AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF BALOCHISTAN

AUDIT YEAR 2013-14

AUDITOR – GENERAL OF PAKISTAN

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Abbreviations & Acronyms

DAC	Departmental Accounts Committee
DGCA&E	Director General Commercial Audit & Evaluation
FBR	Federal Board of Revenue
FIR	First Information Report
GFR	General Financial Rules
GPP	Government Printing Press
IPSAS	International Public Sector Accounting Standards
NOC	No Objection Certificate
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PSDP	Public Sector Development Programme
PSE	Public Sector Enterprise

QDA	Quetta Development Authority
QESCO	Quetta Electric Supply Company
QMC	Quetta Municipal Corporation
Q-WASA	Quetta Water and Sanitation Authority
QWSEIP	Quetta Water Supply and Environmental Improvement Project
SIW-Quetta	Small Industries Wing-Quetta
SSGCL	Sui Southern Gas Company Limited
STP	Sewerage Treatment Plant
TBE	Trans Balochistan Enterprises
UP&DD	Urban Planning & Development Department

Preface

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 require the Auditor General of Pakistan to conduct audit of the accounts of government commercial undertakings and of any authority or body established by the Federation or the Province.

This report is based on audit of the accounts of Public Sector Enterprises of Government of Balochistan for the year 2012-13. The Directorate General of Commercial Audit and Evaluation, Karachi conducted audit of these formations during 2012-13 on a test check basis with a view to report significant findings to the stakeholders. The main body of the report includes only systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in the Annexure-I. The audit observations listed in the Annexure-I shall be pursued with Principal Accounting Officers (PAO) at the DAC level and in all cases where the PAOs do not indicate appropriate action, the audit observations will be brought to the notice of Public Accounts Committee through the next year's Audit Report.

The observations included in the report could not be discussed to date with the Principal Accounting Officers as Departmental Accounts Committee (DAC) meetings were not convened in these cases. The report has been finalized in the light of written responses of the departments.

Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

The Audit Report is submitted to the Governor of Balochistan in pursuance of the Article 171 of the Constitution of the Islamic Republic of Pakistan, 1973 for causing it to be laid before the Provincial Assembly.

Sd/-

Dated: March 28, 2014

Muhammad Akhtar Buland Rana
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (DGCA&E), Karachi carries out audit and evaluation of Public Sector Enterprises (PSEs) established by Government of Balochistan, which maintain their accounts on commercial pattern.

Section 15 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empowers Auditor General of Pakistan to conduct audit of companies and corporations established in the public sector. For this, DGCA&E has a human resource of 6 officers and staff (worked out on pro-rata basis) resulting in 1,500 person days. The annual budget of DGCA&E for the year 2013-14 was Rs 10.55 million (worked out on pro-rata basis). The DGCA&E is mandated to conduct regularity audit (financial audit & compliance with authority audit) and performance audit of PSEs under administrative control of various departments of Government of Balochistan.

a. Scope of Audit

There are 4 commercial entities of Government of Balochistan under the jurisdiction of DGCA&E, Karachi. These entities operate under administrative control of 3 different Principal Accounting Officers (PAOs). As per Audit Plan 2013-14, the DGCA&E audited the accounts of 4 commercial entities pertaining to the year 2012-13.

Out of total expenditure of the entities for the financial year 2012-13, auditable expenditure under the jurisdiction of the DGCA&E was Rs 3,893.74 million which was audited on test check basis. The audit of receipts of Rs 242.92million pertaining to these entities was also conducted.

This report contains result of audit and evaluation of financial performance of PSEs for the financial year 2012-13 conducted during the audit year 2013-14. It was also assessed whether the organizations are managed in accordance with sound commercial practices, following canons of financial propriety and government policy directives. Internal controls were reviewed with the objectives of identifying weak areas and recommending improvements.

The analysis/comments on the annual audited accounts of Public Sector Enterprises was required to be included in this report; however, these entities (Annexure-II)failed to submit their annual audited accounts by Nov 30, 2013, the prescribed date.

b. Recoveries at the instance/upon pursuance of Audit

There was no recovery reported during 2012–13 at the instance of audit.

c. Audit Methodology

Planning and Permanent Files of auditee organizations were maintained and updated during audit of accounts for the year 2012-13. Audit was carried out on the basis of risk and adequacy of Internal Control System in the auditee with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transactions, current commercial accounting and best auditing practices in Pakistan, from the relevant financial and operational manuals.

d. Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations where compliance was made on audit recommendation.

e. Comments on Internal Control and Internal Audit department

The organizations covered in the report require strengthening of financial and management controls to address weaknesses more specifically in the areas as under:

i. Receivables Management in almost all the organizations required immediate attention. The loans to borrowers under different schemes and trade debts were not being collected timely resulting in accumulation thereof with a risk of conversion into bad debts.

ii. Financial Management needs to be strengthened by establishing a system of maintenance of accounts comprising immediate posting of financial transactions, periodical reporting within a financial year, observance of year-end procedures, timely preparation of financial statements upon close of financial year and timely submission of audit of accounts. The Principal Accounting Officers will be in a position to control the affairs of their organizations by strengthening the financial management. The non-submission of audited accounts illustrates weakness of internal control.

f. The key audit findings of the report;

1 Improper usage of offset printing machine amounting to Rs 52.29 million in one case.[1]
2 Loss of revenue on printing work amounting to Rs 5 million in one case.[2]
3 Non-deduction of income tax amounting to Rs 2.28 million in 2 cases.[3]
4 Non-recovery outstanding dues amounting to Rs 80.85 million in 4 cases.[4]
5 Unjustified payment on account of purchase of machinery and pay/allowances amounting to Rs 39.08 million in 3 cases.[5]
6 Irregular allotment of plots amounting to Rs 106.67 million in 3 cases.[6]
7 Non production of record in one case.[7]
8 Non-finalization of accounts by the organization in 2 cases.[8]

g. Recommendations

The Principal Accounting Officers need to take necessary steps to evaluate, institute and strengthen the management, budgeting and accounting controls to:

(i) Proper usages of fixed assets (offset printing machines)
(ii) Irregular issuance of NOC may be avoided.

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[1]Para1.1.3.2
[2]Para 1.1.3.3
[3] Paras 1.1.3.4, &2.1.4.5
[4] Paras1.2.4.2, 1.2.4.3, 1.2.4.4& 2.1.4.1
[5]Paras2.1.4.2, 2.1.4.3, &2.1.4.4
[6]Paras 3.1.3.2, 3.1.3.3,& 3.1.3.4
[7]Para1.2.4.1
[8]Paras 1.1.3.1, & 3.1.3.1

(iii) ensure deduction of government taxes at source

(iv) Ensure timely recovery of dues from government/private sector

(v) Expedite disposal of plots to make the housing scheme successful

(vi) Make arrangement for timely submission of audited accounts to audit authorities (Annexure-II).

(vii) The Principal Accounting Officers need to initiate necessary steps to evaluate, institute and strengthen the Internal Controls so that detective and preventive measures are taken at the right time. In this regard Internal Audit Departments need to be established/strengthened which may directly report to the respective Principal Accounting Officers.

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs. in million)

S. No.	Description	No.	Budget
1	Total Entities (Ministries /PAO's) in Audit Jurisdiction	3	4,136.66
2	Total formations in Audit jurisdiction	4	4,136.66
3	Total Entities (Ministries /PAO's) Audited	3	4,136.66
4	Total formations Audited	4	4,136.66
5	Audit & Inspection Reports	4	4,136.66
6	Special Audit Reports	Nil	Nil
7	Performance Audit Reports	Nil	Nil
8	Other Reports	Nil	Nil

Table 2: Audit observations regarding Financial Management

(Rs. in million)

S. No.	Description	Amount Placed under Audit Observation
1	Unsound asset management	15.41
2	Weak financial management	-
3	Weak internal controls relating to financial management	188.84
4	Others	81.92
	Total	**286.17**

Table 3: Outcome Statistics

(Rs. in million)

S. No.	Description	Expenditure on acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1	Outlays Audited	77.74	2,504.93	242.92	1,311.07	4,136.66	2,002.78
2	Amount Placed under Audit Observation/ Irregularities	15.41	-	80.85	189.91	286.17	192.74
3	Recoveries Pointed Out at the instance of Audit	- Nil -	- Nil -	- Nil -	- Nil -	- Nil -	- Nil -
4	Recoveries Accepted /Established at the instance of Audit	- Nil -	- Nil -	- Nil -	- Nil -	- Nil -	- Nil -
5	Recoveries Realized at the instance of Audit	- Nil -	- Nil -	- Nil -	- Nil -	- Nil -	- Nil -

Table 4: Irregularities pointed out

(Rs. in million)

S. No.	Description	Amount Placed under Audit Observation
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	108.62
2	Reported cases of fraud, embezzlement, theft, and misuse of public resources.	-
3	Accounting Errors (accounting policy departure from IPSAS, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	-
4	Weaknesses of internal control systems.	147.93
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public moneys	-
6	Non–production of record.	One case
7	Others, including cases of accidents, negligence, etc.	29.62

Chapter- 1
Industries and Commerce Department

1.1. Government Printing Press, Quetta

1.1.1 Introduction

The Printing and Stationery Department, Government of Balochistan was established in July 1970. The Stationery Wing was responsible for procurement of all types of stationery articles and supply to all departments / offices of Government of Balochistan. It was abolished in 1985 and the Printing Wing of the department was brought under the supervision of a Controller and is responsible for:

- printing of all kind of jobs for all departments/offices of the provincial government;
- printing of provincial government Gazette, Annual Budget & PSDP, Provincial Assembly debates & proceedings, reports of Judiciary; and
- printing, stocking & supply of standard & non-standard and other departmental forms and registers.

1.1.2 Compliance of PAC Directives

PAC meeting has not been convened to discuses the Audit Report for last twenty-six years.

1.1.3 AUDIT PARAS

1.1.3.1 Non-finalization of accounts

Annual audited accounts of the organization for the year 2012-13 was to be provided to the Directorate General Commercial Audit by December 31, 2013.

Contrary to the above the management of GPP did not provide audited accounts for the year 2012-13 and as well for the previous years 1988-89 to 2011-12 by the prescribed date.

Audit recommends:

- Investigate the matter and fix the responsibility on person(s) at fault for non-finalization of accounts.
- Efforts be made to finalize and provide the accounts at the earliest.
- Internal controls be strengthened to avoid recurrence

1.1.3.2 Wasteful expenditure on purchase of printing machine - Rs 52.29 million

Rules-23 of GFR states that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of accounts of Government Printing Press (GPP) Quetta, it was observed that the management purchased a double colour Printing Machine for Rs 52.29 million in the year 2010. But the machine was used only for single color printing, even the operator of machine complained for improper use of the machine. Thus purpose of purchase was defeated as single colour printing machines were already available in the office.

The matter was reported to the management on August 30, 2013. The management in its reply dated September 1, 2013 stated that SBP Press utilized four colour machine for two colour printing and GPP was not bound to print four colour work. The reply of the management was unsatisfactory as the purpose of purchase was not achieved. DAC's meeting was not convened despite reminders.

Audit recommends fixing of responsibility for improper usage of printing machine.

1.1.3.3 Loss of revenue on printing work - Rs 5 million

Rules-23 of GFR states that every Government Officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of accounts of GPP Quetta, it was observed that the management issued No Objection Certificate **(**NOC) to various Government departments for printing work amounting to Rs 5 million despite availability of required materials with GPP. Audit was of view that the management sustained revenue loss of Rs 5 million on account of non-printing of work of government departments.

The matter was reported to the management on August 30, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends fixing of responsibility on person(s) for issuance of NOC. Further internal controls be strengthened to avoid recurrence.

1.1.3.4 Non-deduction of income tax – Rs 1.25 million

Sub-Section-2 of Section-153(1) of FBR states that in case the recipient of payment claims exemptions on account of sale of imported goods, its responsibility of the person making the payment to assure that the conditions for exemption are fulfilled and for this purpose may obtain the relevant important documents.

During audit of accounts of GPP Quetta, it was observed that the management purchased imported paper cutting machine and other printing paper material from the supplier, but income tax amounting to Rs.1.254 million was not deducted on pretext of his exemption, but no evidence was produced. Audit was of opinion that non deduction of income tax caused loss to the public exchequer.

The matter was reported to the management on August 22, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends:

- Recover the amount from salaries of the person(s) found at fault.
- Internal controls be strengthened to avoid recurrence.

1.2 Small Industries Wing

1.2.1 Introduction

As a result of dissolution of One Unit, the President of Pakistan dissolved the West Pakistan Small Industries Corporation on July 01, 1972. The projects/centres existing in Balochistan were given under the administrative control of the Industries Department by creating a Small Industries Wing in the Directorate of Industries through a notification of the Governor Balochistan dated Aug 25, 1972. The organization is being supervised by a Director, assisted by three Deputy Directors and a Chief Accounts Officer. Following objectives are being performed by the organization:

i. Maintenance of Small Industries Estate, Quetta.
ii. Service Centre, Quetta.
iii. Carpet Teachers Training Institute, Quetta.
iv. Sales Shop at Quetta and Karachi.
v. Handicrafts Development Centres at Quetta, Kalat, Khuzdar and Loralai.
vi. 3 Tailoring / Cutting Centres at Quetta and Sibi.
vii. Leather Embroidery Centres at Quetta, Lehri and Turbat.
viii. 31 Carpet Centres in different parts of the province.

1.2.2 Comments on the Audited Accounts

1.2.2.1 The working results of the Organization for the year 2012-13 as compared with those of the preceding years are as follows:

(Rs. in million)

	2012-13	% Inc / (Dec)	2011-12	% Inc / (Dec)	2010-11	% Inc/ (Dec)	2009-10
Sales	7.013	60.0	17.339	114.9	8.068	0.148	8.080
Cost of Goods Sold	(5.861)	6.7	(6.284)	7.8	(5.829)	21.38	(7.415)
Gross Profit	**1.151**	**89.5**	**11.055**	**393.92**	**2.239**	**236.54**	**0.665**
Operating Expenditure	(349.655)	63.0	(214.404)	13.7	(188.601)	409.68	(154.724)
Net Operating Loss	**(349.504)**	**71.8**	**(203.349)**	**9.1**	**(186.362)**	**20.96**	**(154.059)**

Appropriation Account							
Balance c/d from Preceding year	14.996	202.4	4.958	22.0	6.360	20.59	5.274
Prior year adjustments	0.216	10,700.0	0.002	-	-	98.95	(0.287)
Funds received from Government	344.656	61.6	213.174	15.3	184.920	18.97	155.432
Net Profit / (Loss)	**11.148**	**24.5**	**14.780**	**200.51**	**4.918**	**22.67**	**6.360**

(Source: Annual Accounts)

During the year under review, Operational Expenditure increased by 63.08% from Rs 214.404 million in 2011-12 to Rs 349.653 million in 2012-13. The increase in expenditure resulted in net operating loss of Rs 349.504 million against loss of Rs 203.349 million in 2011-12 (an increase of 71.87%). Such significant increase in operating expenditure needed justification.

1.2.2.2 There was no movement under the heads 'Receivable from Estate Dues' standing firm at Rs 4.683 million, which resulted in blockage of funds. Effective recovery mechanism needed to be established to realize the dues.

1.2.2.3 Receivables against Trans Balochistan Enterprises, Quetta increased from Rs 3.032 million during 2011-12 to Rs.4.138 million during 2012-13 registering an increase of 36.52% over the previous year. Necessary steps needed be taken to realize the huge amount.

1.2.3 Compliance of PAC Directives

PAC meeting has not been convened to discuses the Audit Report for last twenty-six years.

1.2.4 AUDIT PARAS

1.2.4.1 Non-production of record

Section-14 (2) and (3) of Auditor General's (Function, 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 inspection and comply with requests for information in as complete form as possible and with all reasonable expedition and any person or Authority hindering the auditorial functions of the Auditor-General regarding inspection of accounts shall be subject to disciplinary action under relevant E&D Rules.

During audit of accounts of Small Industries Wing Quetta (SIWQ) for the year 2012-13, it was observed that the management could not produce record against two requisitions in violation of above rules.

Audit was of opinion that due to non-production of record the authenticity of expenditure could not be verified and due to concealment of record, chances of fraudulent transactions could not be ruled out.

The matter was reported to the management on August 30, 2013. The management in its reply dated December 03, 2013 stated that record required by Audit was handed over for checking during the audit of 2012-13. The reply was not tenable as record was not produced during audit. DAC's meeting was not convened, despite reminders.

Audit recommends:

- Initiate disciplinary proceeding in light of AGP directives, besides fixing of responsibility on person involved in concealment of record.
- Provide the requisite record to audit for scrutiny and ensure its timely production in future.

1.2.4.2 Non-recovery of dues from Government Departments – Rs 11.61 million

Rule-38 of GFR states that it is primarily the responsibility of the departmental authorities to see that all revenues or other debts to government which have to be brought to account, are correctly and promptly assessed, realized and credited to public account.

During audit of accounts of Small Industries Wing (SIW) Quetta, it was observed that an amount of Rs11.61 million was lying outstanding since 1974 against various government departments on account of lease money, ground rent and water charges but no effective steps were taken to recover the dues.

The matter was reported to the management on July 26, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends to recover the amount at the earliest, besides fixing of responsibility on person(s) at fault.

1.2.4.3 Non- adjustment of advance – Rs 5.13 million

Rule-28 of GFR states that no amount due to government should be left outstanding without sufficient reason.

During audit of accounts of Small Industries Wing (SIW) Quetta, for the year 2012-13, it was observed that an advance of Rs 5.13 million was outstanding against resident manager of Trans Baluchistan Enterprises (TBE). The same could not be adjusted till finalization of this report. Thus chances of loss could not be ruled out.

The matter was reported to the management on July 26, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends to recover the amount at the earliest, besides fixing of responsibility on person(s) at fault for not safeguarding departmental interests.

1.2.4.4Non-recovery of outstanding dues – Rs. 2.72 million

Rule-38 of GFR states that it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to government which have to be brought to account are correctly and promptly assessed, realized and credited to public account.

During audit of accounts of SIW Quetta, for the year 2012-13, it was observed that an amount of Rs.2.72 million was outstanding against M/s Chiltan Ghee Mills on account of ground rent and lease money since July, 2005. No effective step has been taken to recover the outstanding dues.

The matter was reported to the management on July 26, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends to recover the amount at the earliest, besides fixing of responsibility on person(s) at fault for not safeguarding departmental interests.

Chapter-2
Public Health Engineering Department

2.1 Quetta Water and Sanitation Authority

2.1.1 Introduction

Quetta Water & Sanitation Authority (Q-WASA) was created through Balochistan Act IX of 1989 after approval by the Provincial Assembly and legislature published a notification dated 27th Sept 1989. The purpose and functions of the Authority are summarized as under:

a. Continuous development planning, construction, development of water supply, sewerage and sanitation, regulations, compliance etc., including continuous revisions thereof.
b. Approval of all proposed new, extension or rehabilitation works on the related system.
c. Monitor and control water resources in the Area and issue licenses for abstraction of water from such resources,
d. As appropriate, collect or recover rates, charges or fees for services, including so far as practicable arrears thereof.

The Authority handles more than 65,000 water consumers.

2.1.2 Comments on the Audited Accounts

2.1.2.1 The working results of the authority for the year 2012-13 as compared with those of the previous year are given as follows:

(Rupees in million)

	2012-13	**% Inc/(Dec)**	**2011-12**
Grant in Aid from GOB.	730.27	(29.24)	752.27
Income (Tarruff Collection)	32.79	12.14	29.240
Total Receipts	763.07	(2.36)	781.52
Administration expenses	(803.55)	(0.42)	(806.93)
Other income	3.21	40.79	2.28
Operating Income / Loss	(37.27)	61.13	(23.13)
Financial Expenses	0.25	212.5	0.08
Income / Loss before Taxation	(37.52)	61.58	(23.22)
Taxation-current year	0.05	(50)	0.10
Deficit of Income over Expenditure	(37.57)	61.03	(23.33)

(Source: Audited Accounts)

2.1.2.2 The Annual Accounts provided by the company did not disclose any information about regulatory and/or accounting basis/policies for the preparation and disclosures of these accounts. Same be provided to audit and it is further suggested that accounts be prepared with improved disclosures as applicable to Public Sector Enterprises.

2.1.2.3 Loss before taxation for the year 2012-13 increased by 61.58% in comparison of year 2011-12 as Administrative expenses are higher then Income which needs to be elucidated. Further, no disclosure has been made by the management in the financial statements for Administrative Expenses.

2.1.2.4 The fixed depreciation rate of 10% over all categories of Fixed Assets (except land) created serious doubt over method and basis of calculation of useful lives of fixed assets for depreciation rate purpose which needs to be explained.

2.1.2.5 The given accounts for the year 2012-13 did not provide any disclosure that may lead to assess operating performance of the entity in view of its objectives. Same to be explained to Audit.

2.1.3 Compliance of PAC Directives

PAC meeting has not been convened to discuses the Audit Report for last twenty-six years.

2.1.4 AUDIT PARAS

2.1.4.1 Non-recovery of dues from government departments – Rs 61.39 million

Ruel-38 of GFR states that it is primary responsibility of the departmental authorities to see that that all revenue of other debits due to government, which have to be brought to account, are correctly and promptly assessed, realized and credit to the public account.

During audit of accounts of Water & Sanitation Authority Quetta (W&SAQ), for the year 2012-13 it was observed that an amount of Rs.61.39 million was outstanding against government departments on account of water charges, but it could not be recovered due to negligence.

.The matter was reported to the management on August 12, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends to recover the amount at the earliest, besides fixing of responsibility on person(s) at fault for not safeguarding departmental interests.

2.1.4.2 Irregular splitting of work Rs 21.53 million

Para-146 of General Financial Rules Volume-I, states that purchase orders should not be split up to avoid the necessity for obtaining the sanction of Higher Authority required with reference to the total amount of the orders.

During audit of accounts of QWASA it was observed that the management awarded pipe line work of Rs 21.53 million to different contractors in piece meal to avoid open tender. Thus procurement could not be made on most competitive and economical rates.

The matter was reported to the management on August 30, 2013.The management in its reply dated September 19, 2013 stated that Managing Director was empowered to sanction purchases within limit of Rs 1 lac. The reply was not tenable as work was split in violation of rule. DAC's meeting was not convened, despite reminders.

Audit recommends fixing of responsibility on the person(s) for unjustified splitting of work.

2.1.4.3 Irregular expenditure beyond authority - Rs 15.41 million

As per delegation of power of Water & Sanitation Authority dated December 31, 1988. Schedule of delegation of power (Financial) Managing Director (MD) of WASA was allowed purchase of machinery & equipment up to Rs 2 million.

During audit of accounts of QWASA, it was observed that the management purchased machinery of Rs 15.41 million from M/s Juma Khan & Company with the approval of Managing Director in violation of above rule.

The matter was reported to the management on August 30, 2013. The management in its reply dated September 13, 2013 stated that 91 motors were purchased separately on different times each within competence of the MD. The reply was not tenable as approval beyond Rs 2 million was granted to the same contractor on same dates. DAC's meeting was not convened, despite reminders.

Audit recommends:

- Fix responsibility for sanction beyond powers.
- Get the expenditure regularized from Finance Department through PAO.
- Internal controls be strengthened to avoid recurrence.

2.1.4.4 Irregular payment on account of salary – Rs 2.14 million

Rule-13 of GFR states that every government officer must satisfy not only adequate exist within departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in office financial proceedings of its subordinate officers and to guard against waste and loss of public money.

During audit of accounts of QWASA for the year 2012-13 It was observed that the management paid salary of Rs 2.14 million to 17 employees, who were employees of Quetta Water Supply & Environmental Improvement Project (QWSEIP), but got transferred from QWESIP to QWASA along with Sewerage Treatment Plant (STP) Quetta in February 2012. Thus the payment made without Provision in the budget was irregular.

The matter was reported to the management on August 12, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends:

- Recover the amount from person(s) at fault.
- Transfer the employees to the parent department.
- Internal controls be strengthened to avoid recurrence

2.1.4.5 Non-deduction of Income Tax - Rs 1.03 million

As per exemption certificate issued by Commissioner Inland Revenue dated 04-09-2012 if goods are imported in the supplier name and tax has been paid u/s 148. The withholding agent is directed to obtain written undertaking from the supplier that the items mentioned in the invoice have been supplied without any value addition.

During audit of accounts of QWASA, it was observed that the management purchased 20 HP Motors from M/s Juma Khan Machinery Store Quetta and M/s Wali Mohammad & Company Quetta, but did not deduct income tax amounting to Rs 1.03 million from suppliers on the pretext that suppliers were exempted from Tax, but could not provide documentary evidence. Thus loss was incurred to government exchequer.

The matter was reported to the management on August 30, 2013.The management in its reply dated September 13, 2013 stated that both the suppliers produced documentary evidence that they were direct importer of goods in the name of their own tax payer firm. The reply of the management was not tenable as no evidence was produced to audit. DAC’s meeting was not convened, despite reminders.

Audit recommends:

- Recover the amount from salaries of the person(s) found at fault.
- Internal controls be strengthened to avoid recurrence.

Chapter-3
Urban Planning & Development Department

3.1 Quetta Development Authority

3.1.1 Introduction

The Quetta Development Authority was established with the promulgation of Quetta Development Authority Ordinance, 1978 by the Government of Balochistan. Following functions have been assigned to the Authority:

i. Establishing Housing and Commercial Schemes.
ii. Construction of new roads, by-passes, parks, etc.
iii. Opening of congested areas.
iv. Provision of public amenities.

3.1.2 Compliance of PAC Directives

PAC meeting has not been convened to discuses the Audit Report for last twenty-six years.

3.1.3 AUDIT PARAS

3.1.3.1 Non-finalization of accounts

Annual audited accounts of the organization for the year 2012-13 was to be provided to the Directorate General Commercial Audit by December 31, 2013.

Contrary to the above the management of QDA did not provide audited accounts for the year 2012-13 and as well as for the previous years 1992-93 to 2011-12 by the prescribed date.

Audit recommends:

- Investigate the matter and fix the responsibility on person(s) at fault for non-finalization of accounts.
- Efforts be made to finalize and provide the accounts at the earliest.
- Internal controls be strengthened to avoid recurrence

3.1.3.2 Irregular allotment of plots – Rs 62.81 million

Para-VI of Urban Planning & Development Department Government of Balochistan, Quetta letter No.SO(Dev)1-24/93-UP&D/1198-18/06 dated July 17, 1994, states that, all the discretionary quotas reserved previously for Governor, Chief Minister and Minister for UP&D/Chairman Governing Body QDA has been abolished. Similarly the quota reserved for QDA employees, QMC employees, oversees Pakistani's Foundation, Judiciary and Journalists has also been abolished.

During audit of accounts of Quetta Development Authority (QDA), it was observed that the management allotted 56 plots for Rs 62.82 million to their employees on concessional rate in Zarghoon Housing Scheme in violation of above rule. Thus undue favour resulted into loss.

The matter was reported to the management on August 30, 2013.The management in its reply dated October 01, 2013 stated that as per Section-4 of QDA Ordinance-1978 the Governing Body was empowered for allotment. The reply was not tenable allotment was made on concessional rates instead of prevalent market rates. DAC's meeting was not convened, despite reminders.

Audit recommends:

- Recover the amount from allottees or salaries of employees found at fault.
- Internal controls be strengthened to avoid recurrence.

3.1.3.3 Irregular expenditure due to non-execution of work – Rs 29.62 million

Rule-13 of GFR states that every controlling officer must satisfy not only adequate exit within departmental organization for systematic internal checks calculated to prevent and detect errors and irregularities in office financial proceedings of its subordinate officers and to guard against waste and loss of public money.

During audit of accounts of QDA, it was observed that the management paid an amount of Rs. 29.62 million to Quetta Electric Supply Company (QESCO), Sui Southern Gas Company Limited (SSGCL) and Quetta Water & Sanitation Authority (QWASA) for providing utility services to different housing schemes of QDA, but despite lapse of 7 to 11 years the work could not be executed, which shows negligence and poor monitoring of QDA.

The matter was reported to the management on July 12, 2013. Neither the department replied, nor convened DAC's meeting despite reminders.

Audit recommends:

- Take up the matter with SSGCL for execution of work at the earliest.
- Investigate the matter and fix responsibility on person(s) for poor monitoring.
- Legal action including penalty be imposed on SSGCL for non-execution of work for more than decade.

3.1.3.4 Loss due to Encroachment of plot – Rs 14.24 million

Section-71 of QDA Act, 1978 states that the Authority has been vested with powers to direct removal of persons from land/ or buildings who have occupied the lands or carried out the works unlawfully.

During audit of accounts of Quetta Development Authority (QDA), it was observed that a local residence, Syed Qutbuddin encroached land measuring 3556 sq.ft in Chairman Housing Scheme, Quetta. But the management neither got property vacated nor sold it to the encroacher at market rates. Thus management could not safeguard its property.

The matter was reported to the management on August 30, 2013.The management in its reply dated October 01, 2013 stated that QDA was competent to allot and regularize encroachment. The reply was not tenable as loss was incurred. DAC's meeting was not convened, despite reminders.

Audit recommends:

- Sale the land at market rates or get it vacated, besides legal action be taken against the encroacher.
- Investigate the matter and fix responsibility on the person(s) involved.
- Internal controls be strengthened to avoid recurrence.

ANNEXURES

Annexure-I

MFDAC Paras

The Directorate General of Commercial Audit, and Evaluation, Karachi on behalf of the Auditor-General of Pakistan, conducted the audit of organizations of Government of Balochistan which maintain their accounts on commercial pattern.

As a result of audit conducted during 2013-14, various types of financial irregularities and losses of public money, etc., were detected and reported to the Departments and organizations concerned. The important irregularities/ losses and malpractices pertaining to various organizations have been printed in this report, while irregularities/losses not considered worth reporting to the PAC as listed below were left for Departmental Accounts Committees. The same will be discussed with the respective Secretaries to the Departments by the Director General, Commercial Audit and Evaluation, Karachi.

S. No.	Title of Para	Rs in million	Remarks
Urban Planning and Development Department			
Quetta Development Authority			
1	Irregular payment in contradiction to QDA Ordinance	39.49	Violation of rule
2	Non-deduction of sales tax Rs 0.244 million	0.244	Violation of rule

Annexure-II

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2012-13 were required to be submitted to the Directorate General of Commercial Audit and Evaluation, Karachi by Nov30, 2013. Despite requests, the organizations (listed below) failed to submit their annual audited accounts for the year(s) indicated against each by the prescribed date. While non-submission of audited accounts needs to be explained, Audit requires efforts by concerned PAOs for immediate finalization and submission thereof:

Industries and Commerce Department

Government Printing Press, Quetta	1988-89 to 2012-13
Small Industries Wing Quetta	

Public Health Engineering Department

Quetta Water and Sanitation Authority	1984-85 to 1999-2000, 2002-03 to 2008-09

Urban Planning and Development Department

Quetta Development Authority	1992-93 to 2012-13