
6.	8.1.10	82	0.094
7.	8.1.12	84	0.086
8.	8.3.2	93	0.303
9.	8.7.2	107	0.065
10.	8.9.2	110	0.065
11.	9.2.4	122	0.373
12.	9.2.5	123	0.284
13.	9.2.6	124	0.134
14.	9.2.7	125	0.131
15.	9.2.8	126	0.128
16.	9.2.9	128	0.079
17.	9.3.2	129	0.950
18.	9.3.3	130	0.770
19.	9.4.1	133	0.402
20.	9.4.2	134	0.661
21.	9.4.6	137	0.167
22.	9.4.8	139	0.154
23.	9.4.9	141	0.122
24.	9.6.3	148	0.333
25.	9.6.5	150	0.150
26.	9.6.6	152	0.136
27.	9.6.7	152	0.099
28.	9.6.8	153	0.084
29.	9.7.3	156	0.260
30.	9.7.5	159	0.158
31.	9.7.6	160	0.068
32.	9.8.2	162	0.212
33.	9.8.3	163	0.204
34.	9.8.4	164	0.089
35.	9.8.5	165	0.085
36.	9.8.6	166	0.072
37.	9.9.1	167	0.439
38.	9.9.3	167	0.179
39.	9.10.1	170	0.162
40.	9.10.2	170	0.128
41.	9.10.3	171	0.113
42.	9.10.4	172	0.072
43.	9.11.4	175	0.063
44.	9.12.4	179	0.188
45.	9.12.5	179	0.163

Total Rs. 10.621

Audit pointed out the above mentioned 45 cases had a financial effect of Rs.10.621 million.

After detailed discussion, the Committee formed an Inter-Departmental Committee (IDC) on the above mentioned 45 paras comprising a nominee each from Audit, M/O Finance and Defence Division to examine the issues and report to the PAC within two months.

The above thirty eight audit paras were again discussed by the Ad-hoc PAC and its directive is printed at page No.668 of the Ad-hoc PAC Report for the Year 1996-97.

- 4
- i) **SHORT RECOVERY OF COST OF FUEL ISSUED TO A COMMERCIAL ORGANIZATION- RS.0.173 MILLION (PARA 2.12, PAGES 29-30-ARDS)**
 - ii) **EXCESS PAYMENT ON ACCOUNT OF WASHING ALLOWANCE TO JANBAZ- RS.52,000 (PARA 3.16, PAGES 48-49-ARDS)**
 - iii) **UNAUTHORIZED EXPENDITURE ON PROVISION OF SUIGAS LIGHTS- RS.0.306 MILLION (PARA 9.4.4, PAGE 136-ARDS)**

On the recommendation of Audit, the Committee settled the above three paras.

5. **NON-DEPOSITING OF ROOM RENT RECOVERED FROM CNE PATIENTS INTO GOVERNMENT TREASURY- RS. 4.32 MILLION (PARA 2.1, PAGES 19-20-ARDS)**

Audit pointed out that in certain Military Hospitals room/ward charges realized from CNE patients were deposited into the hospital funds instead of depositing the same into Government treasury resulting in a cash loss of Rs. 4,319,693 during 1992-94 needed refund to Government.

The Division informed that recoveries of welfare charges were levied on civilian non entitled patients to augment the existing resources of our military hospital because civilian non entitled patients put additional burden on the resources of our Military hospitals. To cope up with the additional load of CNE patients, hospitals have to employ extra staff such as Ayas, Dais and Sweepers etc. to look after these patients. However this practice has been stopped since 1994.

The Committee expressed its displeasure on the matter and directed the department to recover the amount under intimation to the PAC within one month.

However, after detailed discussion, the Committee decided to constitute a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA comprising Syed Zafar Ali Shah, Mr. Adnan Aurangzeb, MNAs, Syed Shoukat Hussain, Special Secretary, Finance Division (Military), Mr. Muhammad Akram Khan, Deputy Auditor General (GA) and Maj. Gen. Muhammad Mohsin, Director General (ITD), GHQ to review the existing Accounting System in the Defence Division and suggest whether the institution of Military Accountant General should remain under the administrative control of Defence Division or it should be brought under M/O Finance or Auditor-General of

Pakistan to improve its effectiveness. The Committee directed a report in this respect within two months.

6. **IRREGULAR PAYMENT OF PAY AND ALLOWANCES TO CASUAL PERSONNEL EMPLOYED FOR NON-PUBLIC ACTIVITIES- RS. 0.891 MILLION (PARA 2.4, PAGES 22-23-ARDS)**

Audit informed that under the rules, expenditure from the Defence Services estimates can be incurred only when it pertained to Defence. Violating these orders PNS Zafar, Islamabad employed twenty casual personnel out of Defence Fund as groundmen for Islamabad Golf Club during July, 1992 to April, 1994 which was a non public entity managed privately being financed through contributions generated through membership. It resulted into an unauthorized expenditure amounting to Rs.809,999 from the budget of the Defence Services needing recovery from the organization concerned.

The Principal Accounting Officer stated that Golf is a recognized sport in services. The casual labours were assigned their duties in the units during the working hours. In the evening, in addition to the duties they were deployed at the Golf Club for assistance to the officers.

After detailed discussion, the Committee directed the Principal Accounting Officer to examine the issue and report to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.660-661 of the Ad-hoc PAC Report for year 1996-97.

7. **IRREGULAR EXPENDITURE OUT OF SERVICE CHARGES ALLOCATION TO PN- RS. 0.600 MILLION (PARA 2.5, PAGES 23-24-ARDS)**

Audit pointed out that under Government orders service charges have been classified as revenue receipt and can be utilized on training and welfare measures of the service concerned. Naval Headquarters allocated Rs. 0.6 million to a unit out of service charges for meeting the expenditure on Pakistan Navy Education Trust Schools. The pay and allowances of the teachers of these schools were disbursed out of the said allocation to the extent of Rs. 599,975. The schools were being run under the agency as private institutions and did not come under the purview of Government obligations. The expenditure of Rs. 599,975 was thus irregular.

The Division informed that PNET school functioning under a group of trustees. The school is managed by the Pakistan Navy and the Children of Pakistan Navy personnel are provided education therein. School teachers were paid out of service charges with prior concurrence of Financial Advisor (Navy).

During the meeting, the Committee observed that Financial Advisor of the Ministry did not play its correct role. The Committee directed the Finance Division to take action against the Financial Advisor for not performing the duty under the rules. Moreover, the

Committee also directed the Defence Division to make efforts to recover the irregular expenditure under the law and discontinue such practice in future.

8. **IRREGULAR PAYMENT OF SUIGAS CHARGES OUT OF DEFENCE BUDGET FOR A NON-ENTITLED CONSUMER- RS. 0.468 MILLION (PARA 2.6. PAGES 24-25-ARDS)**

Audit pointed out that a regimental factory was being run commercially under the auspices of an army formation. GE (Army) East, Rawalpindi paid Rs. 467,906 as sui gas charges from January, 1991 to November, 1992 to facilitate running of the above factory. The payment so made was in violation of rules, which required recovery.

The Division informed that army suffered from acute shortages in the supply of general stores and clothing items. Concerted efforts were made with procurement agencies to improve the position but proved abortive. Consequently Master General of Ordnance on directive from COAS started MGO welfare projects designed to create in house production facility of critically deficient items. MGO welfare centers are housed in the Government premises. The MGO Welfare Centers have greatly helped in saving valuable money. In view of above no irregular payment of suigas charges was made from defence budget.

The Committee was not satisfied with the explanation given by the Division and directed the department to recover the irregular payment of sui gas from MGO project.

However, the Committee constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA comprising Sheikh Ikramullah, Financial Adviser (R & CA), Mr. Shabbir Ahmad Dahar, Director General Audit (Defence Services) and a nominee from Defence Division to review the performance relevance of all MGO Welfare Projects working under the Defence Division and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 661 of the Ad-hoc PAC Report for year 1996-97.

9. i) **RE-COMMISSIONING OF AN OFFICER IN CSD- RS. 0.349 MILLION (PARA 2.7, PAGE 25-ARDS)**
ii) **IRREGULAR PAYMENT OF PAY AND ALLOWANCES OUT OF DEFENCE ESTIMATES- RS. 0.269 MILLION (PARA 2.9, PAGES 26-27-ARDS)**

On the presentation of the above two paras, the Committee directed the Principal Accounting Officer to recover the amount from the CSD and report to the PAC within two months.

ACTIONABLE POINTS

9TH JANUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

10. **GRANT NO.29-DEFENCE DIVISION (PAGES 113-AA)**

Audit pointed out that an excessive amount of Rs. 7,708,687 was surrendered converting the grant to be closed into excess of Rs. 3,333,349.

The Committee regularized the excess expenditure, however, directed the department to reconcile the case with the Audit.

11. **GRANT NO.33-SURVEY OF PAKISTAN (PAGE 117-AA)**

Audit pointed out an amount of Rs. 5,279,600 was surrendered leaving net saving of Rs. 20,899,555.

The Division stated that the main saving under the head was due to pay of deputationist, maintenance of goods, TA/DA and ban on new recruitments.

The Committee settled the grant with the direction to be careful in future.

12. **GRANT NO.34-FEDERAL GOVERNMENT EDUCATIONAL INSTITUTIONS IN CANTONMENTS AND GARRISONS (PAGE 119-AA)**

Audit pointed out that the department surrendered an amount of Rs. 1,529,000 increasing the excess to Rs. 4,871,561.

The Committee conveyed its displeasure on the matter, however, regularized the excess expenditure.

13. **GRANT NO.152 DEVELOPMENT EXPENDITURE OF FEDERAL GOVERNMENT EDUCATIONAL INSTITUTIONS IN CANTONMENTS AND GARRISONS (PAGE 121-AA)**

Audit pointed out that the department surrendered an amount of Rs. 500,000 increasing the excess to Rs. 650,000.

The Committee regularized the excess expenditure, however, directed the department to be careful in future.

APPROPRIATION ACCOUNTS (DEFENCE SERVICES) (VOL-II-A-1993-94)

14. **GRANT NO.35-DEFENCE SERVICES (PAGE 3-AADS)**

On the presentation of Grant No.35 showing a saving of Rs.263.356 million, the Auditor General of Pakistan made his statement on One Line Budget for Defence Services.

The Committee, in view of seriousness of the matter, constituted a Sub-Committee under the Chairmanship of Mr. Hamza, MNA/Chairman PAC comprising all members of the PAC, Mr. Manzur Hussain, Auditor-General of Pakistan, Lt. Gen(R) Iftikhar Ali Khan, Secretary, M/O Defence and Ch. Mueen Afzal, Secretary, M/O Finance as its members to examine the need of detailed disclosure of the grant allocations and expenditures there from.

AUDIT REPORT (DEFENCE SERVICE) (VOL-V-1993-94)

15. IRREGULAR DISPOSAL OF MILITARY BUILDING- RS. 1.438 MILLION (PARA 2.2, PAGES 20-21-ARDS)

Audit pointed out that in GE (Air), Lahore demolished material of two military buildings was disposed of through auction at a sum of Rs.227,807 on 07-03-1993 and 02-5-1994 on the plea that the same were dangerous/outlived their life despite the fact that these bungalows remained occupied till the date of auction and were therefore, quite fit for living. An amount of Rs.838,857 had also been spent during December, 1991 and June, 1993 on their repair/renovation which had gone waste. Two other adjacent bungalows were also in the process of disposal in the same manner. Provision of compound walls and internal roads was also being made at public expense at a cost of Rs.600,000. The disposal of precious buildings at a nominal cost including wasteful expenditure incurred on renovation needed regularization.

The Division informed that use of A-1 land for Air Force Officers Housing Scheme at Lahore has been sanctioned. Therefore, no fresh approval/regularization of Rs.838,858 is required. However, Director of housing has been advised to deposit Rs.600,000 in public fund to settle the objection.

After hearing the reply of the department, the Committee directed the Principal Accounting Officer to examine the matter, fix responsibility, take action under intimation to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.659-660 of the Ad-hoc PAC Report for year 1996-97.

16. UN-AUTHORIZED PAYMENT ON ACCOUNT OF PAY AND ALLOWANCES TO CIVILIAN EMPLOYEES DEPLOYED ON NON PUBLIC DUTIES- RS. 1.132 MILLION (PARA 2.3, PAGES 21-22-ARDS)

Audit pointed out that in PAF Base Peshawar various civilian employees recruited against the formation and paid out of public funds were actually employed in non-public organizations like Peshawar Golf Course and PAF Degree College resulting in an unauthorized expenditure of Rs.1,131,931 out of Defence budget during January, 1990 to September, 1993.

The Division intimated that Golf is a recognized sport activity in the PAF. The deployment of individuals out of assisting establishment is quite in order. As far as deployment of individuals in PAF Degree College is concerned, it was made on temporary basis only. They have already been withdrawn.

The Committee did not accept the explanation given by the department and directed to recover the amount from the organizations concerned.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.660 of the Ad-hoc PAC Report for year 1996-97.

17. **NON-DEPOSIT OF AMOUNT RECOVERED FROM CIVILIAN PATIENTS RS.0.295 MILLION (PARA 2.8, PAGES 25-26-ARDS)**

Audit pointed out that an army unit (136 Field Ambulance) running a field hospital in AK area provided treatment to civilian entitled patients and realized a sum of Rs. 295,289 from them during June, 1991 to August, 1994 but did not deposit the amount into public funds. The amount was rather kept in their private fund account which was in contravention of the rules.

The Division stated that the concerned unit is located in border defence area of Azad Jammu and Kashmir and is providing medical facilities to defence personnel as well as civilian population of whole of the Neelam Valley.

The Committee agreed that the department may approach the competent authority to write off the amount on humanitarian grounds and report to the PAC.

18. **MIS-APPROPRIATION OF PUBLIC MONEY- RS. 0.240 MILLION (PARA 2.10, PAGES 27-28-ARDS)**

Audit pointed out that an army unit (107 Field Regt Arty) was allotted a sum of Rs. 267,000 by a Service Headquarters in October, 1990 as special ATG for procurement of Fire Control Instruments (FCI) and other stores for annual training. The stores were shown purchased through their Canteen Contractors on 4th March, 1991 which were also taken on ledger charge by the unit on the same date. On the other hand, on 5th March, 1991 the unit remitted back an amount of Rs. 226,544.25 (out of Rs.267,000) to the formation Headquarters by an open cheque, receipt of which was also acknowledged by them. It was, therefore, established that procurement of stores worth Rs. 267,000 and their accountal in ledgers on 4th March, 1991 was merely a paper transaction and the amount of Rs. 226,544.25 received by the formation Headquarters was utilized elsewhere.

The Division informed that according to the record available with this headquarters, the stores were purchased, issued to Mujahid Battalions and taken on ledger charge by the respective unit properly. These stores now exist on ground.

The Committee directed the Audit to verify the Division's version and report to the PAC within one month.

19. **IRREGULAR CREDIT OF PUBLIC RECEIPTS TO REGIMENTAL FUND - RS.0.137 MILLION (PARA 2.13, PAGES 30-31-ARDS)**

Audit pointed out that in an Inspectorate an amount of Rs. 137,050 realized by sale proceeds of waste mixed oil, mixed grease, empty tin containers and empty bottles, through auction, was credited to the regimental fund accounts instead of public fund.

The Division stated the cost of sale of waste items like mixed oil, mixed grease, empty tin containers and empty bottles after auction was taken on charge and credited to CI's (Regt. Funds). The said amount was used for the welfare of unit persons and to meet such expenditure not authorized from any other sources or improvement of unit premises and allied facilities in the area of the unit. The board proceeding of sale was duly approved by the Log Area comd. Future sale proceeds of even waste items will be deposited into Govt. treasury.

After hearing the Division's reply, the Committee directed the Principal Accounting Officer to recover the irregular credit of Rs. 0.137 million from the unit and report to the PAC within one month.

20. **UN-AUTHORIZED USE OF A STAFF CAR FOR NON-PUBLIC ACTIVITIES- RS. 0.106 MILLION (PARA 2.15, PAGE 32-ARDS)**

Audit pointed out that in a Navy formation, a staff car was regularly being used for private activities of a non-public association not falling under the category of Government bonafide duties which had resulted into an unauthorized expenditure of Rs. 105,588 during 1990-91 to 1992-93.

The Division informed that staff car PN 1199 has been allocated to M. Branch for welfare and admin duties. The Car was deployed on these duties under the heading of PNWA, an organization which looks after the welfare/problems being faced by the families of the troops (serving/Retired) as well as families of Shaheeds.

After hearing the Division's reply, the Committee directed the Principal Accounting Officer to recover the amount from the concerned officers/officials under intimation to the PAC within one month.

21. i) **NON-ACCOUNTAL OF ANNUAL TRAINING GRANT IN PUBLIC FUND ACCOUNT- RS. 0.081 MILLION (PARA 2.16, PAGES 32-33-ARDS)**
ii) **NON-RECOVERY OF SURPLUS FOREIGN EXCHANGE FROM PAF OFFICERS/AIRMEN US\$ 0.045 MILLION (PARA 3.2, PAGE 36-ARDS)**
iii) **OVERPAYMENT OF US \$ 6,134 ON ACCOUNT OF DAILY ALLOWANCE (PARA 3.11, PAGES 44-45-ARDS)**

On the recommendations of the Audit, the Committee settled above three paras subject to verification by the Audit.

ACTIONABLE POINTS
29TH AUGUST, 1998

AUDIT REPORT (DEFENCE SERVICES) (VOL-V-1993-94)

22. **LOSS DUE TO NON-UTILIZATION OF FULL WORKING HOURS OF TECHNICAL STAFF AND NON-SUPPLY OF SPARE PARTS/COMPONENTS BY ORDNANCE STORE SUPPLY SECTION- RS.3.586 MILLION (PARA 3.4, PAGES 37-38-ARDS)**

Audit pointed out that under the rule management of EME workshop Lahore is required to make the maximum and most efficient use of all the available production facilities and to achieve maximum productivity. The supply of spare parts/components from ordinance supply section of an organization was not satisfactory.

The Division stated that the supply of spare parts was the responsibility of an ordinance store supply section attached with 603 combined workshop. The section could not supply the spare parts due to non availability and paucity of funds.

The Principal Accounting Officer promised in the meeting that effective measure will be taken to ensure rapid overhauling and repaired services and fullest utilization of the ordinance supply section of the workshop at the earliest. However, the Committee settled the para.

23. **IRREGULAR EXPENDITURE ON PROVISION OF ADDITIONAL AIRMAN MESS- RS.3.489 MILLION (PARA 3.5, PAGE 39-ARDS)**

Audit pointed out that a service headquarters accepted necessity and administrative approval was issued for provision of additional Airman Mess at PAF Base Minhas valuing Rs.3,489,700 during January 1990. The said building was constructed during 1991-92 by the MES but its use as Airman Mess could not be established even more than three years after its construction. The acceptance of necessity by the service headquarter in 1990 and expenditure there against was therefore, irregular and needed to be got regularized.

The Division stated that the construction of additional Airmen Mess was an operational requirement to accommodate full strength of two Sqn. base.

The Committee settled the para.

24. **OVERPAYMENT OF GRATUITY AND PENSION TO OFFICERS- RS.1.290 MILLION (PARA 3.6, PAGES, 39-40-ARDS)**

The Committee deferred the para till the next meeting and directed the department to produce required information in the meeting.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.662 of the Ad-hoc PAC Report for year 1996-97.

25. **LOSS DUE TO EXTRA EMPLOYMENT OF CHOWKIDARS AND FIREMEN- RS.0.760 MILLION (PARA 3.7, PAGE 41-ARDS)**

Audit informed that under orders eighteen Chowkidars and twenty three firemen were authorized for three trailer fire pumps, which resulted into excess of authorization.

The Division stated that a court of inquiry was ordered by Headquarters Peshawar Log Area on 26 August, 1997 and completed on 1st November, 1997. Court of inquiry apportioned equal blame on the Army authorities who appointed those persons and also the accounts authorities who pre-audited the pay bills and admitted them for payment. Extra staff employed has been terminated on 2nd February, 1998 and court of inquiry is still under the process for settlement of observations raised by Headquarters 11 Corps.

The Committee directed the Principal Accounting Officer to examine the matter, take disciplinary action against the concerned person(s) who were responsible for the loss and report to the PAC within two months.

26. **OVERPAYMENT OF US \$ 6,134 ON ACCOUNT OF DAILY ALLOWANCE (PARA 3.11, PAGE 44-ARDS)**

Audit pointed out that under rules the members of the Armed Forces, Proceeding abroad on temporary duty and treated as State Guest by the Foreign Country concerned, are entitled to receive 30% of daily allowance at normal rates only. Violating the rules, certain Naval Officers, who visited a country on a foreign study tour during April, 1993 and were treated as State Guests by the Foreign Govt. were allowed payment of daily allowance at full rate plus 15% to cover miscellaneous expense charges. Resultantly an amount of US \$ 6,133.60 was drawn by them in advance in March, 1993 in excess of their entitlement needing recovery.

The Division stated that recovery of outstanding amount of US \$ 6,134 against PN Officers is being effected by controller of Naval Accounts.

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

27. i) **IRREGULAR APPOINTMENT OF RETIRED ARMY OFFICERS AS MESS SECRETARY AND CIVILIAN COOK- RS.0.085 MILLION (PARA 3.14, PAGES 47-48-ARDS)**
ii) **NON-CREDITING OF RENT IN TO GOVERNMENT TREASURY- RS.0.160 MILLION (PARA 4.8, PAGE 57-ARDS)**

The Committee directed the Principal Accounting Officer on above two paras to investigate the issues and submit its findings in the next meeting.

The above mentioned Audit para (3.14) was again discussed by the Ad-hoc PAC and its directive is printed at page No.662 of the Ad-hoc PAC Report for year 1996-97.

28. **NON-CREDITING OF UNCLAIMED LAPSED SECURITIES TO GOVERNMENT ACCOUNTS- RS.5.23 MILLION (PARA 4.2, PAGES 51-52-ARDS)**

Audit informed that under orders all security deposits of contractors are to be recorded in the security deposit register (to be maintained in two parts) and at the close of each financial year all security deposit remaining unclaimed for three years are to be credited to Government under appropriate head where after they could be refunded only with the prior sanction of competent authority. In disregard of these orders, store section CMA (RC) Rawalpindi, was maintaining a safe item register wherein unclaimed/lapsed Securities valuing Rs.5,232,262 lying since July,1995 were not found credited to Government.

The Division stated that securities in the shape of cash, postal bank deposits, saving/cash certificates, bank deposit receipts are accepted/released by the CMA in terms of Rule 75 FR-1.

The Committee directed the department to seek advice on the issue from M/O Finance and take immediate action accordingly under report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.663 of the Ad-hoc PAC Report for year 1996-97.

29. **LESS RECOVERY OF COMPENSATION FOR DELAY- RS.0.968 MILLION (PARA 4.3, PAGE 52-ARDS)**

Audit informed that in a formation under a contract agreement the contractor was required to complete the work on 15-9-1998 (extended date). The contractor failed to complete the work within the stipulated extended period and work was finally completed on 12-10-1989. As such penalty clause was invoked by executive authorities with effect from 16-9-1988 as per term of contract. However, while making final payment a sum of Rs.21,500 was recovered instead of Rs.989,586 resulting in less recovery of Rs.968,086.

The Division stated that recovery is acceptable. The efforts are being made by the respective formation to recover the outstanding amount in the best interest of state by circulating the recovery at country level as well as contractor concerned.

The Committee directed the Principal Accounting Officer to take action against the person(s) responsible for less recovery of compensation for delay and to take measures to effect the recovery under report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.663-664 of the Ad-hoc PAC Report for year 1996-97.

30. **EXCESS CONSUMPTION OF SUIGAS BEYOND AUTHORIZATION- RS.0.828 MILLION (PARA 4.4, PAGES 52-54-ARDS)**

Audit pointed out that (a) PAF Base incurred an amount of Rs.393,587 for sui gas consumed in their cook houses in excess of authorization during July, 1992 to October, 1992, which needed recovery (b) In an other PAF Base sui gas was consumed in excess of the authorized scale which resulted into extra payment of Rs.434,710 during January, 1991 to June, 1992, needing recovery from the consumers.

The Division stated that use of sui gas was authorized as per scale laid down by the AFI 48/78. Excess consumption of sui gas was also covered vide para 3 of said AFI. The PAF base Minhas has been advised to regularize the loss through board of enquiry. Proceedings of the Board are still awaited.

The Committee directed the department to reconcile the issue with the Audit and report to PAC within one month.

31. **MISUSE OF GOVERNMENT TRANSPORT- RS.0.246 MILLION (PARA 4.7, PAGE 56-ARDS)**

Audit pointed that the HQ 10 Crops Chaklala detained an air conditioned Hino Bus exclusively for the school going children of officers. The un-authorized use of vehicle resulted into an irregular expenditure of Rs. 245,630 which needed recovery from the officers.

The Division stated that the total running of the said vehicle as school bus duties worked out by test audit is 24,563 k.m, which includes 120 k.m running on other use of the vehicle. Thus actual running of schools boys duties comes to 24,443 k.m (24563 - 120). Amount recoverable against 24,443 k.m. comes to Rs.18,332.25 as per JSI 7/79 and not Rs.245,630. Amount of Rs.18,332.25 has already been deposited.

The Committee directed the department to refer the issue to the Cabinet Division for advice on the subject and report to the PAC within two months.

32. i) **UNAUTHORIZED EXPENDITURE DUE TO PAYMENT OF PRINTING CHARGES ON PROVISIONAL BASIS AND BEYOND FINANCIAL POWER- RS.31.235 MILLION (PARA 5.1, PAGES 59-62-ARDS)**
ii) **UN-AUTHORIZED EXPENDITURE ON PRINTING OF ARMY STANDARD FORMS PUBLICATION FROM MARKET/NON-SURRENDERING OF UNSPENT BALANCE- RS.12.479 MILLION (RS.10.800 MILLION(+))RS.1.679 MILLION) (PARA 5.3, PAGES 61-62-ARDS)**

The Committee directed the M/O Finance to examine the above both paras and submit its report in the next meeting.

33. **IRREGULAR CASH PAYMENT TO SECRETARY PAK. NAVY SPORTS CONTROL COMMITTEE FOR EXPENDITURE ON THE SPORTS ACTIVITIES- RS.20.300 MILLION (PARA 5.2, PAGES 60-61-ARDS)**

Audit pointed out that PNS Zafar, Islamabad paid an amount of Rs.20,300,000 in cash to a committee for incurring the expenditure on sports activities. Moreover, violating the financial rules the expenditure was also sanctioned in piecemeal by the lower executives bringing the same within their financial powers to avoid proper Govt. sanction. An amount of Rs.6.50 million was drawn on 24th June,1992 just to avoid its laps at the close of financial year 1991-92 without any justified necessity which was also open to question.

The Division stated that the amount of Rs.20.300 million was allocated to Secretary PNSCC during the financial year 1992-93. Finance Division (Military) approved a new detailed head 9 under Sub-head D of main Head 11 Pakistan Navy which came into effect since 1st July, 1989. The amount pointed out by the Audit was utilized with the prior approval of DCNS (Trg & P) in term of Naval headquarters letter # AC 0705/II dated 12th November, 1990 and debited to the proper code head. No irregularity has been committed in the expenditure of sports activities.

After hearing the Division's reply, the Committee constituted a Sub-Committee under the Convenership of Kunwar Khalid Yunus, MNA comprising Mr. Adnan Aurangzeb, MNA, Mr. Muhammad Naseem Qureshi, Senior Joint Secretary, M/O Defence, Mr. Shabbir Ahmad Dahar, Director General Audit (Defence Services) and Mr. Jalaluddin Sohail, Financial Adviser, M/O Defence to examine the matter and submit its report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.664 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
12TH OCTOBER, 1998

AUDIT REPORT (DEFENCE SERVICES) (VOL-V-1993-94)

34. **IRREGULAR PAYMENT OF TA/DA TO VARIOUS SPORTS TEAMS-RS. 0.516 MILLION (PARA 5.5, PAGE 64-ARDS)**

Audit pointed out that PNS Zafar Islamabad paid an amount of Rs. 515,855 to various sports teams out of unit imprest account as travelling allowance advances etc. for temporary duty at different stations during January to April, 1994. No adjustment accounts against the advance TA/DA drawn were submitted to the authorities.

The Division informed that the TA/DA advance was paid in accordance with passage regulations 1980. The amount was subsequently post audited. Bills were presented to

C.N.A. within prescribed period. CNA was competent to recover the amount from the individual if adjustment claim were not submitted to CNA within stipulated period.

The Committee directed the department to take up the matter for regularization of the payment from competent authority within one month.

35. **NON-ACCOUNTING OF MACHINERY AND NON SURRENDER OF BALANCE AT THE END OF FINANCIAL YEAR-RS. 0.184 MILLION (PARA 5.6, PAGES 64-65-ARDS)**

Audit pointed out that in December, 1986, HQ 28 Bde. Mangla Cantt purchased a tractor at cost of Rs.178,000 out of the Defence fund allocation of Rs.183,610 made by Headquarter 23 Div. The purchase of tractor stated to have been made for cultivation of land in Border Defence Area was neither authorized nor the item was duly accounted for. The unspent lapseable amount of Rs.5,610 was kept in a private fund and not refunded into the treasury. The expenditure therefore required recovery/regularization.

The Division informed that after thorough checking it has been found that amount allotted as Rs. 183,610 was actually spent for purchase of tractor for Defence works. The statement for cultivation of land in border defence area as mentioned in Headquarters 28 Bde. was incorrect which was observed at that time. The tractor was purchased for preparation/maintenance of bunds/ditches required for defence works in operational areas.

The Committee was satisfied with the explanation given by the Division and settled the para.

36. **IRREGULAR EXPENDITURE OUT OF SERVICE CHARGES-RS. 0.500 MILLION (PARA 5.9, PAGES 66-67-ARDS)**

Audit pointed out that under Government orders, service charges have been treated as Revenues Receipt to be utilized on training and welfare measures of the service concerned.

The Division informed that the expenditure incurred on the provision of laboratory equipment was in accordance with the rules.

The Committee directed the department to take up the issue with the Prime Minister for condonation.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.664-665 of the Ad-hoc PAC Report for year 1996-97.

37. **AVOIDABLE INFRUCTUOUS EXPENDITURE CAUSED DUE TO WRONG PLANNING OF A SERVICE HEADQUARTER-RS.9.31 MILLION (PARA 6.1, PAGES 67-68 ARDS)**

Audit pointed out that at Rawalpindi a sum of Rs. 4.9 million was allocated by a service Headquarters for a specific purpose to an EME workshop during 1989. The store worth Rs. 4,744,569 was purchased and the project containing a quantity of 102 was completed in April, 1992 by utilizing 300,000 man-hours.

The Division intimated that materials were retrieved and properly accounted for as per recommendations of a board of officers and the stores are being issued to Army units.

The Committee directed the Division to get the distribution of tractors verified by the Audit and para would stand settled if Audit could be satisfied on this account.

38. **MISAPPROPRIATION OF STORES-RS. 0.879 MILLION (PARA 6.2, PAGES 68-69-ARDS)**

On the recommendation of the Audit, the Committee made no comments and settled the para.

39. i) **LOSS DUE TO INCORRECT FIXATION OF RESERVE PRICE FOR AUCTION OF TREES-RS.0.313 MILLION (PARA 7.1, PAGES 72-73-ARDS)**
- ii) **LOSS OF REVENUE DUE TO NON-AUCTION OF CANTT. SHOPS-RS.46.40 MILLION (PARA 8.1.1, PAGES 75-76-ARDS)**
- iii) **DELIBERATE LOSS CAUSED TO THE CANTONMENT BOARD DUE TO LESS RECOVERY OF HOUSE TAX-RS.0.889 MILLION(PARA 8.4.4, PAGES 96-97-ARDS)**
- iv) **LOSS OF REVENUES DUE TO MIS-MANAGEMENT OF AUCTION PROCEEDING IN RESPECT OF AGRICULTURAL LAND-RS.0.414 MILLION(PARA 8.11.1, PAGES 112-113-ARDS)**
- v) **EXTRA EXPENDITURE DUE TO DEFECTIVE PLANNING-RS.5.319 MILLION (PARA 9.2.1, PAGES 120-121-ARDS)**
- vi) **EXTRA EXPENDITURE DUE TO ILL-PLANNING AND DETERMINATION OF CONTRACT AGREEMENT-RS.1.277 MILLION (PARA 9.3.1, PAGES 128-129-ARDS)**
- vii) **LOSS DUE TO IMPROPER CONTRACT MANAGEMENT/ADMINISTRATIVE FAILURE-RS.0.123 MILLION (PARA 9.3.4, PAGES 131-132-ARDS)**
- viii) **IRREGULAR PURCHASE OF STORES AND EXTRA EXPENDITURE DUE TO ACCEPTANCE OF HIGHER RATE-RS.0.410 MILLION (PARA 9.4.3, PAGES 135-136-ARDS)**
- ix) (A) **UN-RECOVERED RISK MONEY-RS.2.222 MILLION (PARA 9.5.1, PAGES 143-144-ARDS)**
- (B) **NON-RECOVERY OF RISK AND EXPENSE MONEY FROM A DEFAULTING CONTRACTOR-RS.0.270 MILLION (PARA 9.5.2, PAGE 144-ARDS)**
- x) **NON-RECOVERY OF GOVERNMENT DUES FROM THE CONTRACTOR-RS.0.267 MILLION (PARA 9.5.3, PAGES 144-145-ARDS)**

- xi) **NON-DEVALUATION OF WORK DUE TO LESS USE OF CEMENT-RS.0.390 MILLION (PARA 9.7.1, PAGES 154-155-ARDS)**
- xii) **NON-DEVALUATION OF WORK DUE TO LESS USE OF CEMENT-RS.0.295 MILLION (PARA 9.7.2, PAGES 155-156-ARDS)**
- xiii) **NON-DEVALUATION OF WORK DUE TO LESS USE OF CEMENT-RS.0.242 MILLION (PARA 9.7.4, PAGES 158-159-ARDS)**
- xiv) **LESS-RECOVERY OF COST OF STORES RETAINED BY THE CONTRACTOR-RS.0.229 MILLION (PARA 9.8.1, PAGES 161-162-ARDS)**
- xv) **INFRACTUOUS EXPENDITURE OF-RS.0.302 MILLION(PARA 9.9.2, PAGES 168-169-ARDS)**
- xvi) **OVERPAYMENT TO CONTRACTOR DUE TO ACCEPTANCE OF EXCESS THAN ACTUAL CLAIM ON ACCOUNT OF AMENDMENT-RS.0.441 MILLION (PARA 9.12.2, PAGES 177-178-ARDS)**

On the presentation of above sixteen paras by Audit, the Committee referred all these paras for detailed examination to an Inter-departmental Committee which was formed on 8th January 1998, to examine the issues of forty-five cases having a financial effect of Rs.10.621 million and report to the PAC within one month.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at page No.668 of the Ad-hoc PAC Report for year 1996-97.

40. **LOSS DUE TO NON RECOVERY OF LEASE MONEY FROM ARMY WELFARE TRUST- RS.0.245 MILLION (PARA 7.2, PAGES 73-74-ARDS)**

Audit pointed out that an area measuring 270 acres was leased to Army Welfare Trust, Lahore for 10 years under government sanction.

According to the sanction, an area measuring 223.50 acres was transferred to the lessee on different dates during 1973 to 1980. After the expiry of five years free rent period a claim of Rs.147,675 was preferred out of which a sum of Rs.71,445 was got recovered from the lessee in December. 1986. No further payment was received. Despite lapse of more than 7 years, the executive failed to recover the ground rent and resume the possession of land after expiry of the lessee period.

The Division stated that MEO Lahore has taken up the case with Army Welfare Trust for recovery of outstanding dues. Legal action shall be taken in case of non-recovery of the said amount.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to examine such cases for corrective measures, take action against responsible and report to the PAC within one month.

41. **UN-AUTHORIZED EXPENDITURE WITHOUT SANCTION AND PROVISION OF A LAKE IN RESIDENTIAL ACCOMMODATION- RS.1.592 MILLION (PARA 8.1.2, PAGES 76-77-ARDS)**

Audit pointed out that in cantonment Board Multan construction of a new cantonment House at an estimated cost of Rs.798,000 was sanctioned in May, 1992. The work was however, completed at a cost of Rs.1,399, 707 without obtaining the revised sanction from the competent authority.

The Division stated that the estimates of Rs.1,400,000 were duly sanctioned and only an amount of Rs.193,196 was over and above which needed regularization by the controlling authority. But as desired by the Audit authorities the case for revised sanction of total amount of Rs.1,592,000 was processed which has since been obtained from the controlling authority (DML & C) Lahore on 14-11-1996. The department does not consider this case befitting any disciplinary action.

The Committee constituted a Sub-Committee under the Convenership of Syed Javed Ali Shah, MNA comprising a nominee each from the Audit, Finance Division (Military) and M/O Defence to investigate the facts, take actions against the concerned persons and submit its findings to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.665 of the Ad-hoc PAC Report for year 1996-97.

42. **UN-AUTHORIZED EXPENDITURE ON ELECTRIC FITTINGS AND FIXTURES OF SHOPS- RS.0.666 MILLION (PARA 8.1.4, PAGES 77-78-ARDS)**

Audit pointed out that in Cantonment Board Multan a sum of Rs.704,092 was spent on provision of fans and electric fittings in the shops of shopping centres which was the responsibility of lessees concerned as per conditions of their lease agreement.

The Division informed that the electric fittings are considered as part of the building and therefore the provision of the same is not a violation of the terms and conditions of the agreements.

The explanation offered by the Defence Division was not satisfactory. The Committee agreed with the Audit point of view and directed the Principal Accounting Officer to charge sheet the then Cantonment Executive Officer under the rules, take action against those responsible for this loss to Government exchequer and report to the PAC within one month.

43. **NON RECOVERY OF TRANSFER FEE- RS.0.560 MILLION (PARA 8.1.5, PAGES 78-79-ARDS)**

Audit informed that (a) it was decided by the Cantonment Board Multan in December, 1988 to recover the transfer fee @ Rs.20,000 per shop auctioned on premium. In contravention of the above resolution, no transfer fee was recovered for 11 shops auctioned on premium during December, 1988 to April, 1991, resulting in revenue loss of Rs.220,000 to the Cantonment Board. (b) the same Cantonment Board also did not recover the transfer fee of lease held rights on second and subsequent transfer cases at the

approved rates. Resultantly an amount of Rs. 340,000 remained un-recovered, from the purchasers during May/June, 1990.

The Division stated that the subject plaza was constructed on self financed basis where under the premium of the shops yet to be constructed were auctioned. In the light of CBR number 10 of 2-4-1991 only five shops became liable for payment of transfer fee, so an amount of Rs.100,000 became recoverable out of which Rs. 40,000 have since been recovered. Efforts are being made to recover the balance amount.

The Committee directed the Principal Accounting Officer to examine the issue and report to Committee within one month.

44. **LOSS OF CANTONMENT FUND DUE TO FREE TRANSFER OF LAND TO PRIVATE BODY- RS. 22.4 MILLION (PARA 8.2.1, PAGES 86-87-ARDS)**

Audit pointed out that in Cantonment Board Wah, violating the Government Orders, a piece of commercial plot measuring 14 acres was handed over to a welfare society free of cost for construction of a commercial plaza during 1980-81 without obtaining prior Government sanction and also without a formal lease agreement regulating terms and conditions of the lease etc. It resulted in an approximate loss of Rs. 22,400,000 to cantonment fund as compared to the then market price.

The Division informed that subject plaza has not been constructed by any welfare society. Rather it has been constructed and owned by the Pakistan Ordinance Factories (POFs) which is a Government organization. However the case for re-classification of land is under process.

The Committee directed the department to verify the record and refer the case to M/O Finance to examine the issue and report to PAC within three months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.665-666 of the Ad-hoc PAC Report for year 1996-97.

45. **LOSS TO CANTONMENT FUND DUE TO NON-RECOVERY OF LEASE RENT AND HOUSE TAX- RS. 1.832 MILLION (PARA 8.2.2, PAGE 87-ARDS)**

Audit pointed out that in cantonment Board Wah recovery of lease rent of plots payable by the allottees of a housing scheme covered under respective lease agreement was not initiated. It resulted in a loss of Rs. 82,962 to cantonment Fund, upto June, 1994. Moreover about 300 houses constructed by the allottees of above schemes were requisitioned by a formation on self hiring basis and the owners were liable to pay house tax to cantonment Boards with effect from 1990-91, but no assessment for the purpose was made resulting in further loss of revenue to the tune of Rs. 1,749,600 upto June, 1994.

The Division stated that a sum of Rs. 51,787 has since been recovered on account of lease rent of plots. Efforts are underway to recover the balance amount of Rs. 31,175. The subject houses were constructed by the POF for its low paid employees. Upon completion, the same were requisitioned by POF on self-hiring basis. The rent was being adjusted against the installments of cost of construction that the owners/allottees has to pay to the POF. Since they were low paid employees, the Board could not reach a consensus as to whether to levy the house tax as per the requisitioned amount or not. The Board finally decided to levy the tax in 1996.

After hearing the Division's reply, the Committee directed the concerned Ministry to reconcile the issue with the Audit, take action against the concerned person(s) who were responsible for the losses and report to PAC within one month.

46. **LOSS TO CANTONMENT FUND DUE TO UN-AUTHORIZED EXEMPTION OF HOUSE TAX-RS.0.378 MILLION (PARA 8.2.5, PAGES 89-90-ARDS)**

Audit informed that in a Cantonment Board 50% exemption in house tax was incorrectly granted to a society in disregard of rules, resulting in a loss of Rs.377,627 to cantonment fund during July, 1985 to July, 1994 needing recovery along with the interest.

The Division replied that the subject plaza is owned by the POF which is a Government Organization. All Government buildings are exempted from payment of property tax under the provision of cantonment Act, 1924. As such no recovery needs to be effected.

The Committee conveyed its displeasure on the issue and directed the department to recover the losses and take action against the person (s) responsible under intimation to PAC within one month.

47. **LESS RECEIPT OF OCTROI SHARE- RS.12.85 MILLION (PARA 8.3.1, PAGE 92-ARDS)**

Audit informed that in term of an agreement mutually signed by Municipal Administration and Cantonment Authorities Rawalpindi, octroi duty levied on goods, animals etc. was collected by the corporation and its 40% share was to be paid on monthly basis to the Cantonment Board.

The Corporation awarded contracts for collection of octroi to different contractors whereby all establishment expenses were payable by the contractors. However while paying 40% share to Cantonment Board, the corporation deducted establishment charges which resulted into less receipt of octroi share amounting to Rs.12,849,789 during 1982 to 1989 needing recovery.

The Division replied that the case has been taken up by the ML & C Department with the Secretary Local Government Punjab to settle the long outstanding issue.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to take up the issue with the Chief Minister Punjab to effect recovery of full agreed amount from concerned agencies.

ACTIONABLE POINTS
13TH OCTOBER, 1998

AUDIT REPORT (DEFENCE SERVICES) (VOL-V-1993-94)

48. i) **NON-RECOVERY OF ARREARS OF OCTROI SHARES FROM MUNICIPAL CORPORATION-RS. 5.643 MILLION (PARA 8.4.1, PAGES 93-94-ARDS)**
- ii) **NON-RECOVERY OF OUTSTANDING ON ACCOUNT OF OCTROI COLLECTION- RS.1.067 MILLION (PARA 8.4.3, PAGES 95-96-ARDS)**
- iii) **NON-RECOVERY OF HACKNEY CARRIAGE FEE- RS. 0.350 MILLION (PARA 8.4.5, PAGES 97-98-ARDS)**

Audit pointed out that in contravention of the provisions of the agreement, the Cantonment Board did not recover the outstanding amount, needing immediate recovery from the local body along with the interest.

The Principal Accounting Officer apprised the Committee that issue has already been referred to the Chief Minister Punjab for settlement.

The Committee directed Audit to take up the issue with the Chief Minister of Punjab on behalf of the PAC to expedite the settlement.

49. **LOSS TO BOARD DUE TO LESS RECOVERY OF DEVELOPMENT CHARGES- RS.2.20 MILLION (PARA 8.4.2, PAGE 95-ARDS)**

Audit pointed out that Cantonment Board Bahawalpur recovered the development charges @ Rs.15 instead of Rs. 60 per square meter for residential plot despite the fact that all civic services were also provided by the Board in the area. It resulted in a revenue loss of Rs. 2,203,760 to Cantonment Board during 1991-92 to 1993-94.

The Division informed that the locality in question was developed by the Bhawalpur Improvement Trust by providing roads, water supply, electricity etc. and was handed over in 1969 to Bhawalpur cantonment in this partially developed form as such the Board felt that for residential purposes the development charges should remain at its present level while for commercial purposes it has already been enhanced to Rs. 100 per square meter. The Committee made no comments and settled the para.

50. **LOSS TO CANTONMENT BOARD DUE TO NEGLIGENCE OF CANTONMENT OFFICIALS- RS. 0.322 MILLION (PARA 8.4.6, PAGES 98-99-ARDS)**

Audit pointed out that in Cantonment Board Bahawalpur three call deposits @ Rs. 50,000 each were submitted by the participants of an open auction of toll posts which were credited to cantonment Board account in October, 1990. These bidders subsequently failed to get the toll posts and the amount of Rs. 50,000 each had to be refunded to them under the terms of deposits.

The authority concerned, however adjusted this amount at their own against the security deposit of the highest and successful bidder, but without the written consent of the actual depositors. The highest bidder also defaulted later on, without any amount of security deposit from him. Resultantly the participants filed suit in Civil Court and honorable Court decided it against the Cantonment Board. The Board filed a suit against the decision but the appeal was also dismissed. This resulted into a cash loss of Rs. 322,290 to the cantonment Board.

The Division informed that the Regional Director has been asked to investigate the matter and submit his report within 30 days.

The Committee directed the Principal Accounting Officer to recover the said losses from the concerned officer(s) as penalty due to their negligence and report to PAC within one month.

51. **LOSS DUE TO IRREGULAR BIDDING CONCESSION ALLOWED TO A PRIVATE PERSON- RS. 0.505 MILLION (PARA 8.5.1, PAGE 101-ARDS)**

Audit pointed out that as a result loss of Rs.354,000 on account of deficit premium of the second auction and another loss of Rs.151,200 on account of unrealized rent was caused to cantonment Board Lahore, which required regularization.

The Division informed that in the subject case the irregularity committed was that earnest money of Rs. 10,000 was not deposited by the successful bidder before the auction proceeding. He was not handed over the possession of offices and no lease agreement was signed therefore, the 1/4th rent of the offices were not due from him.

The Committee directed the Principal Accounting Officer to suspend the Cantonment Executive Officer immediately and investigate the issue, take action under the Rules and report to PAC within two months.

52. **REALIZATION OF ENTERTAINMENT DUTY BY AN AUTHORITY OTHER THAN THE CANTONMENT BOARD- RS. 1.160 MILLION (PARA 8.9.1, PAGES 109-110-ARDS)**

Audit pointed out that under the provision of an Act, no Public dramatic performance can be held in any premises within limits of Cantonments, unless the permission/License is issued by the respective Cantonment Board and entertainment duty thus recovered is to be credited to the cantonment Board fund. Contrary to the provision Act, permission to hold the Maila and Meena Bazar in the limits of Cantonment Board Malir Cantt. was irregularly granted by the station authorities and realized a sum of Rs.1,160,000.

The Division informed that the amount has been spent on the welfare of the troops as such recovery need not to be effected. GHQ has been requested to issue necessary instructions to the local Army authorities to forestall recurrence of such irregularities in future.

The Committee directed the Principal Accounting Officer to examine the issue and submit its report to PAC within one month.

53. **NON PAYMENT OF COMPENSATION BY A PROMOTER FOR UTILIZING THE CAR PARKING SPACE AS A GODOWN- RS. 0.5 MILLION (PARA 8.10.1, PAGES 111-112-ARDS)**

Audit pointed out that in Cantonment Board Hyderabad, Certain promoters submitted an undertaking that the car parking space provided to them will not be utilized for any other purpose otherwise they would be liable to pay a penalty/compensation amounting to Rs. 5 lac in Cash to the Board as resolved in April, 1988. The Car parking space was, however, subsequently converted by the promoters into godown without payment of the requisite compensation, which resulted in a loss of Rs. 500,000 to the Cantonment Board.

The Division informed that a committee constituted by the Cantt. Board Hyderabad went through in detail of the case and found that an area of 1891 sft. in the basement was earmarked for 8 offices and the rest of the area was meant for car parking as per building plans approved by the cantt. Board. These offices are being used as godowns which is no way is a violation of the undertaking given by the promoters as the area earmarked for parking space has not been converted into godowns and is still being used as car Parking. No action is, therefore warranted against the promoters.

The Committee directed the Principal Accounting Officer to recover the amount from the proprietor of Tayyab complex, Hyderabad and take action against responsible for this lapse under intimation to PAC within two months.

54. **LESS RECOVERY OF RENT FROM THE LESSEE OF RESTAURANT- RS. 0.182 MILLION (PARA 8.13.1, PAGES 114-115-ARDS)**

Audit pointed out that the restaurant was leased out to a lessee by taking premium of Rs. 1,215,000 through Public auction on the condition that the hall would be used as restaurant only. The lessee failed to run the restaurant and requested for using the hall as a general store/show room. The request was acceded to after obtaining additional Premium of Rs. 300,000 for change of purpose. However rent of general store was not

unchanged/brought at par with the rate of shops at the same floor which resulted in short recovery of rent to the extent of Rs. 182,226. This was also pointed out by the higher Authority of the Department.

The Division informed that the Pakistan Cantonment property Rules 1957 section 9(2)(I)(ii) empowers cantt. Board to reserve the rent of the leased property. In the subject case the decision to allow the change of business was taken by the Board vide its resolution # 30 dated 24-7-1990. However Board has been directed not to allow change of purpose in future arbitrarily.

The Committee directed the Principal Accounting Officer to examine the issues which were raised under the para and report to PAC within two months.

55. **AVOIDABLE EXTRA EXPENDITURE DUE TO NON-ADOPTION OF ECONOMICAL MEASURES- RS. 3.192 MILLION (PARA 9.2.2, PAGES 121-122-ARDS)**

Audit pointed out that the execution of work with costlier pipes against the normal engineering practice was simply because of wrong engineering planning and in disregard of the canons of financial propriety which resulted into avoidable extra expenditure of Rs.3.192 million in March, 1992. It needs regularization etc.

The Division intimated that the use of AC pipes as suggested by Audit authorities was not practicable as due to Sand Dune area and also due to frequent move of sand especially in summer season, the pipes get naked and subsequently broken on pumping. It was decided by the competent technical authorities to use MS pipes for which contract agreement was concluded by DW & CE (Army).

The Committee was satisfied with the explanation given by the Division and settled the para.

56. **OVERPAYMENT DUE TO APPLICATION OF INCORRECT RATES-RS. 0.916 MILLION (PARA 9.6.1, PAGE 147-ARDS)**

Audit pointed out that in an MES formation a contractor was paid composite rate for a work prepared by pricing crushed stone at market rate instead of that available in the relevant MES schedule of rates as required under rules. Application of wrong rates resulted in an overpayment of Rs. 915,757 in August, 1992, which required recovery.

The Division informed that the recovery notice has been issued to the Contractor on 14th July 1997.

The Committee directed the Principal Accounting Officer to examine why the overpayment was made, take action against responsible for the payment and report to PAC within one month.

57. **OVERPAYMENT DUE TO APPLICATION OF WRONG RATE-RS.0.368 MILLION (PARA 9.6.2, PAGES 147-148-ARDS)**

Audit pointed out that in the water bound base course aggregate 1-1/2" to 3/4" graded and stone dust is to be incorporated in the work. In a contract the Contractor used 2" graded crushed stone/sand but received payment for work having been executed with 3/4" to 1-1/2" thick crushed stone. The requisite financial adjustment as required under rules was, however, not made resulting in an overpayment of Rs. 368,398 in October, 1991 which required recovery.

The Division informed that the case was referred to HQ DW & CE(A) Rawalpindi for clarification of rates. The DW & CE(A) Rawalpindi has confirmed that the payment has correctly been made by, the executive to the contractor according to MES schedule of rates 1981, using 50 mm graded crushed stone for water bound macadam surface.

The Committee directed the Principal Accounting officer to examine the issue, recover the overpayment amount, take action against the responsible officer(s) and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.666 of the Ad-hoc PAC Report for year 1999-2000.

58. **NON-RECOVERY OF RENT AND ALLIED CHARGES FROM OCCUPANTS OF MILITARY BUILDINGS- RS. 0.716, MILLION (PARA 9.11.1(5), PAGE 173-ARDS)**

Audit pointed out that in accordance with the Rules; it is the responsibility of the executive/accounts authorities to make demand for payment of all revenues on time for prompt realization from the parties concerned. In case of Private parties these charges are recoverable in advance. Due to ineffective internal control, in GE (Air) Islamabad an amount of Rs.0.716 million was found accumulated against the occupants of the Military buildings on account of rent and allied charges which are yet to be recovered.

The Division informed that the action to regularize the loss is in hand.

The Committee directed the Principal Accounting Officer to examine the issue and submit its report to PAC within two weeks.

59. **LOSS TO STATE DUE TO NON-RECOVERY OF RENT OF VARIOUS COMMERCIAL SHOPS-RS. 0.315 MILLION (PARA 9.11.3, PAGES 174-175-ARDS)**

Audit pointed out that electric charges of various commercial buildings constructed in PAF residential/domestic area at a station were being charged by MES from occupants but the rent thereof as per rules was not being recovered resulting into a loss of Government revenues valuing Rs.315,000.

The Division informed that the M/O Defence has formed a Committee to formulate a policy for use of such Govt. Land by updating CLA Rules 1937 in accordance with the changed circumstances for the last sixty years. This is to safeguard the encroachments from civilians and the welfare of troops being the basic aim of handing over lands to Military authorities.

After hearing the Division's reply, the Committee directed the Principal Accounting Officer to recover the loss under the respective laws and submit its report on the utilization of these funds on the welfare troops to PAC within six months.

COMMERCIAL APPENDIX (DEFENCE SERVICES) (VOL-II-B-1993-94)

60. **INFRACTUOUS EXPENDITURE ON PURCHASE OF PLANT NOT IN USE-RS.12.482 MILLION (PARA 29, PAGE 20-CA)**

The Committee decided to discuss this para with the accounts of Defence Production Division and the para was discussed with the accounts of Defence Production Division on 15-10-1998.

61. **(PARAS 28, 30, 31, 32 & 33, PAGES 21-23-CA)**

The Committee settled these paras.

ACTIONABLE POINTS **3RD DECEMBER, 1998**

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

62. **KARACHI SHIPYARD AND ENGINEERING WORKS LIMITED (PARAS 59, 63 & 64, PAGES 57-58-ARPSE)**

Audit pointed out that the administrative control of the Karachi Shipyard & Engineering Works Limited (KS & EW) was transferred to M/O Defence in September, 1993. The accumulated loss of Rs.1452.709 million has wiped out the total equity of Rs.464.222 million. The total liabilities (Rs.1715.421 million) have gone up to 25% of the total assets (Rs.728.607 million). In the prevailing circumstances, the existence of the shipyard as a "going concern" is doubtful. A policy decision regarding financial restructuring/future role of the shipyard needs to be taken.

The Division informed that the department is trying to introduce a policy of golden handshake to decrease 50% employees. The department has taken off the matter of duty on new equipment with ECC. We are facing hardships in performance bond.

After hearing the Division's and Audit's opinion on the issue, the PAC constituted a Sub-Committee under the Convenership of Mr. Adnan Aurangzeb, MNA, comprising Mir Faridullah Khan Jamali, MNA, Rear Admiral Javed Iftikhar, Chairman (KS & EW), Mr.

Ansar Hussain Shamsi, Joint Secretary (CF), M/O Finance, Sheikh Ikramullah, Joint Secretary, M/O Defence and Mr. Jalaluddin Qureshi, Director General (CA) to prepare proposal, how to make the KS & EW viable/workable and report to PAC within three months.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No.585-586- of the Ad-hoc PAC Report for year 1996-97.

63. **(PARAS 60, 61 & 62, PAGE 58-ARPSE)**

The Committee settled these paras.

ACTIONABLE POINTS 1988-89

64. **LOSS OF RS. 2.642 MILLION ON PURCHASE OF SECOND-HAND OBSOLETE AND NON-OPERATION WORKING MACHINE (PARA 71, PAGE 59-60-ARPSE) (ITEM 7-AP-88-89)**

Audit pointed out that Karachi Shipyard and Engineering Works (KS&EW) placed a purchased order on a local firm in May, 1985 for supply, installation and commissioning of six second hand machines valuing Rs.6.360 million for augmenting the machining capabilities of its machine shop. The firm supplied two machines in July, 1985 and two more in March, 1986 against which Rs.2.642 million were paid to them. The machines, however, could not be installed and commissioned as they were rusty and obsolete. The procurement of remaining two machines was then held in abeyance.

The departmental representative in the previous PAC meeting held on 20-11-1995 (under M/O Communications) had intimated that an inquiry was held and certain responsible officers were dismissed. The Director held responsible was also dismissed. KS&EW had also filed a case against the supplier in the court which was pending. After detailed discussion, the Committee directed the department to expedite the process of recovery.

The Division informed that a civil suit was filed in the Sindh High Court on February 10, 1988. The case was pending for recording of evidence awaiting its turn. The Advocate is vigorously pursuing the case.

The Committee directed the Principal Accounting Officer to take all possible measures to make machines operative as early as possible. The Committee also advised the department to engage the M/O Law and Justice for legal advice and assistance.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No.586-587- of the Ad-hoc PAC Report for year 1996-97.

DEFENCE PRODUCTION DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for 1993-94 pertaining to Defence Production Division were taken up for examination by Public Accounts Committee (PAC) on December 17, 1997, January 7 and October 15, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in number of cases involving un-authorized payment/investment, irregular payment, loss to state, blockade of public money/funds non-recovery of risk and expense amount, non-recovery of US \$, procurement of stores etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 64 paras and 1 grant reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.4 The Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint Presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Defence Production Division held on 17th December, 1997, 7th January and 15th October, 1998, are as under:-

17TH DECEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1988-89)

1. GRANT NO.31-DEFENCE PRODUCTION DIVISION (PAGE 146-AA)

Audit pointed out that an amount of Rs.3,488,985 was surrendered leaving net saving of Rs.531,871.

The Committee conveyed its displeasure on the saving and directed the department to be careful in future.

AUDIT REPORT (DEFENCE SERVICES) (VOL-V-1993-94)

2. **INCORRECT CONCLUSION OF CONTRACTS RS.199.143 MILLION AND PAYMENTS OF COMMISSION RS.0.833 MILLION (PARA 10.1, PAGES-186-187-ARDS)**

Audit pointed out that particulars of the procurement agency that concluded certain contracts valuing Rs.199.143 million paying commission to suppliers in violation of the Prime Minister's directive. The Audit further stated that conclusion of these contracts and payment of commission was incorrect, irregular and required to be made good.

The Division informed that foreign Principals were approached to obtain their offers directly without involving local agents but they all refused, beside one time waiver was obtained from Minister for Defence production in each case and the contracts were concluded involving the local agent.

The Committee settled the para subject to obtaining approval from the Prime Minister.

3. **LOSS TO THE STATE DUE TO CONCLUSION OF CONTRACT AT EXORBITANT RATES, RS.10.299 MILLION (PARA 10.2, PAGES 187-188-ARDS)**

Audit pointed out that a procurement agency concluded two contracts for supply of 10700 M/T of vegetable ghee at equal rate of Rs.19150 per M/T, higher than the ex-mill rate viz Rs.18500 M/T. There appeared no justification in purchasing an article commodity at a rate higher than its retail price. Extra expenditure of Rs.10.299 required regularization.

The Division informed that M/S Ghee Corporation of Pakistan was asked to provide justification for such an exorbitant difference over the ex-mill rate and also to reduce their rates which should be at least 1.6% lower than the prevailing ex-mill rates, but the firm refused to do so due to increase in cost of production.

The Committee directed the DP Division and Audit to re-examine the issue and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.401-402- of the Ad-hoc PAC Report for year 1996-97.

4. **NON-REPLACEMENT OF REJECTED STORE COMMITTED FOR RS.3.681 MILLION (PARA 10.3, PAGES 188-190-ARDS)**

Audit pointed out that in accordance with the contract terms, payment of 85% of cost of consignment of 300 guns worth Rs.3.681 million, was realized in advance whereas the whole consignment was rejected on arrival in May 1987. The firm neither replaced the store nor refunded the payment.

Audit further informed that the terms of payment read with inspection clauses restricted the accounts authorities from release of Bank Guarantee prior to final acceptance of stores by inspection authority. Notwithstanding the contract terms, accounts authorities released Bank Guarantee for Rs.7.940 million in March 1987 while the consignment was rejected in May 1987.

The Division stated that the contract was concluded for supply of 700 Qty old and 300 new version. Later on, Qty 300 new version was converted in to old version by the DGP (Army) vide their letter dated 12-8-1990. Besides, 85% advance was correctly paid by the accounts authorities, after gauging inspection in term of the contract clauses and Bank Guarantee was released correctly as there was no restriction.

Despite detailed discussion, the matter could not be resolved. It was therefore decided to form a Sub-Committee under the Convenership of Ch. Muhammad Berjees Tahir MNA, comprising Maj. Gen. Ziaullah Khan, Director General Procurement (Army) Mr. Asif Zaman Ansari, Financial Adviser, Defence Production, Mr. Shabbir Ahmad Dahar, Director General Audit Defence Services to re-examine the issue and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.402 of the Ad-hoc PAC Report for year 1996-97.

5. **INCORRECT FURNISHING OF BANK GUARANTEE RS.3.43 MILLION (D.M. 179, 172) (PARA 10.4, PAGES 190-191-ARDS)**

Audit pointed out that according to the terms of the contract, a firm's principal was required to furnish two separate Bank Guarantees amounting to (i) D.M 170,640 for main equipment for vehicles and (ii) D.M. 8,532 spares equal to 10% of total FOB value of vehicles, but both the bank guarantees were furnished in local currency by the local agent which was against the provision of the contract and required regularization.

The Division stated that it was a preventive measure adopted by the procurement agency to impose BG/CSD to ensure timely supply of store and the amount of both bank guarantees were equivalent to F.E.

The Committee settled the para, however, directed the Division to be careful in future.

6. **AWARD OF CONTRACT TO A FIRM OTHER THAN THE LOWEST, RS.3.095 MILLION (PARA 10.5, PAGE 191-ARDS)**

Audit pointed out that a procurement agency concluded a contract with a firm other than the one with the lowest quoted rates without any solid technical reason resulting into loss of Rs.3.095 million.

The Division informed that both the 1st & 2nd lowest offers were rejected by the IE & I Chaklala due to the reason that the models offered by the firms were different in design

and construction from the requirement. On recommendation of the technical authorities, the contract was placed on the 3rd lowest firm.

The Committee made no comments and settled the para.

7. **ACCEPTANCE OF RATES OTHER THAN THE LOWEST AND LOSS OF RS.3.022 MILLION (PARA 10.6, PAGES 191-193-ARDS)**

A procurement agency concluded a contract with a firm at the rate higher than the 1st lowest quoted firm despite necessary rectification of the observations pointed out by the technical authority resulting into a loss of Rs.3.022 million.

The Division informed that the case was referred to the RV & F dte. GHQ Rawalpindi to justify the reasons for rejection of the offers made by the other firms including the lowest quoted firm. The RV & F dte who informed that offers of all the firms except M/s Allied Engg. were technically not accepted and as such the contract was concluded accordingly.

The plea of the Division was not accepted by the PAC due to the fact that reason for rejection of the lowest offers was not given by technical authority.

The Committee constituted a Sub-Committee under the Convenership of Mr. Adnan Aurangzeb, MNA comprising Maj.Gen. Ziaullah Khan, Director General, Procurement (Army), Mr. M.Asif Zaman Ansari, Financial Adviser, Defence Production and Mr. Shabbir Ahmed Dahar, Director General Audit, Defence Services to examine whether the contract was awarded validly and whether irregularities have been committed or not and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 402 of the Ad-hoc PAC Report for year 1996-97.

8. **SUPPLY OF DAMAGED STORE DUE TO INCORRECT AND IMPROPER PACKING, RS.2.381 MILLION (US \$ 94950.00) (PARA 10.7, PAGES-193-194-ARDA)**

Audit informed that a firm supplied damaged equipment valuing Rs.2,380,862 (US \$ 94950) resulting from substandard packing which required recovery of its cost.

The Division informed that the firm had agreed to repair the damaged equipment at their own cost vide firm letter dated 31-10-1996.

In reply to the Division, Audit pointed out that the firm has failed either to replace or repair the damaged equipment at their own cost up till now.

The Committee directed the department to examine the matter and report to PAC within one month.

9. **LOSS DUE TO SUPPLY OF SKIMMED MILK POWDER AT RATES HIGHER THAN THE CONTRACTED RATES RS.0.809 MILLION (PARA 10.8, PAGES 194-195-ARDS)**

Audit pointed out that under the contract the supplier did not supply the total contracted quantity of 800 M/T skimmed Milk on the plea that the delayed opening of L.C. till the expiry of delivery period had resulted in higher prices. The reasons advanced by the supplier for short supply were not based on fact since quantity of 475 M/Ton had already been supplied after opening of L.C.

The Division explained that the firm had agreed to supply balance quantity on contracted rates subject to extension in delivery period. The extension was granted but the firm was paid @ US \$ 1232 per M/Ton as against the original contract rate of US \$ 1118 which resulted into extra expenditure of Rs.0.809 million.

The Division further stated that the rates were amended to US \$ 1232 per M/T by the competent authority.

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

10. **INCORRECT CONCLUSION OF CONTRACT RESULTING INTO EXTRA AVOIDABLE EXPENDITURE OF RS.0.797 MILLION (US \$ 29976) (PARA 10.9, PAGES 195-196-ARDS)**

Audit pointed out that a procurement agency concluded a contract with a firm for supply of 240 Nos. parachutes @ US \$ 1088 each (excluding 3% discount) with freight charges US \$ 29976 (RS.797,009). Another firm had also offered their rate of US \$ 1088 each on FOB Karachi basis whereas the contract was not concluded with this firm and the more expensive offer was accepted by the user on the plea that 80% of the equipment being used by them was of the same make. The plea of the users was not correct or valid as parachute of other manufactures/suppliers were being procured/used by them, through another contract.

The Division stated that the lowest firm did not deposit the earnest money. Besides the 2nd lowest quoted firm matched the rates with the lowest quoted. Moreover, on recommendation of the technical authority/the user HQ SSG 80% of the equipments being used by them were supplied by the foreign principals of M/S Westridge Enterprises, Rawalpindi. The contract was awarded to that firm.

The Committee directed the Division to re-examine the matter and report to the PAC within one month.

11. **INCORRECT CONCLUSION OF CONTRACT RS.0.752 MILLION (PARA 10.10, PAGES 196-197-ARDS)**

Audit pointed out that a procurement agency concluded a contract for procurement of Toyota Coaster 30 seater in lieu of a truck while the TO & E did not contain the provision for such substitution.

The Division stated that the executive authorities did not put forward any justification for their action but stated that the indenter i.e. GHQ was requested to provide the Ex-post facto sanction and the same would be provided to audit for verification as and when received from GHQ.

The Committee directed the department to take up the issue again with GHQ for Ex-post facto sanction.

12. **IRREGULAR CONCLUSION OF CONTRACT WITH A FIRM HAVING UN-SATISFACTORY PAST PERFORMANCE (PARA 10.11, PAGES 197-198-ARDS)**

Audit pointed out that under the contract a firm supplied only 404 M/T rice basmati out of 700 M/T with the original delivery period up to April, 1992 and the balance quantity 282.242 was supplied up to 16-10-1994 i.e. two and a half years after the original delivery period. Despite un-satisfactory performance a fresh contract was again awarded to the firm which repeated its derelict performance. The contract was cancelled at the risk and cost of the defaulting firm.

The Division informed that supplies were completed in the former contract and stoppages of ITs to the firm in anticipation of indent dated 6-12-1992 at that time on the basis of unsatisfactory performance would not have been in order, because ITs were issued to the firm that the contract was correctly awarded to the firm.

After detailed discussion, the Committee settled the para. However, the Committee decided to constitute a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA comprising Mr. A. Ghafoor Mirza, Additional Secretary, M/O Finance, Mr. Muhammad Akram Khan, Deputy Auditor-General (GA), Maj. Gen. Muhammad Mohsin, Director General (ITD), GHQ and Mr. M. Asif Zaman Ansari, Financial Adviser, Defence Production to review the procurement system of the Defence Production Division, suggest ways and means to streamline the existing procedure with a view to reduce element of discretion and made the process transparent.

The Committee desired that the Sub-Committee submit its report to the PAC within two months.

13. **NON-RECOVERY OF THE COST OF STORE FROM THE INSURANCE COMPANY DUE TO SINKING OF SHIP RS.0.246 MILLION (PARA 10.12, PAGES 198-199-ARDS)**

Audit pointed out that under the terms of two contracts the cost of insured medical store, sunk at sea, was required to be recovered from the insurance company which was however, delaying the payment.

The Division informed the Committee that Rs.1,788,552 were deposited against one of the two contracts.

The Committee made no comments and settled the para.

ACTIONABLE POINTS
7TH JANUARY, 1998

AUDIT REPORT DEFENCE SERVICES (VOL-V-1993-94)

14. i) **NON RECOVERY OF RISK EXPENSE AMOUNT FROM DEFAULTING CONTRACTOR- RS. 0.205 MILLION (PARA 10.13, PAGE 199-ARDS)**
ii) **NON-RECOVERY OF LONG OUTSTANDING RISK AND EXPENSE AMOUNT FROM DEFAULTING CONTRACTOR- RS. 0.128 MILLION (PARA 10.14, PAGE 200-ARDS)**
iii) **NON-RECOVERY OF RISK EXPENSE AMOUNT FROM DEFAULTING CONTRACTOR- RS. 0.127 MILLION (PARA 10.15, PAGES 200-201-ARDS)**

On the presentation of the above paras by Audit, the Committee was not satisfied with the explanation given by the Division and directed the Principal Accounting officer to examine all the cases and take action against concerned officers, why they did not recover the said losses and report to PAC within two months.

The above mentioned Audit para (10.13) was again discussed by the Ad-hoc PAC and its directive is printed at page No 410 of the Ad-hoc PAC Report for year 1996-97.

15. **NON-RECOVERY OF GOVERNMENT DUES- RS. 2.017 MILLION (PARA 11.1, PAGES 201-202-ARDS)**

Audit pointed out that under the orders, recoveries of overpayment and government dues against contractors are to be made from the first claim/payment being made to them. Contrary to these orders, the recovery of government dues amounting to Rs. 2,017,331 recoverable from a contractor was not made despite payments of Rs. 2.105 million subsequently made to him.

The Division informed that the case is subjudice in the court of law.

The Committee directed the Principal Accounting Officer to examine the matter, fix the responsibility, take action against the concerned officers/officials, why they did not deduct the said amount during the final payment and report to the PAC within one month. The Committee further directed the department to take all possible measures to recover Rs.2.017 million.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 399-400 of the Ad-hoc PAC Report for year 1996-97.

16. **EXTRA EXPENDITURE DUE TO PROVISION OF EXTRA ACCOMMODATION- RS.1.840 MILLION (PARA 11.2, PAGES 202-203-ARDS)**

Audit pointed out that under the prescribed scales read with the revised specifications promulgated by government on 9-2-1989, the covered area for 'D' type officer's house was restricted between 1250-1500 square feet. Contravening the scales and government orders, an engineering authority concluded a contract agreement for construction of certain 'D' type officer houses with the built up area of 2443 square feet. It resulted into an extra cost of Rs. 1,840,937.

The Division informed that the construction of six 'D' type flats were sanctioned by M/O Defence for Major rank officers.

The Committee constituted an Inter-departmental Committee comprising a nominee each from M/O Finance (Convener), M/O Defence, Defence production Division and Audit to examine the matter and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 400 of the Ad-hoc PAC Report for year 1996-97

17. **NON-RECOVERY OF RENT AND ALLIED CHARGES FOR CIVILIANS MESS- RS. 0.494 MILLION (PARA 11.3, PAGES 203-204-ARDS)**

Audit pointed out that under the rules, provision of free messing facilities and mess accommodation is authorized for service personnel only. Contrary to above, an engineering authority concluded a contract agreement for extension/construction of an Airmen Mess for civilian employees of an organization based on a Government sanction. On its completion/occupation, rent and allied charges were not realized which amounted to Rs. 493,681 till August, 1994.

The Division informed that extension of existing Airmen Mess was made to facilitate the additional dining in members and not for civilian members. So no rent and allied charges are recovered from Armed Forces personnel's according to rule.

The Committee settled the para subject to verification by Audit.

18. **LOSS TO STATE DUE TO NON-IMPOSING OF LIQUIDATED DAMAGES- RS.0.387 MILLION (PARA 11.4, PAGES 204-205-ARDS)**

Audit pointed out that in an MES formation under a contract agreement extension in completion period of a work from October 13 to December 12, 1987 was granted to a contractor due to non-availability of steel 1" dia, despite the fact that steel of said dia was available and entire quantity required for consumption in the work had already been issued till 19 January 1987. Extension on this incorrect ground was obviously granted to extend an undue favor to the contractor and depriving the State from recovery of Rs.386,532 on account of liquidated damages.

The Division informed that it was minimum delay of only two months and the competent authority has already waived it off.

The Committee directed the Principal Accounting Officer to examine the issue and report to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 401 of the Ad-hoc PAC Report for year 1996-97.

19. **UN-AUTHORIZED PAYMENT FOR PROVISION OF ELECTRIC WELDING COVERED IN B.QS- RS.0.309 MILLION (PARA 11.5, PAGES 205-206-ARDS)**

Audit pointed out that in an MES formation in a work under a contract agreement the contractor was paid Rs. 308,534 for provision of electric welding on the plea that it was technical essential requirement.

Since complete execution of work of fabrication and erection of structural steel work was catered for in B.Qs which was to be carried out by welding and its cost had been computed in the lump sum quoted cost, additional payment of Rs. 308,534 for electric welding was neither justified nor authorized which needed to be recovered.

The Principal Accounting Officer informed that the decision of E-in-Cs Branch has been received, according to the discussion; payment through deviation order for welding is in order and no overpayment has been made.

The Committee directed the department to reconcile the case with Audit within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 401- 402 of the Ad-hoc PAC Report for year 1996-97.

20. **LOSS DUE TO NON-ALLOTMENT OF BUNGALOWS- RS.0.168 MILLION (PARA 11.6, PAGES 206-207-ARDS)**

Audit pointed out that the MES authority constructed three 'E' type bungalows and handed them over to concerned authority on 25 June, 1986. However, the Bungalows were not allotted to authorized officers for 25 to 30 months thus causing loss of revenue to the tune of Rs. 168,000 due to house rent allowance paid to officers plus un-recovered rent.

The Principal Accounting Officer informed that during the contract, the contractor expired and new contract was awarded by the Board. The work was completed on 1988 and only 4 months delay occurred to allot the houses.

The Committee directed the department and Audit to reconcile the matter and report to PAC.

21. **IN-APPROPRIATE UTILIZATION OF SURPLUS FUNDS- US \$ 43 MILLION (PARA 12.1, PAGE 208-ARDS)**

Audit pointed out that in the Defence Wing of Embassy of Pakistan, Washington, a surplus amount of US \$ 43 million was lying un-utilized in different accounts of the Mission as on 30th June, 1993. In addition to above an amount of US \$ 8,678,985 was also available in the holding accounts of the Mission.

The Principal Accounting Officer informed that the surplus amount was invested in the light of the instruction contained in Ministry of Foreign Affairs letter No. MA/10/10/82 dated 16-10-1982. He also stated that the funds which were over and above the financial requirements were transferred to holding account. This account is being maintained by the US Government and not by the Embassy of Pakistan.

The Committee was not satisfied with the explanation given by the Division and directed the Audit to examine the matter and report to the PAC within two months.

22. **NON-ADJUSTMENT OF EXPENDITURE- US \$ 36,748 (PARA 12.2, PAGES 208-209-ARDS)**

Audit pointed that the Defence Wing of Embassy of Pakistan, Washington incurred expenditure of US \$ 36,748 on purchase of defence equipment during 1985-86. The amount was due from Budget Directorate GHQ, Rawalpindi which was not remitted to the Mission upto July, 1994.

The Division informed that the amount in question has since been released in June, 1996.

The Committee directed the M/O Finance to examine the issue and report to the PAC within one month.

23. **NON-RECOVERY OF COST OF DEFECTIVE STORES- RS.0.258 MILLION (PARA 12.3, PAGES 209-210-ARDS)**

Audit pointed out that a Defence Production Organization made a contract with a state enterprise for supply of Bearing Housing (Blanks) quantity 900 @ Rs. 549.11 each. Accordingly the items were received, inspected and paid for in June, 1979. Out of the total quantity 470 Bearing Housing(Blanks) costing Rs. 258,082 were found defective at the time of machining in August, 1990. The rejected 470 Blanks were therefore, to be replaced with new ones or cost thereof refunded as it was the contractual obligation of the supplier. The amount has been recovered from the supplier in 1995.

The Principal Accounting Officer informed that the recovery of whole amount of Rs. 258,093 has been made from HMC, Taxila on 28 June, 1995. The Committee made no comments and settled the para.

COMMERCIAL APPENDIX (DEFENCE SERVICES) (VOL-II-B-1993-94)

24. **LOSS RS. 30.394 MILLION DUE TO SALE OF CIVIL PRODUCTS TO WAH NOBLE LTD. BELOW THE ACTUAL COST OF PRODUCTION (PARA 3, PAGES 5-6-CADS)**

Audit pointed out that POF supplied Civil product to Wah Noble Ltd. during 1985 to 1989 at sale price below the cost. Thus, POF sustained loss of Rs. 30.394 million during the period including Rs. 2.469 million in 1988-89.

The Principal Accounting Officer informed that the cost of products was being worked out as per formula approved by the POF Board in 1974 and 12-1/2% fixed overhead were added to determine the sale price. Hence, no loss was sustained but the POF earned profit of Rs. 2.003 million during 1988-89.

After detail discussion, the Committee constituted an Inter-departmental Committee comprising a nominee each from Defence Production Division, Audit and M/O Finance to review the dispute and report to PAC within two months.

Later on, the Defence Production Division vide their letter No.408/DP-5/98 dated February, 1998 suggested that importance of the issue is involved in the para and requested that a member of PAC himself may chair the subject Committee in order to conduct a fair and impartial investigation.

On the request of the Division, the Chairman, PAC converted above IDC into a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA comprising Syed Zafar Ali Shah, Mr. Adnan Aurangzeb, MNAs, Mr. Muhammad Akram Khan, Deputy Auditor-General (GA), Mr. M. Asif Zaman Ansari, Financial Adviser, Defence Production, Brig. Zahid Munir, OSD-1, Defence Production Division and Mr. Muhammad Bashir, Chief Superintendent (P & S), POF Board to examine the above issue and report to PAC. The Committee also directed the department to maintain their accounts like other commercial organizations in accordance with the proper procedure.

The Chairman POF assured the Committee that the accounts of the organization will be organized on Commercial line in consultation with financial experts and recommendations in this regard will be submitted to M/O Finance seeking approval of the competent authority.

The Report of the Sub-Committee had been finalized and forwarded to the Division for compliance after the approval of the competent authority on 5.12.2000.

25. **INFRACTUOUS CAPITAL EXPENDITURE OF RS. 6.666 MILLION ON PROCUREMENT OF DEFECTIVE DRAW BORING MACHINE (PARA 4, PAGES 5-7-CADS)**

Audit pointed out that POF procured Draw Boring Machine from a German firm in 1990 on the basis of Limited tendering at FOB price of D.M. 618579. Due to technical problems the machine could not start commercial production up to 1996. During this period the experts of the supplier visited POF at five different occasions. Thus, POF sustained loss of production and blockade of capital to the extent of Rs. 6.666 million for 6 years.

The Division informed that the machine was successfully commissioned and made operative in 1990 and was being used since then. To improve the working of machine, the Foreign experts made five visits and DM 78,977 due to supplier were also withheld.

The Committee was satisfied with the explanation given by the department and settled the para.

ACTIONABLE POINTS
15TH OCTOBER, 1998

COMMERCIAL APPENDIX (DEFENCE SERVICES) (VOL-II-B-1993-94)

26. **WAH INDUSTRIES LIMITED (PARAS 90-92, PAGES 81-82-CA)**

Audit pointed out that the Defence Production Division should provide the accounts/record for the Audit to the Auditor General's Office.

The management contends that since the above units were not established by the Federation of Pakistan or any Province, but under the Companies Ordinance 1984, the provisions of Pakistan Audit & Accounts Order 1973 were not applicable, as the units did not fall under the audit jurisdiction of the Auditor General.

After hearing the Division's reply, the Committee directed Audit to submit its comprehensive report on the issue to PAC within one month.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 408-409 of the Ad-hoc PAC Report for year 1996-97.

27. **INFRUCTUOUS EXPENDITURE ON PURCHASE OF PLANT NOT IN USE RS.12.482 MILLION (PARA 29, PAGE 20-CA)**

Audit pointed out that the Military Dairy Factory Okara arranged import of a UHT Plant in June, 1994 with heavy expenditure of Rs.12,482,000. The suppliers were responsible for the satisfactory installation and commissioning of the Plant along with Training to operators of the consignee. Despite payment of 100% amount during 1987-88, neither the Plant could be installed nor Training to operators of consignee was imparted, which rendered the entire expenditure infructuous.

The Division stated that the plant could not be commissioned/made functional till 12-13 years after its purchase. It is appreciable that the RV&FC had made the plant in working condition. The operator was not trained by the suppliers at their expense. The bank guarantee of DM 107,333.99 was neither encashed nor got extended despite the failure of the suppliers in complete/successful execution of their agreement.

The Committee constituted an Inter-departmental Committee comprising a nominee each from Audit, Defence Production Division, Defence Division and M/O Finance to examine the para and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 403 of the Ad-hoc PAC Report for year 1996-97.

28. i) UN-JUSTIFIED GRANT OF DISCOUNT ON SALE OF CARTRIDGES AMOUNTING TO RS.2.631 MILLION (PARA 5, PAGES 7-8-CA)
ii) LOSS OF RS.1.500 MILLION DUE TO UTILIZATION OF WRONG MATERIAL CAUSING HEAVY REJECTION OF COMPONENTS (PARA 6, PAGES 8-9-CA)
iii) BLOCKADE OF FUNDS AMOUNTING TO RS.1.190 MILLION DUE TO UN-NECESSARY PROCUREMENT OF STORE IN EXCESS OF ACTUAL REQUIREMENT (PARA 7, PAGES 9-10-CA)
iv) LOCKING UP OF CAPITAL TO THE TUNE OF RS.1.051 MILLION DUE TO ILL-PLANNED PROCUREMENT OF STORE (PARA 8, PAGE 10-CA)
v) IRREGULAR PROCUREMENT OF AIR COMPRESSOR VALUING RS.0.286 MILLION ON SINGLE TENDER BASIS (PARA 9, PAGES 11-12-CA)
vi) EXCESS EXPENDITURE OF RS.280,680 ON DEVELOPMENT OF 12.7 MM GUN COMPONENTS (PARA 10, PAGES 12-13-CA)
vii) LOSS OF RS.134,412 DUE TO EXPIRY OF USEFUL LIFE OF THE STORE ITEMS (PARA 11, PAGES 13-14-CA)
viii) PAKISTAN ORDNANCE FACTORIES (PARAS 44-56, PAGES 39-42-CA)
ix) POF CLOTHING FACTORIES (PARAS 64-66, PAGES 57-58-CA)
x) WAH INDUSTRIES LIMITED (PARAS 85-88, PAGES 80-81-CA)

On presentation of the above paras by Audit, the Committee made no comments and settled these paras.

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29. RECOVERY OF RS. 134,615 ON ACCOUNT OF EXCESS CONSUMPTION OF PETROL (PARA 2, PAGE 21-AR)

The Committee deferred the para till the next meeting.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 377-378 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS 1988-89

30. i) **CONCLUSION OF A BIASED CONTRACT RS. 26.399 MILLION (PARA 8.1, PAGE 30-ARDS-87-88) (ITEM I-AP-88-89)**
ii) **CONCLUSION OF A DEFECTIVE CONTRACT RS.30.875 MILLION (PARA 12.1, PAGES 50-54-ARDS) (ITEM II-AP-88-89)**
iii) **EXECUTION OF A DEVELOPMENT CONTRACT FOR AN ALREADY DEVELOPED ITEM RS.9.458 MILLION (PARA 12.2, PAGES 54-56-ARDS) (ITEM III-AP-88-89)**

The previous PAC in its meeting held on 9-12-1992 had constituted a Sub-Committee to investigate the reasons of delay in the contract of supply of helmets and to investigate whether any undue favour had been extended to the contractor and submit the report to PAC in three months.

The Division informed that the Spanish Government had issued export license and delivery period was extended without liquidated damages upto October, 1994. The firm has supplied only 54012 steel helmets against the contracted quantity of 192271 and the balance undelivered is 138259.

The Division further stated that the firm has agreed to the escalated price of Rs.649 per helmet duly concurred by the M/O Finance. Accordingly GHGHQ was asked to provide funds to meet the increased cost. They have not agreed so far and the matter is being pursued.

The Committee directed the department to resolve the issues with the concerned departments/agencies and report to PAC within three months.

The above mentioned Audit para (12.1) was again discussed by the Ad-hoc PAC and its directive is printed at page No. 411 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS 1987-88

31. **SPECIAL STUDY ON INVENTORY MANAGEMENT (PARA 7.1 TO 7.7, PAGES 57-63-ARDS-87-88) (ITEM 8-AP-88-89)**

The previous PAC in its meeting held on 7-7-1992 had directed the Principal Accounting Officer to expedite effort for recovery of Rs.211.894 million

The Division replied that an amount of Rs.27,593,600 has been recovered by CMA (DP) from the defaulting firms.

Audit pointed out that efforts may also be made to recover the balance amount of Rs.184.300 million.

The Division further replied that most of the cases are in the court of law for the last 25 years.

After hearing the Division's point of view, the Committee deferred the para.

32. **CONSTRUCTION OF A BLOCK OF CSD COMPLEX OUT OF PUBLIC FUND RS 1.683 MILLION (PARA 13.1, PAGES 69-70-ARDS) (ITEM 5(I)-AP-88-89)**

The previous Sub-Committee of PAC in its meeting held on 24-1-1993 had directed the department to take up the case for re-appropriation of the amount already expended and issue administrative instructions to all concerned that such irregular expenditure should not be incurred in future.

The Division informed that the CSD has not agreed to deposit the money in Government funds.

Audit stated that the PAC directive remained un-compiled.

After hearing the Division's reply on the issue, the Committee directed the department to take the opinion of Law and Justice Division and suggest measures to be taken within the current legislation to solve the problem and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No.402 of the Ad-hoc PAC Report for year 1996-97.

33. **IRREGULAR EXPENDITURE OF EXECUTION OF UN-AUTHORIZED WORKS RS. 1.107 MILLION (PARA 13.2, PAGE 71-ARDS) (ITEM 5(II)-AP-88-89)**

The Committee settled the para subject to approval by the competent authority.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 401 of the Ad-hoc PAC Report for year 1996-97.

34. **OVERPAYMENT OF CEMENT TO CONTRACTORS AND ITS RETENTION BY THEM-RS. 344,100 (PARA 10.1.3, PAGES 90-91-ARDS-85-86)**

The Committee deferred the para till the next meeting.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 401- 402 of the Ad-hoc PAC Report for year 1996-97.

35. i) **LOSS OF RS.7.950 MILLION DUE TO DEFECTIVE MANUFACTURER OF 100 MM APDS AND HEAT AMMUNITION (PARA 3, PAGE 5-CA) (ITEM 7-AP-88-89)**

- ii) IRREGULAR AWARD OF WORK VALUING RS.8.739 MILLION (PARA 5, PAGE 7-CA)(ITEM 9-AP-88-89)
- iii) IRREGULAR PAYMENT OF DANGER MONEY ALLOWANCE AMOUNTING TO RS.178,000 (PARA 10, PAGES 11-12-CA) (ITEM 1-AP-88-89)
- iv) NON-RECOVERY OF COMPENSATION AMOUNTING TO RS.3,476,073 FROM THE CONTRACTORS DUE TO DELAY IN COMPLETION OF WORKS (PARA 12, PAGE 13-CA) (ITEM 2-AP-88-89)
- v) LOSS OF FOREIGN EXCHANGE EQUIVALENT TO RS.0.186 MILLION ON THE IMPORT OF X-RAY PLANT LYING UNUTILIZED FOR THE LAST FIVE YEARS (PARA 6, PAGE 7-CA-87-88)(ITEM 14-AP-87-88)(ITEM 3-AP-88-89)
- vi) AVOIDABLE LOSS DUE TO AWARDING OF CONTRACT TO OTHER THAN LOWEST TENDERER RS.0.113 MILLION (PARA 12.10, PAGES 68-69-ARDS) (ITEM 4-AP-88-89)
- vii) NON-RECOVERY OF RISK PURCHASE AMOUNT FROM A DEFAULTING FIRM RS.1.36 MILLION (PARA 8.3, PAGES 86-88-ARDS-87-88)(ITEM 5-AP-87-88)(ITEM 10-AP-88-89)
- viii) IRREGULAR EXPENDITURE ON UN-AUTHORIZED INSTALLATION OF AIRCONDITIONERS SUI GAS HEATERS AND EXHAUST FANS IN RESIDENTIAL ACCOMMODATION RS. 0.907 MILLION (PARA 13.3, PAGE 71-72-ARDS)(ITEM 6-AP-88-89)
- ix) IRREGULAR INCREASE IN HOSPITAL STOPPAGES AND MO'S FEE RS.0.222 MILLION (PARA 10.4, PAGES 108-109-ARDS-87-88) (ITEM 12-AP-87-88) (ITEM 7-AP-88-89)
- x) PERFORMANCE EVALUATION REPORT ON CLOTHING FACTORY POFS WAH CANTT. (PARAS 1.16-9, PAGES 95-120-PEPE-VOL-IX-A-1990) (ITEM 4-AP-88-89)

On the recommendation of above ten paras by Audit, the Committee made no comments and settled these paras.

ECONOMIC AFFAIRS DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Economic Affairs Division were taken up for examination by the Public Accounts Committee (PAC) on July 11, 1998.

- 1.1. The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases i.e Parallel Accounting Systems and difference in outstanding liability between EAD data and those appearing in the lender records.
- 1.2. During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.3. There were 3 grants presented by the AGPR.
- 1.4. In some cases, the Committee directed Audit to verify details/facts, given in certain cases, in defence of the view point presented by the PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Economic Affairs Division held on 11th July, 1998 are as under:-

11TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.51-ECONOMIC AFFAIRS DIVISION (PAGE 141-AA)

Audit pointed out that an amount of Rs.1, 504,000 was surrendered leaving net saving of Rs.164, 016.

The Committee settled the grant.

2. GRANT NO.52-TECHNICAL ASSISTANCE SCHEMES (PAGE 142-AA)

Audit pointed out that in the charged section the budget provision was utilized in full. In the other than charged section an amount of Rs.2,070,000 was surrendered leaving net saving of Rs.10,526,910.

The Committee settled the grant.

3. GRANT NO.155-DEVELOPMENT EXPENDITURE OF ECONOMIC AFFAIRS DIVISION (PAGE 144-AA)

Audit pointed out that an amount of Rs.147, 000 was surrendered leaving net saving of Rs.2, 159,045.

The Committee settled the grant.

MINISTRY OF EDUCATION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Education were taken up for examination by the Public Accounts Committee (PAC) on March 20, October 14 & 15, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases.
- 1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.3 There were 04 Grants presented by the AGPR and 44 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC.
- 1.4 In some cases, the Committee directed Audit to verify details/facts, given in certain cases, in defence of the view point presented by the PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Education held on 20th March, 14th & 15th October, 1998, are as under:-

20TH MARCH, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.36-MINISTRY OF EDUCATION (PAGE 125-AA)

An amount of Rs.1,795,166 was surrendered leaving a net saving of Rs.5,545,953.

The Ministry informed that the saving was 5.08% of the total grant due to the following reasons:-

- i) Abolition of 3 posts in the Education Office, Tehran at the recommendation of Economy Committee.
- ii) Education Councilor, Embassy of Pakistan USA was expected to repatriate to Pakistan and new Counsellor was to be posted in the Embassy. However, extension for one year was allowed to the Counsellor, therefore, the amount of transfer grant could not be utilized.
- iii) An amount of Rs.400,000 was provided through re-appropriation for purchase of a new car but the Finance Division banned the purchase of car.

The Committee settled the grant with the direction to the Ministry to be careful in future.

2. **GRANT NO.37-EDUCATION (PAGE 126-AA)**

Audit pointed out that the original grant was Rs.1,891,733,000, supplementary grant was Rs.286,122,000, final grant was Rs.2,177,855,000 and actual expenditures was Rs.2,152,143,836. There was saving of Rs.25,711,164.

The Ministry informed that the figure of supplementary grant of Rs.1,600,000 against the head 41300-64000 was sanctioned to Balochistan Engineering College, Khuzdar which was not accounted for by the Audit Office and an amount of Rs.30,000 was surrendered in time but the Audit Office has not accounted for surrendered amount.

The Committee made no comments and settled the grant.

3. **GRANT NO.38-FEDERAL GOVERNMENT EDUCATIONAL INSTITUTIONS IN THE CAPITAL AND FEDERAL AREAS (PAGE 127-AA)**

Audit pointed out that an amount of Rs.17,578,200 was surrendered leaving net saving of Rs.6,896,265.

The Ministry informed that the Audit has not deducted a sum of Rs.17,578,200 from the total grant which was surrendered well in time. The saving occurred due to ban on recruitment and enforcement of economy instructions.

The Committee settled the grant with the direction to be careful in future.

4. **GRANT NO.153-DEVELOPMENT EXPENDITURE OF MINISTRY OF EDUCATION (PAGE 128-AA)**

Audit pointed out that the department surrendered an amount of Rs.69,465,000 increasing the excess to Rs.90,824,607.

The Ministry informed that excess expenditure was due to meet the actual expenditure of the students studying abroad against different foreign scholarships scheme.

The Committee settled the grant with the direction to stop such practice in future.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

5. **NATIONAL BOOK FOUNDATION (PARA 94, PAGE 82-ARPSE)**

Audit pointed out that the Foundation is continuously sustaining losses since 1986-87. Resultantly, the accumulated losses of the Foundation stood at Rs.62.718 million as on June 30,1995.

The Ministry informed that the Foundation is not a commercial organization. It is welfare organization. It sold the book on subsidized price. Foundation also provided free brill books to the needy persons.

The Committee made no comments and settled the para.

PERFORMANCE EVALUATION OF PUBLIC ENTERPRISES (VOL-XI-B-1995)

6. PERFORMANCE EVALUATION REPORT ON UNIVERSITY GRANTS COMMISSION, ISLAMABAD (PARAS 1.1 TO 6.7, PAGES 37 TO 57-PEPE)

Audit pointed out that the UGC was established pursuant to an Act No. XXIII of 1974 for promotion and coordination of University Education, determination and maintenance of standards of teaching, examination and research in Universities and other allied matters connected with higher education in the country.

From the year 1979-80, funding of all the universities was taken up by the Federal Government through UGC. The Provincial Governments, however, continued to exercise administrative control through Vice Chancellors appointed by them.

As a result of the duality of control overspending by the Universities in the form of over-drafting, improper/non-utilization of grants released, failure in self-generation of funds to bridge the gap between resources and requirements and absence of accountability process were some of the impediments, identified in the evaluation report, which had the adverse effect on the management of grants by the UGC. Unspent grants over the years, keeping of funds (Rs.222.307 million on 31-12-1994 which includes fixed deposits of Rs.156.314) outside government account, appropriation of specific purpose grants in raising endowments/investments (Rs.95.76 million on 31-12-1994) were also noted. However, the movement and growth in these accounts was not susceptible of proper evaluation as the audited accounts (Balance sheets and receipt and payment accounts) were neither produced at the time of evaluation nor were made available during the course of updation in November, 1997.

As per latest statistics available, tuition and other fees and other user's charges have been enhanced by 43% and 80% respectively, over the 1992-93 rates. As recommended to promote self-generation of funds by the universities, the self-financing by the sponsored units has been started and same is now at 35% of their requirement which is proposed to be further enhanced to 50% in course of time. This would, of course, help ease the financial stringency at Government level. The implementation on a number of other recommendations is under way.

The Chairman of the Commission informed the Committee that the education system, Islamic education, planning and syllabus is totally provincial subject.

The Audit also informed that the Commission did not provide their accounts to Audit. The department assured that the accounts will be provided to Audit in future.

The Committee directed the UGC to do the work according to Law and Constitution.

ACTIONABLE POINTS
14TH OCTOBER, 1998

AUDIT REPORT (CIVIL)(VOL-I-1993-94)

7. **IRREGULAR/UN-NECESSARY REMOVAL OF PUBLIC MONEY- RS.21.114 MILLION FROM THE PUBLIC EXCHEQUER(PARA 1, PAGE 22-AR)**

Audit pointed out that the Federal Directorate of Education released an amount of Rs.21.114 million to its institutions without their demands/requirements. The amount was drawn from the lapseable PLA at the close of financial years 1991-92 & 1992-93. The institutions deposited these amounts in interest and non-interest bearing accounts in different banks for utilizing in the following years. The profit on these deposits was also not transferred to the Government Account. The action of the Directorate was a serious infringement upon the powers of the Parliament.

Audit also pointed out that the concerned Ministry took lot of time to reply the Audit objections.

The Ministry stated that these funds pertained to the schemes for provision of furniture, equipments, library books and computers to the educational institutions and accordingly were released to various institutions.

The Committee conveyed its displeasure on the performance of the Ministry. The Principal Accounting Officer assured the Committee that he will take action within seven days against those officer/officials who were responsible not to reply Audit objections in time.

The Committee directed the Principal Accounting Officer to implement previous PAC's directives on the issue and fix responsibility, take action against those officer (s) who were responsible not to implement PAC directives (27-2-1996) and report to PAC within 15 days.

8. **IRREGULAR EXPENDITURE ON PURCHASE OF FURNITURE-RS.2.566 MILLION (PARA 2, PAGES 22-23-AR)**

Audit pointed out that the Polytechnic Institute for women placed an order for supply of furniture and paid full amount of Rs.2,566,458 as advance on 27-6-1991 without prior approval of F.A Organization. The furniture was not supplied by the agency during the financial year. The payment of total cost in advance was in violation of para 96 of GFR, Vol-I.

The Ministry stated that the supplier M/s Pak. German Wood Working Centre is a Govt. agency which supplies furniture to Govt. offices taking at least one year to complete the order due to rush of work. The furniture agency accepts order on the basis of advance payment according to its procedure.

After hearing the Ministry's reply on the issue, the Committee directed the department to take up the issue with competent authority for Ex-post facto approval to regularize the expenditure.

9. **IRREGULAR EXPENDITURE OF RS.1,575,600 ON PURCHASES WITHOUT QUOTATIONS/TENDERS ETC. (PARA 3, PAGE 23-AR)**

Audit informed that the Directorate of Education purchased office furniture worth Rs.1,575,600 during 1988-89 without inviting open tenders. The Govt. was thus deprived of the benefit of competitive rates violating para 144 of GFR Vol-I. The department had admitted that the purchases were made on the basis of previous orders/contracts.

The Ministry stated that 1167 Steel Almirahs were procured during 1988-89 on inviting open tenders. Different firms were asked to produce their samples to consider the lowest tender. But none of them except M/s Frontier Furniture Factory, Mardan supplied samples by quoting Rs. 1,450 per Almirah. The purchasing Committee asked the firm to reduce the rate. The firm agreed @ Rs. 1,350 per Almirah. The Committee approved it and placed order.

The Committee directed the Financial Adviser, M/O Education to examine the facts of the case. The Committee further directed the Principal Accounting Officer to take action in the light of FA's report and intimate to PAC within one month.

10. **IRREGULAR DRAWAL OF CONVEYANCE ALLOWANCE AMOUNTING TO RS.998,414 AND RECOVERY THEREOF (PARA 6, PAGE 25-AR)**

Audit pointed out that Allama Iqbal Open University had approved pick and drop facility to its employees besides payment of conveyance allowance amounting to Rs.998,414 (7/1990 to 4/1993). It is against the orders of Finance Division O.M. No. F.1(1)INT.I/77 dated 28-4-1977. The irregular practice still continues.

The Ministry stated that University is providing conveyance facility to the employees only on main routes and not to their residence. They are supposed to reach at the specific points of main routes. The pick and drop facility at door steps are not provided. The charges as fixed from time to time are recovered from them.

The Committee directed the department to take up the issue of irregular drawl of conveyance allowance of Rs.998,414 with M/O Finance for regularization.

11. **RECOVERY OF RS. 312,783 ON ACCOUNT OF IRREGULAR DRAWAL OF HOUSE RENT ALLOWANCE (PARA 9, PAGES 26-27-AR)**

Audit pointed out that the officers/officials of AJK. University who had been allotted Govt. accommodations were also drawing house rent allowance in contravention of Rule 45-A(IV) b(i) of FR. The house rent charges @ 5% were not even realized.

The Ministry informed that a building of the Degree College along with some old residential quarters at Muzaffarabad and Mirpur was transferred to this University on its existence in 1980. These quarters of the same type were declared as sub-standard. The competent authority had to charge fixed rent. After renovation of the quarters at Mirpur, rent is being charged @ 45% + 5% from the employees.

After hearing the departmental reply, the Committee settled the para. However, the departmental representatives assured the Committee, that the concerned officers/officials will vacate the building within four months, and the accommodation will be provided to them according to their entitlement.

12. **UN-ECONOMICAL AND IRREGULAR EXPENDITURE OF RS.254,638 (PARA 10, PAGE 27-AR)**

Audit pointed out that AJK University had incurred an expenditure of Rs. 254,638 on account of miscellaneous items & repair of vehicles without calling open tenders in violation of paras 144 & 145 of GFR Vol-I.

The Ministry stated that the purchase and repairs were got done in accordance with the rules through purchase committee. No irregularity and un-economical expenditure was incurred. All the payments were made with the sanction of the competent authority.

The Committee directed the department to get the sanction from competent authority and stop this practice in future.

13. i) **IRREGULAR CREATION OF ENDOWMENT FUND(PARA15,PAGES 29-30-AR)**
ii) **NON-EXECUTION OF WORK COSTING RS.300,000(PARA 16, PAGE 30-AR)**
iii) **MISAPPROPRIATION OF GOVERNMENT MONEY-RS.0.068 MILLION (PARA 19, PAGES 31-32-AR)**

On the presentation of the above mentioned three paras by Audit, the Committee settled these paras subject to verification by Audit.

The above mentioned Audit para (19) was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 346-347 of the Ad-hoc PAC Report for year 1996-97.

14. **IRREGULAR DEPOSIT OF RS.0.161 MILLION INTO STUDENTS FUND ACCOUNT TO AVOID LAPSE OF GRANT-IN-AID (PARA 17, PAGES 30-31-AR)**

Audit pointed out that the Federal Directorate of Education released Rs.0.161 million on 8-6-1991 to Federal Government Girls Model School, G-6/1-3 for purchase of furniture and equipment. The institution deposited the cheque into the bank account of student

fund to avoid the lapse of fund, which is violation of para 95 of GFR Vol-I and even the money was not utilized during the financial year.

The Ministry stated that the cheque was issued on 8-6-1991 and it was dishonored on 12-6-1991. It was re-issued on 08-07-1991 and deposited into student's fund. The amount was actually received in July 1991 and utilized 1991-92.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to take disciplinary action against responsible person(s) for the irregular deposits and report to PAC within seven days.

15. **IRREGULAR SYSTEM OF HIRING AND PAYMENT OF HRA OVERPAYMENT OF RS.1,015,173 (PARA 20, PAGES 32-33-AR)**

Audit pointed out that in Quaid-i-Azam University, during 1990-92, as a result of an executive order the officers of BPS-17 and above had overdrawn Rs. 1,015,173 during seventeen months as rental ceiling or HRA @ 70% of pay instead of HRA @ 45% of pay as prescribed in the Federal Govt. rules which have been adopted by the University.

The Ministry stated that the University also adopted the procedure of hiring as adopted by other Federal Government departments.

The Committee was not satisfied with the explanation given by the department and constituted an Inter-departmental Committee comprising a nominee each from M/O Education, M/O Finance and Audit to investigate the issue and report to PAC within one month.

16. i) **IRREGULAR EXPENDITURE OF RS.1,206,655 ON PURCHASE OF STORE (PARA 4, PAGE 24-AR)**
ii) **RECOVERY OF RS.1.099 MILLION FROM A CONTRACTOR ON ACCOUNT OF LESS RECOVERY OF COST OF CEMENT (PARA 5, PAGE 24-AR)**
iii) **NON-PRODUCTION OF PAYMENT RECEIPT OF RS.653,194 OF VARIOUS OFFICE BUILDINGS (PARA 7, PAGE 25-AR)**
iv) **UN-AUTHORISED EXPENDITURE OF RS.381,800 INCURRED ON PURCHASE OF AIR-CONDITIONER AND FURNITURE (PARA 8, PAGE 26-AR)**
v) **UN-AUTHORISED/IRREGULAR USE OF DEVELOPMENT FUNDS AMOUNTING TO RS. 250,000(PARA 11, PAGE 27-AR)**
vi) **UN-JUSTIFIED PURCHASE OF COMPUTERS RS.0.243 MILLION (PARA 12, PAGE 28-AR)**
vii) **IRREGULAR/UN-AUTHORISED RE-EMPLOYMENT OF A DRIVER-RECOVERY OF RS.178,147 ON ACCOUNT OF PAY AND ALLOWANCE(PARA 13, PAGE 28-AR)**
viii) **IRREGULAR EXPENDITURE ON PRINTING WORK AMOUNTING TO RS.165,000 (PARA 14, PAGE 29-AR)**

- ix) UN-AUTHORISED PAYMENT TO DOCTORS ON ACCOUNT OF CONSULTANCY RS.120,300 (PARA 18, PAGE 31-AR)
- x) IRREGULAR EXPENDITURE OF RS.300,835 ON PRINTING (PARA 21, PAGE 33-AR)
- xi) IRREGULAR PURCHASE COMPUTER(IBM) RS.0.180 MILLION(PARA 22, PAGE 34-AR)

The Committee was satisfied with the explanation given by the Ministry and settled above eleven paras.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

17. PERFORMANCE AUDIT REPORT ON CONSTRUCTION OF NATIONAL TECHNICAL TEACHERS TRAINING COLLEGE SECTOR H-8, ISLAMABAD (PARAS 1-7, PAGES 140-147-ARCW)

Audit pointed out that the Scheme for establishment of National Technical Teachers Training College was approved by ECNEC in october,1981 at an estimated cost of Rs.80.725 million including foreign exchange component of Rs.18.900 million with completion period of sixty months. In 1987 the project estimates were revised. The revised PC-I was approved by ECNEC on 13.7.1988 for Rs. 140.385 million including foreign exchange component of Rs.61.474 million with completion period of seventy two months. The project was financed partly by Asian Development Bank and partly by Government of Pakistan. An expenditure of Rs.194.547 million was incurred up to 1992-93 which was 38% above the revised PC-I without approval of the competent authority. After hearing the Ministry's reply, the Committee constituted a Sub-Committee under the Convenership of Mr. Adnan Aurangzeb, MNA comprising a nominee each from M/O Education, Audit, M/O Finance and Planning and Development Division to review the above Performance Audit Report and submit its findings to PAC within two months.

ACTIONABLE POINTS 1987-88

18. ITEM(I) (1987-88-GENERAL)

Audit reported that Audit of Nai Roshni Schools has since been completed and Audit Inspection Report was issued to the M/O Education in February 1994 but the Ministry's reply to the Audit observations was still awaited despite repeated reminders. The Committee deferred these paras on 27-2-1996.

The Ministry stated that the department has provided list of assets along with their value as well as acknowledgment of these items.

The Committee settled the para subject to verification by Audit.

ACTIONABLE POINTS 1985-86

19. **BALUCHISTAN ENGINEERING COLLEGE, KHUZDAR (PARAS 5.1.1 TO 5.1.3-AR-AP-85-86)**

The Committee deferred the above mentioned paras with the direction to call the Director General FIA the next day, the 15th October, 1998 to explain FIA views on the subject.

ACTIONABLE POINTS 1988-89

20. i) **LOSS OF RS.191,131 DUE TO NON-DEDUCTION OF COLLEGE SHARE (PARA 1, PAGE 45-AR)(ITEM 2-AP-88-89)**
ii) **RECOVERY ON ACCOUNT OF WRONG FIXATION OF PAY OF CHAIRMAN RS.56,889 (PARA 2, PAGE 45-AR) (ITEM 4-AP-88-89)**
iii) **UN-AUTHORISED OPENING OF BANK ACCOUNT-NON SURRENDER OF BUDGETARY SAVING RS.9,181,754 (PARA 4, PAGE 46-AR)(ITEM 5-AP-88-89)**

On the presentation of above three paras by Audit, the Committee was satisfied with the explanation given by the Ministry and settled these paras.

The Committee deferred remaining audit paras of M/O Education for next meeting.

ACTIONABLE POINTS **15TH OCTOBER, 1998**

21. **BALUCHISTAN ENGINEERING COLLEGE KHUZDAR (PARA 5.1.1 TO 5.1.3-AP-1985-86)**

During the PAC meeting on 15th October the Audit explained the above paras as under:-

PARA 5.1.1

The observation was related to non accountal of Rs.34.5 million. While the project funds were required to be kept in P.L. Account with Khuzdar Treasury, Nineteen different accounts with different commercial banks were opened. Not only cash books of receipt and expenditure in six cases are not available but also no consolidated record was maintained of purchases of FDRs for heavy accounts. Up to date record of encashment of FDRs and their interest amounting to Rs.34.5 million was also not maintained.

PARA 5.1.2

Various officers were given advances of Rs.159,769 and advances of Rs.39,363 were drawn by officers/officials. Adjustment/recovery of these advances was not found on record.

PARA 5.1.3

Special pay/honoraria amounting to Rs.132,088 was irregularly drawn by various officers from the funds of the project.

The PAC in its meeting held on 24-2-1988 directed that a meeting of Board of Governors of Engg. College, Khuzdar may be convened and report be submitted to the PAC within ten days. Responsibility for irregularities may be fixed and culprits be punished.

The Ministry informed that a Committee was constituted by the Board of Governors to probe into the matter. The Committee met three times but concerned authorities could not provide details of fund released for the project, FDRs purchased/encashed, and interest earned and also failed to complete the accounts of expenditure.

The Ministry further stated that the case is under investigation by FIA, since January 7, 1991 and final report would be sent as and when received.

The Director General FIA assured the Committee that the Agency will submit its final report in one month. He also assured for taking action against those officials who were responsible for not completing investigations in time.

The Committee took the issue seriously and directed the Chairman University Grants Commission and Vice Chancellor of Engineering University, Khuzdar to expedite the inquiry, fix responsibility against the concerned person(s) and submit its report to the PAC within one month.

ELECTION COMMISSION OF PAKISTAN

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Election Commission of Pakistan were taken up for examination by the Public Accounts Committee (PAC) on October 15, 1996.

There was only 1 Grant presented by the AGPR and the PAC settled/regularized the grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Election Commission of Pakistan held on 15th October, 1996, are as under:-

15TH OCTOBER, 1996

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. APPROPRIATION-ELECTION (PAGE-255-AA)

An amount of Rs.30, 818,867 was surrendered leaving net saving of Rs.5, 558,936.

The Committee made no comments and settled the grant.

ENVIRONMENT AND URBAN AFFAIRS DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Report for the Year 1993-94 pertaining to the Environment and Urban Affairs Division were taken up for examination by Public Accounts Committee (PAC) on July 9, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in the cases involving non-achievements of targets and non-production of record etc.
- 1.2 There were 03 Grants presented by the AGPR and 07 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Environment and Urban Affairs Division held on 9th July, 1998, are as under:-

9TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.60-ZOOLOGICAL SURVEY OF PAKISTAN (PAGE 182-AA)

Audit pointed out that an amount of Rs.2,000 was surrendered leaving net saving of Rs.54,284. Department stated they further surrendered Rs.22,000 on 27-7-1994 for which surrender order has not been appended.

The Committee settled the grant.

2. GRANT NO.73-ENVIRONMENT & URBAN AFFAIRS DIVISION (PAGE 207-AA)

Audit pointed out that the final grant was Rs.59,561,000 and actual expenditure was Rs.32,477,031. There was saving of Rs.27,083,969. Almost all the saving was surrendered in time.

The Committee settled the grant.

3. GRANT NO.163-DEVELOPMENT EXPENDITURE OF ENVIRONMENT & URBAN AFFAIRS DIVISION (PAGE 210-AA)

Audit pointed out that an amount of Rs.3,400,000 was surrendered leaving net saving of Rs.25,569,638.

The Division informed that the main saving was due to economy cut and ban on recruitment and purchase of durable goods.

The Committee after hearing the department's reply constituted an Inter-departmental Committee comprising a nominee each from Audit, M/O Finance and Environment and Urban Affairs Division to examine the issue, propose action against the concerned person(s) who were responsible for not surrendering the saving in time and report to PAC within one month.

The above mentioned grant was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 838 of the Ad-hoc PAC Report for year 1996-97.

4. **PERFORMANCE AUDIT REPORT ON FORESTRY PLANNING AND DEVELOPMENT PROJECT (PARAS 1 TO 5, PAGES 67-109-AR)**

Audit pointed out that the Forestry Planning and Development Project was launched in September, 1985 to establish and expand energy plantation on private lands. The project was to be completed in June, 1991. However, on encouraging results it was extended up to June, 1995. The Ministry of Food Agriculture and Livestock and United States Agency for International Development (USAID) were the sponsoring agencies. The provincial Forest Departments and Pakistan Forest Institute (PFI) were the implementing agencies. Total approved cost was Rs.843 million involving USAID grant of Rs.665 million.

There was a loss of Rs.75 million due to less utilization of grant. As per original PC-1, the project was estimated to be completed on June 30, 1991. In the revised PC-I it was extended till June 30, 1993 and afterwards the completion date was extend till December, 1994. The completion date was further extended till June 30, 1995 as funds of Rs.59,852 million were allocated during the fiscal year 1994-95. Thus there was a time over run of 48 months till June, 1995.

The Ministry informed the Committee, that the project was sponsored by the USAID. A total number of 156.652 million saplings were raised in 5,319 nurseries in private Sector against a target of 133.725 million saplings in 1763 nurseries till June, 1994. These were purchased from nursery growers @ 1-25 per sapling during 1985-92 and @ Rs.1.00 during 1993-94 and were distributed to the farmers free of cost. Tarbala watershed project was handed over by the M/O Water and Power to the M/O Environment. We bought 193 vehicles for the project. The Ministry replied audit objections in detail.

The Committee satisfied with the explanation given by the department and settled the para.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

5. **PAKISTAN ENVIRONMENTAL PLANNING AND ARCHITECTURAL CONSULTANTS (PVT) LTD (PEPAC) (PARA 111, PAGE 100-ARPSE)**

On the presentation of above para by audit, the Committee constituted a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA, comprising Syed Farooq Hasan Gillani, Financial Adviser, Environment, Mr. Jalaluddin Qureshi, Director General (CA), Mr. Hafeezur Rehman, Joint Secretary, M/O Environment and Mr. S. M. Irfan, Managing Director (PEPAC) to investigate the issues and report to PAC within three months.

6. **(PARA 112, PAGE 101-ARPSE)**

Audit pointed out that interest income reduced to Rs.0.025 million in 1993-94 from Rs.0.398 million of the previous year, despite the fact that the balance in Bank rose to Rs.10.920 million as on June 30, 1994 (Rs.8.325 million in 1992-93).

The Ministry informed that the bank balance on June 30, 1994 included Rs.9.974 million against work deposit account which was kept in current account as per instructions of client.

The Committee made no comments and settled the para.

ESTABLISHMENT DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Establishment Division were taken up for examination by the Public Accounts Committee (PAC) on March 20, 1998.

1.1 There were 05 Grants presented by the AGPR and 07 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Establishment Division held on 20th March, 1998, are as under:-

20TH MARCH, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.7-ESTABLISHMENT DIVISION (PAGE 63-AA)

Audit pointed out that an excessive amount of Rs.5,632,876 was surrendered converting the grant to be closed into excess of Rs.233,336.

The Committee made no comments and regularized the excess.

2. GRANT NO.8-FEDERAL PUBLIC SERVICE COMMISSION (PAGE 64-AA)

Audit pointed out that an excessive amount of Rs.12,229,232 was surrendered converting the grant to be closed into excess of Rs.160,624.

The Committee made no comments and regularized the excess.

3. GRANT NO.9-SERVICES TRIBUNAL (PAGE 65-AA)

The original grant was Rs.8,485,000, supplementary grant was Rs.700,000, final grant was Rs.9,185,000 and actual expenditure was Rs.8,757,298. There was saving of Rs.427,702.

The Committee settled the grant.

4. GRANT NO.10-OTHER EXPENDITURE OF ESTABLISHMENT DIVISION (PAGE 66-AA)

An amount of Rs.2,146,733 was surrendered leaving net saving of Rs.3,262,886.

The Committee settled the grant.

5. **GRANT NO.146, DEVELOPMENT EXPENDITURE OF ESTABLISHMENT DIVISION (PAGE 67-AA)**

An excessive amount of Rs.127,910 was surrendered converting the grant to be closed into excess of Rs.5,319.

The Committee made no comments and regularized the excess.

PERFORMANCE EVALUATION OF PUBLIC SECTOR ENTERPRISES
(VOL-XI-A-1995)

6. **PERFORMANCE EVALUATION REPORT ON BOARD OF TRUSTEES(BOT) OF FEDERAL EMPLOYEES BENEVOLENT AND GROUP INSURANCE FUNDS, ISLAMABAD (PARAS 1 TO 6, PAGES 61-83-PEPE)**

Audit informed that funds were adequately managed by the BOT. Pursuant to performance evaluation undertaken, 20 recommendations were made for further improvement. As the Ministry's replies transpire there is general agreement on the steps recommended. One window operation for payment of benevolent grant and the sum assured by BOT itself, rationalization of schedule of group insurance, opening of a regional board at Lahore, administrative reorganization and revitalization of internal audit and separation of accounts of BOT employees are some of the major recommendations which have been given effect to while others are in process of implementation, with nominal increase in administrative expenses. Provision of grant for additional five years in old cases, marriage grant of Rs.5000 and burial charges of Rs.3500 to non gazetted employees were the additional benefits transferred to the beneficiaries during the post evaluation period.

Income from investment other than the Defence Saving Certificates (DSC) dropped from 17.56% in 1994 to 14.27% in 1997 of the amount invested. BOT has, therefore, to depend largely on investment in DSCs in view of the prevailing economic scenario. Some investment in real estate, as already recommended, is desirable.

Delay in clearance of group insurance contributions respecting employees in Grades 1-15 by the Finance Division, Government of Pakistan and late reporting of death cases by the departmental authorities continue to inhibit the funds growth due on the one hand and prompt service to the beneficiaries on the other. Plugging of these loopholes can make the scheme more useful for the Government employees.

The departmental representative agreed with the views of audit and promised to implement these recommendations for future guidance.

The Committee directed the department to follow these recommendations and settled the para.

ACTIONABLE POINTS 1988-89

7. (PARA 1 (GENERAL))

While discussing the accounts of the Establishment Division for 1988-89, the PAC on 6-12-1992, observed that Establishment Division should constantly strive for improvement in policies governing recruitment, posting and evaluation of individual's performance. A concern was expressed that personal relations had acquired greater practical significance at the cost of merit and objective criteria. It was advised that steps to reverse the trend may be taken by the Division.

The Division replied that instructions from time to time, for making objective assessment of officers, in the ACRs have been issued and are contained in the booklet "A Guide to Performance Evaluation". The same is being constantly reviewed.

The Committee settled the para.

FINANCE DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for 1993-94 pertaining to Finance Division were taken up for examination by Public Accounts Committee (PAC) on December 1, 2 & 3, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in the cases involving non-achievements of targets and non-production of record etc.
- 1.2 There were 15 Grants presented by the AGPR and 61 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Finance Division held on 1st, 2nd & 3rd December, 1998, are as under:-

1ST DECEMBER, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. i) **GRANT NO.39-FINANCE DIVISION (PAGE 147-AA) (SAVING OF RS.2,773,199)**
- ii) **GRANT NO.41-SUPERANNUATION ALLOWANCES AND PENSION (PAGE 149-AA) (SAVING OF RS.335,074)**
- iii) **GRANT NO.42-NATIONAL SAVINGS (PAGES 9-11-AA-VOL-VIII) (EXCESS OF RS.3,422,272)**

On the presentation of above three grants by Audit, the Committee conveyed its displeasure on the issues and settled these grants. The Committee also regularized the excess expenditure under grant No.42.

2. GRANT NO.40-PAKISTAN MINT (PAGES 9-10-AA-VOL-VII)

Audit pointed out that the original grant was Rs.49,357,000, supplementary grant was Rs. 1,074,000, final grant was Rs.50,431,000 and actual expenditure was Rs.50,095,926. There was a saving of Rs. 335,074.

The Committee settled the grant.

3. **GRANT NO.43-OTHER EXPENDITURE OF FINANCE DIVISION (PAGE 150-AA)**

Audit pointed out that an amount of Rs.512,700,000 was surrendered leaving net saving of Rs. 244,546,848. In view of huge saving the supplementary grant proved wholly unnecessary.

The departmental representative stated that he was not able to inform about the saving due to security point of view. He will inform this separately in the next meeting.

The Committee directed the Principal Accounting Officer to inform the exact position of the grant separately.

4. **GRANT NO.44-GRANTS-IN-AID AND MISCELLANEOUS ADJUSTMENTS BETWEEN THE FEDERAL AND PROVINCIAL GOVERNMENTS (PAGE 152-AA)**

Audit pointed out that in charged section excess was Rs.10,000,000 and in other than charged section saving was Rs.700,000,000, the entire saving was surrendered.

The Division informed that the saving was due to non claim of the provincial Governments dues.

The Committee regularized the excess expenditure and settled the grant.

5. **GRANT NO.45-GRANTS AND SUBSIDIES TO NON-FINANCIAL INSTITUTIONS (PAGE 153-AA)**

Audit pointed out that entire saving of Rs.89,714,000 was surrendered. The Committee settled the grant.

6. **GRANT NO.46-SUBSIDIES AND MISCELLANEOUS EXPENDITURE (PAGE 154-AA)**

Audit pointed out that an amount of Rs.1,024,674,382 was surrendered leaving net saving of Rs.5,102,828,576. In view of saving of Rs. 6 billion a supplementary grant of Rs. 5 billion proved to be unnecessary.

The Division stated that it was a technical supplementary grant, which relates to privatization.

The Committee after hearing the Division's reply directed the department to collect the information from M/O Communications (PNSC) and provide it to PAC within one month. However, the Committee also took serious notice of the non-reconciliation of grants provided in the annual budget and directed the M/O Finance to ensure nomination of a Joint Secretary in each Ministry/Division of the Government to coordinate reconciliation of accounts timely and accurately.

7. **GRANT NO.46-A-REVENUE DIVISION (PAGE 133-AA)**

Audit pointed out that an excessive amount of Rs.2,639,000 was surrendered converting the grant to be closed into excess of Rs.263,579.

The Division stated that this grant relates to CBR and they have no information about the excess.

The Committee directed the department to take the information from the CBR and provide it to PAC within one month.

8. **GRANT NO.141-FEDERAL MISCELLANEOUS INVESTMENTS (PAGE 156-AA)**

Audit pointed out that an amount of Rs.143,526,000 was surrendered leaving net saving of Rs.1,863,807,922. The Division informed that the saving was only Rs.92,000.

The Committee directed Audit to investigate the matter and submit its findings to PAC within one month.

9. **GRANT NO.142-OTHER LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 157-AA)**

Audit pointed out that an amount of Rs.460,087,934 was surrendered leaving net saving of Rs.1,883,483,893.

The Division stated that this grant relates to aid for poor friendly countries, M/O Foreign Affairs had not claimed and the amount was surrendered.

The Committee settled the grant.

10. **GRANT NO.154-DEVELOPMENT EXPENDITURE OF FINANCE DIVISION (PAGE 158-AA)**

Audit pointed out that the department surrendered an amount of Rs.221,575,000 increasing the excess to Rs.2,933,335,631.

The Division stated that the grant relates with foreign Aid and the Ministry had no control over this grant.

The Committee after hearing the Division's reply, directed Audit to reconcile the matter with EAD.

11. i) **GRANT NO.187-CAPITAL OUTLAY ON FEDERAL INVESTMENTS (PAGE-159-AA)**
ii) **GRANT NO.188-DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 160-AA)**

Audit pointed out that the entire saving of Rs.2,753,000 was surrendered under grant No.187 above. Audit further stated that in other than charged section an excessive amount of Rs.1,363,141,734 was surrendered converting the grant to be closed into excess of Rs.1,087,601,500 under grant No.188 above.

The Committee settled both the above grants, subject to verification by the Audit.

12. **GRANT NO.189-EXTERNAL DEVELOPMENT LOANS AND ADVANCES BY THE FEDERAL GOVERNMENT (PAGE 161-AA)**

Audit pointed out that in charged section the excess of Rs.2,004,828,817 is required to be regularized. In other than charged section saving of Rs.5,262,132,502 should have also been surrendered.

The Committee after hearing the comments from Audit and M/O Finance conveyed its displeasure on the performance of both departments and constituted an Inter-Departmental Committee comprising a nominee each from M/O Finance, EAD, Audit and State Bank of Pakistan to review the case and submit its recommendations to PAC within two months.

The Committee also directed M/O Finance to prepare a comprehensive paper and arrange briefing on servicing of Domestic/foreign debts, foreign loans, repayment of domestic debt/short terms loans etc, for the PAC as soon as possible.

AUDIT REPORT (CIVIL)(VOL-I-1993-94)

13. i) **IRREGULAR GRANT OF HONORARIUM OF OFFICIAL/STAFF RS.4,871,188(PARA 1, PAGES 34-35-AR)**
ii) **IRREGULAR RELEASE OF GRANT-IN-AID OF RS.4,844,400 TO DIFFERENT AGENCIES (PARA 2, PAGE 35-AR)**
iii) **UN-AUTHORIZED RETENTION OF CASH BALANCE-RS.1.600 MILLION (DAILY AVERAGE)BEYOND THE PRESCRIBED LIMIT (PARA 3, PAGE 36-AR)**

On presentation of the above three paras by Audit, the Committee made no comments and settled these paras.

14. **NON-REFUND OF INTEREST FREE LOAN BY ISLAMABAD CLUB AMOUNTING TO RS.10 MILLION (PARA 4, PAGE 36-AR)**

Audit pointed out that the M/O Finance had released an interest free loan of Rs. 10 million to the Islamabad Club under Presidential Directive No.F-57- (100)(0)-DIR-2/88 dated 9-7-1991. The loan was released during 1992-93 in two equal installments of Rs. 5 million each. The loan was to be paid back in twenty equal quarterly installments of Rs.5.00 million over a period of five years without any grace period. The first installment was fixed for

repayment in July, 1993. It was not paid even up to July, 1994. The terms and conditions of the agreement were not followed.

The Division stated that the repayment was linked with completion of new building. On request of Club, the repayment was deferred up to 1-7-1993 even 1-1-1994. The Club could not honor its contractual obligation till the end of September, 1996. The repayment started in October, 1996 and simultaneously requested for re-scheduling over next 5 years i-e up to the year 2001 which was not accepted.

The Principal Accounting Officer assured the PAC that the department will repay entire balance within three months.

15. **UNDUE RETENTION OF CASH IN EXCESS OF THE PRESCRIBED CEILING (PARA 5, PAGE 37-AR)**

Audit pointed out that the National Savings Centre Model Town, Lahore had retained Rs.900,000 per day as cash balance against the authorized ceiling of Rs.400,000 per day during different days in 1989 to 1993.

The Division stated that the cash limit of National Savings Centres is determined by the controlling officers after considering variety of factors such as quantum of business and its trend. It is purely a guideline for speedy remittance of cash and not hard and fast rules/instructions.

The Committee directed to issue displeasure note to the responsible officers and also directed to rationalise the cash limits after proper review of the cash requirements and safety element.

16. **LOSS DUE TO HEAVY ACCUMULATION OF CN & NB SPILLAGE (PARA 6, PAGES 37-38-AR)**

Audit pointed out that the Pakistan Mint Lahore sustained a loss of Rs. 21,651,440 due to C.N spillage weighing 95,147,300 grams at the end of year 1992-93, which further increased to 113,767,072 grams up to 1993-94. There has been an increase of 18,619,772 grams wastage during a year. N.B. spillage weighing 4,638,806 grams was also lying in vault on 30th June, 1994. The increase in spillage was due to the negligence of workers & improper supervision. The discarded metal was neither brought to reuse, melted nor disposed off which caused a heavy loss to the public exchequer.

Finance Division stated that the generation of spillage is a part of process of Minting Coins and manufacturing medals. In the past, it was practice that the spillage accumulated was sold through public auction through the department of supplies (Disposal Wing).

The Committee directed the Principal Accounting Officer to take steps for disposal or utilization whichever appropriate, of the material to avoid necessary accumulation.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 781 of the Ad-hoc PAC Report for year 1996-97.

17. **NON-SURRENDER OF RS.8.2 MILLION TO FEDERAL GOVERNMENT AND NON-PRODUCTION OF PROOF OF EXPENDITURE OF RS. 1.39 MILLION AND DEAD STOCK ITEMS NOT TAKEN ON STOCK (PARA 7, PAGE 88-AR)**

Audit pointed out that the Finance Division transferred a sum of Rs. 10 million to the Government of Punjab in October, 1994 to overcome emergency situation arising due to effects of Indian plague. The Government of Punjab transferred Rs. 1.8 million to the Commissioners, Lahore for precautionary measures and Rs. 8.2 million was still lying against the Punjab Finance Department which was not surrendered to the Federal Govt. till February, 1995. No payees receipt of expenditure of Rs. 1.39 million with paid vouchers by the Deputy Commissioner, Lahore was obtained. Moreover, items like utensils, blankets, carpets were not even taken on the stock register in violation of Paras 151-158 of GFR- Vol-I.

The Division stated that Government of Punjab has agreed to surrender unspent amount of Rs. 8,592,348, which will be adjusted from the next federal releases to the province.

The Committee settled the para subject to verification by Audit.

ACTIONABLE POINTS
2ND DECEMBER, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-B-1993-94)

18. **(PARA 4, PAGES 14-15-ARPSE)**

Audit pointed out that the following organizations declined state audit on the plea that they were formed as limited companies/joint ventures under the Companies Ordinance. They got their audit accordingly conducted under Companies Ordinance:-

1. National Investment (unit) Trust Limited.
2. Pakistan Industrial Credit & Investment Corporation Limited.
3. National Development Leasing Corporation Limited.
4. Pak. Libya Holding Company (Pvt) Limited.
5. Pakistan Kuwait Investment Company (Pvt) Limited.
6. Saudi Pak. Industrial and Agricultural Investment Company Limited.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

19. **(PARA 5, PAGE 15-ARPSE)**

Audit pointed out that following institutions failed to submit their audited accounts for the year 1993-94 in time and therefore they could not be included in the audit report:-

1. Agriculture Marketing & Storage (Pvt) Limited (under liquidation since October, 1993).
2. Industrial Development Bank of Pakistan.
3. National Development Finance Corporation.
4. Small Business Finance Corporation.

The Committee after hearing the Division's reply on the above both paras, directed the department to reconcile the matters with the Auditor General's Office within two month. The Committee decided to go by their mutual agreement.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

20. **AGRICULTURAL DEVELOPMENT BANK OF PAKISTAN (PARA 6, PAGE 16-ARPSE)**

Audit pointed out that the Bank was established under the Agricultural Development Bank Ordinance, 1961, by merger of former Agricultural Development Finance Corporation and Agricultural Bank of Pakistan in February 1961, to provide better credit facilities for the promotion, expansion and development of agriculture and persons engaged therein. It was further pointed out that the figures of the accounts have been continuously declined in the project loans.

The Division informed that the declined was due to non availability of credit line from International Agencies.

After detailed discussion, the Committee settled the issue. However, the Committee directed that a comprehensive position of loans/interest written off by the Bank be sent to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

21. **(PARA 7, PAGE 16-ARPSE)**

Audit pointed that an amount of Rs.3816.729 million has been recoverable from Government during last five years from 1993-97.

The Division stated that the outstanding amount will be recovered within two years after reconciliation.

The Committee conveyed its displeasure on the issue and directed the department to provide information to Audit. The Committee also directed the Audit to prepare a comprehensive report on the issue and submit to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

22. **(PARA 9, PAGE 17-ARPSE)**

Audit pointed out that the management may be asked to carry out the physical verification of furniture, fittings, equipments and vehicle valuing Rs. 242.321 million held by the Bank as on June 30, 1994 by an independent agency.

The Division informed that the physical verification of the assets had started.

After hearing the Division's reply, the Committee directed the M/O Finance/ADBP to provide the relevant record to Audit under intimation to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

23. **(PARA 10, PAGE 17-ARPSE)**

Audit pointed out that detailed analysis of the balance needs to be done to know the old outstanding entries and to adjust them.

The Division stated that the balance of suspense accounts is around about Rs.22 million and Bank will however able to cut down 50% in future.

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

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

24. **(PARA 11, PAGE 17-ARPSE)**

Audit pointed out that loan and advances amounting to Rs. 40.285 billion as on June 30,1994 were arrived at after making provision for bad and doubtful debts amounting to Rs. 4.5 billion. It was suggested to investigate the reasons for such heavy doubtful debts and to make efforts for recovery.

The Division stated that despite all out efforts, it is not possible for a DFI to recover 100% of dues on account of numerous constraints. The Bank was however able to make a record recovery in 1994. While the recovery position has improved over the years, the reasons for heavy doubtful debts have not been indicated.

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

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

25. **(PARA 13, PAGE 17-ARPSE)**

Audit pointed out that the reasons for increase in donations from Rs. 0.375 million in 1992-93 to Rs.1.900 million in 1993-94 have not been indicated.

The Division stated that the donation have been banned for the last three years.

The Committee directed the Principal Accounting Officer/Chairman ADBP to examine the case under the light of M/O Finance's directive and report to PAC within two month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

26. i) **IRREGULARSANCTION/DISBURSEMENT/RE-SCHEDULINGOF
LOAN- LOSS OF RS.26.160 MILLION (PARA 14, PAGES 18-19-ARPSE)**
ii) **EXPECTED LOSS OF RS.4.679 MILLION DUE TO IRREGULAR
SANCTIONING OF LOAN AND CLOSURE OF THE PROJECT (PARA 15,
PAGE 19-ARPSE)**

On the presentation of above two paras by Audit, the Committee made no comments and settled these paras.

27. **NON-RECOVERY OF RS.4.069 MILLION FROM A LOANEE M/S ZAIN USMAN
DAIRIES (PARA 16, PAGES 20-21-ARPSE)**

Audit pointed out that ADBP sanctioned a loan of Rs. 2.455 million to M/S Zain Usman Dairies in May, 1986 for setting up a dairy farm in village Heir, Bedian Road, Lahore, against total cost of Rs.3.699 million. The amount was disbursed without completion of documentation during June, 1986 to February, 1987 and was to be recovered in 16 equal half yearly installments.

The loanee could pay only Rs. 0.432 million up to June, 1992 despite rescheduling of the loan. In December, 1992 the loanee requested the Bank for remission of mark-up and insurance premium in full by proposing repayment of principal amount of Rs.2.300 million in 5 years, which was not acceded to by the Bank.

The Division stated that an amount of Rs.0.489 million had been recovered. According to State Bank package, the Bank has closed their bank account last year and no more outstanding against the party.

The Committee settled the para subject to verification by Audit.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

28. i) **EXPECTED LOSS OF RS. 3.298 MILLION DUE TO MIS-UTILIZATION OF LOANS (PARA 17, PAGE 21-ARPSE)**
ii) **NON-PAYMENT OF LOAN INSTALLMENTS BY THE DEFAULTER LOANEES RS.1.113 MILLION (PARA 18, PAGES 21-22-ARPSE)**
iii) **SUSPECTED LOSS OF RS.726,993 DUE TO NON-RECOVERY FROM CHRONIC DEFAULTERS (PARA 19, PAGE 22-ARPSE)**
iv) **MIS-UTILIZATION OF FUNDS AMOUNTING TO RS.0.394 MILLION (PARA 20, PAGES 22-23-ARPSE)**
v) **NON-RECOVERY OF LOAN OF RS. 320,270 FROM THE BORROWERS IN LUMP SUM (PARA 21, PAGE 23-ARPSE)**
vi) **LOSS OF RS.109,133 DUE TO SANCTION OF LOAN ON FORGED DOCUMENTS (PARA 22, PAGE 23-24-ARPSE)**
vii) **BANKERS EQUITY LIMITED (PARA 23-25, PAGES 25-26-ARPSE)**

On presentation of the above 7 paras by Audit, the Committee made no comments and settled these paras.

29. **EQUITY PARTICIPATION FUND (PARA 26, PAGE 27-ARPSE)**

Audit pointed out that Equity Participation Fund was established by special legislation of Federal Government in the year 1970 to accelerate the growth of small and medium sized industrial enterprises in the private sector in less developed areas of Pakistan by providing equity support. The Fund is managed and administered by IDBP. 65% shares of the Fund are held by the State Bank of Pakistan, 13% the Government of Pakistan while the remaining 12% are held by the provincial Government and financial institutions. The Fund has provided no equity support or sanctioned any loan during the last five years.

The Principal Accounting Officer briefed the Committee that the Equity Participation Fund will be merged with IDBP. The Committee made no comments and settled the para.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

30. **FEDERAL BANK FOR COOPERATIVES (PARAS 29 AND 31, PAGES 29-30-ARPSE)**

The Committee settled the paras.

31. **(PARAS 32 AND 33, PAGE 30-ARPSE)**

On the presentation of these paras, the Committee directed the Principal Accounting Officer to re-examine the issue and report to PAC within one month.

The above mentioned Audit para (19) was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 346-347 of the Ad-hoc PAC Report for year 1996-97.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 801 of the Ad-hoc PAC Report for year 1996-97.

32. i) **HOUSE BUILDING FINANCE CORPORATION(PARA 34, PAGE 31-ARPSE)**
 ii) **INVESTMENT CORPORATION OF PAKISTAN (PARAS 38 AND 39, PAGES 33-34-ARPSE)**
 iii) **NON-RECOVERY OF MARK-UP ON WORKING CAPITAL LOAN AMOUNTING TO RS. 4.641 MILLION FROM VARIOUS PARTIES (NDFC) (PARA 40, PAGE 35-ARPSE)**
 iv) **IRREGULAR LEASING OF 1000 CC AC FITTED DATSUN CAR VALUING RS. 585,000 (NDFC) (PARA 41, PAGES 35-36-ARPSE)**
 v) **LOSS OF RS.344,847 (RS. 134,847 + 210,000) ON ACCOUNT OF PRICE ESCALATION AND RENTAL CHARGES (NDFC) (PARA 42, PAGES 36-37-ARPSE)**
 vi) **PAKISTAN BANKING COUNCIL (PARA 43, PAGE 38-ARPSE)**
 vii) **PAKISTAN SECURITY PRINTING CORPORATION (PVT) LIMITED (PARAS 44, 45 AND 46, PAGES 40-41-ARPSE)**

On presentation of the above seven paras by Audit, the Committee made no comments and settled these paras.

33. **PERFORMANCE EVALUATION REPORT ON PAKISTAN MINT, LAHORE PARAS 1.1 TO 7.4, (PAGES 5-27-PEPE-VOL-XI-B-1995)**

Audit informed that Pakistan Mint is a typical case of inadequate management. It is for the government to decide on its reorganization keeping in view the following recommendations made in the evaluation report:-

- (a) Accounting system be reinforced by introducing commercial accounts and allied cost accounts.
- (b) Inventory management of input metal needed special attention.
- (c) Proforma accounts needed to be made more informative to truly reflect the inputs and outputs.
- (d) Revenue account be compiled annually to collate with grants.
- (e) High value scrap be got surveyed technically for its disposal or otherwise.
- (f) Responsibility be fixed for the purchase of dead items of machinery.

The Committee after hearing the Division's reply on audit's objection expressed its general satisfaction over the performance of Pakistan Mint. However, the Committee directed the department to prepare the organizations account on the basis of general commercial/ accounting principles.

The above mentioned Performance Report was again discussed by the Ad-hoc PAC and its directive is printed at page No. 792 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
3RD DECEMBER, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-B-1993-94)

34. i) **PERFORMANCE AUDIT REPORT ON EXPANSION AND MODERNIZATION PROJECT ON PAKISTAN SECURITY PRINTING CORPORATION (PARA 51, PAGES 45-55-ARPSE)**
ii) **REGIONAL DEVELOPMENT FINANCE CORPORATION (PARAS 52-55, PAGES 56-57-ARPSE)**

On presentation of above paras by Audit, the Committee made no comments and settled these paras.

SMALL BUSINESS FINANCE CORPORATION

35. **EXPECTED LOSS OF RS.1.236 MILLION DUE TO IRREGULAR DISBURSEMENT OF FINANCIAL ASSISTANCE TO A DEFAULTER LOANEE (PARA 58, PAGE 58-ARPSE)**

Audit pointed out that Small Business Finance Corporation (SBFC) sanctioned financial assistance of Rs.1,286,000 on April 21,1990 to Mr. Muhammad Yunus of Islamabad for purchase of two HINO trailers.

The Division stated that a cheque for Rs.1,286,000 dated 26-6-1990 was made and sent to supplier, confirmation of which was sought from him on 22-8-1990. It transpired from the record produced by the management with their letter dated 17-4-1995 that only one trailer was registered on 22-11-1990.

The borrower however, defaulted and paid only Rs.50,000 up to May, 1993. The case was referred to banking tribunal which decreed the same in favour of SBFC on 30-06-1996. The execution of decree was in progress to recover total outstanding amount Rs.2.117 million.

After hearing the Division's reply, the Committee directed the department to examine the matter, take action and fix responsibility for the loss. The Committee also directed the Principal Accounting Officer to recover the outstanding amount and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No.790 of the Ad-hoc PAC Report for year 1996-97.

36. i) **LOSS OF RS.990,150 DUE TO NON-RECOVERY OF OUTSTANDING AMOUNT FROM THE UN-TRACEABLE LOANEES (PARA 59, PAGES 58-59-ARPSE)**
ii) **EXPECTED LOSS OF RS.734,061 DUE TO NON-PURSUANCE/RECOVERY OF EXPIRED LOAN (PARA 61, PAGE 60-ARPSE)**

- iii) **IRREGULAR SANCTION/DISBURSEMENT OF LOAN OF RS.600,000 BY EXTENDING AN UNDUE FINANCIAL FAVOUR TO THE LOANEE (PARA 62, PAGES 60-61-ARPSE)**
- iv) **NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.353,400 FROM THE DEFAULTING BORROWER (PARA 63, PAGES 61-62-ARPSE)**
- v) **NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.323,803 FROM DEFAULTER LOANEE (PARA 64, PAGES 62-63-ARPSE)**
- vi) **NON-RECOVERY OF OVER DUE LOAN AMOUNTING TO RS.264,052 (PARA 65, PAGE 63-ARPSE)**
- vii) **NON-RECOVERY OF OUTSTANDING LOAN AMOUNTING TO RS.263,680 FROM DEFAULTER LOANEE (PARA 66, PAGES 63-64-ARPSE)**
- viii) **NON-RECOVERY OF OUTSTANDING LOAN AMOUNT TO RS.165,939 (PARA 67, PAGES 64-65-ARPSE)**
- ix) **EXPECTED LOSS OF RS.123,923 DUE TO NON-RECOVERY OF THE OUTSTANDING AMOUNT FROM A DOCTOR (PARA 68, PAGE 65-ARPSE)**

On the presentation of above nine paras by Audit, the Committee settled these paras subject to verification by the Audit.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No.790-791 of the Ad-hoc PAC Report for year 1996-97.

37. LOSS OF RS.942,113 DUE TO NON RECOVERY OF LOAN AMOUNTING TO RS.456,000 GIVEN TO DR. RASHID AHMAD (PARA 60, PAGE 59-ARPSE)

Audit pointed out that SBFC, Lahore disbursed a loan of Rs.456,000 in 1986-87 to Dr. Rashid Ahmad for setting up a maternity home against mortgage of his property. The loanee defaulted after payment of Rs.48,000 up to 1988. SBFC then approached the revenue authorities for recovery of outstanding amount as arrears of land revenue but no recovery could be made. The guarantor could also not be traced out hence no recovery of outstanding dues, which accumulated to Rs.942,113 up to June 1994, could so far be made.

The Division stated that the guarantors have been located and banking tribunal decreed in favour of SBFC. The execution of decree is in progress to recover total outstanding of Rs.942,113.

The Committee directed the department to recover the outstanding amount immediately.

38. LOSS OF RS.114,120 DUE TO NON DEDUCTION OF INCOME TAX FROM THE SUPPLIER (PARA 69, PAGE 66-ARPSE)

Audit pointed out that SBFC, Lahore procured machinery and equipment worth Rs.5,706,000 in 1989-90 on behalf of the loanees and made payment direct to suppliers, but

income tax @ 2% amounting to Rs.114,120 was not deducted from the suppliers bill as required under Section 50(4) of Income Tax Ordinance, 1979. Thus, the Government was deprived of the income tax of Rs.114,120.

The Division intimated that the Branch could not deduct income tax from the suppliers at source due to oversight. The Branch officials were not aware of the relevant provisions of Income Tax ordinance, 1979.

The Principal Accounting Officer assured the Committee that the amount will be recovered within the period of six months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 791-792 of the Ad-hoc PAC Report for year 1996-97.

39. i) **STATE BANK OF PAKISTAN (PARA 70, PAGE 67-ARPSE)**
ii) **YOUTH INVESTMENT PROMOTION SOCIETY (YIPS) (PARA 71, PAGE 67-ARPSE)**

On the presentation of the above two paras by Audit, the Committee made no comments and settled these paras.

MINISTRY OF FOOD, AGRICULTURE & LIVESTOCK

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Food, Agriculture and Livestock were taken up for examination by the Public Accounts Committee (PAC) on July 23, 1997, August 11, 1997, September 18 & 30, 1997, December 16 & 17, 1997 and August 29, 1998.

- 1.1 The PAC, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving irregular transfer of funds, loss due to defective planning, wasteful expenditure and blockage of public funds etc.
- 1.2 There were 57 paras and 15 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.3 The Committee directed Audit to verify details/facts, given in certain cases, by the Ministry in defence of their viewpoint.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Food and Agriculture held on 23rd July, 11th August, 18th & 30th September, 16th & 17th December, 1997, 29th August, 1998 are as under:-

23RD JULY, 1997

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

1. LOSS OF US \$ 326,250 DUE TO PLACEMENT OF CONTRACTS AT HIGHER RATES TO DIFFERENT FIRMS AGAINST SINGLE TENDER ENQUIRY (PARA 17, PAGE 52-AR)

Audit informed the Committee that against a tender enquiry for purchase of 100,000 M/T DAP in January, 1992, the department placed 4 contracts for purchase of 250,000 M/T DAP at rate ranging from US\$ 194.40 to 199.45 (C&F) per tone which resulted extra expenditure of US\$ 326,250. Purchase of extra 150,000 DAPs made without observing tendering procedure was irregular.

The Ministry stated that the rates were attractive when compared to the Rabi purchases as well as the then prevailing price, the Tender Committee decided to purchase the entire quantity of 250,000 M/T to be imported for Kharif Crops 1992 through this tender.

The Committee was not satisfied with the explanation given by the Ministry and directed the Ministry of Finance, Ministry of Food and Agriculture and Audit to re-examine the case and suggest remedial measures and report to PAC.

2. **NON-RECOVERY OF COST OF WHEAT SEED FROM PROVINCIAL GOVERNMENTS RS.52.214 MILLION PLUS INTEREST RS.95.031 MILLION (PARA 18, PAGE 53-AR)**

Audit informed that 15,770 M/T of wheat seed imported in 1978-79 was supplied to Provinces costing Rs.52,214,952 has not been recovered from the Provincial Governments inspite laps of 14 years causing blockade of funds and burden of interest thereupon of Rs.95.031 million. No effective steps have been taken by the department to arrange the recovery.

The Ministry stated that 14633.290 M/T of wheat seed were supplied to the provinces and out of total claim of Rs.43,798,813 an amount of Rs.12,131,637 were received leaving a balance of Rs.31,667,175 unrealized.

The Committee directed the department to reconcile the case with Audit, provinces and recover the outstanding amount within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 708 of the Ad-hoc PAC Report for year 1996-97.

3. **MIS-APPROPRIATION OF 152 TRUCKS LOAD OF FERTILIZER DESPATCHED FROM KARACHI-LOSS OF RS.35.00 MILLION (PARA 19, PAGES 53-54-AR)**

Audit informed the Committee that 152 trucks of NLC carrying fertilizer valuing Rs.35 million from Karachi Port did not reached their destinations at Punjab in December, 1993. Neither the loss was not reported nor was the matter investigated by the department despite instruction of the Ministry dated 3-2-1994. Even the records/information regarding quantity and actual loss were not produced to audit despite repeated request. No formal contract existed between the department and the transport contractor.

The Ministry replied that 102 trucks out of 150 were still missing. Ministry disowned the responsibilities for conducting inquiry, on the ground that correct delivery of cargo at destination was responsibility of the transport contractor. Audit further stated that stand taken by the Ministry was not correct as the transport contractor was appointed by the Ministry/department and not by the consignee.

The Committee directed the department to refer the case to FIA for investigation and department to pursue the case and report to the Committee within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 709 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
11TH AUGUST, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I -1993-94)

4. **GRANT NO.54-FOOD AND AGRICULTURE DIVISION (PAGE 175-AA)**

The grant closed with a saving of Rs.855,149 which work out to 1.34 % of the grant. An amount of Rs.298,395 was surrendered in time leaving net saving of Rs.556,754.

The Ministry informed the Committee that the function code 51100 relating to Administration/Land Commission. The main saving of Rs. 556,234 pertains to this code. The Committee settled the grant.

5. **GRANT NO.56-FOREST (PAGE 178-AA)**

The grant closed with a minor saving of Rs.1,670. The Committee settled the grant.

6. **GRANT NO.57-PLANT PROTECTION MEASURES (PAGES 179-180-AA)**

The grant closed with a saving of Rs.30,350,233 which work out to 13.64 % of the total grant. An amount of Rs.29,669,233 was surrendered in time leaving net saving of Rs. 681,000. The department further surrendered an amount of Rs.685,000 on 15-5-1994 which was not accounted for in the Appropriation Accounts as the surrender order was not received before closing of the Appropriation Accounts.

The Committee settled the grant.

7. **GRANT NO.58-OTHER AGRICULTURAL SERVICES (PAGE 181-AA)**

Audit informed that the grant closed with a saving of Rs.1,080,324 which work out to 2.83 % of the grant. An amount of Rs.414,154 was however surrendered leaving net saving of Rs.666,170.

The department informed the Committee that an amount of Rs.169,904 was surrendered but it has not been accounted for in the Appropriation Accounts owing to its non-receipt. The department further stated that the saving was mainly due to non-payment of medical bills owing to non-receipt of sanction from Health Division and certain bills were not entertained by the AGPR.

The Committee was satisfied with the explanation given by the Ministry and settled the grant.

8. **GRANT NO.60-ZOOLOGICAL SURVEY DEPARTMENT (PAGE 182-AA)**

The grant was not mentioned in the Audit brief. Audit may clarify the position.

9. **GRANT NO.61-LIVESTOCK DIVISION (PAGE 183-AA)**

The grant closed with a saving of Rs.947,124 which works out to 8.21 % of the grant. An amount of Rs.323,151 was however surrendered leaving net saving of Rs.623,973.

The department informed the Committee that due to non-issuance of sealed payment authority for \$ 10,000 by the AGPR for want of sanction from Finance Division. It pertained to annual contribution to NAGA. Saving of Rs.194,635 pertains to various Animal Quarantine Stations due to ban on payment of commodities services.

The Committee settled the grant.

10. **GRANT NO.62-FISHERIES (PAGE 184-AA)**

Audit pointed out that grant closed with a saving of Rs.787,984 which works out to 11.64 % of the total grant. An amount of Rs. 207,225 was surrendered leaving net saving of Rs.580,723. The Committee settled the grant.

11. **GRANT NO.63-OTHER EXPENDITURE OF FOOD AND AGRICULTURE DIVISION (PAGE 185-AA)**

Audit pointed out that the grant closed with a saving of Rs.747,570 which works out to 5.92 % of the grant. An amount of Rs.710,000 was however surrendered leaving net saving of Rs.37,570 which has been explained due to ban imposed by the Government on releases/expenditure.

The Committee settled the grant.

12. **GRANT NO.137-CAPITAL OUTLAY ON PURCHASE OF FERTILIZER (PAGE 186-AA)**

Audit pointed out that the saving of Rs.2,152,745,150 works out to be 17.22 % of the total grant. A sum of Rs.833,498,600 was surrendered in time. However, under the grant there was an excess of Rs.589,023. Further against estimated recovery of Rs.12,494,514,000 only an actual recovery of Rs.8,628,875,305 was booked.

The Ministry could not explain the existing position of recovery, the Committee directed to intimate the latest position of recovery within seven days.

The above mentioned grant was again discussed by the Ad-hoc PAC and its directive is printed at page No. 708 of the Ad-hoc PAC Report for year 1996-97.

13. **GRANT NO.157-DEVELOPMENT EXPENDITURE OF FOOD AND AGRICULTURE DIVISION (PAGES 188-189-AA)**

Audit pointed out that the supplementary grant work out to be 77 % of the original grant. The grant closed with a saving of Rs.630,104,987 which works out to 38.88 % of the total grant. An amount of Rs. 625,082,616 was however, surrendered leaving net saving of Rs. 5,022,371. Audit also pointed out that the department disputed the figure of final grant and actual expenditure worked out by Audit. They further informed that the figures of budget have been taken from the Budget Book and contention of the department was not correct.

Despite detailed discussion, the matter could not be resolved. Therefore, the Committee formed an Inter-departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Food and Agriculture to examine the issue and report to PAC within one month.

14. **GRANT NO.159-DEVELOPMENT EXPENDITURE OF LIVESTOCK DIVISION (PAGE 191-AA)**

Audit pointed out that the grant closed with an excess of Rs.79,815,670 which works out to 37.40 % of the total grant. The department surrendered an amount of Rs.7,706,756. The excess of Rs.79,815,670 is to be regularized.

The Ministry surrendered an amount of Rs.213,326 on 27-6-1994 which has not been included in the Appropriation Accounts because the surrender was made after the prescribed date. The excess is mainly due to belated adjustment of Rs.89,782,906 relating to the year 1992-93.

The Committee was not satisfied with the explanation given by the Ministry and directed the Principal Accounting Officer to examine the issue and fix responsibility for the delay and report to the PAC within one month.

The above mentioned grant was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 592-593 of the Ad-hoc PAC Report for year 1999-2000.

APPROPRIATION ACCOUNTS (FOOD DIVISION) (VOL-IV-1993-94)

15. **GRANT NO.59-SUBSIDY ON WHEAT (PAGE 4-AA)**

Audit pointed out that the saving of Rs. 605,939,806 which amount to 63% of the original grant was surrendered. The Committee settled the grant.

16. **GRANT NO. 136-CAPITAL OUTLAY ON PURCHASE OF FOOD (PAGE 5-AA)**

Audit pointed out that the original grant was Rs. 3,854,324,000, supplementary grant was Rs.2,453,045,000, total grant was Rs. 6,307,369,000 and actual expenditure was Rs. 7,187,884,472. There was an excess of Rs.880,515,472.

The Ministry was not able to explain the excess expenditure of the grant. The Committee conveyed its displeasure on the excess expenditure and formed an Inter-departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Food & Agriculture to sort out the issue fix responsibility and report to PAC within one month.

The above mentioned grant was again discussed by the Ad-hoc PAC and its directive is printed at page No. 707 of the Ad-hoc PAC Report for year 1996-97.

AUDIT REPORT (CIVIL)(VOL-I-1993-94)

17. **IRREGULAR AWARD OF CONTRACT AMOUNTING TO RS.10.5 MILLION WITHOUT OBTAINING COMPETITIVE RATES (PARA 1, PAGES 42-43-AR)**

Audit pointed out that the Federal Water Management Cell had awarded a contract "Farm Water Management Project" (Phase-II) to the Planning and Investigation Organizations, WAPDA on 1-7-1989 at a cost of Rs.10.5 million for monitoring and its evaluation without inviting open tenders.

The Ministry stated that consultants of the contract awardee firm could not prove their work and the contract was terminated six months prior to completion as per agreement. The remaining work along with additional for M & E had to be carried out for the completion of the project.

The Committee was not satisfied with the explanation given by the Ministry and deferred the para to be taken up in the next meeting.

18. **IRREGULAR WITHDRAWAL OF RS.117,369 FROM ASSIGNMENT ACCOUNT (PARA 9, PAGE 48-AR)**

Audit pointed out that the Ministry of Food and Agriculture had paid Rs.117,369 to AOTR on account of telephone charges from the Development-Budget of Farm Water Management Project instead of regular budget during the year 1992-93 which is against the canons of Financial propriety.

The Ministry stated that there was insufficient budget provision in the relevant head. The expenditure was made from the assignment account-59000-Others as they can spent from this budget. The telephone charges were made from this account to avoid disconnection of telephones as the telephone authority had delivered disconnection notice.

The Committee directed the Ministry to examine the case and fix responsibility and report to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 695-696 of the Ad-hoc PAC Report for year 1996-97.

19. **IRREGULAR AND UN-AUTHORIZED EXPENDITURE OF RS 0.114 MILLION ACCOUNT OF HONORARIUM (PARA 10, PAGES 48-49-AR)**

Audit pointed out that an amount of Rs.39,400 in 1993-94 and Rs.74,961 (Rs.51,965 + 22,906) in 1989-90 and 1990-91 was paid to the employees by Economic Policy Analysis Project without the concurrence of Finance Division and without fulfilling the condition of F.R-46(b). Thus the expenditure was regarded as irregular and unauthorized.

The Ministry stated that the payment of honorarium is spread over three years and it was a US Aid Assisted Project. Principally USAID was controlling the expenditure. However, the approval of Secretary (F&A) was obtained. Ministry of Finance instruction issued on 1-7-1991 were not applicable to the honorarium paid in 1989-90 and 1990-91, However, honorarium paid in 1993-94 is regretted.

The Committee directed the department to examine the issue and get the approval from the Finance Division.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 696 of the Ad-hoc PAC Report for year 1996-97.

20. **IRREGULAR AND UNAUTHORIZED PROVISION OF GOVERNMENT VEHICLE TO THE PARLIAMENTARY SECRETARY, RECOVERY OF RS.75,066 (PARA 12, PAGES 49-50-AR)**

Audit pointed out that "On Farm Water Management Cell" provided official vehicle unauthorisedly to the Parliamentary Secretary for Ministry of Food and Agriculture. The vehicle was used for 37533 K.M. and an amount of Rs. 75,066 was required to be recovered.

The Ministry stated that the Cell is a part of the Ministry and vehicle was provided to Parliamentary Secretary under the rules and keeping in view the requirement of the Parliamentary Secretary to monitor the activities of the Project.

The Committee settled the para.

21. **IRREGULAR APPOINTMENT AND EXPENDITURE OF RS.68,973 ON CONTINGENT PAID STAFF (PARA 13, PAGE 50-AR)**

Audit pointed out that Water Management Cell under Ministry of Food, Agriculture & Livestock, appointed 6 persons as contingent paid staff and were paid out of assignment account during 1992-93. According to Ministry of Finance instructions no appointment of contingent paid staff during the period was allowed without prior approval of Finance Division vide their O.M. No.F.13(17)Exp-Iv/91-629 dated 5-7-1992.

The Ministry stated that Director General Water Management Cell has been delegated full powers for appointment of staff from grade 1 to 4 in terms of O.M. No.F-9-1/0-D(F&A)/81 dated 24-2-1982.

The Committee directed the Ministry to get the approval from the Finance Division and be careful in future.

22. **NON-RECOVERY OF SALE PROCEEDS OF RS.28.50 MILLION PLUS RS.7.00 MILLION ON ACCOUNT OF INTEREST CHARGES (PARA 20, PAGES 54-55-AR)**

Audit informed that the recovery of sale proceeds of Rs.28.50 million were outstanding during 1992-93 against M/s National Fertilizer & Marketing Ltd.(NFML) and M/s Fauji Fertilizer Company (FFC). Effective steps were not taken to recover the amount causing unnecessary blockade of funds and loss of Rs.7.00 million on account of interest charges incurred on the equal amount of cash credit taken from bank.

The Ministry stated that an amount of Rs.15,501,600 has already been recovered from NFML on 5-4-1995. An amount of Rs.12,874,426 from NFML and Rs.131,884 from FFC. An amount of Rs.13,006,310 remains to be recovered. Further recovery was a continuous process and efforts were under way to effect recovery.

The Committee took serious notice on the issue and formed a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA, comprising Syed Zafar Ali Shah, Kunwar Khalid Yunus, MNAs, Mr. Mukhtar Ahmed, Joint Secretary, M/O Finance, Syed Mohsin Rizvi, Director General (FID), Lahore, Mr. Nasrullah Khan Malik, Director General (Food), Karachi and Mr. Ifikhar Ahmed Mir, Director, IS & Food, Karachi to examine the matter and suggest remedial measures. The Sub-Committee should determine time lag and negligence and report to the PAC within two months.

The report of the Sub-Committee with the approval of the competent authority was forwarded to the Ministry on 5-12-2000 for compliance.

The above mentioned audit para was discussed by Ad-hoc PAC in its meeting held on 12-04-2001 and its directive is printed at page 709-710 of the Ad-hoc PAC report for the year 1996-97.

23. **LOSS OF RS.16.633 MILLION DUE TO NON-HANDING OVER OF TARPAULINE AND DUNNAGE BY THE HANDING CONTRACTOR (PARA 21, PAGE 55-AR)**

Audit pointed out that (a) 1657 tarpaulins remained in the custody of two CHC's during 1985 to 1989. Neither the account nor the tarpaulin were handed over to the department by the CHC's resulting loss of Rs.7,371,993. (b) 27080 wooden dunnage handed over by an ex-CHC to a new CHC instead returning them to the department. After expiry of the second contract the dunnage were not received by the department resulting loss of Rs.9,261,360.

The Ministry stated that the tarpauline and dunnage were received back from the CHC but could not provide documentary evidence. An amount of Rs.6.053 have been deducted which will be verified by the Audit.

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

24. **LOSS OF RS.12.942 MILLION ON ACCOUNT OF DESTRUCTION OF GUNNY BAGS DUE TO FIRE (PARA 22, PAGE 56-AR)**

Audit pointed out that at Port Qasim 1438 bales of gunny bags(431,400 bags) valuing Rs.12.942 million stored in open under custody of CHC, were destroyed by fire on 18-10-1993.

The department informed the Committee that an inquiry was conducted during December, 1993 to March, 1994 which recommended imposition of penalty of Rs.1.00 million on CHC. It was also informed that the case was further taken up in July, 1994 and verification of the recovery of Rs.1.00 million from CHC is in hand with the Audit. However, Audit stated that the recommended actions were not found in conformity with the Audit findings.

The Committee decided that the Sub-Committee formed under the Convenership of Mian Muhammad Zaman, MNA to also investigate para 20.

The report of the Sub-Committee with the approval of the competent authority was forwarded to the Ministry on 5-12-2000 for compliance.

The above mentioned audit para was discussed by Ad-hoc PAC in its meeting held on 12-04-2001 and its directive is printed at page 709-710 of the Ad-hoc PAC report for the year 1996-97.

25. **PROCUREMENT OF FERTILIZER ON URGENT BASIS IN EXCESS OF REQUIREMENT-LOSS OF RS. 9.317 MILLION (PARA 23, PAGES 56-57-AR)**

Audit pointed out that FID purchased 50,000 M/T of DAP fertilizer at a higher rate of US \$ 5.00 per Ton for distribution among flood effectees through PASSCO in Punjab. Only 18,405 tons were supplied to the corporation and remaining other agencies. Out of the total quantity, 11,505 was shifted to hired godowns and despatched in 5 months causing extra expenditure on hire charges. Excess purchase of 31,595 M/T caused extra expenditure of US \$ 157975 (Rs. 4.738 million) plus storage charges Rs. 4578.563 million which was irregular and unjustified.

The Ministry stated that out of even all quota of Rabi Crops in 1992-93 allocated to Punjab, there was only a short supply of 9,237 M/T. In fact, they have accepted that even the over-all share of Punjab were not supplied in full.

The Committee settled the para.

26. **UNJUSTIFIED WAIVER OF LIQUIDATED DAMAGES-LOSS OF RS.4.75 MILLION (PARA 24, PAGES 57-58-AR)**

Audit pointed out that F.I.D. issued letter of intent on 30-6-92 for supply of Urea Fertilizer with shipment dated July 15-30, 1992 to be followed strictly. Supplier failed to ship and requested extension up to August, 1992 on the ground expected declaration on "Force Majeure" by the producer. The Ministry did not accept the demand and decided to impose penalty but later on deferred their action and extended shipment as November, 1992. With R/R. The shipment was actually made in November, 1992. Ministry waived L/D of US \$ 182.952 (Rs.4.75 million). The reasons given by the supplier do not cover the definition of "Force Majeure". The fertilizer was imported on urgent basis for Kharif crops, but due to delay in shipment could not be issued for which it was imported, causing potential loss.

The Ministry stated that the delay was for a small period and Government sustained no loss as the fertilizer purchased for Kharif crops were used for Rabi crops and as such the competent authority waived off the L/D.

The Committee conveyed its displeasure on the issue and formed a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA, comprising Mr. Muhammad Iqbal Malik, Financial Adviser (M/O Food and Agriculture), Syed Mohsin Rizvi, Director General (FID), Lahore and Mr. Iftikhar Ahmed Mir, Director IS & Food, Karachi to sort out the matter and report to PAC within one month.

The report of the Sub-Committee with the approval of the competent authority was forwarded to the Ministry on 5-12-2000 for compliance.

The above mentioned audit para was discussed by Ad-hoc PAC in its meeting held on 12-04-2001 and its directive is printed at page 709-710 of the Ad-hoc PAC report for the year 1996-97.

27. **NON-RECOVERY OF COST OF SHORTAGE OF FERTILIZER AT PORT QASIM AND INTEREST CHARGES RS.3.532 MILLION (PARA 25, PAGES 58-59-AR)**

Audit pointed out that a ship discharged its full manifested quantity of 28,456 M/T of DAP at Port Qasim on 18-6-1992. Due to improper handling by CHC some cargo was damaged and the distributing agencies refused to accept it. As per final dispatched statement on 22-4-1993, 639.5 M/T valuing US \$ 126,333,23 (Rs.3,209,066) were shown short dispatched causing loss to Government. Full quantity was not accounted for and recovery not effected. The purchased was made against foreign exchange loan taken from City Bank as such interest up to December, 1993 amounting to Rs.323,581 was also to be recovered from the defaulting CHC.

The Ministry stated that full dispatches could not be made due to less supply of NLC trucks and due to refusal to accept cargo by the distributing agencies and that now only 358 M/T of

the cargo lying un-dispatched. The Ministry however, absolved the CHC from the responsibility of any loss caused to the stock.

The Committee conveyed its displeasure and dropped the para.

28. **LOSS DUE TO PAYMENT OF DEMURRAGE US \$ 64697.21 (RS.1.6 MILLION) (PARA 26, PAGES 59-60-AR)**

Audit pointed out that Vessel M.V. DARYAMA arrived at Port Qasim (off port) on 13-1-1992. NOR accepted on same day berthing on 4-2-1992 (i.e. after 22 days). Hence US \$ 64697.21 (Rs.1.6 million) was paid by adjusting the dispatched earning of another three ships of the same agent. PQA and the department were responsible for arranging berth. There was no urgency to allot the berth in place of M.V. DARYAMA whose NOR was accepted on 13-1-1992 much earlier than the NOR of M.V. GOLDEN TRIANGLE i.e. 20-1-1992 resulted in an avoidable extra expenditure of Rs.1.6 million on payment of demurrage.

The Ministry stated that since there was no capacity to berth, M.V. DARYAMA went under demurrage.

The Committee was not satisfied with the explanation given by the Ministry and formed an Inter-departmental Committee comprising of a nominee each from M/O Finance and Audit to examine the case and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 710 of the Ad-hoc PAC Report for year 1996-97.

29. **LOSS OF RS.1.528 MILLION DUE TO ACCEPTANCE OF SUB-STANDARD FERTILIZER (PARA 27, PAGES 60-61-AR)**

Audit pointed out that 25053.739 M/T of DAP fertilizer was imported in March, 1990. On final inspection at consignee's it was not in accordance with the specification. The moisture content varied from 2.5 % to 2.78 % as against maximum limit of 1.58 %. Master of vessel also refused to sign the Joint Survey certificate on 15-3-1990 as the cargo was partly lumpy/cabed. Due to refusal of distributing agencies to accept the sub-standard cargo a quantity of 7045 M/T was transferred to hired godown and it took 16 months to complete the dispatches. Undue storage caused an extra expenditure of Rs.1.528 million.

The Ministry informed the Committee that the entire cargo was accepted by the distributing agencies as sound cargo and CTL report might be due to Hydroscopic nature.

The Committee directed that the Inter-Departmental Committee formed to examine Para 26 will also examine this para as well.

30. **LOSS OF RS. 1.248 MILLION FOR SHORT LANDING OF IMPORTED FERTILIZER (PARA 28, PAGE 62-AR)**

Audit pointed out that against a consignment short handling of 288 M/T valuing US \$ 41616 (Rs.1.248 million) occurred which remained un-recovered.

The Ministry intimated that a case against FID filed by the supplier's agent is pending in Sindh High Court.

The Committee directed the department to pursue the case and report to PAC.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 710 of the Ad-hoc PAC Report for year 1996-97.

31. **STORES DECLARED UN-SERVICEABLE LOSS OF RS.0.85 MILLION) (PARA 29, PAGE 62-AR)**

Audit pointed out that 13,100 gunny bags, 1227 dunnage and 45 tarpauline purchased for Rs.975,834 during 1991-92 declared un-serviceable without indicating reasons for condemning them and without formation of condemnation Committee. Action was against the rules and resulted loss of Rs.0.85 million to Government.

Ministry stated that the store was declared un-serviceable after inspection by the Inspection Committee headed by the Director (operation).

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

32. **LOSS DUE TO THEFT OF RS.0.028 MILLION (PARA 30, PAGE 63-AR)**

Audit pointed out that an amount of Rs.28.750 was robbed from the cashier of the D.G. Food while he was coming back to office from State Bank of Pakistan by bus after encashment of a cheque. An F.I.R. was lodged which is pending. The department has got as many as eight staff/operational vehicles but the cashier was not provided Government transport for carrying cash from the banks in spite of the fact that the cashier was entitled as per rule to use Government transport for carrying Government cash. The loss was due to non-observance of rules by the department.

The department stated that sanction of the Ministry for additional funds have been sought for. An F.I.R. was lodged which is pending. The Committee settled the para.

The Committee deferred remaining Audit paras and Actionable Points of M/O Food & Agriculture for the next meeting.

ACTIONABLE POINTS
18TH SEPTEMBER, 1997

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

33. **UN-AUTHORIZED USE OF ADDITIONAL VEHICLES BY MINISTER AND MINISTER OF STATE (PARA 14, PAGES 50-51-AR)**

Audit pointed out that vehicles of Federal Water Management Cell under M/O Food and Agriculture were used by the Federal Minister and Minister of State for 48,480 k.m. in addition to those provided by the Cabinet Division for official as well as private use by the Minister.

The Ministry informed that vehicles were temporarily sent to the Federal Minister and Minister of State and were used for Government duties in the public interest.

The Committee was not satisfied with the explanation given by the department and directed to recover the amount of Rs.96,960 from the then Federal Minister and Minister of State.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 696-697 of the Ad-hoc PAC Report for year 1996-97.

34. **NON-OBTAINING OF AUDIT CERTIFICATE FOR RS.63.444 MILLION RELEASED TO PROVINCES (PARA 15, PAGE 51-AR)**

Audit pointed out that Federal Water Management Cell released Rs.63.444 million out of Foreign Assistance/Japanes assistance to Provinces during 1992-93 for Water Management activities projects. The Cell was required to obtain audit certification for the utilization of the above releases to ensure that the funds were spent for the specified purposes but no such certificates were even obtained from the grantees.

The Ministry stated that audit certificate has been obtained from provinces.

The Committee settled the para subject to verification by Audit.

35. **MISUSE OF GOVERNMENT VEHICLE BY THE EX-MINISTER OF STATE-RECOVERY OF RS.393,798 (PARA 16, PAGES 51-52-AR)**

Audit pointed out that Ex-Federal Minister of State was provided a vehicle No.IDB-9345 (Mitsubishi) Pajero Jeep by the Water Management Cell in addition to the staf car provided by the Cabinet Division for which he was not authorized. The vehicle was used for 65,633 k.m. involving recovery of Rs.0.394 million @ Rs.6 per k.m. which was required to be recovered.

The Ministry informed the Committee that the Water Management Cell is a part of the Ministry of Food & Agriculture. Therefore the vehicle was temporarily sent to the Minister (FA) for project activities and they also used it in the project area. However, it cannot be refused to provide the project vehicle to the Minister for project purposes.

The Committee was not satisfied with the explanation given by the Ministry and constituted an Inter-departmental Committee comprising of a nominee each from Cabinet Division, M/O Finance, M/O Food and Agriculture, Audit and Planning and Development Division to investigate misuse/mismanagement of Government vehicles in

Ministries/Divisions/ Departments, suggest remedial measures for the improvement of the system and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 697-698 of the Ad-hoc PAC Report for year 1996-97.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) (Para 99, pages 88-89-ARPSE)- Audit pointed out that the company was incorporated on August 11, 1973 as a Limited Liability Company registered under companies Act 1913 (Now companies ordinance, 1984).The company is engaged in procuring, preserving, storing and distribution food grains, especially wheat. The Financial results of the corporation have been improved in the subsequent years.

The Committee made no comments.

36. **(PARA 100, PAGE 89-ARPSE)**

Audit pointed out that total trade debtors of Rs.1131.811 million as on 30-6-1994 an amount of Rs.1039.656 million has been recovered leaving a balance of Rs.92.155 million.

The Committee directed the department to expedite recovery.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 732 of the Ad-hoc PAC Report for year 1996-97.

37. **(PARA 101, PAGE 89-ARPSE)**

Audit pointed out that during fiscal verification of Staff, the storage of 207.333 M/T of wheat valuing of Rs.998,972 was detected. The Ministry stated that shortage of 207.333 M/T comes to 0.02 % of purchases and enquiry into shortages is under process.

The Committee settled the para subject to verification by audit.

38. **LOSS OF RS.11.949 MILLION DUE TO REJECTION OF CLAIM LODGED ON ACCOUNT OF PAYMENT OF TRANSPORTATION CHARGES ON BEHALF OF FOOD DEPARTMENT, NWFP AND MISSING TRUCKS OF WHEAT RS.5.143 MILLION (PARA 102, PAGE 90-ARPSE)**

Audit pointed out that PASSCO awarded a contract during the year 1979-83 to transport wheat from godown to NWFP Food Department. PASSCO lodged a claim of Rs.6.807 million on account of transport charges paid to contractor on behalf of Food Department NWFP. The Food Department withheld their claim. A Committee of the officers from PASSCO and the Food Department Government of NWFP investigated the case and

reported that in some cases double payments were made to the transporter. Similarly, a claim for missing trucks of wheat for Rs.5.143 million was also lodged with the Food Department in August 1985 but no documentary evidence was provided to Food Department NWFP instead of investigating the case the loss was subsequently adjusted against the provision for bad debts.

The Ministry informed that the claim was hypothetically raised against NWFP without any supporting documents and subsequently withdrawn without any adjustment.

After detailed discussion, the Committee directed the Principal Accounting Officer to investigate both the issues, fix responsibility and report to PAC.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 732-733 of the Ad-hoc PAC Report for year 1996-97.

39. **KORANGI FISHERIES HARBOUR AUTHORITY (PARA 98, PAGE 87-ARPSE)**

Audit pointed out that Korangi Fisheries Harbour Authority did not submit their audited accounts for the year 1992-93 and 1993-94 so their accounts could not be examined and commented upon for inclusion in this volume.

The Ministry informed the Committee that due to late appointment of External Auditors the audited accounts could not be submitted to audit. Now the accounts submitted to audit.

The Committee made no comments.

40. **(PARA 103, PAGES 91-92-ARPSE)**

Audit informed that the Authority came into existence in 1982 under KFHA ordinance, 1982 with the objective of planning, construction, operation and maintenance of Korangi Fisheries Karachi.

The project was to be completed by June, 1990 whereas the same has not yet been completed. The total expenditure amounting to Rs.641.734 million has been incurred upto June, 1993.

The Committee made no comments.

41. **(PARA 104, PAGE 92-ARPSE)**

Audit pointed out that an amount of Rs.68.946 million in respect of exchange loss was paid to contractor up to June, 1992 due to non-completion of the project on prescribed date i.e. June, 1990. Had the project been completed in time, the exchange loss could have been minimized/saved.

The Committee directed the department to inform the latest position to Audit.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 733 of the Ad-hoc PAC Report for year 1996-97.

42. **(PARA 105, PAGE 92-ARPSE)**

Audit pointed out that Authority is required to pay service charges @ 1% per annum to Government of Pakistan for loan taken/outstanding which accumulated to Rs.6.367 million as on June 30, 1992.

The Ministry informed the Committee that the project completion has been extended upto June, 1996 as such the case for deferment of the repayment of loan by the year 2000 will be submitted for approval of ECC shortly.

The Committee was not satisfied with the argument given by the department and directed the M/O Food and Agriculture, M/O Finance and Audit to re-examine the case and report to PAC within three months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 733 of the Ad-hoc PAC Report for year 1996-97.

43. **(PARAS 106 & 107, PAGE 92-ARPSE)**

The Committee made no comments and settled these paras.

ACTIONABLE POINTS 1988-89

44. **LOSS DUE TO PAYMENT OF DEMURAGE CHARGES US \$ 29,197 (PARA 1, PAGES 48-49-AR) (ITEM 7-AP-88-89)**

Audit informed that a vessel was chartered by the Mission for shipment of wheat from USA. The suppliers took 7 days 17 hours and 11 minutes in excess of the time allowed by the shipowner on loading wheat. Resultantly the Mission had to pay demurrage charges of US \$ 29,197.

The PAC in its meeting held on 19-11-1992 had recommended that the amount of recoverable loss may be written off. Audit stated that the Ministry was required to get the loss written off with the concurrence of Finance Division.

The Committee made no comments and settled the para.

45. **LOSS DUE TO SHORT RECEIPT OF SOYABEAN OIL-US \$ 390,967 (PARA 1, PAGE 66-AR)**

This para relates to M/O Industries, therefore, the Committee referred the para to M/O Industries.

46. **MISAPPROPRIATION OF WHEAT AND BARDANA OF RS.7.229 MILLION
(PARA 297, PAGES 255-256-ARPSE) (ITEM 15-AP-1988-89)**

Audit pointed out that wheat crop 1987 dispatched to Food and Agriculture department NWFP was found short, therefore, an enquiry in to the affairs was arranged and shortages to wheat and bardana amounting to Rs.7.229 million were deducted. The department informed that matter was referred to FIA but FIA had not pursued the case.

The Committee directed the department to pursue the case actively.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 741 of the Ad-hoc PAC Report for year 1996-97.

47. **SHORTAGE OF 111.214 M/T WHEAT VALUING RS.228,523 IN PATTOKI
ZONE (PARA 300, PAGES 259-260-ARPSE) (ITEM 20-AP-88-89)**

Audit pointed out that PASSCO sustained a loss of Rs.228,523 on account of shortages. The Ministry informed that case of recovery was in court of civil judge, chounia and Labour Court Lahore.

The Committee directed the department to pursue the case actively in the court of law.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 741 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
30TH SEPTEMBER, 1997

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

PAKISTAN OILSEED DEVELOPMENT BOARD
(DEFUNCT GCP SEED DIVISION)

48. **NON-COMPILATION OF ACCOUNTS (PARA 118, PAGE 108-ARPSE)**

Audit pointed out that the management of GCP Seed Division did not submit the audited accounts for the year 1991-92 to February 7, 1995 (till merged with PO DB).

The Ministry has said nothing about non-compilation of the long outstanding accounts of the Oilseed Division and promised to report within one month.

The Committee directed the M/O Food and Agriculture to submit the accounts of Pakistan Oilseed Development Board (PODB), for the period from 1991-92 to February 8, 1995, fix the responsibility for non-completion of accounts of the Oil Seed Division and report to PAC within one month.

49. **LOSS OF RS.20.619 MILLION SUSTAINED ON THE SALE OF COMMERCIAL OIL SEEDS DUE TO THE NEGLIGENCE OF THE MANAGEMENTS (PARA 167, PAGE 135-ARPSE)**

Audit pointed out that GCP (Seed Division) procured 15,314 tons oilseed for crushing in 1991-92. The crushing of oilseeds could not be managed by the management despite instructions by the Chairman, GCP and the Board of Directors. The quality of Seed, thus, deteriorated and it was sold in July, 1993 to M/s Kohinoor Edible Oil Mills below the procurement price resulting in loss of Rs.20.619 million.

The Ministry intimated that matter was in the knowledge of M/O Industries. An enquiry was conducted and administrative action initiated against the officer responsible. Further action against defaulters may be taken in the light of the final finding of the administrative enquiry against senior officers of management of Seed Division.

The Committee took serious notice on the para and formed a Sub-Committee under the Convenership of Ch. Muhammad Berjees Tahir, MNA comprising of Kunwar Khalid Yunus, Nawab Salahuddin Abbasi, Mian Muhammad Zaman, Mian Muhammad Farooq, MNAs, M. Tahseen K. Iqbal, Joint Secretary, M/O Industries, Mr. Muhammad Iqbal Malik, Financial Advisor, M/O Industries and Sheikh Naseerul Haq, Director General Audit (FG) to examine the issue, fix the responsibility suggest recommendations for future and report to PAC within fifteen days.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 734 of the Ad-hoc PAC Report for year 1996-97.

50. **LOSS OF RS.1.787 MILLION DUE TO SHORTAGE OF SUNFLOWER COMMERCIAL SEED AT CRUSHING CENTRE KALA SHAH KAKU (PARA 168, PAGE 136-ARPSE)**

Audit pointed out that GCP (Seed Division) got 3870.913 tons sunflower Seed crushed at the crushing centre, Kala Shah Kaku during July-October, 1991. The results of crushing showed a net shortage of 309.397 tons valuing Rs.1.787 million which needed to be recovered from the concerned officials/persons.

The Committee decided that the Sub-Committee constituted under para 167 above will also examine this para.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 734 of the Ad-hoc PAC Report for year 1996-97.

51. **LOSS OF RS.1.720 MILLION DUE TO DETERIORATION OF SUNFLOWER OIL IN STORAGE TANK (PARA 169, PAGE 137-ARPSE)**

Audit pointed out that prolonged storages of 129.600 tons refined sunflowers Oil valuing Rs.2.903 million resulted in deterioration of the quality of oil and it became unfit for

human consumption. The oil was subsequently sold for Rs.1.83 million resulting in loss of Rs.1.720 million to the GCP (Seed Division) in 1991-92.

The Committee also decided that the Sub-Committee constituted under paras 167-168 above will also examine this para.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 734 of the Ad-hoc PAC Report for year 1996-97.

52. **NON-RECOVERY OF RS.1.5 MILLION ON ACCOUNT OF CREDIT SALE OF SEED AND COST OF EMPTY GUNNY BAGS FROM A FIELD OFFICER (PARA 170, PAGES 137-138-ARPSE)**

Audit pointed out that Rs.1.178 million were recoverable from Mr. Asghar Ali, Field Officer, Regional Office, Multan up to June, 1992 on account of credit sale made to the growers in the past years. Further more Rs.0.322 million was also outstanding against him on account of empty gunny bags since 1987-88. Thus Rs.1.500 million was recoverable from him in these two cases.

The Ministry stated that Mr. Asghar Ali was suspended on June 20, 1992 on account of non-recovery. An enquiry committee was formed which has submitted its report to Seed Division. Mr. Asghar Ali, was reinstated with the assurance that he would clear the outstanding amount failing which his case would be handed over to FIA. During intervening period, one third salary was being deducted from his emoluments.

The Committee was not satisfied with the explanation given by the Ministry and directed the Principal Accounting Officer to re-examine the case, why the amount was not recovered in time, fix the responsibility, for not taking action in time, recover the outstanding amount from the concerned official and refer the case to FIA, in case recovery is not effected through departmental action.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 734-735 of the Ad-hoc PAC Report for year 1996-97.

53. **MIS-APPROPRIATION OF SUNFLOWER COMMERCIAL SEED VALUING RS.1,475,113 (PARA 171, PAGES 138-139-ARPSE)**

Audit reported that Field Officer of the Mundekey Gorraya (Gujranwala) Centre of the GCP Seed Division misappropriated 321,072 kgs. of Seed valuing Rs.2.007 million in 1992-93.

The Ministry stated that the correct shortage was worked out to Rs.1,475,113 after allowing 2.5% allowance. Furthermore, criminal case for the said shortage had already been registered with FIA against Mr. Muhammad Ismail, Field Officer of Mundekey Gorraya on May 19, 1993 and the matter was under investigation with the Agency. Administrative action had also been initiated which was in progress.

Despite detailed discussion the Committee was not satisfied with the explanation given by the Ministry and directed the Principal Accounting Officer to re-examine the case, fix the responsibility, recover the amount from the concerned official and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 735-736 of the Ad-hoc PAC Report for year 1996-97.

54. **LOSS OF RS.975,000 DUE TO WASTAGE OF 150 M/TON OF OIL DIRT AT TECH. PAK. MANAWALA (PARA 172, PAGE 139-ARPSE)**

Audit pointed out that GCP Seed Division awarded a contract to M/S Tech. Pak. Manawala for the crushing of 5000 M/Tons of sunflowers commercial seed on October 7, 1990. The contractor reported on August 10, 1992 that their factory faced a heavy rain storm on August 8, 1992 and one of the wall of "Pakka Pits" of oil fell into the tank and 150 M/Tons of oil dirt drained out in the factory premises and into the fields of paddy formers. As a result the Corporation sustained a loss of Rs.975,000.

Under clause 9 of the contract agreement the crusher was bound to provide the covered godowns under lock and key for the safety of goods from rain, theft and other causes. The loss of Rs.975,000 was required to be recovered from the crusher but no recovery was made. The Ministry stated that the matter was Sub-judice.

The Committee directed the department to examine the case as to who was the arbitrator at that time under the agreement, if he was responsible for this delay, charge sheet the person responsible and report to the PAC within a month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 736 of the Ad-hoc PAC Report for year 1996-97.

55. **NON-RECOVERY OF RS.849,623 FROM FIELD OFFICERS SINCE LONG (PARA 173, PAGE 140-ARPSE)**

Audit pointed out that the empty gunny bags were distributed among various Field Officers of Multan Region for procurement of Commercial Seed during the year 1987-88 by GCP (Seed Division). Since then these Field Officers neither returned the left over balance of 37,163 empty gunny bags nor deposited Rs.260,141 at the @ Rs.7 per bag. Similarly, the Field Officers of Area Office, Sahiwal did not return 32,749 empty gunny bags valuing Rs.589,482 which were left with them after procurement of Commercial Seed during 1990-91. Thus, the cost of 69,122 bags valuing Rs.849,623 is still outstanding against them.

The Ministry stated that an inquiry was being ordered to arrive at the factual position.

The Committee was not satisfied with the explanation given by the Ministry and directed the Principal Accounting Officer to issue Show-cause notices to responsible officials. The

Committee further directed to expedite the outstanding recovery from the concerned official and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 736-737 of the Ad-hoc PAC Report for year 1996-97.

56. i) **LESS PRODUCTION OF 800.513 M/TONS OF REFINED OIL, LOSS OF RS.17.720 MILLION (PARA 174, PAGES 140-141-ARPSE)**
ii) **LOSS OF RS.558,754 DUE TO COLLECTION OF EXCESSIVE DUST IN SUNFLOWER SEED CRUSHED AT KOHINOOR OIL MILLS (PARA 175, PAGES 141-142-ARPSE)**
iii) **LOSS OF RS.550,028 DUE TO SHORTAGE OF SUNFLOWER COMMERCIAL SEED (PARA 176, PAGE 142-ARPSE)**
iv) **LOSS OF RS.496,185 DUE TO CRUSHING OF UNFIT HYBIRD SEED (PARA 177, PAGE 143-ARPSE)**

The Committee formed an Inter-departmental Committee comprising of a nominee each from M/O Industries, Audit and M/O Finance to examine the above paras, fix the responsibility who were responsible for the heavy losses and report to the PAC within 15 days. On receipt of report the Committee will decide whether to send these cases to Ehtesab Cell or to take some other appropriate action.

The above mentioned Audit paras (174,176 and 177) were again discussed by the Ad-hoc PAC and its directive is printed at pages No.737-740 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
16TH DECEMBER, 1997

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

PAKISTAN OILSEED DEVELOPMENT BOARD
(DEFUNCT GCP SEED DIVISION)

57. **LOSS OF RS. 181,437 DUE TO SHORTAGE OF SUNFLOWER OIL SEED (PARA 178, PAGES 143-144-ARPSE)**

Audit pointed out that GCP Seed Division, entered into agreement with a crusher M/s. Cake & Oil Products (Pvt) Limited, Nawabshah for the crushing of oil seed during the year 1988-89 and supplied 5344 M. Tons of seed for crushing. As per final crushing report maintained by the Regional Office, Hyderabad during the year 1992-93, 42.691 M-tons of Oil Seed valuing Rs. 181,437 was found short at the crushing unit and the same quantity was charged off from the books of the Corporation without any investigation.

The Ministry informed that crushing started from August 1988. Having crushed 4301 tons up to November, 1989, a dispute arose between the crusher and GCP, which was

settled in 1990. Thus, due to long storage of about 2-1/2 years in open space, seed became short.

The Committee made no comments and settled the para.

58. **IRREGULAR PAYMENT OF GROUP INSURANCE ON BEHALF OF THE EXECUTIVE STAFF OF GCP (SEED DIVISION) RS. 140,000 (PARA 179, PAGE 144-ARPSE)**

Audit pointed out that GCP (Seed Division) paid Rs. 140,000 on account of group insurance for officers and executives during the year 1992-93 in contravention of Benevolent Fund/Group Insurance Scheme of the Government which envisages that the employer is responsible for payment of premium to the insurance company only on behalf of the non-executive staff and the executives have to pay the premium themselves.

The Ministry informed that payment of group insurance premium on behalf of officers and executives was made in accordance with the provision existing in GCP service rules and PC-I of Seed Division and cannot be recovered at this belated stage.

The Committee settled the para subject to verification by the Finance Division.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 740 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
17TH DECEMBER, 1997

ACTIONABLE POINTS 1988-89

59. **GRANT NO.135-CAPITAL OUTLAY ON PURCHASE OF FERTILIZER (PAGES 240-241-AA) (ITEM 5-AP-88-89)**

Audit pointed out that previous PAC constituted a Special Committee on 18-11-1992 to review the existing system for procurement distribution and pricing of fertilizer and to submit its report to the PAC within three months.

The Ministry stated that the National Assembly has been approached to inform about the submission of report by Special Committee to the PAC.

The Committee directed the Ministry that rules may be changed and efficiency be implemented according to the Committee's report ensuring economy and efficiency in the procurement/ distribution system as early as possible.

60. **GRANT NO.134 (PAGES 11-12-AA) (FD) (ITEM 6-AP-88-89)**

Audit informed that last time Committee directed the Finance Division and Ministry of Food and Agriculture to examine the matter of recovery from Provinces on account of wheat supplies and suggest a practicable system acceptable to Provinces within three months.

The Ministry directed the Provinces/Agencies to expedite clearance of dues against them on account of imported wheat. The Committee directed the department to expedite clearance of dues.

61. **WASTEFUL EXPENDITURE DUE TO PAYMENT OF SALARIES TO THE TECHNICAL STAFF WITHOUT EMPLOYING THEM ON ANY JOB- RS.0.88 MILLION (PARA 5, PAGES 50-51-AR) (ITEM 11-AP-88-89)**

The PAC previously advised that exemplary action be taken against the person(s) responsible for wasteful expenditure and report be submitted to PAC within three months.

The Ministry informed that Mr. Zeenatullah Khan, the inquiry officer submitted the inquiry report. No body was held responsible for the loss.

The Committee expressed its displeasure on the inquiry officer and directed the department to re-examine the matter, fix the responsibility, take action against the responsible officer(s) and report to the PAC within one month.

ACTIONABLE POINTS
29TH AUGUST, 1998

ACTIONABLE POINTS 1985-86

62. **LOSS DUE TO SHORT HANDLING AND DAMAGE OF FERTILIZER AND INCURRANCE OF EXTRA EXPENDITURE OF RS.4.43 MILLION (PARA 2, PAGE 56-AR-85-86) (ITEM 6-AP-85-86) (ITEM 15-AP-87-88) (ITEM 3-AP-88-89)**

Audit reported that the case vessel carrying 12.905 M/T imported fertilizer shortage amounting to Rs.4.43 million took place due to short handling and extra stevedoring charges.

The Ministry informed that cases against two officers involved in this case have been referred to FIA. PAC directed the Principal Accounting Officer to expedite the case and issue reminder to FIA.

The Ministry further stated the case is still under investigation with FIA who has been reminded to expedite the case.

The Committee directed the FIA to submit its findings to Audit before the next meeting. If FIA failed to submit its report to Audit within directed time period, the concerned Director FIA may be summoned to appear in the next meeting for explanation.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 711 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS 1986-87

63. **NON-RECOVERY OF COST OF WHEAT SHORT DISPATCHED RS.1.06 MILLION BY A HANDLING AGENT (PARA 3, PAGE 56-AR-85-86) (ITEM 4-AP-88-89)**

The Committee directed the department that enquiry report be sent to Audit. The Audit will examine the report and submit their comments to PAC.

The Ministry informed that report has been sent to Audit for their comments vide letter dated 4-4-1993.

The Committee settled the para.

64. **LOSS OF RS.2,633,780 DUE TO SHORTAGE OF IMPORTED WHEAT (PARA 4, PAGE 57-AR-85-86) (ITEM 5-AP-88-89)**

The Committee directed the Principal Accounting Officer to recover the amount of Rs.2,633,786 immediately.

The Ministry informed that the Director General (Food) was asked to recover the amount of Rs.2,633,780 from the handling agent. The Director General (Food) has forfeited the available security deposit amounting to Rs.137,500 of the defaulting firm M/s Jamal Agencies. The balance amount Rs.2,496,280 could not be recovered as the firm has wound up his business and left the country. The Law and Justice Division consulted for filing a suit against the firm who has advised the MINFAL to locate the whereabouts of defaulting firm along with its moveable/immoveable assets otherwise it will be futile exercise by way of spending huge court fee and time. The Director General (Food) has not been able to trace the whereabouts of the defaulting firm. The Director General (Food) has now been directed to lodge FIR besides referring the case to FIA.

After hearing the Ministry's reply, the Committee settled the para.

65. **LOSS DUE TO SHORTAGE OF IMPORTED FERTILIZER RS.0.354 MILLION (PARA 3, PAGE 55-AR-86-87) (ITEM 2-AP-86-87) (ITEM 1-AP-87-88) (ITEM 6-AP-88-89)**

The Committee directed the department to hold an enquiry and case be lodged with FIA against officer responsible for loss.

The Ministry informed that matter was under process and final report will follow.

The Committee directed the Principal Accounting Officer to take immediate action against concerned officers who were responsible for the said loss and also fix the responsibility against person (s) who did not comply with PAC directives dated July, 1990 and July, 1996 and report to PAC within two weeks.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 711-712 of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS 1987-88

66. **LOSS OF US \$ 23,975 DUE TO INCURRENCE OF DEMURRAGE (PARA 4, PAGE 56-AR-86-87) (ITEM 3-AP-86-87) (ITEM 20-AP-87-88) (ITEM 7-AP-88-89)**

The Committee directed the M/O Finance to provide funds to M/O Food and Agriculture for computers.

The Ministry informed that necessary funds of Rs.250, 000 have since been provided by the M/O Finance in budget for 1997-98. The Committee settled the para.

67. **PURCHASE OF FERTILIZER NP (23:23) AT UN-ECONOMICAL RATES (PARA 2, PAGE 62-AR-87-88) (ITEM 3-AP-87-88) (ITEM 8-AP-88-89)**

The Committee directed the Principal Accounting Officer to settle the issue with Mr. S. A. Nizami, Addl. Secretary, Establishment Division within two months.

The Ministry informed that the case relates to purchase of 170,000 M/T NP (23:23) fertilizer (110,000 + 60,000 M/T) from M/s UKF Holland in 1980 at un-economical rates. So far as settlement of the issue with Mr. S. A. Nizami, Ex-Addl.Secretary, Establishment Division is concerned, he has retired from service and settled abroad in London.

After hearing the Ministry's reply, the Committee constituted an Inter-departmental Committee comprising a nominee each from M/O Food and Agriculture, Audit and M/O Finance to examine the issue and report to PAC within two months.

68. i) **SHORTAGE OF WHEAT 291.038 M/T WORTH RS.1.436 MILLION(PARA 7, PAGE 68-AR-87-88) (ITEM 7-AP-87-88) (ITEM 9-AP-88-89)**
ii) **LOSS DUE TO SHORTAGE OF IMPORTED WHEAT RS.1.058 MILLION (PARA 9, PAGE 69-AR-87-88) (ITEM 9-AP-87-88)**

In the above two paras Mr. Zeenatullah (the then Joint Secretary, M/O Food and Agriculture) enquiry officer had recommended to off-set the shortages of wheat against the excesses of other shipments.

The Committee directed audit to verify the excesses and shortages worked out in the enquiry report and forward the same to Secretary M/O Food and Agriculture to take necessary action accordingly.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at page No. 712 of the Ad-hoc PAC Report for year 1996-97.

MINISTRY OF FOREIGN AFFAIRS

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Foreign Affairs were taken up for examination by Public Accounts Committee (PAC) on January 21, 1998.

- 1.1 The PAC, having considered Audit's point of view as well as explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving financial indiscipline, non-deposit of Government money, overpayments of allowances, excess expenditures, unlawful transfer of councilor fees, non-credit of surplus amount into Federal consolidated Fund and non-recovery of telephone charges, etc.
- 1.2 There were 3 Grants 10 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.3 The Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Foreign Affairs held on 21st January, 1998 are as under:-

21ST JANUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-V-1993-94)

1. GRANT NO.64-MINISTRY OF FOREIGN AFFAIRS (PAGE 1-AA)

Audit pointed out that original grant was Rs.105, 862,000, supplementary grant was Rs.28,265,000 and actual expenditure was Rs.131,081,919. There was a saving of Rs.3,045,081.

The Ministry stated that the saving was due to vacant posts, ban imposed on recruitment, non receipt of claim and economy measures during the year.

The Committee settled the grant with the direction to the Ministry for being careful in future.

2. **GRANT NO.65-FOREIGN AFFAIRS (PAGES 1-2-AA)**

Audit pointed out that original grant was Rs.1,206,180,000, supplementary grant was Rs.11,011,000 and actual expenditure was Rs.1,304,228,250. There was an excess of Rs.87,037,250.

The Ministry stated that excess was due to 22.33% devolution of Pak. Rupee during 1993-94. They stated that 80% of the total allocation of this grant was incurred in foreign exchange covering pay of Local Staff, medical expenses, expenditure on Communications, utility charges, newspapers, periodicals and rent of the office/residential buildings.

The Committee regularized the excess expenditure but conveyed its displeasure on the issue and directed the department to be careful in future.

3. **GRANT NO.66-OTHER EXPENDITURE OF MINISTRY OF FOREIGN AFFAIRS (PAGE 2-AA)**

Audit stated that there was an excess of Rs.4,021,798 and not Rs.19,021,798 in the charged section as supplementary grant of Rs.10,000,000 and Rs.5,000,000 (total Rs.15,000,000), allowed by the Finance Division on 14-5-1994 and 27-6-1994 respectively could not be accounted for in the book.

The Ministry stated that excess was due to frequent visits of President/Prime Minister to Foreign Countries.

The Committee was not satisfied with the explanation given by the Ministry and constituted an Inter-departmental Committee comprising of Mr. Arif Mansur, Director General (GA), Mr. M. Iqbal Hussain, Financial Adviser, M/O Foreign Affairs, and Mrs. Shireen Moiz, Director Finance, M/O Foreign Affairs to examine the issue of charged grant to be converted into non charged grant and suggest remedial measures and report to the PAC within one month.

Further, the above mentioned both grants (65 & 66) were again reviewed by the PAC on 30-09-1999. The Committee made no comments and settled these grants.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

4. **PURCHASES WITHOUT CALLING COMPETITIVE RATES (PARA 1, PAGE 137-AR)**

Audit pointed out that Ministry of Foreign Affairs incurred expenditure amounting to Rs.6,868,195 during 1991-92 on purchases and repair of machinery and equipment, furniture and fixture, liveries, government vehicles, library books, stationery items, printing charges and micro filming etc. ignoring the codal requirements i.e. calling of tenders for purchases exceeding Rs.10,000.

The Principal Accounting Officer admitted the irregularity and stated that purchases were of urgent nature and could not be postponed. The Ministry also intimated that concurrence of Finance was obtained prior to the purchases/repairs.

The Committee directed the Principal Accounting Officer to examine the case, fix the responsibility and take action against the concerned officials and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 453 of the Ad-hoc PAC Report for year 1996-97.

5. **NON-RECOVERY OF GOVERNMENT DUES RS.1,925,074 (PARA 2, PAGES 137-138-AR)**

Audit pointed out that an officer of the Ministry was deputed for training in USA under USAID Technical Assistance Programme in August, 1989, at a cost of US \$ 60,650.37. After completion of his 24 months training, the officer did not join the Ministry and remained absent from August, 1991 to June, 1992 for which he also drew pay & allowances amounting to Rs.58,644 from the Ministry. Later on, in June, 1992 he tendered his resignation and left his service without acceptance of his resignation by the competent authority. An amount of Rs.1,925,074 was held recoverable as the officer did not serve the Ministry for five years after receiving foreign training according to his surety bond.

The Ministry stated that they received the willingness of the officers to refund the amount in installments of Rs.200,000 per annum. The officer has deposited an amount of Rs.100,000 in November, 1997 and the remaining amount will be recovered as soon as possible.

The Committee directed the Principal Accounting Officer to examine the matter and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 453-454 of the Ad-hoc PAC Report for year 1996-97.

6. **STORE NOT TAKEN ON STOCK SUSPECTED LOSS OF RS.1,290,903 (PARA 3, PAGE 138-AR)**

Audit pointed out that M/O Foreign Affairs made purchases of Rs.5,217,590 of different items/stores during 1991-92 for presentation to various dignitaries/Heads of States. In contravention of orders laid down in GFR, items purchases were not taken on Stock Register. Stores valuing Rs.1,290,903 were also short delivered and misappropriated.

The Principal Accounting Officer admitted this irregularity and stated that the stock register is being maintained now and they are up-dating the old record.

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

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 454 of the Ad-hoc PAC Report for year 1996-97.

7. **AVOIDABLE EXPENDITURE ON VACANT RESIDENCE RS.1,257,000(PARA 4, PAGE138-139-AR)**

Audit pointed out that in a Pakistan Mission abroad, residence hired for an officer of the Ministry remained vacant on his transfer to Headquarters for a period of 46 months and Mission paid Rs.1,257,000 as rent for the vacant residence.

The Ministry stated that the case has been referred to the Finance Division for regularization.

The Committee directed the Principal Accounting Officer to examine the case, take action against the concerned officer(s) and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 454-455 of the Ad-hoc PAC Report for year 1996-97.

8. i) **IN-ADMISSIBLE PAYMENT OF HOUSE RENT ALLOWANCE AND NONRECOVERY OF UTILITY CHARGES RS.173,172 (PARA 5, PAGE 139-AR)**
ii) **EXCESS PAYMENT OF RS.159,847 ON ACCOUNT OF TRANSPORTATION OF PERSONAL EFFECTS (PARA 6, PAGE 140-AR)**
iii) **NON-RECOVERY OF TELEPHONE CHARGES RS.110,073 (PARA 7, PAGE 140-AR)**
iv) **IRREGULAR PAYMENT OF US \$ 2200 (RS.67,100 ON ACCOUNT OF FREIGHT CHARGES) (PARA 8, PAGE 141-AR)**

The Committee settled the above four paras subject to verification by Audit.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 454-455 of the Ad-hoc PAC Report for year 1996-97.

9. **IRREGULAR PAYMENT OF DAILY ALLOWANCE RS.64,782 (US \$ 21,224) (PARA 9, PAGE 141-AR)**

Audit pointed out that in a Pakistan Mission abroad, US \$ 21,224 (Rs.64,782) were overpaid to a Head of Mission for joining time D.A in respect of his family member who did not accompany him. As per rule, no daily allowance is admissible for any member of family/servant, who did not actually accompany the Government servant.

The Ministry informed that the recovery pertains to a former Ambassador who is no more in service and whereabouts of the officer are not known to get his response.

The Committee directed the Principal Accounting Officer to recover the amount from the concerned person and publish his name in the newspaper.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 455-456 of the Ad-hoc PAC Report for year 1996-97.

10. **RECORD NOT PRODUCED TO AUDIT (PARA 10, PAGE 142-AR)**

Audit pointed out that M/O Foreign Affairs has been providing accommodation to its officers in "Foreign Office Lodge" containing 18 flats since September, 1987. Occupants of the flats are not suppose to draw house rent allowance, plus 5 % of the pay is also required to be deducted as maintenance charges.

The Ministry did not provide the record in respect of the officers who were accommodated in the lodge since September, 1987 in order to verify the recoveries of house rent allowances.

The Ministry stated that the record is being maintained since taking over of the lodge and record has been provided to Audit for verification.

The Committee directed the Principal Accounting Officer to provide the record to Audit for verification.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 456 of the Ad-hoc PAC Report for year 1996-97.

MINISTRY OF HEALTH

1. OVERVIEW

Appropriation Accounts and annual Audit Report for the year 1993-94 pertaining to the Ministry of Health were taken up for examination by the Public Accounts Committee (PAC) on July 26, 1997.

- 1.1 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.2 There were 4 Grants and 22 paras reported by the AGPR/Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Health held on 26th July, 1997 are as under:-

26TH JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.67-HEALTH DIVISION (PAGE 195-AA)

Audit pointed out that the original grant was Rs.42, 619,000, supplementary grant was Rs.300, 000, final grant was Rs.42, 919,000 and actual expenditure was Rs.38, 981,497. There was saving of Rs.3, 937,503.

The Committee conveyed its displeasure on huge supplementary grant and saving of Rs.3,937,503 and settled the grant with the direction to the Ministry to be careful in future.

2. GRANT NO.68-MEDICAL SERVICES (PAGE 196-AA)

Audit pointed out that the department surrendered an amount of Rs.34, 000 increasing the excess of Rs.27, 849,780.

The Committee conveyed its displeasure on huge supplementary grant and excess amount of Rs.27, 849,780 and directed the Finance Division and Audit to look into the matter fix responsibility and take disciplinary action against concerned officials.

The above mentioned grant was again discussed by the Ad-hoc PAC and its directive is printed at page No. 352 of the Ad-hoc PAC Report for year 1996-97.

3. **GRANT NO.69-PUBLIC HEALTH (PAGE 197-AA)**

The final grant was Rs.57,374,000, actual expenditure was Rs.56,421,713 and saving was Rs.952,287.

The Committee made no comments and settled the grant.

4. **GRANT NO.160-OTHER EXPENDITURE OF HEALTH DIVISION (PAGES 201-202-AA)**

Audit pointed out that the final grant was Rs.631,739,000 and actual expenditure was Rs.380,965,048. There was a saving of Rs.250,773,952.

The Committee conveyed its displeasure on bad budgeting and settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

5. **NON-SUBMISSION OF AUDITED STATEMENT OF GRANT-IN-AID AMOUNTING TO RS.24,387,481 PAID TO VARIOUS PUBLIC BODIES/INSTITUTIONS (PARA 1, PAGES 142-143-AR)**

Audit pointed out that during 1989-90 Ministry has released grant-in-aid amounting to Rs.24,387,481 to various Public Bodies and Institutions but audited statements of accounts and utilization reports were not submitted, nor the same were demanded by the authorities.

The Ministry stated that utilization reports and audited statements of accounts have been submitted by the various agencies, organization to the Ministry except one association who is being asked to submit the same. The grant-in-aid was spent by the organizations for the purposes for which it was granted.

The PAC made no comments and settled the para.

6. **NON-SUBMISSION OF AUDIT REPORT AGAINST THE GRANT-IN-AID TO AL-SHIFA TRUST EYE HOSPITAL AMOUNTING TO RS.8,333,000 (PARA 2, PAGE 143-AR)**

Audit informed that an amount of Rs.8,333,000 was released to Al-Shifa Trust Eye Hospital as grant-in-aid during 1989-90 but never asked for submission of Audited Statements from the Hospital to ensure that the grant was spent on the purpose for which it was provided.

The Ministry replied that the accounts were audited by Chartered Accountant and the amount was spent on the construction of building and purchase of medicines etc.

The Committee was not satisfied with the explanation given by the Ministry and directed the department to provide relevant record to Auditor-General Office for audit in future.

7. **IRREGULAR EXPENDITURE RELEASE AS GRANT-IN-AID AMOUNTING TO RS.4,999,000 TO LADY DUFFERING HOSPITAL, KARACHI (PARA 3, PAGES 143-144-AR)**

Audit informed that the Health Division had made payments of Rs.4,999,000 to Lady Duffering Hospital, Karachi during November, 1989. The expenditure was sanctioned vide letter dated 11-10-1989 by re-appropriation from 159-Development Head of Health Division of Ayub Medical College which was an approved scheme of planning and development. No appropriation can be made from the development side to non-development side without the prior approval of competent authority. Lady Duffering Hospital was not a development project; as such the expenditure was treated as unauthorized/irregular.

The Ministry stated that re-appropriation of Rs.4,999,000 was made with the approval of Planning and Development Division and Finance Division within development grant-159-Development Expenditure of Ministry of Health letter dated 5-9-1989.

The PAC made no comments and settled the para.

8. **IRREGULAR EXPENDITURE OF RS.2,539,650 ON DIRECT PURCHASE OF MACHINERY AND EQUIPMENT (PARA 4, PAGE 144-AR)**

Audit informed that a sum of Rs.2,539,650 was spent on the purchase of machinery and equipment by Pakistan Institute of Medical Sciences without obtaining NOC from the department of Industries and Supplies as such the expenditure was treated as irregular.

The Ministry replied that being an autonomous organization, the Institute was not required to obtain NOC from the department of Industries and Supplies.

The Committee directed the department to get the approval from the Finance Division.

9. **NON-DEDUCTION OF 5% ON ACCOUNT OF HOUSE RENT FROM THE EMPLOYEES AMOUNTING TO RS.734,000 (PARA 5, PAGE 145-AR)**

Audit informed that PIMS had not recovered Rs.734,000 on account of 5% standard rent from the employees provided with hired accommodation on the plea that occupants were maintaining the hired houses by themselves. However recovery was started from August, 1994, as intimated by them.

The Ministry replied that being an autonomous body, the Institute has its own Estate Office. Houses hired by the Institute were scattered in Rawalpindi/Islamabad and it was uneconomical to provide repair and maintenance for residential accommodation. In compliance to audit direction, the 5% deduction has been started.

The Committee directed the department to recover the outstanding amount.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 367-368 of the Ad-hoc PAC Report for year 1996-97.

10. **SPLITTING UP PURCHASES WORK ORDER TO AVOID OPEN TENDERS WORTH RS.277,715 (PARA 6, PAGE 145-AR)**

Audit informed that a sum of Rs.277,715 was spent as purchase of miscellaneous stores and civil works. The purchase/work orders were split up to avoid calling open tenders in violation of Government Rules.

The Ministry replied that annual tender for purchase of general store, stationery etc were called for but in some cases when these items were not included in tender and were of occasional nature were purchased from approved contractors. The Library books were purchased from the approved contractor in accordance with the instructions of M/O Education and rates were also approved by the Ministry, purchases were made on quotation basis only where value of purchases in each individual case was less than Rs.10,000.

The PAC made no comments and settled the para.

11. **IRREGULAR EXPENDITURE OF RS.1.172 MILLION ON ACCOUNT OF PURCHASE OF MEDICINES (PARA 7, PAGE 146-AR)**

Audit informed that PIMS purchased medicines amounting to Rs.1,172,261 beyond delegated powers of Rs.10,000 non-recurring and Rs.2,000 recurring stores. The expenditure has been treated as irregular.

The Ministry replied that the Institute was an autonomous body and financial powers referred to in audit para does not apply to the Institute. The Institute has its own delegation of powers under which the Executive Director was competent to purchase medicines. Even under the delegation of power quoted by Audit, the heads of departments have full powers to sanction expenditure on items for which specific budget provision exists.

The PAC made no comments and settled the para.

12. **IRREGULAR EXPENDITURE OF RS.176,010 ON CIVIL WORKS (PARA 8, PAGES 146-147-AR)**

Audit informed that PIMS paid a sum of Rs.17,541 and Rs.158,469 to two firms on account of purchase of paint and bath fittings with the approval of Administrator, who was not competent to sanction the expenditure under delegation of powers. Tenders were also not called for as required under the rules.

The Ministry in its reply stated that the work has been done after completing all codal formalities. The Administrator was authorized to sanction the expenditure and powers were delegated to him by the competent authority.

The Committee was satisfied with the explanation given by the Ministry and settled the para.

13. **IRREGULAR DRAWAL OF RS.437,194 OUT OF RECEIPT FOR STAFF WELFARE FUND (PARA 9, PAGE 147-AR)**

Audit informed that in PIMS, a sum of Rs.437,194 was drawn from the departmental receipts for 1990-91 irregularly and transferred to the staff welfare fund without the approval of M/O Finance. Record of utilization of said amount was also not made available.

The Ministry replied that staff welfare funds have been created and funds are utilized for genuine and urgent needs of low paid employees. Private patients admitted in the private wards are requested to contribute towards this fund on voluntary basis. These funds are collected through private resources. Therefore being not income from Government these funds are not required to be audited.

The Committee directed the department and Finance Division to find out a way to settle the issue.

14. **SUSPECTED MIS-APPROPRIATION OF RS.155,000 (PARA 10, PAGES 147-148-AR)**

Audit informed that in PIMS, an amount of Rs.155,000 collected from officers and officials on account of pick and drop facilities @ Rs.100 per head. The amount was neither reflected in cash book nor deposited in Government Account.

The Ministry replied that the amount in question was utilized for purchase of POL, Lubricate and repair and maintenance of vehicles with the approval of competent authority. The same can be verified by the audit. The PAC made no comments and settled the para.

15. i) **NON-DEDUCTION OF HOUSE RENT ALLOWANCE UP TO RS.143,574 (PARA 11, PAGE 148-AR)**
ii) **IRREGULAR AND UN-AUTHORIZED RE-EMPLOYMENT AND PAYMENT RS. 301,980 TO 7 PROFESSORS BEYOND SUPERANNUATION WITHOUT APPROVAL OF COMPETENT AUTHORITY (PARA 16, PAGES 150-151-AR)**

The Ministry informed that the administrative control of Sheikh Zaid Hospital, Lahore has since been transferred to Cabinet Division.

The Committee, therefore, deferred the above paras and directed the Audit to discuss these paras with Cabinet Division.

16. **IRREGULAR EXPENDITURE OF RS.84,990 ON ACCOUNT OF PURCHASE OF STORES BY SPLITTING UP (PARA 12, PAGES 148-149-AR)**

Audit informed irregular expenditure of Rs.84,990 on account of purchase of stores, the sections were split up to keep them below Rs.10,000 by the Joint Executive Director who has been delegated power up to Rs.10,000 only.

The Ministry replied that the department is following the tenders of PIMS in respect of bulk purchases and occasionally some items have to be purchased on quotation basis following all codal formalities with the approval of competent authority.

The PAC made no comments and settled the para.

17. **RECOVERY OF RS.61,620 ON ACCOUNT OF IRREGULAR USE OF A VEHICLE BY NON-AUTHORIZED OFFICER (PARA 13, PAGE 149-AR)**

Audit informed that recovery of Rs.61,620 on account of irregular use of vehicle by non-authorized officer. The authority has intimated that the case for recovery has been initiated with the controlling Ministry.

The Ministry replied that the Car No.IDB-4217 was provided to the then Health Minister by the Chairman of Board of Governors of the Institute.

The Committee directed the department to recover the amount from the Minister Mr. Tasneem Nawaz Gardezi and report to the PAC.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 368 of the Ad-hoc PAC Report for year 1996-97.

18. **IRREGULAR EXPENDITURE OF RS.52,144 INCURRED ON REPAIRS OF A VEHICLE NOT ON THE STRENGTH OF THE INSTITUTE (PARA 14, PAGES 149-150-AR)**

Audit informed that the irregular expenditure of Rs.52,144 incurred on repair of a vehicle which was not on the pool of PIMS. The authorities stated that the expenditure was incurred on the verbal instructions of the Ex-Minister and would be got recovered from the Ministry.

The Ministry replied that the vehicle was used by the Ex-Health Minister and later on by the Director General Health/Additional Secretary. On verbal instructions of the Health Minister, the vehicle was got repaired out of the funds collected from the receipt of buses and finally adjusted properly out of Institute funds.

The Committee was not satisfied with the explanation given by the Ministry and directed the department to recover the amount.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 368-369 of the Ad-hoc PAC Report for year 1996-97.

19. **RECOVERY OF RS.145,184 ON ACCOUNT OF HOUSE RENT ALLOWANCE AND CONVEYANCE ALLOWANCE (PARA 15, PAGE 150-AR)**

Audit informed that recovery of Rs.145,184 on account of House Rent Allowance and Conveyance Allowance from the Principal, College of Nursing Para-Medical Institute. The officer was residing in Hostel of Nursing College and also drawing House Rent Allowance and Car Allowance. 5% deduction from the pay of the officer was required to be made but instead he was allowed to draw House Rent allowance and Conveyance Allowance.

The Ministry replied that recovery of House Rent Allowance and Conveyance Allowance has been started and further payment of House Rent and Conveyance Allowance have been stopped with effect from October, 1993 which can be verified.

The PAC made no comments and settled the para.

ACTIONABLE POINTS 1988-89

20. **NON-UTILIZATION OF CENTRAL RESEARCH FUND RS.27,224,648 (PARA 1, PAGES 62-63-AR) (ITEM 4-AP-88-89)**

Audit reported that a Central Research Fund was established for research laboratory to be financed by annual contribution of 10% from Drug Manufacturers. No proper accounting procedure for the fund has been formulated so far with the result that no proper record of the fund is available.

Despite detailed discussion, the Committee was not satisfied and constituted an Inter-departmental Committee, comprising of a nominee each from Audit, M/O Finance and M/O Health to sort out the matter and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 369 of the Ad-hoc PAC Report for year 1996-97.

21. **RECOVERY OF OUTSTANDING TEST FEE AMOUNTING TO RS.2,674,039 FROM DIFFERENT AGENCIES (PARA 3, PAGES 63-64-AR) (ITEM I-AP-88-89)**

Audit pointed out that on account of testing fee amounting Rs.247, 039 was outstanding since 1973-94 from different government departments and other agencies.

Despite detailed discussion, the matter could not be resolved. Therefore, the Committee constituted an Inter-departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Health to sort out the issue and suggest recommendation within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 369-370 of the Ad-hoc PAC Report for year 1996-97.

22. **NON-ADJUSTMENT OF T.A ADVANCE RS.252,851 (PARA 4, PAGE 64-AR) (ITEM 5-AP-88-89)**

Audit pointed out that an amount of Rs.252,857 was paid as TA advance to various employees in April and June, 1988 Under the rule, these advances were required to be adjusted on return of Government Servants to Headquarters. The advances were still outstanding.

The Committee settled the para subject to verification by audit.

23. **LOSS AMOUNTING TO RS.175,000 DUE TO PURCHASE OF DEFECTIVE X-RAY PLANT (PARA 5, PAGE 64-AR)(ITEM 6-AP-88-89)**

Audit reported that an X-Ray Plant was purchased for a sum of Rs.175,000 in June, 1975 which was not installed till 1981 and on installation transpired that the plant was damaged.

The Committee directed the department to dispose off the X-Ray Plant and intimate the same to Audit.

24. **NON-RECOVERY OF RS.64,106 AS HOSPITAL CHARGES (PARA 6, PAGES 64-65-AR) (ITEM 7-AP-88-89)**

The para was discussed in PAC meeting on 10-12-1992 and Principal Accounting Officer was advised to take personal interest in the matter to get the hospital charges recovered.

The Ministry replied that Cashier was suspended on the charge embezzlement and case was handed over to the FIA.

The PAC made no comments and settled the para.

25. **BIOLOGICAL PRODUCTION DIVISION (NIH)(PARA 308, PAGE 267-268-ARPSE) (ITEM 10-AP-88-89)**

The PAC in its meeting held on 10-12-1992 directed the Principal Accounting Officer to made personal efforts to ensure recovery of the long outstanding amounts from provincial governments.

The Ministry informed that all the outstanding dues relating to the years 1982-83 to 1994-95 have been realized through deduction at source made by the M/O Finance.

The Committee made no comments and settled the para.

MINISTRY OF HOUSING & WORKS

1. OVERVIEW

Appropriation Accounts and Annual Audit Report for the year 1993-94 pertaining to the Ministry of Housing & Works were taken up for examination by Public Accounts Committee (PAC) on January 22& February 14, 1998.

- 1.1. The PAC having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving mismanagement of grants, overpayments, lack of internal control, unauthorized payments and non-recovery of rent in the Estate Office. The Committee also notices numerous irregularities in the allotment of residential accommodations through the Estate Office and losses due to irregular awarding of contracts.
- 1.2. During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3. There were 7 Grants and 66 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.4. In certain cases the Committee directed Audit to verify details/facts, given by the Ministry in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Housing & Works held on 22nd January and 14th February, 1998 are as under:-

22ND JANUARY, 1998

Before starting the examination of accounts of M/O Housing and Works, the Auditor-General of Pakistan briefed the PAC about two organizations under the administrative control of the Ministry: the first one was the system of Estate Offices which is responsible for providing government accommodation to the government servants; the other is the Pakistan Public Works Department which is responsible for construction works of the Federal Government.

During 1993-94, the Estate Offices were granted a Budget of Rs.505.8 million. The Committee has already discussed the management of the grant. The audit report that was before the Committee does not give a very satisfactory picture about the working of the Estate Office system. The most serious issue emerging from the report was the failure to recover government dues. The Estate Office is required to recover 5% from the pay of

persons residing in Government owned, or hired houses. The position by June, 1993 was that in the Islamabad alone, the Estate Office had a non-recovery of Rs.47.7 million. Similarly, whenever government accommodation is provided to non-entitled persons a standard rent is to be recovered. Failure to recover the rent as per rules had resulted in outstanding recoveries of almost Rs.3 million. The Islamabad Estate Office alone failed to recover Rs.0.9 million as standard rent during the period January, 1989 to March, 1992.

The total outstanding recoveries which audit pointed out in the report on these two accounts were Rs.56.6 million. The cases reported would be presented to the PAC for discussion by the Director General Audit (Works), but taken as a whole they do paint a picture of indifference towards protecting public interest.

At the macro level, PWD presents a different set of problems which was equally serious. During the year under report, the government spent Rs.828 million on maintaining the organization of PWD. The total ADP allocation which was spent through the Department was only Rs.137 million. The huge organization, which comprised of 8556 regular employees in 1993-94, by this ratio adds an unproductive expenditure six rupees. To every one rupee that is spent through the Department. At the same time in the presence of this huge human resource, parallel organizations like the NHA or FWO have been created and organizations like the CDA have assumed the role of construction organizations. There is obviously a need for coordinated top-level decision making to relieve the undue burdens on the developmental process which has slowed down appreciably over the years. Auditor-General add that one of the biggest and most unrealistic burden which the organization is carrying is the burden of work charge employees. By mismanaging the utilization of work charge employees over the years the organization has suffocated its competitive edge.

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.74-WORKS DIVISION (PAGE 208-AA)

Audit pointed out that an excessive amount of Rs.1, 829,900 was surrendered converting the grant to be closed into excess of Rs.25, 975.

The department informed that the saving was only 0.14% of the grant and it was nominal saving.

The Committee settled the grant with the direction to be careful in future.

2. GRANT NO.76-ESTATE OFFICES (PAGE 209-AA)

Audit pointed out that the department surrendered an amount of Rs.2,000,000 increasing the excess to Rs.5,030,511.

The Committee regularized the excess expenditure with the direction to be careful in future.

APPROPRIATION ACCOUNTS (PWD) (VOL-VI-1993-94)

3. **GRANT NO.75-CIVIL WORKS (PAGE 4-AA)**

Audit pointed out that there was saving of Rs.33,100 under charged section and an excess of Rs.9,420,891 under other than charged section.

The Committee settled the grant with the direction to be careful in future.

4. **GRANT NO.77-FEDERAL LODGES (PAGE 4-AA)**

Audit pointed out that the final grant was Rs. 16,358,000 and actual expenditure was Rs. 13,946,384. There was a saving of Rs. 2,411,616 which works out 14.73% of the final grant.

The Committee settled the grant.

5. **GRANT NO.78-OTHER EXPENDITURE OF WORKS DIVISION (PAGE 5-AA)**

Audit pointed out that final grant was Rs. 2,006,000 and actual expenditure was Rs. 2,005,904. There was a saving of Rs. 96.

The Committee settled the grant but directed M/O Finance to look into it.

6. **GRANT NO.164-DEVELOPMENT EXPENDITURE OF WORKS DIVISION (PAGE 5-AA)**

Audit pointed out that final grant was Rs. 224,000 and actual expenditure was Rs. 223,926. There was a saving of Rs. 74/-.

The Committee settled the grant.

7. **GRANT NO.190-CAPITAL OUTLAY ON CIVIL WORKS(PAGE NO.6-AA)**

Audit pointed out that final grant was Rs. 185,966,000 and actual expenditure was Rs. 141,144,350. There was a saving of Rs. 44,821,650. An amount of Rs.4,043,000 was surrendered in time. The net saving of Rs. 40,778,650 which works out to 21.92% of the final grant.

The Principal Accounting Officer informed that the M/O Finance has issued the instructions to stop the expenditures on 16th May, 1993.

The Committee settled the grant.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

8. EXCESS PAYMENT OF RS. 2,517,360 (PARA A-I.1, PAGE 164-ARCW)

Audit pointed out that according to clause 8 of the agreement; both lessee and the lessor are bound not to raise any objection to the agreed amount of rent and the terms & conditions of the lease throughout the lease period. The Estate Office, Karachi after entering into agreement, made payment for an area of 6373 Sq.ft. which was not included in the assessment made by Pak. PWD at the time of settling rent & finalizing the lease deed in May, 1986. This resulted in excess payment of Rs.2,517,360.

The Ministry informed that building was initially measured as 37953 Sq.ft by the Pak. PWD whereas the covered area occupied by the A.G.P.R was 44326.18 Sq.ft. inclusive of area of stair case, corridors, toilets and stores etc. The owner of the building while accepting the monthly rent @ Rs.3.50 per Sq.ft. represented against the non-inclusion of the area of 6373 Sq.ft. As per rules, the representative of the owner was justified. Hence, the area was remeasured and the lease agreement was revised.

The Committee directed the Principal Accounting Officer to investigate the matter why the excess payment was made, fix responsibility and report to the PAC within two months.

9. OVERPAYMENT OF RS.556,082 (PARA A-I.2, PAGES 164-165-ARCW)

Audit pointed out that according to clause 8 of lease agreement both lessee and the lessor are required not to raise any objection to the agreed amount of rent and the terms and conditions of the lease throughout the lease period. The Estate Office, Islamabad revised the rent of a commercial building during the currency of lease deed. This resulted into overpayment of Rs.556,082.

The Ministry informed that building No.17, G-8 Markaz, Islamabad was hired w.e.f. 8-11-1987 for the Federal Bureau of Statistics Islamabad. The covered area of the building was measured as 25027.11 Sq.ft. by the Pak-PWD whereas the actual covered area occupied by the department was 27712.50 Sq.ft. The owner represented against this discrepancy. The covered area was re-measured as per decision of the Assessment Board and payment was made accordingly.

The Committee directed the Principal Accounting Officer to investigate the matter, fix responsibility and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 333 of the Ad-hoc PAC Report for year 1996-97.

10. **EXCESS PAYMENT OF RS.368,618 (PARA A-II.1, PAGE 165-ARCW)**

Audit pointed out that in terms of Government of Pakistan, Works Division letter No.F.2(21)/90-Estate-VI, dated 24-9-1991, rent for hired commercial building was required to be determined and paid according to the category and standard specified in the letter Estate Office, Rawalpindi hired and paid rent for a building @ category A-I which did not possess the pre-requisite of A-I Category. This resulted into excess payment of Rs.368,618 upto March,1992.

The Ministry informed that building was assessed by the Assessment Board and Board was competent to assess the building as A-I.

The Committee was not satisfied with the explanation given by the Ministry and constituted an Inter-departmental Committee comprising Mr. Mahboob Illahi, Financial Adviser, M/O Works, Mr. Babar Hameed, Deputy Director concurrent Audit Works (CDA), Mr. Sarfraz Ahmad Mirza, Director General (PWD) and Chief Engineer (North) (PWD) with the direction to carry out physical verification and report to PAC within 15 days.

11. **DOUBLE PAYMENT OF RS.62,400 (PARA A-III.1, PAGE 166-ARCW)**

Audit pointed out that Estate Office, Karachi made payment for a hired house on self hiring basis despite the fact the said house was already hired by the Security Printing Press for the same officer and rent was paid in advance. This resulted into double payment of Rs.62,400.

The Ministry informed that Security Printing Corporation where the Officer was working neither informed the Estate Office about the advance payment of rent at the time of transfer of the Officer nor approached the officer for refund of advance payment. It was the responsibility of the Corporation to recover the advance payment from the owner.

The Committee directed the Principal Accounting Officer to recover the outstanding amount from the concerned official and also verify the exact position of the owner of the house.

12. **NON-RECOVERY OF RS.47,787,175 (PARA B-I.1, PAGE 166-ARCW)**

Audit pointed out that the rent of Government owned/hired and requisitioned houses at Islamabad was recoverable to the extent of Rs.47.787 million for the period upto June, 1993 from the allottees.

The Ministry informed that recoveries of standard rent in case of non-entitled department are being made at the old rates as per orders of High Court, Rawalpindi. Due to this there is a difference of Rs. 11.151 million.

The Committee was not satisfied with the explanation given by the Ministry and directed that the Inter-departmental Committee constituted under para A-II.1 above will also look into this para.

13. **NON-RECOVERY OF RS.2,932,251 (PARA B-I.2, PAGE 167-ARCW)**

Audit pointed out that the issue relates to the outstanding recovery of rent of houses from the Federal Government employees. The dues amounted to Rs. 2.932 million upto June, 1993 in the books of the Estate Office, Rawalpindi.

The Ministry informed that recoveries are effected through AGPR. Whereas, deductions statements are submitted to Estate Office after every six months and relevant rent cards are posted. 80% of the recovery has been claimed to be made but no details whatsoever have been provided for verification.

The Committee conveyed its displeasure and directed the Ministry to reconcile with AGPR and report to PAC within a week. The Committee also directed to see the entry system of the Estate Office in detail.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 333 of the Ad-hoc PAC Report for year 1996-97.

14. **NON RECOVERY OF RS.1,880,023 (PARA B-I.3, PAGE 167-ARCW)**

Audit pointed out that Estate Office, Karachi failed to recover Income Tax @ 5% while making payment for hiring of commercial buildings in violation of section 50(7-B) of Income Tax Ordinance, 1979. This resulted in non-recovery of Rs. 1.880 million for the period, 1992-93 & 1993-94.

The Ministry informed that CBR directed in October, 1994 to make such recovery since the recovery pointed out pertains to the period prior to that it has been advised that para may be diverted to Income Tax Department.

The Committee directed the Principal Accounting Officer to recover the amount from the concerned person(s).

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 334 of the Ad-hoc PAC Report for year 1996-97.

15. **NON-RECOVERY OF RS.79,629 (PARA B-I.4 , PAGE 167-ARCW)**

Audit pointed out that the house rent @ 5% was not recovered from a Federal Government Officer from 1967 to July, 1993 to the tune of Rs.79,629.

The Ministry informed that rent was calculated on the basis of revised rates of standard rent which have been suspended by High Court, Rawalpindi. This view of the Estate

Office, Islamabad is not correct as the allottee was an Officer of Health Division and was required to pay rent @ 5% of his pay. The non-recovery has therefore not been adequately justified.

The Committee directed the Principal Accounting Officer to examine the case and inquire as to who issued the NOC that no amount is due to be recovered from the Officer, and also directed to take action against him with a report to PAC.

16. **NON-RECOVERY OF RS.51,082 (PARA B-I.5, PAGE 167-ARCW)**

Audit pointed out that a sum of Rs.51,082 was recoverable from the allottees of Government Houses for period May, 1992 to December, 1993.

The Ministry informed that recovery of Rs.20,199 has been made leaving a balance of Rs.30,883. During the period of 5 years the progress of recovery is not satisfactory as the prescribed procedure/schedule is not followed.

The Committee directed the department to recover the amount from Mr. Shah Jehan, P.S to the then Minister for Communications and get it verified from the Audit. The Committee also directed the department to write to the then Minister for Communications informing him about the amount to be recovered from his P.S.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 334 of the Ad-hoc PAC Report for year 1996-97.

17. **NON-RECOVERY OF RS.916,093 (PARA B-II.1, PAGE 168-ARCW)**

Audit pointed out that the monthly standard rent amounting to Rs.916,093 was recoverable from a non-entitled organization from January, 1989 to March, 1992.

The Ministry informed that due to suspension of revised rates of standard rent by High Court, Rawalpindi the demand of actual rent has decreased.

The Committee directed the Principal Accounting Officer investigate the matter personally and recover the amount from concerned persons. The Committee also directed to provide a list of non-entitled persons along with the list recommended by Prime Minister Secretariat to PAC within 15 days.

18. **NON-RECOVERY OF RS.91,609 (PARA B-II.3, PAGE 168-ARCW)**

Audit pointed out that Estate Office, Lahore did not recover the standard rent of Rs.91,609 from allottees of Government residential accommodation which pertained to the period 1987 to 1990.

The Ministry informed that a sum of Rs.4,301 has been shown as recovered leaving balance of Rs.87,306. The progress was not satisfactory as the arrear was pointed out in May, 1990. The reported recovery of Rs.4,301 has not been got verified from Audit.

The Committee directed Principal Accounting Officer to direct the concerned departments to recover the amount from concerned official's salary and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 335 of the Ad-hoc PAC Report for year 1996-97.

19. **NON-RECOVERY OF RS.116,964 (PARA B-II.4, PAGE 169-ARCW)**

Audit pointed out that the standard rent from May, 1991 to April, 1992 was not recovered from Federal Government Employee, who was transferred from Islamabad to Peshawar in September, 1990. This resulted in non-recovery of Rs.116, 964 up to April, 1992.

The Ministry informed that the Officer had not availed the facility of Government accommodation at Peshawar. Therefore, he was allowed to retain the Government accommodation at Islamabad in the entire period on payment of normal rent which is also still recoverable. It was also pointed out in reply that he has not paid the normal rent.

The Committee directed the Principal Accounting Officer to direct the AGPR to recover the amount from salary of concerned official and report to the PAC within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-VIII-1993-94)

20. **NATIONAL CONSTRUCTION LTD. (PARA 114-116, PAGES 102-103-ARPSE)**

Audit pointed out that the National Construction Ltd. (NCL) was incorporated on November 16, 1977 as an unlisted Public Company, Primarily to Carry on the business of Consultants, Advisors, Structural Engineers, Builders, Architects, Designers and to engage in other-allied activities.

Due to continuous losses, the Government equity of Rs.100 million in the Company has already been wiped out. Negative equity, heavy markup on borrowing and blockade of funds in receivables are the main causes of continues losses. Keeping in view the losses, it was decided by the Economy Commission in September, 1993 to close the Company. The Cabinet, however, decided in its meeting held on December 29, 1994 as under:-

“NCL would operate as a purely commercial concern on its own without any financial assistance from the Government”.

Audit further informed that:-

- (a) Since then, some improvement has been noted in the working results of the Company.

- (b) Efforts are still needed to get more business from within and outside Pakistan.
- (c) Efforts are required to be made to recover the outstanding amount to save the Company from financial crisis.
- (d) Total bills and claims of Rs.217,193 million were out-standing against public sector organizations in October,1996.

The Managing Director, NCL informed that the Company has earned a profit of Rs.14 million without any support. The M.D requested the PAC to instruct the M/O Finance to help the Company. The M/O Finance informed that the Ministry will provide every possible assistance to the Company.

The Committee constituted an Inter-departmental Committee comprising Mr. A. Ghafoor Mirza, Addl. Secretary, M/O Fiance, Mr. Abdul Rashid Baloch, Senior Joint Secretary, M/O Works and Mr. Sabbir P. Chohan, Managing Director, NCL to examine the problems being faced by the NCL and suggest the remedial measures and report to PAC within one month.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 304-305of the Ad-hoc PAC Report for year 1996-97.

ACTIONABLE POINTS
14TH FEBRUARY, 1998

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

- 21. i) **NON-RECOVERY OF RS.165,270 (PARA B-II.5, PAGE 169-ARCW)**
- ii) **NON-RECOVERY OF RS.123,925 (PARA B-II.6, PAGE 169-ARCW)**
- iii) **NON-RECOVERY OF RS.90,014 (PARA B-II.7, PAGE 169-ARCW)**
- iv) **NON-RECOVERY OF RS.118,696 (PARA B-II.8, PAGE 170-ARCW)**
- v) **NON-RECOVERY OF RS.317,253 (PARA B-II.9, PAGE 170-ARCW)**
- vi) **NON-RECOVERY OF RS.271,237 (PARA B-II.10, PAGE 170-ARCW)**
- vii) **NON-RECOVERY OF RS. 79,288 (PARA B-II.11, PAGE 171-ARCW)**
- viii) **NON-RECOVERY OF RS.52,262 (PARA B-II.12, PAGE 171-ARCW)**
- ix) **NON-RECOVERY OF RS.92,800 (PARA B-II.13, PAGE 171-ARCW)**
- x) **NON-RECOVERY OF RS.249,396 (PARA B-II.14, PAGE 171-ARCW)**
- xi) **NON-RECOVERY OF RS.598,570 (PARA B-III.1, PAGE 172-ARCW)**
- xii) **NON-RECOVERY OF RS.53,572 (PARA B-IV.1, PAGE 172-ARCW)**
- xiii) **NON-RECOVERY OF RS.97,512 (PARA B-IV.2, PAGE 173-ARCW)**
- xiv) **NON RECOVERY OF RS.89,242 (PARA B-V.2, PAGE 173-ARCW)**

On the presentation of above paras, the Committee conveyed its displeasure on the issue and directed the department to recover the outstanding amounts from concerned persons and report to the PAC within three months. The Committee also instructed the Principal Accounting Officer to take strict measures to get the Government houses vacated from illegal occupants.

The above mentioned Audit paras (B-II.8, B-II.10, B-II.11, B-II.12, B-II.14 & B-III.1) were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 335-336 of the Ad-hoc PAC Report for year 1996-97.

22. **(PARA B-V.1, PAGE 173-ARCW)**

The Committee settled the para subject to verification by Audit.

23. **(PARAS A-II.2, B-II.2, A-I.1, A-II.1, A-II.2 AND A-II.3, PAGES 165 & 168-ARCW)**

On the recommendation of Audit, the Committee settled these paras.

24. i) **EXCESS PAYMENT OF RS.335,243 (PARA A-III.2, PAGE 181-ARCW)**
ii) **OVERPAYMENT OF RS.661,886 (PARA A-III.3, PAGE 181-ARCW)**
iii) **LOSS OF RS.721, 788 (PARA C-I.1, PAGE 185-ARCW)**
iv) **LOSS OF RS.875,814, (PARA C-I.2, PAGE 186-ARCW)**

On the presentation of above four paras, the Committee decided to form an Inter-departmental Committee(IDC) comprising Mr. Javed Arif, Director General Audit (Works), Mr. Mehboob Elahi Jooni, Financial Adviser, M/O Works and Mr. Sarfraz Ahmad Mirza, Chief Engineer (PWD), to examine the issues and report to PAC within three months.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 328-329 of the Ad-hoc PAC Report for year 1996-97.

25. i) **LOSS OF RS.237,221 (PARA C-III.1, PAGE 187-ARCW)**
ii) **LOSS OF RS.93,022 (PARA C-III.2, PAGE 188-ARCW)**
iii) **UN-AUTHORIZED PAYMENT OF RS.6,223,778 (PARA C-V.1, PAGE 189-ARCW)**
iv) **UN-JUSTIFIED PAYMENT OF RS.133, 635 (PARA D-I.1, PAGE 190-ARCW)**

On the presentation of above four paras, the Committee was not satisfied with the explanation given by the Ministry and directed the Principal Accounting Officer to examine all the cases, fix responsibility, take action and report to PAC within two months.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 330-331 of the Ad-hoc PAC Report for year 1996-97.

26. **UNJUSTIFIED PAYMENT OF RS.183,927 (PARA D-I.2, PAGE 190-ARCW)**

Audit pointed out that an Item of earth work provided in the agreement as 200 cft. was enhanced and paid for 91309.56 cft. This abnormal increase without provision in the agreement resulted in an unjustified payment of Rs.183,927 in May, 1993.

The Ministry informed that irregularity has been admitted and concerned Executive Engineer has been penalized with a minor penalty in December, 1996.

The Committee directed the Principal Accounting Officer to examine the case again and take more strict action under the Law, if possible against the concerned engineer and report to PAC within two months.

27. **TEMPORARY MISAPPROPRIATION OF RS.566,115 (PARA D-III.1, PAGE 191-ARCW)**

Audit pointed out that department utilized the amount of income tax deducted at source towards payment of work done. As per rules the amount deducted on account of income tax was required to be deposited into Government exchequer. This resulted into temporary misappropriation of Rs.566, 115.

Four PLA system came under discussion and Committee formed an Inter-departmental Committee comprising of Mr. Javed Arif, Director General Audit (Works), Mr Sarfraz Ahmad Mirza, Director General (PWD) and Mr. Arif Bajwa, Joint Secretary, M/O Finance to work out excess payments i.e. made by the PWD and deposits collected in account of GP Fund sent by the department directly during 1976-97.

A comprehensive exercise in this regard was required to be carried out with a report to the PAC by 30-4-1998.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 329 of the Ad-hoc PAC Report for year 1996-97.

28. **LOSS OF RS.273,409 (PARA D-IV.1, PAGE 192-ARCW)**

Audit pointed out that T & P articles supplied to the residences of caretaker Prime Minister Mir Balakh Sher Mazari, at Lahore and Rajanpur were not taken back after termination of caretaker Government. This resulted into loss of Rs.273,409.

The Ministry informed that the effort is being made for early recovery from the house of Ex-Prime Minister.

The Committee directed the Principal Accounting Officer to recover of articles furniture and T & P articles provided to former caretaker Prime Minister within 15 days.

29. **EXCESS OVER THE ALLOTMENT OF RS.14,647,474 (PARA D-V.1, PAGE 192-ARCW)**

Audit pointed out that the department incurred an expenditure of Rs.14.647 million in excess of the allotment on Tameer-e-Wattan Programme by violating the financial rules and powers.

The Ministry informed that the Executive Engineer concerned responsible for over expenditure has been dismissed from service and the case has been referred to Ehtasab Cell.

The Committee directed the department to examine the case again, fix responsibility, take action against all officers and measures be taken to recover the loss and report to the PAC within three months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 332-333 of the Ad-hoc PAC Report for year 1996-97.

30. i) **EXCESS PAYMENT OF RS.436,849 (PARA A-I.1, PAGE 179-ARCW)**
ii) **EXCESS PAYMENT OF RS.311,849 (PARA A-II.1, PAGE 179-ARCW)**
iii) **EXCESS PAYMENT OF RS.124,913 (PARA A-II.2, PAGE 180-ARCW)**
iv) **EXCESS PAYMENT OF RS.72,149 (PARA A-II.3, PAGE 180-ARCW)**
v) **DOUBLE PAYMENT OF RS.66,343 (PARA A-IV.1, PAGE 182-ARCW)**
vi) **NON-RECOVERY OF RS.921,348 (PARA B-I.1, PAGE 183-ARCW)**
vii) **NON-RECOVERY OF RS.111,973 (PARA B-I.2, PAGE 183-ARCW)**
viii) **NON-RECOVERY OF RS.288,000 (PARA B-III.1, PAGE 184-ARCW)**
ix) **INFRACTUOUS EXPENDITURE OF RS.398,000 (PARA C-IV.1, PAGE 188-ARCW)**
x) **NON-CREDITING OF GOVERNMENT REVENUES TO THE TUNE OF RS.2,110,562 (PARA D-II.1, PAGE 190-ARCW)**
xi) **NON-CREDITING OF GOVERNMENT REVENUES WORTH RS.290,180 (PARA D-II.2, PAGE 191-ARCW)**
xii) **EXCESS OVER DEPOSITS OF RS.30.963 MILLION (PARA D-VI.1, PAGE 193-ARCW)**

On the presentation of above mentioned twelve Audit paras, the Committee settled these paras subject to verification by Audit with a report to the PAC within 15 days.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 329-330 of the Ad-hoc PAC Report for year 1996-97.

31. i) **NON-RECOVERY OF RS.311,277 (PARA B-II.1, PAGE 183-ARCW)**
ii) **NON-RECOVERY OF RS.287,202 (PARA B-II.2, PAGE 184-ARCW)**
iii) **NON-RECOVERY OF RS.334,172 (PARA B-II.3, PAGE 184-ARCW)**
iv) **LOSS OF RS.215,460 (PARA C-II.1, PAGE 186-ARCW)**
v) **LOSS OF RS.141, 582 (PARA C-II.2, PAGE 187-ARCW)**
vi) **LOSS OF RS.204,114 (PARA C-II.3, PAGE 187-ARCW)**

On the presentation of above six paras regarding non-recovery of Government dues from MNAs/Senators and Government Officers, the Committee directed the Principal Accounting Officer to provide the list of officers to Audit for deduction of dues at source.

The Committee further asked the department to write the names of MNAs/Senators to the competent Authority who have not paid PWD dues for deduction at source.

MINISTRY OF INDUSTRIES

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Industries were taken up for examination by Public Accounts Committee (PAC) on July 24, 1997.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving imprudent investments, un-necessary payments, non-recovery, non-preparation of accounts, irregular procurement, wasteful expenditure, irregular payment of bonuses, non obtaining bank guarantees on long term loans, etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 6 Grants and 31 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.4 In certain cases the Committee directed Audit to verify details/facts given in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Industries held on 24th July, 1997 are as under:-

24TH JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.79-MINISTRY OF INDUSTRIES (PAGE 213-AA)

An amount of Rs.357,000 was surrendered leaving net saving of Rs.1,120,741. The Ministry informed that an amount of Rs.101.5 million was utilized but it was not reflected in the books. As such there was no saving.

The Committee settled the grant with the direction to the Ministry to be careful in future.

2. GRANT NO.80-INDUSTRIES (PAGE 214-AA)

Audit informed that final and actual expenditure was Rs.53, 721,000. There was no variation and the Ministry utilizes full budget provision.

The Committee made no comments and settled the grant.

3. **GRANT NO.81-DEPARTMENT OF INVESTMENT PROMOTION & SUPPLIES (PAGE 215-AA)**

Audit pointed out that an amount of Rs.82,000 was surrendered leaving net saving of Rs.1,330,146.

The Ministry informed that amount could not be surrendered in time due to lack of coordination between the Ministry and Units. Most of units are in Karachi and they did not indicate to the Ministry.

The Committee conveyed its displeasure and settled the grant.

4. **GRANT NO.82-OTHER EXPENDITURE OF M/O INDUSTRIES (PAGE 216-AA)**

The department surrendered an amount of Rs.2,286,000 increasing the excess to Rs.3,400,079.

The Ministry stated that it is a wrong booking by AGPR, Lahore. The Committee was not satisfied with the explanation given by the Ministry and directed the Auditor-General to enquire the matter and report to PAC.

Further, the grant was again reviewed by the PAC on 7-4-99. The Committee directed the Audit to take action against those who were responsible for wrong-booking and regularized the excess expenditure.

5. **GRANT NO.138-CAPITAL OUTLAY ON MISCELLANEOUS STORES (PAGES 217 & 218-AA)**

An amount of Rs.251,000 was surrendered leaving net saving of Rs.429,285. The Ministry informed that the amount could not be surrendered in time due to purchase of diplomatic car.

The Committee made no comments and settled the grant.

6. **GRANT NO.165-DEVELOPMENT EXPENDITURE OF M/O INDUSTRIES (PAGE 219-AA)**

Audit pointed out that the final grant was Rs.19,430,000 and actual expenditure was Rs.19,030,000. There was saving of Rs.400,000 which was surrendered in time.

The Committee made no comments and settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

7. **INFRACTUOUS ADMINISTRATIVE EXPENDITURE OF RS.2.852 MILLION DUE TO UN-SATISFACTORY PERFORMANCE OF DISPOSAL WINGS (ISLAMABAD & KARACHI) (PARA 9, PAGE 156-AR)**

Audit pointed out that State Trading Scheme for purchase and sale of diplomatic cars are handled by disposal Wing of the Department of Supplies Islamabad and Karachi. During 1991-92 and 1992-93 a total administrative expenditure of Rs.2.852 million was incurred on the establishment of the disposal Wing at Islamabad and Karachi. A review of two Wings revealed that out of 32 cars only 15 cars were sold during 1991-1992 and 1992-93. Further during these two years 29 more cars were purchased. No car during 92-93 by Islamabad wing was disposed off. The cars remained with the department for 11 to 24 months and value deteriorated due to prolong storage in open. Prolonged storage caused un-necessary expenditure on maintenance and depreciation of value which is unjustified.

The Ministry stated that M/O Finance issued a directive to M/o Industries that before selling the cars, sales tax, and custom duty should be deposited in the Treasury.

The Committee directed the department to conduct an enquiry and fix responsibility and report to PAC within a month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 94 & 141-142 of the Ad-hoc PAC Report for year 1996-97.

8. **NON-RECOVERY OF RS.2.24 MILLION FROM THE DEFAULTING FIRMS (PARA 10, PAGES 156-157-AR)**

Audit informed that an amount of Rs.2.24 million is outstanding against the various defaulting firms since long. Effective steps were not taken to recover the outstanding amount. The case was taken up in January, 1994 with the department and in March, 1994 with Ministry.

Ministry stated that most of the cases are of the period 1952 to 1971 and suggested to write-off the amount.

The Committee directed the Ministry to reconcile with audit and amount may be recovered from concerned officials.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page-95 of the Ad-hoc PAC report for the year 1996-97.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 456 of the Ad-hoc PAC Report for year 1999-2000.

9. **LOSS DUE TO NON-IMPOSITION OF LIQUIDATED DAMAGES OF RS.0.385 MILLION FOR BELATED SUPPLIES (PARA 11, PAGES 157-158-AR)**

Audit informed that a firm obtained 100 payment of Rs.2,800,000 on the basis of receipt certificate dated 30-6-1991 recorded on the receipt position of the I/Note by the consignee that full quantity of contracted stores have been received after four months thereafter the

consignee/Indentor reported that full quantity of the stores was not supplied by firm and requested to persuade the firm to supply the balance quantity and also asked to penalize the firm. Later on the Indentor confirmed that supply completed by the firm after 8 months and demanded imposition of liquidated damages. The department withheld the security deposit amounting to Rs.385,400 because the firm had obtained full amount on the basis of receipt certificate of the consignee it is for the consignee to arrange for recovery of L/D. Action of the department not to impose the liquidated damages is irregular/un-justified and against the financial interest of the government.

The department stated that liquidated damages were imposed amounting to Rs.385,400 and also mark up of Rs.179,200. Notices were also issued to the defaulting firms. The firm was black listed. The matter is being taken up with the M/O Health for taking appropriate action against the responsible officers/ officials. A Committee has also been constituted to review this case to avoid any action.

Despite detailed discussion, the matter could not be resolved. The Committee decided to form an Inter-departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Industries to examine the matter and report to PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page-96 of the Ad-hoc PAC report for the year 1996-97.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 456 of the Ad-hoc PAC Report for year 1999-2000.

10. **UNDUE FAVOUR TO THE CONTRACTOR DUE TO PURCHASE OF VEHICLES WHICH WAS NOT ACCORDING TO SPECIFICATION, LOSS OF RS.0.1382 MILLION (PARA 12, PAGES 158-159-AR)**

Audit informed that contract was awarded for supply of two new un-used latest model imported Suzuki Vitara Jeep (JXI)16 in March, 1993 at the cost of Rs.1,424,000. Out of the two one valuing Rs.700,000 was manufactured in 1989 and cleared from Custom in May, 1989. As such this Jeep cannot be treated as latest Model. Moreover, price difference of Rs.0.1382 million between a 3 years old jeep and of 1992 model is on a very high side.

The Principal Accounting Officer accepted this irregularity and informed that the Ministry will enquire the matter and submit its report to the Committee.

The Committee directed the department to issue Show Cause Notice to the person responsible for this irregularity and action be taken under E & D Rules, 1973 within 14 days.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 96-97 of the Ad-hoc PAC Report for year 1996-1997.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

ROTI CORPORATION OF PAKISTAN

11. **(PARA 118, PAGE 108-ARPSE)**

Audit informed that the Ministry did not supply audited accounts of the Roti Corporation of Pakistan for the year 1982-83 onwards, as their Board of Directors have not approved/signed the requisite Accounts.

The Committee settled the para.

UTILITY STORES CORPORATION OF PAKISTAN

12. **(PARAS 119 TO 123, PAGES 109-123-ARPSE)**

Audit informed the Committee about the overall performance of the Utility Stores Corporation of Pakistan (USC). The Corporation was running in profit till 1994-95 and sustained losses since 1995-96.

The department stated that the Corporation was established for price stabilization and then we adopted concept of subsidized operation.

The Committee constituted a Sub-Committee under the Convenership of Ch. Muhammad Berjees Tahir, MNA comprising Kunwar Khalid Yunus and Mian Muhammad Farooq, MNAs, Mr. Muhammad Tehseen Khan Iqbal, Joint Secretary, M/O Industries, Mr. Muhammad Iqbal Malik, Financial Adviser (M/O Industries) and Sheikh Naseerul Haq, Director General Audit (FG) to examine the overall performance of Utility Stores Corporation and submit a report to the PAC within two months.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 143-144 of the Ad-hoc PAC Report for year 1996-97.

GHEE CORPORATION OF PAKISTAN

13. **(PARAS 124, 128, 131, 137, 142, 147, 153, 157 & 164, PAGES 112-133-ARPSE)**

Audit pointed out that Ghee Corporation of Pakistan (Pvt) Ltd (GCP). was incorporated in June 1976 to take over the management of the nationalized vegetable ghee units from provincial Governments. It was holding/managing twenty six Ghee units out of which 6 units were owned by GCP which were under the management of GCP. Two companies namely Khyber Vegetable Ghee Mills (Pvt) Ltd., Punjab Vegetable Ghee and General Mills Ltd. closed their operations on June 27, 1984. In pursuance of privatization policy of the Government, out of 26 units, 16 have since been privatized leaving 10 units including one closed unit.

Principal Accounting Officer informed the Committee that GCP had twenty six units and out of these sixteen units have been privatized. Now ten units should be used for subsidies operation of the Utility Stores.

The Committee directed the department to submit up-to-date position of GCP to the Committee.

The above mentioned Audit para were again discussed by the Ad-hoc PAC and its directive is printed at page No. 147 of the Ad-hoc PAC Report for year 1996-97.

14. **(PARA 125, PAGE 110-ARPSE)**

Audit reported that as a result of physical verification of stock of edible oil, a shortage of 3871 M.Ton valuing Rs. 60.686 million was detected. The case against M/S Cosmopolitan Development Company limited was stated to be in the court of law.

The Ministry stated that this case is subjudice, being in the court of law and they were waiting for the decision of the court.

The Committee directed the department to submit the latest position of the court case to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 148 of the Ad-hoc PAC Report for year 1996-97.

15. **(PARA 126, PAGE 113-ARPSE)**

Audit reported that the profit of the corporation for the year 1993-94 has been over stated by Rs. 81.736 million as no provision of pilferage/stolen edible oil was made in the account. An amount of Rs 14.290 million on account of action charges was also recoverable from K.M.C.

The Ministry stated that this was the view point of external auditors that the profit is over stated by Rs. 81.736 million. The Cosmopolitan Development Company Limited against whom the case is in the court of law has given in writing that they will bear the cost of stolen stock as such no provision was made in the accounts.

The PAC advised the Ministry to show the amount in profit and loss account and dropped the para.

SARGOH VEGETABLE GHEE AND GENERAL MILLS

16. **(PARA 134, PAGE 117-ARPSE)**

Audit pointed out that the Mill sustained a gross loss of Rs. 2.101 million manufacturing of soap (by product) as against gross loss of Rs. 0.045 million in manufacturing of main product ghee during the year 1993-94.

The Ministry stated the Mill is closed and there is no operational work in Ghee mills. The Committee settled the para.

KOHINOOR OIL MILLS LIMITED

17. **(PARA 148, PAGE 125-ARPSE)**

Audit pointed out that the Solvent Plant crushed only 249 M. Ton sunflower seed during the year 1993-94 against 4453 M. Ton during the year 1992-93 and the plant sustained operating loss of Rs. 4.880 million.

The Ministry intimated that possibility of operating the Solvent Extraction Plant on lease or otherwise was examined but litigation with ex-owner of the Company is underway.

The Committee constituted a Sub-Committee under the Convenership of Ch. Muhammad Berjees Tahir, MNA comprising Kunwar Khalid Yunus, Mian Muhammad Farooq, MNAs, Mr. Muhammad Tehseen Khan Iqbal, Joint Secretary, M/O Industries, Mr. Muhammad Iqbal Malik, Financial Adviser (M/O Industries) and Sheikh Naseerul Haq, Director General Audit (FG) to look into the overall performance of GCP and submit report to the PAC within two months.

NATIONAL COLLEGE OF TEXTILE ENGINEERING, FAISALABAD

18. i) **IRREGULAR EXPENDITURE AMOUNTING TO RS. 13,623,624 ON PAYMENT OF SALARY WITHOUT THE APPROVAL OF THE ESTABLISHMENT DIVISION (PARA 1, PAGE 151-AR)**
- ii) **RECOVERY ON ACCOUNT OF UNDUE CHARGES AGAINST PUBLIC EX-CHEQUER AMOUNTING TO RS. 804,492 (PARA 2, PAGE 152-AR)**
- iii) **DOUBTFUL ISSUANCE OF MEDICINES WORTH RS. 373,585 BY THE DISPENSER (PARA 3, PAGES 152-153-AR)**
- iv) **UNAUTHORIZED AND IRREGULAR PURCHASE OF FURNITURE VALUING RS. 373,370 WITHOUT CALLING OPEN TENDERS (PARA 4, PAGE 153-AR)**
- v) **NON-DEDUCTION OF 5% HOUSE RENT UPTO RS. 172,270 FROM THE RESIDENTS OF GOVERNMENT ACCOMMODATION (PARA 5, PAGES 153-154-AR)**
- vi) **IRREGULAR AND UNAUTHORIZED PAYMENT OF RS. 150,328 AS CONVEYANCE ALLOWANCE (PARA 6, PAGE 154-AR)**
- vii) **UNAUTHORIZED PRINTING WORK OF RS. 141,000 WITHOUT OBTAINING N.O.C. FROM THE PRINTING CORPORATION OF PAKISTAN (PARA 7, PAGE 154-155-AR)**
- viii) **IRREGULAR AND UN-AUTHORIZED WITHDRAWAL OF STAFF IN EXCESS OF WORKING STRENGTH (PARA 18, PAGE 161-AR)**

The Committee formed an Inter-Departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Industries to re-examine the above paras as well as look

into the affairs of the National College of Textile Engineering, Faisalabad and report to the PAC within two months.

However, the above mentioned eight audit paras were again discussed by the PAC on 7-4-1999. The PAC settled paras 1, 3,4,5,7 & 18. On para 2 above, the committee directed the department to get the expenditure condoned from the competent authority. On para 6 above, the Committee directed the Department to recover the said amount from the concerned officers within two months.

Further, para 6 was again discussed by the Ad-hoc PAC and its directive is printed at page No. 454 of Ad-hoc PAC Report for the year 1999-2000.

MINISTRY OF INFORMATION AND MEDIA DEVELOPMENT

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Information and Media Development were taken up for examination by the Public Accounts Committee (PAC) on July 11 and August 27, 1998.

- 1.1. The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations.
- 1.2. During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.3. There were 07 grants presented by the AGPR and 33 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Information and Media Development held on 11th July and 27th August, 1998 are as under:-

11TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.83-MINISTRY OF INFORMATION AND BROADCASTING (PAGE 223-AA)

Audit pointed out that original grant was Rs.32,024,000, supplementary grant was Rs.10,150,000, final grant was Rs.42,174,000 and actual expenditure was Rs.46,212,403. There was an excess of Rs.4,038,403.

The Ministry informed that the main excess was in the head of pay and allowances because the M/O Finance did not provide the grant for pay and allowances according to our allocation.

The M/O Finance informed that the budget of salary of the Ministry was not correct in that year but they should pursue for supplementary grant.

The Committee settled the grant. However, the Committee directed the M/O Finance to examine the issue of excess of the concerned Ministry and also report on the additional posts charged to the grant.

The above mentioned grant was again discussed by the Ad-hoc PAC and its directive is printed at page No. 746 of the Ad-hoc PAC Report for year 1996-97.

2. **GRANT NO. 84-DIRECTORATE OF PUBLICATIONS, NEWSREELS AND DOCUMENTARIES (PAGE 224-AA)**

Audit pointed out that final grant was Rs.29,389,000 and actual expenditure was Rs.32,538,669. There was an excess of Rs. 3,149,669.

The Ministry stated that the excess was almost on pay and allowances, and commodities and services because the budget was not provided against allocation.

The Committee regularized the excess expenditure.

3. **GRANT NO.85-PRESS INFORMATION DEPARTMENT (PAGE 225-AA)**

Audit pointed out that the original grant was Rs.33,043,000, supplementary grant Rs.20,250,000, final grant was Rs.53,293,000 and actual expenditure was Rs.60,403,651. There was an excess of Rs. 7,110,651.

The Ministry stated that the excess was due to revision of pay scales.

The Committee regularized the excess expenditure.

4. **GRANT NO. 86-INFORMATION SERVICES ABROAD (PAGE 226-AA)**

Audit pointed out that the original grant was Rs.77,380,000, supplementary grant was Rs.4,600,000, final grant was Rs.81,980,000 and actual expenditure was Rs.88,650,132. There was an excess of Rs.6,670,132.

The Ministry informed that the main reasons for excess were:-

- (i) Less provision of funds than the actual expenditure for the previous years i.e. 1992-93
- (ii) De-valuation of Pak. rupee, viz-a-viz US \$
- (iii) Increase allowed by M/O Finance in the rates of entertainment allowance of the officers.

The Committee conveyed its displeasure and regularized the excess expenditure.

5. **GRANT NO.87-PAKISTAN NATIONAL CENTRES (PAGE 227-AA)**

Audit pointed out that the final grant was Rs.20,954,000 and actual expenditure was Rs.20,682,939. There was saving of Rs. 271,061.

The Committee settled the grant.

6. **GRANT NO. 88-OTHER EXPENDITURE OF MINISTRY OF INFORMATION AND BROADCASTING (PAGE 228-AA)**

Audit pointed out that the original grant was Rs.478,055,000, supplementary grant Rs.26,668,000, final grant was Rs.504,723,000 and actual expenditure was Rs.504,493,001. There was saving of Rs.229,999.

The Committee settled the grant.

7. **GRANT NO. 166-DEVELOPMENT EXPENDITURE OF MINISTRY OF INFORMATION AND BROADCASTING (PAGE 228-AA)**

Audit pointed out that the final grant was Rs.4,398,000 and actual expenditure was Rs.3,665,000. There was saving of Rs. 733,000.

The Committee settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

8. **WASTAGE OF GOVERNMENT MONEY WORTH RS. 2,763,805 DUE TO PUBLICATION PRINTED IN EXCESS OF REQUIREMENT (PARA 1, PAGE 234-AR)**

Audit pointed out that Directorate of Films and Publications, Islamabad during 1989-90 spend Rs. 4,329,499 on printing of 84,450 copies of different publications. 51,813 copies valuing Rs.2,763,805 were not distributed and in 1992 were found kept in a store uselessly. These copies were found in excess of their requirement, which caused loss to public exchequer violating GFR-145 and 162.

The Ministry stated that 8, 317 copies of a publication have been distributed on 28.06-1997 leaving a balance of 16,683 copies. Distribution of these and some other publications was stopped by the competent authority due to change of Government.

The Committee made no comments and settled the para.

9. i) **IRREGULAR EXPENDITURE OF RS. 744,926 INCURRED ON ACCOUNT OF PRINTING OF DIARIES AND CALENDARS (PARA 2, PAGE 234-AR)**
ii) **SUSPECTED MISAPPROPRIATION OF RS.764,000 (PARA 5, PAGE 236-AR)**
iii) **NON-ADJUSTMENT OF ADVANCES WORTH RS. 400,000 DRAWN IN MAY, 1991 (PARA 6, PAGE 237-AR)**

On the presentation of above three paras by Audit, the Committee directed the Principal Accounting Officer to investigate and matters, who were responsible for the

irregular/unauthorized expenditure, take action against the concerned person(s) and report to PAC within one month.

The above mentioned Audit para(s) were again discussed by the Ad-hoc PAC and its directive is printed at pages No. 747-748 of the Ad-hoc PAC Report for year 1996-97.

10. **OUTSTANDING ADVANCE AMOUNTING TO RS. 227,103 NOT YET ADJUSTED (PARA 3, PAGE 235-AR)**

Audit pointed out that the PID; Islamabad had an irregular practice of granting frequent petty advances to its Regional Information Offices. Rs. 227,103 was advance during 1988-92. The advances were utilized from the un-disbursed payments of employees and private parties even Government receipts, were not adjusted.

The Ministry stated that the entire amount Rs. 227, 103 has recovered.

The Committee settled the para subject to verification by Audit.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 746 of the Ad-hoc PAC Report for year 1996-97.

11. **IRREGULAR/UNAUTHORIZED EXPENDITURE OF RS. 78,032 ON ACCOUNTS OF EXCESS CALLS FROM OFFICIALS/RESIDENTIAL TELEPHONES (PARA 4, PAGES 235-236-AR)**

Audit pointed out that during 1988-91 the Directorate of Films and Publication, Islamabad did not enforce the instructions of the Federal Government regarding ceiling fixed for the telephones and incurred an excess expenditure of Rs. 78,032.

The Ministry stated that the case for condonation of excess expenditure is under process.

The Committee directed the Principal Accounting Officer to recover the said amount from the concerned persons and report to PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 747 of the Ad-hoc PAC Report for year 1996-97.

12. **UNAUTHORIZED EXPENDITURE AMOUNTING TO RS.181,500 WITHOUT ANY AUTHORITY (PARA 7, PAGE 237-AR)**

Audit pointed out that the DDO of the National Centre, Rahim Yar Khan during July, 1990 to January, 1993 had sanctioned and incurred expenditure of Rs. 181,500 without any financial powers delegated to him.

The Ministry stated that after going through the details only an expenditure of Rs. 50,623.29 was found irregular. However, keeping in view the various factors necessitating this expenditure the competent authority has regularized it.

The Committee settled the para.

ACTIONABLE POINTS
27TH AUGUST, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

13. **ASSOCIATED PRESS OF PAKISTAN (PARA 181, PAGE 147-ARPSE)**

Audit pointed out that APP failed to submit their audited accounts for the year 1993-94 by the prescribed date of January 15, 1995. The accounts for 1993-94 and 1994-95 were however subsequently received. Their accounts for 1995-96 and 1996-97 are still awaited.

The Principal Accounting Officer promised to provide the accounts for the years 1993-94, 1995-96 and 1996-97 to the Audit within one week.

The Committee directed the department to provide the upto date accounts to Audit within one week and report to PAC.

14. **PAKISTAN BROADCASTING CORPORATION, ISLAMABAD (PARA 182-183, PAGE 148-ARPSE)**

The Audit pointed out that in both the paras the department needed to generate new source of Income, take necessary steps for the recovery from the different companies/parties as well as to control expenditure of PBC to make itself sustaining.

The Ministry stated that the structure of the Corporation is not able to earn and it is a public service institution. The department is making efforts to increase the income.

The Committee conveyed its displeasure with the recovery mechanism of the accounts receivable. The Committee therefore, directed the Principal Accounting Officer not only to accelerate the process of recoveries but also look into the market opportunities for earning more income for PBC. The Committee stressed that this can only be achieved if the quality of advertisement is improved and efforts are made to decrease the losses of the Corporation.

The Principal Accounting Officer assured the Committee to show sufficient progress in the near future.

However, the para was again reviewed by the Sub-Committee of Ad-hoc PAC on 20-08-2002. The Sub-Committee directed the department to give a detailed prospective plan for future to the Audit and the PAC within one month. The Committee further directed the department to hire professional people in its marketing wing.

15. **(PARAS 184 TO 203, PAGES 149-155-ARPSE)**

On the recommendations of Audit, the Committee settled these paras.

ACTIONABLE POINTS FOR 1988-89

16. **PERFORMANCE EVALUATION REPORT ON PAKISTAN BROADCASTING CORPORATION (PARAS 1.1 TO 9.2, PAGES 50-78-PEPE-VOL-IX-A-1990)(ITEM 8-AP-88-89)**

Audit pointed out that recovery position of license fee through Post Office deteriorated with the Passage of time and that collection charges were prohibitive.

The report was already discussed in the PAC meeting held on 24-1-1993. The Committee was informed that the existing collection system of Radio license fee was inefficient and expensive and various options were under consideration of the Ministry. The Committee emphasized to expedite the decision without exploitation of the common man.

The Ministry stated that they have submitted a draft to amend the law to collect the radio fee to the Law and Justice Division because the Post Office is not performing its duty accordingly. The Ministry also informed that the Post Office deduct 50% of the income for the fees charges.

The Committee conveyed its displeasure on the declining trend of revenue collection inspite of increase in the usage of radio, in all over the country. The Committee directed the Principal Accounting Officer to workout the new strategy for the recovery of License fees, so that Pakistan Broadcasting Corporation may come out from the financial crunch.

The Principal Accounting Officer assured the Committee for doing the needful as early as possible under intimation to PAC.

17. **(PARAS 433,434,440,(ITEMS 6,7 & 9-AP-88-89) (PARAS 1,2,3-AP-85-86 & 86-87)**

The Committee settled these paras.

INTER-PROVINCIAL COORDINATION DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Inter-Provincial Coordination Division were taken up for examination by the Public Accounts Committee (PAC) on July 09, 1998.

- 1.1. The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations.
- 1.2. During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.3. There were 1 grant presented by the AGPR.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Inter-Provincial Coordination Division held on 9th July, 1998 are as under:-

9TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.3-INTER-PROVINCIAL COORDINATION DIVISION (PAGE 43-AA)

An excessive amount of Rs.2, 904,969 was surrendered converting the grant to be closed into excess of Rs.27, 955.

The Committee made no comments and regularized the excess.

MINISTRY OF INTERIOR

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Interior were taken up for examination by the Public Accounts Committee (PAC) on July 22, 1997 and December 29, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases.
- 1.2 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.3 There were 13 grants presented by the AGPR and 17 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter discussed in the meeting of the PAC.
- 1.4 In some cases, the Committee directed Audit to verify details/facts, given in defence of the view point presented by the PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Interior held on 22nd July, 1997 and 29th December, 1998 are as under:-

22ND JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO. 89- MINISTRY OF INTERIOR (PAGE 233-AA)

Audit pointed out that the original grant was Rs.34, 805,000, supplementary grant was Rs. 5,056,000, final grant was Rs.39, 861,000 and actual expenditure was Rs.48, 922,167. There was an excess expenditure of Rs. 9,061,167.

The PAC made no comments and regularized the excess expenditure.

2. GRANT NO.90-ISLAMABAD (PAGES 234 & 235-AA)

Audit pointed out that the department surrendered an amount of Rs.9, 290,441 increasing the excess to Rs.33, 576,196.

The Committee regularized the excess expenditure.

3. **GRANT NO.91- PASSPORT ORGANIZATION (PAGE 236-AA)**

The department surrendered an excessive amount of Rs.2, 100,000, converting the grant to be closed into excess of Rs.1, 625,481.

The Committee regularized the excess expenditure with the direction to be careful in future.

4. **GRANT NO.92-CIVIL ARMED FORCES (PAGE 237-AA)**

The final grant was Rs.1, 913,155,000, and actual expenditure was Rs.2, 179,996,877. There was an excess of Rs.266, 841,877.

The Committee made no comments and regularized the excess expenditure.

5. **GRANT NO.93-PAKISTAN COAST GUARDS (PAGE 238-AA)**

The department surrendered an amount of Rs.107,620 increasing the excess to Rs.3,870,772.

The Committee made no comments and regularized the excess expenditure.

6. **GRANT NO.94-PAKISTAN RANGERS (PAGE 239-AA)**

Audit pointed out that the original grant was Rs. 841,438,000, supplementary grant was Rs.11, 006,000, final grant was Rs. 852,444,000 and actual expenditure was Rs.931, 442,227. There was an excess of Rs.78, 998,227.

The Committee made no comments and regularized the excess expenditure.

7. **GRANT NO.95-REGISTRATION ORGANIZATION (PAGE 240-AA)**

Audit pointed out that the final grant was Rs.179,285,000, actual expenditure was Rs.192,038,908. There was an excess of Rs. 12,753,908.

The Committee made no comments and regularized the excess expenditure.

8. **GRANT NO.96-CIVIL DEFENCE (PAGE 241-AA)**

Audit pointed out that the final grant was Rs.18, 438,000; Actual expenditure was Rs.19, 187,636. There was an excess of Rs.749, 636.

The Committee made no comments and regularized the excess expenditure.

9. **GRANT NO.97-FIA (PAGE 242-AA)**

Audit pointed out that the final grant was Rs. 98,304,000, actual expenditure was Rs. 104,120,963. There was an excess of Rs. 5,816,963.

The Committee made no comments and regularized the excess expenditure.

10. **GRANT NO.98-OTHER EXPENDITURE OF M/O INTERIOR (PAGE 243-AA)**

An amount of Rs.14,356,000 was surrendered leaving net saving of Rs.65,149,083. Further, remaining saving also have been surrendered in time.

The Committee was not satisfied with the explanation given by the Ministry and constituted an Inter-Department Committee comprising of a nominee each from Audit, M/O Interior and Finance Division to examine the issue, determine the reasons for the irregularity and take decision for the future and submit its report to the PAC.

11. **GRANT NO.167-DEVELOPMENT EXPENDITURE OF M/O INTERIOR (PAGE 46-AA)**

Audit pointed out that the final grant was Rs.25,952,000 and actual expenditure was Rs. 20,604,062. There was a saving of Rs. 5,347,938.

The PAC made no comments.

AUDIT REPORT (CIVIL) (VOL-I-93-94)

12. **LOSS OF RS.30.736 MILLION ON ACCOUNT OF PURCHASE OF HELICOPTER (PARA 1, PAGE 238-AR)**

Audit pointed out a loss of Rs. 30.736 million due to award of contract to second highest bidder instead of lowest bidder on account of purchase of Helicopter. It was mentioned that the rates of lowest bidder were in US dollar as such the offer of said firm was rejected.

The Ministry stated that bids were invited in Pak. currency from local suppliers as no foreign exchange was allocated for the purpose. The offer of lowest bidder was without duties, taxes and freight charges.

The Committee was not satisfied with the explanation given by the Ministry and constituted a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA consisting of Syed Zafar Ali Shah, Kunwar Khalid Yunus, MNAs, Sheikh Naseerul Haq, Director General (FG) and Mr.Mukhtar Ahmed, Financial Adviser (M/O Interior) to examine the issue and report to the PAC within two months.

13. **MIS-APPROPRIATION OF RS.2.222 MILLION ON ACCOUNT OF PURCHASE OF BOATS AND LAUNCHES (PARA-2, PAGE-238-39-AR)**

Audit pointed out that Rs.2.300 million were provided to Pak. Rangers for purchase of Boats and Launches during 1990-91. The whole amount remained with department of supplies and during April,1993, the unspent balance of Rs.2.222 million was transferred to Pak. Rangers. The amount was initially deposited in National Bank and then in a commercial bank in violation of the rules.

The Ministry informed the PAC that the amount remained in commercial bank till the payment to parties concerned. The interest amounting to Rs.72,019 accrued on the amount has been deposited in to government account. As far as the irregularity committed, on the recommendation of the inquiry committee, the concerned officer has been dismissed from the service.

The Committee made no comments and settled the para.

14. **IRREGULAR AND UN-AUTHORIZED PAYMENT OF RS.1,423,800 TO THE ADVOCATES ENGAGED FOR THE CRIMINAL CASES (PARA-3, PAGES 239-240-AR)**

Audit pointed out that FIA (HQ) paid an amount of Rs.980,200 irregularly to private prosecutors for certain cases besides having their own official public prosecutors. A sum of Rs.443,600 as fees was also over paid to the official public prosecutors beyond the sanction of the Law and Justice Division.

The Ministry stated that in 1990, on dissolution of National/Provincial Assemblies, many Presidential references of corruption were lodged against the dignitaries by the Government. keeping in view the sensitivity of references/cases, the public prosecutors were appointed and their fees were fixed by the Law and Justice Division in consultation with the Attorney General for Pakistan.

The Committee deferred the para and directed the department to get the sanction from the Law and Justice Division.

15. **EMBEZZLEMENT OF CASH RS.860,577 (PARA 5, PAGE-240-AR)**

Audit pointed out that an embezzlement of cash Rs.860,577. The amount was shown less on opening a new cash book on 29-6-1994 while forwarding the balance from old cash book. The charge of DDO was changed on 10-8-1994. The new DDO took over the charge with an admitted shortage of Rs. 747,965 on the cash book. This shortage was seen & signed by the Ex-DDO.

The Ministry stated that departmental inquiry has been conducted and responsibility has been fixed upon Ex-DDO/Cashier and disciplinary action is under process. The cash worth Rs.747,965.63 has been recovered and cash book balances recouped.

The PAC made no comments and settled the para.

16. **IRREGULAR AND UN-AUTHORIZED REAPPROPRIATION OF RS.696,126 FROM THE PAY AND ALLOWANCES TO SECRET SERVICE FUND (PARA-6, PAGE-241-AR)**

Audit pointed out that the Ministry during 1993-94 reappropriated a sum of Rs.696,126 from establishment charges to secret service fund violating the instructions of Finance Division.

The Ministry stated that the amount was reappropriated with the approval of Finance Division. This transaction pertains to fiscal year 1992-93 and no violation of rules was made.

The Committee settled the para.

17. **UN-AUTHORIZED RETENTION OF RS.432,120 BEING UNDISBURSED BALANCE OF PAY AND ALLOWANCES (PARA-7, PAGES 241-242-AR)**

Audit pointed out that unauthorized retention of Rs.432,120 being undisbursed balance of pay and allowance since 1987-88. It was intimated that this amount pertained to the personal of defunct FSF. This amount should not have been claimed or if drawn should not have been retained for more than three months.

The Ministry admitted the retention of un-disbursed balance amounting to Rs.401,419.77 and stated that disciplinary action against Ex-DDO/Ex-Cashier is under process. The Ex-DDO has also filed a suit against Government for making recoveries from him. The deposit of this amount in Treasury will be considered after finalization of disciplinary case against the DDO and arrival of decision of court.

The Committee directed the department to deposit the outstanding amount in the Treasury immediately.

18. **UN-AUTHORIZED ATTACHMENT AND USE OF STAFF CARS RECOVERY OF RS.283,766 (PARA-8, PAGE-242-AR)**

Audit pointed out unauthorized expenditure of Rs.283, 766, by providing 4 vehicles to six non-entitled officers for their exclusive use in violation of rules. They also continued to draw conveyance allowance.

The Ministry informed the Committee that the vehicles have been attached to the wings of Interior Ministry responsible for specific job entrusted to them in the light of Rules of business. These are used by staff and officers to attend official business during office hour/even after close of office and have not been attached with particular officers.

The Committee was not satisfied with the explanation given by the Ministry and deferred the para.

19. **RECOVERY OF RS.142,090 ON ACCOUNT OF INTEREST ON MOTOR CYCLE ADVANCE (PARA-9, PAGE 242-AR)**

Audit pointed out non-recovery of Rs.142,090 as interest on Motor Cycle Advance drawn by 31 officials in 1992-93.

The Ministry stated that out of Rs.142,090 a sum of Rs.55,128 have already been recovered and Rs.73,208 are under recovery. The balance amount of Rs.13,910 is non-recoverable as the concerned officials do not claimed interest on their G.P. Fund.

The PAC made no comments and settled the para.

20. **LOSS TO GOVERNMENT DUE TO NON-ACCEPTANCE OF LOWER OFFER RS.0.104 MILLION (PARA 10, PAGE-243-AR)**

Audit pointed out loss of Rs.104,500 on account of purchase of 5 plain paper copier due to non acceptance of lowest rate of Rs.26,000 each.

The Ministry stated that while purchasing such stores, not only cost is considered but other factors like capacity and volume are also taken into count.

The PAC settled the para.

21. **NON-SUBMISSION OF RECEIPT OF STORES ACCOUNTS STATEMENT TO AUDIT FOR RS.94.498 MILLION (PARA 11, PAGE-243-AR)**

Audit pointed out that M/O Interior released Rs.94.498 million to the Director General, ISI for purchase of arms and ammunition for sindh police. The department is not a procurement agency therefore payment is not justified.

The Ministry stated that the matter is of a sensitive nature. It would not be in the public interest to disclose the contents of the case.

The matter could not be resolved, the Committee directed Audit to settle the case with the Secretary M/O Interior and report to the PAC.

22. **WASTEFUL EXPENDITURE ON THE EMPLOYMENT OF A DRIVER RS.69,115 (PARA 12, PAGE-244-AR)**

Audit pointed out that the Registration Office, Swat appointed a driver without any vehicle from July, 1998 to September, 1992. As such entire expenditure of Rs.69,115 on account of pay and allowances was wasteful.

The Ministry stated that the driver was not appointed in 1998 but he was in service since 11-4-1975. He had 11 years and 3 months service on the date of condemnation of vehicle i.e 15-6-1986.

The Committee settled the para.

23. **NON-PRODUCTION OF RECORD (PARA 13, PAGES-244-245-AR)**

Audit pointed out that scrutiny of cash book and financial statements of Pakistan Rangers (HQ) Lahore revealed gross irregularities. The department did not produce the record during special Audit of the organization from 15-8-1994 to 15-9-1994.

The Committee deferred the para and directed the department to produce the record for the audit. The Audit was directed to submit its report to the PAC accordingly.

ACTIONABLE POINTS 1988-89

24. **GRANT NO.91-ISLAMABAD (PAGES 312-313-AA) (ITEM I-AP-88-89)**

Audit pointed out that PAC directed the M/O Interior to re-examine the details of excess of Rs.11, 647,889 in the grant. The departmental reply is cogent.

The Committee made no comments and regularized the excess amount.

REVIEW OF ACTIONABLE POINTS 1993-94

29TH DECEMBER,1998

25. **GRANT NO.98-OTHER EXPENDITURE OF INTERIOR DIVISION (PAGE 243-AA) (ITEM 1-AP-93-93)**

Audit pointed out that an amount of Rs.14, 365, 00 was surrendered leaving net saving of Rs.65, 149,083. The remaining saving should also have been surrendered in time.

The Committee in its meeting held on 22.07.1997 had constituted an Inter-departmental Committee (IDC) to examine the issue, determine the reasons for irregularity and to make recommendations for the future.

The Ministry informed that the IDC so constituted by PAC, in its report has recommended to regularize the saving.

In view of the recommendations made by the IDC, the Committee regularized the saving.

26. **LOSS OF RS.30.736 MILLION ON ACCOUNT OF PURCHASE OF HELICOPTER BY PAKISTAN RANGERS HEADQUARTERS, PUNJAB, LAHORE (PARA 1, PAGE 238-AR) (ITEM 2-AP-93-94)**

Audit pointed out that loss of RS. 30.736 million due to award of contract to Second highest bidder instead of lowest bidder on account of purchase of helicopter. The irregularity was discussed in PAC and the Committee constituted a Sub-Committee under the convenership of Mian Muhammad Zaman, MNA to examine the issue.

The Report of the Sub-Committee with the approval of competent authority has already been forwarded to the Ministry on 5-12-2000 for compliance.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 774 of Ad-hoc PAC Report for the year 1996-97 & pages No. 421-422 of the Ad-hoc PAC Report for the year 1999-2000.

27. **UN-AUTHORIZED DETENTION OF RS.432,120 BEING UN-DISBURSED BALANCE OF PAY AND ALLOWANCES (PARA 7 , PAGES 241-242-AR (ITEM 4-AP-93-94)**

Audit pointed out that unauthorized retention of Rs, 432,120 being un-disbursed balance of pay and allowances to the personal of defunct FSF. This amount should not have been claimed or if drawn should not have been retained for more than three months.

The PAC in its meeting held on 22.7.1997 directed the department to deposit the outstanding amount in treasury immediately.

The Ministry informed that a sum of Rs.401, 419.777 has already been deposited into State Bank of Pakistan on 2.12.1997 and Rs.30, 700.23 have already been disbursed to concerned individuals.

The Committee settled the para. However, the Committee directed the Principal Accounting Officer to take action against concerned officers who were responsible not to recover the said amount in time and report to PAC within two months.

The para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 774- 775 of Ad-hoc PAC Report for the year 1996-97 & pages No. 422 of the Ad-hoc PAC Report for the year 1999-2000.

28. **NON- PRODUCTION OF RECORD (PARA 13, PAGES 244-245-AR) (ITEM 6-AP-93-94)**

Audit pointed out that scrutiny of cash book and financial statements of Pakistan Rangers (HQ), Lahore reveal gross irregularities. The department did not produce the record during Special Audit of the organization from 15.8.1994 to 15.9.1994.

The PAC in its meeting held on 22.7.1997 deferred the Para with the direction that department to produce the record for Audit and Audit will submit its report to PAC.

The Ministry replied that the relevant record has since been produced to Audit. Audit further informed that on visit of representatives of the department to Pakistan Rangers (HQ), Lahore the department could not produce the record relating to bank accounts, purchase of boats and launches, sales tender register etc.

The Committee directed Principal Accounting Officer to examine the issue and report to PAC within one month.

29. i) **IRREGULAR AND UN-AUTHORIZED PAYMENT OF RS.1,423,800 TO THE ADVOCATES ENGAGED FOR THE CRIMINAL CASES PARA 3 (PAGES 239-240-AR)(ITEM 3-AP-93-94)**

ii) **NON-SUBMISSION OF RECEIPT OF STORES ACCOUNTS
STATEMENT TO AUDIT FOR RS.94.498 MILLION PARA 11(PAGE
243-AR) (ITEM 5-AP-93-94)**

On the presentation of above two paras by Audit, the Committee made no comments and settled these paras.

KASHMIR AFFAIRS AND NORTHERN AREAS DIVISION (KANA)

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to Kashmir Affairs & Northern Areas Division were taken up for examination by Public Accounts Committee (PAC) on January 21 and August 27, 1998.

- 1.1 The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving non-realization of late fee, unauthorized payment/ expenditure, non deposit of late fee, procurement of non custom paid vehicles, non recovery of electricity charges/insurance premium, short recovery, overpayment due to incorrect application of rate and non-recovery of rental charges etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 24 paras and 6 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Kashmir Affairs and Northern Affairs Division held on 21st January and 27th August, 1998 are as under:-

21ST JANUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL)(VOL-1-1993-94)

1.
 - i) **GRANT NO.130-KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION (PAGE 332-AA)**
 - ii) **GRANT NO.131-NORTHERN AREAS (PAGE 333-AA)**
 - iii) **GRANT NO.132-FEDERAL GOVERNMENT EDUCATIONAL INSTITUTION IN NORTHERN AREAS (PAGE 334-AA)**
 - iv) **GRANT NO.133-OTHER EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION (PAGE 335-AA)**
 - v) **GRANT NO.139-CAPITAL OUTLAY ON PURCHASES BY KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION (PAGE 337-AA)**
 - vi) **GRANT NO.177-DEVELOPMENT EXPENDITURE OF KASHMIR AFFAIRS AND NORTHERN AFFAIRS DIVISION (PAGE 339-AA)**

On the presentation of above grants, the Committee conveyed its displeasure on the matters and formed an Inter-departmental Committee under the Convenership of Mr. A. Ghafoor Mirza, Addl. Secretary (B), M/O Finance comprising a nominee each from Kashmir Affairs and Northern Affairs Division and Audit to reconcile the figures and suggest remedial measures to solve the problems being faced by the Kashmir Affairs and Northern Affairs Division and report to PAC within three months.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

2.
 - i) **OVERPAYMENT OF RS. 80,201 (PARA A-1.1, PAGE 151-ARCW)**
 - ii) **OVERPAYMENT OF RS.127,768 (PARA A-1.2, PAGES 151-152-ARCW)**
 - iii) **OVERPAYMENT OF RS.159,894 (PARA A-1.3, PAGE 152-ARCW)**

On the recommendation of Audit, the Committee settled the above three paras subject to verification by Audit.

3.
 - i) **OVERPAYMENT OF RS. 108,371 (PARA A-II.1, PAGE 152-ARCW)**
 - ii) **OVERPAYMENT OF RS.74,909 (PARA A-II.2, PAGE 153-ARCW)**
 - iii) **OVERPAYMENT OF RS.88,165 (PARA A-II.3, PAGE 153-ARCW)**

On the presentation of above paras, the Committee directed the Principal Accounting Officer to investigate the matters, fix the responsibility for departmental action and take necessary measures to recover the loss and report to the PAC within two months.

4. **OVERPAYMENT OF RS. 108,663 (PARA A-II.4, PAGE 154-ARCW)**

Audit pointed out that the payment was made for an item of earth work @ Rs.101.72 per % cft instead of admissible rate of Rs. 65.60% cft as contained in the schedule of rates. This resulted in overpayment of Rs. 108,663 in June, 1993.

The Division informed that part recovery of Rs. 66,895 was made in January, 1995 but amount recovered was not credited to review which was misclassified.

After hearing the Division's reply the Committee settled the para subject to verification by Audit.

5.
 - i) **OVERPAYMENT OF RS. 67,400 (PARA A-III.1, PAGE 154-ARCW)**
 - ii) **OVERPAYMENT OF RS.2,645,470 (PARA A-IV.1, PAGES 154-155-ARCW)**

The Committee directed the Division to reconcile above two paras with Audit and report to PAC within one month.

ACTIONABLE POINTS
27TH AUGUST, 1998

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

6. i) **NON-RECOVERY OF RS.7,058,996 (PARA B-I.1, PAGE 155- ARCW)**
ii) **NON-RECOVERY OF RS.7,558,411 (PARA B-I.2, PAGE 155-ARCW)**
iii) **NON-RECOVERY OF RS.1,767,300 (PARA B-I.4, PAGE 156-ARCW)**
iv) **NON-RECOVERY OF RS.1,675,512 (PARA B-I.5, PAGE 156-ARCW)**
v) **NON-RECOVERY OF RS.138,442 (PARA B-I.6, PAGE-157-ARCW)**
vi) **NON-RECOVERY OF RS.804,303 (PARA B-II.1, PAGE 157-ARCW)**
vii) **LOSS OF EXPLOSIVE MATERIAL RS.766,255 (PARA C-I.1, PAGE 158 ARCW)**
viii) **MIS-APPROPRIATION OF RS.556,120 (PARA C-II.1, PAGE 158-ARCW)**
ix) **MIS-APPROPRIATION OF RS.124,632 (PARA C-II.2, PAGE 158-ARCW)**
x) **OVERPAYMENT OF RS.68,732 (PARA C-II.3, PAGE 159-ARCW)**
xi) **NON-ACCOUNTAL OF RS.473,418 (PARA C-III.1, PAGE 159-ARCW)**
xii) **MIS-APPROPRIATION OF RS.394,078 (PARA C-III.2, PAGE 159-ARCW)**

On the presentation of above twelve paras by Audit, the Committee observed that Northern Areas Public Works Department has not yet tried to improve the revenue generation. The Committee directed the Principal Accounting Officer to examine all the issues mentioned in the above paras, and submit its report to PAC within one month.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

7. **(PARA 205, PAGE 160-ARPSE)**

Audit pointed out that the Northern Areas Transport Corporation (NATCO) was established in March, 1994 at Rawalpindi with a Capital of Rs.2.500 million. It was taken over by a newly formed Company incorporated in Gilgit as a private Ltd. Company w.e.f. July 1, 1989, authorised share capital of Rs.100 million.

Audit further informed that the income/receipt of the Corporation includes the Government subsidy of Rs.2.5 million per annum, without which the Corporation would have sustained net losses in few years.

The Division informed that the department is trying to minimize the subsidy in 1993-94, which has decreased Rs.25 lacs to Rs. 18 lacs. The Corporation has got subsidy only for bad condition of the roads.

The Committee made no comments and settled the para.

8. **(PARAS 206,207 AND 208, PAGE 161-ARPSE)**

On the presentation of the above three paras, the Committee made no comments and settled the paras.

LABOUR DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to Labour Division were taken up for examination by the Public Accounts Committee on July 10 and August 28, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving blockage of funds, non recovery on account of installments, lack of qualified project management, weak monitoring and evaluation etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 09 paras and 3 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Labour Division held on 10th July and 28th August, 1998 are as under:-

10TH JULY, 1998

APPROPRIATION ACCOUNTS (VOL-1)(CIVIL) 1993-94

1. GRANT NO.103-LABOUR DIVISION (PAGE 259-AA)

Audit pointed out that the department surrendered an amount of Rs.1,141,941 increasing the excess to Rs.5,707,666.

The Committee made no comments and regularized the excess expenditure.

2. GRANT NO.104-OTHER EXPENDITURE OF LABOUR DIVISION (PAGE 260-AA)

Audit pointed out that final grant was Rs.1,848,580,000 and actual expenditure was Rs.2,234,509,878. There was an excess of Rs.385,929,878.

The Division stated that M/O Finance did not provide the supplementary grant, so there was excess in the grant.

The Committee constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA comprising Mr. Muhammadullah Khan, Director General(Accounts) AGPR, Syed Farooq Hasan Gilani, Financial Adviser, Labour Division and Mr. Fayyazur Rehman, Secretary, Workers Welfare Fund to examine the issue and report to the PAC within one month.

3. **GRANT NO.169-DEVELOPMENT EXPENDITURE OF LABOUR DIVISION (PAGE 263-AA)**

Audit pointed out that the final grant was Rs.4,845,000 and actual expenditure was Rs.3,761,381. There was saving of Rs.1,083,619.

The Committee settled the grant.

ACTIONABLE POINTS
28TH AUGUST, 1998

AUDIT REPORT (CIVIL)(VOL-I-1993-94)

4. i) **NON-PRODUCTION OF AUDITABLE RECORD IN SUPPORT OF DEVELOPMENT WORKS VALUING RS.8.140 MILLION (PARA 1, PAGE 245-AR)**
ii) **DOUBTFUL EXPENDITURE ON PAYMENT OF PAY OF CHOWKIDARS RS.103,216 (PARA, 2, PAGE 246-AR)**
iii) **SUSPECTED MISAPPROPRIATION OF BICYCLES AND SEWING MACHINES VALUING RS.365,280 (PARA 6, PAGE 250-AR)**
iv) **UNNECESSARY PURCHASE OF BOOKS VALUING RS.72,462 (PARA 7, PAGE 250-AR)**

On the presentation of above four paras by audit, the Committee directed the Principal Accounting Officer to solve the issue with Audit and report to the PAC within two months.

The above mentioned audit para (1) was again discussed by the Ad-hoc PAC and its directive is printed at page No. 805 of Ad-hoc PAC Report for the year 1996-97 & pages No 360 of the Ad-hoc PAC Report for the year 1999-2000.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

5. **EMPLOYEES OLD-AGE BENEFITS INSTITUTION (PARAS 210-213, PAGES 166-167-ARPSE)**

Audit informed that Employees Old-age Benefits Institution was established under EOBI Act, 1976 with prime objective of providing insured persons pension and old-age grant.

The Committee constituted an Inter-departmental Committee on the above paras comprising Mr. Farooq Hassan Gillani, Financial Adviser, Labour Division (Convener),

Mr. Jalaluddin Qureshi, Director General (CA) and Malik Muhammad Zahoor Anwar, Senior Joint Secretary, Labour Division to review the matters which were raised in the above paras.

The Committee desired special attention on the following issues and report to it within 2 months.

- (i) Reasons for increase in “Expenses of Management and measures” to control them.
- (ii) Bench-Mark to be reviewed for reduction from 5% to 2% so that increase in expenses may not be taken for granted. Moreover, it is the maximum limit not the authority to increase.
- (iii) Investment policy also needs to be reviewed.
- (iv) The advances, deposits, pre-payments and other receivables.

6. **NON-RECOVERY OF CONTRIBUTION AMOUNTING TO RS.3,384,199 FROM THE EMPLOYERS OF CLOSED UNITS (PARA 214, PAGE 168 -ARPSE)**

Audit pointed out that in Regional Office, Sargodha of Employees Old-age Benefits Institution (EOBI), a sum of Rs.3,384,199 was recoverable from the owners of 18 closed units despite the fact that EOBI will have to pay the pension benefits to the registered employees of these units on demand under section-22 (i) read with 22 (A&B) of EOBI Act, 1976. The amount was outstanding mostly due to the reasons that the owners were not traceable.

The Division stated that the strenuous efforts are being made to know the where about of the owners of closed establishments. Some of the cases are under litigation/pending in the Court of Law, as soon as decision would be made, recovery would be possible. However, an amount of Rs.6, 000 has been recovered from M/S. Rehman Flour Mills and the Committee of Board recommended the four closed units for de-registration and also recommended to waive off their dues amounting to Rs.110,925.

The Committee directed the Principal Accounting Officer to take all possible steps to recover the contribution amount from the employers and take action against those person(s) who were responsible for not recovering the said amount and report to PAC within two months.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 365 of Ad-hoc PAC Report for the year 1999-2000.

LAW & JUSTICE DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Law & Justice Division were taken up for examination by Public Accounts Committee (PAC) on July 25, 1997.

There were 2 grants reported by the Audit. These grants were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meetings of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Law and Justice Division held on 25th July, 1997 are as under:-

25TH JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.100-LAW AND JUSTICE DIVISION (PAGE 251-AA)

Audit pointed out that an amount of Rs.9, 650,352 was surrendered leaving net saving of Rs.27, 848,183.

The reply given by the Division was not considered satisfactory.

The Committee conveyed its displeasure to the Division, however, settled the grant.

2. GRANT NO.102-OTHER EXPENDITURE OF LAW AND JUSTICE DIVISION (PAGE 253-AA)

An amount of Rs.30, 973,776 was surrendered leaving net saving of Rs.11, 062,955.

The Committee was not satisfied with the explanation given by the department and settled the grant.

MINISTRY OF LOCAL GOVERNMENT & RURAL DEVELOPMENT

1. OVERVIEW

- 1.1 Appropriation Accounts for the year 1993-94 pertaining to the Ministry of Local Government & Rural Development were taken up for examination by the Public Accounts Committee (PAC) on July 9, 1998.
- 1.2 There were 04 paras and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Local Government and Rural Development held on 9th July, 1998 are as under:-

9TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.106-M/O LOCAL GOVERNMENT AND RURAL DEVELOPMENT (PAGE 269-AA)

An amount of Rs.3, 563,167 was surrendered leaving net saving of Rs.4, 195,644.

The Committee settled the grant.

2. GRANT NO.171-DEVELOPMENT EXPENDITURE OF M/O LOCAL GOVERNMENT AND RURAL DEVELOPMENT (PAGE 270-AA)

An excessive amount of Rs.2, 271,777,549 was surrendered converting the grant to be closed with excess of Rs.365, 637.

The Committee made no comments and regularized the excess expenditure.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

3. LOSS OF RS.73,666 DUE TO IRREGULAR DRAWAL OF HOUSE RENT ALLOWANCE AND NON-DEDUCTION OF HOUSE RENT FROM EMPLOYEES PROVIDE WITH OFFICIAL RESIDENTIAL ACCOMMODATION (PARA 1, PAGE 245-AR)

Audit pointed out that the employees of the office of Extra Assistant Director of Agriculture, Mohmand Agency Ghallani were provided government accommodation but

they were paid house rent allowance and 5% charges were also not deducted during July, 1992 to June, 1993 which resulted in to loss of Rs.73,666.

The Division replied that only four persons are residing in Government accommodation and the Agency Accounts Officer/District Accounts Officer has been requested to make recovery.

The Committee settled the para subject to verification by Audit.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 683 of Ad-hoc PAC Report for the year 1999-2000.

ACTIONABLE POINTS 1986-87

4. **PERFORMANCE REPORT ON NATIONAL CENTRE FOR RURAL DEVELOPMENT, ISLAMABAD (NCRD) (PARAS 1.1 TO 3.25, PAGES 187-195-AR-86-87) (ITEM 2-AP-86-87)**

Audit informed that the performance report on National Centre for Rural Development (NCRD) was examined by the previous PAC on 28-11-1998. After discussion, the Committee directed that its opinion be placed on record as follows:-

- (i) The two different institutions, NCRD and PARD currently placed with two different Ministries should be controlled by one Ministry preferably the M/O Local Government and Rural Development.
- (ii) Development of training institutions for Rural Development in the centre should not be at the cost of developing such institutions in the provinces.

The Compliance was again examined on 1-2-1993. In view of the facts brought to the notice of PAC, it was decided by the Committee not to press its earlier observation that NCRD and PARD should be controlled by one Ministry.

The Committee settled the para.

ACTIONABLE POINTS 1987-88

5. **NON-RECOVERY OF RS.129,022 ON ACCOUNT OF MISUSE OF GOVERNMENT VEHICLE (PARA 1, PAGE 112-AR-87-88) (ITEM 2-AP-87-88)**

Audit pointed out that un-authorized expenditure of Rs.129, 022 incurred on a vehicle used by the then Minister in addition to the staff car provided by the Cabinet Division. The vehicle was stolen on 26-3-1989.

The para was examined by the PAC on 26-7-1992. The Committee directed that responsibility should be fixed and action be taken against those found responsible.

The compliance was examined by the PAC on 1-2-1993.

The Committee advised to convey Committee's concern to FIA Authorities that the case has not been finalized by them so far.

The Division replied that the Ex-Minister has time and again been requested to deposit the amount but there has been no response.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 683-684 of Ad-hoc PAC Report for the year 1999-2000.

6. **UN-AUTHORIZED EXPENDITURE OF RS.78,730 (PARA 2, PAGE 113-AR-87-88) (ITEM 1-AP-87-88)**

Audit pointed out that un-authorized provision of various items amounting to Rs.78, 730 was made to a minister in addition to the items provided by the PWD.

The para was examined by the PAC on 26-7-1992. The Ministry was directed to hold enquiry about the disposal of items in consultation with audit and submit the report.

The para was again examined by the PAC on 1-2-1993. The Committee observed that it is the responsibility of the Principal Accounting Officers to resist any orders issued by the Minister in violation of rules and regulations and protect his sub-ordinate officers on such occasions. The Committee asked Audit to formally advise Principal Accounting Officers to convey the Audit observation in writing to the Ministers to explain their point of view in this regard for consideration by the Committee.

The Ministry informed that the Ex-Minister is being requested to explain for provision of household items etc, over and above his entitlement.

After hearing the departmental reply, the Committee constituted a Sub-Committee on the above mentioned two paras under the Convenership of Syed Zafar Ali Shah, MNA comprising Syed Farooq Hassan Gillani, Financial Adviser, M/O Local Government, Syed Mehtab Hasan Naqvi, Director General Audit (FG) and Mr. Abdul Aziz, Joint Secretary, M/O Local Government with the direction to investigate the issue, fix responsibility, suggest action against those found responsible and report to PAC.

The Committee also directed the National Assembly Secretariat (PAC) to write a letter to Cabinet Division with the direction that all the Principal Accounting Officers should resist against illegal orders issued by the Ministers.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 683-684 of Ad-hoc PAC Report for the year 1999-2000.

(In compliance to the above directives, the National Assembly Secretariat (PAC) issued a letter on the subject to the Cabinet Division dated 26-07-2001.)

MANAGEMENT SERVICES DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Management Services Division were taken up for examination by the Public Accounts Committee (PAC) on September 16, 1997.

- 1.1 There were 01 paras. 1 report/issue regarding financial and accounting procedures conducted by MSD to a Sub-Committee constituted on 25-07-1997 was also discussed in meeting.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Management Services Division held on 16th September, 1997 are as under:-

16TH SEPTEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.15-MANAGEMENT SERVICES DIVISION (PAGE 75-AA)

The grant closed with a saving of Rs.3, 893,638 which works out to 13.51 % of the grant. An amount of Rs.2, 260,000 was however surrendered leaving net saving of Rs.1, 633,638.

The department informed that the saving was due to:-

- (i) Ban imposed by Govt. on expenditure;
- (ii) Medical bills not passed by audit on technical grounds; and
- (iii) Honorarium not approved by the Finance Division.

The Committee settled the grant.

ACTIONABLE POINTS 1986-87

The PAC while examining the Actionable Points for 1986-87 referred the report/issue regarding financial and accounting procedures conducted by MSD to a Sub-Committee constituted on 25-07-1997 under Ministry of Finance under the Convenership of Ch. Muhammad Berjees Tahir, MNA comprising Kunwar Khalid Yunus, MNA, Auditor-General of Pakistan, Secretaries, M/O Finance, Commerce and Planning and Development Division to examine the reasons of excess expenditure and report to the PAC within three months.

MANPOWER AND OVERSEAS PAKISTANIS DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Report on the Accounts of Federal Government for the year 1993-94 pertaining to the Manpower and Overseas Pakistanis Division were taken up for examination by Public Accounts Committee (PAC) on August 28, 1998.

- 1.1 There were 21 Paras reported by Audit and 02 Grant presented by AGPR. These Paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Manpower and Overseas Pakistanis Division held on 28th August, 1998 are as under:-

28TH AUGUST, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.105-MANPOWER AND OVERSEAS PAKISTANIS DIVISION (PAGE 262-AA)

Audit pointed out that an amount of Rs.6, 976,200 was surrendered, leaving net saving of Rs.19, 314,430.

The Division informed that there was contradiction between the department and AGPR about the surrender amount.

The Committee settled the grant with the direction to the Division to be careful in future.

2. GRANT NO.170-DEVELOPMENT EXPENDITURE OF MANPOWER AND OVERSEAS PAKISTANIS DIVISION (PAGE 265-AA)

Audit pointed out that an amount of Rs.134, 707,000 was surrendered in time leaving net saving of Rs. 46,419,112. An amount of Rs. 39,544,000 was also surrendered on 14th & 15th May, 1994 which could not be accounted for owing to non-receipt of surrender order by Audit. Remaining saving of Rs. 6,875,112 has been attributed to non-reporting of expenditure by the conserved.

The Division stated that there was lack of reconciliation of figures between department and AGPR.

The Committee directed the Principal Accounting Officer to examine the matter and reconcile the issues with Audit within two months.

AUDIT REPORT (CIVIL) (VOL-II-1993-94)

3. **IRREGULAR EXPENDITURE OF RS.1.550 MILLION ON PURCHASE OF PAJERO JEEP FOR PROVINCIAL LABOUR SECRETARY (PARA 1, PAGE 247-AR)**

Audit pointed out that the Secretary to the Govt. of NWFP for Labour & Manpower who was also the Chairman of Provincial Training Board purchased one Pajero Jeep costing Rs.1.550 million as replacement of an old Pajero. Both the Pajero Jeeps were under the use of the Chairman in addition to the staff car already provided by the Provincial Govt. The expenditure was therefore irregular.

The departmental representative stated that Mr. Akhtar Hussain Shah, the then Chairman of Provincial Training Board NWFP decided to purchase a Pajero Jeep. The department has recovered Rs.2 lacs from the Chairman and Jeep has been auctioned.

The Committee took serious view on the irregular expenditure on purchase of a Pajero Jeep for Provincial Secretary for Labour & Manpower out of the Federal Government grant.

The Committee directed the Principal Accounting Officer to dig out the matter and those who had misused the vehicles be directed to make payment on this account and report to the PAC within two months.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page 360 of Ad-hoc PAC Report for the year 1999-2000.

4. **RECOVERY OF RS.300,878 FROM A CONTRACTOR-IRREGULAR PAYMENT ON ACCOUNT OF DIFFERENCE OF CARRIAGE (PARA 4, PAGE 249-AR)**

Audit pointed out that recovery of Rs.300,878 from a contractor who was awarded a contract for construction of Training Centre of Hangu. An amount of Rs.300,878 was claimed and paid to the contractor on account of difference of carriage of bricks brought from other places which was not admissible according to the agreement.

The Division stated that the project was located in Hangu where due to bad weather, bricks were not available in the vicinity of site and hence the bricks were brought by the contractor from Peshawar. The contractor had been compensated for the difference of carriage as recommended by the consultant. The recommendations of consultant are solicited on file which are finally approved by the Manpower Division. Further, the variation was recommended by M/S PEPAC Ltd., Pursuant to clause 11.1(e) of conditions of contract. The aforesaid clause authorized consultants for bringing variation in B.O.Q., whenever required in the interest of the project.

The Committee directed the department to recover the amount from the contractor and report to the PAC within two months.

5.
 - i) **IRREGULAR EXPENDITURE OF RS.1.140 MILLION INCURRED ON THE PAYMENT OF SALARIES OF EMPLOYEES IRREGULARLY FOR N.T.BOARD (PARA 2, PAGE 247-AR)**
 - ii) **NON ACCOUNTAL OF STORES RS. 1,021,867 (PARA 3, PAGE 248-AR)**
 - iii) **INFRACTUOUS EXPENDITURE OF RS.101,098 ON PAYMENT OF INSURANCE FOR TWO VEHICLES (PARA 5, PAGE 249-AR)**

On the recommendation of above three paras by Audit, the Committee settled the paras.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

6.
 - i) **OVERSEAS EMPLOYMENT CORPORATION PRIVATE LIMITED (PARA 217, PAGE 170-ARPSE)**
 - ii) **NON-RECOVERY OUTSTANDING DUES AMOUNTING TO RS.162,349 FROM PRIVATE TRAVEL AGENCIES (PARA 224, PAGE 171-ARPSE)**

Audit pointed out that in Overseas Employment Corporation (OEC) 10 private travel agencies were doing the business with the OEC Travel Division who were extended undue credit facility. These agencies had become defaulters and had not made payment of the dues amounting to Rs.162, 349 despite a lapse of more than two years.

The Division stated that out of Rs.162, 349 an amount of Rs.23, 406 has been recovered, leaving a balance of Rs.138, 943 and also stated that some of the travel agencies have closed business or have been shifted from their corresponding addresses. However, efforts are being made for the recovery.

The Committee directed the department to reconcile the recoverable amounts in the above mentioned paras with Audit and report recovery/adjustment position to PAC within two months.

7. **(PARA 218, PAGE 170-ARPSE)**

Audit pointed out that advances, deposits, prepayments and other receivable were Rs. 6.726 million as on June 30, 1993, Rs.9.339 million in 1994, Rs.12.481 million in 1995, Rs. 17.333 million on June 30, 1996 and Rs.13.523 million on June 30, 1997.

The Division stated that the Company was established in 1980, got a contract to construct a building in Saudi Arabia but building could not be completed and the case was sub-judice.

The Committee directed the department to pursue the case in the Court of Law and try best to settle the issue as early as possible. The progress be intimated to the PAC within 2 months.

8. **NON-RECOVERY OF OUTSTANDING DUES AMOUNTING TO RS.203,415 FROM EX-MINISTER AND SECRETARIES ETC. (PARA 223, PAGE 171-ARPSE)**

Audit pointed out that certain Ex-Ministers and Secretaries had purchased air tickets from OEC Travel Division on credit basis during 1989-90. The cost of air tickets, Rs.203,415 were not paid by them.

The Division informed that actual recoverable amount was Rs.229,784 for which an amount of Rs.97,659 had been recovered leaving a balance of Rs.132,125.

The Committee directed the department to recover the outstanding dues from the concerned persons and report to the PAC within 2 months.

9. **(PARAS 215, 216, 219, 220, 221, 222, 225, 226, 227, 228 & 229-231, PAGES 169-175-ARPSE)**

On the recommendation of Audit, the Committee settled these paras.

The Committee deferred the actionable points for 1988-89 of Manpower and Overseas Pakistanis Division for the next meeting.

NARCOTICS CONTROL DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Narcotics Control Division were taken up for examination by the Public Accounts Committee (PAC) on July 11, 1998.

- (i) There were 01 Paras reported by Audit and 02 Grants presented by AGPR. These Paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Narcotics Control Division held on 11th July, 1998 are as under:-

11TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.99-NARCOTICS CONTROL DIVISION(PAGE 244-AA)

Audit pointed out that an excessive amount of Rs.37, 864,546 was surrendered on 15-5-1994 but could not be taken into account owing to non-receipt of surrender orders by audit. After accounting for the above surrender the grant will be closed into excess of Rs.16, 335,260.

The Division stated that the saving was due to non development expenditure and non release of the amount of foreign-aid.

The Committee made no comments and regularized the excess with the direction for the Division to be careful in future.

2. GRANT NO.168-DEVELOPMENT EXPENDITURE OF NARCOTICS CONTROL DIVISION (PAGE 247-AA)

Audit pointed out that an amount of Rs.13, 555,000 was surrendered leaving net saving of Rs.5, 986,309.

The Division stated that the saving was due to ban on new recruitment and Rs.3.5 million was surrendered in time.

The Committee settled the grant, however, directed audit to write a letter to all Ministries/Divisions with the directions that all departments should surrender their savings in time.

ACTIONABLE POINTS 1987-88

3. **IRREGULAR PURCHASES WORTH RS.637,750 (PARA 2, PAGE 105- AR-1987-88) (ITEM I-AP-87-88)**

Audit pointed out that the Division purchased pesticides for 637,750 without inviting tenders. The para was discussed in PAC on 5th June, 1996. The PAC advised that the officer responsible should be censured.

The Division stated that since the officer has retired from service, the M/O Finance has condoned the irregularity regarding non-inviting of tenders.

The Committee settled the para.

NATIONAL ASSEMBLY SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the National Assembly Secretariat were taken up for examination by the Public Accounts Committee (PAC) in the meeting held on July 21, 1997.

- (ii) There was only one grant presented by the AGPR and the PAC settled/regularized the grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the National Assembly Secretariat held on 21st July, 1997 are as under:-

21ST JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.107-NATIONAL ASSEMBLY (PAGES 275-276-AA)

Audit informed the Committee that an amount of Rs.45, 880,000 was additionally made available under the above grant of National Assembly by the Ministry of Finance immediately after the passage of the Federal Budget for the year 1993-94 by the National Assembly.

The Principal Accounting Officer informed that the supplementary grant was obtained for the salaries of the Chairmen of the Standing Committees and their personal staff. The saving amount was surrendered in time.

The Committee was not satisfied by the explanation of unusual transaction offered during discussion.

The Committee constituted a Sub-Committee comprising Mian Muhammad Zaman, MNA (Convener), Syed Zafar Ali Shah, MNA assisted by Mr. Arif Mansur, Director General (GA) to examine the issue and report to the PAC within five days.

The Sub-Committee submitted its report to the PAC on 26-7-1997. The PAC referred para 4(b) of the Sub-Committee's report to another Sub-Committee under the Convenership of Ch.Muhammad Berjees Tahir, MNA comprising Kunwar Khalid Yunus, MNA, Auditor-General of Pakistan, Secretary M/O Finance, Secretary, Planning and Development Division and Secretary, M/O Commerce to examine the reasons of budgetary failures including the practice of technical supplementary grants, block allocation for unspecified uses, suggest necessary remedial measures and report to the PAC within three months.

ACTIONABLE POINTS 1988-89

2. GRANT NO.107-NATIONAL ASSEMBLY (PAGES 366-367-AA) (ITEM I-AP-88-89)

Audit pointed out that PAC constituted a Sub-Committee during discussion on the above grant on 3-2-1993. M/O Finance was advised to submit its point of view in writing. Ministry submitted the position but the Sub-Committee could not meet and discuss the matter assigned to it.

The Principal Accounting Officer informed the Committee that the Finance Division stated in its report that Secretary General, National Assembly Secretary performs the same duties and responsibilities as other Secretaries of Ministries/Divisions in their capacity of Principal Accounting Officer has prescribed under General Financial Rules (Para 95) is therefore applicable on the National Assembly Secretariat. The department agreed with the Finance Division point of view.

The PAC settled the grant.

PAKISTAN ATOMIC ENERGY COMMISSION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to Pakistan Atomic Energy Commission were taken up for examination by the Public Accounts Committee (PAC) on July 8, 1998.

- (i) The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving blockage of funds, non recovery on account of installments, lack of qualified project management, weak monitoring and evaluation etc.
- (ii) During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- (iii) There were 01 para and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Pakistan Atomic Energy Commission held on 8th July, 1998 are as under:-

8TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.14-ATOMIC ENERGY (PAGE 49-AA)

The original grant was Rs.565, 503,000, supplementary grant was Rs.23, 434,000, final grant was Rs.588, 937,000 and actual expenditure was Rs.588, 960,479. There was an excess of Rs. 23,479.

The Committee made no comments and regularized the excess expenditure.

2. GRANT NO.181-CAPITAL OUTLAY ON DEVELOPMENT OF ATOMIC ENERGY (PAGE 53-AA)

The original grant was Rs.2,567,259,000, supplementary grant was Rs.777,335,000, final grant was Rs.3,344,594,000 and actual expenditure was Rs.3,243,599,000. There was saving of Rs.100,995,000. The Committee settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

3. **RECOVERY OF RS.440,544 ON ACCOUNT OF RENT OF HOUSES HIRED BY THE COMMISSION AND MIS-UTILIZED BY EMPLOYEES (PARA 1, PAGE 17-AR)**

Audit pointed out that the PAEC had un-authorizedly declared hired houses as duty rooms for the personal staff of the Chairman. In this way, the employees were allowed free accommodation in shape of duty rooms. Simultaneously they were allowed to draw house rent allowance in addition to free accommodation without approval of Finance Division causing a loss of Rs.440, 544.

The matter was reported to the department as well as to Ministry in January, 1992. It was replied that the arrangements so made were in official interest. Audit did not accept this reason due to lack of any regulatory action.

The Commission replied that the ex-Chairman had sensitive appointment for the country for which he had to perform his assignment in odd hours also after the official working time. The services of driver's general attendants and security persons etc., were necessary to be made available with him for round the clock duties on rotation basis. As such, the houses in question were kept on pool by PAEC in office interest.

After hearing the department's reply, the Committee made no comments and settled the para.

PARLIAMENTARY AFFAIRS DIVISION

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Parliamentary Affairs Division were taken up for examination by the Public Accounts Committee (PAC) on July 25, 1997.

- (i) There was only 1 grant presented by the AGPR and the PAC regularized the grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Parliamentary Affairs Division held on 25th July, 1997 are as under:-

25TH JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.101-PARLIAMENTARY AFFAIRS DIVISION (PAGE 252-AA)

An amount of Rs.2, 699,000 was surrendered leaving net saving of Rs.3, 134,708.

The Committee made no comments and settled the grant.

MINISTRY OF PETROLEUM AND NATURAL RESOURCES

OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Petroleum & Natural Resources were taken up for examination by Public Accounts Committee (PAC) on March 21, April 20, July 11 and December 29, 1998.

- (i) The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving irregular purchase, advances to suppliers, non-encashment of bank guarantees, in-fructuous expenditures, mis-appropriations losses, overpayments, inability to make recoveries, etc.
- (ii) During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- (iii) There were 07 Grants and 74 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- (iv) In some cases the Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the M/o Petroleum & Natural Resources held on 21st March, 20th April, 11th July and 29th December, 1998 are as under:-

21ST MARCH, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.109-M/O PETROLEUM AND NATURAL RESOURCES (PAGE 281-AA)

An amount of Rs.2, 251,000 was surrendered leaving net saving of Rs.1, 718,910.
The Committee settled the grant.

2. GRANT NO.111-OTHER EXPENDITURE OF M/O PETROLEUM AND NATURAL RESOURCES (PAGE 282-AA)

An amount of Rs.189,000 was surrendered leaving net saving of Rs.132,380.
The Committee settled the grant.

3. **GRANT NO.172-DEVELOPMENT EXPENDITURE OF M/O PETROLEUM AND NATURAL RESOURCES (PAGE 283-AA)**

An amount of Rs.171, 000 was surrendered leaving net saving of Rs.3, 072,000.

The Committee settled the grant.

4. **GRANT NO.191-CAPITAL OUTLAY ON PETROLEUM AND NATURAL RESOURCES (PAGE 284-AA)**

Audit pointed out that an amount of Rs.233,160,000 was surrendered leaving net saving of Rs.839,421,637.

After detailed discussion, the Committee directed the department to reconcile the issue with the audit and report to the PAC within one week.

ACTIONABLE POINTS 1988-89

5. **GRANT NO.170-DEVELOPMENT EXPENDITURE OF M/O PETROLEUM AND NATURAL RESOURCES (PAGES 178-179-AA) (ITEM I-AP-88-89)**

Audit pointed out that the legislature had approved budget of Rs.12, 930,000 and not Rs.12, 644,000 as shown by the Ministry. The economy cut was Rs.2, 051,000 and not Rs.2, 337,000. Therefore, saving shown by the audit worth Rs.286, 100 is correct.

The Committee directed the Principal Accounting Officer to reconcile the matter with the audit and report to the PAC within one month.

APPROPRIATION ACCOUNTS (VOL-IX-1993-94)

6. **GRANT NO.110-GEOLOGICAL SURVEY (PAGES 6-8-AA)**

Audit pointed out that saving of Rs.2,604,578 was not surrendered on the plea that the saving was in various heads due to some vacant posts, officers on study leave, field duty drivers, ban on honorarium, non payment of medical bills due to non sanctioning, economy measures, non procurement of vehicle, non receipt of bills from the field parties, contingent bills, less field, activities and non receipt of utility bills.

The Committee constituted an Inter-departmental Committee comprising a nominee each from M/O Finance, M/O Petroleum and Natural Resources, Audit and EAD to examine the issue and submit its report to the PAC within one month.

Further, the grant was again reviewed by the PAC on 10-09-1999. The Committee settled the grant.

7. **GRANT NO.192-CAPITAL OUTLAY ON MINERAL DEVELOPMENT (PAGES 9-11-AA)**

Audit pointed out that as per budget book, the authorized budget was Rs.1,228,038,000 and not Rs.1,234,439,712 as shown by the department in the brief. The budget shown by the Audit is correct.

The Committee settled the grant. However, the Committee conveyed its displeasure on the issue and directed the department to be careful in future.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

8. **IRREGULAR EXPENDITURE OF RS.527,775 (PARA 1, PAGE 252-AR)**

Audit pointed out that in Hydrocarbon Development Institute (HDI) an expenditure amounting to Rs.527,775 was incurred during 1990-91, for hiring of residential and non-residential accommodations beyond competency and monthly ceilings fixed by Finance Division. Thus the above amount has been treated as irregular.

The Ministry informed that HDI is an autonomous research and development organization registered under the societies Act, 1860. The Board of Governors has delegated full powers to the Director General of HDI to sanction expenditures on account of hiring of residential/non-residential buildings.

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

9. **LOSS OF RS.105,601 SUSTAINED BY GOVERNMENT DUE TO NON-RETURN OF LIBRARY BOOKS (PARA 2, PAGE 252-AR)**

Audit pointed out official books issued from the library of Geological Survey of Pakistan, Quetta valuing Rs.105,601 were issued to officers/officials in 1991-92 but those books were not returned to the library. Neither any action against the defaulters nor any recovery of the price of the books was made from the officers.

The Ministry informed that most of the books have been returned to the library and 281 books valuing Rs.35,000 are outstanding are at present.

The Committee settled the para .

ACTIONABLE POINTS 1988-89

10. **NON-ADJUSTMENT OF ADVANCE RS.188,576 (PARA 2, PAGE 71-AR) (ITEM 3-AP-88-89)**

Audit pointed out that Rs.188,576 paid to officers during 1975-76 to 1987-88 on account of various advances were outstanding. The para was discussed in the PAC meeting held

on 21-11-1995. The department replied that Rs.148,662.47 had been adjusted/recovered. Efforts were being made to recover the remaining amount of Rs.39,913.53. The PAC had directed that in future advances paid for the completion of work should be adjusted in the same financial year.

The Ministry informed that outstanding amount of Rs.39,913.53 has been fully recovered and adjusted.

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

11. i) **PERFORMANCE REPORT ON SOLAR ENERGY FOR REMOTE AND UNDER DEVELOPED AREAS (PARAS 1.1 TO 3.2, PAGES 75-82-AR) (ITEM 7-AP-88-89)**
ii) **PERFORMANCE REPORT ON RENEWABLE ENERGY FOR VILLAGE ELECTRIFICATION (PARAS 1.1 TO 3.2, PAGES 84-87-AR) (ITEM 6-AP-88-89)**

On the presentation of Inter-departmental Committee reports on the above mentioned both projects by the Audit, the Committee directed the Principal Accounting Officer to submit its comments on both reports to the PAC within two months.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES(VOL-X-C-1993-94)

12. i) **MAGI GAS COMPANY LTD. (PARA 4, PAGE 11-ARPSE)**
ii) **OIL AND GAS DEVELOPMENT CORPORATION (PARA 4, PAGE 11-ARPSE)**
iii) **PAK. ARAB REFINERY LTD.(PARA 4, PAGE 11-ARPSE)**
iv) **PAKISTAN OIL FIELD LTD.(PARA 4, PAGE 11-ARPSE)**

On the presentation of the above four paras by Audit, the Committee directed the concerned organizations to provide the accounts to the Audit at the earliest possible.

13. **RESOURCE DEVELOPMENT CORPORATION (SAINDAK METALS (PVT) LTD) (PARA 4, PAGE 11-ARPSE)**

The Audit informed that Saindak Project has failed to play its role in the country's economy despite spending billions of rupees on the project.

The Principal Accounting Officer told the Committee that incompetent management was recruited at the time of launching the project. The Saindak Project would be made operational as an agreement with the Chinese Government has already been finalized to put it into production.

After hearing the Ministry's reply, the Committee directed the department to take viable steps to start the commercial production of the Corporation as soon as possible.

14. **GEMSTONE CORPORATION OF PAKISTAN LTD. (PARAS 5-9, PAGES 12-13-ARPSE)**

Audit pointed out that the Corporation has been continuously sustaining losses since its inception and its accumulated losses amounting to Rs.171.034 million as on June 30, 1995. Resultantly the net worth of the Corporation turned into negative equity of Rs.162.770 million as on June 30, 1995. As the Corporation could not achieve its objectives, the Government decided to wind up the Corporation. Consequently it has gone to liquidation on February 9, 1995.

The Committee observed that the Corporation was a profitable Organization before its nationalization. The Committee held the officers of the Corporation responsible for destroying the institution.

The Committee settled the para. However, the Committee directed the Principal Accounting Officer to identify the responsible officials in this regard and prepare a comprehensive report, why the Corporation failed to achieve its targets.

15. i) **UNION TEXAS PAKISTAN (PARA 13, PAGE 15-ARPSE)**
ii) **IRREGULAR IMPORTS OF STORES/ITEMS-US \$ 436,498 (PARA 15, PAGE 16-ARPSE)**
iii) **PAKISTAN STATE OIL COMPANY LIMITED (PARA 16, PAGE 17-ARPSE)**

The Committee made no comments and settled the above three paras.

PAKISTAN STATE OIL COMPANY LIMITED

16. **(PARAS 18 & 19, PAGE 18-ARPSE)**

After hearing the Ministry's reply on the both paras, the Committee directed the department to recover the outstanding amount from the concerned Airlines, WAPDA & KESC. The Committee also intimated the department to take action against the concerned officers responsible for the losses and report to the PAC within two months.

The Committee also directed the department to issue the names of the culprits for the huge losses to the National Press.

17. **(PARA 21, PAGE 18-ARPSE)**

Audit pointed out that the PSO deposited Rs.50 million in PLS Term Deposit Accounts with Mehran Bank Limited in 1993-94. The bank suspended its operations for indefinite period on March 24, 1994. PSO thus lost Rs.50 million plus interest on deposit. Decision of the management to deposit "a meager amount of Rs.50 million at handsome interest rates" with Mehran Bank Limited was imprudent as the bank was in private sector with a bad reputation. Also, PSO was borrowing at high rates from other public sector banks to

meet its funds requirements. The Principal Accounting Officer admitted the irregularities and committed to take action against responsible for depositing money in a defaulting bank.

The Committee further instructed the department to examine the issue and submit its report to the Committee within two months, so that a proper case could be filed in the Ehtesab Cell against the culprits.

ACTIONABLE POINTS
20TH APRIL, 1998

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-C-1993-94)

PAKISTAN STATE OIL COMPANY LIMITED

18. **DEPOSIT OF RS.50 MILLION BY PSO IN MEHRAN BANK LIMITED (PARA 21, PAGE 18 ARPSE)**

The PAC in its meeting held on 21-03-1998 discussed the case in detail. The Principal Accounting Officer of the M/O Petroleum & Natural Resources admitted the irregularities and committed to take action against the persons responsible for the loss. The PAC directed the Ministry to examine the issue and submit its report within two months, so that a proper case could be filed in the Ehtasab Cell against the culprits.

The Managing Director, PSO held a meeting with Chairman PAC on 2nd April, 1998 at the National Assembly Secretariat, Islamabad. He informed the Chairman that the amount in question was deposited by PSO in compliance to the orders of Mr. Anwar Saifullah, the then Minister for Petroleum & Natural Resources. He also produced a photo copy of a letter No.CM/0028/93 dated February 22, 1994 of Mehran Bank Limited. The letter was addressed to the Managing Director, PSO.

The Committee took serious action and constituted a Sub-Committee under the Chairmanship of Mr. Hamza, MNA/Chairman (PAC), comprising Syed Zafar Ali Shah, Kunwar Khalid Yunus, MNAs, Mr. Abdus Satar, Financial Adviser, M/o Petroleum and Natural Resources, Mr. Jalaluddin Qureshi, Director General (CA) and Mr. Iftikhar Alam, Managing Director, PSO as its member to examine the issue and report to the PAC within one month.

19. **NON-RECOVERY OF DUES AMOUNTING TO RS.105,510 FROM EX-EMPLOYEE (PARA 22, PAGE 19-ARPSE)**

Audit pointed out that PSO granted an advance of Rs.3 lacs in 1990 to an officer for treatment of his ailing wife abroad. The officer on return from abroad submitted hospital bills for adjustment against the advance which proved to be fake. Instead of initiating a disciplinary action, the officer was allowed to resign in November, 1990 when an amount

of Rs.193,548 was outstanding against him. After adjustment of Rs.88,038 from his provident fund account balance, the recoverable amount stood at Rs. 105,510.

The Ministry informed that the advance was given on humanitarian grounds. As the employee opted to resign, his resignation was accepted. Had they gone for further enquiry the cost would have been more. A civil suit was, therefore, filed to recover the balance outstanding against the officer.

The Committee directed the Principal Accounting Officer to examine the case and take action against those persons who were involved in the case and report to the PAC within one month.

SUI NORTHERN GAS PIPELINES LIMITED

20. **(PARA 23, PAGE 20-ARPSE)**

The Committee settled the para.

21. **PURCHASE OF UNWANTED STORES AND SPARES WORTH RS.115.330 MILLION WHICH WAS GOING TO CAUSE TOTAL LOSS TO THE COMPANY (PARA 28, PAGE 23 ARPSE)**

Audit pointed out that SNGPL had non-moving stores of Rs. 59.145 million and slow moving stores of Rs.56.185 million which constituted 22.54% inventory of stores and spares (Rs.511.612 million) on June 30, 1992. When pointed out by the Audit, the management constituted a high level committee in October, 1993, to examine the utility of items identified as non-moving and slow moving and to suggest measures to prevent accumulation of inventory.

The Committee declared stores and spares worth Rs.21.271 million to be scrapped and disposed off. Stores worth Rs.115.338 million were stated to be required by the technical department and expected to be used in the next 2-5 years.

The Ministry replied that the fixing of maximum and minimum levels of inventory is under active consideration.

The Committee directed the Audit to verify how much percent decreased the level of inventory.

22. **BLOCKAGE OF FUNDS OF RS.3.614 MILLION DUE TO IDLENESS OF IMPORTED MACHINE (PARA 29, PAGES 24-ARPSE)**

Audit pointed out that SNGPL imported a machine for coating and wrapping the pipe from Canada in 1989 against World Bank Loan valuing Rs.3.614 million. The machine was not used and is still lying idle. Non-utilization of machine for 8 years establishes the ill planned procurement, responsibility for which needs to be fixed.

The Ministry in November, 1993, admitted the non-utilization of machine but later on, accepted the scope of its use. In November, 1994, there were manufacturing defects in the machine which were removed and machine was sent to Kot Addu Project for use.

The Committee directed the Audit to verify the machine has actually been set right and report to the PAC within two months. During the meeting the Principal Accounting Officer also commented that Auditor General Office has an Accounts Officer in SNGPL Head Office who has been working in this office for the last ten years. He pressurized the Administration of SNGPL to get his two sons recruited and he frequently mis used the vehicles of the Company.

The Committee took serious notice and asked the Principal Accounting Officer to provide facts in support of his allegations and directed the Auditor General Office to enquire the matter and take action against the official concerned, if found guilty.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 439 of Ad-hoc PAC Report for the year 1996-97.

23. **UNJUSTIFIED CASUAL LABOUR CHARGES OF RS.3.124 MILLION (PARA 30, PAGES 25-26-ARPSE)**

Audit pointed out that SNGPL laid down gas pipeline of 16 dia and paid different casual labour charges at different stations.

The Ministry informed that for several years it has not been possible to complete in-built drawings due to manpower shortages.

The Committee was not satisfied with the explanation given by the Ministry and constituted an Inter-departmental Committee comprising Mr. Javed Inam, Managing Director, SNGPL, Mr. Jalaluddin Qureshi, Director General (CA) and Mr. Abdul Sattar, Financial Adviser, M/O Petroleum and Natural Resources to examine the case and report to the PAC within one month.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 439 of Ad-hoc PAC Report for the year 1996-97.

24. **UNJUSTIFIED PAYMENT OF RS. 424,482 ON ACCOUNT OF PROFESSIONAL SUBSCRIPTION FEE (PARA 33, PAGE 28-ARPSE)**

Audit pointed out that SNGPL paid Rs.424,482 as professional fee on behalf of their Engineers to Pakistan Engineering Council during 1988-89, in contravention of Finance Division letter dated November 3, 1987 read with Pakistan Diploma Engineers Federation letter dated February 11, 1988.

The Ministry informed that registrations of Engineers with Pakistan Engineering Council is not voluntary action but imposed by the employer so subscription paid by the

Engineers are reimbursed to them. Moreover, the same was approved by the Board of Directors.

The Committee was not satisfied with the explanation given by the Ministry and decided that the Inter-departmental Committee constituted under para 30 above will also examine this para as well.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 439 of Ad-hoc PAC Report for the year 1996-97.

25. **LOSS OF RS.222,638 DUE TO RETAINING OF HIRED SHUTTERING MATERIAL UN-NECESSARY AND COLLAPSE OF ROOF SLAB OF A HALL (PARA 34, PAGES 29-30-ARPSE)**

Audit pointed out that SNGPL constructed a hall at Faisalabad in early 1992, intended to be used as Executive Mess. After construction of walls of the hall, the pouring of roof slab was started on Aug 24,1992. When the slab was nearing completion, the shuttering collapsed and roof fell down which caused death of a labourer. The shuttering was not removed till October 22, 1992 and construction work was also not started till August, 1993. Consequently, the company had to pay Rs.22,638 on account of shuttering charges for 147 days and also suffered a loss Rs.200,000 of material and labour charges. The incident was investigated by an in house inquiry committee but its report was not provided to the audit.

The Ministry in its reply admitted the loss and added that the loss of material including steel and bricks were re-used which reduced the loss to 50%.

The Committee directed the Principal Accounting Officer to take action against those persons who did not provide the report of the inquiry. However, settled the para.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 439 of Ad-hoc PAC Report for the year 1996-97.

26. i) **RECURRING EXTRA EXPENDITURE OF RS.1.166 MILLION DUE TO IMPRUDENT DECISION OF THE MANAGEMENT (PARA 31, PAGE 26-ARPSE)**
ii) **SUI SOUTHERN GAS COMPANY LIMITED (PARA 35, PAGE 40-ARPSE)**
iii) **PAKISTAN MINERAL DEVELOPMENT CORPORATION (PARA 39 & 43, PAGES 36 & 38-ARPSE)**

The Committee settled above three paras.

ACTIONABLE POINTS
11TH JULY, 1998

AUDIT REPORT SECTOR ENTERPRISES (VOL-X-C-1993-94)

27. **PMDC COLLIERIES SOR RANGE (PARA 53, PAGE 40-ARPSE)**

Audit pointed out that assets valuing Rs.2.24 million were procured by the Collieries Sor Range prior to 1991. Audit stressed the management to utilize.

The Ministry stated that the assets will be utilized at the time of installation of second electric Sub-Station.

The Committee observed that due foresight and propriety was not exhibited in the issue and directed the Principal Accounting Officer to examine whether the purchase of assets was really needed by the Colliers Sor Range and funds were not unnecessarily blocked and report to the PAC within one month.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 439 of Ad-hoc PAC Report for the year 1996-97.

28. i) **SHORTAGE OF SALT VALUING RS.1.300((PARA, 70 PAGE 53-ARPSE)**
ii) **AVOIDABLE EXPENDITURE OF RS.178,080 DUE TO PAYMENT OF DEMURRAGE CHARGES(PARA 76, PAGE 56-ARPSE)**
iii) **UNNECESSARY PURCHASE OF PIPE VALUING RS.875,027 AND LOSS OF INTEREST INCOME RS.1,409,398 (PARA 80, PAGE 59-ARPSE)**

On the recommendation of audit, the Committee settled the above three paras.

29. **PMDC SALT MINES WARCHA (PARA 71, PAGE 54-ARPSE)**

Audit pointed out that the abnormal increase in selling & distribution expenses from Rs.1.957 million in 1992-93 to Rs.6.650 million in 1993-94.

The Ministry stated that it was due to booking of expenses in 1993-94 @ Rs.150 per M/T on freight, royalty, Zilatax etc., paid on sale of salt to M/S Ittehad Chemicals. Previously, the customers used to pay Rs.150 per M/T separately which were not booked as expenses.

The Committee directed the Principal Accounting Officer to re-examine the issue and report to the PAC within one month.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 439 of Ad-hoc PAC Report for the year 1996-97.

30. **(PARAS 10-12, 14, 17, 20, 24-27, 32, 37-38, 41-42, 44-48, 49-52, 54, 55-69, 72-75 AND 77-79, PAGES 14-59-ARPSE)**

On the recommendation of audit, the Committee settled these paras.

ACTIONABLE POINTS 1988-89

31. **(PARAS 486, 487, 488, 290-291 (86-87), 491-497, 506, 507, 518, 520, 521, 524, 317 (85-86), 329 (85-86), 2-3 (9) (86-87) (ITEMS 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 21 AND 22-AP-88-89)-**

On the recommendation of Audit, the Committee settled these paras.

REVIEW OF ACTIONABLE POINTS 1993-94
29TH DECEMBER, 1998

32. **GRANT NO.191-CAPITAL OUTLAY ON PETROLEUM & NATURAL RESOURCES (PAGE 284-AA) (ITEM 1-AP-93-94)**

Audit pointed out that an amount of Rs.233, 160,000 was surrendered leaving net saving of Rs.839, 421,637.

The PAC in its meeting held on 21.3.1998 had directed the departmental representative to reconcile the issue with the audit and report to the PAC within one week.

The Ministry advised adjustment of Rs.1, 795, 100,000. The expenditure has adjusted in the accounts for 1997-98.

Audit further stated that according to the Ministry foreign aid worth Rs.1, 795, 100,000 was disbursed at saindak Metals (PTV) Limited Quetta by MCC China as suppliers credit against the commitment of Rs.839,285,000. The adjustment of the amount was not advised to the AGPR in the financial year 1993-94.

The Committee after hearing Ministry's reply directed the Principal Accounting Officer to examine the matter, fix responsibility, take action against concerned officer (s) for the negligence and report to the PAC within two months.

33. i) **MARI GAS COMPANY (PVT) LIMITED**
 ii) **PAK.ARAB REFINERY LIMITED**
 (iii) **PAKISTAN OIL FIELDS LIMITED (PARA 4, PAGE 11-ARPSE) (ITEM 7-AP-93-94)**

Audit pointed out that Mari Gas Company (Pvt) Limited Pak.Arab Refinery Limited and Pakistan Oil Fields Limited have declined state audit.

The PAC in its meeting held on 21.03.1998 directed the concerned organization to provide the accounts for audit to the audit department at the earliest.

After hearing the Ministry's reply, the Committee settled the issues regarding Mari Gas Company (Pvt) Limited and Pak. Arab Refinery Limited.

However, the Committee directed the department to provide the accounts of Pakistan Oil Fields Limited for audit to audit department and also submit printed accounts of Pak. Arab Refinery Limited and Pakistan Mari Gas Company (Pvt) Limited.

The above mentioned three paras were again discussed by the Ad-hoc PAC and its directive is printed at page No.438-439 of Ad-hoc PAC Report for the year 1996-97.

34. **PAKISTAN STATE OIL LIMITED (PARAS 18-19, PAGE 18-ARPSE) (ITEM 10-AP-93-94)**

Audit pointed out that provision of doubtful debts on 30.6.1994 included Rs.67.678 million recoverable from Hajveri Airlines and Rs.14.616 million from Raji Airlines. The huge amount outstanding against the two Airlines was a result of liberal extension of credit.

The PAC in its meeting held on 21.3.1998 directed the department to recover the outstanding amount from concerned Airlines, WAPDA and KESC, take action against concerned officers who were responsible for the losses and report to the PAC within two months. The Committee also directed the department to issue the names of the culprits for the huge losses to the National Press.

The Ministry informed that the cases of recovery from Hajveri and Raji Airlines are subjudice. Amount will be recovered from WAPDA and KESC. Moreover, at this stage they are unable to identify the culprits involved in these cases.

The Committee directed the department to reconcile the issues with the concerned organizations and audit, take action against concerned person(s), responsible for not recovering the outstanding amount and report to the PAC within two months.

The above paras were again discussed by the Ad-hoc PAC and its directive is printed at page No. 438-439 of Ad-hoc PAC Report for the year 1996-97.

35. **DEPOSIT OF RS. 50 MILLION BY PSO IN MEHRAN BANK LIMITED (PARA 21, PAGE 18-ARPSE) (ITEM 1-AP-93-94)**

Audit had pointed out that the PSO deposited 50 Million PLS Term Deposit account with Mehran Bank Limited in 1993-94. The Bank suspended its operation for indefinite period on March 24, 1994. PSO thus suffered loss of Rs. 50 million plus interest on the deposit.

The issue was discussed in PAC meeting and the Committee constituted a Sub-Committee under the Convenership of Mr. Hamza (Chairman PAC), to examine the matter.

The report of the Sub-Committee with the approval of the competent authority has already been forwarded to the Ministry on 05-12-2000 for compliance.

The above para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 438-439 of Ad-hoc PAC Report for the year 1996-97.

36. **PURCHASE OF UN-WANTED STORES AND SPARE WORTH RS. 115.330 MILLION WHICH WAS GOING TO CAUSE TOTAL LOSS TO THE COMPANY (PARA 28, PAGE 23-ARPSE) (ITEM 14-AP-93-94)**

Audit pointed out that the SNGPL had non-moving stores of Rs. 59.145 million and slow moving stores of Rs. 56.185 million which constituted 22.54% inventory of stores and spares (Rs. 511.612 million) on June 30, 1992.

The Ministry replied that the management constituted a high level Committee in October, 1993 to examine the utility of items identified as non-moving and slow moving and to suggest measures to prevent accumulation of inventory. The Committee declared stores and spares worth Rs.21.271 million to be scraped and disposed off. Stores worth Rs. 115.338 million were stated to be required by the technical department and expected to be used in the next 2-5 years.

The PAC in its meeting held on 20-4-1998 directed that Audit will verify the percentage of decrease in the level of inventory.

The Ministry stated that the slow moving items reduced worth Rs.24.393 million and Rs.1.65 million has also been recovered from private parties.

The Committee after hearing the Ministry's reply settled the para subject to verification by the Audit.

The para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 438-439 of Ad-hoc PAC Report for the year 1996-97.

37. i) **GRANT NO. 170-DEVELOPMENT EXPENDITURE Of M/O Petroleum And Capital Natural Resources (Pages 178-179-Aa)(Item 1-Ap-88-89)**
ii) **IRREGULAR EXPENDITURE OF RS. 527,775 (PARA 1, PAGE 252-AR) (ITEM 5-AP-93-94)**
iii) **RESOURCES DEVELOPMENT CORPORATION (SAINDAK METALS (PVT) LIMITED) (PARA 4, PAGE 11 – ARPSE) (ITEM 7-AP-93-94)**
iv) **GEMSTONE CORPORATION OF PAKISTAN (PARAS 5-9, PAGES 12-13-ARPSE)(ITEM 9-AP-93-94)**

v) **NON-RECOVERY OF DUES AMOUNTING TO RS. 105.510 FROM EX-EMPLOYEE (PARA 22, PAGE 19-ARPSE) (ITEM 13-AP-93-94)**

On the presentation of above five paras by Audit, the Committee made no comments and settled these paras.

PLANNING AND DEVELOPMENT DIVISION

OVERVIEW

Appropriation Accounts and Annual Audit Report for the year 1993-94 pertaining to Planning & Development Division were taken up for examination by the Public Accounts Committee on July 9, 1998.

- (i) The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving unauthorized expenditure on procurement of vehicles, loss due to investment in stock exchange etc. of advance, non-production of audited accounts, non-accountal of sale proceeds, irregular/un-economical purchases, irregular payments, etc.
- (ii) During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issues, directing the PAO to take appropriate action.
- (iii) There were 8 paras and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Planning & Development Division held on 9th July, 1998 are as under:-

9TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. **GRANT NO.112-PLANNING & DEVELOPMENT DIVISION (PAGE 291-AA)**

Audit pointed out that an amount of Rs.6, 508,837 was surrendered leaving net saving of Rs.1, 575,742.

The department stated that actually the reconciled amount of final grant was Rs.97, 650,000. The saving of Rs.8, 084,579 works out to be 8.27% of the total grant. A sum of Rs.6, 508,837 was surrendered in time.

The Committee settled the grant.

2. **GRANT NO.173-DEVELOPMENT EXPENDITURE OF PLANNING AND DEVELOPMENT DIVISION (PAGE 293-AA)**

Audit pointed out that the department surrendered an amount of Rs.18, 139,931 increasing the excess to Rs.18, 421,673. The excess of Rs.281, 742 is to be regularized. The Committee made no comments and regularized the excess expenditure.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

3. **NATIONAL CONSTRUCTION COMPANY PAKISTAN LIMITED (PARA 233, PAGE 179-ARPSE)**

Audit pointed out that National Construction Company (Pak) Limited was established in 1973 with issued Capital of Rs.5 million for carrying on business of civil works/construction advisors, decorators, furnisher and consultant in the public and private sectors within and outside the country.

Keeping in view the accumulated loss of Rs.6.242 billion, the ECC in its meeting held on July 3, 1989, decided to liquidate the Company. Thus, the company went in to Member's Voluntary Liquidation from August 18, 1990. Audit also pointed out that the liquidation of the company is internationally prolonged by the liquidators and management. The management of the company is also not agreed to provide the documents for audit to the Audit Department.

The Division stated that liquidator is not required to provide the accounts to the Auditor General of Pakistan under the Companies Ordinance, 1984. However, the department will reply within one month on the issue whether the Auditor General examine the accounts of the company or not.

The Committee after hearing the department's reply directed the representative of the Ministry to take up the issue for guidance with the M/O Law & Corporate Law Authority and report to PAC within two months. The Committee also directed to the Audit to write a letter to M/O law for advice, whether a company when under process of liquidation, its accounts are subject to the Governments Audit or not.

4. **NATIONAL LOGISTIC CELL (PARAS 234-235, PAGE 180-ARPSE)**

On the presentation of above paras, the Committee directed the Principal Accounting Officer to examine the matter, take effective measures in the best interest of the National Logistic Cell, take action against responsible persons for the lapses, if any and submit a report to PAC within two months.

However, the para 235 was again reviewed by the Sub-Committee of the Ad-hoc PAC on 19-08-2002. The Sub-Committee observed that mushrooms growth production was beyond the charter of duties and expertise of NLC. The Committee recommended that the project may be continued for one year and even if after one year, the project was not making profits, it should be closed down/disposed off. NLC was directed to report the performance of the project to the Committee/Audit regularly.

5. **(PARA 238, PAGE 181-ARPSE)**

Audit pointed out that the increase in advances, deposits, prepayments in NLC were Rs.278.680 million on 30-6-1997.

The Division stated that amount increased in 1993-94 due to pending claim of Rs.131.162 million payable by M/O Finance against exchange rate fluctuation. Rs.103.902 million against the said claim was already received. Rs.73.522 million was, however, receivable on this account on June 30, 1996 from the M/O Finance. The department has recovered a huge amount and is trying to recover the outstanding amount.

The Committee directed the Principal Accounting Officer to take all possible steps to recover the advances and prepayments from concerned quarters.

However, the para was again reviewed by the Sub-Committee of the Ad-hoc PAC on 19-08-2002. The Sub-Committee directed the department to pursue the recovery process vigorously. The issue of recovery from NUST should be taken up for resolution.

6. **(PARA 240, PAGE 181-ARPSE)**

Audit pointed out that investment of Rs.1 million was made in 1981 by NLC in Resources & Engineering Management Corporation (Private) Limited (REMCO) as equity. The investment proved infructuous as there were no chances of receipt of any amount from REMCO. REMCO had accumulated loss of over Rs.10.817 million against paid up capital of Rs.6.6 million on June 30, 1995.

The Division stated that the case regarding disinvestment from REMCO was still under process.

The Committee directed the Principal Accounting Officer to recover the accumulated loss of Rs.10.817 million as early as possible.

However, the para was again reviewed by the Sub-Committee of the Ad-hoc PAC on 19-08-2002. The Sub-Committee directed the PAO to convene a meeting of Board of Directors of REMCO and see the feasibility of a voluntary liquidation and report the outcome of the Board's decision to the Committee/Audit.

7. **BLOCKADE OF FUNDS IN OBSOLETE STORES RS.1.686 MILLION (PARA 243, PAGE 182-ARPSE)**

Audit pointed out that in NLC Karachi Bedford spare parts valuing Rs.1.890 million were lying as surplus for more than 10 years. The chances of utilization of these spares were remote due to phasing out of Bedford Trucks after completing their age. Audit was of the view that stores were purchased in excess of requirement.

The Division stated that a contract for disposing of the surplus store was made with a local firm which lifted spare worth Rs.0.204 million and spare worth Rs.0.408 million consumed internally.

The Committee directed the Principal Accounting Officer to examine the matter, take effective measures in the best interest of the National Logistic Cell, take action against responsible persons for the lapses, if any and submit a report to the PAC within two months.

However, the para was again reviewed by the Sub-Committee of the Ad-hoc PAC on 19-08-2002. The Committee directed the department to try to hand over the spares to the Army and give a report to the Audit/Committee.

8. i) **LOSS OF RS.511,571 ON ACCOUNT OF SHORT SUPPLY OF IMPORTED STORES (PARA 244, PAGES 182-183-ARPSE)**
- (ii) **PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS (PARA 245, PAGE 184-ARPSE)**

On presentation of above two paras by audit, the Committee was satisfied with the explanation given by the department and settled the paras.

PRIME MINISTER'S INSPECTION COMMISSION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Prime Minister's Inspection Commission were taken up for examination by the Public Accounts Committee (PAC) on September 15, 1997.

- (i) There was only 1 grant presented by the AGPR for which the PAC regularized the grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Prime Minister's Inspection Commission held on 15th September, 1997 are as under:-

15TH SEPTEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.13-PRIME MINISTER'S INSPECTION COMMISSION (PAGE 48-AA)

An amount of Rs.2,889,000 was surrendered leaving net saving of Rs.177,939.

The Committee made no comments and settled the grant.

ACTIONABLE POINTS 1988-89

The Public Accounts Committee, on being informed that there was no system of follow-up on the recommendations of the Commission; the Committee observed that such high level inspections could be effective only if there was a regular follow-up.

The department informed the Committee that the PMIC works directly under the orders and supervision of the Prime Minister. It conducts enquiries, studies and inspections with regard to any Federal Government department or individual on the orders of the Prime Minister. Once the enquiry/study or inspection is completed, it is sent to the Prime Minister through his Principal Secretary. Final approval/orders of the Prime Minister are sent to the Cabinet Division or to the Ministry/Department concerned for implementation of the orders of the Prime Minister. The PMIC some times gets a copy of the orders of the Prime Minister for record.

The Committee directed that PMIC should adopt an effective follow-up system of its recommendations.

Audit informed the Committee that the following 12 enquiry reports are under process in the Prime Minister's Secretariat regarding different Ministries/Divisions since 1989:-

- (i) ENQUIRY INTO DISPOSAL OF RAILWAYS LANDS. (SUBMITTED ON 28-10-1989)
- (ii) SULPHUR RECOVERY UNIT OF DAKHNI OIL AND GAS DEVELOPMENT PROJECT.(SUBMITTED ON 15-2-1990)
- (iii) ENQUIRY REPORT REGARDING TAMPERING WITH RECORDS IN CONNECTION WITH SUSPENSION OF CUSTOMS OFFICERS WHO PROCESSED ITTEFAQ GROUP OF INDUSTRIES IMPORTS. (SUBMITTED ON 28-5-1990)
- (iv) ENQUIRY/STUDY INTO THE AFFAIRS OF WAPDA. (SUBMITTED ON 26-6-1990)
- (v) FORCIBLE RETRENCHMENT OF WORKERS FROM SINDH ENGINEERING LIMITED UNDER THE UMBRELLA OF THE PREVIOUS GOVERNMENT. (SUBMITTED ON 16-7-1990)
- (vi) ENQUIRY REGARDING CONSTRUCTION OF RCD HIGHWAY IN BALOCHISTAN. (SUBMITTED ON 28-7-1990)
- (vii) REPORT ON REVIEW OF THE INSTITUTE OF STRATEGIC STUDIES AND INSTITUTE OF REGIONAL STUDIES ISLAMABAD. (SUBMITTED ON 28-2-1991)
- (viii) ENQUIRY REGARDING LAHORE SAHIWAL SECTION OF THE NATIONAL HIGHWAY. (SUBMITTED ON 10-4-1991)
- (ix) ENQUIRY-AFFAIRS ON EVACUEE TRUST PROPERTY BOARD. (SUBMITTED ON 18-5-1991)
- (x) ENQUIRY INTO THE AFFAIRS OF TIP VOL.IV. (SUBMITTED ON 10-6-1991)
- (xi) ENQUIRY INTO THE ALLEGATIONS AGAINST MR. SAMIULLAH MARWAT, PSP IN HIS CAPACITY AS ACTING DIG FIA POLICE KARACHI. (SUBMITTED ON 12-4-1992)
- (xii) SELECTION/DEPUTATION POSTAL SERVICES GROUP OFFICERS TO INTERNATIONAL AGENCIES. (SUBMITTED ON 22-10-1992)

The PMIC informed the Committee that no reply can be given on above twelve reports. These reports are being processed in the Prime Minister's Secretariat. It is regretted that three reports could not be traced in the Prime Minister's Secretariat.

The Committee conveyed its displeasure on the issue and directed the PMIC to inform the progress of its implementation about the above reports within three months.

PRIME MINISTER'S SECRETARIAT

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Prime Minister's Secretariat were taken up for examination by the Public Accounts Committee (PAC) on October 15, 1996.

- (i) There was only 1 Grant presented by the AGPR for which the PAC regularized the excess of the above grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Prime Minister's Secretariat held on 15th October, 1996 are as under:-

15TH OCTOBER, 1996

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. **GRANT NO.11-PRIME MINISTER'S SECRETARIAT (PAGE-71-AA)**

An excessive amount of Rs.6, 229,426 was surrendered resulting into an excess of Rs.94, 730.

The Committee made no comments and regularized the excess expenditure.

MINISTRY OF POPULATION WELFARE

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Ministry of Population Welfare were taken up for examination by the Public Accounts Committee (PAC) on March 19, 1998.

- (i) There were 1 para and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the M/o Population Welfare held on 19th March, 1998 are as under:-

19TH MARCH, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. **GRANT NO.113-POPULATION DIVISION (PAGE 292-AA)**

Audit pointed out that original grant was Rs.3, 594,000, supplementary grant was Rs.300, 000, final grant was Rs.3, 894,000 and actual expenditure was Rs.3, 618,009. There was a saving of Rs.275, 991.

The Committee settled the grant with the direction to be careful in future.

2. **GRANT NO.174-DEVELOPMENT EXPENDITURE OF POPULATION DIVISION (PAGE 295-AA)**

Audit informed that an excessive amount of Rs.350, 000,000 was surrendered converting the grant to be closed into excess of Rs.63, 254,245.

The Committee made no comments and regularized the excess expenditure.

ACTIONABLE POINTS 1988-89

3. **EXCESS EXPENDITURE OF OFFICIAL TELEPHONES-RS.36,370 (PARA 2, PAGE 88-AR) (ITEM 1-AP-88-89)**

Audit pointed out an excess expenditure of Rs.36,370 on account of telephone calls. An amount of Rs.2,782 was recovered while Rs. 33,588 were still recoverable. The para was discussed in PAC on 31.01.1993. The PAC advised that all out efforts be made to recover the balance amount.

The Ministry stated that the balance amount has been regularized by the competent authority.

The Committee settled the para.

PRESIDENT'S SECRETARIAT(PUBLIC & PERSONAL)

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the President's Secretariat were taken up for examination by the Public Accounts Committee in its meeting held on September 15, 1997.

- (i) There was only one grant presented by the AGPR and the PAC settled/regularized the grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the President's Secretariat held on 15th September, 1997 are as under:-

15TH SEPTEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. APPROPRIATION-STAFF, HOUSEHOLD AND ALLOWANCES OF THE PRESIDENT (PAGE 59-AA)

Audit pointed out that original appropriation was Rs.77, 188,000, supplementary appropriation was Rs.50, 000,000 and actual expenditure was Rs.154, 159,915. The excess expenditure was Rs.26, 971,915.

The department informed the Committee that excess expenditure was due to release of discretionary and contingent grants to different institutions and departments.

After detailed discussion, the Committee issued the following instructions to the Audit and Finance Division:-

- (i) Audit should arrange the audit for those organizations which take discretionary and contingent grants.
- (ii) Finance Division should revise the procedure and rules for discretionary and contingent grants.

The grant was again discussed by the Ad-hoc PAC and its directive is printed at page No. 894-895 of the Ad-hoc PAC Report for the year 1996-97.

PRIVATIZATION COMMISSION

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Privatization Commission were taken up for examination by the Public Accounts Committee (PAC) on December 2, 1998.

- (i) There were three reports presented by the Audit.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Privatization Commission held on 2nd December, 1998 are as under:-

2ND DECEMBER, 1998

AUDIT OF PRIVATIZATION PROCESS OF STATE-OWNED ENTERPRISES

The Auditor-General of Pakistan informed the Committee that Privatization Commission (PC) was conceived as an instrument for the implementation of privatization policy as a key component of Government's economic program established in January, 1991. Major objectives of the privatization policy envisaged reduction in fiscal deficit and generation of resources for curtailing loan liabilities.

The terms of reference approved by Government in consultation with the Auditor-General included investigation of the following aspects of privatization of the State Owned Enterprises (SOEs).

- (a) Whether the fair value or reserve/reference price of the unit was established in accordance with a professionally acceptable criterion?
- (b) Whether the procedure adopted by the Commission for disposal of units conformed to the general principles of competitive bidding?
- (c) Whether the prescribed procedure in regard to invitation of bids and their evaluation etc. was observed in letter and spirit?
- (d) Whether the approved sale price was in line with the fair value/reserve price fixed vide (a) above, and if not, were their cogent reason for deviations there from?
- (e) Whether the decision of the authority in acceptance or rejection of an offer or stance taken during the disposal proceedings was in conformity with the general principles of probity and propriety?

He further informed that with the limited scope as above, the audit of 66 SOEs privatized during 1991-93 was conducted by the special teams deputed for the purpose. The reports drawn by them on individual SOEs were issued to the Privatization Commission for affording comments/replies. There was no response from the Commission in the laid down time frame of six weeks. The reports were accordingly finalized and were delivered in the

Ministry in January, 1996. Ministry's replies respecting 21 reports on 26 units to be discussed along with accounts for 1993-94 are still awaited despite reminders. The reports on the remaining units would be discussed along with the accounts for 1992-93.

Audit examined the record of privatization process with reference to the above aspects and arrived at the opinion(s) contained in the following units:-

1. **RICE SECTOR INDUSTRIES**

- (a) Doba Rice Mills Limited
- (b) Dhaunkal Rice Mill

2. **AUTOMOBILE SECTOR INDUSTRIES**

- (a) Al-Ghazi Tractors Limited
- (b) Naya Daur Motors (Pvt) Limited
- (c) Millat Tractors (Pvt) Limited
- (d) Bolan Casting Limited
- (e) Balochistan Wheels Limited
- (f) National Motors Limited
- (g) Pakistan Suzuki Motors Limited.

3. **ENGINEERING SECTOR INDUSTRIES**

- (a) Karachi Pipe Mills Limited
- (b) Metropolitan Steel Corporation Limited
- (c) Pioneer Steel Mills (Pvt) Limited
- (d) Pakistan Switchgear Limited
- (e) Quality Steel Works Limited

4. **CHEMICAL SECTOR INDUSTRIES**

- (a) Pakistan PVC Limited, Karachi
- (b) Pak. Dyes and Chemicals Limited
- (c) Sindh Alkalies Limited
- (d) National Fibres Limited

5. **QUAIDABAD WOOLEN MILLS**

- (a) Quaidabad Wollen Mills

6. **NATIONAL PRESS TRUST**

- (a) National Press Trust

7. **PAK. CHINA FERTILIZER LIMITED**

- (a) Pak. China Fertilizer Limited

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8. **CEMENT SECTOR INDUSTRIES**

- (a) Dandot Cement Company Limited.
- (b) Dera Ghazi Khan Cement Company Limited.
- (c) Gharibwal Cement Limited.
- (d) Kohat Cement Company.
- (e) Meple Leaf Cement Factory Limited.
- (f) National Cement Industries (Pvt) Limited.
- (g) Pak. Cement Company Limited.
- (h) White Cement Industries Limited.
- (i) Zealpak Cement Factory Limited.

9. **GHEE SECTOR INDUSTRIES**

- (a) Associated Industries Limited.
- (b) Bengal Vegetable Industries Limited.
- (c) Suraj Ghee Industries Limited.
- (d) A & D Oil Industries Limited.
- (e) Wazir Ali Industries.
- (f) Kakakhel Industries Limited.
- (g) Fazal Vegetable Ghee Mills.
- (h) Khyber Vegetable Ghee Mills (Pvt) Limited.
- (i) Bara Vegetable Ghee Mills.
- (j) Hydri Industries Limited.
- (k) Chilton Ghee Mills.
- (l) Maripur Vegetable Oil Processing Industries.
- (m) Sh.Fazal Rehman & Sons Limited.
- (n) United Industries (Pvt) Limited.
- (o) Asaf Industries (Pvt) Limited.
- (p) Crescent Factories.

10. **ROTI CORPORATION OF PAKISTAN**

- (a) Head Office, Lahore.
- (b) Roti Plant gulberg, Lahore.
- (c) Roti Plant Multan Road, Lahore.
- (d) Roti Plant, Bahawalpur.
- (e) Roti Plant, Faisalabad.
- (f) Roti Plant, Multan.
- (g) Roti Plant, Islamabad.

- (h) Roti Plant Site, Karachi.
- (i) Roti Plant Taimuria, Karachi
- (j) Roti Plant, Hyderabad.
- (k) Roti Plant, Peshawar.
- (l) Roti Plant, Quetta.
- (m) Antibiotics (Pvt) Limited.
- (n) Kurram Chemical Company (Pvt) Limited.

On the presentation of above Audit Reports of Privatization process of State Owned Enterprises by Audit, the Committee constituted a Sub-Committee under the Convenership of Mian Muhammad Zaman, MNA, comprising Mr. Adnan Aurangzeb, Kunwar Khalid Yunus, MNAs, Mr. Abdul Jabbar Memon, Director General Audit (PEC) and a nominee each from M/O Finance, Privatization Commission, Law and Justice Division, Institutes of CA and Cost and Management Accountants (ICMA) (to be co-opted), to review the following issues with reference to concerned organizations and report to PAC within six months:-

- (a) Privatization fund accounts instead of consolidated fund accounts.
- (b) Debt retirement accounts
- (c) Failure of recovery
- (d) Inter-department recovery
- (e) Defective evaluation of net assets
- (f) Deduction of network
- (g) Limited competition
- (h) Consultant's evaluation instead of book value
- (i) Any other related point.

MINISTRY OF PRODUCTION

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Ministry of Production were taken up for examination by the Public Accounts Committee (PAC) on February 12, 1998.

- (i) There were 38 paras and 2 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Production held on 12th February, 1998 are as under:-

12TH FEBRUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.114-MINISTRY OF PRODUCTION (PAGE 299-AA)

Audit pointed out that original grant was Rs.29, 655,000, supplementary grant was Rs.41, 725,000, final grant was Rs.71, 380,000 and actual expenditure was Rs.72, 715,589. There was an excess of Rs.1, 335,589.

The Ministry informed that excess was against the medical allowances and foreign exchange which was 5% of the total grant.

The Committee regularized the excess expenditure with the direction to the Ministry to be careful in future.

2. GRANT NO.193-CAPITAL OUTLAY ON INDUSTRIAL DEVELOPMENT (PAGE 300-AA)

Audit pointed out that the original grant was Rs.114, 084,000, supplementary grant was Rs.142, 000,000, final grant was Rs.256, 084,000 and actual expenditure was Rs.244, 084,000. There was saving of Rs.12, 000,000.

The Ministry informed that Rs.12 million was not released by the M/O Finance and the Ministry was not able to surrender the amount in time.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to be careful in future.

Further, the grant was reviewed by the PAC on 6-4-1999. The Committee settled the grant.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-D-1993-94)

3. i) **PIDC-EXCESS CONSUMPTION OF COTTON BAGS- LOSS OF RS.126,637 (PARA 109, PAGE 73-ARPSE)**
- ii) **PAK. STEEL-SCANDALOUS PURCHASE OF BALL BEARING AMOUNT OVER RS.500 MILLION (PARA 135, PAGES 82-83-ARPSE)**
- iii) **PAK. STEEL-LOSS OF RS.343.123 MILLION ON THE SALE OF C.R SHEETS AND C.R COILS/STRIPS (PARA 136, PAGE 83-ARPSE)**
- iv) **PAK. STEEL-DOUBTFUL RECOVERY OF RS.32.487 MILLION FROM EX-EMPLOYEES (PARA 137, PAGES 83-84-ARPSE)**
- v) **PAK. STEEL-IRREGULAR EXPENDITURE OF RS.10.339 MILLION ON THE PROCUREMENT OF CHEMICALS (PARA 138 (A), PAGES 84-85-ARPSE)**
- vi) **PAK. STEEL-LOSS OF RS.506, 963 DUE TO PIECE-MEAL PROCUREMENT OF CHEMICALS (PARA 138(B), PAGES 84-85-ARPSE)**
- vii) **PAK. STEEL-LOSS OF RS.1.358 MILLION DUE TO FAILURE IN COMPLETION OF A CONSTRUCTION JOB BY THE CONTRACTOR (PARA 139, PAGES 85-86-ARPSE)**
- viii) **PAK. STEEL-UN-JUSTIFIED EXPENDITURE OF RS.792,750 ON PURCHASE OF SPACE FOR CITY MEDICAL CENTRE (PARA 140, PAGES 86-87-ARPSE)**
- ix) **PAK. STEEL-HUGE EXTRA EXPENDITURE ON ACCOUNT OF ENGAGING OFFICERS BEYOND APPROVED STRENGTH (PARA 141, PAGE 87-ARPSE)**
- x) **PAK. STEEL-IRREGULAR PURCHASE OF CHEMICAL VALUING RS.3.360 MILLION (PARA 154, PAGE 93-ARPSE)**
- xi) **PAK. STEEL-ACCEPTANCE OF IMPROPER SIZE M.S PLATE VALUING RS.1.409 MILLION (PARA 155, PAGES 93-94-ARPSE)**
- xii) **SCCP-LOSS OF INTEREST OF RS.11.250 MILLION DUE TO PURCHASE AND RE-SALE OF LAND VALUING RS.18.750 MILLION (PARA 159, PAGE 98-ARPSE)**
- xiii) **NCI-ILL-PLANNED PURCHASE OF KILN TYRE-LOSS OF RS.599,919 (PARA 180, PAGE 109-ARPSE)**
- xiv) **ACCL, WAH-EXTRA EXPENDITURE OF RS.22,460 DUE TO NON-INCLUSION OF RISK AND COST CLAUSE IN THE PURCHASE ORDER (PARA 192, PAGE 114-ARPSE)**
- xv) **ACCL, WAH-PROCUREMENT OF SUB-STANDARD FIRE BRICKS-LOSS OF RS.584,693 (PARA 193, PAGES 114-115-ARPSE)**
- xvi) **PAK. STEEL-WASTEFUL EXPENDITURE OF RS.1.812 MILLION DUE TO CANCELLATION OF ORDERS BY THE PURCHASER (PARA 231, PAGE 132-ARPSE)**
- xvii) **PAK. STEEL-WASTEFUL EXPENDITURE OF RS.1.529 MILLION ON MANUFACTURING OF THE PARTS ON VERBAL ORDERS (PARA 232, PAGES 132-133-ARPSE)**
- xviii) **NRL-NON-RECOVERY OF SCRAP FROM THE FABRICATOR-LOSS OF RS.4.970 MILLION (PARA 250, PAGE 148-ARPSE)**

xix) **NRL-LOSS OF RS.212,762 DUE TO DELAY BY PURCHASE DEPARTMENT (PARA 251, PAGE 149-ARPSE)**

Audit presented above nineteen paras with the remarks that the departmental representative, particularly of Pakistan Steel did not provide proper replies to the audit observations. Even the replies provided in the working papers are evasive and do not contain sufficient explanation of the issue raised by Audit.

The Auditor-General suggested that those officers of the Ministries/Divisions/Corporations who were responsible not to give proper attention to the Audit observations may be taken to task and such irresponsible attitude be reflected in the ACRs of respective officers.

The Committee directed the Auditor-General to put up such a proposal in this regard to send the case for the approval of the competent authority.

4. **EXPERTS ADVISORY CELL (PARAS 4-5, PAGE 16-ARPSE)**

Audit pointed out that the Experts Advisory cell was set up by the Government through Resolution published in the gazette on December 22, 1979. The cell was required to register itself under the Societies Act, 1860 but no action has so far been taken by the Management. The legal status of the cell thus could not be determined in the last 19 years. Audit also presented income/expenditure position of the Cell from 1992-93 to 1995-96.

The Committee conveyed its displeasure on the general performance of the Cell.

The above mentioned Audit paras were again discussed by the Ad-hoc PAC and its directive is printed at page No. 109-110 of the Ad-hoc PAC Report for year 1996-97.

LARKANA SUGAR MILLS

5. **EXCESS CONSUMPTION OF COTTON BAGS-LOSS OF RS.126,637 (PARA 109, PAGE 73-ARPSE)**

Audit pointed out that Larkana Sugar Mills produced 28,530.20 ton sugar during the years 1987-88 and 1988-89 and consumed 294,512 bags against the required consumption of 285,302 bags, (@ 10 bags per ton) excluding the allowance. Due to excess consumption of 9,210 bags the Mill sustained a loss of Rs.126,637 @ Rs.13.75 per bag.

The Ministry admitted excess consumption of 9,473 bags but attributed it to re-filling of 5,887 bags of the sugar of 1982-83 production and 1% bursted allowance.

The Committee observed that non-disposal of sugar for six years and loss on re-filling was itself objectionable and directed the Principal Accounting Officer to examine the

issue, fix responsibility for the loss and take action against concerned person(s) and report back to the PAC.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 112 & 113 of Ad-hoc PAC Report for the year 1996-97.

PAKISTAN STEEL MILLS

6. **SCANDALOUS PURCHASE OF BALL BEARING AMOUNTING OVER RS.500 MILLION (PARA 135, PAGES 82-83-ARPSE)**

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

The Chairman Pakistan Steel Mills informed that we have completed the inquiry and the same has been submitted to FIA and Ehtsab Cell. Most documents were confidential and the department is not able to produce the relevant record before the PAC today.

The Committee was not satisfied with the explanation given by the department and constituted a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA, comprising Mr. Jalaluddin Qureshi, Director General (CA), Mr. M. Iqbal Malik, Financial Adviser, M/O Production and Mr. Sajad Hadir, Senior Joint Secretary, M/O Production to examine the case and report to the PAC within one month.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 125,126,136 & 137 of Ad-hoc PAC Report for the year 1996-97.

7. **LOSS OF RS.343.123 MILLION ON THE SALE OF C.R. SHEETS AND C.R. COILS/STRIPS (PARA 136, PAGE 83-ARPSE)**

Audit pointed out that the management of Pak. Steel Mills sold 76172 M/Tons C.R. sheets and C.R. coils/strips for Rs.1048.831 million in 1990-91. The total cost of sales for quantity sold was Rs.1391.954 million. Thus Pak. Steel sustained a loss of Rs. 343.123 million.

The Ministry informed that actual cost of production was Rs.1229.013 million and loss was Rs.180.042 million. Moreover, they had earned profit in subsequent year on overall business.

The Committee directed the department to investigate the matter, take action against concerned officer(s) and report to PAC. The Committee further directed to recover the losses, if possible.

8. **DOUBTFUL RECOVERY OF RS.32.487 MILLION FROM EX-EMPLOYEES (PARA 137, PAGES 83-84-ARPSE)**

Audit pointed out that in Pakistan Steel Rs.32.487 million were outstanding as on May 31, 1993, against the ex-employees, on account of advance for house building, festival, TA/DA, salary, transport etc. The chances of recovery of such a huge amount were remote, as the Management have a meager amount against the dues of these employees. The Management did not provide any reply to Audit despite reminders. A very vague reply has been given in the working papers.

The Principal Accounting Officer informed that Rs.9 million had been recovered.

The Committee directed the Principal Accounting Officer to examine the case and recover the outstanding amount within three months and report to the PAC. The Committee further instructed the management to take action against the officers who were responsible for the losses.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 137 of Ad-hoc PAC Report for the year 1996-97.

9. i) **IRREGULAR EXPENDITURE OF RS.10.339 MILLION ON THE PROCUREMENT OF CHEMICALS (PARA 138(A), PAGES 84-85-ARPSE)**
(ii) **LOSS OF RS.506,963 DUE TO PIECE-MEAL PROCUREMENT OF CHEMICALS (PARA 138(B), PAGES 84-85-ARPSE)**

The Committee directed the Principal Accounting Officer to examine the issues and report to the PAC within two months.

10. **LOSS OF RS.1.358 MILLION DUE TO FAILURE IN COMPLETION OF A CONSTRUCTION JOB BY THE CONTRACTOR (PARA 139, PAGES 85-86 ARPSE)**

Audit pointed out that Pak. Steel Mills entered into an agreement with M/s. Project Enterprises Limited for construction of bridge over Malir River and Sukkan Nala on January 19, 1988 for a total amount of Rs.4.322 million. The job was to be completed within six months. The contractor however, could not complete the work within the specific time and left the job incomplete when he had done the work to the extent of Rs.2.327 million leaving a balance of incomplete work amounting to Rs.1.995 million. The left over job was awarded to M/s. Abdul Sattar and Company on January 23, 1990 for a total amount of Rs.3.353 million. Thus Pak. Steel Mill had to bear an extra expenditure of Rs.1.358 million.

The Ministry informed that the left over work was got completed through another contractor, with the passage of time the cost of material and labour went up. This resulted in escalation cost of Rs.1.358 million which is proposed to be recovered from the bills of first contractor but it was not encashed by the insurance company.

The Committee was not satisfied with the reply given by the department and directed the Principal Accounting Officer to examine the matter, fix responsibility for the loss and take action against concerned officer(s) and report to the PAC within one month. The Committee also intimated to the Ministry to take action against the person who provided wrong information to the PAC.

11. **UN-JUSTIFIED EXPENDITURE OF RS.792,750 ON PURCHASE OF SPACE FOR CITY MEDICAL CENTRE (PARA 140, PAGES 86-87-ARPSE)**

Audit pointed out that Pakistan Steel Mills Purchased 317 Sq.ft. space @ Rs.250 per Sq.ft costing Rs. 792,750 from M/s Awami Construction Company for City Medical Centre at Society Apartment, Shara-e-Quaideen, Karachi during the year 1984-85. The space remained unused for about 10 years due to non establishment of a Medical Centre.

The Ministry stated that the space has been sold out for Rs.1.596 million in July, 1996.

The Committee directed the Principal Accounting Officer to examine the matter, fix responsibility for un-justified expenditure, take action against concerned officer(s) and report to the PAC within one month.

12. **IRREGULAR PURCHASE OF CHEMICAL VALUING OF RS.3.360 MILLION (PARA 154, PAGE 93-ARPSE)**

Audit pointed out that Pak.Steel Fabricating Company Limited; procured 12000 kg chlorinated Rubber Resin on November 8, 1990 from M/s Erum Enterprises @ of Rs.280 per kg., valuing Rs.3.360 million. The order was placed on the basis of a quotation collected by the purchase department.

The Ministry intimated that 12 tons Resin was purchased against running contract to meet urgent demand of the Pak. Steel for the manufacture of C.R paints. Subsequently, the priorities were changed and chemical could not be utilized. The enquiry was held against the persons concerned for violating the approved procedures. The seven persons were terminated from service.

The Committee directed the Principal Accounting Officer to examine the case again, recover the loss and report to the PAC within one month.

13. **ACCEPTANCE OF IMPROPER SIZE M.S PLATE VALUING RS. 1.409 MILLION (PARA 155, PAGES 93-94-ARPSE)**

Audit pointed out that Pakistan Steel Fabricating Company received and accepted without any requirement 127.760 tons M.S plate valuing Rs.1.490 million from Pakistan Steel in June, 1991. The material is still lying unconsumed with the Company.

The Ministry intimated that the material was procured on the expected orders of Pakistan Steel and others, later on, the orders could not be received. Furthermore, there was no loss to the Company as the cost of material had appreciated due to increase in prices.

The Committee did not agree with the reply of the management and directed the Ministry to examine the matter, fix responsibility for the loss, take action against concerned person(s) and report to the PAC within one month.

STATE CEMENT CORPORATION OF PAKISTAN

14. **LOSS OF INTEREST OF RS.11.250 MILLION DUE TO PURCHASE AND RESALE OF LAND VALUING RS.18.750 MILLION (PARA 159, PAGE 98-ARPSE)**

Audit pointed out that State Cement Corporation of Pakistan (SCCP) purchased 150 kanal land @ Rs.125,000 per kanal at Chung Village four Kilometers form Niaz Baig, Lahore. The land was purchased for Rs.18.750 million to construct a Housing Colony for officers from Iqbal Avenue Co-operative Housing Society, which was a Housing Society formed by the officers of SCCP. The price of land was finalized by negotiations. The Housing Colony was not constructed and the land was re-transferred to the said Housing Society at purchase price in February,1994. Due to holding of Rs. 18.750 million, in shape of land, the Corporation had to sustained loss of interest of Rs.11.250 million.

The Ministry informed that the said land was purchased with the approval of Government and it was decided to sell the land due to privatization process.

The Committee directed the department to sell land at market price in a transparent manner following rules and regulations in the public interest and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at page No. 113 of the Ad-hoc PAC Report for year 1996-97.

15. i) **ILL-PLANT PURCHASE OF KILN TYRE-LOSS OF RS.599,919 (PARA 180, PAGE 109-ARPSE)**
ii) **EXTRA EXPENDITURE OF RS.223,460 DUE TO NON-INCLUSION OF RISK AND COST CLAUSE IN THE PURCHASE ORDER (PARA 192, PAGE 114-ARPSE)**
iii) **PROCUREMENT OF SUB-STANDARD FIRE BRICKS-LOSS OF RS.584,693 (PARA 193, PAGES 114-115-ARPSE)**

The Committee settled above three paras.

SPINNING MACHINERY COMPANY

16. WASTEFUL EXPENDITURE OF RS.1.812 MILLION DUE TO CANCELLATION OF ORDERS BY THE PURCHASER (PARA 231, PAGE 132-ARPSE)

Audit pointed out that Spinning Machinery Company received two orders from Pakistan Steel Mills for manufacturing of crank shafts in 1990-91 for Rs.2.135 million. The shafts were required to be delivered within 12 weeks. Due to failure in supply, Pakistan Steel cancelled the orders in May/June, 1992. By that time more than 80% work was completed and expenditure of Rs.1.812 million had been incurred. The incomplete shafts were lying in store. Thus expenditure of Rs.1.812 million becomes wasteful.

The Ministry replied that due to change in higher Management of Pak. Steel, the policy regarding holding of spare parts inventories had been changed by the Steel Mills, as a result they cancelled the orders of crank shafts.

The Committee was not satisfied with the explanation given by the department and directed the Principal Accounting Officer to re-examine the case, take action and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 112 & 113 of Ad-hoc PAC Report for the year 1996-97.

17. WASTEFUL EXPENDITURE OF RS.1.529 MILLION ON MANUFACTURING OF THE PARTS ON VERBAL ORDERS (PARA 232, PAGES 132-133-ARPSE)

Audit pointed out that Spinning Machinery Company Limited spent Rs.1.529 million up to December, 1992. On manufacturing of incomplete jobs, the orders of which were stated to be received verbally from the Pak.Steel in 1991-92. These jobs were subsequently abandoned because the purchasers (Pak.Steel) were not interested to lift the ordered components. Thus, the expenditure of Rs.1.529 million incurred on their manufacturing had gone waste and incomplete jobs were lying in stores.

The Ministry stated that previously Pak.Steel used to verbally ask the company to start production and purchase orders were placed afterwards. The same practice was followed in these cases but due to change in higher Management of Pak. Steel the verbal commitments had not been honored by them.

The Committee directed the Principal Accounting Officer to examine the matter, fix responsibility, take action and report to the PAC within two months.

The above mentioned Audit para was again discussed by the Ad-hoc PAC and its directive is printed at pages No. 113 & 141 of Ad-hoc PAC Report for the year 1996-97.

NATIONAL CRESCENT PETROLEUM LIMITED

18. (PARA 244, PAGES 143-144-ARPSE)

Audit pointed out that State Petroleum Refining and Petrochemical Corporation Limited (PERAC) had initially formed a company in May 30, 1983 in the name of National Petroleum Limited for construction and subsequent operation of Hydrocracker Project. The implementation of the project was stopped in 1984. The project was however, finally approved in June, 1989 as a joint venture between PERAC and Crescent Petroleum Company International Limited, Sharjah. The agreement between two companies was executed on July 3, 1993.

The Ministry stated that working agreement with CRMS has been terminated. So far, Rs.881 million has been spent on the project but the project remained at preliminarily stage. Thus, the entire expenditure has gone waste.

Despite detailed discussion, the matter could not be resolved and Committee decided to form a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA comprising Ch. Safdar Rehman, MNA, Mr. Jalaluddin Qureshi, Director General (CA), Mr. M. Iqbal Malik, Financial Adviser, M/O Production, Mr. Tehsan K. Iqbal, Joint Secretary, M/O Production and Mr. S. M. Ismail, Chairman (PERAC), to examine the case and submit report to the PAC within three months.

MINISTRY OF RAILWAYS

OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to Ministry of Railways were taken up for examination by the Public Accounts Committee on September 18, 19 & 20, October 1, 16 & 17, 1998.

- (i) The PAC considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases involving affairs of the procurement of Locomotives, overpayments, unauthorized occupation of Railway bungalow, shortage of Railways material, blockage of capital, suspected fraudulent payment, non-achievement of targets, losses due to acceptance of higher rates etc.
- (ii) During the course of discussion in the meetings, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- (iii) There were 90 paras and 02 grants reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- (iv) In some cases the Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint presented by the Ministry.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Railways held on 18th, 19th & 20th September, 1st October 1997, 16th & 17th October, 1998 are as under:-

18TH SEPTEMBER, 1997

OVERDRAFT (FINANCIAL REVIEW)

Before examination of accounts of M/O Railways, the Auditor-General of Pakistan briefly presented, before the PAC, the analysis of the figures of over-draft that reveals a progressive increase since 1989-90. The over-draft was Rs.136.000 million in 1989-90 and subsequently increased to Rs. 1.435 million in 1993-94. On 10-9-1997, it was Rs.10892.834 million. It is pertinent to mention that Pakistan Railways has paid Rs.3283.453 million to the State Bank of Pakistan on account of interest on over-draft from 1989-90 to 1996-97 @ 17-1/2% p.a. The Railways administration has miserably failed to control this trend, which is adequate proof of the prevailing financial chaos.

The Auditor-General further stated that although Pakistan Railways earning have been increased in the five years. In fact this was not due to increase in the volume of goods and

passenger traffic. This increase in earnings was due to an upward revision in tariff/Fares, at 12% and 5% for passengers and 15 % and 5% goods in April and September, 1991 respectively.

The Committee conveyed its displeasure on the performance of Pakistan Railways and directed the M/O Railways and M/O Finance to submit a report on Railway's over-draft and recover its dues from Government departments.

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. **GRANT NO.143-CAPITAL OUTLAY ON INVESTMENT IN RAILWAYS (PAGE 303-AA)**

Original grant was Rs.118,707,000, supplementary grant was Rs.19,507,000, final and actual expenditure was Rs.138,214,000. There was no excess/saving in the grant. The budget provision was utilized in full by the Ministry.

The Committee settled the grant.

2. **GRANT NO.194-CAPITAL OUTLAY ON PAKISTAN RAILWAYS (PAGE 304-AA)**

Final grant was Rs.998,346,000 and actual expenditure was Rs.581,610,000. There was saving of Rs.416,736,000 and the Ministry surrendered entire saving in time.

The Committee settled the grant.

ACTIONABLE POINTS **19TH SEPTEMBER, 1997**

PERFORMANCE AUDIT REPORT (PAKISTAN RAILWAYS) (VOL-VI-1993-94)

3. **PRIVATIZATION OF LAHORE- FAISALABAD AND LAHORE-NAROWAL-CHAKAMRU SECTION (PARAS 1-5, PAGES 249-256-PAR)**

Audit informed the Committee that the General Manager has waived off outstanding amount valuing Rs.38.161 million due from the contractor including penal interest in respect of Lahore Faisalabad Section. The Railways Board did not agree with the decision of General Manager. Railway's Administration admitted the amount of penal interest and installments were waived off.

The Audit also pointed out that an amount of Rs.0.479 million is outstanding against the contractor (Lahore, Narowal, Chakamru Section) as penal interest.

During discussion, the PAC observed that the General Manager's act to waive off the outstanding amount Rs.38.161 million was illegal, against the constitution, dangerous and

hazardous. The Committee directed the department to file the case in the Accountability Cell against the then General Manager and recover the amount from the contractor.

The Committee also directed the Ministry of Railways to process the case in the court of Law against the contractor to recover an amount of Rs.0.479 million and report to the PAC.

Audit further reported that an amount of Rs.3.369 million is outstanding against the contractor which should have been recovered as has been done in other cases like contractor bills of civil engineering works.

The departmental representative informed the Committee that no such clause for recovery of income tax was given in the contract. However, the case was referred to the court of Law and the decision of the court is awaited.

The Committee directed the department to pursue the case actively in the court to recover the outstanding amount and report to the PAC.

The para was again discussed by the PAC and its directive is printed at page No.227 of the Ad-hoc PAC Report for Year 1996-97.

4. **REFURBISHMENT OF RAILWAY COACHES AND CLOSE CIRCUIT TELEVISION SYSTEM AT STATIONS (PARAS 1-5, PAGES 259-271-PAR)**

Audit pointed out that the Railway Administration spent more than Rs.45 million to improve the general condition of the coaches by providing traveling facilities to the passengers. Due to mis-management, ill-planning and defective internal and external controls, partial benefits were achieved.

The Committee was not satisfied with the explanation given by the Ministry and took serious notice and formed an Inter-departmental Committee comprising a nominee each from Audit, M/O Finance and M/O Railway to examine the issue and report to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at pages No.226-227 of the Ad-hoc PAC Report for Year 1996-97.

AUDIT REPORT PAKISTAN RAILWAYS (VOL-VI-1993-94)

5. **(PARA 4.1 TO 4.7, PAGES 29-30-AR)**

The Committee deferred these paras relating to certification of the audit till its next meeting.

6. **SALE OF ELECTRICITY TO DOMESTIC CONSUMERS AT OTHER THAN THE PURCHASE RATES RESULTING IN LOSS OF RS.17.540 MILLION (PARA 7.1, PAGES 74-75-AR)**

The Committee deferred the para for two months.

7. **IRREGULAR SALE OF RAILWAY LAND VALUING RS.2.780 MILLION AND LOSS OF RS.4.738 MILLION DUE TO UNDUE FAVOUR TO PURCHASERS (PARA 7.2, PAGES 75-76-AR)**

Audit pointed out that the Railway administration allowed 30 feet wide road along length of plots totaling 56,100 square feet (30' x 1810') instead of width of plots approved by Cabinet Committee which was 6000 sq. feet (30' x 200'). Thus the Railway administration had been deprived of Rs.4,738,515 being the cost of additional land of 50100 sq feet taken by purchaser for roads. Secondly against length of 450 feet of additional plot approved by the Cabinet Committee the length of plot was increased to 870 feet, which also resulted in irregular sale of 107.98 marlas of land valuing Rs.2, 780,485 (including 3% income tax amounting to Rs.80, 985).

The Ministry informed the Committee that the location of 30 feet wide road which was previously located in center of plot A-1 to A-4, was extended beyond these plots towards goods platform Approach road was slightly shifted on one side of the plots but still remained within the dimension of the plot approved by the Cabinet Committee. As regards additional plots measuring 450' X 100' and 380' X 70' these were modified in size to 870' X 70' and 870' X 70' due to re-location of road.

The Committee was not satisfied with the explanation given by the Ministry and constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA, comprising of Mr. S. T. Rehman, Director General Audit (Railways), Mrs. Rukhsana Jabbar Memon, FA & CAO/GB, Railway and Mr. Abdul Waheed Sheikh, Director Land Management Railways to examine the case and submit report to the PAC within two months.

However, the report of the Sub-Committee with the approval of the competent authority was forwarded to the Ministry on 5-12-2000 for compliance.

8. **LOSS OF RS.558,000 DUE TO UN-AUTHORIZED SALE OF A PLOT (PARA 7.3, PAGES 76-77-AR)**

Audit pointed out that a plot of 112.8 X 71 measuring 889 sq yards was handed over to the purchaser instead of 100' X' 80' size measuring 889 sq. yards as advertised for sale without recovering the cost of 111.50 square yards strip of land which is likely to be encroached by the purchaser. This resulted in loss of Rs. 558,000.

The Ministry stated that due to site constraint on account of existence of a mosque and a triangular shape of plot, the purchaser refused to accept the plot. After a great deal, the

purchaser agreed to a rectangular plot measuring 112.8 X 71 leaving a triangular portion. As per directions of the M/O Railways, the additional area (triangular portion) was offered to the purchaser at some reasonable negotiated rate, but the purchaser have not responded as yet.

The Committee made no comments and settled the para.

The para was again discussed by the PAC and its directive is printed at page No.219 of the Ad-hoc PAC Report for Year 1996-97.

9. **LOSS OF RS.847,947 DUE TO UNDUE BENEFITS TO A PURCHASER OF RAILWAY LAND (PARA 7.4, PAGES 77-78-AR)**

Audit pointed out that as per decision of Cabinet Committee, a residential plot of 29.85 marlas @ Rs.35,000 per marla and commercial plot of 8.74 marlas @ Rs.50,000 per marla, a total 38.59 marlas were sold to the encroachers. These plots were sold on less than the market price. This resulted in a loss of Rs.847,947.

The Ministry stated that area shown in land plan was 59 marlas. The Divisional Superintendent, Rawalpindi proposed after deducting strips required for street, adjacent dwellers of the private land etc. Net area for sale was 18.57 marlas for residential and 16.03 marlas for commercial purpose. Thereafter, the Assistant General Manager/Engineering modified the plan and the commercial area was curtailed from 16.03 marlas to 8.74 marlas while the residential increased from 18.57 to 29.85 marlas as a result of this modification the Railway earnings were reduced by Rs.125,000.

The Committee directed the department to inquire in the matter and Syed Zafar Ali Shah, MNA, will also associate with the enquiry committee and report to the PAC.

10. **SUSPECTED LOSS OF RS.23.280 MILLION DUE TO SHORTAGE OF 2473 M/T SCRAP OF STEEL RAILS AT RAWALPINDI DEPOT (PARA 7.5, PAGES 78-79-AR)**

Audit pointed out that a sale order was placed on a firm for sale of 10,651 metric ton scrap steel rails 6 feet and above @ Rs.9,410 per metric ton. The purchaser deposited cost of 7050 metric tons out of 10,651 metric ton. A stock verifier was deputed on May 31, 1994 to witness the delivery of scrap steel rails. He reported that there was a ground balance of 246.420 tons scrap whereas 1446.420 tons scrap was still to be delivered. Subsequently a "fact-finding committee" was appointed by the General Manager. The Committee in their findings assessed shortage of scrap as 2473.900 tons valuing Rs.23.280 million in August, 1994. Certain officers/staff were held responsible for the shortage of scrap steel rails.

The Ministry stated that recommendation of "fact-finding Committee" of Senior Scale Officers in respect of shortages have been nullified by the recommendations of subsequent enquiry committee comprising Dy. P.Os (Dy. C.C.S. & Dy. CEN/Track). It

was also stated that overall shortage of 472 tons in respect of scrap rails was nominal. The reply was not accepted due to the non presence of Finance representative in the Committee. Moreover there was a shortage of 472 tons of scrap rails costing Rs.4,445,520 which was not nominal.

The Committee directed the Principal Accounting Officer to conduct an enquiry, fix responsibility and report to the PAC in the next meeting. A representative of M/O Finance and Audit may also be associated in the enquiry.

The para was again discussed by the PAC and its directive is printed at page No.219 of the Ad-hoc PAC Report for Year 1996-97.

11. **PROCUREMENT OF ROLLER BEARINGS OF INCORRECT SPECIFICATION COSTING RS.120.222 MILLION (PARA 7.6, PAGES 79-80-AR)**

Audit pointed out that an agreement financed under World Bank was executed with M/s F.A.G. of Germany on July 9, 1992 for the procurement of 28,000 cartridge type (field lubricating) roller bearings. On examining in April 1993, it was noticed that the roller bearings did not conform to the required specifications i.e. field lubrication type and instead these were of non-field lubrication type. The matter was taken up with the suppliers, who intimated that they had abandoned the manufacturing of field lubrication type bearings since January, 1997 on the recommendations of Association of American Rail Roads (AARR). Instead of insisting on the supplier for replacing the roller bearings of incorrect specifications the Railway administration accepted the entire consignment valuing Rs.120.222 million.

The Ministry stated that the Technical Committee had recommended the procurement of field lubricates type Roller Bearings keeping in view the past experience. However, when the experience and recommendations of the Association of American Rail Road (AARR) relating to non-field lubrication type bearings came to our knowledge, the non field type bearing were accepted. The reply is not acceptable as the acceptance of material of incorrect specifications deprived the Railway administration of the benefits of fair competition between the tenders.

Despite detailed discussion, the matter could not be resolved and the Committee constituted a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, MNA, Comprising of Mr. S. T. Rehman, Director General Audit (Railways), Mrs. Rukhsana Jabbar Memon, FA & CAO/GB, Railways and Mr. Asad Saeed, Chief Mechanical Engineer (C & W), Railways to review the above para, finalize its report and submit the same to the PAC within one month.

12. **LOSS OF RS.128,250 DUE TO PURCHASE OF SUBSTANDARD CABLE (PARA 7.7, PAGES 80-81-AR)**

Audit pointed out that 1350 meters cable P.V.C. @ Rs.95 per meter valuing Rs.128,250 was procured from a local firm in May, 1991. Two samples each of 15 feet and two

samples of one meter each were sent to Divisional Electrical Engineer and the Chemist & Metallurgist, Lahore in June, 1991. The Divisional Electrical Engineer reported in July and October, 1991 that the cable was defective. Subsequently efforts to recover the cost of defective material also did not materialize.

The Ministry stated that the martial receipt note was issued by 30-6-1991; hence, it was not possible for the firm to draw payment during the financial year 1990-91. Later on in July/October the cable was declared defective by the consumers. No payment was made to the firm.

The Committee was satisfied with the explanation given by the Ministry and settled the para subject to verification by Audit.

13. **PROCUREMENT OF USED LUBE OIL INSTEAD OF CREOSOTE OIL CAUSING LOSS OF RS.0.926 MILLION (PARA 7.8, PAGES 81-82-AR)**

Audit pointed out that 96,668 kg. creosote oil was procured from a local un-registered firm on September 18, 1993. The oil was tested twice and was declared according to specifications. An amount of Rs.926,385 (90% of the total value) was paid to the firm on December 6, 1993. In September, 1993 a local firm pointed out to all concern that the supplier/firm had no source of supply of creosote oil. The matter was therefore, investigated departmentally and it was proved that the oil was not creosote oil.

The Ministry stated that the oil was got tested twice and was found as per specifications hence 90% payment (i.e. Rs. 926,389) was made. The material was booked to Haripurband. When the oil was being decanted for use, a complaint was received and a committee comprising Dy. CCS, C & M and TSO was nominated to draw samples for testing. These samples did not qualify the tests, hence 5% security amounting to Rs.53,420 and 10% balance payment i.e. Rs.102,932, was forfeited; simultaneously black listing the firm. Anyhow the matter of recovery of payment was held up as the case was pending for adjudication.

Despite detailed discussion, the Committee directed the department to pursue the court case vigorously against the contractor and recover the amount from concerned officials, take action against them and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.219 of the Ad-hoc PAC Report for Year 1996-97.

14. **PURCHASE OF SUB-STANDARD MATERIAL WORTH RS.0.212 MILLION (PARA 7.9, PAGES 82-83-AR)**

Audit pointed out that material valuing Rs.212,442 was supplied by a firm on February 13, 1993. The material was tested by the Production Engineer on the same day and payment of Rs.212,442 was arranged to the firm. This created doubt about the specifications of the material and the matter referred to Chief Chemist and Metallurgist,

Central Laboratory, Moghalpura on April 30, 1994. He supplied a copy of test report of April 13, 1993 which indicated that the material sent was not according to specifications. The fact was concealed from the Audit.

The Ministry informed the Committee that the C & M's report was not concealed from audit in any way. In fact the report was not received in the office of Carriage Factory, Islamabad. Moreover, it was informed that the material was sent to C & M, Moghalpura after acceptance of material for purely academic purposes and not for suitability/unsuitability test. Anyhow as proposed by Audit, enquiry committee comprising Dy. P.Os' was constituted. They investigated the mater and reached at the conclusion that different elements of the material were within the maximum and minimum levels of the specifications of the material procured.

The Committee made no comments and settled the para.

15. **WASTEFUL EXPENDITURE OF RS.10.017 MILLION ON RENOVATION OF RAWALPINDI RAILWAY STATION (PARA 7.11, PAGE 85-AR)**

Audit pointed out that the amount of Rs.7,569,704 had been paid to the contractor for five works in connection with renovation of station building, Rawalpindi. The works were stopped by the contractor for want of funds. Thus the works already carried out by the contractors being incomplete were deteriorating and resulted in blocking of money without yielding projected benefits.

The Ministry stated that an expenditure of Rs.10.734 million has been made up to 30-6-1995 while an allocation of Rs.8.000 million has been made during the current financial year. All the works are in full swing and likely to be completed by 30-6-1996.

The Committee made no comments and settled the para.

16. **LOSS OF RS.1.924 MILLION DUE TO PURCHASE OF SUB-STANDARD BELTING RUBBER CANVAS (PARA 7.12, PAGE 86-AR)**

Audit pointed out that 40,625 meters rubber belting canvas were purchased at cost of Rs.2,841,719. The performance reports of belts from Karachi, Lahore, Sukkur and Peshawar Divisions indicated service life up to 16136, 14741/5323 and 15,880 kilometers on average respectively against prescribed 50,000 kilometers. The useful life of belt ranged 16,136 k.ms. (i.e.32%). This caused a financial loss of Rs.1.924 million. Similar instances of failure of belt causing loss of Rs.14.006 million were also pointed out through previous audit report but corrective measures had not been adopted so far.

The Ministry stated that initially imported belt was used for operating the T.L. Alternatives. In order to save the foreign exchange, indigenous material was used as substitute. The prescribed mileage i.e. 50,000 kms has been taken just to put pressure on the local manufactures for quality control.

The Committee made no comments and settled the para.

The para was again discussed by the PAC and its directive is printed at page No.220 of the Ad-hoc PAC Report for Year 1996-97.

ACTIONABLE POINTS
20TH SEPTEMBER, 1997

AUDIT REPORT PAKISTAN RAILWAYS (VOL-VI-1993-94)

17. **WASTEFUL EXPENDITURE OF RS.20.876 MILLION ON THE COMPUTERIZATION OF RESERVATION OFFICES OF PAKISTAN RAILWAYS (PARA 7.10, PAGES 84-85-AR)**

Audit pointed out that (i) an expenditure of Rs.7.801 million was incurred on the computerization of reservation at Lahore and Karachi. Due to short circuit of electric wires the fire broke out in the reservation office Karachi on June 4, 1990 and as a result of which the system rendered in operative had to be reverted to old manual system.

- (i) A sum of Rs.2.3 million was paid to the firm on June 30, 1990 to avoid lapse of funds although the firm did not supply hardware upto June 25, 1990. The system was also designed to communicate between Lahore and Karachi for return-reservations. The system was installed at Lahore in January 23, 1993 with nine terminals. Its speed slowed down as the system got loaded with data to the extent that the reservation took about 5-7 minutes per passenger. The passenger display center and fare display units (FDU) could not operate and the reservation activity at Pakistan Railways Headquarters Office, Lahore reverted to manual system on March 22, 1993 due to frequent problems in computerization system.
- (ii) The lowest response amounting to Rs.7.503 for computerization of reservation offices at Peshawar, Rawalpindi, Faisalabad, Multan and Hyderabad and ignored the third lowest bid of Rs.10.775 million was accepted. This caused an extra expenditure of Rs.3.273 million in disregard of financial discipline. The trial operation of Peshawar Cantt, Multan and Rawalpindi started in August, 1992. The work of computerization at Faisalabad and Hyderabad could not commence due to non-handing over sites.

The Ministry stated that the assignment of computerized reservation and ticketing at major Railway stations was entrusted separately two different firms. However, the firms abandoned their assignments.

An enquiry was held to fix the responsibility for the delay in the computerized reservation and ticketing projects on Pakistan Railways.

The Committee directed the Principal Accounting Officer to examine the case in detail, recover the amount from concerned official and report to PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.220 of the Ad-hoc PAC Report for Year 1996-97.

18. **UN-ECONOMICAL PROCUREMENT OF 23 (5+18) DIESEL ELECTRIC LOCOMOTIVES (PARA 7.13, PAGES 86-88-AR)**

Audit pointed out that the Railway administration procured 5 and 18 Diesel Electric Locomotives in knocked down condition from M/s Marubeni Corporation of Japan without inviting international competitive bidding in 1991 and 1994 respectively for assembly at the Locomotive Factory, Risalpur. This caused an excess expenditure to the tune of Rs.151, 910,776 over the lowest estimated cost in both the deals. On each occasion ECNEC granted the exemption to Pakistan Railways from international competitive bidding with the condition that in future the international competitive bidding should be done. This also violated the clause of loan agreement as no financial propriety was observed while spending the public funds.

The Ministry stated that the actual expenditure was increased due to variation in exchange rate which was increased to 31% and 50% respectively when actual disbursements were made. It was further stated that procurement of parts on International Competitive Bidding (I.C.B) basis would have resulted in additional idle period of 9 months in the Locomotive Factory entailing on estimated additional cost of Rs.450 million.

Despite detailed discussion, the Committee constituted an Inter-departmental Committee comprising a nominee each from M/O Railway, M/O Finance and Audit to examine the issue and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.220 of the Ad-hoc PAC Report for Year 1996-97.

19. **IRREGULARITIES OF RS.299,695 ON PURCHASE OF FURNITURE (PARA 7.14, PAGES 88-89-AR)**

Audit pointed out that 6 work orders and 6 rough estimates each Rs.50,000 were proposed for purchase of furniture etc. from January to March, 1993 to avoid sanction of higher authority i.e. Headquarters Office and expenditure of Rs.299,695 was incurred. The incurrence of such a heavy expenditure was also not justified as the same was inconsistent with the economy measures adopted by the Government.

The Ministry stated that the Ex-Prime Minister used to travel 2 or 3 times in a month, the Chairman Railway Board ordered the Divisional Superintendent, Rawalpindi to renovate the VIP room to the status of the Prime Minister. It was further intimated that the tender were floated for the purchase of furniture according to the requirements as indicated by the Interior designer.

The Committee directed the Principal Accounting Officer to conduct an enquiry and take disciplinary action against the concerned official and report to the PAC.

The para was again discussed by the PAC and its directive is printed at pages No.220-221 of the Ad-hoc PAC Report for Year 1996-97.

20. **IRREGULARITIES COMMITTED IN THE PROCUREMENT OF STONE BALLAST COSTING RS.2.190 MILLION (PARA 7.15, PAGES 89-90-AR)**

Audit pointed out that in August, 1990 the Divisional Superintendent, Peshawar entered into three contracts without obtaining prior approval of General Manager for supply, stacking and loading of stone ballast one lac cft in each case. The quantities were further enhanced to 2 lack cft in each (i.e. hundred percent) in April, 1991 agreement. The quantities were enhanced without any requirements for purchase of additional ballast. Furthermore competitive rates were not obtained as advertisement of greater quantities fetch lower rates.

The Ministry stated that the disciplinary action cannot be taken against the then D.E.N-I in whose tenure the irregularity took place as he has expired.

The Committee directed the Principal Accounting Officer to examine the case, take action against concerned official and report to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at page No.221 of the Ad-hoc PAC Report for Year 1996-97.

21. **UNJUSTIFIED EXCESSIVE PURCHASE OF SUI GAS APPLIANCES RESULTING IN BLOCKAGE OF CAPITAL AMOUNTING TO RS. 156,510 (PARA 7.16, PAGE 90-AR)**

Audit pointed out that according to the agreement the contractor was required to supply 250 gas stoves at Rs. 470 each and 110 double burners at Rs. 490 each but the contractor supplied 500 gas stoves and 201 double burners in November, 1988. Out of 500 gas stoves only 167 were issued from April, 1989 to September, 1993 leaving a balance of 333 Nos. valuing Rs. 156,510 resulting in blocking of capital.

The Ministry stated that 156 Nos. were issued against the stoves lost their normal life while 60 Nos. were supplied/issued to AIOW/SBK (Q) Quetta for utilization, leaving a nominal balance.

The Committee directed the Principal Accounting Officer to examine the case, take action beside E&D Rules against concerned official and report to the PAC within three months.

The para was again discussed by the PAC and its directive is printed at page No.221 of the Ad-hoc PAC Report for Year 1996-97.

22. **EXTRA PAYMENT OF RS.4.306 MILLION TO M/S PAKISTAN STATE OIL (PSO) KARACHI DUE TO UNJUSTIFIED INCREASE IN RATES (PARA 7.17, PAGES 91-92-AR)**

Audit pointed out that a purchase order for supply of 1,574,775 liters TBN-13 oil @ Rs.32.98 per liter was placed on M/S Pakistan State Oil, Karachi in April, 1993 on the request of the firm to Rs. 33.51 per liter and again to Rs. 40.24 per liter from 14.6.1993 and to Rs. 39.69 per liter from 18.7.1993 from September 25, 1993. In December, 1993 the Dy. Chief Controller of Purchases, Lahore intimated that the increase in the rates claimed by M/s P.S.O. Karachi was not justified. Thus due to failure of Railway administration to revise the rates in the light of purchase order a sum of Rs. 4.306 million had been paid in excess.

The Ministry stated that an amount of Rs. 2,103,104 out of Rs. 4,306,843.80 had been recovered while the balance amount of Rs. 2,203,739.80 would be recovered from the bill of last supply of a purchase order.

The Committee made no comments and settled the para.

23. **INJUDICIOUS PROCUREMENT OF A TRACK CRANE RESULTING IN WASTEFUL EXPENDITURE OF RS. 1.659 MILLION (PARA 7.18, PAGES 92-93-AR)**

Audit pointed out that an international tender for procurement of one self propelled track crane was opened on December 4, 1991. Three firms participated. The first lowest firm was ignored on technical grounds while the second & third lowest firms were declared technically suitable. There was no unanimous decision of the tender committee as two members of tender committee recommended the tender of M/s American Equipment Company for Burro Crane at a CIF cost of Rs.7,128,821 for while the third member insisted upon acceptance of tender of M/s Orton Crane Company, USA at a total CIF value of US \$ 368,284.17 (Rs.9,158,601.20). Negotiations carried out with M/s Orton Crane Company on May 2, 1993 and their offer of US \$ 353387.70 (Rs.8,788,151) was accepted. This caused extra expenditure of Rs.1.659 million in disregard of financial prudence. It was also verified by audit in September, 1994 that there was no urgent need for spare parts, which were also procured.

The Ministry stated that the third lowest firm M/s American Equipment Co. U.S.A modified their offer after opening of tender at their own accord before expiry of its validity which was against the terms & reference of tender enquiry as such no back reference was made. It was further stated that minimum number of spare parts were purchased keeping in view the spare parts available in stock.

The Committee took serious notice and directed the Principal Accounting Officer to examine the case, fix responsibility and report to PAC within three months.

The para was again discussed by the PAC and its directive is printed at page No.221 of the Ad-hoc PAC Report for Year 1996-97.

24. **UN-COMPETITIVE/UN-ECONOMICAL LOCAL PURCHASE OF MEDICINES WORTH RS.0.717 MILLION (PARA 7.19, PAGES 93-94-AR)**

Audit pointed out that during the financial year 1992-93, the Divisional Superintendent Cairns Hospital procured medicines worth Rs.716,926 from the nominated supplier without open competition.

The Ministry stated that the medicines required for different diseases for un-expected cases cannot be stocked for whole year, hence, the system of calling tenders of bulk purchase is not applicable in the case of local purchase of medicines. The Committee made no comments and settled the para.

25. **EXTRA EXPENDITURE OF RS.20.912 MILLION DUE TO INJUDICIOUS DECISION (PARA 7.20, PAGES 94-95-AR)**

Audit pointed out that 7 firms quoted their rates for indigenous manufacture of 10,000 Nos. Adapters. The 1st and 2nd lowest offer at Rs.2,700 @ Rs.4,250 per adapter was ignored by the Technical Committee. The supply was split up amongst the bidders at a uniform rate of Rs.4,250 Per adapters. The third lowest firm M/s Karachi Ship Yard Electric Works and M/s Ravi Auto Limited Lahore were awarded a contract for 3,350 adapters, whereas four trial orders for 50 adapters each were placed on other firms. The quantity of adapters to be supplied by M/s Ravi Auto was enhanced to 7,100 up to June, 1994. The lowest firm was not even considered for trial order which indicated that the contract was not objectively finalized. This also showed a tendency to restrict competition by increasing quantity of adapters of a particular firm. In case, 13,750 adapters had been purchased from the lowest bidder, a sum of Rs.20.912 million could have been saved.

The Ministry stated that the lowest rate of Rs.2,700 per unit was of Messers Metal Engineering Complex, Karachi whose offer was declared technically incompetent. It was further intimated that the other firms on whom trial orders were placed failed to supply the requisite quantities of the adapters.

The Committee directed the Ministry to examine the case, send it to the Ehtesab Cell and report to the PAC.

The para was again discussed by the PAC and its directive is printed at page No.221 of the Ad-hoc PAC Report for Year 1996-97.

26. **IRREGULAR PROCUREMENT OF BALLAST COSTING RS.1,892,663 (PARA 7.21, PAGE 95-AR)**

Audit pointed out that a heavy quantity of 454,671 cft ballast was procured and issued to track from February, 1992 and February, 1993 without sanctioned estimate resulting in irregular expenditure Rs.1, 892,663.

The Ministry stated that to comply with the directives of Member Civil Engineering and Chief Engineer (Open line), the ballast was arranged in the best interest of smooth running of trains. Thereafter, estimate was sanctioned by competent authority and transaction was regularized.

The Committee directed the Principal Accounting Officer to examine the case, take action against concerned official and report to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at page No.222 of the Ad-hoc PAC Report for Year 1996-97.

27. **PROCUREMENT OF DEFECTIVE TILES COSTING RS.781,595 WITHOUT LABORATORY TEST (PARA 7.22, PAGE 96-AR)**

Audit pointed out that after payment of Rs.781,595 for supplying and fixing of Terrazo tiles eight samples were sent for laboratory test during November, 1993. Five out of eight, sample were found substandard while two others were totally unfit. The General Manager, Survey and Construction directed the Divisional Engineer to provide a certificate to the effect that no defective tiles had been used on the work. No action was taken by the DEN which itself indicates that all the expenditure of Rs.1,350,250 (including Rs.781,595 for tiles) was incurred on a defective/substandard work due to use of defective tiles.

The Ministry stated that the work of fixing of tiles was taken in hand from the tiles (supplied by the DEN/Development Lahore) already tested at source, subsequently the tiles supplied were got tested, these of the required strength were used and the sub-standard tiles costing Rs.59,330 were rejected. The cost of rejected tiles would be recovered through final bill.

The Committee accepted the explanation of the Ministry and settled the para.

28. **UNJUSTIFIED PROCUREMENT OF 85,000 CFT PITCHING STONE AND BLOCKING OF CAPITAL OF RS.733,225 (PARA 7.23, PAGES 96-97-AR)**

Audit pointed out that a contract for procurement of 85,000 cft pitching stone was executed on 20-7-1994. The contractor supplied a quantity of 85,534 cft stone costing Rs.590,184, out of which a quantity of 9,757 cft was loaded leaving balance of 75,776 cft costing Rs.522,854 which was lying dumped at Paikhel station upto the date of inspection i.e. 20th October, 1994. In addition a quantity of 80,389 (23,497 + 56,892 cft also existed in the accounts of IOW/BLI, Kundian since 7/94 and 1987 respectively. Thus the ballast was procured without any demand and requirements resulting in unjustified expenditure of Rs.733,225 which was blocked in the shape of 156,165 cft pitching stone.

The Ministry stated that the pitching stone was procured at Paikhel quarry to supply the same to flood reserve sites, but the training out was however, very poor mainly due to non-supply of wagons. It was also intimated that 23,497 cft stone was available at Paikhel station against the sanctioned flood reserve of 50,000 cft while 56,892 cft stone available at Paikhel station since 1987 could not be trained out till the track is fully repaired.

The Committee made no comments and settled the para.

29. **FRAUDULENT EVALUATION OF TENDERS RESULTING IN ADDITIONAL EXPENDITURE OF RS.8.5 MILLION (PARA 7.24, PAGES 97-98-AR)**

Audit pointed out that tender of M/s Butt Corporation for providing (i) janitorial services in adjacent areas of Lahore-Railway station and (ii) polishing of marble/mosaic tiles at Lahore Railway station at Rs.270,000 for coservancy and Rs.100 per 100 sqft for polishing marble/mosaic tiles was accepted. However, the Railway Administration paid additional expenditure of Rs.8.490 million on completion of the contract.

The Ministry stated that M/s United Traders gave in writing before opening the tender that he will execute polishing @ Rs.19.00 per sq. feet instead of Rs.100 per sq. feet, hence the tender of M/s Butt Corporation was recommended by the tender Committee. It was further stated that the rate of Rs.270,000 was enhanced to Rs.359,000 per month due to increased work of cleaning as a result of renovation of station.

The Committee directed the Ministry to inquire the matter, fix responsibility and report to the PAC within three months.

The para was again discussed by the PAC and its directive is printed at page No.222 of the Ad-hoc PAC Report for Year 1996-97.

30. **GENERAL REMARKS**

The representative of M/O Finance pointed out that the F&A are not working according to their duties in the different Ministries/Divisions. He suggested that a high level committee may be formed to examine the issue.

The Committee accepted the suggestion given by the M/O Finance and formed a high level Inter-Departmental Committee under the Chairmanship of Mr. Manzur Hussain, Auditor-General of Pakistan, Mr. A. Ghafoor Mirza, Additional Secretary, M/O Finance, M. A. R. Kamal, Chief Economist, Planning and Development Division, Mr. K. U. Farooqi, Retired Federal Secretary, Mr. Mahmood Ahmed Lodhi, Executive Director (ICMA), Mr. Aizaz H. Zubari, Retired Joint Secretary (Secretary to the Committee) and (B-21) Officer from EAD to suggest improvements in the existing system of financial management and report to PAC within six months.

ACTIONABLE POINTS

1ST OCTOBER, 1997

AUDIT REPORT (PAKISTAN RAILWAYS) (VOL-VI-1993-94)

31. i) **EXTRA EXPENDITURE OF RS.306 MILLION DUE TO INJUDICIOUS DECISION OF ACCEPTING TENDER OTHER THAN LOWEST (PARA 7.25, PAGES 98-100-ARPR)**
- ii) **EXTRA EXPENDITURE OF RS.1.117 MILLION DUE TO INJUDICIOUS ACCEPTANCE OF TENDER (PARA 7.27, PAGE 101-ARPR)**

iii) **INJUDICIOUS RECALLING OF TENDERS RESULTING IN AVOIDABLE EXPENDITURE OF RS.2,203,560 (PARA 7.29, PAGES 102-103-ARPR)**

On the presentation of above paras by audit, the Committee formed an Inter-departmental Committee comprising of a nominee each from Audit, M/O Finance and M/O Railways to re-examine the paras and report to PAC within two weeks.

The Committee directed the IDC on para 7.27 above to check the tender procedure, examine the case and report to PAC.

The Committee directed the IDC on above para 7.29 to examine the case, issue Show Cause Notice to the concerned official(s). The Committee further directed that a competent engineer should be engaged to enquire the matter and report to the PAC within one month.

32. **EXTRA EXPENDITURE OF RS.648,218 DUE TO INJUDICIOUS ACCEPTANCE OF A TENDER OTHER THAN THE LOWEST (PARA 7.26, PAGE 100-ARPR)**

Audit pointed out that an international tender for the procurement of 12 Nos. temperature vacuum pressure gauges for D.E. Locomotive under World Bank Loan was opened on 24-8-1994 two foreign firms, participated. The lowest offered the rate of 313,309 per unit and mentioned 60 nos. gauge water temperature instead of tendered quantity of 12 nos. The second lowest offered the rate of Rs.926,528 per unit. The CCP accepted the offer of second lowest at a cost of Rs.926,528 instead of seeking the clarification from the first lowest regarding their offer of 60 nos. gauge instead of 12 nos. thus the Railway administration incurred extra expenditure of Rs.648,218.

The Ministry stated that the quantities were not correctly checked due to oversight which resulted in ignoring the first lowest. The mistake was immediately rectified by withdrawing the purchase order placed on the second lowest. The purchase proposal was re-tested and purchase order was placed on the first lowest firm on 21-2-1995.

The Committee made no comments and settled the para.

33. **LOSS OF RS.1.851 MILLION ON ACCOUNT OF ACCEPTING A VERY HIGH RATE (PARA 7.28, PAGE 102-ARPR)**

Audit informed that the Divisional Superintendent, Karachi accepted the rate of Rs.110 to Rs.130 cft per cement concrete plain 1:2:4 in respect of seven works in November, 1993 which were higher by 274% to 300% over the prevailing market price of Rs.43 worked out by the General Manager, Bridges at that time. This resulted in incurrence of an extra expenditure of Rs.1,851,234.

The Ministry stated that the rates were scrutinized and evaluated minutely by the Tender Committee (comprising the Divisional Engineer and the Divisional Accounts Officer,

Karachi) and after negotiations with contractors recommended the rates for acceptance being reasonable.

The Committee deferred the para for the verification of the facts/case by the Principal Accounting Officer, and his report to PAC.

34. **INJUDICIOUS DECISION REGARDING ACCEPTANCE OF HIGHER RATES THAN THE RATES OF SIMILAR WORKS OVER QUETTA DIVISION RESULTING IN AVOIDABLE EXTRA EXPENDITURE OF RS.305,754 (PARA 7.30, PAGE 103-ARPR)**

Audit pointed out that the rate of 121% above CSR-1990 for the work of widening and premixed carpeting of approach roads of surrounding area of Railway Station Quetta offered by 1st lowest was 15 times higher than the previous accepted rates. He further indicated pooling of contractors and did not recommend the rate of 121% above.

The Ministry stated that the rates allowed by various Division for the works of same nature were thoroughly scrutinized and finally the rates at 121% and 120% above were accepted for Quetta and Rawalpindi Divisions respectively.

The Committee was satisfied with the explanation given the Ministry and settled the para.

35. **IRREGULAR ADDITIONAL EXPENDITURE OF RS.920,619 ON ACCOUNT OF OPERATING BANNED ITEM OF WORK (PARA 7.31, PAGE 104-ARPR)**

Audit pointed out that the item of work of cement concrete stone/brick ballast of 1-1/2" to 2" gauge with ratio 1:3:6, 1:5:10 & 1:6:21 in foundations and service building was banned and in lieu thereof it was directed to operate item of dry rammed stone/brick ballast 1-1/2" to 2" gauge which was far cheaper. But the banned item was operated which resulted in additional expenditure of Rs.920,619 during June, 1990 to June, 1993 in respect of Quetta, Peshawar & Rawalpindi Divisions.

The Ministry stated that item of "cement concrete was operated at places where it was not restricted and due to special site conditions for ensuring quality, safety and long life of structures. The Committee made no comments and settled the para.

36. **MIS-APPROPRIATION OF PUBLIC FUNDS TO THE TUNE OF RS.458,979 BY MAKING BOGUS PAYMENT TO A CONTRACTOR WITHOUT EXECUTION OF WORKS (PARA 7.32, PAGES 104-105-ARPR)**

Audit pointed out that an amount Rs.458,979 was paid to the contractor for execution of ten works of special repair to pipe line in June, 1991 and January, 1992. Although, the works were not executed. Eight work orders with face value of Rs.400, 000 were again approved during March, 1994 for special repair work to the pipe line.

The Ministry stated that an enquiry Committee consisting three Officers conducted the inspection at site and confirmed that the works were carried out and no bogus payment was arranged. However the charges were framed against the AIOW who failed to prepare the necessary sketches of layout and sumps and other connected works which caused confusion to Audit.

The Committee directed the Ministry and Audit to verify the works especially to verify whether the two works were carried out at two separate places or on the same place, and report to the PAC within a month.

37. **GROSS IRREGULARITIES IN CONSERVANCY CONTRACT FOR REMOVING RUBBISH AND NIGHT SOIL FROM RAILWAY COLONIES AND STATION PREMISES (PARA 7.33, PAGES 105-106-ARPR)**

Audit pointed out that rate of conservancy contractor of Railway Workshop Moghalpura was enhanced from Rs.17, 990 to 27,990 resulting in overpayment of Rs.125,000. Similarly on Karachi, Sukkur and Lahore Divisions open tenders were not called and contracts were extended after allowing 15% to 20% increase in rates although as per agreement executed between the Railway administration & conservancy contractors no claim of higher rates was to be entertained. This resulted in overpayment of Rs.502, 256 for July to December, 1993.

The Ministry stated that if fresh tenders were called, the prices would have gone up very high; keeping in view the financial aspects, as there was tremendous increase in fuel, labour etc.

The Committee directed the Principal Accounting Officer to inquire the matter again, inform the Audit and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.224 of the Ad-hoc PAC Report for Year 1996-97.

38. **NON-COMPLIANCE WITH GUIDELINES OF THE WORLD BANK RESULTING IN EXTRA EXPENDITURE OF RS.37.919 MILLION (PARA 7.34, PAGES 106-107-ARPR)**

Audit pointed out that the lowest bid of Rs. 7,701 per axle from China for the procurement of 5000 steel axles for fitment in freight wagons, amongst other nineteen firms, was ignored on technical grounds and only two firms (14th & 18th lowest) were declared as technically reasonable. The 14th lowest bid of a Spanish firm at Rs.12,586 CIF Karachi port per axle was accepted at an aggregate cost of Rs.62,987,013. The World Bank in April, 1992 observed that the Pakistan Railways specifications for steel axles was restrictive and of unnecessarily higher specifications. If other internationally accepted standards were mentioned in the bidding documents the Chinese lowest offer @ Rs.7,701 per axle (which meet internationally accepted standards) would have been considered as responsive, resulting in a saving of Rs.37.919 million in foreign exchange.

The Ministry stated that Pakistan Railways have adopted British Standard Specifications which cannot be relaxed for cheaper rates as the track condition where soilic salinity affected and uneven track requires robust axles rolling stock.

The Committee made no comments and settled the para.

39. **INCURRENCE OF IRREGULAR EXPENDITURE OF RS.3.006 MILLION ON WORKS STARTED ON URGENCY CERTIFICATE (PARA 7.35, PAGES 107-108-ARPR)**

Audit pointed out that the construction of boundary wall, additional block and widening of approach road of Railway Station, Quetta were started in June, 1993 on the basis of urgency certificate, though the work did not fall in the category of exceptions. The detailed estimates have not been sanctioned by the competent authority so far which rendered the expenditure of Rs.3.006 million incurred on these works as irregular.

The Ministry stated that these works were started on the directives of the Prime Minister of Pakistan on urgency certificate and the detailed estimates are under the process of sanction to regularize the expenditure.

The Committee made no comments and settled the Para.

40. **IRREGULAR EXCESS PAYMENT OF RS.217,558 LIKELY TO BE MADE TO A CONTRACTOR DUE TO OPERATION OF RATE OTHER THAN AGREED RATE (PARA 7.36, PAGE 108-ARPR)**

Audit pointed out that a quantity of 4802 sft for providing on fixing 1-1/2" thick hollow flush doors and windows with commercial ply on both faces of deodar wood shutter framed 1-1/4" etc was included in the agreement at Rs.55.45 per sft. The Contractor was paid for the above item @ Rs.79.70 per sft against the contractual rate of Rs.55.45 per sft which resulted in excess payment of Rs.217,758 including premium of Rs.101,310 (@ Rs.87% above CSR).

The Ministry stated that the change in rate of the item in question was due to change in design of chowkats which was made after execution of agreement.

The Ministry's point of view was accepted by the Committee and settled the para.

41. **INCURRENCE OF IRREGULAR EXPENDITURE OF RS.689,407 DUE TO SPLITTING UP A WORK (PARA 7.37, PAGES 109-ARPR)**

Audit informed the Committee that the Divisional Superintendent Rawalpindi incurred an expenditure of Rs.689,407 on the special repair of Murree Rest House in 1992-93 by splitting up the work into 14 work orders of Rs.50,000 each which was irregular.

The Ministry stated that due to heavy rains in September, 1992 severe damage was caused to the structure of Railway Rest House at Murree. Immediate repairs were required to prevent the chances of further damages. The repair works were carried out under the administrative approval of Divisional Superintendent and post facto approval of the Chief Engineer to the total cost of the works had been obtained to regularize the expenditure.

The Committee took serious notice on the matter and directed the Principal Accounting Officer to examine the case, charge sheet the Divisional Superintendent Rawalpindi and report to PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.224 of the Ad-hoc PAC Report for Year 1996-97.

42. **WASTEFUL EXPENDITURE OF RS.242,435 INCURRED ON SPECIAL REPAIR OF ROAD (PARA 7.38, PAGE 110-ARPR)**

Audit pointed out that station approach road Quetta was got repaired in May, 1992 at a cost of Rs.242,455 through a contractor by splitting the work into 5 units of Rs.50,000 each. The same road was again got repaired in June, 1993 at a cost of Rs.1,876,984 by changing the nomenclature of work as widening and pre-mixed carpeting of station approach road and surrounding area. Thus the work of premixed carpeting carried out one year ago at a cost of Rs.242, 455 had gone waste.

The Ministry stated that the works of repair to road were carried out during 1991-92 whereas the works in question were carried out much after the expiry of maintenance period. Furthermore new works covered few portions of the works already carried out during 1991-92 which was unavoidable in order to keep the surface of road even.

The Committee was not satisfied with the explanation given by the Ministry about the contract splitting work into 5 units of 50,000 each and directed the Principal Accounting Officer to take action against this irregularity and report to the PAC within one month.

Further, para was again reviewed by the PAC on 25-05-1999. The Committee made no comments and settled the para.

43. **INCURRENCE OF EXPENDITURE OF RS.3,815,452 WITHOUT SANCTION OF THE COMPETENT AUTHORITY (PARA 7.39, PAGES 110-111-ARPR)**

Audit pointed out that the works of extension of island passenger platform and construction of dock and platform along with stabling siding were included in the detailed estimate though there was no provision for such works in the approved PC-I. Thus, the expenditure of Rs.3, 815,452 incurred on these works was irregular and needed the sanction of D.D.W.P.

The Ministry stated that the Chairman Railways who was also the Chairman of D.D.W.P. and other member of the D.D.W.P visited the site of work on 12-6-1993 and 14-4-1994 but none of them objected to the execution of these works which indicated that the execution of these works conformed to the requirements of approved PC-I.

The Committee directed the Principal Accounting Officer to examine the expenditure, verify the work, fix the responsibility for the negligence and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.225 of the Ad-hoc PAC Report for Year 1996-97.

44. **LOSS OF RS.196,576 AS A RESULT OF INCORRECT WORKING OUT OF 10% A.C. SURCHARGE (PARA 7.40, PAGE 111-ARPR)**

Audit pointed out that A.C. surcharge had not been correctly worked out at Hyderabad Railway Station and under levied due to which Railway administration sustained a loss of Rs.196,576 during the period from March, 1994 to November, 1994.

The Ministry stated that the recovery has been done.

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

45. **UNNECESSARY HAULAGE OF WAGONS AND LOSS OF RS.130 THOUSAND (PARA 7.41, PAGE 112-ARPR)**

Audit pointed out that a contract for cleaning the dirty wagons was awarded to a contractor @ Rs.5 each at Karachi Port area. 299 dirty wagons were rejected by the consignor as the contractor could not clean that wagons which resulted in un-necessary haulage of rejected wagons causing loss of Rs.115,440. Further 38 wagons were placed at berth in excess of the demand of the party which also resulted in un-necessary haulage of wagons causing additional expenditure of Rs.14,820.

The Ministry stated that wagons having heavy rubbish are not permitted to be cleaned in Port Area by the port authorities, hence such wagons were brought back to Humped Yard for cleaning and further disposal. Further the haulage charges at the rate of Rs.195 per wagons are levied only on loaded wagons.

The Committee was satisfied with the explanation given by the Ministry and settled the para.

46. **IRREGULAR PAYMENT OF PIECE WORK PROFIT AMOUNTING TO RS.12 MILLION FOR REPAIR WORK (PARA 7.42, PAGES 112-113-ARPR)**

Audit pointed out that para 626 of Mechanical code provides that piece work profit is not admissible for repair works. In contravention of the above rule an expenditure of

Rs.12.038 million was incurred on account of piece work profit in Carriage Factory on repair works of coaches from January, 1993 to August, 1994 which was irregular.

The Ministry stated that the Carriage Factory was already working on piece work system and for periodical overhauling of coaches it was inevitable to allow piece work profit to the staff as was being done in C & W shops Moghalpura.

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

47. **IRREGULAR PAYMENT OF RS.0.159 MILLION ON ACCOUNT OF PIECE WORK PROFIT (PARA 7.43, PAGE 113-ARPR)**

Audit pointed out that the non productive staff transferred from main store or other Divisions was not entitled to the payment of piece work profit w.e.f. November, 1985. In contravention, the management of Carriage Factory, Islamabad paid Rs.158,682 as piece work profit to the non-productive staff during the period from November, 1985 to August, 1990 which was irregular.

The Ministry stated that the orders have been issued to recover the amount paid in excess in easy installments of Rs.100 per month from the salaries of the concerned staff.

The Committee was satisfied with the explanation given by the Ministry and settled the para.

ACTIONABLE POINTS
16TH OCTOBER, 1998

AUDIT REPORT (PAKISTAN RAILWAYS) (VOL-VI-1993-94)

48. **NON-REALIZATION OF RENT AMOUNTING TO RS. 437.221 MILLION DUE TO IMPROPER MAINTENANCE OF LAND RECORD (PARA 7.46, PAGES 115-116-ARPR)**

Audit pointed out that the surplus land owned by Railways and leased/licensed out to other Government Departments, Oil Companies and Private bodies at various stations over Lahore Division. Due to non-maintenance and upkeep of authenticated revenue record of Railway land and non-execution of agreements with other Govt. Departments etc., the rental charges amounting to Rs. 437.221 million could not be recovered.

The Ministry stated that the rental charges could not be recovered from Provincial Food Departments owing to the dispute over ownership of land, the postal department had refused to accept the rates revised on 1-7-1987. However, they had paid the charges up to June, 1997 as per rates prevalent before 1-7-1987 and efforts were being made to settle the matter.

The Committee conveyed its displeasure on the issue and directed the Principal Accounting Officer to investigate the matter, fix the responsibility against responsible for

not taking action in time causing the said loss, take all steps to recover the loss and report to the PAC before November 30, 1998.

The Committee also directed the Ministry to take up the issue with Chief Minister, Punjab to resolve the issue, if the matter could not be resolved, the PAC will request the Prime Minister to help for the settlement of the issue.

The para was again discussed by the PAC and its directive is printed at page No.225 of the Ad-hoc PAC Report for Year 1996-97.

49. **IRREGULAR PAYMENT OF RS.2,366,719 ON ACCOUNT OF ESCALATION CHARGES (PARA 7.47, PAGE 116-ARPR)**

Audit pointed out that an amount of Rs 2,366,719 was paid as escalation charges to the two Contractors who carried out the works of “road and rain water drainage” and “non-residential buildings” in Locomotive Factory, Risalpur in contravention of the clause provided in general condition of contract and terms and conditions of agreements, under which no escalation was admissible.

The Ministry stated that the escalation was paid due to shortage of material in the market, and general inflation in the country.

The Committee was not satisfied with the explanation given by the Ministry and constituted an Inter-departmental Committee comprising a nominee each from M/O Railways, Audit and M/O Finance to examine the issue, fix the responsibility against the concerned person(s) and report to the PAC within one month.

Further, para was again reviewed by the PAC on 25-05-1999. The Committee made no comments and settled the para.

50. **MISAPPROPRIATION/PILFERAGE OF LUBRICANT OIL COSTING RS. 0.858 MILLION (PARA 7.53, PAGES 121-122-ARPR)**

Audit pointed out that a case of pilferage of lubricating oil valuing Rs 0.858 million occurred in Diesel Store Depot, Karachi Cantt. An enquiry Committee comprising Deputy Chief Controller of Stores, Karachi Cantt, Deputy Chief Accounts Officer and S.P. Railways Police was constituted to probe into the matter. The Sub-Inspector Railway Police Depot Store keeper and Sub-Store keeper were directly held responsible for the shortage/theft. The Sub-Inspector, who was declared directly responsible by the Inquiry Committee and was placed under suspension under the orders of Railway Board, was reinstated by the S.P. Railway Police in August, 1993. Surprisingly the S.P was also a member of the enquiry Committee which had unanimously held the official responsible for the loss.

The Ministry informed that the court has exonerated all the accused and cases of deceased stand abetted.

The Committee directed the Principal Accounting Officer to examine why the S.P. Railway Police re-instated the Sub-Inspector Mr. Nazar Abbas who was held responsible for the theft. The Committee also directed to take action against the concerned officers/officials who were responsible not to follow-up the case in the court of law properly.

51. i) **CERTIFICATION OF AUDIT (PARAS 4.1 TO 4.8, 4.10 TO 4.23, PAGES 29 TO 35-ARPR)**
- ii) **IRREGULAR PAYMENT OF RS.0.268 MILLION ON ACCOUNT OF PAY AND ALLOWANCES TO THE EMPLOYEES (PARA 7.44, PAGES 113-114-ARPR)**
- iii) **WASTEFUL EXPENDITURE OF RS. 2,144,100 ON A CLOSED SECTION (PARA 7.45, PAGES 114-115-ARPR)**
- iv) **EXCESS PAYMENT OF RS. 1,223,720 DUE TO INCORRECT CALCULATION OF ESCALATION (PARA 7.48, PAGE 116-117-ARPR)**
- v) **FINANCIAL LOSS OF RS. 3.684 MILLION DUE TO HEAVY DETENTION OF WAGONS AND IRREGULAR PAYMENT OF RS. 1.240 MILLION ON ACCOUNT OF OVERTIME ALLOWANCE (PARA 7.49, PAGES 118-119-ARPR)**
- vi) **LOSS OF RS. 116 THOUSAND (APPROX) DUE TO NON-RECOVERY OF ELECTRIC CHARGES FROM THE ADVERTISING AGENCY (PARA 7.50, PAGE 119-ARPR)**
- vii) **NON-RECOVERY OF RS. 416,000 FROM DEFAULTING FIRMS DUE TO DELAYED ACTION (PARA 7.51, PAGE 120-ARPR)**
- viii) **MISAPPROPRIATION OF P.WAY MATERIAL COSTING ABOUT RS.299,769 BY AN ENGINEERING SUBORDINATE (PARA 7.52, PAGES 120-121-ARPR)**

On the recommendation of audit, the Committee made no comments and settled these paras.

ACTIONABLE POINTS
17TH OCTOBER, 1998

AUDIT REPORT (PAKISTAN RAILWAYS) (VOL-VI-1993-94)

52. **EMBEZZLEMENT OF RAILWAY FUNDS AMOUNTING TO RS. 2.219 MILLION AND PAYMENT OF RS. 0.773 MILLION WITHOUT THE RECEIPT OF MATERIAL (PARA 7.54, PAGES 122-123-ARPR)**

Audit pointed out that an amount Rs. 2.219 million was embezzled in the purchase of 43 items (out of 78) of D.E Locomotives by accepting tenders with abnormally high rates and violating the prescribed procedure for local purchase of stores. For example, leather gloves were purchased @ Rs.725 per pair against the market rate of Rs.35 per pair. Similarly, aircompressor (Swan) was purchased at a cost of Rs.199,000 against the

market rate of Rs.0.910 million paid to advance to the firms whose contracts were cancelled due to non-supply of material and sub-standard supplies.

The Ministry stated that the case was investigated by an Enquiry Committee of Principal Officers. M/S Roshan Ali Mangi, Ex Works Manager Diesel Shed/Kc, Zafarullah Kalwar, Ex-District Controller of purchase and Muhammad Ali Bukhari, Ex-Divisional Accounts Officer/Kc were found responsible. The former two officers were charge sheeted in July, 1996 whereas the charge sheet of the third officer was under process.

The Committee directed the Principal Accounting Officer to inquire the matter, take action against all concerned persons, effect recovery of loss. Forward details of action and report to the PAC within one month.

53. **EXCESS ISSUE OF RAW MATERIAL WORTH RS. 0.551 MILLION FOR MANUFACTURE OF R.C.C TWIN BLOCK SLEEPERS BY W.M. CSF/KOTRI DURING 1993-94 (PARA 7.64, PAGES 132-133-ARPR)**

Audit pointed out that raw material valuing Rs. 550,949 were issued in excess than the quantities required for manufacturing of 21,796 sleepers in Concrete Sleeper Factory, Kotri.

The Ministry informed that Rs.47,580 (up to March, 1998) and Rs.10,000 (upto September, 1998) have been recovered from the then IOW and AIOW respectively, leaving a balance of Rs.282, 778 (122,599 + 160,179).

The departmental representative Mr. Hafizullah Khan, Director Civil Engineering assured the Committee that remaining balance of Rs.282,778 will be recovered in time.

The Committee desired progress report within two months.

The para was again discussed by the PAC and its directive is printed at pages No.225-226 of the Ad-hoc PAC Report for Year 1996-97.

54. **LOSS OF RS.39.572 MILLION DUE TO DEFICIENCIES OF ELECTRICAL ITEMS IN COACHING STOCK (PARA 7.66, PAGE 133-134-ARPR)**

Audit pointed out that electrical items valuing Rs.39.572 million were reported short in running trains during the period from 1985-86 to 1993-94.

The Ministry replied that about 60% deficiencies occurred due to cannibalisation owing to short supply of material and actual theft is not more than 40% of the overall deficiencies.

The Committee directed the Principal Accounting Officer to reconcile the figures with Audit and take necessary measures to control the theft and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.226 of the Ad-hoc PAC Report for Year 1996-97.

55. **UN-ECONOMICAL EXECUTION OF WORK (PARA 4.9, PAGES 31-32-ARPR)**

Audit pointed out that 19 water coolers were purchased i.e. 10 during 1992-93 and 9 during 1993-94. 10 water coolers during 1992-93 were purchased @ Rs.92,000 per cooler and 9 cooler were purchased @ Rs.218,000 per cooler during 1993-94, just after 9 months of first purchase, resulting in extra expenditure of Rs.909,000. No comments have been offered by the Ministry on the subject.

The Committee directed the M/O Finance to examine the rationale of price increase and report to the PAC within one month.

56. i) **PERFORMANCE REPORT ON CARRIAGE FACTORY ISLAMABAD (PARA 1.1 TO 6.6, PAGES 4-21-PEPE)**
ii) **ACCOUNTS OF PRACS (PARA 6(A), PAGES 57-62-ARPR)**
iii) **ACCOUNTS OF RAILCOP (PARA 6(B), PAGES 65-70-ARPR)**
iv) **INCURRENCE OF RS.7,752,398 WITHOUT ACHIEVEMENT OF PROJECTED BENEFITS AND ABNORMAL INCREASE IN COST OF WORK DUE TO BAD ESTIMATION (PARA 7.58, PAGES 127-128-ARPR)**

On the presentation of above four paras by Audit, the Committee constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA comprising Mr. Naseer Ahmad, Addl. Secretary, M/o Finance, Mr. Muhammad Akram Khan, Deputy Auditor-General (GA), Syed Naqi Mohsin, Director General Audit (Railways), Mr. Nasir Ameen, Managing Director (Infrs), M/o Railways and Mr. Hafeezullah Khan, Director (Infrs), M/o Railways to examine the above paras and report to PAC within one month.

Further, para 7.58 was again reviewed by the PAC on 25-05-1999. The Committee settled the para.

57. i) **OVERPAYMENT OF PENSION AND PAY DUE TO MIS-INTERPRETATION OF RULES (PARA 4.15, PAGE 33-ARPR)**
ii) **UNJUSTIFIED EXPENDITURE OF RS.1,493 INCLUDING AVOIDABLE EXPENDITURE OF RS.276,827 INCURRED ON SPECIAL REPAIR TO A BUNGALOW (PARA 7.61, PAGE 130-ARPR)**
iii) **EXCESSIVE ACCUMULATION OF STORES DUE TO LACK OF ADEQUATE INVENTORY CONTROL (PARA 7.62, PAGES 130-131-ARPR)**
iv) **BLOCKAGE OF CAPITAL AMOUNTING TO RS.1,474,997 (PARA 7.63, PAGES 131-132-ARPR)**

On the presentation of above four paras by audit, the Committee directed to Principal Accounting Officer to examine the issues, fix responsibility against concerned person(s), take action and report to the PAC within one month.

58. i) MISAPPROPRIATION OF MATERIAL COSTING ABOUT RS.213,602 BY SUBORDINATES OF KALABAGH SUB-DIVISION (PARA 7.55, PAGES 123-124-ARPR)
- ii) WASTEFUL EXPENDITURE OF RS.3.610 MILLION DUE TO NON-ACHIEVING THE MANUFACTURING TARGET (PARA 7.56, PAGES 124-125-ARPR)
- iii) NON IMPLEMENTATION OF DECISION IN CONNECTION WITH CLOSED SECTIONS/STATIONS RESULTING IN WASTEFUL EXPENDITURE OF RS.4.611 MILLION AND BLOCKAGE OF CAPITAL AMOUNTING TO RS. 1.637 MILLION (PARA 7.57, PAGES 125-127-ARPR)
- iv) LOSS OF RS.400,000 DUE TO NEGLIGENCE OF RAILWAYS STAFF (PARA 7.59, PAGES 128-129-ARPR)
- v) UN-AUTHORIZED EXPENDITURE OF RS.1.271 MILLION INCURRED ON THE REPAIR OF A SWIMMING POOL IN A RAILWAYS CLUB (PARA 7.60, PAGE 29-ARPR)
- vi) IRREGULAR EXPENDITURE OF RS.1.666 MILLION INCLUDING BLOCKAGE OF CAPITAL WORTH RS. 686,620 (PARA 7.65, PAGE 131-ARPR)
- vii) AVOIDABLE EXPENDITURE OF RS.3.528 MILLION ON REPAIRS OF A WHEEL LATHE (PARA 7.67, PAGES 134-135-ARPR)

On the recommendation of above seven paras by Audit, the Committee made no comments and settled these paras.

MINISTRY OF RELIGIOUS AFFAIRS AND MINORITIES AFFAIRS

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Ministry of Religious Affairs and Minorities Affairs were taken up for examination by Public Accounts Committee (PAC) on September 17, 1997.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made recommendations in a number of cases.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 3 grants and 06 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.
- 1.4 In some cases the Committee directed Audit to verify details/facts, given in certain cases, in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Religious Affairs and Minorities Affairs held on 17th September, 1997 are as under:-

17TH SEPTEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.116-M/O RELIGIOUS AFFAIRS (PAGE 307-AA)

The Grant closed with a saving of Rs. 2, 879,855 which works out to 1.47% of the total grant. An amount of Rs. 2,731,000 was however, surrendered leaving net saving of Rs. 148,855.

The Ministry informed that the saving was due to:-

- (i) abolition of posts by Economy Commission;
- (ii) non utilization of funds for honorarium and leave salary; and
- (iii) vacant posts due to ban.

The Committee settled the grant.

2. **GRANT NO.118-OTHER EXPENDITURE OF M/O RELIGIOUS AFFAIRS (PAGE 309-AA)**

The grant closed with a saving of Rs. 7,848,890 which works out to 4.37% of the total grant. An amount of Rs. 2,816,000 was however, surrendered leaving net saving of Rs. 7, 032,890.

The department informed that short booking of Rs. 11,704, 442 was by the Chief Accounts Officer, M/O Foreign Affairs who did not reconciled the figures.

The matter could not be resolved and the Committee directed the Ministry to settle the case with Audit and be careful next time.

The grant was again discussed by the PAC and its directive is printed at page No.499 of the Ad-hoc PAC Report for Year 1999-2000.

3. **GRANT NO.119-M/O MINORITIES AFFAIRS (PAGE 310-AA)**

An amount of Rs.1, 339,256 was surrendered leaving minor saving of Rs.11, 801.

The Committee settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

4. **NON-RECOVERY OF RS. 1.561 MILLION ON ACCOUNT OF RENT OF RURAL AND URBAN PROPERTY (PARA 1, PAGE 251-AR)**

Audit pointed out that in various Evacuee Trust Property Board Offices an amount of Rs. 1.561 million were not received from tenants of urban properties on account of lease/rent as mentioned below:-

(i)	ETPB, Sahiwal	Rs. 0.191 Million	1990 to 1993
(ii)	ETPB, Okara	Rs. 0.803 Million	1991 to 1993
(iii)	ETPB, Jhang	Rs. 0.567 Million	1992 to 1993

The Ministry informed the Committee that the full amount of Sahiwal office has not been recovered. An amount of Rs. 172,644 has been recovered and Rs. 510,928 would be recovered as of land revenue through DC/Collector, Okara. An amount of Rs. 458,708 could not be recovered because the occupant of Evacuee Trust Properties falling under the Katchi Abadies had stopped payment and the Government has now decided to lease out these properties for 30 years in district Jhang. An amount of Rs. 108,505 is outstanding because the Government of Punjab had changed the ownership of the Federal Government in the Current Jamabandi in District Jhang.

The Committee was not satisfied with the explanation given by the Ministry and formed a Sub-Committee under the Convenership of Nawab Salahuddin Abbasi, Mian Muhammad

Zaman, Ch. Muhammad Berjees Tahir, MNAs, Syed Ayaz Ali Shah, Senior Joint Secretary, M/O Religious Affairs, Mr. Muhammad Iqbal Malik, Financial Adviser (M/O Religious Affairs) and Sheikh Naseerul Haq, Director General Audit (FG) to streamline the affairs of ETPB and Housing Society of the Ministry at Lahore and Report to the PAC within six months.

The para was again discussed by the PAC and its directive is printed at page No.526 of the Ad-hoc PAC Report for Year 1999-2000.

5. **EXCESS EXPENDITURE OF RS. 56,374 ON TELEPHONE CALLS BEYOND PRESCRIBED CEILING (PARA 2, PAGES 251-252-AR)**

Audit pointed out that an amount of Rs.56, 374 was paid over and above the ceilings fixed for officials and residential telephone charges in violation of Cabinet Division orders.

The Ministry informed the Committee that excess expenditure on Phone No. 44662 was due to the fact that the Fax Machine was also installed on this telephone and the regularization is under process.

The Committee directed the department to recover the said amount from the concerned official.

ACTIONABLE POINTS 1988-89

6. **LACK OF PROPER FINANCIAL CONTROL OVER PAYMENT RECOVERED RS. 398,342 (DIRECTORATE GENERAL HAJ, JEDDAH) (PARA 1, PAGE 89-AR-88-89) (ITEM 1-AP-88-89)**

On the presentation of the para, the Committee deferred the Audit Report for ten days.

7. **IRREGULAR EXPENDITURE OF RS. 105,000 INCURRED ON PURCHASE OF 800 CC SUZUKI CAR FROM SPECIAL FUND FOR WELFARE AND UPLIFT OF MINORITIES (PARA 4, PAGES 90-91-AR)(ITEMS 1-2-AP-88-89)**

Audit pointed out that a Suzuki Car valuing Rs. 105,000 was purchased by the Ministry out of fund specially meant for welfare of minority community.

The PAC in its meeting held on 17-11-1992 stressed that in future the fund should be exclusively utilized for its intended purpose.

The Committee took serious note and directed the Ministry that in future funds should be exclusively utilized for its intended purpose.

8. i) **SUSPECTED MISAPPROPRIATION RS. 116,425 (PARA 3, PAGE 90-AR)**
(ITEM 3-AP-88-89)
- ii) **MISUSE OF STORES COSTING RS. 133,589 PURCHASED FOR HUIJAJ**
GIVEN AT THE DISPOSAL OF OFFICERS OF CONTROLLING
MINISTRY (PARA 5, PAGE 91-AR) (ITEM 4-AP-88-89)

On the recommendation of Audit, the Committee made no comments and settled above two paras.

STATES & FRONTIER REGIONS DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the States & Frontier Regions Division were taken up for examination by the Public Accounts Committee (PAC) on February 13, 1998.

- 1.1 The PAC having considered AGPR's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in number of grants.
- 1.2 There were 10 grants and 18 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the States and Frontier Regions Division held on 13th February, 1998 are as under:-

13TH FEBRUARY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.122-STATES AND FRONTIER REGIONS DIVISION (PAGES 321-322-AA)

Audit pointed out that an amount of Rs.2, 318,343 was surrendered leaving a net saving of Rs.13, 266.

The Committee settled the grant.

2. GRANT NO.123-FRONTIER REGIONS (PAGE 323-AA)

Audit pointed out that the final grant was Rs.422, 959,000 and actual expenditure was Rs.486, 067,331. There was an excess of Rs.63, 108,331.

The Division informed that excess was 14.92% of the total grant, which based on pay and allowances of the staff. The M/O Finance had not approved the budget allocation.

The Committee conveyed its displeasure on the excess expenditure and directed the Principal Accounting Officer to examine the case, fix responsibility, take action against concerned official(s) and be careful in future.

3. **GRANT NO.124-FRONTIER CONSTABULARY (PAGE 24-AA)**

Audit pointed out that the final grant was Rs.459,468,000 and actual expenditure was Rs.462,149,661. There was an excess of Rs.2,681,661.

The Division informed that the excess was due to Ad-hoc relief to Government servants.

The Committee regularized the excess expenditure.

4. **GRANT NO.125-FEDERALLY ADMINISTERED TRIBAL AREAS (PAGE 325-AA)**

Audit Pointed out that original grant was Rs.207, 603,000, supplementary grant was Rs.925, 000, final grant was Rs.208, 528,000 and actual expenditure was Rs.210, 662,486. There was an excess of Rs.2, 134,486.

The Committee regularized the excess expenditure.

5. **GRANT NO.126-OTHER EXPENDITURE OF FEDERALLY ADMINISTERED TRIBAL AREAS (PAGES 326-327-AA)**

Audit pointed out that the final grant was Rs.763, 594,000 and actual expenditure was Rs.829, 859,447. There was an excess of Rs.66, 265,447.

The Division informed that there was mis-understanding in reconciling the figures between the department and Audit.

The Committee directed the department and Audit to reconcile the figures and report to the PAC within two months.

6. i) **GRANT NO.127-MAINTENANCE ALLOWANCES TO EX-RULERS (PAGE 328-AA)**
ii) **GRANT NO.176-DEVELOPMENT EXPENDITURE OF FEDERALLY ADMINISTERED TRIBAL AREAS (PAGE 338-AA)**

Audit pointed out that under grant 127 above, final grant was Rs.11, 113,000 and actual expenditure was Rs.3, 461,700. There was a saving of Rs.7, 651,300.

Audit further intimated that under grant 176 the original grant was Rs.439, 067,000, supplementary grant was Rs.271, 433,000, final grant was Rs.710, 500,000 and actual expenditure was Rs.687, 958,917. There was a saving of Rs.22, 541,083.

The Committee was not satisfied with the explanation given by the department and constituted an Inter-departmental Committee on the above two grants comprising a nominee each from M/O Finance, Audit and States & Frontier Regions Division to examine the issues and report to the PAC within one month.

7. **GRANT-NO.128-OTHER EXPENDITURE OF STATE AND FRONTIER REGIONS DIVISION (PAGE 329-AA)**

Audit pointed out that the final grant was Rs.93,985,000 and actual expenditure was Rs.93,968,237. There was a saving of Rs.16,763.

The Committee settled the grant.

8. **GRANT NO.129-AFGHAN REFUGES (PAGES 330-331-AA)**

Audit pointed out that an amount of Rs.348,652,000 was surrendered leaving net saving of Rs.39,067,812.

The Division stated that saving was due to less expenditure under maintenance allowance for Afghan Refugees.

The Committee settled the grant.

9. **GRANT NO.196-CAPITAL OUTLAY ON DEVELOPMENT OF TRIBAL AREAS (PAGE 340-AA)**

Audit pointed out that the original grant was Rs.58,640,000, supplementary grant was Rs.81,360,000, final grant was Rs.140,000,000 and actual expenditure was Rs.140,000,000. The department utilized the grant in full.

The Committee made no comments and settled the grant.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

10. i) **UNCOVERED EXPENDITURE AMOUNTING TO RS.216,545 ON THE MAINTENANCE OF THALL PARACHINAR ROAD (PARA 1, PAGE 253-AR)**
ii) **OUTSTANDING GOVERNMENT DUES AMOUNTING TO RS.0.379 MILLION (PARA 13, PAGE 260-AR)**
iii) **RECOVERABLE AMOUNT OF RS.0.291 MILLION(PARA 14, PAGE 261-AR)**
iv) **NON-RECOVERY OF RS.0.253 MILLION (PARA 15, PAGE 261-AR)**
v) **NON-RECOVERY OF LONG OUTSTANDING ACCOUNT OF RS.0.234 MILLION FROM A CONTRACTOR (PARA 17, PAGE 262-AR)**

On the presentation of above 5 paras by Audit, the Committee was not satisfied with the explanation given by the department and directed the management to recover the explained amounts, take action against concerned officers and report to the PAC within three months.

11. i) MIS-APPROPRIATION OF EMPTY PACKING MATERIAL COSTING RS.248,239 (PARA 16, PAGES 261-262-AR)
ii) NON-PRODUCTION OF RECORD OF ATLEAST RS.185MILLION FROM SALE PROCEEDS OF GUNNY BAGS IN COMMISSIONERATE OF AFGHAN REFUGEES (PARA 28, PAGES 268-270-AR)

On the presentation of above two paras, the Committee expressed its displeasure on the matters and constituted a Sub-Committee under the Convenership of Syed Zafar Ali Shah, MNA comprising Sheikh Naseerul Haq, Director General Audit (FG), Mr. Mukhtar Ahmad, Financial Adviser, States and Frontier Regions Division and Major (R) Nadir Ali, Joint Secretary, States and Frontier Regions Division to examine the issues and report to the PAC within three months.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

AGRICULTURAL ENGINEERING WORKSHOP (AEW), TRIBAL AREA, PESHAWAR

12. **(PARAS 251 TO 256, PAGES 193-195-ARPSE)**

Audit informed that in pursuance of Provincial PAC of NWFP's directives the accounts of AEW Tribal Areas, Peshawar (which were previously included in provincial compilation) have been included first time in the Federal compilation for the year 1993-94.

The management of AEW, Tribal Area, Peshawar failed to submit their audited accounts for the year 1993-94 in time to Audit so their accounts could not be included in the Audit Report of the respective years. Accounts for the year 1994-95 to 1996-97 have not yet been received.

Audit also intimated that the Workshop earned net profit of Rs.23,618 million during 1986-87 to 1992-93. The profit was due to receipt of subsidy of Rs.74.343 million which is 50% of the total income, had the subsidy been not accounted for, the Workshop would have sustained a net loss of Rs.50.725 million.

Moreover, the operational position of the Workshop had also deteriorated during 1991-92 and 1992-93. Percentage target achieved which was 74% in 1988-89 decreased to 54.78% in 1991-92 and 48.28% in 1992-93 respectively.

The department informed that the Workshop cannot run as a commercial organization due to non availability of funds and M/O Finance had not provided the grant for purchase of spare parts and repairs of machinery.

The Committee directed the M/O Finance and States & Frontier Regions Division to solve the problems of the Agricultural Engineering Workshop on priority basis.

13. **(PARA 257, PAGES 195-196-ARPSE)**

Audit pointed out that an amount of Rs.4.807 million was outstanding against Government Agencies/Private parties as on June 30, 1994 on account of hire charges of bulldozers. Included therein amounts which are outstanding since 1984-85. No substantial progress of recoveries is reported as only Rs. 0.980 million has been recovered during the last three years.

The Committee directed the department to reconcile the issue with M/O Finance.

14. **(PARA 258, PAGE 196-ARPSE)**

Audit informed that a sum of Rs.765,284 was mis-appropriated by Mr. Muhammad Iqbal, Senior Store Keeper on account of POL.

The department informed that action was taken against the store keeper in accordance with E & D Rule, 1973, and his services were terminated. The individual went to the Services Tribunal, Peshawar and was reinstated with the option of fresh enquiry by the department. His services were again terminated by the department and he was again reinstated by the Services Tribunal. The department thereafter ordered for his compulsory retirement and recovery of the amount involved in February, 1995. The store keeper again went to the Services Tribunal against the decision of the department. The Service Tribunal again reinstated him in January, 1996 on the following grounds:-

- (i) That the main order was not signed by the Authority;
- (ii) That Authority had no power to impose two penalties at a time i.e. compulsory retirement and recovery of Rs.765,284.
- (iii) The Tribunal, however, allowed the department to conduct a fresh enquiry.

Audit holds the view that the department badly handled the case. On reinstatement by the Tribunal on first occasion, the department should have filed an appeal in the High Court at the same time registered an FIR for misappropriation of public funds.

The Committee directed the Principal Accounting Officer to lodge a criminal case against the responsible officer(s).

FATA DEVELOPMENT CORPORATION, PESHAWAR

15. **(PARAS 262, 277 TO 287, PAGES 198-209-ARPSE)**

Audit pointed out that the Federally Administrated Tribal Areas Development Corporation, Peshawar established certain industrial units in Tribal Areas from 1972 to 1980. The units were subsequently closed down due to uneconomical results and operational problems. Out of 11 units only seven units viz Bara Cigarette Factory, Kurram Fruits Products, Mir Ali Looms, Mulagori Marbles Factory, Oil Expelling and Refining Unit, Tochi Valley Match Factory and Tochi Valley Woollen Mills have been

sold out. Other units neither were put in operation nor have been disposed off as yet. The Corporation is however incurring heavy expenditure on the maintenance of closed units. The Committee desired that the Auditor General should examine the issues with the department.

The Committee desired that the Auditor-General should examine the issues with the department.

MINISTRY OF SCIENCE AND TECHNOLOGY

1. OVERVIEW

Appropriation Accounts and Annual Audit Report for the year 1993-94 pertaining to the Ministry of Science & Technology were taken up for examination by Public Accounts Committee (PAC) on July 25, 1997.

- 1.1 The PAC having considered Audit's views as well as explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving defective contracts, financial indiscipline, misuse of funds, violation of rules, cases of non-recovery, blockage of funds, irregular expenditures and overpayments of huge amounts etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 04 grants and 14 paras reported by Audit. These paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meetings of PAC.
- 1.4 In some cases the Committee directed Audit to verify details/facts, given in certain cases, by the Ministry in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Science and Technology held on 25th July, 1997 are as under:-

25TH JULY, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.120-MINISTRY OF SCIENCE AND TECHNOLOGY (PAGE 313-AA)

The Audit pointed out that final grant was Rs.78, 180,000 and actual expenditures were Rs.23, 676,702. There was a saving of Rs. 54,503,298. An amount of Rs.52, 578,517 was surrendered leaving net saving Rs. 1,924,781.

The Ministry stated that the main saving was due to the reasons that Minister for Science & Technology was not appointed during the year and also due to economy measures adopted by the Ministry to keep the expenditure within sanctioned budget.

The Committee regularized the saving with the direction to the Ministry to be careful in future.

2. **GRANT NO.121- OTHER EXPENDITURE OF MINISTRY OF SCIENCE AND TECHNOLOGY (PAGE 314-AA)**

Audit pointed out that the original grant was Rs.416,621,000, supplementary grant of Rs.10, 000,000 and final grant of Rs. 426,621,000. An amount of Rs.11, 183,944 was surrendered leaving net saving of Rs. 10,326,697.

The Ministry stated that the saving was due to the reason that funds for June, 1994 were not released in full by Finance Division.

The Committee made no comments and regularized the saving.

3. **GRANT NO.175 DEVELOPMENT EXPENDITURE OF MINISTRY OF SCIENCE & TECHNOLOGY (PAGES 315-316-AA)**

An amount of Rs.7, 943,150 was surrendered leaving net saving of Rs.40, 397,136.

The Ministry stated that the main saving was due to non-receipt of Foreign aid from aid giving agencies.

The Committee was not satisfied with the explanation given by the Ministry and expressed its displeasure on the issue and directed the Finance Division to explain why such a huge amount was released to the Ministry.

4. **GRANT NO.195-CAPITAL OUTLAY ON MINISTRY OF SCIENCE AND TECHNOLOGY (PAGE 137-AA)**

Audit pointed out that the final grant was Rs.22,723,000, actual expenditure was Rs. 15, 881,666 and saving was Rs.841, 334.

The Ministry stated that the main saving was technical and due to non-adjustment of foreign aid on account of non-receipt of details from aid giving agencies.

The Committee made no comments and regularized the saving.

AUDIT REPORT (CIVIL) (VOL-I-1993-94)

5. **IRREGULAR EXPENDITURE OF RS.0.401 MILLION OVER AND ABOVE THE ANNUAL BUDGET GRANT (PARA-8, PAGE-155-AR)**

Audit pointed out that the Metal Industry Research and Development Centre, Lahore has incurred Rs.401, 469 in excess of the budget allocation during the financial year 1992-93 without any approval by withholding the amounts of Provident Fund, Conveyance Allowance, House Building Advance and 5% deduction on house maintenance charges of the employees.

The Ministry stated that the Government had announced to pay Ad-hoc Allowance to the employees during the year 1992-93 but no budget grant was given. There were no savings in other heads to meet 85% payment of Ad-hoc Allowance. Funds of essential expenses as electricity, Sui Gas, Water, petrol and Telephones were also not increased. Their rates have been increasing time by time which resulted in a huge difference in the budget grant and actual expenditure. There was also ban on supplementary grant. The Centre had no other option except to withhold deductions at sources of employee's provident fund, revolving conveyance, house building advance and deduction of 5% house maintenance charges of the employees to make payment of un-avoidable expenses i.e. utility bills and Ad-hoc payment. This all has been cleared in the subsequent years.

The Committee was not satisfied with the explanation given by the Ministry and directed the department to fix responsibility and issue Show Cause Notices to the concerned officials for the violation of rules and inform the PAC.

6. **WASTAGE OF RS.2.936 MILLION DUE TO NON-INSTALLATION OF MACHINES (PARA 13, PAGE-159-AR)**

Audit pointed out that the Central Testing Laboratories, Karachi had purchased 6 machines valuing Rs.2.936 million during the year 1983-86 and failed to install till May, 1994. It had revealed through the record that the failure of installation of these machines was due to defective condition on their purchase. No steps was initiated till May, 1994 either repair or recovery from the supplier.

The Ministry stated that due to defective clause of payment as framed by the department of Supplies, Karachi in respective A/Ts authorities 95% payment against inspection Notes and photo copy of Railway receipt and 5% balance payment was made against inspection Notes receipted by the consignee to various contractors. The government including CTL Karachi sustained substantial loss. The firm after obtaining 95% payment from the Director of Audit IS & Food Karachi against Inspection Note and Photo copy of Railway receipt as per payment Clause of A/T vanished leaving 5% balance payment. No undertaking/guarantee was obtained from the awarded contract firms for the replacement of defective stores on or after receiving payment.

The Committee directed the department to identify the concerned official to recover the amount and action should be taken within two months.

The para was again discussed by the PAC and its directive is printed at page No.480 of the Ad-hoc PAC Report for Year 1996-97.

7. **RECOVERY OF OUTSTANDING TESTING FEE WORTH RS.342, 781 (PARA 14, PAGES 159-160-AR)**

Audit pointed out that the Central Testing Laboratories, Karachi had failed to recover testing fee of Rs.342, 781 from various agencies since 1976. No efforts were initiated to recover the amount besides raising objection in 5/94 by the Audit.

The Ministry stated that the long outstanding testing fees charges amounting to Rs.335,061 was incorporated in Para 109 Audit Report (Civil) Vol-I, 1980-81 and directives were given by the PAC. The department of Supply expressed inability to recover the outstanding testing fee charges from firms as their whereabouts could not be ascertained and proposed to M/O Industries to obtain approval of the competent authority to get the loss of Rs.335,061 written off. The case was referred to the M/O Industries & Investment on 3-4-1995 and remaining amount of Rs.7,720 is still outstanding against the Collector Central Excise & Land Customs, Hyderabad. They have been requested to expedite long outstanding testing fees charges.

The Committee directed the department to provide the details to Finance Division to sort out what is recoverable and what is not recoverable. The non recoverable amount may be written off.

The para was again discussed by the PAC and its directive is printed at pages No.480-481 of the Ad-hoc PAC Report for Year 1996-97.

8. **UN-ECONOMICAL PURCHASES WORTH RS.251,149 WITHOUT INVITING OPEN TENDERS (PARA 15, PAGE-160-AR)**

Audit pointed out that the Central Testing Laboratories. Karachi had spent Rs.251,149 on purchasing of store items and repaired the office furniture and fixture during the year, 1992-93 without calling open tenders in violation of financial rules (Para 144 of the GFR Vol-I).

The Ministry stated that the CTL is a very busy technical organization. Machinery/equipments occur breakdown now and then and their repairing arrangement from time to time are urgently required to complete tests in process and huge amount is coasted for their immediate replacement to keep in a working order for emergent testing of materials on short notice. This all has been done in accordance with the provision of financial rules by calling quotations from various firms. Purchases were made according to official requirements which were indispensable. The existing expenditure relates to repair of machinery and equipments of staff car incurred during 1991-92 & 1992-93 and within the sanctioned budget.

It also includes the purchase of durable, consumable goods and books. Necessary sanctions were given by the head of department within delegated powers.

The PAC made no comments and settled the para.

9. **REPAIR AND MAINTENANCE OF EQUIPMENTS NOT MADE EVEN AFTER THE PROVISION OF FUNDS WORTH RS.200,000 (PARA 16, PAGE 160-AR)**

Audit pointed out that the Central Testing Laboratories was provided with lump provision of Rs.200,000 for the repair and maintenance of equipment of Chemical & Physical Laboratories during the year, 1992-93. Out of this lump provision and amount of Rs.27,284 spent on repair of typewriters, photocopier and duplicating machine Rs.75,000 was

surrendered and the balance amount of Rs.97,716 was lying un-utilized which had not been surrendered.

The Ministry stated that the lump provision was provided for repair and maintenance for project activities in the budget for 1992-93 under demand No.81 for all machinery and equipments of the CTL. The expenditure of Rs.27, 284 incurred on repair of typewriters etc. with the endorsement of DFA (Ind.) and an amount of Rs.75, 000 was surrendered. An amount of Rs.105, 544 was utilized. Out of unspent balance of Rs.94, 456 and amount of Rs.75, 000 had been surrendered. An amount of Rs.19, 456 was to be utilized on the machinery and water coolers which were under repair process could not be finalized by 30-6-1993 and documents were not received in time by the firm.

The PAC made no comments and settled the para.

10. **OUTSTANDING ADVANCES OF RS.0.114 MILLION (PARA 17, PAGE 161-AR)**

Audit pointed out that an official had drawn House Building Advance of Rs.73, 260 as well as Motor Cycle Advance of Rs.12, 000 in May and June, 1986, without submitting mortgage documents. Moreover, he was also rewarded with advance house rent of Rs.34, 195. He remained absconder initially for two years and at last fled in December, 1990 without paying balances amount of Rs.72,640(HBA) & Rs.7,400(MCA+Interest) and as well as Rs.34,195(HRA Advance without clearance of government dues.

The Ministry stated that the Estate Office Karachi had paid him house rent of Rs.34,195 for hired accommodation. That office is responsible for erroneous payment made to him.

The disciplinary action under E&D Rules, 1973 against him is under process in Ministry from 19-6-1994. The amount of G.P. Fund Account has yet not been paid to him. At the time of final payment he will be asked to clear government dues. The officer who guaranteed for his government dues has retired on March 19, May 1995 & February, 1995.

The Committee expressed its displeasure on this irregularity and directed the department to fix responsibility and recover the amount.

The para was again discussed by the PAC and its directive is printed at page No.481 of the Ad-hoc PAC Report for Year 1996-97.

11. **PERFORMANCE AUDIT REPORT ON CENTRAL TESTING LABORATORIES, KARACHI-LAHORE (PARAS 1-4, PAGES 165-194-AR)**

Audit informed that the Central Testing Laboratories (CTL) were established in 1951 with Headquarters at Karachi and Zonal Office at Lahore, to assist government departments to purchase quality goods but with the passage of time it has assumed the function of quality control institution.

During 1983 to 1993 Rs.29.379 million were allocated to Karachi Laboratories against which Rs.29.592 were spent while Rs.15.467 million were allocated to Lahore Laboratories

out of which Rs.15.297 million were utilized. Total revenue earned during the period 1984-93 worked out to Rs.11,189,967. The CTL has been in operation for the last 46 years.

The Committee conveyed its displeasure on the working result of the department and directed the Principal Accounting Officer to take strict disciplinary action against those who executed poor quality of work. The Committee also directed the department to improve the management in the organization.

The paras (PAR) were again discussed by the PAC and its directive is printed at page No.481 of the Ad-hoc PAC Report for Year 1996-97.

12. **PERFORMANCE AUDIT REPORT ON PAKISTAN STANDARDS INSTITUTION, KARACHI (PARA 1-4, PAGES 211-230-AR)**

Audit informed that the Pakistan Standard Institution (PSI) was established as an independent entity in 1958 and given the status of an autonomous body and registered under the Societies Act-XXI of 1860. The Certification Marks Ordinance 1960 entrusted the PSI to monitor the quality of products and services. This scheme was enforced on compulsory basis in 1966. The department of Weights and Measures was abolished in 1980 and its major functions were also entrusted to PSI.

The Committee conveyed its displeasure on the working result of organization and recommended that the department should amend the rules, for new recruitment and to buy new machinery for the Institution.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (Vol-X-1993-94)

13. **PAKISTAN SCIENCE FOUNDATION, ISLAMABAD (PARAS 248-250, PAGES 188-189-ARPSE)**

Audit informed that projects completed during the year 1993-94 were valued at Rs.4.771 million as compared with the projects valuing Rs.3.745 million in 1992-93. Keeping in view the huge amount of Rs.33.588 million available under research and support grant as on 30-6-1994, physical verification of fixed assets was not got conducted from an independent agency.

The Ministry replied that efforts would be made to improve the performance of the Foundation and a Committee has been set up for physical verification.

The Committee conveyed its displeasure on the working results of the Pakistan Science Foundation and directed the department to improve its working.

The para (248) was again discussed by the PAC and its directive is printed at pages No 481 of Ad-hoc PAC Report for the Year 1996-97 and No.703-704 of the Ad-hoc PAC Report for Year 1999-2000.

ACTIONABLE POINTS 1988-89

14. **NON-SURRENDER OF BUDGETARY SAVINGS AMOUNTING TO RS.4,291,103-RETENTION THEREOF IN THE COMMERCIAL BANK (PARA 1, PAGE 92-AR) (ITEM I-AP-88-89)**

The para was discussed in the PAC meeting on 24-1-1993, the Committee constituted an Inter-departmental Committee to review the failure of the basic financial system in the Organization.

Audit pointed out that Rs.4, 291,103 were drawn from lapseable Assignment Account at close of financial years 1980-81 to 1986-87 and deposited into a Commercial Bank accounts for utilization in following years in contravention of General Financial Rules and the directives of M/O Finance.

The Committee recommended that the development funds should not be surrendered by the research and development organization like National Institute of Power at the close of financial year.

The Committee conveyed its displeasure and settled the para.

15. **BLOCKAGE OF FUNDS-RS.250,000 (PARA 2, PAGE 97-AR) (ITEM 3-AP-88-89)**

Audit reported that a sum of Rs.250,000 was paid to a firm for some work. The work was not completed. The department made no efforts to get the work done or recover the amount.

The para was discussed in the PAC meeting on 24-1-1993 and the Inter-Departmental Committee was advised to take up this para as well and review whether payment of the amount as advance to PECO was justified or not. This para was also reviewed by the Inter-departmental Committee and observed that the work was entrusted without any signed agreement, in the absence of which they could charge any amount for the work done by them. The Committee further observed that the amount of Rs.100,000 charged by the PECO cannot be treated as unjustified.

The PAC made no comments and settled the para.

16. **RECOVERY OF RS.59,535 ON ACCOUNT OF ELECTRICITY, SUI GAS AND EXCESS/PRIVATE CALL CHARGES OF THE RESIDENCE OF THE CHAIRMAN (PARA 5, PAGE 93-AR)(ITEM 5-AP-88-89)**

Audit pointed out excess expenditure of Rs.59, 535 on account of electricity, sui gas and excess telephone charges for the residence of Chairman. The Ministry had previously replied that the officer was retired from service. However, the AGPR had been asked for recovery from his pension.

The para was discussed in the PAC meeting on 24-1-1993 and the Principal Accounting Officer under-took to advise AGPR to effect recovery from the amount of pension of the officer. The Ministry stated that the AGPR approached to recover the amount from pension of the officer. The AGPR informed the Ministry that since the prescribed period of one year had elapsed and under the rules the audit office is not in a position to recover the amount from the pension without written consent of the pensioner. The concerned officer was approached but there was no response. The Finance Division also regretted its inability to condone the recovery. The Ministry now requested PAC to write off the recovery.

The PAC made no comments and settled the para.

SENATE SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Senate Secretariat were taken up for examination by the Public Accounts Committee (PAC) on October 13, 1996.

- 1.1 There was one grant presented by the AGPR which was discussed in the meeting of the PAC and regularized.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Senate Secretariat held on 13th October, 1996 are as under:-

13TH OCTOBER, 1996

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.108-THE SENATE (PAGES 277-278-AA)

In charged section the appropriation closed with a saving of Rs.2, 069,964 which works out to 4.56 % of the appropriation. An amount of Rs.1, 631,000 was surrendered leaving net saving of Rs. 438,964. Remaining saving should have been surrendered.

In other than charged section the grant closed with a saving of Rs.2, 358,348 which works out to 6.92 percent of the grant. An amount of Rs.1, 921,000 was surrendered leaving net saving of Rs.437, 348. Remaining saving should have been surrendered.

The Committee regularized the saving with the direction that it should be surrendered in time each year.

2. GENERAL

The Committee inquired whether the audit of the Senate and National Assembly Secretariats had been conducted. Audit informed the Committee that this had not been done in the past due to shortage of audit staff. The Committee was asked that since the recruitment of the audit staff had started, the audit of Senate and National Assembly Secretariats will be completed in the current fiscal year.

The Committee while discussing another issue expressed its displeasure the DPR Section of the National Assembly for not arranging the proper coverage of the PAC in the National Press and recommended that some competent officer from the Ministry of Information should replace the existing officer responsible for media coverage in the National Assembly Secretariat.

SPECIAL EDUCATION & SOCIAL WELFARE DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports on the Accounts of Federal Govt. for the year 1993-94 pertaining to the Special Education & Social Welfare Division were taken up for examination by Public Accounts Committee (PAC) on July 10, 1998.

- 1.1 There were 5 Grants and 15 Paras reported by Audit. These paras were initially examined by the Departmental Accounts committee (DAC) and then were discussed in the meeting of PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Special Education and Social Welfare Division held on 10th July, 1998 are as under:-

10TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.70-SPECIAL EDUCATION AND SOCIAL WELFARE DIVISION (PAGE 198-AA)

Audit pointed out that an amount of Rs.996, 192 was surrendered leaving net saving of Rs.12, 342,619.

The Committee conveyed its displeasure on the issue and directed the department to provide the detail information on the issue to PAC within one month.

2. GRANT NO.71-SPECIAL EDUCATION (PAGE 199-AA)

Audit pointed out that an amount of Rs.2, 243,000 was surrendered in time leaving net saving of Rs.13, 632,176.

The department informed that Rs.3,217,000 was surrendered on 15th May but the surrender orders were not received in the Audit, owing to which it could not be taken in the Appropriation Accounts. After taking into account the above surrender of Rs.3, 217,000, the net saving will further be reduced to Rs.10, 415,176.

The Committee conveyed its displeasure on the issue and directed the M/O Finance to take effective steps to deal with the issue of savings of different Ministries/Divisions in future.

3. **GRANT NO.72-OTHER EXPENDITURE OF SPECIAL EDUCATION (PAGE 200-AA)**

Audit pointed out that the final grant was Rs.4,593,000 and actual expenditure was Rs.4,412,537. There was saving of Rs.180,463.

The Committee settled the grant.

4. **GRANT NO.161-DEVELOPMENT EXPENDITURE OF SOCIAL WELFARE (PAGE, 203-AA)**

Audit pointed out that the excess is required to be regularized. Also the department surrendered an amount of Rs.2, 991,634 increasing the excess to Rs.3, 388,835.

The Division stated that the excess was due to revised pay scale and pending bills of salaries.

The Committee regularized the excess expenditure.

5. **GRANT NO.162-DEVELOPMENT EXPENDITURE OF SPECIAL EDUCATION (PAGE 204-AA)**

Audit pointed out that the original grant was Rs.42,785,000, supplementary grant was Rs. 1,000, final grant was Rs.42,786,000 and actual expenditures was Rs.21,958,777. There was saving of Rs.20, 827,223.

The Division stated that department had surrendered Rs.8.8 million but it was not taken into audit book. The main saving was due to economy cut and not to provide details by the other department to the Ministry.

The Committee settled the grant with the direction to be careful in future.

**PERFORMANCE AUDIT REPORT ON NATIONAL ZAKAT FOUNDATION,
ISLAMABAD**

6. **(PARAS 1-4, PAGES 273-289-AR)**

Audit pointed out that the National Zakat Foundation (NZF) was established in February, 1982 under Charitable Endowments Act, 1890 under the administrative control of Special Education & Social Welfare Division. Its Headquarter is at Islamabad, with four Branch Offices at Lahore, Peshawar, Karachi & Quetta.

Twenty eight audit paras pertaining to NGOs indicating serious irregularities were included in the Performance Audit Report. After examining the departmental replies it has been felt that the NZF took notice of the position and tried to improve the Monitoring and Evaluation System of the performance of NGOs. In two cases recoveries amounting to Rs.44, 000 have been effected at the instance of the Audit while in the remaining 21

cases recommended measures have been taken. In the light of foundation's satisfactory replies, 23 paras are not stressed by the Audit. However following paras still need appropriate departmental action for recoveries etc.

7. i) **(PARA 5.6.1) (PARA 1, PAGE 290-AR) GRANT-IN-AID OF RS.246,000 NOT REFUNDED BY ALMUSTAFA WELFARE SOCIETY, H.8, ISLAMABAD**
a. **(PARA 5.6.2) NON-CONTRIBUTION BY ALMUSTAFA WELFARE SOCIETY, KARACHI**
b. **(PARA 5.6.3) DELAY IN UTILIZATION OF FUNDS OF RS.500,000 TO AL-MUSTAFA WELFARE SOCIETY KARACHI**
c. **(PARA 5.6.4)(PARA 14 ,PAGE 300-AR) IRREGULAR UTILIZATION OF GRANT-IN-AID OF RS.78,994 RELEASED TO DARUL FALAH (MOTHER & CHILDREN HOME), RAWALPINDI.**

On the presentation of above issues regarding National Zakat Foundation by the Audit, the Committee directed the Principal Accounting Officer to examine the matter in detail and submit a comprehensive report on the irregularity and proper utilization of funds to the PAC within one month.

The paras 5.6.1 (Para 1) and 5.6.4 (Para14) were again discussed by the Ad-hoc PAC and its directive is printed at pages No.847-848 of the Ad-hoc PAC Report for Year 1996-97.

8. **(PARA 5.6.5) MIS-APPROPRIATION OF GRANT-IN-AID OF RS.498,000 RELEASED TO MIANWALI WELFARE ORGANIZATION, MIANWALI**

Audit pointed out that Rs.498, 000 were released on 20-1-1992 to the NGO for construction of building, purchase of equipment and furniture for rehabilitation of disabled persons at Mianwali. The NGO withdrew the amount on 4-2-1992 but construction was not done. Although the President of the NGO was arrested but funds could not be recovered from him.

The Division stated that the case is with FIA and they have intimated no progress.

The Committee directed the Principal Accounting Officer to take stern action against the concerned person(s) to recover the said amount and report to the PAC within one month. The Committee also desired that the National Assembly Secretariat (PAC Wing) should write to the former Minister to help earlier recovery.

The para was again discussed by the PAC and its directive is printed at pages No.848-849 of the Ad-hoc PAC Report for Year 1996-97.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

PAKISTAN BAIT-UL-MAL

9. **(PARAS 294, 295, 296, 300, 301 & 303, PAGES 219-222-ARPSE)**

On the presentation of above paras by Audit, the Committee formed a Sub-Committee under the Convenership of Syed Zafar Ali Shah MNA, comprising Mr. Jalaluddin Qureshi, Director General (CA), Mr. M. Iqbal Malik, Financial Adviser, Social Welfare, Mr. Shahid Masood, Joint Secretary M/O Social Welfare Division, Mr. Khumar Khan Mahsood, Senior Joint Secretary, PM. Secretariat, Mr. Muhammad Azam, Director Audit, Baitul Mal and Mr. Mazhar Ali, Director Finance, Baitul Mal to investigate the matters and report to the PAC within two months.

The paras were again discussed by the PAC and its directive is printed at page No.850 of the Ad-hoc PAC Report for Year 1996-97.

10. **(PARA 297, PAGE 221-ARPSE)**

The Committee settled the para.

11. **(PARA 298, PAGE 221-ARPSE)**

Audit pointed out that financial assistance of Rs.19.334 million was sanctioned by the Board of Bait-ul-Mal on April 15, 1993 for construction of medical complex by Rehmat Ali Trust, Lahore. The funds were to be released on quarterly basis linked to actual construction on the basis of certification of actual disbursement. However, Rs.4.833 million were paid on May 15, 1993 without observing above conditions.

After hearing department's reply, the Committee directed the department to provide the relevant documents to audit for verification within 15 days.

The para was again discussed by the PAC and its directive is printed at pages No.850-851 of the Ad-hoc PAC Report for Year 1996-97.

STATISTICS DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Statistics Division were taken up for examination by the Public Accounts Committee (PAC) on September 17, 1997.

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations.

1.2 There were 2 grants presented by the AGPR for which the PAC regularized the grants.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Statistics Division held on 17th September, 1997 are as under:-

17TH SEPTEMBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.53-STATISTICS DIVISION (PAGE 171-AA)

An amount of Rs. 305,782,000 was surrendered leaving net saving of Rs. 5,721,412.

The Committee settled the grant.

2. GRANT NO.156-DEVELOPMENT EXPENDITURE OF STATISTICS DIVISION (PAGE 172-AA)

Audit pointed out that original grant was Rs.22,723,000, actual expenditure was Rs. 19,900,000. There was a saving of Rs. 2,823,000.

The Committee settled the grant.

SUPREME COURT OF PAKISTAN

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Supreme Court of Pakistan were taken up for examination by the Public Accounts Committee (PAC) on October 13, 1996.

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations.

1.2 There was only 1 grant presented by the AGPR for which the PAC regularized the grant.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Supreme Court of Pakistan held on 13th October, 1996 are as under:-

13TH OCTOBER, 1996

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. APPROPRIATION- SUPREME COURT (PAGE 254-AA)

The Appropriation closed with a saving of Rs.3, 363,217 which works out to 8.43% of the total appropriation. However, supplementary grant of Rs.1, 400,000 was also provided. The whole saving was surrendered.

The departmental representative informed that during the year, two delegations came from abroad, one from China other from Kuwait and secondly, Supreme Court of Pakistan was shifted to the new building at Islamabad and maintenance budget was added to the supplementary grant but later on it was decided that CDA will do the maintenance.

The Committee settled the grant.

TOURISM DIVISION

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports for the year 1993-94 pertaining to the Tourism Division were taken up for examination by the Public Accounts Committee (PAC) on July 8, 1998.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations in the case of wasteful expenditure on construction of PTDC Motel, Mankial.
- 1.2 The PAC also took notice of the issue of Prado Vehicle which was purchased in May, 2008 through a leasing company; M/S Faisal Bank with a down payment of 06 lac for the use of the M.D ,P.T.D.C.
- 1.3 During the course of discussion, the Committee issued some policy recommendations, depending on the nature of the issue, directing the PAO to take appropriate actions.
- 1.4 There were 2 grants presented by the AGPR and 14 Audit paras reported by the Audit. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Tourism Division held on 8th July, 1998 are as under:-

8TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.28-TOURISM DIVISION (PAGE 107-AA)

Audit pointed out that an excessive amount of Rs.3,971,020 was surrendered converting the grant to be closed into excess of Rs.296,663.

The Division informed that the excess was due to filling of new Ministerial posts in the department of tourist services and additional ad-hoc relief, additional compensatory allowance during the year.

The Committee regularized the excess expenditure with the direction to the Division to be careful in future.

2. **GRANT NO.150-DEVELOPMENT EXPENDITURE OF TOURISM DIVISION
(PAGE 110-AA)**

Audit pointed out that final grant was Rs.149,264,000 and actual expenditure was Rs.34, 478,000. There was a saving of Rs.114, 786,000.

On the presentation of the grant by the Audit, the Committee formed a Sub-Committee under the Convenership of Mian Muhammad Zaman MNA, comprising Mr. Muhammad Iqbal Malik, Financial Adviser, Sports and Tourism, Mr. Farooq Atta, Joint Secretary, Sports and Tourism Division and Mr. Muhammadullah Director General (Accounts), A.G.P.R. as its members to examine the issue regarding approximate 78% saving and report to PAC within one month.

AUDIT REPORT (CIVIL WORKS) (VOL-II-1993-94)

3. i) **LOSS DUE TO DEPOSIT OF FUND IN MEHRAN BANK RS.5,500,000
(PARA A-I.1, PAGE 137-ARCW)**
ii) **IRREGULAR EXPENDITURE OF RS.2,706,962 (PARA A-II.1, PAGE 137-
ARCW)**

On the recommendation of Audit, the Committee settled above two paras.

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-1993-94)

PAKISTAN TOURISM DEVELOPMENT CORPORATION

4. **(PARA 77, PAGE 70-ARPSE)**

Audit pointed out that the accounts of the following wholly owned subsidiaries of PTDC were being audited by the Auditor General up to 1992-93.

- (i) PTDC, Motels Limited, North and South.
- (ii) Pakistan Tourism Limited.
- (iii) Associated Hotels of Pakistan.

The PTDC However, refused to entertain the State Audit from 1993-94 onwards on the plea that these subsidiaries are not running on Government grants. The plea is not acceptable as the subsidiaries are wholly owned by the Government through PTDC and are being run through public funds.

The Division informed that the department has agreed to provide the accounts of subsidiaries for audit to the Auditor General Office.

The Committee directed the department to provide the relevant documents for audit to the Audit department.

5. **(PARAS 78 & 79, PAGE 71-ARPSE)**

The Committee settled the paras.

6. i) NON-RECOVERY/ADJUSTMENT OF ADVANCES AMOUNTING TO RS.1.00 MILLION (PARA 81, PAGE 72-ARPSE)
ii) UNJUSTIFIED PAYMENT OF RS.725,000 ON ACCOUNT OF REPAIR/RENOVATION WORK AT MOENJODARO (PARA 81 (I), PAGE 72-ARPSE)
iii) NON RECOVERY OF RS.39,940 FROM ASSISTANT CHIEF, M/O TOURISM (PARA 82 (II), PAGE 72-ARPSE)
iv) IRREGULAR/UNJUSTIFIED PAYMENT OF RS. 157,500 TO AN ARCHITECT (PARA 83, PAGE 73-ARPSE)
v) IRREGULAR AND UNJUSTIFIED EXPENDITURE OF RS.603,855 ON PURCHASE OF LAND FOR CONSTRUCTION OF MOTEL AT BANJOSA (PARA 84, PAGE 74-ARPSE)
vi) LOSS OF RS. 33,247 DUE TO OVERPAYMENT OF RS.297,575 TO CONTRACTOR AND NON RECOVERY OF LIQUIDATED DAMAGES AMOUNTING TO RS.35,672 (PARA 85, PAGE 74-ARPSE)

On the presentation of above six paras by the Audit, the Committee directed the Principal Accounts Officer to re-examine all the matters thoroughly and fix responsibility, in each case, for the loss and take action and report to the PAC within one month.

The para (81) was again discussed by the PAC and its directive is printed at page No.826 of the Ad-hoc PAC Report for Year 1996-97.

7. NON RECOVERY OF COST OF FURNITURE/FIXTURE FROM EX-EXECUTIVES RS.231,067 (PARA 86, PAGE 75-ARPSE)

Audit pointed out that PTDC issued the items of furniture/fixture, Carpets, TV set, airconditioner etc. for use at the residence of its executives valuing Rs.231,067. PTDC neither recovered the items nor their cost from the executive at the time of their leaving the Corporation.

The Division stated that efforts are being made for retrieval of the items from person concerned. Now the Division is also writing a letter to the concerned for recovery.

The Committee directed the department to take all possible measures to recover the said amount from the concerned ex-Minister for Sports and Tourism, Ex-MD and Ex-Finance Director and report to PAC within 15 days.

The Committee also directed the Principal Accounting Officer to take disciplinary action against the person(s) who failed to take timely action to recover the said amount, and report to PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.827 of the Ad-hoc PAC Report for Year 1996-97.

ACTIONABLE POINTS 1988-89

MALAM JABBA RESORT LTD.

8. **(PARA 94, PAGE 79-ARPSE) (ITEM 1-AP-88-89)**

Audit pointed out that the project "Sking-cum-summer Resort" at Malam Jabba, Swat had been approved by ECNEC in 1965 at an estimated cost of Rs.9.170 million which was revised to Rs.44.620 million in 1979. The scheme was further revised to Rs.113.970 million and approved by ECNEC on May 24,1989. The work was under taken in 1985 and completed in November, 1999.Upto June 30, 1991, Rs.76 million had been invested by the Government, as equity in the project.

In its updated comments, Audit briefed the Committee that an amount of Rs.98.706 million has since been invested by the Government till the end of 1996-97 as equity, but neither the project has been operated nor leased out to private parties, rendering heavy investment as infructuous.

The Committee constituted a Sub-Committee under the Convenership of Mr. Adnan Aurangzeb MNA, comprising Mr. Jalaluddin Qureshi, Director General(CA),Mr. Muhammad Iqbal Malik, Financial Adviser, Tourism Division and Syed Zafar Ali Naqvi, Senior Joint Secretary, Sports and Tourism Division as its members to look into the affairs of the project and submit its report to PAC within two months.

The PAC constituted a Sub-Committee on June 5, 1996 under the Convenership of Mian Gul Aurangzeb, Ex-MNA, but the Committee could not complete its report due to dissolution of the National Assembly.

The para was again discussed by the PAC and its directive is printed at pages No.820-821 of the Ad-hoc PAC Report for Year 1996-97.

9. **PARA 104, PAGE 83-ARPSE) (ITEM 3-AP-88-89)**

Audit pointed out that certain development project valuing Rs.3.719 million from which no benefits was expected to accrue have been written off. Further more other development projects valuing 9.131 million were also considered doubtful. The huge expenditure due to improper planning need to be justified.

The PAC in its meeting held on 5-6-1996 had directed the department to send a copy of the inquiry report along with list of old and new projects. The Division has submitted the inquiry report but Audit stated that the inquiry has not been properly conducted.

The Committee constituted an Inter-departmental Committee comprising a nominee each from M/O Tourism, M/O Finance and Audit to investigate the issue of the projects and report to PAC within two months.

The para was again discussed by the PAC and its directive is printed at page No.827 of the Ad-hoc PAC Report for Year 1996-97.

WAFAQI MOHTASIB SECRETARIAT

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Wafaqi Mohtasib Secretariat were taken up for examination by the Public Accounts Committee (PAC) on October 15, 1996.

- 1.1 There was 1 Grant presented by the AGPR which was regularized by the Committee.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Wafaqi Mohtasib Secretariat held on 15th October, 1996 are as under:-

15TH OCTOBER, 1996

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. APPROPRIATION-WAFAQI MOHTASIB (PAGE 349-AA)

The final appropriation was Rs.38, 208,000. The actual expenditure was Rs.35, 726,604 and the saving was Rs.2, 481,396.

The department stated that the saving was due to economy cut imposed. The saving could not be surrendered in time.

The Committee settled the grant.

MINISTRY OF WATER & POWER

1. OVERVIEW

Appropriation Accounts and Annual Audit Report for the year 1993-94 pertaining to the Ministry of Water & Power were taken up for examination by Public Accounts Committee (PAC) on October 18, December 16, 1997.

- 1.1 The PAC considered Audit's point of view and explanations given by the Principal Accounting Officer (PAO), made its recommendations in a number of cases involving, loss due to application of wrong tariff, misappropriation of transformers of various capacities, non-production of record regarding electrical material, non recovery of cost of MDI meters, excess expenditure, non-recoveries misappropriation of T&P articles, misappropriation of electrical material, non-recovery of security deposits, illegal installation of material, un-necessary purchase and defective supply of video analyzers, undue favour, infructuous expenditure, overpayments. etc.
- 1.2 During the course of discussion in the meeting, the Committee issued some directives, depending on the nature of the issue, directing the PAO to take appropriate action.
- 1.3 There were 50 Paras reported by Audit and 2 Grants reported by AGPR. These Paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.
- 1.4 In certain cases, the Committee directed Audit to verify details/facts given by the Ministry in defence of the viewpoint presented by PAO.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meetings on the Ministry of Water & Power held on 18th October and 16th December, 1997 are as under:-

18TH OCTOBER, 1997

APPROPRIATION ACCOUNTS (CIVIL) (VOL-I-1993-94)

1. GRANT NO.134-MINISTRY OF WATER AND POWER (PAGES 343-344-AA)

An amount of Rs.2, 000,000 was surrendered leaving net saving of Rs.11, 879,439.

The Committee conveyed its displeasure and settled the grant with the direction to be careful in future.

2. **GRANT NO.178-DEVELOPMENT EXPENDITURE OF M/O WATER AND POWER (PAGE 345-AA)**

An amount of Rs.180, 962,426 was surrendered leaving net saving of Rs.180, 944,293.

The Committee conveyed its displeasure and settled the grant with the direction to be careful in future.

3. **GRANT NO.197-CAPITAL OUTLAY ON IRRIGATION AND ELECTRICITY (PAGE-346-AA)**

An amount of Rs.6, 437,000 was surrendered leaving net saving of Rs.27, 005,881.

The Committee conveyed its displeasure and settled the grant with the direction to be careful in future.

The grants No.134, 178 and 197 were again reviewed by the PAC on 19-02-1999. The Committee settled the grants.

AUDIT REPORT (WAPDA) (VOL-II-1993-94)

4. **LOSS DUE TO SUPPLY OF CONTAMINATED FURNACE OIL BY M/S PSO RS.285.829 MILLION (PARA 1, PAGE 11-AR)**

Audit pointed out that supply of below specification furnace oil by M/s PSO reduced efficiency of treatment plant in Kot Addu Power Station from December 5, 1993 to February 6, 1994. Five machines were made to run on High Speed Diesel but those too were shut down due to supply of below standard High Speed Diesel by the PSO which resulted in loss of Rs.285.829 million. The loss could have been reduced to Rs.2.595 million by converting units 1, 3 & 4 to gas.

The Ministry stated that Government of Pakistan constituted a High Powered Inquiry Committee to probe into the matter. Recommendations of the Inquiry Committee and action taken by WAPDA indicated that Authority was not at fault.

During discussion on the Para, the Committee communicated its displeasure on the issue and directed the department to provide the copy of contract to Audit. Despite detailed discussion, the matter could not be resolved. It was therefore, decided to form an Inter-Departmental Committee (IDC) comprising a nominee each from M/o Finance, Audit and M/O Water and Power to examine the issue and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.190 of the Ad-hoc PAC Report for Year 1996-97.

5. **WASTEFUL EXPENDITURE ON GOMAL ZAM MULTIPURPOSE PROJECT RS.127.805 MILLION (PARA 2, PAGE 12-AR)**

Audit informed the Committee that WAPDA started detailed studies of Gomal Zam Multipurpose Project in 1960 and incurred Rs.127.805 million up to June, 1994 on preliminary works like roads, building and associated facilities etc. Fate of the project remained un-decided for the period since, 1960. WAPDA was advised to get the final decision from the Government in the matter to avoid any further un-necessary expenditure on maintenance.

Ministry stated that the project remained under active consideration of Federal Government and Government of NWFP. WAPDA has submitted in March, 1996 PC-II to the Government of NWFP for approval. After approval of the project by the Government of Pakistan and funds made available construction activities would be taken in hand.

The Committee conveyed its displeasure on the issue and desired that the Government to take positive decision on the project immediately.

6. **LOSS DUE TO SHORT RECEIPT OF FURNACE OIL RS.17.619 MILLION (PARA 3, PAGES 12-13-AR)**

Audit pointed out that in a Power House, furnace oil was purchased from M/s PSO and M/s PBS, Karachi. Both the suppliers dispatched furnace oil through Railway wagons. But a comparison of the payments made and quality of oil received during October, 1989 and June, 1992 showed that a quantity of 744.34 tons oil valuing Rs.17, 619,379 was received short. Authority was advised to investigate the matter and take steps to make good the loss worth Rs.17, 619,379.

The Ministry replied that reconciliation with PSO/Railway was being made. The General Manager (Thermal) Operation had been directed to complete the reconciliation expeditiously and recover the loss.

The Committee directed the Principal Accounting Officer to recover the amount of Rs.17, 619,379 from PSO and Pakistan Railways within three months. The Committee also directed the department to take up the issue with M/o Railways to stop the theft in future.

The para was again discussed by the PAC and its directive is printed at page No.190 of the Ad-hoc PAC Report for Year 1996-97.

7. **LOSS ON ACCOUNT OF UNDUE FAVOUR TO A FIRM RS.14.439 MILLION (PARA 4, PAGES 13-14-AR)**

Audit informed the Committee that certain irregularities were pointed out in purchase of 85000 HT/LT structures which resulted loss of Rs.952.000 to the department.

The Ministry informed that the quoted price of tender was Rs.3,435 per structure. Finance Division stated that the department has given undue favour to the firm.

After discussion on the para, the Committee directed the department to take action against the person responsible of the loss under E&D Rules, 1973.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

8. **INADMISSIBLE PAYMENT ON ACCOUNT OF EXTRA HILL CUTTING RS.23 MILLION (PARA 5, PAGES14-15-AR)**

Audit pointed out that in a power project, survey, erection, testing and commissioning of a 220 KV Sibi Quetta transmission line was awarded to a contractor M/s China Henan International Technical Co-operational Technical Co-operative Corporation (CHICO) in September, 1990 at his tendered rates. The work was in progress when a variation order for a lumpsum amount of Rs.23 million for extra hill cutting was issued by the WAPDA, which was not in conformity with the agreement.

The Ministry stated that on detailed survey of hill cutting was done and there was no extra expenditure. It was a lowest tender. It was not normal cut and first survey was not correct. In detailed survey the actual cutting position was search out.

The Committee made no comments and settled the para.

9. **AVOIDABLE EXPENDITURE ON COMMITMENT CHARGES RS.8.527 MILLION (PARA 6, PAGE 15-AR)**

Audit pointed out that an amount of Rs.8,526,774 as commitment charges at the rate of three fourth of one percent per annum on principal amount of loan taken from IBRD by WAPDA had to be paid for the amount not drawn timely. It was stated in May, 1994 that commitment charges accrued due to late commencement of line, re-routing of line, delay in tendering and re-tendering process and right of way problems.

The Ministry stated that against total cost of the project US \$ 95 million, an allocation of US \$ 52 million under IBRD existed. Due to delay in arrangement of balance US \$ 43 million from Saudi Fund for Development (SFD) and IDB, commitment charges on the un-utilized amount of US \$ 36 million were levied. After arrangement of US \$ 43 million, the un-spent amount of US \$ 36 million was got re-allotted. Hence commitment charges had been paid for reasons beyond control of WAPDA.

The Committee observed that the department did not properly deal with the issue. Further, the Committee formed an Inter-departmental Committee comprising a nominee each from Audit, M/O Finance and M/O Water and Power to examine the issue and report to the PAC within three months.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

10. **INADMISSIBLE PAYMENT OF IDLE CHARGES TO A CONTRACTOR RS.6 MILLION (PARA 7, PAGES 15-16-AR)**

Audit pointed out that a contractor was paid Rs.6 million as idle charges through a variation order No.1 in November, 1992 against the contractual provisions.

The Ministry stated that the work awarded to M/s China Henan International Technical Corporation on September 18, 1990 for the construction of 220 KV Quetta Sibi line was to be completed by August 27, 1991. The contractor disappeared in June, 1992. After strenuous efforts, a meeting was held with the contractor and member (Power) WAPDA agreed with the demand of the contractor which were approved by the authority (i) payment of Rs.6 million as idle charges in installment (ii) extension of completion time upto June, 1994 (iii) Rs.23.15 million for extra hill cutting and (iv) release of payments on time.

The Committee was satisfied with the explanation given by the Ministry and settled the para.

11. **SHORT RECOVERY OF CAPITAL COST RS. 3.046 MILLION (PARA 8, PAGES 16-18-AR)**

Audit pointed out that in certain WAPDA formations, full capital costs of service connections was not recovered. As a result of short recoveries the Authority had to bear a loss of Rs.3, 045,995. In the light of the communications made between Audit and WAPDA, recoveries aggregating Rs.473, 344 have been verified. The balance amounting to Rs.2, 572,651 is still outstanding.

The Committee directed the department to recover the outstanding amount and reported to the PAC and Audit within three months.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

12. **FICTITIOUS PAYMENT TO A PATROL SUPPLIER RS.2,205 MILLION (PARA 9, PAGE 19-AR)**

Audit pointed out that a fictitious payment of Rs.2, 205,251 was made to a supplier with the collaboration of WAPDA staff.

The Ministry informed that an enquiry committee was formed. Action against certain officers/officials has been taken and an amount of Rs.1, 879,967 had been recovered. The balance recovery of Rs.325, 264 is awaited.

The Committee conveyed its displeasure on the financial mismanagement of the department and directed the Principal Accounting Officer to recover the balance amount from the concerned staff and take action against them under E&D Rules.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

13. **LOSS DUE TO ELECTRIFICATION OF VILLAGES WITH FICTITIOUS NAMES RS.1.611 MILLION (PARA 10, PAGE 20-AR)**

Audit informed that under the rules, tubewell connections are given after recovering full cost less subsidy if admissible, but 13 tubewell connections were given from the H.T/L.T lines and substations under the coverage of "Village Electrification Programme" resulting into a loss of Rs.1,610,790 to the Authority. SDO concerned certified on the estimates that Authority's criteria for "Village Electrification Programme" was not fulfilled and undue benefit was given to the land owners who got tubewell connections.

On a query by the Committee, the departmental representative informed that the villages electrification was approved by the then Federal Minister for Water and Power and WAPDA officials confirmed that connections were given, under the rules/instructions of the Authority.

The Committee observed that the matter needs investigation for fixing responsibility of loss and recovery of Rs.1.611 million from the defaulters. The Committee after having the views of the Principal Accounting Officer of the M/O Water and Power, directed the Ministry to recover the loss and for referring the case to Ehtasab Commission against the then Federal Minister for Water and Power and the Senior Officers (Project Director/Chief Engineer and above) who approved the case to provide the electricity for the private tube wells under the coverage of Village Electrification Programme.

The Committee also recommended the promotion of the then SDO WAPDA, Chistaian, who pointed out in his report about non-existence of villages in that area and illegal provision of electricity for private consumption. The progress of actions taken is to be reported to the PAC within three months.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

14. **IRREGULAR REFUND OF LIQUIDATED DAMAGES RS.4.594 MILLION (PARA 11, PAGES 20-21-AR)**

Audit pointed out that a purchase order for supply of transformers was placed on a local firm in May, 1984. The supply was to be completed up to September 30, 1984 but was actually completed in March, 1986. Liquidated damages amounting to Rs.6, 790,112 were recovered from the firm @ 2% per month of the cost of material supplied late without any ceiling. The authority in February, 1993 made an amendment in the purchase

order by restricting liquidated damages to a maximum of 10% of the contract price. As a result of this amendment an amount of Rs.4, 594,363 was refunded to the firm in May,1993. Since the firm had accepted the terms and conditions of the original purchase order, liquidated damages worth Rs.6, 790,112 were deducted according to provision of the contract/purchase order. Hence refund of Rs.4, 594,363 as a result of subsequent amendment was irregular and need justification.

The Ministry informed that WAPDA Limited deduction of Liquidated damages up to maximum of 10% of the contract price in October, 1989. Hence the amount refund to the firm was admissible.

The Committee was not satisfied with the explanation given by the Ministry.

The Committee directed the Principal Accounting Officer to take action against the concerned officials, recover the amount and report to the PAC within three months.

The para was again discussed by the PAC and its directive is printed at page No.192 of the Ad-hoc PAC Report for Year 1996-97.

15. **INFRACTUOUS EXPENDITURE ON THE RE-IMBURSEMENT OF SURCHARGE FOR IMPORTING A DREDGERS.1.247 MILLION (PARA 12, PAGES 21-22-AR)**

On the recommendation of Audit the Committee settled the para.

16. **UN-NECESSARY BLOCKING OF FUNDSRS.314.416 MILLION (PARA 13, PAGE 22-AR)**

Audit pointed out that WAPDA's failure to obtain refund of octroi security deposited with Karachi Metropolitan Corporation, as on June, 30,1994 was due to non-production of octroi deposit receipts. It resulted in a loss of Rs.314.416 million.

The Audit further informed that the matter is in pursuance with the auditee organization. Evidence of clearance with KMC as stated by Ministry has not so far been provided. Hence the para may be settled subject to verification by Audit.

The Ministry stated that we have recovered rupees twenty million in last two months and in future WAPDA and KESC will not give cash payment to KMC without providing bank guarantee.

The Committee made no comments and settled the para subject to verification by Audit.

17. **LOSS OF RS.19.559 MILLION DUE TO NON-IMPLEMENTATION OF EQUIPMENTS REMOVAL ORDERS (ERO'S) (PARA 14, PAGES 22-23-AR)**

Audit pointed out that 3574 Equipments Removal Orders were issued but not implemented against consumers defaulting for an amount of Rs.19,558,851. It was replied at the time of inspection in June, 1993 that the concerned SDO's would be directed to implement these orders. The Authority was advised to get the ERO's implemented and take disciplinary action against the officials who failed to implement these orders and arrange recovery of outstanding dues.

The Ministry informed that Chairman, Area Electricity Board has initiated disciplinary action against the line Superintendents concerned.

The Committee settled the para subject to verification by Audit.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

18. **LOSS DUE TO THEFT OF MATERIAL AND CASHRS.16.470 MILLION (PARA 15, PAGES 23-27-AR)**

Audit pointed out that the Authority sustained a loss of Rs.16, 469,890 due to theft of material and cash in various formations of WAPDA. Reports of the departmental enquiry Committee's and police investigation were not available at the time of Audit Inspection.

The Audit further informed that Fifty (50) formations have been involved in this para. Pursuance for recovery and regularization of loss is still underway. Moreover in the draft recovery of Rs.11.1 million is stated to have been under process as per information of Ministry. So the para may not be settled until and unless the whole loss is recovered/regularized. However, it may be settled subject to verification by Audit.

The Ministry informed that out of Rs.15.6 million the department has recovered Rs.1.5 million and Rs.3.1 million was written off by the Authority. The recovery of Rs.11.1 million is under process.

The Committee made no comments and settled the para subject to verification by Audit.

19. **NON-RECOVERY OF LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF A WORKRS.16.480 MILLION (PARA 16, PAGE 27-AR)**

Audit pointed out that in a drainage project, a work was awarded to a contractor in July, 1988 scheduled to be completed by 9th January, 1990, was completed on October 15, 1992 as per completion certificate dated January 21, 1993. Neither extension was granted nor liquidated damages of Rs.16.480 million recovered for the delay in work as per contractual provisions, resulting in a loss to the Authority to this extent.

The Ministry stated that the extension in the completion period for 1010 days i.e. up to October 15, 1992 without imposition of L.Ds was granted for October 11, 1994. The

reasons for the grants of extension were delay due to approval of PVC pipe, Grave Envelop, design changes etc.

The Committee constituted an Inter-departmental Committee comprising a nominee each from Audit (Convener), M/O Finance and M/O Water and Power to examine the issue and submit its report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.192 of the Ad-hoc PAC Report for Year 1996-97.

20. **LOSS OF US \$ 78000 EQUIVALENT TO RS.2,041,149 DUE TO DAMAGE OF CT TEST BENCH (PARA 17, PAGE 27-AR)**

On the recommendation of Audit, the Committee settled the para.

21. **LOSS DUE TO INCORRECT CREDIT OF DISMANTLED TRANSFORMERS RS.954,790 (PARA 18, PAGES 28-29-AR)**

Audit pointed out that the rules provide that in extension of load cases credit of the depreciated value of a transformer removed from the consumer's premises can only be given to those consumers who had previously paid the full cost of the transformers. In violation of these rules credit for dismantled transformers was also given to those consumers who were previously provided this equipment free of cost by WAPDA. This resulted in a loss of Rs.954,790 in 13 formations.

The Ministry stated that recovery has been effected in seven cases, whereas in six cases recovery is stated to be not due because of the cancellation of the cases and disconnection of the premises.

The Committee settled the para subject to verification by Audit.

The para was again discussed by the PAC and its directive is printed at page No.191 of the Ad-hoc PAC Report for Year 1996-97.

22. **NON-ACCOUNTAL OF MATERIAL RS.1,352,314 (PARA 19 (I), PAGE 29-AR)**

Audit pointed out that material worth Rs.1,352,314 was drawn from store but record showing its bonafide accountal/consumption was not produced to Audit at the time of inspection leading to the apprehension that the material had been mis-appropriated.

The Ministry stated that three line Superintendents drew the material. In respect of one, a Committee was formed to ascertain whether the material was installed or not. In respect of remaining two persons record was ready for verification. Accountal of material worth Rs.1, 199,062 has been verified leaving a balance of material valuing Rs.153, 252 (Rs.1, 352,314 Rs.1, 199,062).

The Committee conveyed its displeasure and observed that the issue needs investigation for fixing responsibility. The Committee directed the Principal Accounting Officer to examine the matter and report to the PAC within 15 days.

The para was again discussed by the PAC and its directive is printed at page No.192 of the Ad-hoc PAC Report for Year 1996-97.

23. **NON-ACCOUNTAL OF MATERIAL RS.2,511,014 (PARA 19 (II), PAGE 29-AR)**

Audit pointed out that material worth Rs.2, 511,014 was drawn from store but record showing its bonafide accountal/consumption was not produced to Audit at the time of inspection leading to the apprehension that the material had been mis-appropriated.

The Ministry stated that the person responsible is being removed from the service. Orders of removal from service of defaulter and accountal of store or recovery of cost of material worth Rs.2, 511,014 from him are awaited in audit.

The Committee conveyed its displeasure and observed that the issue needs investigation for fixing responsibility. The Committee directed the Principal Accounting Officer to examine the matter and report to the PAC within 15 days.

The para was again discussed by the PAC and its directive is printed at page No.193 of the Ad-hoc PAC Report for Year 1996-97.

24. **UN-KNOWN WHEREABOUTS OF TRANSFORMERS RS.1.667 MILLION (PARA 20, PAGES 29-30-AR)**

Audit pointed out that transformers of various capacities removed through augmentation were neither returned to store nor utilized on other works. The authority suffered a loss of Rs.1.667 million due to their mis-appropriation.

The authority stated that the dismantled transformers except two 50 KVA transformers were either returned to store or utilized on other works through Job Transfer Notes.

The Committee settled the para subject to verification by Audit.

The para was again discussed by the PAC and its directive is printed at page No.193 of the Ad-hoc PAC Report for Year 1996-97.

25. i) **AVOIDABLE EXPENDITURE ON PAYMENT OF PENAL CHARGES RS.911, 856 (PARA 21, PAGE 30-AR)**
ii) **IRREGULAR EXPENDITURE INCURRED ON A DRAIN RS.724,063 (PARA 22, PAGES 30-31-AR)**

The Committee made no comments and settled the above two paras.

ACTIONABLE POINTS
16TH DECEMBER, 1997

AUDITREPORT (WAPDA) (VOL-VII-1993-94)

26. **LOSS DUE TO NON-RECEIPT OF FURNACE OILRS. 464,384 (PARA 23, PAGE 31-AR)**

Audit pointed out that in a power station, arrangements were made for the purchase of furnace oil from M/s PSO and PBS, Karachi through Pakistan Railways. It was observed that ten wagons of furnace oil valuing Rs.464, 384 were not received by WAPDA till March, 1993.

The Audit further informed that the matter is in pursuance with the auditee organization. Evidence for realization of two remaining wagons of furnace oil has not been provided to Audit. Hence the para may be settled subject to verification by Audit.

The Ministry stated that out of ten wagons, eight wagons valuing Rs. 371,653 were realized and efforts for the remaining two wagons valuing Rs. 92,731 were being made.

The Committee made no comments and settled the para subject to verification by Audit.

27. **EXCESS EXPENDITURE ON DEPOSIT WORKSRS. 1.009 MILLION (PARA 24, PAGES 31-32-AR)**

Audit pointed out that in four formations of WAPDA an expenditure of Rs. 1,009,191 on deposit works was incurred in excess of amounts deposited by the concerned agencies.

The Ministry informed that an amount of Rs. 31214 has been recovered/adjusted and an amount of Rs. 281,938 has to be recovered.

The Committee directed the department to recover the outstanding amount under intimation to the PAC within two months.

The para was again discussed by the PAC and its directive is printed at page No.192 of the Ad-hoc PAC Report for Year 1996-97.

28. **NON-RECOVERY OF REPLACEMENT COST OF DAMAGED TRANSFORMERS RS.434,374 (PARA 25, PAGES 32-33-AR)**

Audit pointed out that in three formations of WAPDA burnt/damaged transformers installed at the premises of individual consumers were changed with new one with out recovering cost of the new ones worth Rs. 434,374.

The Audit further informed that the para relates to three (3) formations. Record for two (2) formations stands verified while verification for Rs.0.302 million relating to 3rd

formation is still outstanding for which pursuance is under way. Hence the para may be settled subject to verification by audit.

The Ministry stated that 75 KVA transformers was old and feeding 3 industrial connection and 14 domestic connections, since it was a distribution transformer hence its cost is not recoverable. Four transformers were involved which were stated to be burnt due to rain so no amount is recoverable. An inquiry Committee was constituted to probe into the causes of damage of ten transformers involved inquiry in respect of 3 transformers could not been conducted as the persons failed to attend the enquiry proceedings. No body was held responsible regarding damage of seven transformers.

The Committee made no comments and settled the para subject to verification by Audit.

29. **NON-RECOVERY OF COST OF MATERIAL FROM A CONSUMER RS.364,324 (PARA 26, PAGE 33-AR)**

On the recommendation of Audit, the Committee settled the para.

30. **LOSS DUE TO IRREGULAR EXTENSION OF LOAD RS. 317,100. (PARA 27, PAGE 33-34-AR)**

Audit pointed out that the connected load of a consumer was enhanced from 229 KW to 387 K.W by giving connection from 630 KVA transformer. As the extension of load was beyond 10% of existing load hence the connection was to be treated as new one but this was not done resulting in loss of Rs. 317,100 to Authority.

The Ministry stated that the connection was fed through a 400 KVA transformer instead of 630 KVA. The amount of which had already been deposited on May 13, 1976 and security amounting to Rs. 55,300 also recovered from the consumer up to the extended load i.e. 387 KW.

The Committee was satisfied with the explanation given by the Ministry and settled the para.

31. **NON-RECOVERY OF LIQUIDATED DAMAGES RS. 170,077(PARA 28, PAGE 34-AR)**

Audit pointed out that a purchase order for supply of wooden cross arms was placed on a firm in 1977. Liquidated damage due to late supply of material were recovered partially from the firm leaving a balance of Rs. 170,077. This amount could neither be recovered nor performance bond was got encashed. WAPDA filed civil suit against the firm and case was decided in favour of WAPDA in December, 1987 but the amount was not recovered. It was replied in June, 1993 that the firm no more existed.

The Committee directed the department to fix responsibility and take action against the concerned officer(s), why they did not encash the performance bond in time and report to the PAC.

The above para was again reviewed by the PAC on 09-04-1999. The Committee made no comments and settled the para.

32. **EXTRA EXPENDITURE DUE TO PURCHASE OF POL AT HIGHER RATES FROM WAPDA FOUNDATION RS.100,096 (PARA 29, PAGES 34-35-AR)**

Audit pointed out that in a WAPDA formation project authorities purchased POL from WAPDA foundation at higher rates than the prevailing market rates which resulted in extra expenditure of Rs. 100,096.

The Ministry stated that WAPDA foundation is a charitable institution engaged in welfare activities of families of deceased WAPDA employees and to meet with its expenses markup of a few pasias on POL items is added.

The Committee directed that Audit would examine whether rates of POL offered by WAPDA foundation are not higher than the market rates. WAPDA should not suffer on account of higher rates. A report in this context be furnished to the PAC within one month.

The above para was again reviewed by the PAC on 09-04-1999. The Committee made no comments and settled the para.

33. **NON-RECOVERY OF COST OF BURNT 11 KV BULK METERING PANEL RS. 144,573 (PARA 30, PAGE 35-AR)**

Audit pointed out that an 11 KV bulk metering panel was burnt/damaged due to short circuiting. The matter was also inquired into by an inquiry Committee. According to recommendation of the Committee, the cost of 11 KV metering panel worth Rs. 144,573 was required to be recovered from the respective consumer. But this was not done resulting in loss of Rs.144,573 to the Authority.

The Ministry stated that the case is subjudice. Originally the case was decided in favor of WAPDA by the Lahore High Court but the consumer lodged an appeal against the said decision in the Supreme Court, whose decision is awaited.

The Committee appreciated the role of WAPDA and settled the para.

34. **UN-DUE FAVOUR TO A CONSUMER RS.65,378 (PARA 31, PAGES 35-36-AR)**

Audit pointed out that a permanently disconnected consumer was re-connected in contrary to the authority's instructions dated September 9, 1982 without recovering the outstanding dues, minimum fixed charges and cost of material and labour from the

defaulting consumer. Hence the authority was put to loss of Rs. 65,378 (Rs.68,653 - Rs.3,275) as only cost of PVC worth Rs. 3,275 was recovered.

The Ministry stated that the alleged irregularities are under investigation by an inquiry Committee. Action has been taken according to inquiry report.

The Committee made no comments and settled the para.

35. i) **PERFORMANCE AUDIT REPORT ON TRIMMU SINDHNAI MAILSI BAHAWAL LINK CANAL DRAINAGE PROJECT (PARAS 1-7, PAGES 67-74-AR)**
ii) **PERFORMANCE AUDIT REPORT ON GOJRA- KHEWRA (PHASE-1) PROJECT (PARAS 1-4, PAGES 83-107-AR)**
iii) **PERFORMANCE AUDIT REPORT ON FORDWAH EASTERN SADIQIA SALINITY CONTROL AND RECLAMATION PROJECT (SCARP) VIII (UNIT-II) BAHAWALNAGAR (PARAS 1-3, PAGES 115-120-AR)**
iv) **SPECIAL STUDY REPORT ON POSSIBLE DANGER TO MANGLA RESERVOIR DUE TO CONSTRUCTION OF WULLAR BARRAGE BY INDIA (PARAS 1-9, PAGES 123-133-AR)**

On the presentation of Performance/Study Reports of the above mentioned four projects, the Committee was informed that 56 SCARP projects were launched in Pakistan at a cost of Rs. 25581 million. All these projects however had lost their utility for want of proper maintenance.

The Committee observed that such a failure of the projects and loot of national wealth led to a sad situation in which precious agricultural lands were again falling prey to water logging and salinity.

The Committee directed the department to examine the performance reports including all the other SCARP projects in Pakistan and report to the PAC within one month.

As regards Special Study Report (SSR) Sr. (iv) Ministry stated that the issue being sensitive would be explained to AGP and PAC in Camera.

ACTIONABLE POINTS 1988-89

36. **AVOIDABLE EXPENDITURE OF RS.5,215,888 DUE TO IMPROPER PLANNING (PARA 4, PAGES 93-94-AR) (ITEM 5-AP-88-89)**

The para was discussed in the PAC meeting held on 31-1-1993 and Committee had directed that WAPDA and Audit should re-examine the case jointly and report to the PAC.

The detailed report received in this office in June, 1995 for vetting. It was a case of bad planning which entailed extra expenditure of Rs. 5,215,888 just after 15 months of the completion of the original work. The responsibility needs to be fixed for bad planning.

The Committee made no comments and settled the para.

37. **EXCESS PAYMENT OF RS. 2.593 MILLION TO CONTRACTORS (PARA 5, PAGES 94-96-AR) (ITEM 6-AP-88-89)**

Audit pointed out that in North Dadu Surface Drainage Project, Sukkar, various Contractors were allowed running payments on the basis of measurement recorded in measurement books. Contractors abandoned the works after receiving heavy payments. On re-checking and site verification, it was observed that the work done was less than that already measured and paid. This resulted in excess payment of Rs. 2.593 million.

The Committee conveyed its displeasure on the issue and directed the department to re-examine the case and report to the PAC within one month.

The para was again discussed by the PAC and its directive is printed at page No.192 of the Ad-hoc PAC Report for Year 1996-97.

38. i) **ACCEPTANCE OF SUB-STANDARD MATERIAL AND UNDUE FAVOUR TO SUPPLIERS- RS.1,954,470 (PARA 6, PAGES 96-97-AR) (ITEM 7-AP-88-89)**
ii) **IRREGULAR AND UN-AUTHORIZED EXPENDITURE OF RS. 1.948 MILLION ON PURCHASE OF PAJERO JEEPS (PARA 7, PAGE 97-AR) (ITEM 8-AP-88-89)**

On the recommendation of the Audit, the Committee settled above two paras.

39. **WASTEFUL EXPENDITURE OF RS. 12,836,874 ON CONSTRUCTION AND DEMOLITION OF SWITCH-YARD FOUNDATIONS (PARA 9, PAGE 98-AR) (ITEM 9-AP-88-89)**

Audit pointed out that loss sustained by the Authority due to dismantlement of foundations plus idle foundations comes to Rs. 4,121,234 instead of Rs. 3 million only. It was further replied on January 5, 1997, that deference in loss has arisen due to increase in figures from Rs. 8,241,016 originally pointed out by Audit to Rs. 11,886,874. It is worth mentioning that construction cost of the dismantled foundation as in corporate in para too was Rs. 11,886,874.

Audit further informed that the foundations in question were constructed in anticipation that a Russian unit will be installed. But subsequently Chinese unit was installed, due to which the foundations already constructed had be dismantled. Therefore responsibility for loss due to dismantlement of foundations need to be fixed.

The Committee settled the para.

40. i) **BURNING/DAMAGING OF 125 MVA POWER TRANSFORMER AT GADDU POWER PROJECT (PARA 11, PAGES 99-100-AR) (ITEM 10-AP-88-89)**
ii) **LOSS OF RS. 490,003,522 DUE TO IMPROPER OPERATION OF A POWER HOUSE UNIT (PARA 12, PAGE 100-AR) (ITEM 11-AP-88-89)**
iii) **LOSS OF RS. 4,747,489 ON ACCOUNT OF DAMAGE OF LINE/THEFT OF MATERIAL (PARA 13, PAGES 100-101-AR) (ITEM 12-AP-88-89)**

On the recommendation of Audit, the Committee settled the above three paras.

41. **NON-PRODUCTION OF CONSUMPTION/ACCOUNTING RECORD RS. 34.659 MILLION (PARA 19, PAGES 106-107-AR) (ITEM 14-AP-88-89)**

Audit pointed out that Account of the Scarp Electrification Project, Lahore for the period ending on December, 1988 showed that (i) the project Authorities did not produce record showing their accountal/consumption (ii) after completion of the projects the consumption record of the material had not been produced to Audit.

Accountal of material valuing Rs. 29,244,101.87 has been verified leaving a balance of Rs. 993,164.55. Physical verification of stores and assets have not been verified by Audit. The Committee made no comments and settled the para.

42. i) **MIS-APPROPRIATION OF GRAVEL COSTING RS. 59,162 (PARA 8.1, PAGE 61-ARCW) (ITEM 1-AP-88-89)**
ii) **NON-IMPOSITION OF LIQUIDATED DAMAGES RS. 55,700 (PARA 8.2, PAGE 61-ARCW) (ITEM 2-AP-88-89)**

ACTIONABLE POINTS 1985-86

- iii) **BLOCKAGE OF FUNDS IN PURCHASE OF MINI-DREDGER RS.7.033 MILLION (PARA 9.7, PAGE 99-AR) (ITEM 5-AP-85-86) (ITEM-3-AP-88-89)**

On the recommendation of Audit, the Committee settled above three paras subject to verification by the Audit.

The para (9.7) was again discussed by the PAC and its directive is printed at page No.186 of the Ad-hoc PAC Report for Year 1996-97.

ACTIONABLE POINTS 1988-89

43. i) **IRREGULAR PAYMENT OF BONUS TO DEPUTATIONISTS AMOUNTING TO RS. 97,801 (PARA 939, PAGE 649-ARPSE) (ITEM 5-AP-88-89)**

ACTIONABLE POINTS 1987-88

- ii) **IRREGULAR PAYMENT OF BONUS AMOUNTING TO RS. 269,131 TO OFFICERS (PARA 86, PAGES 110-111-ARPSE) (ITEM 3-AP-87-88) (ITEM 6-AP-88-89)**

The Committee was satisfied with the explanation given by the department and settled the above two paras.

MINISTRY OF WOMEN DEVELOPMENT

1. OVERVIEW

Appropriation Accounts and Annual Audit Reports on the A/cs of Federal Govt. for the year 1993-94 pertaining to the M/o Women Development were taken up for examination by Public Accounts Committee (PAC) on August 11, 1997.

- 1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer(PAO), made its recommendations in a number of cases involving non-monitoring of funds, non-submission of adjustment A/c, irregular expenditure on A/c of Grant in Aid.
- 1.2 There were 1 para reported by Audit and 3 Grants reported by AGPR. These Paras were initially examined by the Departmental Accounts Committee (DAC) and then were discussed in the meeting of PAC.
- 1.3 The PAC regularized saving/excess of the Grants with the direction to monitor the budgetary system and in future there should be no excess/no saving.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Ministry of Women's Development held on 11th August, 1997 are as under:-

11TH AUGUST, 1997

APPROPRIATION ACCOUNTS (CIVIL)(VOL-I -1993-94)

1. GRANT NO.135-MINISTRY OF WOMEN'S DEVELOPMENT (PAGE 79-AA)

The grant closed with a saving of Rs. 5,765,538 which works out to 28.53 % of the total grant.

The Ministry informed that there was misunderstanding between Audit and the Ministry. Now the Audit has accepted the point of view of the Ministry.

The Committee settled the grant.

2. GRANT NO.179-DEVELOPMENT EXPENDITURE OF MINISTRY OF WOMEN'S DEVELOPMENT (PAGE 80-AA)

The grant closed with the saving of Rs.16,810,573 which works out to 29.78 % of the total grant. An amount of Rs.14,441,000 was surrendered leaving net saving of Rs.2,369,573.

The Ministry informed that the saving was due to non release of funds projects owing to non-completion of formalities for release.

The Committee settled the grant.

3. **GRANT NO.180-DEVELOPMENT EXPENDITURE OF SPECIAL PROGRAMME FOR WOMEN'S (PAGE 81-AA)**

The grant closed with a saving of Rs.91,119,000 which works out to 31.10 % of the total grant. An amount of Rs.3,000,000 was however, surrendered leaving net saving of Rs.6,119,000.

The Ministry informed that the saving was due to non-release of funds to projects for want of formalities required for release.

The Committee settled the grant.

ACTIONABLE POINTS 1988-89

Audit pointed out that while examining the accounts of Ministry of Women's Development for 1988-89, the PAC advised Audit to complete the Performance Audit of the Ministry. Audit informed that Performance Audit of the Ministry has been completed which is still to be examined by the PAC.

The Committee deferred the para.

YOUTH AFFAIRS DIVISION

1. OVERVIEW

Appropriation Accounts for the year 1993-94 pertaining to the Youth Affairs Division were taken up for examination by the Public Accounts Committee (PAC) on July 8, 1998.

1.1 The PAC having considered Audit's point of view and explanation given by the Principal Accounting Officer (PAO), made its recommendations.

1.2 There were 2 Grants presented by the AGPR. These were initially examined by the Departmental Accounts Committee (DAC) and thereafter were discussed in the meeting of the PAC.

ACTIONABLE POINTS

Actionable points arising from the discussion of the PAC meeting on the Youth Affairs Division held on 8th July, 1998 are as under:-

8TH JULY, 1998

APPROPRIATION ACCOUNTS (CIVIL)(VOL-I-1993-94)

1. GRANT NO.27-YOUTH AFFAIRS DIVISION (PAGE 106-AA)

An amount of Rs.598, 200 was surrendered leaving net saving of Rs.2, 553,873.

The Division stated that the saving of Rs.2,067,600 was due to non clearance of a plan prepared by the Chairman National Youth Development Board for promoting National integration in the light of the then Prime Minister's directive. The saving was also due to non approval of releases/advances drawn by M/O Finance till the close of financial year to organize various youth activities.

The Committee desired that economy cut should be imposed on non development expenditure and not on development expenditure.

The Committee settled the grant.

2. GRANT NO.149-DEVELOPMENT EXPENDITURE OF YOUTH AFFAIRS DIVISION (PAGE 109-AA)

The final grant was Rs.40, 032,000 and actual expenditure was Rs.1, 964,400. There was saving of Rs.2, 067,600.

The Division replied that a plan was prepared under the directive of the then Prime Minister for promoting National integration through inter provincial visits of youth under

annual youth exchange programme, competitions at districts/divisional levels in different fields. The plan was not approved till the close of financial year.

The Committee settled the grant with the direction to be careful in future.

**REPORT OF THE
SUB-COMMITTEE**

REPORT OF THE SUB-COMMITTEE CONSTITUTED BY THE AD-HOC PUBLIC ACCOUNTS COMMITTEE (APAC) REGARDING OUTSTANDING ACTIONABLE POINTS FOR THE YEARS 1999-2000, 1996-97 & 1993-94 PERTAINING TO PAKISTAN INTER NATIONAL AIRLINES CORPORATION (PIAC)

(AVIATION DIVISION)

CONSTITUTION OF THE SUB-COMMITTEE

The Ad-hoc PAC, on September 13, 2002, constituted a Sub-Committee comprising Mr. Muzaffar Ahmed, Member APAC (Convener) and Mr. Muhammad Hassan Bhutto, Member APAC (Member) to review the outstanding Actionable Points for the year 1999-2000, 1996-97 & 1993-94 pertaining to the PIAC (Aviation Division).

DATES OF SUB-COMMITTEE MEETINGS & NAMES OF PARTICIPANTS

The Sub-Committee held its meetings on September 30 & October 01, 2002, in the Board Room of the PIAC Headquarters, Karachi. Besides Convener of the sub-Committee, Mr. Muzaffar Ahmed, the following attended the meetings:-

1. Mr. M. Hassan Bhutto
Member
2. AVM Raashid Kalim
Additional Secretary
(M/o Defence)
3. Mr. Muhammad Naseem Qureshi
Senior Joint Secretary
(M/o Defence)
4. Ch. Abdul Rauf
Joint Secretary
(M/o Defence)
5. Mr. Naseer Uddin
Financial Advisor (R&CA)
6. Mrs. Samina Shaheen Niazi
Director General (CA&E)
7. S. Farooq Hussain Shah
Director (Marketing) PIA
8. AVM ® Niaz Hussain
Director Engineer

9. Syed Kamran Hasin
Director RP
10. Mr. Amir Haider
General Manager Accounting
11. Capt. Shuja Naqvi
General Manager
Pass Senr., ASD
12. Mr. Mukhtar A. Qazi
Chief Engineer (P&P)
Engineering Department, Karachi
13. Mr. M. Ishtiaq Ali
Chief Internal Audit
14. Mr. Bhagwan Bharvani
Manager Audit
15. Mr. Muhammad Ibrahim Rajput
Accounts Officer
Commercial Audit Department, Karachi
16. Syed Akhtar Rasul Kazimi
Commercial Audit Department, Karachi

DELIBERATIONS OF THE SUB-COMMITTEE

The meetings started with recitation from the Holy Quran. The Sub-Committee deliberated on the following paras:-

ACTIONABLE POINTS FOR 1999-2000

1. **AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-I-1999-2000)**
NON-SUBMISSION OF ANNUAL AUDITED ACCOUNTS OF DIFFERENT ORGANIZATIONS OF THE PIAC (AVIATION DIVISION)
(PARA 6(VI TO XIII), PAGE 8-ARPSE)

Audit informed the Committee that the accounts of PIA Holding (Pvt) Ltd. (un-audited), PIA Hotel Ltd., PIA shaver Poultry Breeding Farms (Pvt) Ltd. Midway House (Pvt) Ltd., Sky rooms (Pvt) Ltd., and Minhal Incorporated; for the year 1999-2000, had been received to them.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the Para for settlement in light of Audit's information.

2. **WORKING RESULTS (ACCUMULATED LOSSES) OF PIAC (PARA 78-81 & 82 PAGES 69-70-ARPSE)**

The management apprised the Committee that various remedial measures like aging of doubtful debts, hiring of Chartered accounts firms like Ferguson & Co.; for reconciliation of blocked/non-reconciled accounts etc., had been taken to realize/reduce the accumulated losses of the Corporation. The management further appraised that by implementing the Chief Executive's directives, the Corporation had earned profit of Rs. 552.969 million before tax; as per un-audited accounts for the half year ended on June 30, 2002.

SUB-COMMITTEE's RECOMMENDATIONS

The Sub-Committee directed the Ministry to provide copies of the Summary/package approved by the Chief Executive and Subsequent viz-a-viz actions taken by the Ministry in compliance of the Chief Executive's Directives, to Audit with a report to the Committee.

3. i) **LOSS BEFORE TAXATION AMOUNTED TO RS. 1453 MILLION AND AFTER TAXATION RS. 2052 MILLION DURING THE YEAR 1999- (PARA 79, PAGE 69-ARPSE)**
- ii) **DIMINUTION OF RS. 283.343 MILLION IN THE VALUE OF INVESTMENT IN THE SUBSIDIARY COMPANIES OF THE (PARAS 88-89, PAGE 71-ARPSE)**

The management informed the Committee that the Corporation had already dis-invested in PIA Holding (Pvt) Ltd. and Duty Free Shops (Pvt) Ltd. Moreover, efforts were being made to stop further investment in non-core activities and to dis-invest remaining subsidiaries through Privatization commission.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee directed the management to accelerate its efforts for dis-investment in all the subsidiaries, fix a time frame for the said purpose in consultation with the Ministry and report to Audit/committee.

4. **LOSS OF RS. 47.929 MILLION DUE TO PREMATURE SCRAPPAGE OF SPARES (PARA 87, PAGE 71-ARPSE)**

The management informed the Committee that following an air crash of some other airline in 1990, the Civil Aviation Authorities had reduced engine's life. It was also claimed that safety of people's life was the prime concern rather than the money. The Ministry informed that the Corporation had no policy but procedure for scrapping the spares.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee directed the management to provide all the stated facts alongwith details of items failed before their fixture to audit within one month. The IDC constituted by the APAC was, however, directed to identify the ratio of losses occurred due to failure of manufactures viz-a-viz the management and submit report to the Committee.

5. **DOUBTFUL DEBTS AMOUNTING TO RS 334,322 MILLION
(PARA 91, PAGE 71-ARPSE)**

On presentation of statement showing the details of trade debts and doubtful debts for the year 1998 to 2001 by the management, Audit informed that the pace of recovery was not satisfactory.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement.

6. **IRREGULAR AND UNJUSTIFIED EXPENDITURE OF RS.144.436 MILLION
ON ACCOUNT OF DOUBLE ACCOUNTING DISCOUNT SYSTEM (DADS)
(PARA 94, PAGE 73-ARPSE)**

The Ministry intimated that the Marketing Department of PIA had already initiated steps for proper monitoring and control of issuance of tickets under the double accounting deduction system (DADS).

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement, however, it directed the management to continue its efforts for reducing the issuance of online tickets under DADS system with report to Audit.

7. **IRREGULAR EXPENDITURE OF BHD 3767 EQUIVALENT TO (PAK. RS 0.460
MILLION)
(PARA 96, PAGE 74-ARPSE)**

The Ministry apprised the Committee that VVIP Aircraft (BEH) was leased out to Government for which lease rental was paid to PIAC by the Government in accordance with various agreements signed with them. Moreover, VVIP fight handling expenses were therefore, absorbed by the PIA and booked under proper head of accounts.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee directed the Ministry/Management to provide all the stated facts to Audit for verification within ten days and report to the Committee.

PIA INVESTMENT LIMITED

8. (PARAS 97, 98 & 99. PAGE 75-ARPSE)

The Ministry informed the Committee that the IDC constituted by the APAC held in its meeting on May 28 & July 08, 2002 and finalized its report. The Ministry also appraised that the Chief Executive had ordered dis-investment in all the properties held by the PIAC. It was further stated that a foreign firm had been hired for re-evaluating the Roosevelt Hotel and its figure was expected to come in three months.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee noted the conclusion of the IDC Report and directed the Ministry to provide copies of package/summary approved by the Chief Executive and subsequent actions taken by the Ministry, to audit with a report to the Committee.

ACTIONABLE POINTS FOR 1996-97

9. AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-A-1996-97) PAKISTAN INTERNATIONAL AIRLINES CORPORATION (PARAS 5-7, PAGES 11-12-ARPSE) (ITEM 4-AP-1996-97)

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the paras for settlement as these were covered under recommendation given at serial 2 above.

10. AVOIDABLE EXPENDITURE OF RS.33.459 MILLION ON ACCOUNT OF GROUND FEEDING OF PAX DUE TO DELAYED FLIGHTS (PARA 13 PAGE 14-ARPSE)(ITEM 5-AP-1996-97)

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement; however, directed the management to provide stationwise details alongwith per person expenditure to Audit.

11. LOSS OF RS.2.617 MILLION DUE TO NON-UTILIZATION OF WATER CONNECTION (PARA 15 PAGE 15-ARPSE)(ITEM 6-AP-1996-97)

The Ministry informed the Committee that the land had been given to the PIAC.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement subject to verification of the stated facts by Audit.

12. **LOSS OF RS.2.030 MILLION DUE TO DEFAULT OF PAX AGENT
(PARA 16 PAGE 16-ARPSE)(ITEM 7(i)-AP-1996-97)**

The management informed that Committee that out of Rs. 5.492 million Rs 3.639 million had been received from M/s Fly Time Travels Ltd. It, however, admitted that the balance amount Rs. 1.853 million was non-recoverable. The Ministry intimated that the new Revenue Management System for the said purpose was under finalization of negotiation.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee directed the Ministry to provide all the stated facts alongwith details of aging of bad debts to Audit for verification. The Sub-Committee also directed the management to minimize discretions, categories agents in terms of credits, remove time delays by monthly review and report to Audit/Committee.

13. **EXPECTED LOSS DUE TO NON-RECOVERY OF INTER-LINE REVENUE OF
US \$ 57218 (PAK, RS 1.558 MILLION) FOR NON-IATA SHAHEEN AIRLINES
(PARA 17 PAGE 17-ARPSE)(ITEM 8-AP-1996-97)**

Audit informed the Committee about verification of Rs. 1.621 million recovered from M/s Shaheen Airlines and recommended the para for settlement.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement in the light of Audit's recommendations.

14. **LOSS OF RS. 1.106 MILLION DUE TO DEFAULTING OF PAX AGENT
(PARA 18 PAGE 18-ARPSE)(ITEM 7(ii)-AP-1996-97)**

The Ministry informed the Committee that about half of the amount had been recovered whereas the remaining amount was non-recoverable. It was further stated that the officers concerned had left the Corporation and no action was possible.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement subject to verification of recovery by Audit.

15. **LOSS OF RS.0.498 MILLION DUE TO IRREGULAR PROCUREMENT OF
PAPER CUPS FOR COLD DRINKS COSTING RS.10.296 MILLION
(PARA 19 PAGE 19-ARPSE)(ITEM9-AP-1996-97)**

Audit recommended the para for settlement.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement in light of Auditor's recommendation.

16. **INTERNATIONAL ADVERTISING (PVT) LTD**
(PARA 26 PAGE 25-ARPSE)(ITEM10-AP-1996-97)

The Ministry apprised the Committee that out of court settlement of the case was underway. Audit claimed that there were two cases contained in the para and one of the case was against Mr. Naseer Haider, ex-employee of the Corporation.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee directed the Ministry/Management to provide latest status of both the cases to Audit and report to the Committee.

17. **MIDWAY HOUSE (PVT) LTD**
(PARAS 27-28, PAGE 26-ARPSE)(ITEM11-AP-1996-97)

The Ministry informed the Committee that Midway House (Pvt) Ltd. had ceased its operation since 26-01-2002 and its handing over process was under progress.

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee recommended the para for settlement.

18. **UN-JUSTIFIED FAVOUR TO EX-GENERAL MANAGER BY GIFTING**
COMPANY'S CAR VALUING RS. 0.300 MILLION
(PARA 29 PAGE 28-ARPSE)(ITEM12-AP-1996-97)

SUB-COMMITTEE's RECOMMENDATION

The Sub-Committee re-iterated APAC's previous directive dated 28-02-2001 and directed the Management to review its policy in the light of prevailing trends of the industry sector, take it up in the Board's meeting and report to Audit/Committee.

19. **PIA HOTELS LTD**
(PARAS 30-31 PAGE 29-ARPSE)(ITEM 13-AP-1996-97)

The Ministry apprised the Committee that the matter of possession of properties was under negotiation with Sindh Government whereas the decision of banking court regarding the bridge loan was awaited.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee directed the Ministry to get the issue settled at the highest level and report to Audit/Committee.

PIA INVESTMENT LTD

20. **(PARAS 32,33 & 35, PAGES 30-31-ARPSE)(ITEM 14(i&ii)-AP-1996-97)**

The Sub-Committee recommended the paras for settlement as these was covered under recommendation given at serial 8 above.

21. **(PARA 34, PAGE 31-ARPSE)(ITEM 15-AP-1996-97)**

The Ministry informed the Committee that efforts for recovery of US \$8,00 million from Sheikh Hamdan Bin Muhammad-Al-Nahayan were underway.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee directed the Ministry/department to pursue the case with report to Audit.

22. **PIA SHAVER POULTRY BREEDING FARMS (PVT) LIMITED
PARAS 36 & 37, PAGE 32-ARPSE)(ITEMS 16(I&II)-AP-1996-97)**

The Ministry informed the Committee that an officer had been retained till finalization process of liquidation.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee re-iterated APAC's previous directive dated 28-2-2001 and directed the Ministry to the comprehensive report to Audit/Committee. The Committee also directed the management to go to ECC, and sell the properties at its own rather than liquidating/privatizing them.

SKY ROOMS (PVT) LIMITED

23. **(PARA 38, PAGE 33-ARPSE)(ITEM 17-AP-1996-97)**

The management informed the Committee that in 1998-99 to 2000-2001, the Company had earned profit, Audit also endorsed the profit position; however, expressed its apprehension towards the accumulated losses of Rs.50.405 million till June 30, 2001.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement.

24. **(PARA 39, PAGE 34-ARPSE)(ITEM 18-AP-1996-97)**

The management apprised the Committee that the adjustment of advances was in progress.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement subject to full recovery and its verification by Audit.

ACTIONABLE POINTS FOR 1993-94

AUDIT REPORT PUBLIC SECTOR ENTERPRISES (VOL-X-A-1993-94)

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

25. **WORKING RESULTS OF PIAC**
PARAS 5-6, PAGES 15-16-ARPSE)(ITEM 1-AP-1993-94)(ITEM 19-AP-1996-97

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the paras for settlement as these were covered under recommendation given at serial 2 above.

26. **LONG-TERM ADVANCES (UN-SECURED) – RS.1191 MILLION INCLUDING**
ADVANCE OF RS. 1088 MILLION TO PIAL
PARA 9, PAGE 17-ARPSE)(ITEM 2-AP-1993-94)(ITEM 20-AP-1996-97)

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement as this was covered under recommendation given at serial 8 above.

27. **NON-SETTLEMENT OF ACCOUNT OF VVIP AIRCRAFT COSTING US \$**
36.898 MILLION (PAK. RS. 1108,785 MILLION)
PARA 10, PAGES 18-19-ARPSE)(ITEM 3-AP-1993-94)(ITEM 21-AP-1996-97)

The Sub-Committee was informed that the para was under consideration by another Sub-Committee of Lt. Gen. (R) Talat Masood, Member APAC.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee left the para.

28. **LOSS OF RS.37.997 MILLION IN FOREIGN CURRENCY DUE TO TRANSPORTATION OF ILLEGAL PASSENGERS**
(PARA 11, PAGES 11-19-ARPSE)(ITEM 4-AP-1993-94)(ITEM 22-AP-1996-97)

The Ministry informed the Committee that under the Chief Executive's Orders, M/o Interior would recover the amount from illegal passengers.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee directed the Ministry to provide the Chief Executives' Orders and the legislation passed by M/o Interior; in this regard, to Audit within one month and report to the Committee.

29. **LOSS OF US \$ 0.915 MILLION (PAK. RS. 23.795 MILLION)(ON THE OVERHAUL OF FAN REVERSES AT EXORBITANT RATES AND WITHOUT MARKET EVALUATION**
(PARA 12, PAGES 21-22-ARPSE)(ITEM 5-AP-1993-94)(ITEM 23-AP-1996-97)

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee noted development/progress in the procedures and recommended the para for settlement.

30. **EXTRA PAYMENT OF US \$ 0.143 MILLION (PAK RS.3.613 MILLION)(DUE TO TRAINING OF PILOTS AT HIGHER RATES**
PARA 15, PAGES 25-26-ARPSE)(ITEM 6-AP-1993-94)(ITEM 24-AP-1996-97)

Audit apprised the Committee that following the directives of the PAC, the position was verified and recommended the para for settlement.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement in the light of Audit's recommendation.

31. **LOSS OF RS.1.053 MILLION DUE TO DEFALCATION OF SALE PROCEEDS AT AIR CARGO COMPLEX**
PARA 19, PAGES 29-30-ARPSE)(ITEM 7(i)-1993-94)(ITEM 25-AP-1996-97)

The management apprised the Committee that following the directives of the APAC, the Cash Custody Handling Policy had been improved. Audit also seemed to inclined to management's version.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement.

32. **IRREGULAR EXPENDITURE OF RS.0.793 MILLION DUE TO GROSS VIOLATION OF GOVERNMENT RULES AND REGULATION**
(PARA 20, PAGES 30-31-ARPSE)(ITEM 7(ii)-AP-1993-94)(ITEM 25-AP-1996-97)

The Ministry informed the Committee that expenditure in question was written off by the competent authority and the PIA Holdings (Pt) Ltd had already gone into winding up.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement.

33. **LOSS OF RS.0.200 MILLION DUE TO UNDUE FAVOUR AND VIOLATION OF CORPORATION RULES**
(PARA 22, PAGE 32-ARPSE) (ITEM 8-AP-1993-94)(ITEM 72-AP-1996-97)

The management admitted the undue favour and violation of Rules as well as their inability for recovery and any action against concerned ex-Managing Director.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee expressed its displeasure and directed the management to avoid such practice in future. The Committee, however, recommended the para for settlement subject to regularization of the expenditure and its verification by Audit.

34. **LOSS OF RS.9.836 MILLION DUE TO ABANDONMENT OF PIA HOLDING COMPLEX PROJECT**
(PARA 24, PAGE 35-ARPSE)(ITEM 9-AP-1993-94)(ITEM 73-AP-1996-97)

The management assured the Committee that the amount would be got regularized from the Board of Directors in their next meeting.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement subject to regularization of the amount and its verification by Audit.

35. **IRREGULAR PAYMENT OF RS. 8.348 MILLION DUE TO CUSTOM STAFF TANTAMOUNTING TO ILLEGAL GRATIFICATION**
(PARA 28, PAGE 39-ARPSE)(ITEM 10-AP-1993-94)(ITEM 74-AP-1995-96)

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement; however, directed the management to avoid such practice in future.

36. **INFRACTUOUS EXPENDITURE OF RS. 2,704 MILLION ON FOREIGN TOURS OF THE UN-AUTHORIZED STAFF**
(PARA 29, PAGE 40-ARPSE)(ITEM 11-AP-1993-94)(ITEM 75-AP-1996-97)

SUB-COMMITTEE'S RECOMMENDATION

The Committee expressed its displeasure over the state of affairs of the issue and directed the management not to repeat such practices in future. The Sub-Committee; however, recommended the para for settlement.

37. **IRREGULAR EXPENDITURE OF RS.1.816 MILLION ON ACQUISITION OF NEW OFFICE PREMISES ON LEASE**
(PARA 30, PAGE 41-ARPSE)(ITEM 4-AP-1993-94)(ITEM 76-AP-1996-97)

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement.

MIDWAY HOUSE (PVT) LIMITED

38. **LOSS OF RS.117,471 DUE TO NON-RECOVERY OF DUES FROM A FOREIGNER TENANT**

(PARA 39, PAGE 47-ARPSE) (ITEM14-AP-1993-94) (ITEM 77-AP-1996-97)

The management apprised the Committee that the Board had regularized the expenditure and the Midway House had also ceased its operation with effect from 26-01-2001.

SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement; however, directed the Management to avoid such practice in future.

PIA SHAVER POULTRY BREEDING FARMS (PVT) LIMITED

39. **PARA 44, PAGE 50, ARPSE) (ITEM 15-AP-1993-94) (ITEM 78-AP-1996-97)**

SUB-COMMITTEE'S RECOMMENDATION

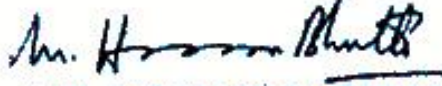
The Sub-Committee recommended the para for settlement as it was covered under recommendation given at serial 22 above.

SKY ROOMS (PVT) LIMITED

40. **PARA 47, PAGE 57-ARPSE) (ITEM 16-AP-1993-94) (ITEM 79-AP-1996-97)**
SUB-COMMITTEE'S RECOMMENDATION

The Sub-Committee recommended the para for settlement as it was covered under recommendation given at serial 23 above.


(MUZAFFAR AHMED)
Member (APAC)/Convener
Sub-Committee


(M. HASSAN BHUTTO)
Member (APAC)/Member
Sub-Committee