



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
PUBLIC SECTOR ENTERPRISES  
GOVERNMENT OF BALOCHISTAN  
AUDIT YEAR 2017-18**

**AUDITOR GENERAL OF PAKISTAN**



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## **Abbreviations & Acronyms**

AGP	Auditor General of Pakistan
BPPR	Balochistan Public Procurement Rules
BPPRA	Balochistan Public Procurement Regulatory Authority
DAC	Departmental Accounts Committee
DG CA&E	Director General, Commercial Audit & Evaluation, Karachi
GFR	General Financial Rules
GPP	Government Printing Press
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PPHI	People Primary Healthcare Initiative Department
PSEs	Public Sector Enterprises
SIW	Small Industries Wing



## Preface

Articles 169 and 170 of the constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 15 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 2016-17. The Director General of Commercial Audit and Evaluation, Karachi conducted audit of these formations during July 01, 2017 to November 15, 2017 on a test check basis, with a view to reporting 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.

Islamabad  
Dated:

**(Javaid Jehangir)**  
**Auditor General of Pakistan**





## EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation DG (CA&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 03 officers and staff (worked out on pro-rata basis) resulting in 750 mandays. The annual budget of DG (CA&E) South, Karachi for the year 2017-18 was Rs.7.150 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 Public Sector Enterprises (PSEs) under administrative control of various departments of Government of Balochistan.

### **a. Scope of Audit**

There are 03 commercial entities of Government of Balochistan under the jurisdiction of DG (CA&E) South, Karachi. These entities operate under administrative control of 02 different Principal Accounting Officers (PAOs). As per Audit Plan 2017-18, the DG (CA&E) South, Karachi audited the accounts of 02 commercial entities pertaining to the year 2016-17.

Out of total auditable amount of Rs.594.003 million for 03 entities falling under 02 PAOs, DG (CA&E) South Karachi conducted the audit of the amount of Rs.506.838 million on test check basis.

This report contains result of audit and evaluation of financial performance of PSEs for the financial year 2016-17 conducted during the audit year 2017-18. It was also assessed whether the organizations are managed in accordance with sound commercial practices, follow 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, 2017, the prescribed date.

**b. Recoveries at the instance of Audit**

There was no recovery reported during January 2017 to December 2017 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 2016-17. 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 BPPRA 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**

Internal controls are reflected from policies, procedures, rules, regulations and monitoring mechanism in any organizations. These controls not only guard against fraud, waste and inefficiency, but ensure reliable and accurate operational and financial information for rational decision-making. A number of internal control weaknesses were observed during the audit of Public Sector Enterprises, some of them are illustrated below:

- i. Management of Receivables 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 Irregular award of contract was reported in 04 cases - Rs.59.010 million.<sup>1</sup>
- ii Loss of revenue was reported in 02 cases - Rs.25.313 million.<sup>2</sup>
- iii Non-recovery of dues was reported in one case - Rs.404.909 million.<sup>3</sup>
- iv Irregular payment /expenditure was reported in 03 cases - Rs.104.027 million<sup>4</sup>

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<sup>1</sup>Paras- 1.1.4.3, 1.1.4.4, 2.1.4.2 & 2.1.4.3

<sup>2</sup>Paras- 2.1.4.8 & 2.1.4.9

<sup>3</sup>Paras- 1.2.4.1

<sup>4</sup>Paras- 1.1.4.2, 1.1.4.5 & 2.1.4.10

**g. Recommendations**

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

- i. Contracts must be awarded by observing all the rules in vogue.
- ii. Steps should be taken to avoid loss of revenue.
- iii. Ensure deduction of government taxes at source.
- iv. Ensure that expenditure incurred according to the rules.
- v. Make arrangement for timely submission of audited accounts to audit authorities (**Annexure-1**).
- 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.



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## **SUMMARY TABLES & CHARTS**

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## **SUMMARY TABLES & CHARTS**

**Table 1: Audit Work Statistics**

(Rs. in million)

<b>Sr. No.</b>	<b>Description</b>	<b>No.</b>	<b>Budget</b>
1	Total Entities (Departments/PAO's) in Audit Jurisdiction	2	594.003
2	Total formations in Audit jurisdiction	3	594.003
3	Total Entities (Departments/PAO's) Audited	2	506.838
4	Total formations Audited	2	506.838
5	Audit & Inspection Reports	2	506.838
6	Special Audit Reports	Nil	-
7	Performance Audit Reports	Nil	-
8	Other Reports	Nil	-

**Table 2: Audit observations regarding Financial Management**

(Rs. in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Unsound asset management	10.097
2	Weak financial management	628.674
3	Weak internal controls relating to financial management	371.499
4	Others	13.815
<b>Total</b>		<b>1,024.085</b>

**Table 3: Outcome Statistics**

(Rs. in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Expenditure on acquiring Physical Assets (Procurement)</b>	<b>Civil Works</b>	<b>Receipts</b>	<b>Others</b>	<b>Total current year</b>	<b>Total last year</b>
1	Outlays Audited	1.382	-	32.619	560.002	594.003	397.571
2	Amount Placed under Audit Observation/ Irregularities	10.097	-	628.674	385.314	1,024.085	192.155
3	Recoveries Pointed Out at the instance of Audit	Nil	Nil	447.616	-	447.616	447.616
4	Recoveries Accepted /Established at the instance of Audit	Nil	Nil	447.616	-	447.616	447.616
5	Recoveries Realized at the instance of Audit	Nil	Nil	Nil	Nil	Nil	Nil

**Table 4: Irregularities pointed out**

(Rs. in million)

<b>Sr. No.</b>	<b>Description</b>	<b>Amount Placed under Audit Observation</b>
1	Violation of Rules and regulations and violation of principle of propriety and probity in public operations.	257.983
2	Reported cases of fraud, embezzlement, theft, and misuse of public resources.	5.246
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	If possible quantify Weaknesses of internal control systems.	301.829
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public moneys	447.616
6	Non-production of record.	4.995
7	Others, including cases of accidents, negligence etc.	6.416

**Table 5: Cost - Benefit**

(Rs. in million)

<b>Sr. No.</b>	<b>Description</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
1	Outlays Audited	594.003	397.571	5,133.680
2	Expenditure on Audit	7.150	2.725	11.250
3	Recoveries realized at the instance of Audit	Nil	Nil	Nil
	<b>Cost – Benefit Ratio</b>	-	-	-

## **Chapter- 1**

### **Industries and Commerce Department**

#### **1.1. Government Printing Press, Quetta**

##### **1.1.1 Introduction**

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 provincial government Gazette, Annual Budget & PSDP, Provincial Assembly debates & proceedings, reports of Judiciary; and printing of all kind of jobs for all departments/offices of the provincial government;

##### **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-1**)

##### **1.1.3 Compliance of PAC Directives**

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

##### **1.1.4 Audit Paras**

###### **1.1.4.1 Non-preparation/finalization of accounts**

According to Section-233 of the Companies' Ordinance, 1984, the company shall prepare the annual accounts within four months after closing the date of accounts for the specific year.

During audit of Government Printing Press (GPP), Quetta the management did not provide audited accounts for the years 1988-89 to 2015-16 in violation of Rules.

Audit is of the view that preparation of the annual accounts is mandatory for the Press and non-preparation of the same is clear violation of the rules and regulations of the Printing Manual.

Audit recommends fixing responsibility on the person(s) at fault for non-finalization of accounts.

#### **1.1.4.2 Irregular payment of over time allowance - Rs. 5.219 million**

Section 1.8 of Printing and Stationery Manual of Govt Printing Press states that overtime allowance is governed by the provisions of the Factories Act under which they can work only for a specified number of hours. Overtime work involves heavy additional expenditure and will be done only in exceptional circumstances in cases of extreme urgency.

During audit of Government Printing Press (GPP), Quetta for the year 2015-16, it was observed that the management paid an amount of Rs. 5.219 million to its employees on account of over time without recording any justification for the extra or additional work (**Annexure-3**).

Audit is of the view that payment of Rs. 5.219 million on account of overtime in absence of justification was irregular.

The matter was reported to management in March, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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

#### **1.1.4.3 Irregular award of contract - Rs. 5.00 million**

As per Rule 12 of Baluchistan Public Procurement Rules 2014, the Procuring Agencies shall not split or package a procurement plan with the intention to shorten or facilitate the procurement process and approval

mechanism. All procurements opportunities over one million rupees shall be advertised on the Authority's website as well as in the newspapers as prescribed in these rules.

During audit of Government Printing Press (GPP), Quetta for the year 2015-16, it was observed that in April 2016 two separate contract were awarded to M/s Liaquat Paper and M/s New Book Inn, amounting to Rs 3.213 million and Rs.1.785 million respectively without advertisement. Resultantly, award of the contacts Rs 5.00 million was irregular.

Audit is of the view that due to non-advertisement of the procurement opportunity, the organization was deprived of the competitive bidding.

The matter was reported to management in March 2017, but no reply was received. DAC meeting was not convened despite request by Audit.

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

#### **1.1.4.4 Irregular procurement by splitting - Rs. 1.018 million**

As per Rule 12 of Baluchistan Public Procurement Rules 2014, limitations on splitting or regrouping of proposed procurement. The procuring agencies shall not split or package a procurement plan with the intention to shorten or facilitate the procurement process and approval mechanism, unless the procuring agency is satisfied.

During audit of Government Printing Press (GPP), Quetta for the year 2015-16, it was observed that the management procured miscellaneous items throughout the year in piecemeal amounting to Rs.1.018 million in violation of BPPR.

Audit is of the view that splitting of contract shows ill planning on the part of the management due to which the Press deprived from the competitive bidding.

The matter was reported to management in March, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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

**1.1.4.5 Irregular payment of honorarium and cash award despite loss - Rs. 4.892 million**

According to Rule 23 of GFR, 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 and that he will also 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 Government Printing Press (GPP), Quetta for the year for the year 2015-16, it was observed that the management paid Rs. 2.254 million and Rs.2.637 million to its employees as honorarium and cash award respectively despite loss of Rs.41.00 million during the same year.

Audit is of the view that the payment of honorarium and cash award was not justifiable as the organization suffered loss.

The matter was reported to management in March, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that responsibility should be fixed on the person(s) at fault, besides improving business activities of the Press.

**1.1.4.6 Non-surrender of excess amount - Rs. 4.845 million**

According to the Rule 95 of GFR, all anticipated savings should be surrendered to Government immediately they are foreseen but not later than 31<sup>st</sup> March of each year in any case.

During audit of Government Printing Press, (GPP) Quetta for the year 2015-2016, it was observed that an amount of Rs.56.518 million were utilized by the press out of total budget of Rs. 61.364 million during the period.

However, management failed to surrender the un-utilized budget Rs. 4.85 million within stipulated time.

Audit is of the view that non-surrendering of funds in time shows inefficiency and poor financial management.

The matter was reported to management in March, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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



## 1.2 Small Industries Wing, Quetta

### 1.2.1 Introduction

As a result of dissolution of One Unit, the President of Pakistan dissolved 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 issued by 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, JodaKalat, 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 2016-17 as compared with those of the preceding years are as follows:

(Rs. in million)

	2016-17	% Inc / (Dec)	2015-16	% Inc / (Dec)	2014-15	% Inc / (Dec)	2013-14
Sales	6.12	(41.21)	10.41	(10.73)	11.67	83.17	6.37
Cost of Goods Sold	6.77	(23.32)	(8.83)	(9.62)	(9.78)	83.68	(5.32)
<b>Gross Profit</b>	<b>(0.65)</b>	<b>(58.59)</b>	<b>1.57</b>	<b>(16.48)</b>	<b>1.89</b>	<b>80.69</b>	<b>1.05</b>

Operating Expenditure	(419.72)	3.99	(403.64)	11.90	(360.74)	8.70	(331.86)
<b>Net Operating Loss</b>	<b>(420.37)</b>	<b>4.56</b>	<b>(402.06)</b>	<b>12.04</b>	<b>(358.85)</b>	<b>8.47</b>	<b>(330.82)</b>
<b>Appropriation Account</b>	-	-	-	-	-	-	-
Balanced/ from Preceding year	21.26	(23.16)	27.67	-	-	-	11.11
Prior year adjustments	7.38	(72.78)	27.11	2697.73	0.97	26.68	0.03
Funds received from Government	412.13	4.02	396.20	2.24	387.49	21.57	318.74
<b>Net Profit / (Loss)</b>	<b>15.61</b>	<b>(26.57)</b>	<b>21.26</b>	<b>(23.13)</b>	<b>27.67</b>	<b>-</b>	<b>(0.94)</b>

(Source: Annual Accounts)

Sales decreased by 41.21% (2015-16: Rs. 10.41 million, 2016-17: Rs. 6.12 million) which needs justification.

**1.2.2.2** During the year under review, operational expenditure increased by 3.99% from Rs.403.64 million in 2015-16 to Rs. 419.72million in 2016-17. The increase in expenditure resulted in to net operating loss of Rs.420.37 million against 402.06 million in 2015-16. Increase in operating expenditure needs justification.

**1.2.2.3** An amount of Rs. 4.682 million under the head of account “Estate dues” is recoverable since long but same has not been recovered. Strenuous efforts need to be made to recover the amount.

**1.2.2.4** Net profit decrease by 26.57% from Rs 21.26 million in 2015-16 to Rs 15.61 million in the year 2016-17 needs justification.

### **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-eight years.

### **1.2.4 Audit Paras**

#### **1.2.4.1 Non-recovery of dues from defaulters - Rs.404.909 million**

According to Rule 38 of GFR, it is the primarily responsibility of the departmental authorities to see that all revenue or other debts due to

government which have to be bought to account are correctly and promptly assessed, realized and credited to public account.

During audit of Small Industries Wing (SIW) Quetta for the year 2016-17, it was observed that an amount of Rs.404.909 million was outstanding against different defaulters on account of water and ground rent charges as on June 30, 2017. The detail is as under:

(Rs. in million)

Sr. No	Description	Defaulters	Amount
1	Commercial Charges		396.000
2	Ground Rent	Industrial Estate	4.400
3	Water charges		0.940
4	Ground Rent	Chiltan Ghee Mill	1.667
5	Water charges	Police Station/Colony	0.872
	Ground Rent		0.254
6	Water charges	Technical Training Centre	0.192
	Ground Rent		0.584
<b>Total</b>			<b>404.909</b>

Audit is of the view that non-recovery of charges shows negligence on the part of the management.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing responsibility upon person(s) at fault besides, recovery of the amount at the earliest.

#### **1.2.4.2 Doubtful expenditure on purchases of raw material - Rs.7.395 million**

According to Rule 10 General Financial Rules, every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money. He is responsible for observance and enforcing order and strict economy at every step.

During audit of Small Industries Wing (SIW) Quetta for the financial year 2016-17, it was observed that the management incurred expenditure of Rs.7.395 million on purchase of raw material. However, it was observed that proper record of purchases and issuance of the raw material was not maintained.

Audit is of the view that the expenditure without relevant record is doubtful and chances of infringement could not be ruled out.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault besides corrective action should be taken forthwith.

#### **1.2.4.3 Irregular hiring of building - Rs.4.283 million**

As per Rule 11 of G.F.R. 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.

During Audit of Small Industries Wing (SIW) Quetta for the year 2016-17, it was observed that the management hired a building and paid rent of Rs.4.283 million. However, title of the building, approved map, verified copy of property tax and site plan were not available in the record. Further, the rent agreement deeds were made without National Identity Card.

Audit is of the view that in the absence of above mentioned documents, the rent agreement is held irregular.

The matter was reported to the management in October, 2017 but no reply was received till the close of audit. DAC meeting was not convened despite request by Audit.

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

## **Chapter-2**

### **Labour and Manpower Department**

#### **2.1 Baluchistan Employees Social Security Institution**

##### **2.1.1 Introduction**

Social Security Scheme was launched on March 01, 1967 under West Pakistan Employees' Social Security Ordinance No. X of 1965, with the assistance of the International Labour Organization. Balochistan Employees' Social Security Institution (BESSI), however, came into being on July 01, 1978.

BESSI is an autonomous body and is guided by such instructions on questions of policy as may be given to it from time to time by the Government. The main functions of BESSI is to provide medical care and cash benefits to secured workers and their dependents in the event of sickness, maternity, employment injury, death grant, iddat, disablement gratuity, disablement pension, survivors' pension and ex-gratia grant.

##### **2.1.2 Comments on the Audited Accounts**

The organizations have failed to submit annual audited accounts for the year 2016-17 and onwards (**Annexure-1**)

##### **2.1.3 Compliance of PAC Directives**

No PAC directive was outstanding since this was the first audit of the entity.

##### **2.1.4 Audit Paras**

###### **2.1.4.1 Non- Submission of Audited Accounts**

According to the Section 33 of Provincial Employees' Social Security Ordinance 1965, the Institution shall, within six months after the closing of a

financial year, submit to Government an annual report of its work and activities during that financial year, and such report shall cover such matters as may be prescribed. The annual report, together with the audited accounts of the Institution, shall be published and copies thereof shall be made available for sale to the public.

During audit of Baluchistan Employees Social Security Institution (BESSI) for the year 2016-17, it was observed that the management did not prepare annual accounts of the Institution since 1978.

Audit is of the view that the management defaulted in performing its statutory obligations which shows negligence on its part.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing responsibility on the person(s) at fault besides, taking corrective action forthwith.

#### **2.1.4.2 Irregular purchases of medicines - Rs.33.409 million**

According to Rule 10 of Provincial Employees Social Security (Medical Practitioner and Medical Board Appointment and Functions) Regulations 1967, the Institution shall issue from time to time a schedule of pharmaceutical supplies which may be prescribed by a medical practitioner.

During Baluchistan Employees Social Security Institution (BESSI) for the year 2016-17, it was observed that the management purchased medicines worth Rs.33.409 million for Hub Hospital & Circle without any approved Schedule of Pharmaceutical. As the medicines were purchased without any planning thus, held irregular.

Audit is of the view that purchases of medicines without planning shows weak internal controls in the Institution.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

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

#### **2.1.4.3 Irregular procurement from un-authorized suppliers - Rs.19.583 million**

According to Section C of Balochistan Public Procurement Rules, 2014, the suppliers shall be blacklisted individually or collectively if it convicted (a) for fraud, corruption, criminal misappropriation, theft, forgery, bribery or any other criminal offence; (b) involvement in corrupt and fraudulent practices while obtaining or attempting to obtain a procurement contract.

During audit of Balochistan Employees Social Security Institution (BESSI) for the year 2016-17, it was observed that the management purchased medicine of Rs.10.008 million and Rs.9.575 million from Al-Farooq Medical and Kareem Bakhtyar Medical Store, Quetta respectively without having valid license for supply of the medicines.

Audit is of the view that undue favour was extended which shows weak internal controls.

The matter was reported to the management in October 2017, but no reply was received. DAC meeting was not convened despite request by Audit.

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

#### **2.1.4.4 Less deduction of Income Tax - Rs. 2.171 million**

According to Section 153 of Income Tax Ordinance, income tax @ 6.5% will be deducted from non-filler supplier.

During audit of Baluchistan Employees Social Security Institution (BESSI) for the year 2016-17, it is observed that the management deducted Income tax at source @ 4% instead of @ 6.5% in violation of above Ordinance. Thus, an amount of Rs.2.171 million was less deducted from the suppliers of Hub Hospital and Circle during the year under review.

Audit is of the view that the management extended undue favour to the

suppliers and the Govt. was deprived of its due revenue.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing responsibility on the person(s) at fault besides, strenuous efforts should be made for early recovery.

#### **2.1.4.5 Non - deduction of Income Tax - Rs. 4.274 million**

According to Section 153 of Income Tax Ordinance, income tax @ 8.00% will be deducted on provision of services by non-filer supplier.

During audit of Baluchistan Employees Social Security Institution (BESSI) for the year 2016-17, it is observed that the management incurred expenditure of Rs.53.425 million in Hub Hospital and Circle but income tax at the rate of 8% amounting to Rs.4.274 million was not deducted from the service providers in violation of above Ordinance.

Audit is of the view that the management extended undue favour to the service providers and the Govt. was deprived of its due revenue.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing responsibility on the person(s) at fault besides, strenuous efforts should be made for early recovery.

#### **2.1.4.6 Irregular appointments on son quota - Rs. 4.800 million**

According to Baluchistan Employees Social Security Institution (BESSI) Service Regulation 1995, the post of Assistant Director is filled as 25% by initial recruitment, 75% by promotion from amongst the member of service holding the post of Social Security officer/Audit Officer/Accounts Officer with at least 5 years' experience as such as 75% Social Security Officer and 25% Accounts/Audit Officer.



During audit of BESSI for the year 2016-17, it was observed that Mr. Adnan Hameed Baloch S/o Dr. Hameed Baloch and Mr. Hamad Abdullah S/o Javaid-ul-Zafar Khan were appointed as Assistant Director (BPS-17) and Social Security Officer (BPS-16) respectively on son quota. Whereas, fathers of both the incumbents were alive and serving in BESSI at the time of appointment. Thus, appointment and payment of salaries of Rs.4.800 million was irregular.

Audit is of the view that the parents of the incumbents misused their authority which shows nepotism. Further eligible candidates were deprived of their legal rights.

The matter was reported to the management in October 2017, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) involved besides, terminations of irregular appointees.

#### **2.1.4.7 Un-authorized payment to officer - Rs.1.800 million**

According to Rule 23 of General Financial Rules, 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 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 Baluchistan Employees Social Security Institution BESSI for the year 2016-17, it was observed that Mr. Adnan Abdul Hameed was appointed as Assistant Director on son quota in July 2013 and he was transferred on deputation to Peoples Primary Healthcare Initiative Deptt. (PPHI) in April 2014. However, the management continued to make payment on account of perks and privilege amounting to Rs.1.800 million un-authorizedly.

Audit is of the view that the management extended undue favour to the officer, which shows weak internal controls and poor financial management.

The matter was reported to the management in October 2017, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends recovery of the amount so paid besides, fixing responsibility on the person(s) at fault.

#### **2.1.4.8 Non-recovery of Contribution from Employers - Rs.20.993 million**

According to Para 20 Chapter III of the Social Security Ordinance 1965, the employer shall in respect of every employee, whether employed by him directly or through any other person pay to the Institution a contribution at such time, at such rate and subject to such condition as may be described.

During audit of Baluchistan Employees Social Security Institution Hub Hospital & Circle for the year 2016-17, it was observed that the management failed to recover contribution amounting to Rs.20.993 million from the employers as on June 30, 2017.

Audit is of the view that the outstanding amount could not be recovered due to slackness of the management.

The matter was reported to the management in October 2017, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault besides, strenuous efforts should be made for early recovery.

#### **2.1.4.9 Loss due to non-registration of employers - Rs.4.320 million**

According to Para 20 Chapter III of the Social Security Ordinance, 1965 the employer shall in respect of every employee, whether employed by him directly or through any other person pay to the Institution a contribution at such time, at such rate and subject to such condition as may be described.

During audit of Baluchistan Employees Social Security Institution (BESSI) for the years 2014-15 & 2015-16, it was observed that the management could not register the 400 workers of workers of 20 employer entities. Thus, the management failed to collect contribution of Rs.4.320 million @ Rs. 900 per month (400 x 900 x 12) (**Annexure-4**).

Audit is of the view that the workers could not be registered due to poor performance of the field staff of BESSI.

The matter was reported to the management in April, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault besides, recovery of the outstanding amount.

#### **2.1.4.10 Doubtful expenditure on medical treatment - Rs.93.916 million**

According to Rule 23 of General Financial Rules, 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 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 Baluchistan Employees Social Security Institution (BESSI) for the years 2014-15 & 2015-16, it was observed that the management incurred expenditure of Rs.93.916 million on medicines and

hospitalizations of registered workers. However, hospitalization/treatment record along with evidence of each worker was not provided to audit.

Audit is of the view that in absence of the record the authenticity of the expenditure could not be verified and chances of financial infringement could not be ruled out.

The matter was reported to the management in April, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing of responsibility on the person(s) at fault besides, corrective action should be taken.

#### **2.1.4.11 Irregular revision of budget - Rs. 9.334 million**

According to Section 5 of Chapter IV of the Provincial Employees Social Security Ordinance 1965, if it appears that expenditure under any budget head is likely to exceed the budget provision under such head, the Governing Body may increase such budget provision transferring thereto from any other budget head, any amount not required or not expected to be required under such head.

During audit of Baluchistan Employees Social Security Institution for the financial year 2016-17, it was observed that the management revised the Budget Allocations of Hub Hospital and Circle by Rs.9.334 million without prior authorization of the Governing Body. The detail is as under:

(Rs. in million)

<b>Sr. No</b>	<b>Particular</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Increase</b>
1	Cost of Medicine	27.500	33.409	5.909
2	Medical Re-imburement	50.000	53.425	3.425
<b>Total</b>				<b>9.334</b>

Audit is of the view that revision of budget allocations without approval of the Governing Body was irregular act on the part of the management.

The matter was reported to the management in October, 2017 but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends fixing responsibility on the person(s) at fault besides, strenuous efforts should be made for early recovery.

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## ANNEXURES

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**Annexure-1****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 Sindh which maintain their accounts on commercial pattern.

As a result of audit conducted during 2017-18, 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.

<b>Sr. No.</b>	<b>Title of Para</b>	<b>Rs in million</b>	<b>Remarks</b>
<b>Industries &amp; Commerce Department</b>			
<b>Government Press - Quetta</b>			
1	Irregular expenditure from non-existing head of accounts	4.084	Weak financial management
2	Unauthorized expenditure from irrelevant head of account	1.163	Weak financial management
<b>Labour and Manpower Department</b>			
<b>Baluchistan Employees Social Security Institution</b>			
3	Irregular award of contract to un-registered Sales Tax Hospital	53.425	Violation of rules
4	Loss due to non-collection of contribution	0.771	Weak financial management



## Annexure-2

### **Non-submission of Audited Accounts**

Annual audited accounts of Public Sector Enterprises for the year 2016-17 were required to be submitted to the Directorate General of Commercial Audit and Evaluation, Karachi by Nov 30, 2017. 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 2016-17
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#### **Labour and Manpower Department**

Baluchistan Employees Social Security Institution (BESSI)	2016-17
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**Annexure-3***(See Para 1.1.4.2)***Statement showing the detail of payment of over time allowance**

<b>Detail of Payment of Overtime Allowance</b>				
<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Basic Pay</b>	<b>Total Amount (Rs.)</b>
1	M. Shafeeq	Head Computer	15,700	37,680
2	M. Akbar	Astt. General –Fore-Man	16,460	39,504
3	M.Sheraz	Computer G-I	13,480	26,286
4	Sadullah	Junior Computer	16,500	39,600
5	M.Aslam	Electrician	11,120	26,688
6	Muhammad Anwar	Press Reader	15,700	28,731
7	Iqbal Ahmed	Plate maker	15,320	36,768
8	Saeed Ahmed	Copy Maker	15,080	36,192
9	Abdul Bari	Press Inker	9,830	23,592
10	Azam khan	Astt/Plate Maker	10,600	22,578
11	Abdul Jabar	Press Inkar	8,640	20,736
12	Tariq Iqbal	Compositor	12,680	30,432
13	M.Qasim	Machine Man	11,860	28,464
14	Naseebullah	Press Helper	6,090	14,616
15	Faizullah	Khalasi	6,090	14,616
16	Abdul Baqi	Printing Forman	19,000	45,600
17	M.Dawood	Printing Machine Man	13,960	33,504
18	Abul Hameed	Asst:P/Machine-Man	10,600	25,440
19	M.Qayyum	Asst:P/Machine-Man	10,340	24,816
20	Sahista Khan	Asst:P/Machine-Man	10,340	24,816
21	M.Arif	Press Helper	8,300	19,920
22	M.Younis	Press Inker	10,170	24,408
23	Ameenullah	Machine An	13,120	31,488
24	Abid Hussain	Printing-Machine-Man	13,120	28,339
25	Fathemuhammad	Binder	9,320	22,368
26	S.Khurshid A	Foreman Binding	15,450	37,080
27	Tariq Iqbal	Compositor	12,680	30,432
28	Mr. Naseebullah	Press Helper	6,090	33,485
29	Abdul Qadir	Bindery Machine-man	12,420	29,808
30	Muhammad Iqbal	Bindery Machine-man	12,160	29,184
31	Munir Ahmed	Bindery Machine-man	7,220	17,328
32	Ayaz Khan	Binder	9,650	23,160
33	Abdul Salam	Binder	9,320	22,368
34	M.Din	Khalasi	8,130	19,512

35	Jamal Khan	Khalasi	8,130	19,512
36	Samandr Khan	Khalasi	6,090	14,616
37	M.Sadique	Press Store Keeper	12,200	29,280
38	Ali Ahmed	Binder	8,300	19,920
39	Sajad Ahmed	Docket Clerk	12,520	30,048
40	Adeel	Astt: Docket Clerk	7,220	17,220
41	M.Khalid	P/Reader	15,170	36,408
42	M. Saleem	Reader	14,760	30,110
43	Shair Muhammad	Machine-man	13,960	33,504
44	M.Hanif	P/Reader	7,340	17,616
45	Ehsan Jabar	Khalasi	6,090	13,520
46	Gul Bahar	Khalasi	8,130	19,512
47	Amjad Pervaiz	Computer G-I	13,720	18,522
48	Pervaiz Iqbal	Controller	54,500	86,110
49	Abdul Qayyum	Account Officer	16,000	23,680
50	Iqbal Raza	Commercial Accountant	23,600	37,288
51	Munir Hussain	Computer Operator	17,200	23,736
52	Jahazaib	Senior Clerk	19,000	45,030
53	M.Farooq	Accountant	17,640	41,807
54	Abdul Jameel	Senior Clerk	17,640	41,807
55	M. Anwar	Junior Clerk	15,340	36,356
56	S.Bilal Hussain	Junior Clerk	8,480	20,098
57	S.Sabir Hussain	Astt: Gazette Store-Keeper	15,170	35,953
58	M.Akhtar	Astt: Form Store-Keeper	14,590	34,578
59	M.Ikhlal	Driver	10,340	24,506
60	Habibullah	Press Inker	9,320	22,088
61	M.Saeed	Naib Qasid	8,130	19,268
62	Yar Muhammad	Binder G-II	10,510	24,909
63	M.Saleem	Astt: Computer Operator	17,000	25,500
64	Habib Khan	Form Store Keeper	16,740	37,665
65	Sana Saseh	Sweeper	8,300	18,675
66	M. Shafique	H/C	15,700	9,420
67	Ameecullah	M/Man	13,540	8,124
68	Fathe Muhammad	Binder	10,050	3,618
69	S.Khursheed A	F/Binding	15,450	9,270
70	Umar Khan	B/M/M	13,350	6,008
71	Abdul Qadir	Bindry M/M	12,420	7,452
72	Munir Ahmed	Bindry M/M	7,220	2,816
73	Ayaz Ahmed	Binder	9,850	5,910
74	Abdul Salam	Binder	9,320	3,635
75	M. Din	Khalasi	8,850	5,310
76	Jamal Khan	Khalasi	8,130	3,659

77	Samandar Khan	Khalasi	6,090	1,462
78	Shair Muhammad	Khalasi	13,690	8,376
79	Gul Bahar	Khalasi	8,130	1,951
80	S.Sabir Hussain	Asstt/G/S/K	15,170	9,102
81	Mr. Pervaiz Iqbal	Controller	54,500	151,510
82	Mr. Abdul Qayyum	Account Officer	16,000	44,480
83	Mr. Iqbal Raza	Commercial Accountant	23,600	65,608
84	Mr. Munir Hussain	Computer Operator	17,200	47,128
85	Mr. Muhammad Saleem	Computer Operator	17,000	47,260
86	Mr. Muhammad Shafique	Head Computer	15,700	65,469
87	Mr. Muhammad Akbar	Asstt. General Foreman	16,460	68,638
88	Mr. Muhammad Sheraz	Computer G-I	13,480	56,212
89	Mr. Sadullah	Junior Computer	16,500	68,805
90	Mr. Muhammad Aslam	Electrician	11,600	48,372
91	Mr. Muhammad Anwar	Proof Reader	15,700	65,469
92	Mr. Iqbal Ahmed	Plate Maker	15,320	63,884
93	Mr. Saeed Ahmed	Copy Paster	15,080	62,884
94	Mr. Abdul Bari	Press Inker	9,830	40,991
95	Mr. Azam Khan	Assistant Printing Machine	10,600	44,202
96	Mr. Abdul Jaba	Press Inker	9,250	38,573
97	Mr. Tariq Iqbal	compositor	12,680	52,876
98	Mr. Muhammad Qasim	Printing Machine	11,860	49,456
99	Mr. Naseebullah	Press Helper	6,090	25,395
100	Mr. Faizullah	Khalasi	6,450	26,897
101	Mr. Abdul Baqi	Printing Foreman	19,000	79,230
102	Mr. Muhammad Dawood	Asstt. Printing Machine	14,380	53,062
103	Mr. Abdul Hameed	Asstt. Printing Machine	10,860	40,073
104	Mr. Muhammad Qayyum	Asstt. Printing Machine	10,600	44,202
105	Mr. Shaista Khan	Assistant Printing Machine	10,600	44,202
106	Mr. Muhammad Arif	Press Helper	8,850	36,905
107	Mr. Muhammad Younus	Press Inker	10,170	42,409
108	Mr. Ameenullah	Printing Machine Man	13,540	56,462
109	Mr. Abid Hussain	Printing Machine Man	13,540	56,462
110	Mr. Fatah Muhammad	Binder	10,050	41,909
111	Syed Khursheed Ahmed	Foreman Binding	15,450	64,427
112	Mr. Umar Khan	Bindery Machine-man	13,350	55,670
113	Mr. Abdul Hanan	Bindery Machine-man	14,040	46,332
114	Mr. Abdul Qadir	Bindery Machine-man	12,420	51,791
115	Mr. Muhammad Iqbal	Bindery Machine-man	12,160	50,707
116	Mr. Munir Ahmed	Bindery Machine-man	7,220	30,107
117	Mr. Ayaz Khan	Binder	9,850	41,075
118	Mr. Abdul Salam	Binder	9,320	34,670

119	Mr. Muhammad Din	Khalasi	8,850	36,905
120	Mr. Jamal Khan	Khalasi	8,130	33,902
121	Mr. Samandar Khan	Khalasi	6,090	24,482
122	Mr. Muhammad Siddqi	Press Store Keeper	12,200	50,874
123	Mr. Ali Ahmed	Binder	8,850	36,905
124	Mr. Sajad Ahmed	Docket Clerk	12,520	52,208
125	Mr. Adeel Ahmed	Asstt. Docket Clerk	7,220	30,107
126	Mr. Muhammad Khalid	Proof Reader	15,170	63,259
127	Mr. Muhammad Saleem	Reader	14,760	61,549
128	Mr. Shair Muhammad	Printing Machine Man	13,960	58,213
129	Mr. Muhammad Hanif	Proof Reader	7,340	30,608
130	Mr. Ehsan Jabar	Khalasi	6,450	24,962
131	Mr. Gul Bahar	Khalasi	8,130	28,780
132	Mr. Amjad Pervez	Computer G-I	14,300	49,335
133	Mr. Yar Muhammad	Binder G-II	10,510	43,827
134	Mr. Janzaib	Senior Clerk	19,000	79,230
135	Mr. Muhammad Farooq	Accountant	17,640	73,559
136	Mr. Abdul Jameel	Senior Clerk	17,640	73,559
137	Mr. Muhammad Anwar	Junior Clerk	15,340	54,304
138	Syed Bilal Hussain	Junior Clerk	8,480	32,309
139	Syed Sabir Hussain	Asstt. Gaztt Store Keeper	15,170	63,259
140	Mr. Muhammad Aktar	Asstt. Form Store keeper	14,880	62,050
141	Mr. Habibullah	Naib Qasid	9,650	40,241
142	Mr. Muhammad Saeed	Naib Qasid	8,450	35,237
143	Mr. Habib Khan	Form Store Keeper	16,740	69,806
144	Mr. Malik Asghar	Accounts clerk	8,900	37,113
145	Mr. Sana Maseh	Sweeper	8,300	34,611
<b>Total</b>				<b>5,219,492</b>

**Annexure-4***(See Para 2.1.4.9)***Statement showing the detail of non-registration of employers**

<b>Sr. No.</b>	<b>Name of Entity</b>
1	Daud Shopping Center Masjid Road Quetta
2	Haroon Shopping Center Masjid Road Quetta
3	Attique Shopping Center Masjid Road Quetta
4	Millennium Shopping Center Quetta
5	Al Kahair Shopping Centre, Quetta
6	Hassan Shopping Center, Quetta
7	Azeem Shopping Center Khushal Road Quetta
8	Quetta Askari Mall Air Port Road Quetta
9	Al Nasir Kids Center Liquat Bazar Quetta
10	Insaf Shopping Mall KilliAlam Khan Quetta
11	Salsabeela Shopping Centre Gurdatt Singh Road
12	Dubai Garment Center, Quetta.
13	Quetta Shopping Mall, Quetta.
14	Hot & Spicy Restaurant Jinnah Town Quetta
15	Pakistan General Hospital Double Road Quetta
16	Heart & General Hospital Pasheen Road Quetta
17	Bolan Welfare Complex Chiltan Road, Quetta
18	Mid Care Hospital Double Road Quetta.
19	Dalan Restaurant
20	Mid East Hospital Double Road Quetta.