



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

AUDIT YEAR 2015-16

AUDITOR – GENERAL OF PAKISTAN

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Abbreviations & Acronyms

BPPRA	Balochistan Public Procurement Regulation Authority
CSIS	Computerized Store Inventory System
DAC	Departmental Accounts Committee
DGCA&E	Director General, Commercial Audit & Evaluation, Karachi
FBR	Federal Board of Revenue
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 Enterprises
PPRA	Public Procurement Regulation Authority
P&SD	Printing & Stationery Department
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
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 2014-15. The Directorate General of Commercial Audit and Evaluation, Karachi conducted audit of these formations during July 01, 2015 to November 15, 2015 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-1** shall be pursued with Principal Accounting Officers (PAOs) at the Departmental Accounts Committee (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 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.

Dated:

(Rana Assad Amin)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (DGCA&E), South, 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, DG (CA&E) South, Karachi has a human resource of 8 officers and staff (worked out on pro-rata basis) resulting in 2000mandays. The annual budget of DG (CA&E) South, Karachi for the year 2015-16wasRs11.250 million (worked out on pro-rata basis). The DG (CA&E) South, Karachi 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 5 commercial entities of Government of Balochistan under the jurisdiction of DG (CA&E) South, Karachi. These entities operate under administrative control of 4 different Principal Accounting Officers (PAOs). As per Audit Plan 2015-16, the DG (CA&E) South, Karachi audited the accounts of 4 commercial entities pertaining to the year 2014-15.

Out of total expenditure of the entities for the financial year 2014-15, auditable expenditure under the jurisdiction of the DG (CA&E) South wasRs3,533.16 million which was audited on test checkbasis. The audit of receipts of Rs1,600.52million pertaining to these entities was also conducted.

This report contains result of audit and evaluation of financial performance of PSEs for the financial year 2014-15conducted during the audit year 2015-16. 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-2**) failed to submit their annual audited accounts by Nov 30, 2015, the prescribed date.

b. Recoveries at the instance of Audit

There was no recovery reported during 2014-15 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 2014-15. 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 recommendations. Audit has also played pivotal role in implementation of PPRA rules for transparency in procurement at the most competitive and economical rates. Audit has suggested many recommendations to the management for implementation of effective financial control system to avoid undue wasteful expenditure resulting into losses.

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 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;

- i Misused/Unauthorized expenditure in 2 cases – Rs 8.113 million.¹
- ii Irregular award of contract by violation of BPPRA in 2 cases –Rs418.858 million.²
- iii Irregular payment of over time/non-adjustment of advance in 2 cases - Rs6.837 million.³
- iv Non-recovery of dues in 6 cases amounting to Rs 1,311.725 million.⁴
- v Less deduction of income tax in 2 cases - Rs 2.359 million.⁵
- vi Irregular expenditure by violation of rules & regulation / procedure in 4 cases - Rs 461.412 million.⁶
- vii Irregular appointment of Officer in one case - Rs 819 million.⁷

¹Paras- 1.1.4.4 and 1.1.4.5

²Paras- 1.1.4.2and 3.1.4.3

³Paras- 1.1.4.3and 2.1.4.6

⁴Paras- 1.2.4.1, 1.2.4.2, 1.2.4.3, 2.1.4.4, 3.1.4.5 and 3.1.4.6

⁵Paras- 2.1.4.7 and 3.1.4.7

⁶Paras- 2.1.4.2, 2.1.4.3, 2.1.4.5and 3.1.4.4

⁷Para- 3.1.4.2

g. Recommendations

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

- i. Irregular issuance of NOC may be avoided.
- ii. Ensure deduction of government taxes at source.
- iii. Ensure timely recovery of dues from government/private sector.
- iv. Expedite disposal of plots to make the housing scheme successful.
- v. Make arrangement for timely submission of audited accounts to audit authorities (**Annexure-2**).
- vi. 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

SUMMARY TABLES & CHARTS

Table 1: Audit Work Statistics

(Rs. in million)

S. No.	Description	No.	Budget
1	Total Entities (Departments /PAO's) in Audit Jurisdiction	4	5,133.68
2	Total formations in Audit jurisdiction	5	5,133.68
3	Total Entities (Departments /PAO's) Audited	3	5,133.68
4	Total formations Audited	4	5,133.68
5	Audit & Inspection Reports	4	5,133.68
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	452.075
2	Weak financial management	270.208
3	Weak internal controls relating to financial management	3,514.496
4	Others	-
Total		4,236.779

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	30.90	1,449.46	1,600.52	2,052.80	5,133.68	1,861.051
2	Amount Placed under Audit Observation/ Irregularities	452.075	-	270.208	3,514.496	4,236.779	3,358.92
3	Recoveries Pointed Out at the instance of Audit	Nil	Nil	760.352	551.373	1,311.725	Nil
4	Recoveries Accepted /Established at the instance of Audit	Nil	Nil	760.352	551.373	1,311.725	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.	1,264.795
2	Reported cases of fraud, embezzlement, theft, and misuse of public resources.	8.113
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.	1,630.000
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public moneys	1,311.725
6	Non-production of record.	8.299
7	Others, including cases of accidents, negligence, etc.	-

Table 5: Cost - Benefit

(Rs in million)

S. No.	Description	2015-16	2014-15	2013-14
1	Outlays Audited	5,133.68	1,861.05	4,136.66
2	Expenditure on Audit	11.25	10.29	10.55
3	Recoveries realized at the instance of Audit	Nil	Nil	Nil
	Cost – Benefit Ratio	-	-	-

Chapter- 1

Industries and Commerce Department

1.1. Government Printing Press, Quetta

1.1.1 Introduction

The Printing & 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 Comments on Audited Accounts

1.1.2.1 The organization has failed to submit annual audited accounts since 1988-89, and onwards(**Annexure-2**)

1.1.3 Compliance of PAC Directives

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

1.1.4 AUDIT PARAS

Irregularity & non compliance

1.1.4.1 Non-finalization of accounts

Annual audited accounts of the organization for the year 2014-15, was to be provided to the Directorate General Commercial Audit by November 30, 2015.

Contrary to the above the management of SGP Quetta did not provide audited accounts for the period 1988-89 to 2014-15 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

1.1.4.2 Irregular award of contract for supplies of printing papers - Rs 1.175 million

As per Clause-43 of BPPRA, Acceptance of Bids.-(1) The bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Government, shall be awarded the procurement contract, within the original or extended period of bid validity. Further Rule-15 Sub section (2) PPRA, it is essential to analyze the contractors/suppliers with regards to Experience (Relevant and Post performance, Capabilities with respect to personnel, equipment and plant and Financial position.

During audit of Printing & Stationery Department (P&SD) Quetta it was observed that, a purchase order valuing Rs 5 million for supply of printing papers and raw material was placed on different contractors during the year 2014-15. The management after scrutiny awarded work order for supply of 700 packets of Khaki Covers (20x30) to M/s. Shoaib Enterprises @900 per packet, whereas M/s Shaharyar stood at the lowest rate by quoting Rs. 670 per packet resulted into excess payment of Rs 0.161 million.

Another order for supply of white printing paper (23x36) was awarded to Ms. Liaquat Papers & Stationery Mart @ 5,175packet while M/s. Shaharyar was again

offered the lowest bid @ Rs 3,146 packet thereby overpayment of Rs 1.014 million was made.

Audit was of the view that undue favour was extended to the contractors resulting into loss of Rs 1.175 million (Rs 0.161 million + Rs 1.014 million) on awarding of contract to the highest bidder.

The matter was reported to the management in November 2015 but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends matter may be investigated at higher level for fixing of responsibility on the person(s) at fault. Avoid such lapse in future.

1.1.4.3 Irregular payment of overtime to the officers – Rs 4.137 million

According to Para-11 of GFR Vol-I, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations, both by his own office and by sub-ordinate disbursing officer.” Further as per Balochistan Finance Manual 2008, Volume-I, Chapter-1 Section-8 Ref.No.FD(R-I)II-13/2006/844-46, Quetta Dated June 19, 2006 wherein the department allows overtime allowance @ Rs.01% per hour in favor of workers of Government Printing Press on basic pay scales 2005 w.e.f. 15-5-2006.

During audit of Printing & Stationery Department (P&SD), Quetta for the year 2014-15, it was observed that an amount of Rs 4.137 million on account of overtime was paid to the officers of Government Press, Quetta. It would not be out of place to mention here that under the rules issued from Finance Department Government of Balochistan no official orders were issued for late sitting in the office.

Audit was of the view that the payment of overtime to the senior officers without any entitlement is irregular and unjustified.

The matter was reported to the Management in November 2015 but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to provide proper explanation and justification regarding payment of overtime.

Others

1.1.4.4 Un-verifiable purchases of stationery - Rs.7.757 million

According to para-113 of GFR Vol -1, states: “All material received should be examined, counted, measured or weighted, as the case may be, when delivery is taken and they should be taken by a responsible Government officer who should see that the quantities are correct and their quality is good and record certificate that he has actually received as the materials and recorded them in the appropriate stock register”.

During audit of the Government Printing Press, Quetta for the year 2014-15, it was observed that certain stationery items worth Rs 7.757 million were procured but the items so procured were not recorded, at all, in any of the books. Moreover, not a single evidence for the consumption of the referred procurement was provided to audit.

Audit was of the view that due to unaccounted for of the items so procured, the chances of misuse of public money cannot be ruled out.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends for fixing responsibility on the person(s) at fault.

1.1.4.5 Misuse of government funds – Rs 0.356 million

According to Rule 10 (I) of G.F.R, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect to of expenditure of his own money.

During audit of Government Printing Press, Quetta for the year 2014-15, it was observed that the Chief Controller had been allotted a vehicle No. QAY-1214 as per his entitlement and the running plus maintenance costs amounted to Rs 74,741.

It was however, observed that another vehicle No. QAR-6645 was also being used by the incumbent, which was beyond his entitlement. The running and

repair/maintenance costs incurred on the vehicle amounted to Rs 241,165 and Rs 114,708 respectively. The total misuse of government funds stood at (241,165 + 114,708) Rs 355,873.

Audit was of the view that un-entitled incurrence of expenditure was indicative of weak financial management that resulted into wastage of public resources.

The matter was reported to the management in November, 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to recover the excess amount used by the officer beyond his entitlement.

(AIR Paras 05 & 06 of 2014-15)

1.2 Small Industries Wing, Quetta

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/centers 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 August 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. 03 Sales Shops at Quetta and Karachi.
- v. 35 Handicrafts Development Centers in different parts of Province.
- vi. 39 Tailoring / Cutting Centers in different parts of Province.
- vii. 12 Leather Embroidery Centers in different parts of Province.
- viii. 34 Carpet Centers in different parts of the Province.
- ix. 03 Embroidery Centre Totazai, Joda Kalat, Sarwan at Kharan
- x. 01 Cotton and loom Centre, Quetta.
- xi. 06 Cotton Silk Centre in different parts of Province.
- xii. 06 Mizri Centre in different parts of Province.
- xiii. 03 Pottery Centre.

1.2.2 Comments on the Audited Accounts

1.2.2.1 The working results of the Organization for the year 2014-15 as compared with those of the preceding years are as follows:

(Rs. in million)

	2014-15	% Inc/ (Dec)	2013-14	% Inc/ (Dec)	2012-13	% Inc / (Dec)	2011-12	% Inc / (Dec)
Sales	11.668	83.17	6.37	(9.17)	7.013	60.0	17.339	114.9
Cost of Goods Sold	(9.779)	83.68	(5.324)	(9.16)	(5.861)	6.7	(6.284)	7.8
Gross Profit	1.889	80.69	1.046	(9.12)	1.151	89.5	11.055	393.92
Operating Expenditure	(360.741)	8.70	(331.865)	(5.08)	(349.655)	63.0	(214.404)	13.7

Net Operating Loss	(358.852)	8.47	(330.818)	(5.07)	(348.504)	71.8	(203.349)	9.1
Appropriation Account		-						
Balance c/d from Preceding year	-	-	11.113	(25.89)	14.996	202.4	4.958	22.0
Prior year adjustments	0.969	26.68	0.035	(83.80)	0.216	10,700.0	0.002	-
Funds received from Government	387.489	21.57	318.736	(7.52)	344.656	61.6	213.174	15.3
Net Profit / (Loss)	27.668	2,955.31	(0.969)	(108.69)	11.148	24.5	14.780	200.51

(Source: Annual Accounts)

1.2.2.2 Net profit of the Wing increased by 2,955% from Rs0.969 million to Rs27.668 million during the year under review which was mainly due to funds received from Government which increased from Rs 318.736 million to Rs387.489 million during the year 2014-15. However, the operating loss increased from Rs330.818 million to Rs358.852 million during the year under review registered an increase of 8% during the year 2014-15 which needs to be justified.

1.2.3 Compliance of PAC Directives

1.2.3.1 PAC meeting has not been convened to discuss the Audit Report for last twenty-seven years.

1.2.4 AUDIT PARAS

Internal Control Weaknesses

1.2.4.1 Non-recovery of credit sales of furniture - Rs 12.416 million

As per joint venture dated June 06, 2013 executed between Small Industries Wing, Quetta (SIW) and M/s Trans Balochistan Enterprises to operate wood works Centre, Quetta on commercial basis, the rate of profit and loss was decided as 51% and 49% respectively.

During audit of Small Industries Wing (SIW), Quetta for the year 2014-15, the annual accounts of Trans Balochistan Enterprises (Wood Working Centre) a joint venture of SIW Quetta revealed that, an amount of 12.416 million was outstanding as on June 30, 2014 against government departments and offices on account of furniture purchased on credit basis.

Audit was of the view that no effective step for recovery was found to have been taken by the Trans Balochistan.

The matter was reported to the management in September 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends for submission of progress on recovery.

1.2.4.2 Non recovery/adjustment of advance - Rs 2.289 million

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

During audit of Small Industries Wing (SIW) Quetta for the year 2014-2015, it was observed that, an amount of Rs 2.289 million was paid as advance to the Resident Manager of Trans Balochistan Enterprises (Wood Working Center) joint venture of SIW Quetta for various purchases. The advance was however, not adjusted/recovered as observed from review of record.

Audit was of the view that no effective step for recovery was found to have been taken by the management.

The matter was reported to the management in September 2015 but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to recover/adjust the amount from the salary of the person(s) besides fixing of responsibility.

1.2.4.3 Non-recovery from Government Departments - Rs 1.786 million

Rule-38 of G.F.R provides that it is primarily the responsibility of the departmental authorities to see that all revenues 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 Small Industries Wing (SIW) Quetta, for the year 2014-15, it was observed that an amount of Rs1.786 million was outstanding since long against various government departments as on June 30, 2015(**Annexure-3**).

Audit was of the view that no effective steps were taken by the management to recover the amount.

The matter was reported to the management in September 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends fixing of responsibility and recovery of amount at the earliest.

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 through a notification dated September 27, 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.
- e. The Authority handles more than 65,000 water consumers.

2.1.2 Comments on Audited Accounts

2.1.2.1 The organization has failed to submit annual audited accounts for the year 2014-15 (**Annexure-2**)

2.1.3 Compliance of PAC Directives

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

2.1.4 AUDIT PARAS

Irregularity & non compliance

2.1.4.1 Non-finalization of accounts

Annual audited accounts of the organization for the year 2014-15 was to be provided to the Directorate General Commercial Audit by November 30, 2015.

Contrary to the above the management of Q-WASAdid not provide audited accounts for the year2014-15 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

2.1.4.2 Irregular enhancement of work – Rs 13.253 million

According to Para 56 of Central Public Works Department Code states that for each individual work proposed to be carried out, properly detailed estimate must be prepared for the sanction of the competent authority. The proposals are structurally sound, and that the estimates are accurately calculated and based on adequate data. If, subsequent to the grant of technical sanction, material structural alterations are contemplated, the orders of the original sanctioning authority should be obtained, even though no additional expenditure may be involved by the alterations. Further Para 6.19 of Public Works Department Code 1982 states that a revised estimate must be prepared when the sanctioned estimate is likely to be exceeded by more than 15%.

During audit of Water and Sanitation Authority (WASA), Quetta for the year 2014-15it was observed that, a contract valuing Rs. 5.661 million was awarded to M/s Jumma Khan Machinery Store for supply and installation of pumping machinery videLetter of Intent No. WASA/XEN-z/1485-88 dated June 23, 2015. Lateronthe contract was enhanced up to Rs 18.914 million through a revised Letter of Intent No. WASA/1766-69 dated May 15, 2015.

Audit was of the view no justification or revision in PC-1 was found. Even no contract agreement was executed with the contractor.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to fix the responsibility upon person(s) for the enhancement of Rs.13.253 million (Rs.18.914 – 5.661) without any provision in PC.1.

2.1.4.3 Irregular expenditure on repair of WAPDA transformers - Rs 6 million

As per Section-III regarding repair of Transformers Fixed Assets Accounting Manual WAPDA, (D) Damaged transformers are received at WAPDA's Transformer Reclamation Workshops for repair. The value of serviceable and/or reusable parts of the damaged transformers will be credited to the Accounting Unit where the transformer originally came from. The repaired transformers will be sent back to the Regional Stores at standardized prices derived from the Computerized Store Inventory System (CSIS).

During audit of Water and Sanitation Authority (WASA) Quetta for the year 2014-15, it was observed that an amount of Rs. 6.000 million was incurred on account of repair of transformers of WAPADA by the WASA.

Audit was of the view that the transformers were installed by WAPDA, who were the sole owner and responsible for repair and maintenance as such incurring of expenditure on account of repair and maintenance by WASA was found to be unjustified and irregular.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to investigate the matter and to recover the maintenance expenditure from WAPDA besides fixing of responsibility on the person(s) found at fault.

Internal Control Weaknesses

2.1.4.4 Non-recovery of water charges from consumers – Rs 724.274million

According to Rule-23 of General Financial Rules, Volume-I, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through negligence on his part and that he will also be held personally responsible for any loss arising from negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Further, Para-28 of General Financial Rules Volume-I states, “no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought”.

During audit of Water and Sanitation Authority (WASA), Quetta for the financial year 2014-15, it was observed that an amount of Rs 720.875 million was lying outstanding against various water consumers. The details are as under:

Sr. No.	Category	No. of Consumers	Paying consumers	No. of defaulters	Outstanding amount
1	Domestic	74,177	11,400	62,737	452,523,165
2	Commercial	4,032	663	3,369	199,338,420
3	Government	468	30	438	18,605,200
4	Bulk Water Supply	40	-	40	49,747,500
5	Employees	627	75	552	660,700
Total		79,344	12,208	67,136	720,874,985

It was also observed that the management supplied water to different consumers through water tankers of the Authority without charging any amount from the consumers, whereas the Authority incurred Rs 3.399 million on POL and repair & maintenance during the period.

Audit was of the view that the amount on account of supply of water tanker should be recovered as the Authority incurred huge amount on supply of water tanker to

these consumers. This resulted into non-recovery of Rs 724.274 million (Rs 720.875 million + Rs 3.399 million).

The matter was reported to the management in November 2015 but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to recover the amount from the consumers.

2.1.4.5 Overpayment/surcharge on electricity bills - Rs 8.300 million

According to Rule-23 of General Financial Rules, Volume-I, every Government officer should realized fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

During audit of Water and Sanitation Authority (WASA), Quetta for the financial year 2014-15 it was observed that, payment of Rs. 8.300 million was made to the Quetta Electricity Supplies on account of late payment/surcharge, due to non-payment of electricity bills on time.

Audit was of the view that due to the poor financial management and the weak internal control the management has put the authority into a net loss of Rs. 8.300 million.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends the management to hold an inquiry with a view to fix responsibility on the person(s) who is/are involved in the payment of surcharge.

2.1.4.6 Non-adjustment of advances Rs.2.700 million

Para-28 of General Financial Rules Volume-I states, “no amount due to Government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the orders of competent authority for their adjustment must be sought”.

During audit of Water and Sanitation Authority (WASA), Quetta it was observed that, an amount of Rs 2.700 million was paid to the staff as advance during the financial year 2014-15. As a matter of principle the amount of advance should have adjusted/paid within the same financial year. But the record revealed that the same was not adjusted/recovered.

Audit was of the view that non-adjustment of advances up-to the closing of financial year 2014-15 is against the norms of accounting.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends recovery of advance from the staff or from the officer involved besides fixing of responsibility on the person(s) at fault.

2.1.4.7 Less deduction of income tax - Rs 0.612 million

According to Clause-C sub-section (1) of section 153(II) of the Income Tax Ordinance 1984, every Drawing & Disbursing Officer is required to deduct income tax @ 7.5% from the bills of the contractors paid on behalf of the Government.

During audit of Water and Sanitation Authority (WASA), Quetta it was observed that the Authority made a payment of Rs 122.403 million to the contractors during the financial year 2014-15 without possessing National Tax Number. Further the income tax was deducted @ 7% instead of 7.5%.

Audit was of the view that less deduction of income tax amounting to Rs 0.612 million shows negligence at the part of the management.

The matter was reported to the management in September 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to fix the responsibility on the person(s) found at fault and corrective measures may be adopted so as to curb such irregularities in future.

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 Comments on Audited Accounts

3.1.2.1 The organization has failed to submit annual audited accounts for the period 1992-93 to 2014-15 (**Annexure-2**)

3.1.3 Compliance of PAC Directives

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

3.1.4 AUDIT PARAS

Irregularity & non compliance

3.1.4.1 Non-finalization of accounts

Annual audited accounts of the organization for the year 2014-15 were to be provided to the Directorate General Commercial Audit by November 30, 2015.

Contrary to the above the management of QDA did not provide audited accounts for the period 1992-93 to 2014-15 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

3.1.4.2 Irregular appointment of officers - Rs 819 million

According to Establishment Division OM dated April 17, 2003 which states that, all initial appointments should be made through open advertisement of vacancies in accordance with Fundamental Rights enshrined in Article-18 and 25 of the constitution and the orders proposed by the Supreme Court inhuman Rights case No.104 of 1992. Further all selection for appointment, whether initial or promotion should be made through the duly constituted Selection/Promotion Committee/Board.

During audit of Quetta Development Authority (QDA) for the year 2014-15, it was observed that, various appointments in BS-17 and above were made by the Authority without inviting press publication and constitution of the Selection Committee/Board. This is indicative of the fact that an undue favour was extended to the officers concerned which was further attributed to gross violation of the government rules quoted above.

Audit was of the view that Authority appointed officers in violation of selection/recruitment policy and notification of establishment Division resulting into irregular expenditure of Rs 819 million (6.821 million P.M. X 12 month = Rs 81.852 million X 10 years = 818.52 million).

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to regularize the irregular expenditure besides termination of the officers immediately and fixing responsibility thereof.

3.1.4.3 Irregular invitation of tenders – Rs 417.683 million

As per Rule-12(2) of PPRA Rules 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well in other media or Newspaper having wide circulation. The advertisement in the Newspapers shall

principally appear in at least two national dailies, one in English and the other in Urdu. Further under the provision of Rule-13(1) of the said Rules, under no circumstances the response time shall be less than fifteen working days for national competitive bidding.

During audit of Quetta Development Authority (QDA) for the year 2014-15, it was observed that the management invited tenders for civil works of four different development works through one Newspaper only. The record further revealed that the bids in 2 cases were opened before the prescribed period of fifteen (15) days. The details of works are given as under:

(Rupees in million)

S. No.	File No.	Description of Purchases	Tender published in	Tender opened on	Days Allowed	Amount
1	1-594/2013/(331)DW	HDPE 12.5 PN/SDR 13 Pipes & Fittings for Water Supply, boring of Tube well & construction of pump house at Zarghoon Housing Scheme, Quetta	Daily Jang, Quetta dt. 04-04-2014	21-04-14	17 days	29.022
2	1-592/2013/(239)DW	Different development works in QDA	Daily Mashriq, Quettadt. 31-05-2014	05-06-14	05 days	10.849
3	1-627/2014/(364)DW	Different development works in QDA	daily Mashriq, Quetta on 13-03-2013	25-03-13	13 days	183.430
4	1-568/2013/(305)/DW1	Different development works in QDA	daily Jang, Quetta on 13-03-2013	28-03-13	16 days	194.382
Total:						417.683

It is evident from above that very less time was allowed for opening of the bids particularly the case placed at serial 02 & 03.

Audit was of the view that the publication of above tenders amounting to Rs417.683million in one local newspaper is against the rule. Due to non-observance of the said rules, the bidders were deprived of the chances of fair competition and the Authority could not achieve the benefit of most competitive rates. This shows lapses on the part of the department and indicates loose systematic control and poor financial management.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends fix the responsibility against the person(s) found at fault and an effective internal control system should be devised to avoid such lapses in future.

Performance

3.1.4.4 Loss due to non-auctioning of vacant commercial plots -Rs 433.859 million

Rule-32 provides that, “every Government officer should realize fully and clearly that he will be held responsible for any loss sustained by Government through fraud or negligence on his part.”

During audit of Quetta Development Authority (QDA) for the year 2014-15, it was observed that 738 commercial plots worth Rs 433.859 million were lying with the Authority in various housing schemes at different locations in Quetta. The same were not auctioned since last 5 years, which reflects slackness and least interest of the management. The details of plots are as under:-

(Amount in rupees)

Locality	No. of Plots	Area Sq.ft	Rate/ Sq.ft	Amount
Hazarganji (A)	329	103329	300	30,998,700
Satellite town(B)	280	92000	300	27,600,000
Chiltan Housing Scheme(C)	4	6904	5,000	34,520,000
Shalkot Housing Scheme(D)	9	8100	400	3,240,000
Zarghoon Housing Scheme(e)	116	135000	2,500	337,500,000
TOTAL	738	345333	-	433,858,700

Audit was of the view that the management was non-serious in disposal of auction of commercial plots but also did not initiate any action in this regards which may cause expected loss to the Authority.

The matter was also reported to the management through Audit Reports of the Auditor General of Pakistan for the years 2009-10 to 2013-14 but no serious efforts were taken by the management for recovery of amount. This resulted into accumulation of unrecovered amount of Rs 433.859 million. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to take necessary steps for early disposal of plots through prescribed auction procedure in order to save the Authority from further losses.

Internal Control Weaknesses

3.1.4.5 Non-recovery of arrears from the allottees – Rs 549.084 million

Rule-26 of GFR states, that “it is the duty of the departmental controlling officer to see that all sum due to Government are regularly and promptly assessed, realized and duly credited to Government Accounts. Further under the provision of Clause -4, of the Agreement for Sale/Purchase of plot, if the allottee fails 10% (ten percent) of the total cost of the plot as penalty and also forfeit the security deposited by the allottee. pay the installments in time and unpaid balance and the surcharge thereon remain in arrears for more than six months (whether formally demanded or not) the Authority will have the right to cancel the allotment, resume possession of the plot and recover.

During audit of Quetta Development Authority (QDA) for the year 2014-15, it was observed that, an amount of Rs.549.084 million was outstanding against the allottees of different Residential Housing Schemes and Commercial Plots since the year 1999-2000. The details are as under:

(Rs in million)

S.No.	Name of Scheme	Nature of Plot	Outstanding Amount
1	Zarghoon Housing Scheme	Residential	350.713
2	Rakshan Housing Scheme	Residential	8.849
3	Shalkot Housing Scheme	Residential	9.977
4	Kirani Housing Scheme	Residential	21.838
5	Takhtani Housing Scheme	Residential	24.573
6	Hazargangi Commercial Plots	Commercial	133.134
Total			549.084

As per the agreement, 10% of total cost was required to be imposed as a penalty on the allottees in case of non-clearance of dues in time however, the penalty was not imposed.

Audit was of the view that the Authority should have been cancelled all the above said allotments and taken the possession after forfeiting of 10% security deposit.

The matter was reported to the management in the Audit Report of the Auditor General of Pakistan for the years 2009-10 to 2013-14, but despite the fact no serious efforts were found to have been taken by the management for recovery of amount. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to take hectic efforts for long outstanding recoverable amount along with fixing of responsibility on the person(s) at fault.

3.1.4.6 Non-recovery of rent - Rs 21.880 million

Rule-38 of GFR states that it is primarily the responsibility of departmental authorities to see that all revenues 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 Quetta Development Authority (QDA) for the year 2014-15, it was observed that the Authority had shifted in their newly established building and immediately after vacation the Urban Planning & Development Department (UP&DD) occupied the whole building premises measuring 11,396 sq.ft. in the year 2007. It was very astonishing to know that no rental agreement was executed between the two offices.

Audit was of the view that non-recovery of rent Rs 21.880 million since the occupation shows weak controls.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to fix the responsibility on the person(s) at fault and inform to the audit about latest development of recovery.

3.1.4.7 Less deduction of income tax - Rs 1.747 million

According to Clause-C sub-section(1) of section 153(II) of the Income Tax Ordinance 1984, every Drawing & Disbursing Officer is required to deduct income tax @ 7.5% from the bills of the contractors paid on behalf of the Government.

During audit of Quetta Development Authority (QDA) for the year 2014-15, it was observed that, an amount of Rs 1.747 million was less deducted on account of Income Tax from the bills of contractor @ 7% against prescribed rate of 7.5% which resulted into loss to the government amounting to Rs 1.747 million.

Audit was of the view that less deduction of amount in violation of government rules is irregular and unjustified.

The matter was reported to the management in November 2015, but no reply was received. The PAO failed to convene DAC meeting despite repeated requests by Audit.

Audit recommends to investigate the matter and to recover the amount of Rs 1.747 million from the bills of the contractors.

ANNEXURES

MFDACParas

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 2015-16, 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
PUBLIC HEALTH ENGINEERING DEPARTMENT			
Small Industries Wing Quetta			
1	Non-imposition of penalty of contractor due to late supply of vehicles	0.265	Violation of rule

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2014-15 were required to be submitted to the Directorate General of Commercial Audit and Evaluation, Karachi by Nov30, 2015. 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 2014-15

Public Health Engineering Department

Quetta Water and Sanitation Authority 1984-85 to 1999-2000,
2002-03 to 2008-09,
2012-13 & 2014-15

Urban Planning and Development Department

Quetta Development Authority 1992-93 to 2014-15

Annexure-3
(See Para No.1.2.4.3)

Non -recovery from Government Departments

(Rs in million)

S.No.	Name of Department	Water Charges	Ground Rent	Total
1	Technical Training Centre	0.192	0.504	0.696
2	Police Station and Police Colony	0.872	0.218	1.090
	Total	1.064	0.722	1.786