



PERFORMANCE AUDIT REPORT

ON

PAKISTAN GEMS & JEWELLERY DEVELOPMENT COMPANY

**FOR THE YEARS
2008 To 2011**

AUDITOR GENERAL OF PAKISTAN

PREFACE

The Auditor General conducts audit as provided under Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001. The performance audit of Pakistan Gems & Jewellery Development Company (PGJDC) for the period 2008-2011 was carried out accordingly.

The Directorate General Commercial Audit and Evaluation, DG (CA&E), Karachi conducted performance audit of Pakistan Gems & Jewellery Development Company (PGJDC) during the period February 05, 2012 to April 20, 2012 with a view to report significant findings to the stakeholders. Audit examined the economy, efficiency and effectiveness aspects of PGJDC. In addition, Audit also assessed on test check basis whether the management complied with applicable laws, rules, and regulations in managing the affairs of PGJDC. The Audit Report indicates specific actions that, if taken, will help the management to realize the objectives. Most of the observations included in this report have been finalized in the light of discussions in the DAC meeting.

The Performance Audit Report is submitted under section 10 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before both Houses of Parliament.

Islamabad
Dated:

(Javaid Jehangir)
Auditor General of Pakistan

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ABBREVIATIONS AND ACRONYMS

AGP	Auditor General of Pakistan
AGPR	Accountant General of Pakistan Revenue
AHLM	Assaying and Hall Marking
BoD	Board of Directors
CAD	Computer Aided Designing
CAM	Computer Aided Manufacturing
CDWP	Central Development Working Party
CFTMC	Common Facility Training & Manufacturing Centers
DAC	Departmental Accounts Committee
DPPGJDC	Development Projects of Pakistan Gems & Jewellery Development Company
ECGP	E-Commerce Gateway of Pakistan
ECNEC	Executive Committee of National Economic Council
FRM	Financial Reporting Manual
GJTMC	Gem and Jewellery Training and Manufacturing Centers
GoP	Government of Pakistan
PGJDC	Pakistan Gems and Jewellery Development Company
PIDC	Pakistan Industrial Development Corporation
PPGJDC	Projects of Pakistan Gems & Jewellery Development Company
PPR	Public Procurement Rules
PSDP	Public Sector Development Programme

EXECUTIVE SUMMARY

Directorate General of Commercial Audit & Evaluation DG (CA&E) Karachi conducted performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) during February 05, 2012 to April 20, 2012. The performance audit was planned to assess whether the objectives of establishing PGJDC have been met effectively and efficiently, analysis of the financial statements for the years 2008 to 2011 and to evaluate all the appointments and promotions of officers and staff made during the period under review. The audit was conducted in accordance with the INTOSAI Auditing Standards.

a. Key Audit Findings

- i. Irregular appointments - Rs. 4.680 million
- ii. Loss of revenue - Rs. 167.298 million
- iii. Irregular award of contracts - Rs. 29.519 million
- iv. Excess expenditure from approved budget - Rs. 36.85 million
- v. Irregular import /procurement - Rs.21.80
- vi. Wasteful expenditure on non-functional Laboratories - Rs.44.01 million

b. Recommendations

The management needs to take effective steps to:

- i. Streamline the recruitment policies and ensure fairness and equity in hiring officers and staff in organization.
- ii. Make Pakistan a hub of gems and achieve the revenue targets.
- iii. Fix responsibility on the person(s) at fault for irregular award of contract.
- iv. Fix responsibility on the person(s) at fault for mis-utilization of funds without provision.
- v. Fix responsibility on the person(s) at fault for irregular procurement of plant, machinery equipment and its non-utilization.
- vi. Efforts should be made to functional the Laboratories
- vii. Audit recommends to implement the relevant rules and regulation.

1. INTRODUCTION

Pakistan Gems and Jewellery Development Company (PGJDC) was incorporated in 2006 with authorized capital of Rs. 1,550.00 million (Paid-up Capital Rs. 1,297.824 million). Pakistan Industrial development Corporation (PIDC) and the Government of Pakistan, Ministry of Industries & Production held 12.29% and 87.71% shares of the company respectively. The primary objective of the company is to establish Pakistan as a high value added, internationally competitive, world class hub for adding value precious stone cutting and jewellery manufacturing. The other objectives are as under:

- a. Establish Common Facility Training and Manufacturing Centers (CFTMC) to up-grade existing technology and processes in mining gems processing and jewellery manufacturing.
- b. Establish gems identification and certification laboratories to ensure better understanding of gem stones and their properties.
- c. Establish / promote gem exchange centers to facilitate linkages between buyers and sellers and to conduct geological surveys to indentify new stone deposits and quantity.
- d. Introduce “Assaying and Hall marking” centers at Karachi and Lahore to ensure quality of gold jewellery for the local as well as international market.

2. AUDIT OBJECTIVES

- i. To assess whether objectives of establishing PGJDC have been met effectively and efficiently.
- ii. Analysis of the financial statements for years 2008 to 2011 and investment made by the management.
- iii. To examine the targets achieved regarding imparting training in manufacturing of Gems and Jewellery against the targets of PC-1.
- iv. Evaluation of all the appointments and promotions of officers and staff made during the last three years.
- v. Evaluation of the process of award of contracts.

3. AUDIT SCOPE AND METHODOLOGY

The performance audit of PGJDC for the period 2007-08 to 2010-11 was conducted as per following scope:

- i. Examine the functioning of PGJDC in compliance with rules and regulations.
- ii. Scrutinizing accounting record on random basis for the period under review.
- iii. Conduct physical examination of assets and other relevant material of the company.

Audit methodology included data collection, examination/analysis of record, discussions with officials. Site visits were also included to have a physical view of the service. Audit methodology also included collection of initial accounting record and financial statement, examination of the record, analysis of the issues, interviews with the stakeholders, and collection of sufficient evidences.

Statement of service in r/o of Mr. Khalid Mehboob, Deputy Director , Office of DG Commercial Audit

Station	Sub:Apptt	Off:Apptt	Date	Pay	Remarks
DCA Karachi	Promoted As	Accountant	06.12.1986	1050	(1050-80-2250) B-16
"	Revision of Scales	"	01.07.1987	1350	(1350-105-2925) B-16
"		"	01.12.1987	1455	Annual Increment
"		"	01.12.1988	1560	Annual Increment
"		"	01.12.1989	1665	Annual Increment
"		"	01.12.1990	1770	Annual Increment
"	Revision of Scales SG	"	01.06.1991	2870	(2870-215-5450) B-17
"		"	01.12.1991	3085	Annual Increment
"		"	01.12.1992	3300	Annual Increment
"		"	01.12.1993	3515	Annual Increment
"	Promoted As	Audit Officer	24.03.1994	3945	(2870-215-5450) B-17
"	Revision of Scales	"	01.06.1994	4750	(3880-290-7360) B-17
"		"	01.12.1994	5040	Annual Increment
"		"	01.06.1995	5620	15% Increase
"		"	01.12.1995	5910	Annual Increment
"		"	01.12.1996	6200	Annual Increment
"		"	01.12.1997	6490	Annual Increment
NTC Karachi	Transfer	AFO	01.09.1998	6490	Transfer
"		"	01.12.1998	6200	Annual Increment
"		"	01.12.1999	6490	Annual Increment
"		"	01.12.2000	6780	Annual Increment
PEC Karachi	Promoted on transfer	Dy Director	12.02.2001	8379	(5085-366-8745) B-18
AG Sindh	Transfer	Dy. A.G	24.09.2001	8379	Transfer
"	Revision of scales	"	01.12.2001	13985	(8135-585-19835) B-18
"		"	01.12.2002	14570	Annual Increment
"		"	01.12.2003	15155	Annual Increment
DCLA	Transfer	Dy.Controller	17.08.2004	15155	Transfer
"		"	01.12.2004	15740	Annual Increment
"	Revision of scales	"	01.07.2005	18130	(9355-675-22855) B-18
AG Sindh	Transfer	Dy. A.G	24.10.2005	18130	Transfer
"		"	01.12.2005	18805	Annual Increment
"		"	01.12.2006	19480	Annual Increment
"	Revision of scales	"	01.07.2007	22385	(10760-775-26260) B-18
"		"	01.12.2007	23160	Annual Increment
"	Revision of scales	"	01.07.2008	27790	(12910-930-31510) B-18
"		"	01.12.2008	28720	Annual Increment
"		"	01.12.2009	29650	Annual Increment
DGCA	Transfer	Dy Director	08.03.2010	29650	Transfer
"		"	01.12.2010	30580	Annual Increment
"	Revision of scales	"	01.07.2011	48500	(20000-1500-50000) B-18
"		"	01.12.2011	50000	Annual Increment
PQA Karachi		Manager	02.02.2012	50000	On deputation to PQA
"		"	01.12.2012	50000 + 1500 (PP)	Annual Increment
"		"	01.12.2013	50000 + 3000 (PP)	Annual Increment
"		"	01.12.2014	50000 + 4500 (PP)	Annual Increment
"	Revision of scales	"	01.07.2015	64940 + 5850 (PP)	(25940-1950-64940) B-18
"		"	01.12.2015	64940 + 7800 (PP)	Annual Increment
DGCA		Dy Director	28.04.2016	64940 + 7800 (PP)	Repatriate from PQA
"	Revision of scales	"	01.07.2016	79890 + 9600 (PP)	(31890-2400-79890) B-18
"		"	01.12.2016	79890 + 12000 (PP)	Annual Increment
"	Revision of scales	"	01.07.2017	95750 + 14350 (PP)	(38350-2870-95750) B-18
"		"	01.12.2017	95750 + 17220 (PP)	Annual Increment

The Officer will be retired on 10-12-2017

4. AUDIT FINDINGS AND RECOMMENDATIONS

4.1. Organization and Management

4.1.1 Non-production of auditable record

Section 14(2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit. Further Public Accounts Committee directives issued vide OM No. F-10(1)/2000/2004-PAC dated June 03, 2004 requires all PAOs of all the Ministries/Divisions to make available all information / record to Audit as and when required by them. Otherwise disciplinary action will be initiated against person(s) responsible for the delay under section 14 (2) of the Auditor-General's Ordinance of 2001.

During Performance Audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008-11, the management could not produce requisite record to audit despite frequent requests and reminders in violation of above rule (**Annex-1**).

Audit was of opinion that due to non- production of requisite record, chances of doubtful transactions and financial mismanagement could not be ruled out.

The matter was reported to the management on March 20, 2012. The DAC in its meeting held on August 24, 2012. DAC directed the management to produce the record to Audit. No progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.1.2 Irregular appointment without proper qualification - Rs 3.53 million

According to Para-7(i) of HR Policy of Pakistan Gems and Jewellery Development Company , PGJDC will appoint the qualified candidate on all positions whether the applicant is internal or external. Further, as per advertisement dated July 08, 2007 the post of Project Manager was to be filled by Masters' Degree Holder.

During performance audit of PGJDC for the years 2008-2011, it was observed that a Project Manager was appointed having only the Bachelor's degree and not the required qualification i.e., the Master's degree.

Audit is of the view that undue favour was extended to a person at company cost which indicated weakness in internal controls.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that an experienced candidate for establishment of projects could not be found and the appointed Project Manager has vast experience. DAC directed the management to furnish revised reply with justification to Audit. No progress was reported till the finalization of this report.

Audit recommends fixing of responsibility upon person(s) at fault and implementation of the DAC directives.

4.1.3 Irregular appointment for non-functioning laboratory - Rs 1.15 million

As per PC-1 of Pakistan Gems and Jewellery Development Company (PGJDC) approved on March 2007 the management targeted that all projects were required to be completed within the period of three years.

During performance audit of PGJDC for the years 2008-2011, it was observed that the management recruited staff for laboratory during March 2010 and February 2011 before completion of laboratory project and incurred of Rs 1.15 million on account of salary of employees.

Audit is of the view that recruitment before completion of laboratory showed lack of planning and weak internal controls.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that the recruited staff was working on different aspects of the project in light of revised PC-1. DAC the management get the relevant record verified from Audit. No documentary evidence justifying recruitment of staff was produced to audit till finalization of this report.

Audit recommends implementation of the DAC directives.

4.2 Financial Management

4.2.1 Non achievement of total revenue target - Rs. 165.03 million

As per table 3 of the approved PC-1 of the projects of Company, revenue target of Rs 173.15 million was fixed for three years w.e.f 2008 to 2011 from different projects.

During performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008-2011, it was observed that the company earned revenue of Rs 8.12 million only during the three years instead of targeted revenue of Rs 173.15million, resulting into loss of revenue of Rs. 165.03 million (**Annex-2**).

Audit is of the view that the company failed to achieve its revenue target due to poor performance which indicate weak financial control in the organization.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that the company could not start income generation from the projects as per plan. DAC was not satisfied with the reply and deferred the Para for next DAC meeting. No progress was reported till finalization of this report.

Audit recommends fixing of responsibility upon person(s) at fault.

4.2.2 Non collection of revenue target from local trade show - Rs. 2.268 million

As per approved PC-1 of the Pakistan Gems and Jewellery Development Company (PGJDC), the management targeted 10% income from cost incurred on local trade shows.

During performance audit of PGJDC for the years 2008-2011, it was observed that the company incurred expenses of Rs 22.69 million on local shows, but no income was earned against targeted income of Rs 2.27 million in violation of PC-1.

Audit is of view that loss was incurred due to poor performance, which transpired weak financial control in the organization.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that the company could not hold local shows. DAC did not agree to management point of view and directed to furnish revised reply to justify the expenditure incurred. No progress was reported till the finalization of this report.

Audit recommends implementation of the DAC directives.

4.2.3 Unauthorized expenditure without budgetary provision - Rs. 2.05 million

As per Finance Division's O.M No. F.15 (13)R-14/82 dated September 5, 1982, the funds provided /acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and strictly in accordance with the prescribed rules of the Government.

During performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008 to 2011, it was observed that the management incurred an amount of Rs. 2.05 million under head "Other cost charges" without any provision in PC-I. (**Annex-3**)

Audit is of the view that funds were utilized without planning, which transpired weak internal control in the organization.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that allocation of other expenses was kept in the PC-1. DAC directed the management to furnish revised reply along with full justification for utilization of funds. No progress was reported till the finalization of the report.

Audit recommends implementation of DAC directives.

4.2.4 Unauthorized excess expenditure beyond approved budget - Rs. 34.80 million

As per Finance Division's O.M No. F.15 (13)R-14/82 dated September 5, 1982, the funds provided /acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and strictly in accordance with the prescribed rules of the Government.

During performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008-11, it was observed that the management incurred expenditure of Rs 43.834 million, on projects in Peshawar and Quetta, against allocated budget of Rs 9.040 million resulting into excess expenditure of Rs 34.80 million in violation of above rules (**Annex-4**).

Audit is of the view that excess expenditure was incurred due to poor planning, which transpired weak internal controls in the organization.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that it was due to typographic error and same would be rectified in revised PC-1. DAC directed the

management to furnish revised reply in the next DAC meeting after obtaining external audit report and approval of BoD. No progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.2.5 Irregular investments in Term Deposit Receipt

According to the standing instructions of the Govt. of Pakistan, Planning Commission of Pakistan the development funds should be kept in current account in National Bank of Pakistan. Furthermore, Govt. of Pakistan, Finance Division OM dated July 02, 2013 states that prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs. 10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors on the basis of competitive bids from at least three independent banks. Further, before making any investment, it would be necessary for public sector entities to set up an Investment Committee (IC) with defined investment approval authority.

During performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008-11, it was observed that the management invested funds of the projects in Term Deposit Receipt (TDRs) with commercial banks having maturity of three months. The detail is as under:

Year of Investment	Amount invested	Interest earned
2007-08	200.000	3.142
2008-09	138.000	9.830
2009-10	245.000	7.834
2010-11	125.000	4.585
Total	--	25.391

Audit is of the view that all the above investment were irregular as the funds not should be utilized for earning profit whereas, the funds should be utilized for executing the project in efficient manner. It was further observed that the investments were made without observing the conditions as laid down in the Finance Division OM referred above. This showed that the management extended undue favour to the selective banks.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that all the short term investments have been made as the opening of Letter of Credits for import of machinery the shipments normally takes time from 03 to 06 months. DAC settled the para with displeasure and direct the management that such investment may be made according to the Govt. instructions in future.

Audit recommends that responsibility should be fixed on the person(s) at fault for the irregular investments.

4.2.6 Irregular revision of pay and allowances

Finance Division (Regulation Wing)'s letter No, F.4 (2) R-4/05 dated 13-08-2005 provides that revision in the pay scales of Public Sector Companies and Autonomous/Semi-autonomous shall be made with the concurrence of Finance Division after recommendation by the respective BoDs. All the Ministries were instructed to convey the instructions to Autonomous/Semi-autonomous Boards and Companies under their administrative control.

During performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008-11, it was observed that pay and allowances of the employees were revised annually by the BoD without obtaining the concurrence of the Finance Division in violation of above rule.

Audit is of view that revision was unauthorized, which transpired weak internal control in the organizations.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that salary was increased as per approved PC-1. DAC directed the management to furnish revised reply to audit. No progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3 Procurement and Contract Management

4.3.1 Irregular import of machinery equipments - Rs. 21.80 million

According to rule-12(2) & 13 (1) of Public Procurement Rules 2004 all procurement opportunities over two million rupees should be advertized on the Authority's website as well as in other print media or news papers having wide circulation. The advertisement in the news papers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further as per approved PC-1 of Pakistan Gems and Jewellery Development Company (PGJDC) only listed machinery and equipments as provided in the PC-I could be purchased.

During performance audit of PGJDC for the years 2008-11, it was observed that the management imported 35 machinery equipments items amounting to Rs. 21.80 million in 2009-10 without advertising the procuring opportunity as required under the rule quoted above. Further, the items so procured were not listed in the PC-I.

Audit is of the view that the management deprived PGJDC of the benefit of purchases at competitive and economical rates and extended undue favour to the supplier.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that the machinery was imported directly from the manufacturer on recommendation of the foreign expert/consultant and international tendering could have been time consuming. DAC directed the management to get the record verified from Audit. No progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.2 Irregular hiring of consultants - Rs. 21.539 million

In terms of Para-4 of Establishment Division's U.O. No. 11-3/2001-MS-W III dated January 25, 2002, consultancy should be widely advertised indicating the requirement, range of compensation and various facilities. Further, for consultancies relating to development projects, the Competent Selection Board of the client organization including a representative of the Planning Division shall recommend a panel of at least three names to the competent authority.

During performance audit of Pakistan Gems and Jewellery Development Company (PGJDC) for the years 2008-11, it was observed that the management appointed three consultants without sending a panel of three candidates for each project without advertisement .

Audit was of opinion that undue favour was extended to the consultants, which transpired imprudent decision making in the organization.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that the consultants were hired after tendering. DAC directed the management to get verified the record from Audit. No progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.3 Loss due to defective agreement - Rs. 7.98 million

According to Clause- 4 (4.1&4.2) of the agreement M/s E-Commerce Gateway of Pakistan (ECG) shall be responsible for managing the event on a turn-key basis as agreed with Pakistan Gems and Jewellery Development Company (PGJDC) and shall be solely responsible for execution of the event. Further as per standard terms and conditions of contract management, due care may be taken while signing contract agreement to safe guard company interests. If in case the contractor fails to fulfill contractual obligations, the contract can be rescinded and contractor's security deposit be forfeited.

During performance audit of PGJDC for the years 2008-2011, it was observed that the management awarded a contract of Rs. 7.98 million and paid advance of Rs.5.49 million to ECG for arranging exhibition in Karachi. ECG failed to arrange exhibition, but management could not impose penalty by encashing performance bond of Rs 7.979 million due to non-inclusion of penalty clause in the agreement.

Audit is of the view that undue favour was extended to the contractor by avoiding the clauses of penal regime to the agreement in case of breach of contract.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC that the event could not be organized due to law and order situation and ECG incurred heavy expenditure and encashment of performance bond would be un-justified. DAC directed the management to submit revised reply. However no progress was reported till the finalization of the report.

Audit recommends fixing of responsibility on the persons at fault.

4.4 Assets Management

4.4.1 Wasteful expenditure on incomplete projects - Rs. 44.01 million

As per PC-1 of Pakistan Gems and Jewellery Development Company (PGJDC) approved on March, 2007 the management targeted that all projects were required to be completed within the period of three years.

During performance audit of PGJDC for the years 2008-11, it was observed that the management incurred an amount of Rs. 44.01 million for procurements, operation and maintenance etc. of laboratories in Karachi and Lahore during 2009-10 (**Annex-5**). These laboratories were incomplete and non-functional till April 2012. Hence, expenditure incurred against non-functional activities stands irregular and unwarranted in violation of PC-1.

Audit is of the view that expenditure was without proper planning, which transpired weak internal controls in the organization.

The matter was reported to the management in March 2012. DAC meeting was held on August 24, 2012. The management informed the DAC and agreed to the audit point of view. DAC directed the management to hold an enquiry and facts finding report be forwarded to Audit for consideration. No progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

5. Conclusion

5.1 Key issues for the future

- i. The financial viability of PGJDC depends on the funds, if the funds were not released from the PSDP continuously, the viability of the company would be at risk.
- ii. SoPs of the company should be formulated regarding fee collection from the trainees of facilitation Centers and participants for installation of stalls displaying their newly designed products in local and international shows/exhibitions.
- iii. Comprehensive service rules should be formulated for the recruitment of officers and staff by incorporating all the Govt. of Pakistan standing directives in this regard.

5.2 Lessons Identified

- i. Huge expenditure incurred on establishment of Assaying and Hall Marking Centers at Karachi and Lahore, but they could not be made operational till the close of audit, resultantly the stakeholders could not be benefited with knowledge and skills to identify purity of gems and gold.
- ii. Financial health of the Company with respect to earning of revenue was not as per approved PC-1. PGJDC needs to take effective measures for efficient utilization of its resources in order to increase its revenue and reduction in operational cost to make it a going concern and to establish Pakistan as a world class hub of gems and jewellery products internationally.

ACKNOWLEDGEMENT

We wish to express our appreciation to the Management and staff of Pakistan Gems and Jewellery Development Company (PGJDC), Government of Pakistan for the assistance and cooperation extended to the auditors during this assignment.

Annexes

Annex-1
(See Para No.4.1..1)

Detail for non-production of auditable records

Sr. No.	Requisition No. & date No.	Items No.	Item detail
1	Req. No.01, 08-02-2012	5	5. Internal Audit Report
2	Req. No.09, 20-02-2012	1	1. Feasibility Report of the projects.
3	Req. No.12, 22-02-2012	4,5,6,	4. Gemstone Committee 5. Training/Skill Development Committee. 6. Economic viability Committee.
4	Req. No.13, 22-02-2012	6	6.Purchase register pertaining to years 2008-09,2009-10, 2010 -11.
5	Req No.18 ,05-03-2012	2,8,9	2. Market Plan 2007-08, 2008-09, 2009-10 and 2010-11. 8 Detail of orders received in response to local and foreign exhibition from the buyers. 9. Break-up of contribution made by the Participants in foreign and local exhibition
6	Req. No.20 ,13-03-2012	1,3	1. Center wise complete files of renovation work carried out during the year 2007-08, 2008-09, 2009-10 and 2010-2011. 3. Center wise complete files for hiring the building on rent comprising of list of bidders, rate quoted by the bidders, approval of the BOD and relevant committee
07	Req. No.21 ,13-03-2012	1,2,4	1 BOD approval for appointment of Manager project a PGJDC. 2 Approval of the HR Committee. 4 A verified copy of academic bachelor degree of concerned Officer.

Revenue targets and its achievement

(Amount in Rs)

Area of Revenue	Targets	Achieved	Difference	Achievements in %
Common Facility Training and Manufacturing Centers for Mining ,Gemstone processing,& Jewellery Manufacturing	109,190,000	7,211,124	(101,978,876)	6.60
Assaying and Hall marking Initiative	18,200,000	43,500	(18,156,500)	0.24
Gem Exchange	45,000,000	868,513	(44,131,487)	1.93
Institute facilitation and Affiliation	760,000	-	(760,000)	-Nil-

Annex-3*(See Para No.4.2.3)***Utilization of funds without provision in PC-I****(Amount in Rs)**

Project/Sector	Allocation Other Cost
Gjtmc , Quetta	396,651
Gjtmc , Peshawar	389,051
Gjtmc , Gilgit	562,433
Branding & Marketing	677,330
Total	2,025,465

Excess utilization of funds beyond approved budget

(Amount in Rs)

Project Name	Approved Operational Cost	Actual Utilization	Variance
Gem Exchange, Peshawar	4,520,000	29,391,044	(24,871,044)
Gem Exchange, Quetta	4,520,000	14,443,098	(9,923,098)
Total	9,040,000	43,834,142	(34,794,142)

Blockage of funds due to non-utilization

(Amount in Rs)

Name of Item	HLM, Karachi	HLM Lahore	Qty	Amount
Plant & Machinery	1	1	2	16,127,969
Vehicles	1	1	2	1,118,000
Air condition	5	6	11	443,225
Computers	7	7	14	695,800
Scanner	3	2	5	134,649
Printer	3	6	9	302,978
Server HP	1	1	2	508,208
Sub Total	21	24	45	19,330,829
Rent (Two years)	9,828,000	-	-	9,828,000
Rent (three years)	-	4,690,138	-	4,690,138
Maintenance Charges (Two Years)	96,000	-	-	96,000
Legal & Profess Fee	2,285,665	70,000	-	2,355,665
Building Renovation	-	4,298,452	-	4,298,452
Market & Branding	75,000	-	-	75,000
Salaries to Staff	1150,000	-	-	1150,000
Repair & maintenance	12,167	48,356	-	60,523
Consultancy	113,345	961,853	-	1,075,198
Media & Advert Exp	465,163	426,164	-	891,327
Travel Exp	21,375	104,439	-	125,814
Printing & Stationery	37,166	-	-	37,166
Sub Total	14,083,881	10,599,402	-	24,683,283
Grand Total				44,014,112