AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
AUDIT YEAR 2018-19

AUDITOR GENERAL OF PAKISTAN

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS			i
PREFACE			xi
EXECUTIVE SUMMARY			xiii
SUMMARY TABLES AND CHARTS			
I.	*Audit Work Statistics*		xxi
II.	*Audit Observations regarding Financial Management*		xxi
III.	*Outcome Statistics*		xxi
IV.	*Table of Irregularities*		xxii
V.	*Cost- Benefit*		xxii
CHAPTER-1	**AVIATION DIVISION (CABINET SECRETARIAT)**		
	1.1	**Pakistan International Airlines Corporation**	
	1.1.1	*Introduction*	1
	1.1.2	*Comments on Audited Accounts*	1
	1.1.3	*Compliance of PAC Directives*	1
	1.1.4	AUDIT PARAS	2
	1.2	**Skyrooms (Pvt.) Limited**	
	1.2.1	*Introduction*	41
	1.2.2	*Comments on Audited Accounts*	41
	1.2.3	*Compliance of PAC Directives*	42
	1.2.4	AUDIT PARAS	42
CHAPTER-2	**CABINET DIVISION**		
	2.1	**Pakistan Bait-ul-Mal**	
	2.1.1	*Introduction*	46
	2.1.2	*Comments on Audited Accounts*	46
	2.1.3	*Compliance with PAC Directives*	46
	2.1.4	AUDIT PARAS	47

CHAPTER-3 **MINISTRY OF CLIMATE CHANGE**

3.1 Pakistan Environmental Planning and Architectural Consultants (Pvt.) Limited

3.1.1 *Introduction* 59
3.1.2 *Comments on Audited Accounts* 59
3.1.3 *Compliance with PAC Directives* 60

CHAPTER-4 **MINISTRY OF COMMERCE AND TEXTILE**

4.1 National Insurance Company Limited

4.1.1 *Introduction* 61
4.1.2 *Comments on Audited Accounts* 61
4.1.3 *Compliance of PAC Directives* 63
4.1.4 AUDIT PARAS 63

4.2 Pakistan Reinsurance Company Limited

4.2.1 *Introduction* 71
4.2.2 *Comments on Audited Accounts* 71
4.2.3 *Compliance of PAC Directives* 73
4.2.4 AUDIT PARAS 73

4.3 State Life Insurance Corporation of Pakistan

4.3.1 *Introduction* 79
4.3.2 *Comments on Audited Accounts* 79
4.3.3 *Compliance of PAC Directives* 80
4.3.4 AUDIT PARAS 81

4.4 Trading Corporation of Pakistan (Pvt.) Limited

4.4.1 *Introduction* 89
4.4.2 *Comments on Audited Accounts* 89
4.4.3 *Compliance of PAC Directives* 90
4.4.4 AUDIT PARAS 91

4.5 Pakistan Expo Centers (Pvt.) Limited

4.5.1 *Introduction* 95

	4.5.2	*Comments on Audited Accounts*	95
	4.5.3	*Compliance with PAC Directives*	95
	4.5.4	AUDIT PARAS	96
	4.6	**Pakistan Tobacco Board**	
	4.6.1	*Introduction*	118
	4.6.2	*Comments on Audited Accounts*	118
	4.6.3	*Compliance with PAC Directives*	118
	4.6.4	AUDIT PARAS	119
CHAPTER-5		**MINISTRY OF COMMUNICATIONS**	
	5.1	**Karachi Infrastructure Development Company Limited**	
	5.1.1	*Introduction*	125
	5.1.2	*Comments on Audited Accounts*	125
	5.1.3	*Compliance of PAC Directives*	126
	5.1.4	AUDIT PARAS	126
CHAPTER-6		**MINISTRY OF DEFENCE PRODUCTION**	
	6.1	**Karachi Shipyard and Engineering Works**	
	6.1.1	*Introduction*	138
	6.1.2	*Comments on Audited Accounts*	138
	6.1.3	*Compliance of PAC Directives*	138
	6.1.4	AUDIT PARAS	139
	6.2	**Pakistan Ordnance Factories**	
	6.2.1	*Introduction*	147
	6.2.2	*Comments on Audited Accounts*	147
	6.2.3	*Compliance with PAC Directives*	147
	6.2.4	AUDIT PARAS	148
	6.3	**Pakistan Ordnance Clothing Factory**	
	6.3.1	*Introduction*	184
	6.3.2	*Comments on Audited Accounts*	184
	6.3.3	*Compliance with PAC Directives*	184
	6.3.4	AUDIT PARAS	184

	6.4	**Wah Industries Limited**	
	6.4.1	*Introduction*	191
	6.4.2	*Comments on Audited Accounts*	191
	6.4.3	*Compliance with PAC Directives*	192
	6.4.4	AUDIT PARAS	
CHAPTER-7		**MINISTRY OF ENERGY (Power Division)**	
	7.1	**National Engineering Services Pakistan (Pvt.) Limited**	
	7.1.1	*Introduction*	196
	7.1.2	*Comments on Audited Accounts*	196
	7.1.3	*Compliance with PAC Directives*	196
	7.1.4	AUDIT PARAS	197
CHAPTER-8		**MINISTRY OF FINANCE (Finance Division)**	
	8.1	**House Building Finance Company Limited**	
	8.1.1	*Introduction*	231
	8.1.2	*Comments on Audited Accounts*	231
	8.1.3	*Compliance of PAC Directives*	232
	8.1.4	AUDIT PARAS	233
	8.2	**Pakistan Security Printing Corporation (Pvt.) Limited**	
	8.2.1	*Introduction*	250
	8.2.2	*Comments on Audited Accounts*	250
	8.2.3	*Compliance of PAC Directives*	251
	8.2.4	AUDIT PARAS	252
	8.3	**State Bank of Pakistan**	
	8.3.1	*Introduction*	270
	8.3.2	*Comments on Audited Accounts*	270
	8.3.3	*Compliance of PAC Directives*	272
	8.3.4	AUDIT PARAS	273
	8.4	**SME Bank Limited**	
	8.4.1	*Introduction*	294

	8.4.2	*Comments on Audited Accounts*	295
	8.4.3	*Compliance with PAC Directives*	296
	8.5	**Zarai Taraqiati Bank Limited**	
	8.5.1	*Introduction*	298
	8.5.2	*Comments on Audited Accounts*	298
	8.5.3	*Compliance with PAC Directives*	299
	8.5.4	AUDIT PARAS	300
	8.6	**Kissan Support Services (Pvt.) Ltd**	
	8.6.1	*Introduction*	327
	8.6.2	*Comments on Audited Accounts*	327
	8.6.3	*Compliance with PAC Directives*	328
CHAPTER-9		**MINISTRY OF INDUSTRIES AND PRODUCTION**	
	9.1	**Export Processing Zones Authority**	
	9.1.1	*Introduction*	329
	9.1.2	*Comments on Audited Accounts*	329
	9.1.3	*Compliance of PAC Directives*	329
	9.1.4	AUDIT PARAS	330
	9.2	**Pakistan Industrial Development Corporation**	
	9.2.1	*Introduction*	339
	9.2.2	*Comments on Audited Accounts*	339
	9.2.3	*Compliance of PAC Directives*	339
	9.2.4	AUDIT PARAS	340
	9.3	**Pakistan Industrial Development Corporation - Medical Centre**	
	9.3.1	*Introduction*	356
	9.3.2	*Comments on Audited Accounts*	356
	9.3.3	*Compliance of PAC Directives*	356
	9.3.4	AUDIT PARA	356

9.4 Karachi Tools, Dies and Moulds Centre

9.4.1 *Introduction* 358
9.4.2 *Comments on Audited Accounts* 358
9.4.3 *Compliance of PAC Directives* 358
9.4.4 AUDIT PARAS 359

9.5 National Industrial Parks Development and Management Company

9.5.1 *Introduction* 363
9.5.2 *Comments on Audited Accounts* 363
9.5.3 *Compliance of PAC Directives* 364
9.5.4 AUDIT PARAS 365

9.6 Pakistan Chemical & Energy Sector Skill Development Company

9.6.1 *Introduction* 387
9.6.2 *Comments on Audited Accounts* 387
9.6.3 *Compliance of PAC Directives* 388
9.6.4 AUDIT PARAS 388

9.7 Pakistan Gems and Jewellery Development Company

9.7.1 *Introduction* 396
9.7.2 *Comments on Audited Accounts* 396
9.7.3 *Compliance of PAC Directives* 397
9.7.4 AUDIT PARAS 397

9.8 Pakistan Institute of Management

9.8.1 *Introduction* 409
9.8.2 *Comments on Audited Accounts* 409
9.8.3 *Compliance of PAC Directives* 407
9.8.4 AUDIT PARAS 408

9.9 Pakistan Steel Mills Corporation (Pvt.) Limited

9.9.1 *Introduction* 413

9.9.2	*Comments on Audited Accounts*	413
9.9.3	*Compliance of PAC Directives*	415
9.9.4	AUDIT PARAS	416
9.10	**Pakistan Steel Fabricating Company (Pvt.) Limited**	
9.10.1	*Introduction*	427
9.10.2	*Comments on Audited Accounts*	427
9.10.3	*Compliance of PAC Directives*	428
9.10.4	AUDIT PARAS	428
9.11	**Pakistan Machine Tool Factory (Pvt.) Limited**	
9.11.1	*Introduction*	434
9.11.2	*Comments on Audited Accounts*	434
9.11.3	*Compliance of PAC Directives*	434
9.11.4	AUDIT PARAS	435
9.12	**ENAR Petrotech Services (Pvt.) Limited**	
9.12.1	*Introduction*	438
9.12.2	*Comments on Audited Accounts*	438
9.12.3	*Compliance of PAC Directives*	438
9.12.4	AUDIT PARAS	439
9.13	**Technology Upgradation and Skill Development Company**	
9.13.1	*Introduction*	443
9.13.2	*Comments on Audited Accounts*	443
9.13.3	*Compliance with PAC Directives*	445
9.13.4	AUDIT PARAS	445
9.14	**Pakistan Hunting and Sporting Arms Development Company**	
9.14.1	*Introduction*	455
9.14.2	*Comments on Audited Accounts*	455
9.14.3	*Compliance with PAC Directives*	457

9.15 Furniture Pakistan (Pvt.) Limited

9.15.1 *Introduction* 458
9.15.2 *Comments on Audited Accounts* 458
9.15.3 *Compliance with PAC Directives* 460

9.16 State Engineering Corporation

9.16.1 *Introduction* 461
9.16.2 *Comments on Audited Accounts* 462
9.16.3 *Compliance with PAC Directives* 463

9.17 Heavy Electrical Complex (Pvt.) Limited

9.17.1 *Introduction* 465
9.17.2 *Comments on Audited Accounts* 465
9.17.3 *Compliance with PAC Directives* 469
9.17.4 AUDIT PARAS 469

9.18 Industry Facilitation Centre (Pvt.) Limited

9.18.1 *Introduction* 480
9.18.2 *Comments on Audited Accounts* 480
9.18.3 *Compliance with PAC Directives* 482

9.19 National Fertilizer Corporation (Pvt.) Limited

9.19.1 *Introduction* 483
9.19.2 *Comments on Audited Accounts* 483
9.19.3 *Compliance with PAC Directives* 486

9.20 NFC Institute of Engineering and Technological Training (Pvt.) Limited, Multan

9.20.1 *Introduction* 487
9.20.2 *Comments on Audited Accounts* 487
9.20.3 *Compliance with PAC Directives* 489

9.21 NFC Institute of Engineering and Fertilizer Research Faisalabad

9.21.1 *Introduction* 490
9.21.2 *Comments on Audited Accounts* 490
9.21.3 *Compliance with PAC Directives* 491

	9.22	**Small & Medium Enterprises Development Authority**	
	9.22.1	*Introduction*	493
	9.22.2	*Comments on Audited Accounts*	493
	9.22.3	*Compliance with PAC Directives*	495
	9.22.4	AUDIT PARAS	495
	9.23	**Spun Yarn Research & Development Company**	
	9.23.1	*Introduction*	498
	9.23.2	*Comments on Audited Accounts*	498
	9.23.3	*Compliance with PAC Directives*	498
	9.23.4	AUDIT PARAS	499
	9.24	**Leather Crafts Development Company**	
	9.24.1	*Introduction*	505
	9.24.2	*Comments on Audited Accounts*	505
	9.24.3	*Compliance with PAC Directives*	505
	9.24.4	AUDIT PARAS	506
	9.25	**Utility Stores Corporation of Pakistan (Pvt.) Limited**	
	9.25.1	*Introduction*	510
	9.25.2	*Comments on Audited Accounts*	510
	9.25.3	*Compliance with PAC Directives*	513
	9.25.4	AUDIT PARAS	514
	9.26	**Aik Hunar Aik Nagar**	
	9.26.1	*Introduction*	553
	9.26.2	*Comments on Audited Accounts*	553
	9.26.3	*Compliance with PAC Directives*	555
CHAPTER-10		**MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HISTORY & LITERARY, HERITAGE**	
	10.1	**Pakistan Television Corporation Limited**	
	10.1.1	*Introduction*	556
	10.1.2	*Comments on Audited Accounts*	556
	10.1.3	*Compliance with PAC Directives*	559

	10.1.4	AUDIT PARAS	560
	10.2	**Pakistan Broadcasting Corporation Limited**	
	10.2.1	*Introduction*	587
	10.2.2	*Comments on Audited Accounts*	587
	10.2.3	*Compliance with PAC Directives*	587
	10.2.4	AUDIT PARAS	588
	10.3	**National Book Foundation**	
	10.3.1	*Introduction*	600
	10.3.2	*Comments on Audited Accounts*	600
	10.3.3	*Compliance with PAC Directives*	601
	10.3.4	AUDIT PARAS	602
CHAPTER-11		**MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION**	
	11.1	**Pakistan Software Export Board (Guarantee) Limited**	
	11.1.1	*Introduction*	606
	11.1.2	*Comments on Audited Accounts*	606
	11.1.3	*Compliance with PAC Directives*	608
	11.1.4	AUDIT PARAS	609
CHAPTER-12		**MINISTRY OF NATIONAL HEALTH SERVICES REGULATION AND COORDINATION**	
	12.1	**National Institute of Health Biological Production Division**	
	12.1.1	*Introduction*	624
	12.1.2	*Comments on Audited Accounts*	624
	12.1.3	*Compliance with PAC Directives*	626

CHAPTER-13 **MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH**

13.1 Pakistan Agricultural Storage and Services Corporation Limited

13.1.1 *Introduction* 627
13.1.2 *Comments on Audited Accounts* 627
13.1.3 *Compliance with PAC Directives* 629
13.1.4 AUDIT PARAS 630

13.2 Livestock and Dairy Development Board

13.2.1 *Introduction* 640
13.2.2 *Comments on Audited Accounts* 640

CHAPTER-14 **MINISTRY OF MARITIME AFFAIRS**

14.1 Gwadar Port Authority 642

14.1.1 Introduction 642
14.1.2 Comments on Audited Accounts 642
14.1.3 Compliance of PAC Directives 643
14.1.4 AUDIT PARAS

14.2 Korangi Fisheries Harbour Authority

14.2.1 Introduction 647
14.2.2 Comments on Audited Accounts 647
14.2.3 Compliance of PAC Directives 647
14.2.4 AUDIT PARAS 648

14.3 Pakistan National Shipping Corporation

14.3.1 Introduction 654
14.3.2 Comments on Audited Accounts 654
14.3.3 Compliance of PAC Directives 656
14.3.4 AUDIT PARAS 657

14.4 Port Qasim Authority

14.4.1 Introduction 674
14.4.2 Comments on Audited Accounts 674
14.4.3 Compliance of PAC Directives 674
14.4.4 AUDIT PARAS 675

CHAPTER-15 MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCES DEVELOPMENT

15.1 Employees' Old-Age Benefits Institution

15.1.1 *Introduction* 710
15.1.2 *Comments on Audited Accounts* 710
15.1.3 *Compliance of PAC Directives* 711
15.1.4 AUDIT PARAS 712

15.2 Overseas Employment Corporation (Pvt.) Ltd.

15.2.1 *Introduction* 753
15.2.2 *Comments on Audited Accounts* 753
15.2.3 *Compliance with PAC Directives* 756

15.3 Overseas Pakistanis Foundation

15.3.1 *Introduction* 757
15.3.2 *Comments on Audited Accounts* 757
15.3.3 *Compliance with PAC Directives* 760

CHAPTER-16 MINISTRY OF PLANNING, DEVELOPMENT AND REFORM

16.1 National Logistics Cell

16.1.1 *Introduction* 762
16.1.2 *Comments on Audited Accounts* 762
16.1.3 *Compliance with PAC Directives* 765
16.1.4 AUDIT PARAS 766

	16.2	**Pakistan Institute of Development Economics**	
	16.2.1	*Introduction*	801
	16.2.2	*Comments on Audited Accounts*	801
	16.2.3	*Compliance with PAC Directives*	804
CHAPTER-17		**MINISTRY OF SCIENCE AND TECHNOLOGY**	
	17.1	**Pakistan Science Foundation**	
	17.1.1	*Introduction*	805
	17.1.2	*Comments on Audited Accounts*	805
	17.1.3	*Compliance with PAC Directives*	806
	17.1.4	AUDIT PARAS	806
	17.2	**STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited**	
	17.2.1	*Introduction*	812
	17.2.2	*Comments on Audited Accounts*	812
Annexure:	1	MFDAC	817
	2	Non-submission of Audited Accounts	827
	3	Companies under liquidation/closed	830
	4	Recoveries made at the instance / pursuance of Audit	832
	5	Statement showing the detail of loss due to low seat factor	835
	6	Statement showing the detail of non-collection of cancellation charges	836
	7	Statement showing the detail of Non-Production of requisitioned auditable record	837
	8	List of irregular appointment of officers/official	854
	9	Statement showing negligence Engineering Department of PIAC	856
	10	Statement showing the detail of excess payment to M/s Master Management	857
	11	Statement showing the detail of short deposit of amount	858

12	Statement showing the detail of misplaced/ unreturned inventory of Chairman House	859
13	Statement showing the detail of payment	860
14	Detail of bonus paid to Class-I to Class-IV Officer	861
15	PRCL PDP-Suspended Companies 2017	862
16	Statement showing the detail of irregular appointment of officers	863
17	List of Debit balances in Assets & Receivables accounts stands irrecoverable	865
18	Receivables from Govt. institutions and other companies	866
19	Statement showing the detail of mis-appropriation of funds	867
20	Statement showing the detail of irregular award of contracts	869
21	Statement showing the detail of irregular revision of the cost of contracts	870
22	Statement showing the detail of irregular award of contracts	871
23	Detail of irregular appointments	873
24	Statement showing the detail of non-recovery of decreed amount	875
25	Statement showing the detail of irregular disbursement of loans beyond Area limit	877
26	Statement showing the detail of penalties	878
27	Statement showing the detail of non-collection of sale deeds from the Registrar Office against investment	879
28	Irregular appointment of Mechanical Engineer	880
29	Detail of payment made by PSPC on account of income tax on behalf of MD and ED on payment of Special Management Allowance	881
30	Statement showing non-production of record	882
31	Statement showing the detail of procurement of	

	vehicles	883
32	Statement showing the detail of payment of fee	884
33	Statement showing Local currency investments	885
34	Statement showing detail of revised pay scales 2017 for EPZA employees	886
35	Statement showing in detail of investment made on 28-08-2016	887
36	Statement showing the details of material reported short / stolen	888
37	Statement the detail of Pay and Allowances drawn by the CEO	891
38	Statement the detail of irregular payment of pay & Allowances due to non-verification of degrees	892
39	Statement the detail of irregular appointment of employees on contact basis	893
40	Detail of House Rent Allowance 2017-18	894
41	Detail of party wise receivable	895
42	Details of loss due to imprudent investment in Companies' Shares	896
43	Detail of non-recovery from debtors	897
44	Detail of loss due to irregular reservation of vehicles as pool vehicles	989
45	Statement showing the detail of double payments	899
46	Detail of non-reconciliation of contribution collection with banks	900
47	Detail of non collection of contribution from employers	901
48	Detail of loss due to short fall in contribution targets	903
49	Detail of investment in the category of held for trading	905
50	Detail of loss due to donations by EOBI	906
51	Detail of extra ordinary delay in settlement of pension claims	907

52	Detail of loss due to reduction in monthly rent	909
53	Statement showing the detail of IPS	910
54	Detail of non-recovery of outstanding rent and electricity charges from tenants	911
55	Detail of non-recovery of contribution from M/s. Kiran Sugar Mills	913
56	Detail of losses incurred on acquiring various properties / land at exorbitant rates	914
57	Statement of unjustified revision rates	915

ABBREVIATIONS AND ACRONYMS

ABL	Allied Bank Limited
ADB	Asian Development Bank
ADBP	Agricultural Development Bank of Pakistan
ADMC	Asian Development Management Center
AGP	Auditor General of Pakistan
AHAN	Aik Hunar Aik Nagar
AJK	Azad Jammu & Kashmir
ANF	Anti-Narcotic Force
APAR	Annual Appraisal Appraisal report
APP	Associated Press of Pakistan
APRR	Annual Performance Review Report
APTMA	All Pakistan Textile Mills Association
ART	Appointment, Promotion and Transfer Rules
ASF	Airport Security Force
B.Sc	Bachelor of Science
BBA	Bachelor of Business Administration
BE	Bachelor of Engineering
BESA	Baluchistan Engineering Services Agency
BG	Bank Guarantee
BH	Broadcasting House
BISE	Board of Intermediate & Secondary Education
BMB	Bait ul Mal Board
BOD	Board of Directors
BOG	Board of Governors
BoK	Bank of Khyber
BOM	Board of Management
BoQ	Bill of Quantity
BoT	Board of Trusties
BPD	Biological Production Division
BPS	Basic Pay Scale
BS	Basic Scale
BSC	Banking Service Corporation
C&F	Cost and Frieght
C.O.F.A	Controller of Factory Accounts
CA	Chartered Accountants
CAA	Civil Aviation Authority
CAD	Computer Assisted Design
CAM	Computer Assisted Machine
CBA	Combined Bargaining Agent
CBR	Central Board of Revenue

CCBL	Coca Cola Beverages Limited
CCDP	Centre Craft Development Project
CCRV	Cell Culture & Rabies Vaccine
CCTV	Close Circuit Television
CDA	Capital Development Authority
CDR	Call Deposit Receipt
CDTC	Ceramics Development and Training Complex
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CEPC	China Pakistan Economic Corridor
CFC	Common Facilitation Centre
CFO	Chief Financial Officer
CFT	Cubic Feet
CFTC	Common Facility Training Center
CIIT	COMSATS Institute of Information Technology
CIO	Committee on International Operations
CIT	Cash in Transit
CLDP	Car Loan Depreciation Policy
CMA	Controller Military Accounts
CMMI	Capability Maturity Model Integration
CNIC	Computerized National Identity Card
COAS	Chief of Army Staff
COI	Court of Inquiry
COO	Chief Operating Officer
CPC	Central Procurement Committee
CPF	Contributory Provident Fund
CPI	Consumer Price Index
CSD	Canteen Stores Department
CSO	Central Sale Office
CSR	Corporate Social Responsibility
CSTs	Comparative Statements
CV	Curriculum Vitae
DAC	Departmental Accounts Committee
DAE	Diploma in Electrical Engineering
DCO	District Coordination Officer/ Data Control Operator
DDWP	Departmental Development Working Party
DEPO	Defence Export Promotion Organization
DG CA&E	Director General Commercial Audit & Evaluation
DGM	Deputy General Manager
DHA	Defence Housing Authority
DISCOs	Distribution Companies
DMA	Danger Money Allowances
DPD	Defence Production Division

DWP	Development Working Party
EBM	Executive Board Meeting
EC	European Commission
ECC	Economic Co-ordination Committee
ECNEC	Executive Committee of National Economic Council
ED	Electrical Department
EDO	Executive District Officer
EOBI	Employees Old Age Benefit Association
EOI	Expression of Interest
EOL	Extra Ordinary Leave
EOT	Extension of Time
EPSL	ENAR Petro-tech Services Limited
EPZA	Export Processing Zones Authority
ERP	Enterprise Resource Planning
ESCs	Engineering Support Centers
ETV	Educational Television
EUC	End User Certificate
EVP	Executive Vice President
FA	Financial Advisor
FA(OF)	Financial Advisor Ordinance Factories
FAR	
FAT	Financial Acceptance Test
FBR	Federal Board of Revenue
FE	Foreign Exchange
FIA	Federal Investigation Agency
FIR	First Information Report
FM	Frequency Modulation
FoB	Freight on Board
FPC	Fixed Point Chart
FRF	French Frank
FWO	Frontier Works Organization
GAS	Ghar Aasan Scheme
GB	Gilgit Baltistan
GBP	Great Britain Pound
GDP	Gross Domestic Product
GE	Garrison Engineer
GFR	General Financial Rules
GHQ	General Head Quarters
GITEX	Gulf Information & Technology Exhibition
GM	General Manager
GOP	Government of Pakistan
GPA	Gwadar Port Authority
GPF	General Provident Fund

GPO	General Post Office
GRN	Goods Receipt Note
GSD	Gas Supply Deposits
GSD	Geological Sciences Division
GST	General Sales Tax
GTDMC	Gujranwala Tools, Dies and Moulds Centre
HBA	House Building Advance
HBFCL	House Building Finance Company Limited
HBL	Habib Bank Limited
HEC	Higher Education Commission/ Heavy Electrical Complex
HO	Head Office
HPT	High Power Transmitter
HR	Human Resource
HR Manual	Human Resource Manual
HRD	Human Resources Development
HRM	Human Resource Management
IAC	International Accounting Standard
IAD	Internal Audit Department
ICT	Islamabad Capital Territory
IDBL	Industrial Development Bank of Pakistan
IEFR	Institute of Engineering and Fertilizer Research
IET	Institute of Engineering and Technological Training
IFA	Individual Financial Assistance
IFC	Industry Facilitation Centre (Pvt.) Limited
IFRS	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
IPC	Interim Payment Certificate
ISO	International Standards Organization
IST	Institute of Space Technology
IT	Information Technology
JBP	Joint Business Plan
KESC	Karachi Electric Supply Corporation
KFHA	Korangi Fisheries Harbour Authority
KG	Kilo Gram
KIBOR	Karachi Inter-Bank Offered Rate
KIDCL	Karachi Infrastructure Development Company Limited
KP	Khyber Pakhtunkhwa
KPMG	Klynveld Peat Marwick Goerdeler
KS&EW	Karachi Shipyard & Engineering Works
KSSL	Kissan Support Services (Pvt.) Limited
KTDMC	Karachi Tools Dies and Moulds Centre
KVA	Kilo Volt Ampare
LC	Letter of Credit/ Local Currency

LCDC	Leather Craft Development Center
LD	Liquidated Damages
LDA	Lahore Development Authority
LDC	Lower Division Clerk
LEA	Law Enforcement Agency.
LED	Light Emitting Diode
LESC	Light Engineering Support Center
LESCO	Lahore Electricity Supply Company
LLM	Masters in Law/ Latin Magister Legume
LUMS	Lahore University of Management Sciences
M&B	Mechanize and Buying
M&E	Monitoring & Evaluation
M.Sc	Master of Science
MAG	Military Accountant General
MBA	Master of Business Administration
MCB	Muslim Commercial Bank
MCO	Mobile Credit Officer
MD	Managing Director
MDI	Maximum Demand Index
MEPCO	Multan Electric Supply Company
MES	Military Engineer Services
MFDAC	Memorandum for Departmental Accounts Committee
MINTEX	Minsitry of Textile Industry
ML	Milliliter
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
MoE	Ministry of Energy (Petroleum Division)
MoF	Ministry of Finance
MoI&P	Ministry of Industries & Production
MoLJ&PA	Ministry of Law Justice & Parliamentary Affairs
MoOP&HRD	Ministry of Overseas Pakistanis & Human Resources Development
MOU	Memorandum of Understanding
MPC	Management Procurement Committee
MW	Medium Wave
MWC	Mobile World Congress
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NBCP	National Book Council of Pakistan
NBF	National Book Foundation
NBP	National Bank of Pakistan
NDC	No Demand Certificate
NESPAK	National Engineering Services of Pakistan
NFC	National Fertilizers Corporation Limited

NFML	National Fertilizer Marketing Ltd
NGO	Non-Government Organization
NH&LH	National History & Literary Heritage
NHR&C	National Health Services Regulation and Coordination
NICL	National Insurance Company Limited
NIDA	National Income Daily Account
NIE	National Institute of Electronics
NIFT	National Institutional Facilitation Technology
NIH	National Institute of Health
NIPD&MC	National Industrial Parks Development & Management Company
NIRC	National Industrial Relations Commission
NLB	National Logistic Board
NLC	National Logistic Cell
NOC	No objection Certificate
NPDC	Northern Punjab Craft Development
NPL	Non-Performing Loans
NTDC	National Transmission and Dispatch Company
NTS	National Testing Service
NTU	National Textile University
NUST	National University of Science & Technology
OAEM	Other Assets Especially Mentioned
OEC	Overseas Employment Corporation
OJT	On Job Training
OM	Observation Memo
OPF	Overseas Pakistanis Foundation
Oracle-EBS	Oracle-E-Business Suit
ORS	Oral Rehydration Solution
P&L	Procurement & Logistics
P.O	Purchase Order
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PARC	Pakistan Agricultural Research Council
PASSCO	Pakistan Agriculture Services & Supplies Corporation
PASTIC	Pakistan Scientific and Technological Information Centre
PAX	Passenger
PBA	Pakistan Broadcasting Association
PBC	Pakistan Broadcasting Corporation
PBF	Pakistan Broadcasting Foundation
PBM	Pakistan Bait-ul-Mal
PC	Privatization Commission
PC	Procurement Center
PCESSDC	Pakistan Chemical & Energy Sector Skill Development Company
PC-I	Planning Commission –I

PCRET	Pakistan Council for Renewable Energy Technologies
PCRWR	Pakistan Council for Research in Water Resources
PCs-cum-RVs	Procurement Centers Cum Reservoirs
PCSIR	Pakistan Center for Scientific and Industrial Research
PD	Project Director
PDC	Peripheral Development Charges
PDF	Project Development Fund
PEC	Pakistan Engineering Council
PEPAC	Pakistan Environmental Planning and Architectural Consultants (Pvt) Limited
PEPCO	Paksitan Electric Power Company
PFA	Punjab Food Authority
PG&JDC	Pakistan Gems & Jewellery Development Company
PHA	Parks & Horticulture Authority
PHDEC	Pakistan Horticulture Development Company
PIAC	Pakistan International Airlines Corporation
PID	Press Information Department
PIDC	Pakistan Industrial Development Corporation
PIDE	Pakistan Institute of Development Economics
PIPS	Pakistan Institute for Parliamentary Services
PKR	Pak Rupee
PLS	Profit and Loss Account
PM	Prime Minister
PMP	Project Management Professional
PMTF	Pakistan Machine Tools Factory
PMU	Project Monitoring Unit
PNSC	Pakistan National Shipping Corporation
PO	Purchase Order
POCF	Pakistan Ordnance Clothing Factory
POFB	Pakistan Ordnance Factories Board
POFs	Pakistan Ordnance Factories
POL	Petrol, Oil and Lubricant
PP	Polypropylene
PPPMCL	Pakistan Power Park Management Company Ltd
PPRA	Public Procurement Regulatory Authority
PPRs	Public Procurement Rules
PQA	Port Qasim Authority
PR	Peoples Repulic
PRCL	Pakistan Reinsurance Company Limited
PSCA	Punjab Safe Cities Authority
PSCs	Public Sector Companies
PSDF	Punjab Skills Development Funds
PSDP	Public Sector Development Programme
PSEB	Pakistan Software Export Board

PSEs	Public Sector Enterprises
PSF	Pakistan Science Foundation
PSFCL	Pakistan Steel Fabricating Company
PSM	Pakistan Steel Mills
PSPC	Pakistan Security Printing Corporation
PSQCA	Pakistan Standard and Quality Control Authority
PTB	Pakistan Tobacco Board
PTC	Pakistan Tobacco Company/ Plastic Technology Center
PTDC	Pakistan Tourism Development Corporation
PTVC	Pakistan Television Corporation Ltd
PWD	Public Works Department
R&D	Research & Development
RAR	Running Account Receipts
RBM	Result Based Monitoring
RBS	Reference Broadcast Synchronization
RCDP	Rural Craft Development Project
RDA	Rawalpindi Development Authority
RDR	Revenue Deposit Receipt
RFP	Request for Proposal
RMs	Regional Managers
RRMTI	Road Research & Material Testing Institute
RTP	Reckonable to Pension
RV	Reservoir
SAM	Special Asset Management
SARRC	South Asian Asociation for Regional Cooperation
SBCC	Sialkot Business and Commerce Center
SBP	State Bank of Pakistan
SBU	Strategic Business Unit
SCAMPI	Standard CMMI Appraisal Method for Process Improvement
SCM	Store Chain Management
SCP	Supreme Court of Pakistan
SDA	Sarhad Development Authority
SECP	Securities and Exchange Commission of Pakistan
SGS	Shandar Ghar Scheme
SLIC	State Lift Insurance Corporation of Pakistan
SMD Screen	Surface Mount Device Screen
SMEDA	Small and Medium Enterprises Development Authority
SMEs	Small and Medium Enterprises
SO&S	Stores Operation and Sales
SOP	Standard Operating Procedure
SPC	Special Procurement Committee
SR	Service Rules
SRCL	School for Rehabilitation of Child Labour

SRO	Statutory Regulatory Order
SSR	Special Service Rules
STEDEC	Scientific and Technological Development Corporation
STFS	Science Talent Farming Scheme
STP	Software Technology Park
SYRDC	Spun Yarn Research & Development Company
TCP	Trading Corporation of Pakistan
TDAP	Trade Development Authority, Pakistan
TDR	Term Deposit Receipt
TE	Tender Enquiry
TEVT	Technical Education and Vocational Training
TEVTA	Technical Education & Vocational Authority
TNT	Tri Nitro Toluene
ToR	Terms of Reference
TOT	Transfer of Technology
TUSDEC	Technology Upgradation and Skill Development Company
UAE	United Arab Emirates
UBL	United Bank Limited
UET	University of Engineering & Technology
UK £	United Kingdom Pound
US$	US Dollar
USA	United States of America
USC	Utility Stores Corporation of Pakistan (Pvt.) Limited
VMS	Visitors Management System
WAPDA	Water and Power Development Authority
WBM	Wah Brass Mills
WEC	Women Empowerment Centers
WIH	Wah Industries Home
WIL	Wah Industries Limited
ZMs	Zonal Managers
ZSO	Zonal Sales Office
ZTBL	Zarai Taraqiati Bank Limited

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8 and 15 and other relevant provisions 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 expenditure from the Federal Consolidated Fund, Public Account and that of Government Commercial Undertakings and of any Authority or Body established by the Federation.

This report is based on audit of the accounts of Public Sector Enterprises of Government of Pakistan for the year 2017-18. The Audit Report also contains audit observations of the previous financial years. The Directorates General Commercial Audit and Evaluation, Lahore and Karachi, conducted audit during the period July 01, 2018 to November 15, 2018 on a test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic or significant issues and audit findings carrying value of Rs.1.00 million or more. Relatively less significant issues have been listed in the **Annex-I** (MFDAC). The audit observations listed in the Annex-I shall be pursued with the relevant Principal Accounting Officers (PAOs) of the Ministries/Divisions at Departmental Accounts Committee (DAC) level. In case where the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings except, Pakistan EXPO Centres.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both Houses of Parliament (Majlis-e-Shoora).

-Sd-
(Javaid Jehangir)
Auditor General of Pakistan

Islamabad
Dated: February 14, 2019

EXECUTIVE SUMMARY

The Directorates General of Commercial Audit & Evaluation (DsG, CA&E), (North & South) carries out audit and evaluation of Public Sector Enterprises (PSEs) established/controlled by Federal Government which maintain their accounts on commercial basis. Sections 8 & 15 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empowers the Auditor General of Pakistan to conduct audit of companies and corporations established in the public sector. For this, DsG, CA&E (North & South) has a human resource of 202 officers and staff equivalent to 34,198 man-days for audit.

Out of 34,198 man-days allocated for undertaking field audit activities, 27,637 were utilized for conducting the audit of Federal Public Sector Enterprises. The annual budget of the Directorates General allocated for audit of Federal Organizations for the year 2017-18 amounted to Rs 193.67 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2017-18 conducted during the year 2018-19.

This report also contains comments on the audited annual accounts of 41 public sector enterprises (25 pertain to the financial year 2017-18 and 16 to previous years). However, comments on 56 organizations **(Annex-2**) could not be included in this report as the concerned management failed to submit their audited accounts by the prescribed date December 31, 2018. Moreover, eleven organizations **(Annex-3)** ceased their operational activities during the years 1990 to 2008. These are still under the process of liquidation/privatization.

a. Scope of Audit

There are 101 commercial entities of the Federal Government under the jurisdiction of DsG, CA&E, (North & South). These entities operate under the administrative control of 26 Principal Accounting Officers (PAOs). As per

Audit Plan 2018-19 the DsG, CA&E (North & South) audited the accounts of 42 federal commercial entities for the year 2017-18.

The total estimated budget of entities under purview of DsG (CA&E), (North & South) amounted to Rs 1,699,891.79 million. Out of this the budget of entities audited by DsG (CA&E) (North & South), during the year was Rs 1,228,856.61 million which was 72% of the total amount. The same was included in audit coverage of selected entities.

b. Recoveries at the instance of audit

Recovery of Rs 63,811.03 million was pointed out, whereas recovery of Rs 39,971.64 million was accomplished.

c. Audit Methodology

The audit methodology for conducting audit of the accounts of the auditee organizations for the year 2017-18 started from audit planning and, consulting and updating their permanent files. In order to develop an understanding of each organization, desk audit and in-house audit planning sessions were conducted; this also helped to define the core objectives for the subject audit exercise. Accordingly, high-risk areas based on financial and managerial significance were identified for each entity. The sources used by audit included the rules and regulations of the Government, as well as documents regarding the proceedings of the respective Boards of Directors and any other relevant events. Audit checks were applied with a view to the nature of transactions, accounting standards and best auditing practices. The audit exercise was conducted on a sample selection basis of relevant types of transactions.

d. Audit Impact

Audit through its findings contributed to the improvement of financial transparency and internal controls of the auditee organizations. The importance of management's adherence to competitive procurement processes, transparent recruitments and effective fund utilization was reinforced and strengthened further.

e. Comments on Internal Controls

Internal controls comprise the policies, procedures, rules, regulations and monitoring mechanisms in place in an organization. These controls are essential to the management's pursuit of its goals and objectives and help prevent fraud, waste and inefficiency, while enhancing management's confidence level. A number of internal control weaknesses were identified during the audit of Public Sector Enterprises, of which a few are illustrated below:

- **Inventory Management**

Certain organizations exhibited weak control with respect to purchases, physical verification and record keeping. Purchases were made without ascertaining requirements, resulting in blockage of capital.

- **Employment of Human Resources**

It was noticed that Public Sector Enterprises were making fresh appointments, re-employing retired personnel and appointing consultants etc. without observing regulations. For example, shortcomings in the hiring process were identified in the cases of PIAC, NICL, HBFC, PIDC, NESPAK, PASSCO, USC, PTVCL.

- **Receivables/Debt Management**

Receivables management in almost all the organizations required immediate attention. Trade debts were not being collected within the stipulated period and a rising trend in receivables was noticed in a number of auditee organizations, which adversely affects their liquidity position. Furthermore, public sector financial institutions had quite liberal policies of loan sanctioning, resulting in bad debts. For example, unsatisfactory practices in the receivables /debts management were noticed in case of PIAC, SBP, PIDC, NIPD & MC, PNSC, PQA, EOBI, NESPAK, PTVCL, ZTBL and USC.

f. Key audit findings

i. Nineteen cases of embezzlement of funds Rs 1,265.55 million.[1]
ii. Four cases of non-production of record Rs 916.07 million[2]
iii. Three cases of theft/dacoity Rs 12.88 million[3]
iv. Sixteen cases of irregular appointment of officers/ officials Rs 1303.56 million.[4]
v. Twenty four cases of over payment and non-recovery of advances/dues valuing Rs 108,225.70 million[5]
vi. Twenty one cases of irregular purchases, violation of rules, procedures & regulations etc. Rs 19,581.99 million.[6]
vii. Three cases of non-deduction/ non deposit of Income Tax and Sales Tax Rs 157.38 million.[7]
viii. Three cases of irregular award of civil work Rs 116.98 million.[8]
ix. Seven cases of inadmissible/irregular payment of honorarium/bonus Rs 184.59 million.[9]
x. Five cases of irregularities in assets management Rs 2,317.57 million.[10]
xi. Five cases of loss of revenue Rs 58,551.61 million.[11]

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[1] 1.1.4.1, 1.1.4.2, 1.1.4.3, 1.1.4.4, 1.1.4.5, 2.1.4.1, 4.1.4.1, 4.3.4.1, 4.3.4.2, 5.1.4.1, 8.3.4.1, 8.5.4.1, 8.5.4.2, 9.9.4.1, 9.10.4.1, 9.10.4.3, 9.25.4.1, 9.25.4.2, 9.25.4.3

[2] 1.1.4.17, 8.1.4.1, 8.3.4.3, 14.2.4.2

[3] 6.2.4.1, 9.25.4.4, 9.25.4.28

[4] 1.1.4.20, 4.3.4.4, 5.1.4.6, 6.1.4.5, 6.2.4.11, 6.4.4.1, 9.13.4.3, 9.13.4.4, 9.17.4.5, 9.24.4.2, 10.1.4.9, 10.14.13, 10.2.4.4, 10.3.4.12, 14.4.4.15, 14.4.4.16

[5] 1.1.4.9, 1.1.4.11, 4.4.4.1, 4.4.4.2, 4.6.4.2, 6.2.4.13, 8.1.4.2, 8.2.4.10, 8.3.4.2, 8.3.4.12, 8.5.4.10, 8.5.4.11, 8.5.4.12, 9.5.4.3, 9.25.4.12, 9.25.4.21, 10.1.4.14, 10.2.4.8, 11.1.4.5, 14.3.4.2, 14.3.4.4, 14.4.4.1, 16.1.4.1, 16.1.4.2

[6] 1.1.4.18, 1.1.4.19, 1.1.4.21, 1.1.4.22, 1.1.4.23, 4.6.4.1, 4.6.4.5, 5.1.4.4, 5.1.4.5, 6.1.4.3, 6.1.4.4, 6.2.4.6, 6.2.4.12, 6.4.4.3, 8.2.4.1, 8.3.4.5, 8.5.4.8, 9.17.4.2, 9.23.4.2, 9.25.4.8, 10.1.4.7

[7] 4.6.4.5, 6.2.4.24, 9.25.4.26

[8] 4.6.4.4, 6.2.4.7, 16.1.4.13

[9] 4.2.4.2, 4.3.4.5, 4.4.4.3, 6.2.4.21, 8.1.4.9, 8.2.4.5, 9.25.4.7

[10] 9.1.4.2, 9.2.4.1, 14.4.4.3, 14.4.4.5, 14.4.4.10

[11] 1.1.4.6, 1.1.4.7, 1.1.4.8, 1.1.4.10, 15.1.45

[12] 8.1.4.13, 8.1.4.18

[13] 4.2.4.3, 6.1.4.2, 15.1.4.10

xii. Two cases of blockage of funds Rs 6,752.61 million.[12]
xiii. Three cases of imprudent investments Rs 7,038.55 million.[13]

Recommendations:

i. Internal control structure needs to be strengthened to curtail the incidence of embezzlement, fraud and misappropriation.
ii. In order to ensure transparency and authenticity of the transactions, the record must be provided to audit.
iii. Management is required to exercise extra vigilance in order to curb the tendency of theft/ dacoity through an elaborate monitoring mechanism.
iv. Appointments may be made in transparent manner and according to the respective HR Policies of the organizations with due regard to Government policies on the matter.
v. Steps must be taken to avoid overpayments and efforts should also be made for recovery of advances/receivables.
vi. Organizations should streamline procedure of procurement to achieve economy, efficiency and value of money as per Public Procurement Rules.
vii. Ensure internal checks for proper implementation of Income Tax Act & Sales Tax Act to avoid non-deduction or non-deposit of Income Tax & Sales Tax.
viii. No favour should be extended to contractors beyond the provision of contracts.
ix. Payment of bonus/ honorarium should be rationalized and same may also got regularized.
x. Efforts should be made to improve the assets management by the organizations.
xi. Internal controls may be improved to avoid revenue losses.
xii. Efforts needs to be made to avoid blockage of funds
xiii. Management should have made efforts to improve its fund management.

SUMMARY TABLES AND CHARTS

SUMMARY TABLES AND CHARTS

Table 1: Audit Work Statistics

(Rs in million)

S. No.	Description	No.	Budget
1	Total PAOs in Audit Jurisdiction	26	1,699,891.79
2	Total Commercial Entities in Audit Jurisdiction	101	1,699,891.79
3	Total PAOs Audited	20	1,228,856.61
4	Total Commercial Entities Audited	42	1,228,856.61
5	Audit Inspection Reports	42	1,228,856.61
6	Special Audit Reports	6	-
7	Performance Audit Reports	5	-
8	Other Reports	2	-

Table 2: Audit observations regarding Financial Management

(Rs in million)

S. No.	Description	Monetary value of audit observations
1.	Unsound asset management	4,484.85
2.	Weak financial management	84,262.78
3.	Weak internal controls relating to financial management	313,720.83
4.	Others	114,848.78
	Total	**517,317.24**

Table 3: Outcome Statistics

(Rs in million)

Sr. No.	Description	Expenditure on acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1.	Outlays Audited	38,482.52	13545.33	613,714.99	563,113.78	**1,228,856.61**	3,779,255.30
2.	Monetary value of audit observations	5,577.26	11,374.06	183,767.50	316,598.42	**517,317.24**	3,389,130.54
3.	Recoveries Pointed out at the instance of Audit	11.53	6,086.16	12,769.74	44,943.60	**63,811.03**	153,362.97
4.	Recoveries Accepted / Established at the instance of Audit	11.53	6,086.16	12,769.74	44,943.60	**63,811.03**	153,362.97
5.	Recoveries Realized at the instance of Audit	-	144.00	6,428.72	33,398.92	**39,971.64**	6,424.64

Table 4: Table of Irregularities pointed out

(Rs in million)

S. No.	Description	Monetary value of audit observations
1.	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	36,742.83
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources	969.19
3.	Accounting Errors (accounting policy departure from IAS, 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	4,683.12
4.	Weaknesses of internal control systems	227,656.93
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriation of public money	63,811.03
6.	Non – production of record	916.07
7.	Others, including cases of accidents, negligence etc.	182,538.08
Total		**517,317.24**

Table 5: Cost-Benefit

(Rs in million)

S. No.	Description	2018-19	2017-18	2016-17
1.	Outlays Audited	1,228,856.61	3,779,255.29	2,830,257.53
2.	Expenditure on Audit	133.59	238.38	204.22
3.	Recoveries realized at the instance of Audit	39,971.64	6424.64	5397.51
4.	Cost-Benefit Ratio	1:333.42	1:26.95	1:26.43

Chapter-1
Aviation Division Cabinet Secretariat

1.1 Pakistan International Airlines Corporation

1.1.1 Introduction

Pakistan International Airlines Corporation (PIAC) was incorporated on January 10, 1955 through PIAC Ordinance, 1955. The Ordinance was replaced with PIAC Act, 1956, which was also replaced with PIAC (Conversion) Act, 2016 w.e.f April 19, 2016 and the Corporation was converted from statutory Corporation to a public company limited by shares. The new Company called Pakistan International Airlines Corporation limited (PIACL) is listed on Pakistan Stock Exchange and governed by the Companies Ordinance, 1984 (now Companies Act, 2017), Public Sector Companies (Corporate Governance) Rules, 2013. The principal activity of the Corporation is to provide air transport services. In addition, the Corporation is also engaged in providing engineering and allied services to other airlines.

1.1.2 Comments on Audited Accounts

1.1.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts.

1.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1998-99	28	24	4	42,43,53,72	86
2001-02	31	16	15	74, 75, 77, 78, 79, 81, 83, 84, 85, 87, 90, 91, 93-94, 96	52
2002-03	31	24		37, 38,39, 40,40.1, 40.2,40.4	77
2003-04	18	13	5	22,23,25,26,27	72

2004-05	11	3	8	20, 21, 22, 24, 25, 26, 27, 28	27
2006-07	32	12	20	18.1, 18.2,18.3,18.4,19, 20, 20.1,20.2, 20.3, 20.4, 20.5, 20.6, 20.7, 20.8, 22, 24,25, 26, 28, 30	38
2007-08	29	23	6	27,31,32,33,34,35	
2010-11	48	30	18	3.1.2, 3.1.2.1, 3.1.2.2,3.1.2.3, 3.1.2.4,3.1.2.5, 3.1.2.6, 3.1.2.7, 3.1.3, 3.1.4.1, 3.1.4.2, 3.1.4.3, 3.1.4.18, 3.1.4.19, 3.1.4.20, 3.1.4.21,3.1.4.23, 3.1.4.24,	63
Total	**228**	**145**	**76**	**-**	**64 %**

The overall compliance of PAC directives was not satisfactory which requires immediate attention of the management.

1.1.4 Audit Paras

1.1.4.1 Loss due to misappropriation by travel agents - Rs.85.314 million

As per Article-9 of Passenger Sales Agency Agreement, the agent shall be under obligation to submit sales reports and remittances on fortnightly basis. Further, Article-27 says that agent will be liable for any outstanding amounts in default and immediately upon notification of default, ticketing authority will be de-linked and guarantee(s) will be encashed to cover the amounts in default.

During audit of PIAC, Lahore office for the years 2016 and 2017, it was observed that 29 travel agents did not deposit the sale amount of Rs. 59.263 million into PIAC account, indicating that agents were allowed to sell tickets beyond prescribed limits/capping, due to which they easily managed to escape observing this limit. Further, an amount of Rs. 26.501 million was also reported in the ledger of Islamabad office as ‘missing sales’ under the account code 60260 as on December 31, 2016. The account code used for ‘missing sales’ actually pertained to the “Overriding Commissions” to the agents, which shows that the management tried to conceal the figures of actual losses caused by

non-depositing of amount of sales. This resulted into misappropriation of Rs.85.314 million.

Audit is of the view that the management extended undue favour to the agents by allowing excess sale over and above the security deposit/ bank guarantees, and no concrete action was taken against the defaulted agent.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that matter should be investigated with a view to fixing of responsibility upon person(s) at fault besides, recovery of misappropriated amount.

1.1.4.2 Misappropriation of funds by Manager Airport - Rs. 62.00 million

Section 54 of PIAC Employees Services & Discipline Regulations states that any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service.

During audit of PIAC Lahore office for the years 2016 and 2017, it was observed that the Manager Airport misappropriated an amount of Rs. 62.00 million, which was recorded in the accounts R-8 dated August, 2016 relating to the defaulted parties (Account Head "R-8" includes only defaulted/ misappropriated amount by the agents or employees). However, the record was not produced to audit to ascertain the nature of the misappropriation.

Audit is of the view that the concealment of the record proves involvement of the management in the misappropriation.

The matter was reported to the management in October, 2018. The management in its reply of December, 2018 stated that the required documents

are at Head Office, Karachi and will be provided as soon as received. The reply of the management is not tenable, as the relevant documents and reasons of misappropriation should have been provided immediately, but the same were not produced as yet. DAC meeting was not convened despite requests by audit.

Audit recommends that matter should be investigated with a view to fixing of responsibility upon person(s) at fault besides, recovery of misappropriated amount.

1.1.4.3 Non-dismissal of officers involved in smuggling - Rs.11.200 million

Pakistan International Airline Corporation (PIAC) Personnel Policy Manual, Chapter- 4 para 75(a)(k) states that smuggling or suspected of being engaged in smuggling or reasonably suspected of being associated with others engaged in smuggling will have penalty of dismissal from service.

During audit of PIAC Lahore office for the years 2016 & 2017, it was observed that Mr. Muhammad Iqbal Ghurki, Security Officer PG-IV was involved in 03 smuggling cases and also arrested by Customs Authorities and Anti Narcotic Force (ANF) as reported in FIR No.30/216 dated 15-8-2016. However, the management only issued show cause notice but did not take any disciplinary action to remove the officer involved in smuggling cases. Thus, the retention of officer in service and his pay of Rs.7.200 million (Rs.100,000 x 6 years) from 2012 to 2018 are irregular. Similarly, 06 other employees of Islamabad station were also found involved in the smuggling and theft cases of Rs. 4.00 million approximately, but no proper disciplinary action was initiated against these employees, nor the management pursued the Court cases properly. The details are as under;

Sr. No.	Case. No	Case Title	Court	Type
1.	4A(229)/2017 24(304)/2017	M. Shoaib (62780) vs PIAC	NIRC	Mobile Smuggling
2.	WP. No. 2301/16	PIAC Vs Jalwat Huma	HIGH COURT ISB	Smuggling of cigarettes

3.	212/18	Abeeda Kazmivs PIAC	HIGH COURT ISB	Smuggling of cigarettes
4.	WP.33/2018	Waseem Akhtarvs PIAC	HIGH COURT RWP	Smuggling of narcotics
5.	24(141)2013	Abdul Karim But VS PIAC	NIRC	Theft
6.	4B (192)/2015	Muhammad SohailVs PIAC	NIRC	Smuggling of Narcotics

Audit is of the view undue favour was extended to officials of PIAC involved in smuggling which proves negligence and poor monitoring of the management.

The irregularity was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility on management for not taking disciplinary action against the officer.

1.1.4.4 Misappropriation of funds by District Manager - Rs. 6.300 million

Section 54 of PIAC Employees Services & Discipline Regulations, states that "any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service."

During audit of PIAC Islamabad office for the years 2016 & 2017, it was observed that the management paid Rs. 6.300 million on account of Umrah visa fee to District Manager during last 03 years but the amount was not deposited in the Saudi Embassy as no documentary evidence for the transfer of the amount was produced to audit. Details are given below:

Sr. No.	Year	Per Month	Amount (Rs.)
1	2014-15	175,000	2,100,000
2	2015-16	175,000	2,100,000
3	2016-17	175,000	2,100,000
Total			**6,300,000**

Audit is of the view that the above payment was misused by not paying to the Saudi Embassy as no evidence/acknowledgment from Saudi Embassy was available in the record of PIAC.

The matter was reported to the management in October, 2018 but no reply was received.DAC meeting was not convened despite requests by audit.

Audit recommends that the matter should be investigated with a view to fix responsibility on the person(s) at fault besides, recovery of the amount.

1.1.4.5 Non-recovery of fraudulent payments - Rs.2.823 million

Section 54 of PIAC Employees Services & Discipline Regulations states that "any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service."

During audit of PIAC, Lahore office for the years 2016 and 2017, it was observed that the management issued a show-cause notice in April 2014 to Mr. Yasir Aslam, Account Assistant on account of fraudulent payments of Rs. 2.823 million made to M/s Regent Palace Guest House. The allegation of fraudulent payment was admitted in his reply to show cause notice and he was ready to refund the amount to PIAC. However, no recovery was made.

Audit is of the view that the management extended undue favour to the employee by not recovering the amount.

The matter was reported to the management in October, 2018. The management in its reply dated January 04, 2019 stated that show cause notice was issued to the officer for fraudulent payments to M/s Regent Palace and subsequently inquiry committee was constituted. However, an amount of Rs 2.00 million were recovered from Regent Palace. The reply is not tenable as recovered amount was not got verified from audit and no action was taken against the

concerned employee nor against the guest house. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault, besides recovery of the amount.

1.1.4.6 Non-achievement of sales targets on domestic routes - Rs.4,218.398 million

As per Job Description and Responsibilities, District Manager was required to perform sales activities pertaining to passengers/ freight and evolve local marketing plans for its implementation.

During audit of PIAC Lahore and Islamabad office for the years 2016 & 2017, it was observed that the management failed to achieve the targets for the passenger sales stipulated by the management during the period under review. Sales of the station remained Rs.24,955.436 million against the target of Rs.29,173.835 million. Thus, due to non-achievement of sales targets the Corporation was deprived of revenue of Rs.4,218.398 million.

(Rs. in million)

Station	Target	Achievement	Difference
Lahore	14,773.835	12,458.436	2,315.398
Islamabad	14,400.000	12,497.000	1,903.000
Total	**29,173.835**	**24,955.436**	**4,218.398**

Audit is of the view that despite paying additional sales allowances to the sale department for stimulating the sales of PIAC, the desired results could not be achieved. This shows weak internal controls and negligence of the management.

The matter was reported to the management in October, 2018 but no reply was received.DAC meeting was not convened despite requests by audit.

Audit recommends investigating the matter with a view to fixing of responsibility on the person(s) at fault and efforts be taken to increase revenue.

1.1.4.7 Non-achievement of revenue target - Rs. 2,876.17 million

As per Chapter-14 of Job Description Manual dated 15-01-2015, the responsibilities of Passenger Sales Manager are "Achieve Revenue Targets assigned to his territory by sales promotional activities and by facilitating all selling outlets through mobilizing the field officers. Prepare and analyze the relevant information/market intelligence in his area for developing effective action plan for guidance of sales promotion in achieving the sales goals. Prepare action plan for providing guidance and implementing plans in their area. Review daily activities of competitors in the market constantly and suggest ways and means to management to achieve maximum revenue for PIA". Further, as per Job Description Manual dated 15-01-2015, Chapter-14, the District Manager was responsible to perform sales activities pertaining to passengers/ freight and evolve local marketing plans for its implementation.

During audit of PIAC Islamabad station, it was observed that 1,142 flights operated at an average seat factor of 16.8% carrying 34,925 passengers in 2016 and 2017 from Islamabad to domestic/international destinations, due to which PIAC sustained a loss of Rs. 2,876.17 million. Similarly, the seat factor in business class also remained very low during 2017, due to which PIAC was deprived of the revenue of Rs. 945.078 million. This resulted into loss of revenue 3,821.248 million (Annex-5).

Audit is of the view that due to poor planning and unprofessional/weak management at Islamabad Station, the Corporation failed achieve revenue target.

The matter was reported to the management in October, 2018 but no reply was received.DAC meeting was not convened despite requests by audit.

Audit recommends that the matter may be investigated at the Ministry's level for fixing of responsibility on the person(s) at fault.

1.1.4.8 Loss due to difference in sales amount of agents and Sabre system sales - Rs. 2,206.87 million

Section 54 of PIAC Employees Services &Discipline Regulations, states that "any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service."

During audit of PIAC, Islamabad Office for the years 2016 & 2017, it was observed that there was difference of amount of Rs. 2,206.87 million between the figures reported by the management and Sabre System as given below:

Year	Sales amount as per Islamabad	Sales as per Sabre system	Difference (Rs. in million)
2016	6,069.70	7,920.95	1,851.25
2015	5,527.70	5,883.32	355.62
Total	**11,597.40**	**13,804.27**	**2,206.87**

Audit is of the view that the management failed to recover the amount which proves negligence and poor financial management.

The matter was reported to the management in October 2018, but no reply was received.DAC meeting was not convened despite requests by audit.

Audit recommends that the data may be reconciled and report thereon may be submitted to audit and action may be taken against the person(s) found at fault for above discrepancy.

1.1.4.9 Non-recovery of dues from various parties - Rs.471.383 million

According to Para 2.02 of the Credit policy of PIAC, all dues from private organizations are required to be recovered within 30 days.

During audit of the PIAC Islamabad and Lahore office for the years 2016 and 2017, it was observed that an amount of Rs.471.383 million was lying outstanding against various parties. This resulted into blockage of Corporation funds. The detail is as under:

Sr. No.	Period (as on 31-12-17)	Islamabad	Lahore	Total amount (Rs. in million)
1	Over one year	118.374	45.684	164.058
	M/s Royal Airport Services since May 2009	-	10.779	10.779
2	Up to one year	227.663	68.883	296.546
3				
	Total	**346.037**	**125.346**	**471.383**

Audit is of the view that the management extended undue favour to the service providers and even failed to recover the amount since more than nine years in case of royal airport services. This indicates weak financial management.

The irregularity was reported to the management in October, 2018. The management in its reply of December, 2019 stated that the reconciliation with M/s Royal Airport Services was made at Head Office Karachi, the result of which is awaited. The reply was not tenable as no amount was recovered from concerned party as yet. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault besides, expeditious recovery of the amount.

1.1.4.10 Loss of revenue due to operating empty flights from Islamabad - Rs. 184.00 million

As per Job Description Manual dated 15-01-2015, Chapter-14, the District Manager was responsible to perform sales activities pertaining to passengers/ freight and evolve local marketing plans for its implementation. As per Job Description Manual dated 15-01-2015, Chapter-14, Page No. 344 & 345, the

General Manager, Network and Schedule Planning, PG-X (Reporting to Director Marketing) was responsible to supervise and monitor proper designing of long term and short term operating plans; and to focus on network management and evaluation of multiple scenarios of schedule changes.

During audit of PIAC, Islamabad office for the years 2016-2017, it was observed that 46 flights were operated without any passengers, resulting loss of Rs. 184.00 million (Average 200 pax per flight x Rs. 20,000 average fare x 46 flights) excluding 36 flights for Hajj and Umrah.

Audit is of the view that operation of flights without passenger shows lack of proper planning and control on the part of the management.

The matter was reported to the management in October, 2018 but no reply was received.DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

1.1.4.11 Loss due to non-recovery from defaulting travel agents - Rs. 157.059 million

As per Article-9 of Passenger Sales Agency Agreement, the agent shall be under obligation to submit sales reports and remittances on fortnightly basis. Further, Article-27 says that agent will be liable for any outstanding amounts in default and immediately upon notification of default, ticketing authority will be de-linked and held guarantee(s) will be en-cashed to cover the amounts in default.

During audit of PIAC, Islamabad and Lahore office for the years 2016 and 2017, it was observed that 25 agents at Islamabad and Lahore did not deposit the sale amount of Rs.157.059 million. The agents were allowed to sell the tickets beyond the prescribed limits/capping due to which they easily managed to escape. The management did not take legal action against the defaulters.

Audit is of the view that the management extended undue favour to the agents by allowing excess sale than the security deposit/ bank guarantees which shows weak internal controls and poor financial management.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that action may be taken against the officer found involved for allowing the agents to sell the tickets beyond limits besides taking legal action against the agents and recovery of the amount from them.

1.1.4.12 Loss due to delayed flights - Rs. 126.799 million

In terms of Job Description Manual of Passenger Handling Services Division (Chapter-17, page 12), it is the responsibility of the Passenger Handling Services Division of PIAC to analyze station delays over the PIAC network and take corrective and preventive actions to improve the punctuality by ensuring on-time departures.

During audit of PIAC, Lahore office for the years 2016 & 2017, it was observed that the management paid Rs.126.799 million on account of Delay Flight Allowance, Passenger Delay Flight and Passenger Layover. Thus, PIAC sustained a loss of Rs.126.799 million due to delay in flights. The detail is as under:

Year	Delay flight allowance (Rs.)	Passenger delay flights (Rs.)	Passenger Layover Rs.	Total (Rs.)
2016	58,295,617	5,644,804	13,886,300	77,826,721
2017	12,439,204	8,916,888	27,616,267	48,972,359
Total	**70,734,821**	**14,561,692**	**41,502,567**	**126,799,080**

Audit is of the view that due to lack of proper planning and control over the flights schedule/operation, the flights faced disruption, delays, and cancellation.

The irregularity was reported to the management in October, 2018. The management in its reply dated January 03, 2019 stated that Lahore station performs all efforts to depart the flights on time however late arrival were due to some constraints such as technical & engineering issues with aircrafts, FIA immigration, ASF, ANF, Customs, bad weather, etc. The reply was not tenable, as no documentary evidence was provided therefore, the payment of allowances was not justified. DAC meeting was not convened despite requests by audit.

Audit recommends that matter may be investigated and responsibility be fixed on the person(s) at fault.

1.1.4.13 Loss of revenue due to damage to aircraft - Rs. 45.00 million

Section 54 PIAC Employees Services and Discipline Regulations states that "any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service."

During audit of PIAC, Lahore office for the years 2016 and 2017, it was observed that the management issued a show-cause notice in December 2017 to Mr. Zahid Ali, Pax Service Officer (Loading Supervisor) for off-loading containers carelessly, which resulted into damage to aircraft and revenue loss of Rs. 45.00 million approximately (Rs. 20,000 average fare x 150 passenger per flight x 15 flights approx).

Audit is of the view that the Corporation sustained loss due to negligence and inefficiency. However, no concrete action was taken.

The matter was reported to the management in October, 2018. The management in its reply dated January 03, 2019 stated that inquiry was conducted and loading supervisor was found guilty and management proposed punishment. The reply was not satisfactory as no concrete action has been taken as yet. DAC meeting was not convened despite requests by audit.

Audit recommends that matter may be investigated for fixing of responsibility on the person(s) at fault.

1.1.4.14 Loss of revenue due to award of contract at lower rates - Rs.33.624 million

Rules 20 & 23 of GFR states that every government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During audit of PIAC Lahore office for the years 2016 and 2017, it was observed that the management awarded a contract to M/s Agro Developers for sale of Airline waste @ Rs.385,000 per month for 03 years (September 2015 to September 2018) at all domestic stations, whereas the same contract was previously awarded @ Rs.1,169,000 per month for 03 years (September 2013 to September 2015) for 03 domestic stations as detail below:

Sr. No.	Station	Amount (Rs.)
1.	Karachi	500,000
2.	Lahore	351,000
3.	Islamabad	318,000
	Total	**1,169,000**

Due to award of contract at lower rate, Corporation sustained loss of Rs.33.624 million.

Audit is of the view that undue favour was extended to the contractor which caused loss to the Corporation.

The matter was reported to the management in October, 2018. The management in its reply dated December 19, 2018 stated that the awarding contract at lower rate was result of implementing CPC directives to compact the refuse/throwaway material first then handing over to the contractor for removal from airline premises. The reply is not satisfactory as the decision was to be made in a way to earn more revenue, but the management allowed the contractor at much lower rate, which caused loss of revenue to the Corporation. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

1.1.4.15 Loss due to renting of office space at lower rates - Rs. 14.324 million

Section 54 of PIAC Employees Services & Discipline Regulations states that any employee who causes or attempts to cause any loss or loss of revenue to the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service.

During audit of PIAC, Islamabad station for the years 2016 and 2017, it was observed that in June 2014 an agreement was signed between Aviation Division and PIAC for hiring 2nd Floor @ Rs.40 Per SQ Ft of PIAC building in Blue Area, Islamabad w.e.f July 01, 2013 for three years. Before Aviation Division, same building space was rented out to NEPRA @ of Rs.50 per Square ft. and increase of 25% was due on July 01, 2014, after revision the rent would have been Rs. 62.5 per square foot. Thus, Corporation sustained loss of

Rs.14.324 million. The detail is as under:

Sr. No.	Tenant's Name	Area in Sq Ft	Lease Period	No. of Months	Rate Given per SQ Ft.	Rate should be per Sq Ft	Difference in rate	Loss born by PIAC
1	Aviation Division	10,228	1st July, 2013 to 30th June, 2016	36	40/-	62.50	22.50	8,284,680
2	-do-	10,228	1st July, 2016 to 30th June, 2019	21 (up to Sep)	50/-	78.12	28.12	6,039,838
Total								**14,324,518**

Audit is of the view that the management extended undue favour to the Aviation Division by allowing the building space at lower rate. This indicates poor asset management.

The matter was reported to the management in October 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault for letting out the space at lower rate and rates may be enhanced as per agreement of previous tenant.

1.1.4.16 Loss due to non-collection of Cancellation Charges - Rs. 12.246 million

As per job description Manual dated 15-01-2015, Chapter-4, the Manager Finance at domestic station has to make refunds as per Corporation's rules and ensuring that they are properly reported in refunds report. Make payments on behalf of Corporation as per laid down rules and ensuring that they are properly reported in disbursement report. Calculate physically the rates to confirm that

amount is correctly charged; calculate cancellation charges if applicable on tickets in case of re-issuance/refund of documents.

During audit of PIAC, Islamabad station for the years 2016 and 2017, it was observed that the counters/booking offices refunded 4,082 tickets of domestic and international during the period of 06 years i.e. from 2011 to 2016, but the cancellation charges were not deposited into the PIAC bank accounts. As per refund policy, an average amount of Rs. 3,000 is charged as cancellation charges, according to which PIAC sustained a loss of Rs. 12.246 million (Rs. 3,000 x 4082 tickets refunds). Detail is at Annex-6.

Audit is of the view that loss was incurred due to negligence and inefficiency of the management which indicates poor financial management.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault besides, recovery of the amount.

1.1.4.17 Non-Production of record

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

During audit of PIAC for the years 2015 and 2016, the management of Engineering Department and Procurement Department at Head Office, Karachi provided partial record, whereas Legal department at Lahore station did not provide any record despite issuance of reminders and verbal requests (Annex-7). Due to non-production of the requisitioned auditable records, audit was unable to ascertain transparency in relevant transactions.

The matter was reported to the management in November, 2016, October, 2017 and 2018. The management in the reply dated January 10, 2019 stated that Legal Department had no intimation regarding audit and case files were busy which caused difficult to provide the same to audit. The reply is not tenable as no record was provided to audit. DAC meeting was not convened despite requests by audit.

Audit recommends that matter may be investigated and responsibility be fixed on the person(s) involved in concealment of record.

1.1.4.18 Irregular acquisition of two aircrafts on dry lease - US$ 83.25 million (equivalent to Pak Rs. 8,352 million)

Rule 36 of Public Procurement Rules, 2004 states that the bid shall comprise a single package containing two separate envelopes. Each envelope shall contain separately the financial proposal and the technical proposal. Further, Rule 28(2) states that all bids shall be opened publicly in the presence of the bidders or their representatives.

During audit of Pakistan International Airlines Corporation (PIAC) Corporate Planning Department for the years 2010 to 2014, it was observed that in October, 2015management awarded contract to lowest bidder M/s Aercap Airlines, Ireland for acquisition of two Wide Body aircrafts for six years with monthly rent US$ 580,000. Audit observed following irregularities:

i. Advertisement was published in local newspapers only instead of international publications whereas the advertisement was not posted either on PPRA or PIA's own websites.
ii. Bids were invited on single-stage one envelope instead of single-stage two envelope basis as necessitated for technical and financial evaluation separately.
iii. Bids were opened by Bid Opening Committee of PIAC in absence of bidders.
iv. Copy of the contract as required under Section 33-B of National Accountability Bureau (Amendment) Ordinance 2002 was also not furnished to NAB.

Audit is of the view that appropriate procurement method was not adopted which could have ensured the quality acquisition of air crafts which shows weak internal control and negligence.

The matter was reported to the management in January, 2016 and in November 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

1.1.4.19 Non-transparent acquisition of six aircrafts on wet lease -Rs. 2,730 million (US$ 26.00 million)

According to Rule 12 of Public Procurement Rules, 2004 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of Pakistan International Airlines Corporation (PIAC), Corporate Planning Department for the years 2010 to 2014, it was observed that

the management acquired six (06) aircrafts on wet lease at the cost of US$ 26.00 million equivalent to Pak Rs. 2.730 million in violation of PPRA rules. Following irregularities were observed:

i. Bids were invited through advertisement published in local news papers in July, 2014 instead of international publications.
ii. Advertisement was neither posted on PPRA website nor on PIA's website as required by PPRA.
iii. Bids were invited using method of procurement based on single-stage one envelope rather than on single-stage two envelope basis as necessitated for technical and financial evaluation separately.
iv. Bids were opened by Bid Opening Committee of PIAC in absence of bidders.
v. Copy of the contract was not furnished to NABas required under Section 33-B of National Accountability Bureau (Amendment) Ordinance 2002.
vi. Six aircrafts were hired, four aircrafts (737-800) from M/s Corendon Airlines, Turkey and two aircrafts (A-320) from M/s Air VIA OOD, Bulgaria against the requirement of four as published in newspapers.
vii. The aircrafts were hired for two months, whereas further extensions up to six months were granted.

Audit is of the view that appropriate procurement method was not adopted which could have ensured the quality acquisition of aircrafts which shows defective planning and negligence.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

1.1.4.20 Irregular appointment of officers/officials on fake degrees - Rs.678.00 million

Pakistan International Airline Corporation (PIAC) Personnel Policy Manual, Chapter- 4, Para 75 Misconduct and Para 76 states that giving false information regarding name, age, father's name, educational or professional qualification, previous service or experience or anything relating to the record of service at the time of joining the service of the Corporation or at any time during the service of the Corporation will have penalty of dismissal from service.

During audit of Pakistan International Airline Corporation (PIAC) Lahore and Islamabad office for the years 2016 & 2017, it was observed that management appointed 113 employees on fake degrees on various posts during different periods respectively. However, no action was taken by the management against such employees. This resulted in irregular payment of salary of Rs.678.00 million approximately (Rs.50,000 p.m. x 10 years x 113 employees).Thus, the management had completely ignored the rules of the Corporation as a result employees on fake degrees were still in service in violation of PIAC rules. The detail of 55 employees is attached as Annex-8.

Audit is of the view that undue favour was extended to the employees appointed on fake degrees at Corporation cost. This indicates weak management.

The irregularity was reported to the management in October, 2018. The management in its reply dated January 07, 2019 stated that all employees having fake degrees approached the Court due to which they cannot be terminated. The reply was not tenable as the management did not properly persuade the Court cases for termination of employees having fake degrees. DAC meeting was not convened despite requests by audit.

Audit recommends that the services of employees appointed on fake degree may be terminated immediately and recover the amount paid to them.

1.1.4.21 Irregular award of contract to M/s Kitchen Cuisine - Rs. 443.200 million

Rule 12 of Public Procurement Rules, 2004 states that all procurement opportunities over two million rupees should be advertised on the Authorities website as well as in other print media or newspapers 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.

During audit of PIAC Lahore office for the years 2016 and 2017, it was observed that M/s Kitchen Cuisine (Pvt.) Limited was issued a letter of intent for provision of Catering/ Meal services on board for passenger for 90 days with effect from January 08, 2014 to April 07, 2014, which continued for further 04 years up to December 31, 2017 without any agreement and advertisement, which is clear-cut violation of above provision of PPRA-2004. Thus, the award of contract of Rs.443.200 million without tendering was irregular.

Audit is of the view that the above contractor was extended undue favour for which the relevant PPRA rules were violated and the supplier continued to provide the service.

The irregularity was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

1.1.4.22 Irregular award of Contract for in-flight catering services - Rs.185.00 million

Rule 4 of Public Procurement Rules, 2004 states that procuring agencies while engaging in procurements shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Further, according to Section 33-B of NAB Ordinance 2002 a copy of the contract is required to be furnished to NAB.

During audit of PIAC Procurement & Logistics Department for the year 2016, it was observed that a tender was invited for in-flight catering from prospective catering service providers to PK flights ex-Lahore, on May 06, 2016. Four bidders participated in the bidding. The technical bids were opened on May 23, 2016 and as per technical evaluation M/s Pearl Continental (PC) and M/s Kitchen Cuisine (KC) were qualified. The financial bids were opened on June 24, 2016. At the time of financial bid opening, tender committee observed that PC submitted PIA's tender documents published in 2015 and KC submitted required documents as uploaded at PIAC& PPRA websites. The Catering Contract Committee (CCC) in its meeting held on June 30, 2016 rejected the financial bid of PC on plea that PC submitted financial bids on documents which were not part of bidding documents. The management awarded the contract to M/s KC at a total financial impact of Rs. 185 million. Letter of intent was issued to M/s KC on January 16, 2017 for a period of one year (w.e.f January 16, 2017 to January 15, 2018). M/s PC filed a case in Lahore High Court on Evaluation Report uploaded on PIAC/PPRA websites. Further, the copy of the contract as required under Section 33-B of NAB Ordinance 2002 was also not furnished to NAB.

Audit is of the view that the reasons adopted by the management for non-opening of the financial bid of M/s PC were unjustified. The rejection of the bid of M/s. PC on technicality grounds was simply to award undue favour to M/s. KC. Therefore, it is concluded that competitive bidding process was not followed by the management and the award of contract to M/s. KC is held irregular and unjustified.

The matter was reported to the management in October 2017. DAC meeting was held on February 20, 2018. The DAC directed the management that record should be reconciled with the audit. However, no progress was made.

Audit recommends fixing responsibility on the person(s) at fault and intimate progress of the Court case.

1.1.4.23 Irregular procurement of food items - Rs. 110.062 million

Rule 12 of Public Procurement Rules, 2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of PIAC Flight Kitchen for the years 2013 to 2015, it was observed that 985 food items amounting to Rs.76.941 million and 39 non-food items amounting to Rs. 33.121 million were procured during the period through internal requisitions and covering indents without open tendering process. The details are as under:

Year	No. of Food Items	Amount	Non-food items (casserole, lunch box, liquid soap, paper cup etc.)	Amount
	(Nos)	(Rs.)	(Nos)	(Rs.)
2013	482	37,763,671	09	11,578,432
2014	435	38,106,381	15	12,483,042
2015	68	1,070,995	15	9,059,650
Total	**985**	**76,941,047**	**39**	**33,121,124**
			Grand Total	**110,062,171**

Audit is of the view that the management deprived PIAC from benefit of competitive bidding.

The matter was reported to the management in March 2016 and in November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

1.1.4.24 Loss of advertising revenue on outsourcing of Humsafar Magazine - Rs. 59.022 million

Clause-19 of the agreement between Pakistan International Airlines Corporation (PIAC) and M/s. RG Blue Communications (Pvt.) Ltd states that the producer, RG Blue Communications shall have exclusive right to produce the Hamsafar magazine for the duration of this agreement. Further to this, producer has the exclusive rights to solicit the advertisers for ads, collect the ads and payments from the advertisers exclusively for the Hamsafar magazine during the tenure of this agreement with complete information to the publisher.

During audit of PIAC, Procurement & Logistics Department for the year 2016, it was observed that the contract for printing of Hamsafar Magazine was awarded to lowest bidder M/s. RG Blue Communications for Rs. 59.022 million, despite PIAC's own fully equipped printing press. Further exclusive rights were also given to the producer for collection of payments on advertisement against the opinion of Legal Department of PIAC.

Audit is of the view that undue favour of extended for collection of payments on advertisements along with payment of huge amount which proves negligence and poor financial management prevalent in the organization.

The matter was reported to the management in October 2017and in November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends fixing responsibility on the person(s) at fault for awarding printing contract in presence of fully equipped printing press in PIAC.

1.1.4.25 Irregular payment to M/s Shalimar Hotel - Rs. 45.700 million

According to Rule12 of Public Procurement Rules, 2004 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of PIAC Lahore office for the years 2016 and 2017, it was observed that the management awarded the contract to M/s. Shalimar Hotel amounting to Rs. 45.731 million for accommodation of Aircraft Engineers and Cabin Crew without competitive bidding, which is violation of above rule. The year wise breakup of Payments is given below:

Sr. No.	Year	Amount
1	2015	42,992,932
2	2016	869,719
3	2017	1,868,612
Total		**45,731,263**

Audit is of the view that undue favour was extended by the management to M/s Shalimar Hotel and Corporation was deprived from the benefits of competitive bidding.

The matter was reported to the management in October, 2018. The management in its reply dated December 19, 2018 stated that PPRA does not allow more than one agreement per station due to which this alternate arrangement was made without tendering. Further Pearl Continental hotel did not accommodate Aircraft Engineer as per their entitlement equal to Cockpit Crew and they had to go in Shalimar Hotel. The reply was not tenable as no such provision exists in PPRA. Therefore, proper tendering should have been made to avail competitive bidding as per PPRA, but the management set aside the rules to extend undue favor to the said hotel. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

1.1.4.26 Irregular award of contract without competitive bidding - Rs.11.651 million

Rule 12 of Public Procurement Rules, 2004 all procurement opportunities over two million rupees should be advertised on the Authorities website as well as in other print media or newspapers 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.

During audit PIAC Islamabad station for the years 2016 and 2017, it was observed that the management awarded two contracts valuing Rs.11.651 million without competitive bidding in violation of above rule. The detail is as under:

Name of contractor	Particular	(Rs. in million)
M/s New Western Engineers	HVAC	5.528
M/s Abdul Khaliq Khan	Maintenance of Generator	6.123
Total		**11.651**

Audit is of the view that the management extended undue favour by awarding contract without competitive bidding, which proves poor financial planning in the management.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that matter may be investigated for fixing of responsibility on person(s) at fault.

1.1.4.27 Irregular appointment of Assistant Manager, Legal – Rs.10.800 million

Job Description of Assistant Manager Legal required work experience of 05 years of professional experience in legal field or a practicing lawyer including handling corporate legal matters, evaluating claims, preparing legal documents.

During audit of PIAC Lahore office for the years 2016 & 2017, it was observed that in April 2012 management appointed Mr. Muhammad Zahid Wattoo, as Assistant Manager, Legal in pay group-VII without advertisement and requisite experience of 05 years in violation of standard terms and conditions. Thus, payment of Rs. 10.800 million on account of pay and allowances was irregular (Rs.150,000 approx. per month x 6 years).

Audit is of the view that undue favour was extended to the incumbent this indicates weak internal controls.

The irregularity was reported to the management in October, 2018. The management in its reply dated January 04, 2019 stated that in advertisement 03 year experience was required instead of 05 years and verification of degrees is under process. The reply was not tenable as the HR policy requires 05 year experience for post, but in advertisement 03 year experience was called, which indicates that the incumbent was accommodated in PIA. Non-verification of degrees after lapse of 08 years of appointment is quite unjustified. Further management did not mention regarding quota system, thus the appointment without observing quota system is violation of Constitution of Pakistan. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

1.1.4.28 Irregular award of transport contract without inviting tender - Rs. 4.185 million

According to Rule 12 of Public Procurement Rules, 2004 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of PIAC Passenger Handling Service (PHS) for the years 2015 to 2017, it was observed that the management entered into contract with M/s Airport Limousine for hiring of transport service for passengers Baggage at Karachi, Lahore & Islamabad Airport for the period of 03 months w.e.f January 27, 2016 to April 27, 2016 amounting to Rs. 4.185 million. The contract was awarded without calling tender in violation of rule.

Audit is of the view that Corporation was deprived of the benefits of competitive bidding as required under PPRA-2004 rules.

The matter was reported to management in May 2018. The management in its reply dated January 03, 2019 stated that tendering process was done by the then Director Procurement and station was not involved in that process. The reply is evasive as the concerned station must have been aware of the tendering and agreement before payment to the parties. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter with view to fix responsibility on the person(s) at fault.

1.1.4.29 Non-receipt of material against advance payments - Rs. 628.072 million

Special instructions of Purchase Order Serial No. 6 states that a copy of purchase order, original invoice duly signed, insurance declaration, copy of airway bill/shipping documents are required for payment.

During audit of Pakistan International Airlines Corporation (PIAC), Procurement & Logistic Division for the years 2014 & 2015, it was observed that the management issued 1,196 purchase orders to various foreign suppliers / vendors for procurement of different kind of spare parts in the years 2014 and 2015. Despite advance payments, not a single item was received in PIAC till

October 2016. Further, no bank guarantees were obtained from the suppliers to safeguard the interest of the Corporation. The details are as under:

Sr. No.	No. of Purchase Orders	Amount Involved		
		Foreign Currency	Amount	Pak. Rupees
1	04	AED	313,895	9,102,955
2	1036	US$	5,540,171	554,017,100
3	92	EUR	364,121	40,781,552
4	49	PKR	21,469,038	21,469,038
5	05	JYP	460,938	377,969
6	10	GBP	14521.07	2,323,371
Total	**1196**	**-**	**-**	**628,071,985**

Audit is of the view that non-receipt of spare parts worth Rs. 628.072 million despite making advance payment shows weak financial management controls in PIAC.

The irregularity was pointed out to the management in October, 2016 and in November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends responsibility should be fixed on the person(s) at fault for not receiving the material for the amount paid.

1.1.4.30 Loss due to wastage of Meals - Rs.106.573 million

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels in the following manner, that the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During audit of PIAC Flight Kitchen for the years 2013 to 2015, it was observed that total meals amounting to Rs. 72.573 million were uplifted against the passengers travelled during the years 2013 to 2015. The detail is as under:

Year (Nos)	Meal uplift (Nos)	Pax travelled (Nos)	Meal excess (Nos)	Avg. meal cost (Rs.)	Amount (Rs.)
2013	2,154,675	1,998,111	156,564	122.304	19,148,403
2014	1,898,972	1,748,346	150,625	151.112	22,761,245
2015	2,019,192	1,811,827	207,365	147.869	30,662,878
Total	**6,072,839**	**5,558,284**	**514,554**	**-**	**72,572,526**

Similarly, the management of PIAC, Lahore station did not properly control the meal wastage at Lahore station and there was no proper monitoring system of meal-uplift, due to which excess meals were uplifted amounting to Rs.34.00 million (6,800 x Rs. 500 + Rs. 30.00). Thus, PIAC sustained a loss of Rs.106.570 million.

Audit is of the view that loss was incurred due to poor planning and negligence.

The matter was reported to the management in April, 2016 and in November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

1.1.4.31 Loss due to unnecessary hiring of ground handling equipment - Rs.77.940 million

As per Job Description, the responsibilities of General Manager, Passenger Handling Services were; negotiating and finalizing Ground Handling Agreements with handling agents at all International Stations for PIAC flights; acting as a liaison between PIAC and the handling agent (at International Stations). To establish, maintain and develop a good working relationship with

Ground Handling Agents at International Stations and Ground Handling customers at domestic stations.

During audit of PIAC, Lahore office for the years 2016 and 2017, it was observed that the management made agreements with M/s Royal Airport Services, M/s. Shaheen Airport Services, M/s Gerry's Dnatta (Pvt.) Ltd, and M/s Air blue for hiring of technical equipment at domestic stations and heavy payment was made to them for availing ground services despite having their own ground handling equipment. It is worth mentioning here that PIAC have 99 technical ground equipment at the station, out of which 32 main equipments were unserviceable. To fill the gap of out-of-order/ unserviceable items, the management hired equipment from the contractors. Thus, the expenditure of Rs.77.940 million during 2016 is unjustified and resulted into loss to the Corporation.

Audit is of the view that the equipments were not being repaired by the management, so that the same could be hired from above parties at the cost of the Corporation, although these items required minor repairs.

The irregularity was reported to the management in October, 2018. The management in its reply dated January 11, 2019 stated that hiring was made so that operation can be carried out smoothly and ensure flight departure on time and to avoid flight delays (flight delay is unacceptable based on non-availability of ground equipment as flight delay cause huge financial expenditure as compared to hiring of ground equipment and that is not viable at all in any situation). Further, out of 99 GSEs, 32 GSEs are very old and have exhausted their useful lift and are beyond economic repair. The reply was not satisfactory as there was no provision in rules of PIA to hire equipment at domestic stations. In addition 99 equipments were available which could be managed properly to avoid expenditure on unnecessary hiring from private parties. DAC meeting was not convened despite requests by audit.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) at fault.

1.1.4.32 Non-finalization of disciplinary action against Manager Works - Rs. 24.00 million

Pakistan International Airline Corporation (PIAC) Personnel Policy Manual's para 75 defines Misconduct as under;

- Willful omission or commission against the interest of, or resulting in loss, to the Corporation
- Theft, fraud or dishonest in connection with a revenue document, business or property of the Corporation, any customer, agent or airline
- Willful insubordination or disobedience, whether alone or in combination with others, to any lawful and reasonable order or a superior employee
- Taking or giving bribes or any illegal gratification

During audit of PIAC, Lahore office for the years 2016 & 2017, it was observed that Mr. Farooq Malik, Manager Works committed a fraud of Rs.24.00 million for which Show cause notice was served to him on August 05, 2016 but, inquiry was not finalized.

Audit is of the view that the management extended undue favor to the accused employee and did not take action against him who was involved in fraud and caused loss to the Corporation.

The matter was reported to the management in October, 2018. The management stated in its reply dated December 31, 2018 stated that it is correct that a disciplinary action was initiated on the charges of committing misconduct and the inquiry proceedings are under process. Inquiry officer has confirmed that it will be finalized in January, 2019 and finding will be shared with audit. The reply is not satisfactory, as the management has delayed the action for more than 02 years and the same still in process. DAC meeting was not convened despite requests by audit.

Audit recommends finalization of inquiry at the earliest.

1.1.4.33 Loss due to non-recovery of air-conditioning charges - Rs.18.123 million

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

During audit of PIAC, Lahore office for the years 2016 & 2017, it was observed that management incurred expenditure of Rs. 72.249 million on air-conditioning system of the building in Lahore during last 10 years, but the management failed to charge at least 25% of the total expenditure, which comes to Rs. 18.123 million, from the tenants availing the facility. This resulted into non recovery/ loss.

Audit is of the view that undue favour was extended to the tenants at the Corporation cost by not including any clause in the contract regarding this facility, which shows negligence of the management.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault, besides recovery of the amount.

1.1.4.34 Irregular payment of extended duty denial rest - Rs. 14.723 million

As per Para No. 6.80.01 & 6.81 of Pakistan International Airlines Corporation (PIAC) HR Policy, the duty time limitation of Aircraft Engineer is 08 hours but can be extended to 16 hours in emergencies on occasional basis. The extended duty /denied rest shall not be more than 48 hours in a month. However, Aircraft Engineer shall not be scheduled to perform the duty beyond 08 (eight)

hours on regular and planned basis. Between any two successive duties rest period shall be provided, as per corporate rules.

During audit of PIAC Engineering Department for the year 2016, it was observed that the management paid Rs.14.723 million to officers of Engineering Department on account of Extended Duty/Denied Rest without any provisions in the rules.

Audit is of the view that the management extended undue favour to engineers at the cost of PIAC.

The matter was reported to the management in November, 2017. The DAC meeting was held on February 20, 2018. The DAC directed the management to provide revised reply along with relevant PPM clauses. However, no progress was made.

Audit recommends implementation of the DAC directives.

1.1.4.35 Non-utilization of vacant space of Lahore building - Rs.9.173 million

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

During audit of Pakistan International Airline Corporation (PIAC) Lahore office for the years 2016 & 2017, it was observed that PIAC has its own building at Lahore. About half portion was in use of PIAC and half portion was rented out. However, an area of 4,200 sq. ft. is still lying vacant. Due to non-renting out of vacant space, PIAC sustained a loss of Rs. 9.173 million (4,200 sq.ft. x Rs.91 per sq.ft. x 24 months).

Audit is of the view that due to negligence of the management the vacant space could not be rented out, which indicates poor asset management.

The irregularity was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault besides taking measures for renting out the space.

1.1.4.36 Loss due to negligence of the management - Rs. 6.497 million

According to the clause of Component Service Program (CSP) agreement, if the removed component is not received by Boeing within 05 calendar days after the Exchanged Component is delivered to customer, there will be a charge of 1% of the applicable part number's current selling price per day until the removed component has been received by Boeing.

During audit of PIAC Engineering Department for the year 2011, it was observed that 08 parts were provided by the Boeing Company to PIAC on loan basis in accordance with the Component Service Programme. The said parts were required to be returned within 05 working days after the exchanged part is delivered to PIAC. However, due to negligence of the management the parts could not be returned within the stipulated period. Furthermore, the parts returned were delayed/damaged during transit, which resulted into loss of US$ 73,011 equivalent to Pak Rs.6.497 million. (Annex-9)

Audit is of the view that loss was incurred due to negligence /slackness of the management.

The matter was reported to the management in November 2013. The management in its reply dated January 20, 2014 admitted the loss by stating that delays occurred due to late clearance from the Custom Authority. The reply was not tenable as the management should have initiated the return process keeping in view the deadline. DAC meeting was not convened despite requests by audit.

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

1.1.4.37 Loss due to excess payment to M/s Master Management - Rs.3.700 million

As per Letter of Intent dated June 15, 2016, total yearly value of the contract was Rs.4,020,000 for the period from June 01, 2016 to May 31, 2017.

During audit of Pakistan International Airlines Corporation (PIAC) Passenger Handling Service (PHS) for the year 2015 to 2017, it was observed that management entered into contract with M/s Master Management for provision of meal services at PIAC Domestic and International Lounges at Jinnah International Airport, Karachi. However, management paid Rs.7.719 million instead of Rs.4.020 million. This resulted into excess payment of Rs.3.700 million (Annex-10).

Audit is of the view that undue favour was extended to the contractor by making excess payment at Corporation cost, which shows weak internal controls.

The matter was reported to management in May, 2018. The management in its reply dated January 03, 2019 stated that ground feeding is mostly a contingent expenditure which depends on number and extent of flight delays, transit duration which keeps on changing as schedule changes. The reply is not satisfactory as the management has not provided the documentary evidence and statement of flight delays and passengers serviced at the station. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter with a view to fix responsibility on the person(s) at fault beside recovery the amount.

1.1.4.38 Loss due to irregular waiver of tuition fees - Rs. 2.094 million

As per PIAC Human Resources Policy dated January 15, 2014, the management approved to grant 25% concession in course fee to dependent children of employees for Aircraft Engineering Apprentice Training, offered on self-finance basis by PIA Training Centre, Karachi. Concession fee shall be admissible up to maximum of ten (10) children of employees (serving, retired & deceased), selected on merit basis. All existing 06 children of employees, who are under-going apprentice training, shall be allowed 25% concession in fee.

During audit of PIAC Training Centre (PTC) for the years 2015 & 2016, it was observed that management granted 50% to 100% concession to the students of Apprentice Aerospace, Apprentice Flight Operations, and Basic Sheet Metal Course instead of 25%, causing loss of Rs.2.094 million on account of revenue.

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Audit is of the view that undue favour was extended to the student and management failed to safeguard the interest of the Corporation.

The matter was reported to the management in June, 2018. The management in its reply of August, 2018 stated that all discounts/special waivers were approved by CEO/MD PIACL. The reply was not satisfactory /tenable as management must follow the above training rules of concession. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on person(s) at fault besides recovery of the amount.

1.1.4.39 Loss due to short deposit of amount in bank - Rs. 1.291 million

Section 54 of PIAC Employees Service &Discipline Regulations states that any employee who causes or attempts to cause any loss or loss of revenue to

the Corporation shall be liable to reimburse the loss caused by him and will also be liable to disciplinary action including dismissal from service.

During audit of PIAC Lahore office for the years 2016 and 2017, it was observed that PIAC travel agent M/s Ayub Travels & Tours deposited 07 pay orders of Rs. 3.143 million against fortnight international sales for the period 16-31 May 2016. However, management of PIAC received the same from agent, but deposited only Rs. 1.852 million and remaining left over amount of Rs. 1.291 million was not deposited in the bank (Annex-11).

Audit is of the view that undue favour was extended to the travel agents and employees at Corporation's cost, which shows inefficiency of management.

The matter was reported to the management in October, 2018. The management in its reply stated that sales proceeds of May 16-31, 2016 were timely deposited in the bank in full. The reply was not satisfactory as the document provided does not show the name of above party from whom amount was recovered and deposited in the bank. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault, besides recovery of the amount.

1.1.4.40 Non-preparation of proper Fixed Assets Register and non-conducting physical verification of fixed assets

Section 230 of the Companies Ordinance, 1984 read with Technical Release No.6 issued by the Institute of Chartered Accountant of Pakistan, provided that the adequate itemized record of fixed assets should be maintained and also suggests certain minimum particular. Further, it requires physical verification of fixed assets on a cyclical basis (perpetual inventory) according to a formal plan after periodic interval. The physical inventory should be reconciled with the fixed assets records and adjusted accordingly.

During audit of PIAC Training Centre (PTC) for the years 2015 and 2016, the management was requested vide requisition No.05 on December 22, 2017 and Requisition No. 10 dated 05-01-2018 to furnish the physical verification report and Fixed Assets Register. In response, the management furnished loose statements showing detail of fixed assets, which did not serve any purpose. Whereas, the management maintained a fixed assets register which only contained the particulars, cost, date of purchase, vendor, location and asset code. Depreciation was calculated separately using Microsoft Excel. The physical verification of the assets was not carried out by the management. Thus, the balances of the assets recorded were not authentic.

Audit is of the view that the management failed to accomplish its statutory obligation.

The matter was reported to the management in January, 2018. The management in its reply stated that the fixed assets and the reconciliation of its results with the fixed assets will be maintained in future. The reply itself shows that neither the fixed assets register was being maintained as per the codal requirement nor physical verification of the assets was carried out by the management. DAC meeting was not convened despite requests by audit.

Audit recommends that the management should take corrective action and fixing responsibility on the person(s) at fault.

1.2 Skyrooms (Pvt.) Limited

1.2.1 Introduction

Skyrooms (Pvt.) Limited was incorporated as a private limited company on May 20, 1975. The company is a subsidiary of Pakistan International Airlines Corporation registered under the Companies' Ordinance, 1984 and listed on all stock exchanges of Pakistan. Until June 30, 1999, PIA holdings (Pvt.) Limited was the holding company. The company owns and manages "Airport Hotel" at Karachi. The registered office of the company is situated at Airport Hotel, Karachi.

1.2.2 Comments on Audited Accounts

1.2.2.1 The working results of Skyrooms (Pvt) Limited for the year 2013 as compared with those of previous years are given as below:

(Rs in million)

	2013	**% inc / (dec)**	**2012**	**% inc / (dec)**	**2011**
Net Revenue	322.70	10.62	291.73	2.43	284.82
Cost of Sales	(276.86)	11.67	(247.92)	6.37	(233.07)
Gross Profit/Loss	45.84	4.63	43.81	(15.34)	51.75
Administration Exp.	(57.04)	11.78	(51.03)	1.51	(50.27)
Operating loss	(10.32)	37.97	(7.48)	-	1.49
Other Exp.	(0.65)	(66.49)	(1.94)	-	-
Financial Charges	(0.002)	(94.29)	(0.035)	(41.67)	(0.06)
Other Income	1.53	(9.47)	1.69	(0.59)	1.70
Loss before Taxation	(10.32)	37.42	(7.51)	-	3.13
Taxation	(0.64)	276.47	(0.17)	(98.68)	(12.88)
Loss after Taxation	(10.97)	42.84	(7.68)	(21.23)	(9.75)
Accumulated Loss	(151.73)	7.79	(140.76)	2.89	(136.80)

(Source: Annual Audited Accounts)

Net Revenue of the Company limited increased to Rs.322.7 million in 2013 as against Rs.291.73 million in the previous year registering an increase of 10.62%. Cost of sale increased to Rs276.86 million in 2013 as against 247.92 million reflecting an increase of 11.67%.

1.2.2.2 Gross profit increased to Rs. 45.84 million in 2013 as against Rs. 43.81 million of previous year registering an increase of 4.63%.The rise in gross profit of Rs 2.03 million was mainly contributed by relative more rise in sale revenue against cost of sale. Administrative expenses increased to Rs 57.04 million in 2013 as against Rs 51.03 million in the previous year registering an increase of 11.78%.

1.2.2.3 Loss after taxation in increased by 42.84% from Rs. 7.68 million in 2012 to Rs. 10.97 million in 2013, whereas Accumulated losses has touched Rs.151.73 million in 2013.

1.2.2.4 Chartered accountants have drawn attention to Management fees, which is charged @7.50% of revenues yearly payable to PIAC. No formal agreement exists for this provision, which is declining yearly revenue by 7.5%.

1.2.3 Compliance of PAC Directives

No PAC directive was outstanding against the organization.

1.2.4 Audit Paras

1.2.4.1 Non-recovery of outstanding dues - Rs.43.458 million

Clause 2.01 of the Credit Policy of Skyrooms (Pvt.) Limited states that the authority extending the credit is also responsible for its timely recovery whilst the Finance department function is to ensure timely/proper accounting, reconciliation and providing an updated status of outstanding dues.

During audit of Skyrooms (Pvt.) Limited (SRL) for the years 2015 and 2016, it was observed that the management did not recover outstanding dues from PIAC and other airlines amounting to Rs.43.358 million. The detail is as under:

Name of Party	Amount (Rs.)
PIAC	38,851,565
Other Airlines	3,203,218
Other Companies	1,303,045
Total	**43,357,828**

Audit is of the view that non recovery of dues shows negligence at the part of the management, which indicates weak internal controls.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) at fault, besides recovery of the amount.

1.2.4.2 Irregular procurement of electric and tool items - Rs. 2.400 million

According to clause 4 (b) of the tender documents issued by Airport Hotel, the price must be stated for each item separately both in words and figures in Pak Rupees. And as per clause 9, the Skyrooms (Pvt.) limited (Airport Hotel) do not pledge themselves to accept the lowest tender and reserve the right to accept or reject any or all tender/quotations, divide business among more than one supplier.

During audit of Skyrooms (Pvt.) Limited (SRL) for the years 2015 and 2016, it was observed that a tender was floated for purchase of electric and tool items. Three contractor submitted bids, two contractors M/S Sahi traders and M/s Aamir Electric did not quote all the items mentioned in tender documents (145 items) and only one supplier Mass Engineering quoted rates for all the items.

M/S Sahi Traders stood lowest due to the fact that it did not quote rates for all items; management instead of rejecting the bid, jointly awarded the contract to M/S Sahi Traders and M/S N.Z. Corporation (a company which did not even participate in the bidding process) in clear violation of terms and condition of the tender. Thus award of contract amounting of Rs.2.4 million was irregular.

Audit is of the view that undue favour was extended to the contractors, which indicates weak internal controls.

The matter was reported to the management in June, 2018. The management in its reply stated that the tender was awarded to M/s Sahi Traders and M/s N.Z. Corporation equally as they were the lowest bidders, and PPRA rules allow distribution of work amongst more than one company. The reply of the management is not tenable as M/s N.Z. Corporation did not participate in the bidding process and M/s Sahi Traders did not quote the rates of all the items required to be purchased.DAC meeting was not convened despite requests by audit.

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

1.2.4.3 Procurements from disqualified supplier -Rs. 2.128 million

Rule 16 of Public Procurement Rules, 2004 states that the procuring agency engaging in prequalification shall announce, in the prequalification documents, all information required for prequalification including instruction for preparation and submission of the prequalification documents, evaluation criteria, list of documentary evidence required by supplier or contractors to demonstrate their respective qualification and any other information that the procuring agency deems necessary for prequalification.

During audit of Skyrooms (Pvt.) Limited (SRL) for the years 2015 and 2016, it was observed that the management disqualified M/s Trade & Techniques International on the ground of non-submission of tax return and Bank statement.

However, management received supplies from this vender valuing Rs.2.128 million, which is irregular.

Audit is of the view that undue favour was extended to a disqualified supplier.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

1.2.4.4 Irregular procurements from blacklisted company - Rs. 1.002 million

Rule 19 of Public Procurement Rules, 2004 states that the procuring agency shall specify a mechanism and manner to permanently or temporary bar, from participation in their respective procurement proceedings, supplier and contractors who either consistently failed to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the authority.

During audit of Skyrooms (Pvt.) Limited (SRL) for the years 2015 and 2016, it was observed that, M/s Bukhari Group of Companies was blacklisted by CPC on May 30, 2015. However, the management continued to make procurements from M/s Bukhari Group of Companies amounting to Rs. 1.002 million.

Audit is of the view that undue favour was extended to the contractor.

The matter was reported to the management in June, 2018 but no reply was received.DAC meeting was not convened despite requests by audit.

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

Chapter-2
Cabinet Division

2.1 Pakistan Bait-ul-Mal

2.1.1 Introduction

Pakistan Bait-ul-Mal is a fund established by the Federal Government under Pakistan Bait-ul-Mal-Act 1991 (amended) to provide financial assistance to needy people of Pakistan, met out of grants from Government / Semi Government Organizations and voluntary donations etc. Bait-ul-Mal Board constituted by the Federal Government governs Pakistan Bait-ul-Mal.

2.1.2 Comments on Audited Accounts

2.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

2.1.2.2 Audit recommends that the annual audited accounts of 2017-18 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

2.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1993-94	09	08	01	298	89
1997-98	08	07	01	351	88
2000-01	01	0	01	337	-
2003-04	02	0	02	188.1,188.2	-
2006-07	05	03	02	201,202	60
2007-08	03	0	03	171.3, 175,176.2	-
2009-10	11	7	4	225.2,226,227,232	64
2010-11	16	01	15	21.1.2.6,21.1.4.1,21.1.4.5,21.1.1,21.1.2.1	6

				,21.1.2.2,21.1.2.3,21.1.2.5,21.1.2.7,21.1.2.8,21.1.2.9,21.1.3,21.1.4.3,21.1.4.4,21.1.4.6,	
2016-17	07	-	07	2.1.2.2,(2.1.1&2.1.2, 2.1.2.1,2.1.2.3,2.1.2.4,2.1.2.5,2.1.3) These paras are referred to Sub-committee	-
Total	**62**	**26**	**36**		**42**

The overall compliance of PAC directives was not satisfactory especially during 2000-01, 2003-04, 2007-08 and 2016-17, which needs immediate attention of the PAO.

2.1.4 Audit Paras

2.1.4.1 Non-recovery of misappropriated funds from ex-employees - Rs. 16.62 million

According to GFR-13, every controlling officer must satisfy himself not only that adequate provision exists within the departmental organization for systematic internal checks to prevent and detect errors and irregularities in the financial proceedings of its subordinate offices and to guard against waste and loss of public money and store but also that the prescribed checks were effectively applied.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management disbursed medical financial assistance of Rs 16.62 million to Holy Family Hospital Rawalpindi in 59 cases during 2010. However, during verification these cases were found fake/ bogus and funds were misappropriated. Six officials were found guilty as proved during initial investigation. The management lodged FIR on February 02, 2010 with Police and

terminated the involved employees. This resulted into non-recovery of misappropriated funds valuing Rs. 16.62 million from ex-employees.

The matter was reported to the management on November 21, 2017. During DAC meeting held on January 24, 2019, management informed that FIR was lodged against the culprits and matter was being pursued in the Honorable Supreme Court of Pakistan. The committee directed to pursue the court case, recover the outstanding amount and get verified the total recovered amount from audit.

Audit recommends the compliance of the DAC directive.

2.1.4.2 Unjustified payment of financial assistance to individuals by ignoring the principal of first come first served basis - Rs 1,398.25 million

According to clause 4 of PBM Act 1992, the Bait-ul-Mal shall be administered by the Board and the moneys in the Bait-ul-Mal shall be utilized for the following purposes namely:

i. to provide financial assistance to destitute and needy widows, orphans, invalid, infirm and other needy persons;
ii. for rendering help for rehabilitation of the persons specified in clause 4(a) in various professions or vocations;
iii. to provide assistance to children of the persons specified in clause 4(a) for educational pursuits.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management disbursed financial assistance of Rs 1,398.25 million to persons / individuals recommended by political personalities and others which was approved by the management on priority basis. Audit considered it against merit as it ignored the principal of “first come first served basis”.

Audit was of the view that the management failed to provide equal opportunity to the genuine needy persons / individuals to avail of benefits from PBM funds.

The matter was reported to the management on October 25, 2018 and to PAO on October 24, 2018. During DAC meeting held on January 24, 2019, the management replied that main purpose of the IFA-program was to provide a reasonable amount to needy / poor people and application can be received from any source and the Public representatives are the best source. The contention of the management was not accepted by the committee and it was directed to probe the matter, fix responsibility on the person(s) at fault and devise a mechanism providing equal opportunity to the general public instead of selected cases through public representatives.

Audit recommends compliance of the DAC directive.

2.1.4.3 In-equitable distribution of IFA funds by PBM (Head Office) - Rs 1,000 million

According to PBM Act 1992, it was the duty of the state to provide basic necessities of life such as food, clothing, housing, education and medical relief for all citizens irrespective of their sex, caste, creed or race. To meet these purposes, fund namely Pakistan Bait ul Mal was established for providing assistance to destitute and needy widows, orphans invalid, infirm and such other persons to lead an honorable life in society.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management allocated an amount of Rs 2,000.00 million under "Individual Financial Assistance-IFA (Medical, Education and General)" in budget 2017-18. Later on, the management retained 50% of allocated budget Rs 1,000.00 million at PBM (HO) for utilization in IFA priority cases and the remaining 50% amount of Rs 1,000.00 million was allocated to all provincial /regional offices located in Pakistan. The management of PBM head office utilized retained funds to deal with priority cases referred by the political personalities whereas remaining 50% portion of the budget allocated to the seven provincial offices as well as ICT Islamabad was insufficient to entertain the beneficiaries of those areas. Thus, retention of 50% funds at head office was not justified.

Audit was of the view that main function of the head office was administration of regional offices instead of becoming a disbursing office at Islamabad and causing inconvenience to people all across Pakistan to come to the capital for resolution of their requests for financial aid.

The matter was reported to the management on October 25, 2018 and to PAO on November 08, 2018. During DAC meeting held on January 24, 2019, management replied that Rs. 1,000 million was retained by PBM (HO) with the approval of Managing Director being PAO of the PBM and these funds were distributed across the country between those deserving beneficiaries who approached / applied for assistance directly to PBM (HO). The contention of the management was not accepted by the committee and it was directed to probe the matter, fix responsibility on the person (s) for retention of 50% budget at Head Office and further directed to ensure distribution the funds to regional/ district offices on rational basis.

Audit recommends compliance of the DAC directive.

2.1.4.4 Loss due to procurement of sewing machines at higher rates - Rs 5.23 million

According to Rule 4 of PP Rules 2004, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Moreover, as per Rule 42 (b)(iv) PP Rules 2004, the object of the procurement is to purchase from the supplier offering the lowest price.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management invited tender for the procurement of 5,000 sewing machines, which was opened on September 07, 2017. It was found that the rate of M/s Singer Pakistan Ltd. was Rs 5,890 per machine but Financial Committee did not place the purchase order to the technically qualified lowest bidder. Later on, a joint meeting of technical and financial committees also

scrutinized the documents on September 18, 2017 and rejected the bids of four firms on the plea that they do not fulfill the selection criteria of bidding documents except M/s Singer Pakistan Ltd and decided to re-tender for healthy competition. The second tender was floated in newspapers on September 28, 2017 and five firms participated therein. The Technical Committee evaluated the proposals and only M/s Geo Tech Islamabad was found responsive with rate of Rs 6,890 per machine, which was selected, and order was placed for supply of 5,000 machines on December 15, 2017. Furthermore, additional order of 234 machines at the same rate was also given to the same firm on November 16, 2017.

Due to non-acceptance of financial bid of technically responsive party i.e M/s Singer Pakistan Ltd. by the financial committee in first tender and purchase of sewing machines at higher rates in the second tender, PBM sustained loss of Rs 5.23 million.

Audit was of the view that non-award of tender to the responsive bidder M/s Singer Pakistan Ltd in first tender and subsequent award of tender to M/s Geo Tech Islamabad at higher rates resulted in loss to the organization.

The matter was reported to the management on October 25, 2018 and to PAO on November 15, 2018. During DAC meeting held on January 24, 2019, management replied that M/s Singer was rejected due to expiry of ISO certificate. The contention of the management was not accepted by committee and directed to probe the matter at Ministry level and fix responsibility on the person(s) at fault for purchase of sewing machines at higher rates.

Audit recommends compliance of the DAC directive.

2.1.4.5 Irregular disbursement of funds to NGOs - Rs 25.45 million

According to contract agreement executed by PBM with different NGOs from time to time, the first party i.e. PBM shall be authorized to conduct an audit

or review / inspect financial and administrative records of second party relating to the activities stated in the project document at any time.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management disbursed an amount of Rs 25.45 million to various NGOs for providing financial support to needy and poor citizens but the management did not conduct audit of financial statements of the respective NGOs at all, hence the utilization of disbursed funds was not checked. Thus, the disbursement of funds to NGOs was held irregular.

Audit was of the view that in the presence of huge network of PBM the disbursement function was transferred to NGOs and their financial and administrative records were not reviewed or inspected by PBM management to ensure transparency which resulted into irregular disbursement.

The matter was reported to the management and to PAO on October 24, 2018. During DAC meeting held on January 24, 2019, management replied that audit of financial statements and administrative record of concerned NGOs would be checked in future. The committee directed the management to state the reasons of non-conducting of audit of disbursement of funds to NGOs and fix responsibility on the person(s) at fault.

Audit recommends compliance of the DAC directive.

2.1.4.6 Non-availability of data regarding rejected applications for Individual Financial Assistance (IFA)

According to rule 12 of Monitoring & Evaluation Policy of Individual Financial Assistance (IFA), the provincial / regional headquarters shall maintain monthly record of applications received and cases processed either finalized or regretted, for need assessment and performance evaluation, these reports are required to be furnished to Head office on quarterly basis.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management processed the selected applications of individual financial assistance (IFA) (General, Medical, Education), "referred" by political personalities but the applications of general public "without reference" were not considered and their record was not available in the database. Even there was no record of pending applications available with the management at the end of each financial year.

Audit was of the view that the management was required to maintain complete record of all applications received either accepted or rejected.

The matter was reported to the management on October 25, 2018 and to PAO on November 8, 2018. During DAC meeting held on January 24, 2019, management replied that only cases of eligible applicants were processed without discrimination. The contention of the management was not accepted by committee and directed to probe the issue of non-availability of pending application record with PBM, fix responsibility on the person(s) at fault and also directed to devise a mechanism of entertaining all the applications received in PBM.

Audit recommends the compliance of the DAC directive.

2.1.4.7 Non-availability of Schools for Rehabilitation of Child Labour (SRCL) and Women Empowerment Centers (WEC) network at Tehsil Levels

According to PBM Act 1992, it was the duty of the state to provide for basic necessities of life such as food, clothing, housing, education and medical relief for all citizens irrespective of their sex, caste, creed or race. To meet these purposes, fund namely Pakistan Bait-ul-Mal was established for providing assistance to destitute and needy widows, orphans invalid, infirm and such other persons to lead an honorable life in society.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management established Schools for Rehabilitation of Child Labour (SRCLs)/ Women Empowerment Centres (WEC) network at district level throughout the country. At present, 159 SRCLs and 154 WECs were working with capacity of 120 (60 morning and 60 evening) poor children / students respectively at district level. However, this network was not expanded at tehsil level. Thus, the deserving community at tehsil level was ignored and deprived of the important basic need i.e. education and technical training.

Audit was of the view that the management was required to make proper planning to provide the basic needs i.e. education and technical training at tehsil level, which was not done.

The matter was reported to the management on October 25, 2018 and to PAO on November 15, 2018. During DAC meeting held on January 24, 2019, management informed that PBM has established SRCL and WEC network in different tehsils of districts on need basis. The committee directed to start the pilot project of SRCL and WEC at Tehsils level under intimation to audit.

Audit recommends the compliance of the DAC directive.

2.1.4.8 Disproportionate allocation of budget viz district poverty ranking - Rs 1,144.90 million

According to Individual Financial Assistance (IFA) Policy Annex-(V), budget was to be distributed in districts on poverty ranking basis.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management distributed the budget in districts by ignoring the district poverty ranking determined by Pakistan Bureau of Statistics. Audit worked out / estimated the allocation of budget to districts on poverty ranking basis and compared it with actual expenditure incurred in 23 out of 28 districts. It was observed that funds amounting to Rs 306.68 million were allocated and incurred in some districts, above the poverty ranking. While a sum of Rs 838.22

million could not be incurred due to lack of allocation of funds in districts below the poverty ranking. Thus, the expenditure incurred without observing IFA Policy in 28 districts was held irregular.

Audit was of the view that the management did not allocate budget in these districts as per poverty ranking basis, which was against the IFA Policy.

The matter was reported to the management on October 25, 2018 and to PAO on December 03, 2018. During DAC meeting held on January 24, 2019, management stated that generally budget for IFA was released to provincial / regional offices on population basis. The contention of the management was not accepted by committee and directed to probe the matter, fix responsibility on the person(s) at fault and ensure allocation of funds to districts according to their poverty-ranking basis in future.

Audit recommends the compliance of the DAC directive.

2.1.4.9 Non-provision of education facility to class five (5) passed out students in SRCLs annually

According to PBM Act 1992, it is the duty of state to provide for basic necessities of life such as food, clothing, housing, education and medical relief for all citizens irrespective of their sex, caste, creed or race. To meet purposes, fund namely Pakistan Bait-ul-Mal was established for providing assistance to destitute and needy widows, orphans invalid, infirm and such other persons to lead an honorable life in society.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management was providing education opportunity to deserving poor children of society up to class five (5) under SRCL project with capacity of 120 students per SRCL at district level throughout the country since 1992. Almost all students could not continue their education afterwards due to non-provision of further support under this project. These students remain unattended and may again become street children. Thus, 7,632 deserving children

were deprived of further education during 2016-17 to 2017-18 due to improper planning of PBM management.

Audit was of the view that due to non-provision of education beyond class 5, these poor students might not be able to progress in life. The management should have focused on this important issue by upgrading SRCL from class 5 to at least class 10 without any delay.

The matter was reported to the management on October 25, 2018 and to PAO on November 15, 2018. During DAC meeting held on January 24, 2019, management replied that as passed out students will be admitted in Govt. schools for further education upto 8th class and for continuity of further education, they will be covered under IFA Education Policy. Up gradation of existing schools upto 8th class is under consideration. The committee directed to start a pilot project of up-gradation of schools in all regional offices under intimation to audit.

Audit recommends the compliance of the DAC directive.

2.1.4.10 Non-surrender of un-spent grant for workers laid off from Saudi Arabia - Rs. 252.00 million

According to PM's office U.O. No. 2135(M)/SPM/2016 dated August 05, 2016, "the Prime Minister released an amount of Rs 500 million for the financial assistance of Pakistani workers @ of Rs 50,000 each laid off workers by Saudi employers. The Pakistan Bait-ul-Mal shall ensure that the financial assistance was provided to only deserving families and shall maintain vouched accounts of the payments made.

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that management received grant of Rs. 500.00 million released by PM Office in August 2016. The said grant was meant for provision of financial assistance @ Rs. 50,000 (each) to the families of Pakistani workers laid off by their Saudi employers. Out of total grant, an amount of Rs. 248.00 million was disbursed among 4,960 beneficiaries up to August 08, 2017 leaving a balance of

Rs. 252.00 million. As the grant was received for a specific purpose, its un-spent balance was required to be surrendered to the Government.

Audit was of the view that the management was required to surrender the un-spent balance of grant to government.

The matter was reported to the management on October 25, 2018 and to PAO on November 15, 2018. During DAC meeting held on January 24, 2019, management replied that as per record of this office, an amount of Rs 260.00 million was disbursed among 5,200 beneficiaries and no applicant / member of Saudi worker approached to PBM and from balanced amount an amount of Rs 235.00 million was utilized for treatment of poor patients under the scheme of IFA medical with the approval of MD. The contention of the management was not accepted by committee and directed to enquire the matter and fix the responsibility on the person(s) at fault for mis-utilization of unspent grant. Moreover, they directed to provide original list of beneficiaries received from PM office, disbursement of grant in light of SOP and refund the total unspent balance to the concerned office.

Audit recommends the compliance of the DAC directive.

2.1.4.11 Irregular allocation of vehicles to the Board members - Rs 3.24 million

According to Rule 24 (4) of Staff Cars Rules 2008, Cabinet Secretariat, Cabinet Division, Government of Pakistan, the Prime Minister approved the responsibility of providing staff cars to various government functionaries as indicated below:

a	Federal Minister / Minister of State	Respective Ministry
b	Advisors to the Prime Minister / Parliamentary Secretaries allocated a portfolio.	Respective Ministry
c	Advisors / Special Assistants to the Prime Minister without portfolio	Cabinet Division

During the audit of Pakistan Bait-ul-Mal for the year 2017-18, it was observed that the management allocated vehicles to four Board members relating to each province along with POL and repair & maintenance. This allocation was not covered under rules. Thus, the allocation of vehicles to Board members and expenditure of Rs 3.24 million incurred during the period 2014-15 to 2017-18 was held irregular.

Audit was of the view that Board members were entitled to claim boarding / lodging and meeting fee only on the eve of every meeting while the allocation of vehicles for permanent use was held irregular.

The matter was reported to the management on October 25, 2018 and to the PAO on November 28, 2018. During DAC meeting held on January 24, 2019, the management informed that non-official members were not drawing any salary but they were entitled to such facility and privileges as prescribed from time to time by the BoD. The Board of PBM approved 300 liters POL per month for the vehicles provided to non-official members. The contention of the management was not accepted by the committee and it was directed to recover the vehicles along with cost incurred on POL and repair & maintenance from them.

Audit recommends compliance of the DAC directive.

Chapter-3
Ministry of Climate Change

3.1 Pakistan Environmental Planning and Architectural Consultants (Pvt.) Limited

3.1.1 Introduction

Pakistan Environmental Planning and Architectural Consultants (Private) Limited ("the Company") was incorporated as Private Limited Company, established by the Government of Pakistan in 1974 under the Companies Act , 1913 (now the Companies Act, 2017) with its registered office at 24-D, Rashid Plaza, Blue Area, Islamabad. The Company was primarily engaged in providing architectural consultancy services.

3.1.2 Comments on Audited Accounts

3.1.2.1 The working results for the year 2017-18 as compared to previous years were as under:

(Rs. in million)

Particulars	2017-18	% inc / (dec)	2016-17	% inc / (dec)	2015-16
Revenue	68.08	14.35	59.54	(12)	67.50
Cost of Revenue	47.80	6.50	44.88	(8)	48.92
Gross Profit	**20.28**	38.40	**14.65**	**(21)**	**18.58**
Other Operating Income	1.148	1,250.59	0.08	0	0
Administrative Expenses	13.52	1.33	13.34	19	11.250
Profit before taxation	7.91	467.22	1.39	(80)	7.06
Provision for taxation	2.37	449.07	0.43	(92)	5.40
Profit for the year	**5.53**	475.36	**0.96**	**(42)**	**1.66**

(Source: Annual Audited Accounts)

Revenue of the Company increased from Rs. 59.540 million to Rs. 68.08 million during the year under review registering an increase of 14.35%. On the other hand, the cost of revenue increased from Rs. 44.89 million to Rs. 47.80 million during the year 2017-18 registering an increase of 6.50%. This indicated the

significant improvement in the performance of the company during the year 2017-18, which needs to be maintained.

3.1.2.2 Rent, rates and taxes increased by 48% from Rs. 2.48 million in 2016-17 to Rs. 3.67 million in 2017-18. The abnormal increase in rents and rates during the year needs to be explained.

3.1.2.3 Trade and other payables include accrued liabilities Rs. 31.92 million as at June 30, 2018 against Rs. 4.38 million as at June 30, 2017. The detailed break up of accrued liabilities and reasons of accumulation of such liabilities may be provided.

3.1.2.4 Trade debts Rs.102.66 million as of June 30, 2018 include long outstanding dues Rs. 55.27 million without any security. Detailed break up alongwith aging of long outstanding dues and reasons/justification of non-timely recovery of these dues may be provided.

3.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1992-93	03	02	01	138	67
1995-96	03	02	01	123	67
1998-99	03	01	02	103,104	33
2002-03	06	03	03	47&48,48.4,49	50
2003-04	02	0	02	35.3,35.5	-
2005-06	04	03	01	54.3	75
2007-08	02	01	01	41.2	50
2009-10	02	01	01	64	50
Total	**25**	**13**	**12**		**52**

Overall compliance of the PAC directives was not satisfactory especially during 2003-04, which needs to be improved.

Note: Audit para's portion for the entity has not been compiled, as audit of the entity was not undertaken during the subject period.

Chapter-4
Ministry of Commerce & Textile

4.1 National Insurance Company Limited

4.1.1 Introduction

National Insurance Company Limited (NICL) was established under the National Insurance Act, 1976. Later on, it was registered as a Public Limited Company under Companies Ordinance, 1984 on March 31, 2000 and renamed as National Insurance Company Limited (NICL).

The Company is principally engaged in Non-Life Insurance Business of Public Property comprising of Fire, Marine, Aviation and Transportation, Engineering and Crops/Agriculture Insurance etc.

4.1.2 Comments on Audited Accounts

4.1.2.1 The working results of the Company for the year ended December 31, 2014 as compared with those of the previous years are given as under:

(Rs. in million)

Particulars	2014	% Inc/ (Dec)	2013	% Inc/ (Dec)	2012
Premium Earned	5,961.830	(9.42)	6,581.289	1.88	6,459.916
Re-Insurance Cession	(3,178.427)	(12.07)	(3,614.749)	(7.11)	(3,374.869)
Net Premium Revenue	2,783.403	(6.17)	2,966.540	(3.84)	3,085.047
Net Claim Paid	(704.388)	415.94	(136.524)	(92.52)	(1,825.103)
Management Expenses	(841.793)	6.25	(897.875)	(18.89)	(1,107.003)
Commission from Reinsurer	99.229	42.86	69.458	3.56	67.068
Net Underwriting Expenses	(742.564)	(10.36)	(828.417)	(20.34)	(1,039.935)
Underwriting Results	1,336.45	(33.23)	2,001.59	809.77	220.00
Investment Income	1,973.149	(22.35)	2,541.148	10.85	2,292.359
Rental Income	234.676	61.75	145.087	4.31	139.093
Other Income	4.922	74.91	2.814	20.10	2.343
General and Administration	(659.624)	11.98	(589.068)	(14.73)	(690.799)

Expenses					
Profit before tax	2,806.501	(37.09)	4,461.305	94.56	2,293.013
Taxation	(888.566)	(38.72)	(1,449.990)	62.80	(890.636)
Profit after tax	**1,917.935**	**(36.31)**	**3,011.315**	**114.73**	**1,402.377**

(Source: Annual Audited Accounts)

During the year 2014, underwriting results of NICL witnessed a massive decline of 33%, from Rs. 2,001.50 million in 2013 to Rs. 1,336 million in 2014. This was mainly due to 9.42% decrease in Premium and increase in net claim payment by 415%

4.1.2.2 During the year under review, investment income decreased by 22% from Rs. 2,541.148 million in 2013 to Rs. 1,973.149 million in 2014.

4.1.2.3 General and Administrative expenses also increased by 12% from Rs. 589.068 million in 2013 to Rs. 659.624 million in the year 2014.

4.1.2.4 From the matters mentioned above, profit before tax in 2014 showed a massive decline of 37% as compared to last year and consequently profit after tax was declined by 36.30%, from Rs. 3,001 million in 2013 to Rs. 1,917 million in 2014.

4.1.2.5 It is worth mentioning here that the Chartered Accountants showed serious concerns in their audit report for the year 2014 and expressed qualified opinion. Some material qualified opinions of the Chartered Accountants are reproduced as under:

a. The company does not have a system of confirming reconciliation of balances in respect of: amount due to reinsurer Rs. 1,318 million; Premium received in advance Rs. 550.6 million and Premium due unpaid Rs. 3,571 million. The Chartered Accountants 'Grant Thornton Anjum amounts/balances confirmed by PRCL did not match amounts/balances provided by the company's records.

b. The issues related to procurement of properties. As per Suo motto action taken by the Honourable Supreme Court of Pakistan for arrest of certain members of the then Board of Directors and offices of the company, Valuation, settlement and recoveries against these properties together with the status and ongoing proceedings of the case. Further, all of the post-dated cheques provided to the company towards recovery of amount involved of Rs. 422.4 million were bounced on the reason "funds not sufficient". The pending finalization of the cases and dishonored cheques create significant uncertainty over recoverability of amounts involved.

The above issues may be justified by the management.

4.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2004-05	3	2	1	4	67
2010-11	9	8	1	2.1.4.1	73
2013-14	5	4	1	4.1.2	80
2015-16	9	2	7	4.1.4.1, 4.1.2.1, 4.1.3, 4.1.4.2, 4.1.4.3, 4.1.4.4, 4.1.4.5	22
Total	**26**	**16**	**10**	-	**62%**

The overall compliance of PAC directives was not satisfactory which needs improvement.

4.1.4 Audit Paras

4.1.4.1 Embezzlement of public funds by Ex-GM - Rs.31.300 million

As per Chapter VIII of HR Manual of National Insurance Company Limited (NICL), the acts are considered as "misconduct" which may lead to the dismissal of the employee, include theft, fraud or dishonesty in connection with the company's business or property, willful damages or loss to company's property or image.

During the audit of NICL (HO) for the year 2016, it was observed that Mr. Amir Qureshi, Ex-General Manager was involved in serious irregularities in expenditure of fuel, repair/ maintenance & entertainment. In April, 2016 an enquiry was conducted and embezzlement amounting to Rs. 31.30 million was proved against him. However, neither stern legal action was taken nor amount was recovered.

Audit is of the view that undue favour was extended to the incumbent and management failed to safeguard the assets of the company.

The matter was reported to the management in January, 2018. DAC meeting was held on January 11, 2019. The management informed that contended that the alleged amount of misappropriation was Rs.7.8 million approximately. DAC directed the management to reconcile the amount with Audit and recover the same amount from the officer concerned for settlement of the Para. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.1.4.2 Loss due to misplaced/unreturned inventory of Chairman House - Rs.7.790 million

As per Chapter VIII of HR Manual of National Insurance Company Limited (NICL), the acts are considered as "misconduct" which may lead to the dismissal of the employee, include theft, fraud or dishonesty in connection with the company's business or property, willful damages or loss to company's property or image.

During audit of National Insurance Company Limited (NICL) for the year 2016, it was observed that during the period March-2009 to September-2011, the management incurred an amount of Rs.7.79 million on purchase of furnishing /decoration items for the Chairman rented house situated in Defence Housing

Authority. In February, 2011 the rent agreement was expired after completion of its tenure. However, they were not returned by the chairman (Annex-12).

Audit is of the view that the then Chairman misused his authority at the cost of Corporation which indicates weak internal control and poor financial management.

The matter was reported to the management in December, 2017. DAC meeting was held on January 11, 2019. The management informed that matter was under investigation with NAB. DAC directed the management to pursue the investigation with NAB.

Audit recommends implementation of DAC directives.

4.1.4.3 Loss due to non-recovery of outstanding rent - Rs. 21.371 million

As per Para 31 of GFR, the Head of Department will be responsible for recovery of rent of Govt. Building.

During audit of National Insurance Company Limited (NICL) for the year 2016, it was observed that the management rented out building premises to various private and public organizations. However, the rental income of Rs. 21.371 million could not be recovered. The detail is as under:

Sr. No.	Name of Tenant	Rental Charges (Rs.)	Outstanding Amount (Rs.)
1.	M/s IBL (Healthcare) 1st Floor (Right Wing)	5,280,584	5,280,584
2.	M/s IBL Half Wing , 8th Floor	397,848	397,848
3.	M/s Bearing Point ,10th Floor	15,692,953	15,692,953
Total:			**21,371,385**

Audit is of the view that non recovery showed poor vigilance on the part of management. Further ageing of dues was not provided to audit.

The matter was reported to the management in January, 2018. DAC meeting was held on January 11, 2019. The management informed that legal action was being initiated to recover the outstanding dues. DAC directed besides verification of recovered amount, to constitute an inquiry committee headed by Additional Secretary of Commerce Division to fix responsibility for the apparent negligence in accumulation of Rs.15.69 million of rent arrears against M/s. Bearing Point. The report shall be submitted within 60 days under intimation to audit.

Audit recommends implementation of DAC directives.

4.1.4.4 Loss due to procurement of defective lifts - Rs.130.990 million

National Insurance Company Limited (NICL) issued a tender for procurement of 06 lifts in June 2009. According to the bidding documents, origin of lift manufacturing company shall only be North America, Western Europe or Japan.

During audit of NICL (H.O) for the year 2016, it was observed that the management on July 3, 2009 awarded a contract for supply, installation, testing and commission of six new lifts at NICL Building Karachi to M/s Raja and Brothers amounting to Rs. 130.990 million. The contractor supplied lifts manufactured by a Company of China and completed the job in October 2010 and default liability period expired in May, 2011.The lifts provided by the contractor were substandard as it went out of order time and again and remained un-operational since then.

It was further observed that remaining 05 lifts also developed faults during January, 2012 to August, 2016 and expenditure of Rs.9.109 million was incurred on the repair.

Audit is of the view that the management deliberately procured substandard lifts manufactured by a Chinese company in violation of provision of

the bidding documents. Resultantly, not only the procurement of lifts was irregular but NICL also sustained loss of Rs. 130.990 million due to wasteful expenditure.

The irregularity was pointed out to the management in December, 2017. The management in its reply dated January 11, 2018 admitted that a number of attempts have been made to get approval either repairing or replacing the lift No. 06 but could not be materialized. The management further stated that the lift No. 06 is being utilizing for cannibalization of spares for other lifts. The reply was not tenable as the sub-standard lifts were purchased from China. DAC meeting was not convened despite requests by audit.

Audit recommends that the matter may be investigated with a view fixing responsibility on the person(s) at fault besides, recovery of loss from them.

4.1.4.5 Unlawful appointment/ retention in light of inquiry report - Rs. 18.90 million

As per inquiry report conducted by Ministry of Commerce on November 22, 2017 regarding officers illegally appointed by Chief Executive Officer (CEO) of National Insurance Company Limited (NICL), the appointments conducted on 09 posts made by NICL during last one year were illegal and may be declared null and void by the competent authority.

During audit of NICL for the year 2016, it was observed that the management appointed 09 officers in various categories during November and December 2016 in violation of rules. However, despite the recommendations of the Ministry for terms of illegal appointments, the management failed to terminate such incumbents. Resultantly expenditure of Rs.18.900 million incurred on pay/ allowances and fringe benefits for the period Nov.2016 to December 2017 was held irregular. The detail is as under:

Sr. No.	Name	Designation	Salary (Rs.)	Fuel (Rs.)
1	Abdul Wahid	CM(HR)	1,679,940	255,000
2	Muhammad Ahmed	GM(HR)	2,097,960	306,000
3	Zafar Iqbal	GM	1,991,304	306,000
4	Wahid Khan	CM	1,678,272	255,000
5	Danish Khalid	Manager	971,784	204,000
6	Saiaman Sidiqi	Manager	1,063,960	204,000
7	Ali Raza Alvi	DM	811,200	153,000
8	Shahzad Sher Ali	AGM	1,284,118	233,750
9	Asad Ali	DGM	1,217,040	140,250
Total Amount			**12,795,578**	**2,057,000**

Audit is of the view that undue favour was extended by appointing the incumbents in non-transparent manner, which indicated weak internal controls.

The matter was reported to the management in December 2017. DAC meeting was held on January 11, 2019. The management informed that the subject matter was under litigation and pending for decision before Honourable Sindh High Court, Karachi. DAC directed the management to pursue the court case vigorously.

Audit recommends implementation of DAC directives.

4.1.4.6 Irregular appointment of Manager on deputation and absorption - Rs.5.69 million

Board of Directors of National Insurance Company Limited (NICL) in its meeting held on August11, 2003 vide item No.6 decided that NICL has been converted into limited company with an objective to operate it on commercial lines, therefore, no officer/officials should be accepted on deputation without approval of the Board and it was mandatory requirement for the Management that the case of deputation and, subsequently the case of absorption of employee to be placed before the BoD of NICL.

During audit of NICL for the year 2016, it was observed that Mr. Amir Qureshi was posted as Deputy Manager on deputation basis in January, 2007 and in January, 2008 he was absorbed in the company as Manager. Further, he was promoted as Chief Manager in September 2012 which is contrary to the decision taken by Board. Thus payment on accounts of salary and allied benefits made to incumbent was irregular and unjustified (Annex-13).

Audit is of the view that undue favour was extended to the officer at company cost which indicates weak internal controls.

The irregularity was reported to the management in December, 2017. DAC meeting was held on January 11, 2019. The management informed that as per legal opinion by the legal consultant, any person who joined as other than transferred employees is not entitled to the benefits that are available to the transferred employee just because he has been absorbed into the work force that was with the Company prior to reorganization. DAC directed the management to provide the record of absorption and promotion as Chief Manager for verification. However, no progress was reported till finalization of this report.

Audit recommends fixing responsibility on the person(s) at fault for extending undue favour, besides recovery of paid amount.

4.1.4.7 Doubtful expenditure on repair & maintenance - Rs.9.350 million

According to Chapter 8 part 3 of HR Manual following acts are considered as misconduct which may lead to the dismissal of the employee. (1) Willful damages to or loss of company's property or image (2) theft, fraud or dishonesty in connection with company's business or property.

During audit of National Insurance Company Limited (NICL) for the year 2016 it was observed that an amount of Rs.9.35 million was incurred on account of repair & maintenance of building. However, no record was provided to audit to verify authenticity of the expenditure.

Audit is of the view that due to non-availability of record, chances of theft, fraud and embezzlement could not be ruled out.

The matter was reported to the management on January 31, 2018. DAC meeting was held on January 11, 2019. The management informed that preparation of assets register was under process and the consumable items were procured on as and when required basis. Therefore, no necessity has been felt to maintain such register. DAC directed the management to update the required registers and get the same verified from the Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.1.4.8 Excess expenditure on payment of additional increments - Rs. 5.438 million

As per rule, only one annual increment is allowed to an employee after completion of more than six months service in existing pay scales.

During audit of National Insurance Company Limited (NICL) for the year 2016, it was observed that management revised its salary package and allowed 2 to 5 additional increments to its employees in violation of the rules. This resulted in to excess expenditure of Rs. 5.438 million.

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

The matter was reported to the management in January, 2018. DAC meeting was held on January 11, 2019. The management informed that in some cases increments were allowed at the time of recruitment keeping in view the qualification, experience and previous achievement to attract talented workforce to our Company. DAC directed the CEO NICL to hold a fact finding inquiry and submit the findings to DAC within 30 days. However, no progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

4.2 Pakistan Re-insurance Company Limited

4.2.1 Introduction

Pakistan Insurance Corporation was re-organized as Pakistan Re-insurance Company Limited (PRCL) under the Insurance Corporation (Re-organization) Ordinance, 2000 and incorporated on March 30, 2000 under the Companies Ordinance, 1984. The PRCL is a public sector company under the administrative control of the Ministry of Commerce, Government of Pakistan. The prime objective of the Company is the development of insurance as well as reinsurance business in Pakistan. The Company is a national reinsurer playing its role in the economic development of Pakistan. It provides reinsurance protection to the local insurance companies by way of treaty and facultative business.

4.2.2 Comments on Audited Accounts

4.2.2.1 The working results of company for the year ended December 31, 2017 as compared to previous years are given below:

(Rs. in millions)

	2017	**% Inc/ (Dec)**	**2016**	**% Inc/ (Dec)**	**2015**
Gross premium	8,036	(8.75)	8,807	2.12	8,135
Net premium	5,098	(12.13)	5,802	11.17	5219
Net claim paid	(3,740)	12.11	(3,336)	(20.22)	(2,775)
Management expense	(744)	13.24	(657)	(5.8)	(621)
Commission paid	(1,142)	(9.65)	(1,264)	(14.81)	(1101)
Underwriting profit/(loss)	(528)	-	545	(24.52)	722
Investment income	3,326	246.10	961	2.78	935
Rental income	188	32.39	142	(202.13)	47
Exchange gain/(loss)	103	-	(1)	(99.06)	106
General & administrative expense	(60)	11.73	(53.7)	(41.32)	(38)
Taxation	754	-	(452)	(14.43)	(395)
Profit after tax	2,219	127.82	974	(29.27)	1,377

(Source: Annual Audited Accounts)

In 2017, the gross premium is Rs. 8,036 million, same in preceding year was Rs. 8,807 million, which shows a decrease 8.75% by Rs. 771 million and net premium retention is Rs. 5,098 million in 2017 as compared to Rs. 5,802 million in 2016, another decrease in revenue area by 12.13%.

4.2.2.2 Management expenses in 2017 were Rs. 744 million as compared to Rs. 657 million of previous year, showing an increase of 13.24%, whereas Company witnessed decrease of 9.65% in net commission expenses from Rs. 1,264 million to Rs. 1,142 million. Underwriting profit and loss shows a massive decline of Rs.1,073 million from Rs. 545 million in 2016 to Rs. (528) million which is very critical for insurance business.

4.2.2.3 Profit after tax of the Company has increased drastically by 128%, from Rs. 974 million in 2016 to Rs. 2,219 million in 2017. This sharp increase in profit after tax is mainly comprised of investment income which increased by 2,364 million, foreign exchange gains amounting to Rs. 103 million and increase in other income by Rs. 455 million.

4.2.2.4 Further it is also worth mentioning that external auditor of the company has pointed out some areas for stake holders, which are summarized as under;

i. As on December 31, 2017, the balance under the head “Amount due from other insurers / reinsurers" include an amount of Rs. 1,214.458 million in respect of which balance confirmation has not been received. Management has recorded a provision amounting to Rs. 312.982 million in respect of these balances. In the absence of an independent confirmation we are unable to confirm the existence and valuation related to this amount. The Company is in process of reconciling all balances with ceding companies as detailed in note 22. Due to pending confirmation/reconciliation relating to the above balances, resultant adjustment and consequential impact therefore, if any, on the financial statements remain unascertained.

ii. Note 172 to the financial statements which provide details regarding orders passed by Sindh Revenue Board demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company. The Company has not recorded provision against the orders and has disclosed the amounts as contingent liabilities. SRB recovered an amount of Rs. 2,573.889 million from the Company which has been recorded as receivable as management is confident on the basis of advise received from its legal advisors that the decision will be in the favour of the Company. In the event the matter is decided against the Company, the charge against profit would amount to Rs. 3,299.453 million.

4.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2003-04	7	6	1	6	86
2010-11	13	10	3	2.2.4.1, 2.2.4.2, 2. 2.4.3	77
2013-14	6	1	5	4.2.2.1, 4.2.2.2, 4.2.2.3, 4.2.2.4, 4.2.3	17
2015-16	9	8	1	4.2.4.3	89
Total	**35**	**25**	**10**	**-**	**71%**

The overall compliance of PAC directives needs improvement.

4.2.4 Audit Paras

4.2.4.1 Loss due to provisioning of doubtful debts - Rs. 524.00 million

Section-43(1) of the Insurance Ordinance, 2000 binds the insurers to pay their premium on account of reinsurance timely by levying a penalty in case of default for the period during which the default continues as payable to the reinsurance company calculated on the amount of the defaulted premium.

During audit of Pakistan Re-insurance Company Limited (PRCL), Karachi for the year 2017, it was observed that management made a provision for

doubtful receivable of Rs. 524 million against Sundry Receivables for Rs. 4,818 million without any justification. Some instances are as under:

Sr. No.	Company Name	Amount (Rs.)
1	Adamjee Insurance Company	22,560,060
2	Business & Industrial Ins.	20,258,060
3	Premier Insurance	104,568,254
4	Crescent Star Ins. Co.	31,761,540
5	Societe Central De Reass (Moroco)	12,670,142
6	Sterling Ins. Co.	5,623,997
	TOTAL	**197,442,053**

Audit is of the view that non-recovery of outstanding dues shows negligence of the management and poor performance towards recovery.

The matter was reported to the management in December, 2018. DAC meeting was held on January 11, 2019. DAC directed the management that reconciliation of figures up to December 31, 2017 be done till March 31, 2019 and ratio of provisioning be brought down.

Audit recommends implementation of DAC directives.

4.2.4.2 Irregular payment of Bonus - Rs.60.546 million

Government of Pakistan, Ministry of Finance vide letter No.F.3(5)R.12/ 80(R.14)Vol.II/2002-544 dated March 18, 2002 directed that the bonus would be paid on operational profit of the organization only excluding income from other sources.

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2017, it was observed that the management paid a sum of Rs.60.546 million as Bonus to their employees despite operational losses of Rs.527.78 million (Annex-14).

Audit is of the view that undue favour was extended to the employees at company cost.

The matter was reported to the management in December 2018. DAC meeting was held on January 11, 2019. The management informed that PRCL is working on rationalizing the remuneration, bonuses and perks of the public sector companies under the Ministry of Commerce which will be shared with Audit in next DAC meeting. Since bonuses were given under operational loss conditions, DAC directed the management to justify and take the remedial measures under intimation to audit.

Audit recommends implementation of DAC directives.

4.2.4.3 Loss due to irregular payment of car monetization allowance to contractual executives - Rs. 9.864 million

In accordance with Government of Pakistan, Cabinet Division OM No.6/7/2011-CPC dated December30, 2011, the Monetization Policy is applicable only to the Civil Servants in BS-20 to BS-22 working in Ministries/Divisions/ Attached Departments and Sub-Ordinate offices. The policy is not applicable in case of officers of Autonomous/Semi-autonomous Organizations, Corporations, as well as to the officers drawing pay against Constitution posts, appointed on contract, re-employed or persons appointed on Management Pay Scales, Special Pay Scales and Health Personnel Scales.

During audit of Pakistan Reinsurance Company Limited (PRCL), for the year 2016, it was observed that the management appointed four (4) officers on contract basis for a period of 3 years. In contradiction to the above rules the management paid an amount of Rs. 9.864 million on account of car monetizing allowance to the said contractual officers. The detail of payment is as under:

Sr. No.	Name	Designation	Date of appointment	Amount (Rs.)
1	Mr. Muhammad Khurshid	Chief Internal Auditor	02-12-2015	77,000
2	Mr. Shams-ud-Din	Company Secretary	01-01-2016	60,000

3	Mr. Muhammad Junaid Moti	Executive Director	24-03-2016	77,000
4	Mr. Jameel Ahmed	GM (Finance)	02-09-2016	60,000
			Total amount paid per month	**274,000**
			No. of months	**36**
			Total amount paid	**9,864,000**

Audit is of the view that undue favour was extended to the contract employees which shows poor financial management.

The matter was reported to the management in October, 2017 and in December, 2018. DAC meeting was held on January 11, 2019. In view of explanation given by the management, DAC recommended the Para for settlement subject to verification of record by Audit. However no progress was reported till finalization of this report.

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

4.2.4.4 Unadjusted advances against suppliers /contractors - Rs. 7.12 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of Pakistan Re-Insurance Company Limited (PRCL) for the year 2017, it was observed that management paid an amount of Rs.7.120 million as advance to the suppliers / contractors but the same could not be adjusted as on December 31, 2017.

Audit is of the view that undue favour was extended to the suppliers / contractors by giving advance without obtaining bank guarantee.

The matter was reported to the management in December, 2018. DAC meeting was held on January 11, 2019. DAC recommended the Para for

settlement to the extent of recovered amount whereas, vigorous efforts be made for recovery of remaining amount. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.2.4.5 Loss due to non-disposal of shares – Rs. 5.63 million

Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 stats that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL), for the year 2017, it was observed that the management purchased 563,426 shares of 16 different companies which were de-listed later on. The management failed to recover the amount by selling those share before winding up of the companies under directives of SECP. Thus, loss of Rs.5.63 million was incurred (Annex-15).

Audit is of the view that company sustained loss due to negligence of the management and imprudent investment.

The matter was reported to the management in December, 2018. DAC meeting was held on January 11, 2019. Management informed the DAC that investment was made in profit earning companies. DAC directed the management to provide detail of purchase of shares of such companies and the profits earned.

Audit recommends implementation of DAC directives.

4.2.4.6 Irregular expenditure on advertisement – Rs.2.490 million

PID letter No. 18 (47)/2014-Advt dated October 13, 2014 took serious notice of the practice of some Ministries / Divisions / Department / Corporations / Autonomous and Semi-Autonomous bodies have been releasing their

advertisement to newspapers through advertising agencies, bypassing Press Information Department.

During audit of Pakistan Re-Insurance Company Limited (PRCL) for the year 2017, it was observed that management incurred an amount of Rs.2.490 million on account of advertisement through private advertising agencies M/s Argus advertising private Ltd in various newspapers for different works. The advertisement work was assigned to agency without obtaining NOC from DG/PIO of Press Information Department, Govt. of Pakistan. Thus the payment of Rs.2.490 was held irregular.

Audit is of the view that undue favour was extended to the advertising agency which indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 11, 2019. DAC settled the Para subject to verification of record by Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3 State Life Insurance Corporation of Pakistan

4.3.1 Introduction

State Life Insurance Corporation of Pakistan (SLIC) was incorporated on November 1, 1972 under the Life Insurance (Nationalization) Order, 1972 which has been replaced with Insurance Ordinance, 2000. The main objective of the Corporation is to engage in the life insurance business.

4.3.2 Comments on Audited Accounts

4.3.2.1 The working results of the Corporation for the year 2017 as compared with those of the previous years are tabulated below:

(Rs. in million)

	2017	% Inc/ (Dec)	2016	% Inc/ (Dec)	2015
Income					
Premium Income less reinsurance	100,760.72	12.18	89,820.97	12.35	79,941.31
Investment Income (net)	68,787.63	7.95	63,722.05	6.88	59,616.56
Rental Income (net)	463.72	(5.81)	492.33	29.54	380.05
Total Income	**170,012.07**	10.37	**154,035.35**	10.07	**139,937.92**
Claims and expenditure:					
Payment to policy holder	(44,954.66)	18.49	(37,938.99)	5.50	(35,960.97)
Management expenses	(30,930.61)	12.13	(27,583.57)	5.85	(26,057.74)
Total claims and expenditure	**(75,885.26)**	15.82	**(65,522.56)**	5.65	**(62,018.71)**
Excess of income over claims and expenditure	94,126.81	6.34	88,512.79	13.59	77,919.21
Addition /(Subtraction) to Life Fund	(87,800.45)	5.42	(83,286.43)	11.06	(74,990.10)
Surplus before tax	**6,326.36**	21.04	**5,226.54**	78.42	**2,929.11**
Life Fund at the end of the year	707,388.38	15.18	614,176.74	16.61	526,675.68
Percentage of Expenses to Total Income	44.64	9.98	40.59	(8.41)	44.32
Percentage of Expenses to Premium income	75.31	8.19	69.61	(10.27)	77.58

(*Source: - Annual Audited Accounts)*

During the year 2017, total income has increased by 10.37%, from Rs.154,035.35 million in 2016 to Rs.170,012.07 million in 2017.

4.3.2.2 Total claims and expenditure have also risen by 15.82% as compared to previous year, from Rs.65,522.56 million in 2016 to Rs.75,885.26 million in 2017.

4.3.2.3 During year under review surplus before tax also improved and showed an increase of 21.04%, percentage of expenses to total income and Premium income are increased by 9.98% and 8.19% respectively.

4.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1996-97	11	9	2	56&59,57(a)(b)	82
1998-99	11	9	2	46,49	82
2001-02	5	4	1	31	80
2002-03	9	8	1	13	89
2003-04	10	8	2	8, 9	80
2004-05	8	7	1	13	88
2006-07	4	3	1	9	75
2007-08	6	4	2	10, 11	67
2008-09	7	4	3	5, 6, 7	57
2010-11	17	15	2	2.3.4.4, 2.3.4.9	88
2013-14	4	3	1	4.3.3.2	75
2015-16	14	2	12	4.3.4.1, 4.3.4.6, 4.3.2.1, 4.3.2.2, 4.3.2.3, 4.3.2.4, 4.3.2.5, 4.3.3, 4.3.4.2, 4.3.4.3, 4.3.4.4, 4.3.4.7	14
Total	**106**	**76**	**30**	**-**	**72%**

The overall compliance of PAC directives needs improvement.

4.3.4 Audit Paras

4.3.4.1 Embezzlement at cash counter of AJK - Rs. 2.771 million

As per State Life Insurance Corporation (SLIC) letter No. QZ/F&A/269/ 2012/1688, a permanent staff member shall be posted as cashier after obtaining personal surety of Rs. 50,000. No hired staff shall be posted as cashier. Further, Regulation No. 30 of State Life Insurance Employees Service Regulations 1973 on offence and punishments: (1) an employee who:

a. Commits breach of rules, regulation or orders of the Corporation or,
b. Commits or assists in commitments acts of misappropriation or embezzlement of funds which belongs to or are meant to belong to Corporation,
c. Knowingly does anything detrimental to the interest of Corporation.

During audit of SLIC for the year 2017, it was observed that funds of Rs.2.771 million were misappropriated by the privately hired cashier Mr Shoukat Ali in Mirpur Azad Kashmir Zone. The inquiry fixed responsibility on proportionate basis on the Zonal Accountant 45%, Mr. Altaf Janjua Incharge 30% and Zonal Auditor, Mr. Khalid Habib (AM), 10%. However, amount was not recovered and officials are still working.

Audit is of the view that the management failed to recover the embezzled amount which proves poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. Management informed the DAC that the whole amount had been recovered. DAC directed to get the recovered amount verified from Audit and take strict action against the persons involved. However no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.4.2 Loss due to embezzlement in premium collection - Rs. 1.779 million

State Life Insurance Corporation (SLIC) Principal Office letter dated April 30, 2007 provides that Zonal Head should arrange proper security at all cash counters at Zonal office as well as at all collection centers. Zonal Accountant should himself make periodic visits of collection centers on surprise basis or authorize any officer of Budget and Account to visit these collection centers and check cash collection. Both Zonal Head and Accountant should check proper maintenance of banking operations.

During audit of SLIC (Zonal Office, Larkana) for the years 2016 & 2017, it was observed that an amount of Rs. 1.779 million was embezzled/misappropriated by the then Cashier (Asstt. Superintendent), posted at Jacobabad, SLIC. The official was dismissed from service but amount was not recovered.

Audit is of the view that management failed to recover embezzled amount which indicates poor financial management.

The matter was reported to the management in November 2018. DAC meeting was held on January 11, 2019. DAC observed that there was delay in the recovery from the cashier. It further directed that departmental inquiry be conducted into the causes of this delay and report be submitted to audit within 30 days. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.4.3 Loss due to imprudent investment in Alpha Insurance Company - Rs. 96.400 million

The Finance Division OM. No. F.4(1)/2002-BR-II dated July 02, 2003 requires that total investment in the shares of a company not to exceed 5% of the total funds managed by the public sector entity, whichever is lower.

During audit of State Life Insurance Corporation of Pakistan, (SLIC) Principal Office Karachi for the year 2017, it was observed that subsidiary company of SLIC named "Alpha Insurance Company Limited" engaged in providing non-life insurance business comprising fire, marine, motor, accident and health, approached to SLIC vide its letter dated 16th May, 2017 for investment of Rs. 96.400 million in order to meet minimum capital requirement, as per SECP's paid up capital requirement for General Insurance issued vide SRO 225(I)/2015 dated 13th March, 2015.

In this connection, it was revealed that SLIC made payment on account of Alpha Insurance company (subsidiary) amounting to Rs. 94.837 million through payment on July 19, 2017 followed by another payment of –Rs. 1.563 million on August 02, 2017 to the right shares subscription account (94,837,100+1,562,900=total -Rs. 96,400,000/-). It is worth-mentioning here that since last ten (10) years the Alpha Insurance company had not paid any dividend or had paid insignificant amount as dividend. It evidently depicts, the investment amounting to Rs.96.400 million made in the above Company was imprudent.

Consequently, Board Investment Committee (BIC) in its 12-th meeting held on 25th May 2017, chairman BIC opined that Alpha Insurance Company is subsidiary of SLIC; the proposed investment is inevitable to safeguard the interest of the Corporation. However, Mr. Saad Amanullah Director/member of the Board apprised the committee that if the Alpha Insurance Company is not performing well the SLIC should dispose-off it. The BoD in its 252nd meeting held on 17th July, 2017 resolved "that on the recommendation of BIC, the investment in Alpha Insurance at Rs. 96.400 million approved to meet the paid up capital requirement as per prescribed by the SECP.

Audit is of the view that the management while releasing an amount of Rs. 96.400 million should consider the advice from the Director/member Board investment committee (BIC) as they advised to dispose-off the subsidiary.

The irregularity was pointed out in October, 2018. The management in its reply stated that State Life held 94% of AICL shares, AICL requested SLIC for investment of Rs. 96.40 million. The reply of the management was not tenable as due diligence was not carried out prior to the investment. DAC meeting was not convened despite requests by audit.

Audit recommends that the matter may be investigated with a view to fix responsibility on the person(s) at fault besides, make the loss good.

4.3.4.4 Irregular appointment of officers - Rs. 37.950 million

As per Rule 5 of the Service Rules of State Life Insurance Corporation (SLIC) a candidate must possess the educational qualification and experience and must be within the age limit as mentioned against the post concerned in the schedule to this notification unless otherwise provided, the experience prescribed for initial appointment will be the post qualification.

During audit of SLIC for the year 2017, it was observed that in July 2012 management published an advertisement in the national newspapers for the appointments of officers. Against this advertisement management appointed 09 officers/ officials without requisite qualification and experience. Thus the payment of Rs.37.950 million on account of pay and allowances was held irregular (Annex-16).

Audit is of the view that undue favour was extended to the employees who were appointed without requisite qualification and experience. This indicates weak and inadequate internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. The management informed that BoD allowed the incumbents to complete requisite qualification by December, 2019. DAC directed to present the matter again in the BoD for review of the earlier decision. However no progress was intimated till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.4.5 Irregular payment of Advance Bonus to Officers – Rs. 31.238 million

According to the bonus policy laid down by the Government of Pakistan, Finance Division (Regulation Wing) through OM dated November 30, 2001; the payment of bonus by autonomous bodies/semi-autonomous bodies /Corporations required approval by administrative ministry and concurrence of the Finance Division.

During audit of State Life Insurance Corporation (Central Zone), Lahore, for the year 2017, it was observed that the management paid an amount of Rs. 31.238 million as advance bonus to the officers of the Corporation without approval of the administrative ministry and concurrence of the Finance Division.

Audit is of the view that undue favour was extended to the officers at Corporation cost, which indicates poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. The management informed that bonus payments were made in accordance with the policy laid down by the BoD of SLIC. DAC directed the management to provide documentary evidence of board policy and its conformity with Finance Division regulations for Advance Bonus. However no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.4.6 Loss due to non-completion of ERP system - Rs.45.677 million

As per clause-3 agreement signed with M/s. Siddat Hyder Morshed Associates (Pvt.) Ltd, project of Enterprise Resource Planning (ERP) was to be completed in May, 2012.

During audit of State Life Insurance Corporation of Pakistan, (SLIC) (Principal Office) Karachi for the year 2017, it was observed that the management awarded contract to the Sidat Hyder Morshed Associates (Pvt) Limited to acquire an ERP system for 33 Zones at the cost of Rs.124.781 million in January, 2010 which was to be completed by May 2012.

Audit is of the view that non-completion of the work was indicative of weak supervision which led to the non-achievement of objectives despite lapse of 07 years and incurring expenditure of Rs. 45.677 million.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. Management informed that implementation of the ERP was in process. DAC directed the management to make efforts to complete the project before end April, 2019. DAC further directed to form a Committee under Executive Director Investment to inquire into the matter and fix responsibility for this undue delay. The report should be finalized within 30 days. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.4.7 Loss due to non-recovery from Field staff and others - Rs. 9.985 million

According to Rule 20 of GFR, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of the State Life Insurance Corporation of Pakistan, (SLIC) (Principal Office) Karachi for the year 2017, it was observed that an amount of Rs.9.986 million outstanding against various field staff on the account of defalcation. The detail is as under:

Year -2017	Amount (Rs. in million)
Defalcation by Staff	1.139
Defalcation by Field Staff	7.588
Defalcation by others(Area Managers, on commission)	1.258
Total	**9.985**

Audit is of the view that undue favour was extended which proves weak internal controls and poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. Management informed that recovery of Rs.1.8 million had been affected. DAC directed to get the recovered amount verified from audit and make the balance recovery by the end of February, 2019. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.3.4.8 Non-recovery of outstanding balances since long - Rs. 2.445 million

As per Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 the Chief Executive is responsible for the management of a Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, with the Ordinance. Responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of State Life Insurance Corporation (Central Zone), Lahore, for the years 2017-18, it was observed that an amount of Rs. 2.445 million under different head of accounts was unrecovered since more than 15 years (Annex-17).

Audit is of the view that non-recovery of outstanding dues since more than 15 years shows negligence of the management and indicates weak internal controls.

The matter was reported to the management in October l, 2018. DAC meeting was held on January 11, 2019. Management informed that an amount of Rs.1.35 million had been adjusted/recovered. Furthermore, these amounts were brought forward from pre-nationalization period of SLIC and decided to place before BoD for final decision. DAC directed the management to get verified the factual position from Audit. However no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.4 Trading Corporation of Pakistan (Pvt.) Limited

4.4.1 Introduction

Trading Corporation of Pakistan (TCP) was incorporated on July 28, 1967 as a private limited company under the Companies Act, 1913, (repealed Companies Ordinance, 1984, Now Companies Act 2017). It is fully owned by the Federal Government and operates under the administrative control of the Ministry of Commerce. The registered office of the Company is situated at Karachi.

In pursuance of Government's decision in 1996 to merge Rice Export Corporation of Pakistan (RECP) and Cotton Export Corporation (CEC) into TCP, the Board of Directors of all the three Corporations passed a resolution. Accordingly, TCP accepted to perform the functions of RECP and CEC. The Corporation has restricted its engagement in trading on behalf of the Government of Pakistan only.

4.4.2 Comments on Audited Accounts

4.4.2.1 The working results of the Corporation for the year 2016-17 as compared with those of the previous years are given below:

(Rs. in million)

	2016-17	**% Inc/ (Dec)**	**2015-16**	**% Inc/ (Dec)**	**2014-15**
Commission income	33.869	(83.30)	202.782	(61.71)	529.65
Administration expenses	(1,080.597)	27.60	(846.866)	(6.09)	(900.43)
Gross Profit	(1,046.73)	62.51	(644.09)	73.36	(370.79)
Other income	1,534.289	(14.23)	1,788.830	(12.10)	2,037.03
Profit/ (loss) before taxation	487.561	(57.41)	1,144.746	(31.12)	1,666.24
Taxation	(93.076)	(73.52)	(351.517)	(34,60)	535.89
Profit/ (loss) after tax	394.485	(50.27)	793.229	(29.46)	1,130.35

(Source: Annual Audited Accounts)

Commission Income is the only source of revenue and the same has been decreased by 83.30%, from Rs.202.782 million in 2015-16, become Rs. 33.869 million in 2016-17 contrary, administrative expenses were increased by 27.60% from Rs.846.866 million in 2015-16 to Rs. 1,080.597 million in 2016-17.

4.4.2.2 Profit before and after tax has been decreased by 57.41% from Rs.1,144.75 million in 2015-16 to Rs. 487.561 million and from Rs.793.30 million in 2015-16 to Rs.394.485 million in 2016-17 decrease by 50.27%.

4.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1992-93	23	18	5	49, 50, 51, 52 & 53	78
1994-95	29	27	2	56, 60	93
1996-97	24	14	10	44,49, 63-64, 66, SAR b-2, b-3, b-6, b-7, b8, b-9	58
1997-98	14	9	5	32, 33, 34, 35, 37	64
1999-00	14	13	1	49	93
2000-01	11	10	1	10	91
2003-04	11	10	1	15	91
2004-05	3	2	1	15	67
2005-06	13	12	1	21	92
2007-08	6	5	1	13.2	83
2008-09	10	6	4	8.3, 9, 10, 11, 12	60
2010-11	14	11	3	2.4.2.3, 2.4.4.3, 2.4.4.6	79
2013-14	15	6	9	4.4.2.1(A), 4.4.2.1(B), 4.4.2.1, 4.4.2.1 (C), 4.4.2.1 (D), 4.4.2.1 (E), 4.4.2.2, 4.4.2.7, 4.4.3	40
2015-16	11	3	8	4.4.4.1, 4.4.4.2, 4.4.4.6, 4.4.2.1, 4.4.3, 4.4.4.3, 4.4.4.4, 4.4.4.7	27
Total	**203**	**150**	**53**	**-**	**74%**

The overall compliance of PAC directives needs improvement.

4.4.4 Audit Paras

4.4.4.1 Non-recovery of dues - Rs. 48,267.572 million

Rule 10 of General Financial Rules provides that 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 of expenditure of his own money.

During audit of Trading Corporation of Pakistan (TCP) for the year 2017-18, it was observed that an amount of Rs. 48,267.572 million was not recovered from Government Institutions & other companies, out of which Rs.10,692.98 million were outstanding for more than three years (Annex-18). The complete record was not provided by the management to audit.

Audit is of the view that the non recovery of dues shows negligence of the management and indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. The management informed that they were pursuing the recovery vigorously. DAC directed the management to get the recoveries expedited.

Audit recommends implementation of DAC directives besides, production of complete record.

4.4.4.2 Non-recovery of rent from tenants of godowns - Rs. 145.152 million

As per clause-7 & 18 of the TCP's Tenancy Agreement, monthly rent of godown is payable, inclusive of all applicable taxes on rent. The rent shall be payable in advance by 5th day of each calendar month. Where tenant is a withholding agent under respective laws, they may deduct the amount of tax

under respective laws and shall furnish duly paid challans / CPR of deducted taxes to TCP within 15 days following the close of a month. The tenant will be ejected from the said buildings without any notice by the landlord (TCP), if they failed to pay the monthly rent for continuous two months or the default outstanding amount against tenants reaches up to the amount equal to two months' rent (tax and utility charges shall be treated as part of outstanding amount).

During audit of Trading Corporation of Pakistan (TCP) for the year 2017-18, it was observed that out of total outstanding dues of Rs. 382.903 million, an amount of Rs.145.152 million was not recovered from the tenants in violation of the above rule.

Audit is of the view that the non recovery of dues shows negligence of the management and indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. Management informed that out of Rs. 145.152 million, an amount of Rs. 119 million was receivable from Sindh Food Department. DAC directed the management to get the recoveries verified by Audit and expedite the recovery of remaining amount. However no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.4.4.3 Irregular payment of honorarium and bonus - Rs. 82.128 million

Rule-10 of GFR provides that 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 of expenditure of his own money.

During audit of Trading Corporation of Pakistan (TCP) for the year 2017-18, it was observed that the management paid honorarium of Rs.6.945

million to a few selected employees, bonus of Rs. 45.128 million and Eid Assistance of Rs.30.055 million without any justification.

Audit is of the view that undue favour was extended to the employees which shows poor financial management.

The matter was reported to the management in October, 2018. The management in its reply dated October 18, 2018 stated that TCP being a private limited company formulated its own policies and rules. The reply of management was not tenable as payment of three types of rewards could not be justified. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fixing of responsibility on the person(s) at fault besides recovery of the amount.

4.4.4.4 Loss due to appointments beyond sanctioned strength

Board of Directors of Trading Corporation of Pakistan (TCP) in its 298 meeting held on March 13, 2015 reduced the staff strength to 409 employees.

During audit of Trading Corporation of Pakistan (TCP) for the year 2017-18, it was observed that 457 employees were working against sanctioned strength of 409 employees resulting into excess of 48 employees. The excess strength of employees caused extra burden on Corporation. The details of 48 employees and payments were not provided to audit.

Audit is of the view that undue favour was extended to the employees at Corporation cost. This indicates weak internal controls.

The matter was reported to the management in October 2018. DAC meeting was held on January 11, 2019. The management informed that the posts where the present strength is more than the proposed strength would be adjusted through natural attrition process through retirements of employees etc. DAC

directed the management to take up the matter with the BoD to rectify the anomaly. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.4.4.5 Non-depositing of Sindh Sales tax - Rs. 20.438 million

As per Claus-17 (1) of the Sindh Sales Tax on Services Act, 2011 the tax in respect of a taxable service provided or rendered during a tax period shall be paid by a person by the due date prescribed for payment of tax. Clause-17 (4) the tax due on taxable services shall be paid by any of the following modes, namely:

a. Through deposit in a bank designated by the Board; or
b. Through such other mode and manner as may be specified by the Board.

During audit of Trading Corporation of Pakistan (TCP) for the year 2017-18, it was observed that the management collected Rs.20.438 million on account of Sindh Sales Tax from tenants of godowns, but the same was deposited in the Govt. exchequer in violation of above rule.

Audit is of the view that compliance of the rules and regulation was the responsibility of the management. Thus, non-compliance shows weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 11, 2019. The management informed that tenants obtained stay order from the High Court on the grounds that renting of property did not fall in the ambit of Sales of services which was challenged by SRB. DAC recommended the Para for settlement subject to verification of non-collection of sales tax as claimed by the management. However no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

4.5 Pakistan Expo Centers (Pvt.) Limited

4.5.1 Introduction

Expo Lahore (Pvt.) Limited was incorporated in Pakistan on July 19, 2004 as a private limited company under the Companies Ordinance, 1984. It is a corporate body jointly owned by the Government of Pakistan and Government of the Punjab with a mandate to design, develop, operate and promote a state-of-the-art Lahore International Expo Centre. It is providing a platform of international standard to the manufacturers, exporters, traders and service providers for effectively introducing and marketing their products and services through trade exhibitions, fairs and conferences.

4.5.2 Comments on Audited Accounts

4.5.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2015-16 to 2017-18 till December 31, 2018.

4.5.2.2 Audit recommends that the annual audited accounts of past years be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

4.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	06	04	02	4.5.4.2,4.5.4.3	67
2016-17	09	0	09	*(3.5.4.1,3.5.4.2,3.5.4.3*,3.5.1 & 3.5.2,3.5.2.1,3.5.2.2,3.5.2.3,3.5.2.4,3.5.3)	-
Total	**15**	**04**	**11**		**27**

The compliance of the PAC directives was very poor which need immediate attention of the PAO.

4.5.4 Audit Paras

4.5.4.1 Irregular appointment of Manager Internal Audit - Rs. 8.38 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement and all selections should be made through duly constituted selection/ promotion committee/ board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual. Moreover, according to advertisement for the post of Assistant Accounts & Admn Officer, required qualification & experience was B.Com plus 5 years post qualification experience in relevant filed.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that the management appointed Mr. Imran Mohsin as Assistant Accounts & Administration Officer on December 01, 2005 on contract basis for a period of 3 years (from December 01, 2005 to November 30, 2008). The following irregularities were observed:

i. The candidate possessed only 17 months of post qualification experience at the time of appointment instead of at least 5 years experience.
ii. Before expiry of the contract period i.e. November 30, 2008, the concerned officer was re-appointed as Accounts Officer on March 01, 2008 without advertisement in newspaper in violation of Government instructions.
iii. In January 2014, he was appointed as Internal Auditor of the company without observing requisite qualification and experience in violation of Govt. policy.
iv. Just after one year, he was further promoted as Manager Internal Audit w.e.f. January 01, 2015 without following promotion policy.

Thus, the appointment and payment of Rs. 8.38 million to the said officer was held irregular, as it is not covered under the above-referred Honorable Supreme Court's instructions and advertised criteria.

The matter was reported to the management and to PAO on December 09, 2018. In reply the management stated that the appointment of assistant accounts and admin officer was not in contravention of the advertisement. The reply was not convincing as neither the appointment was according to the laid down criteria nor the promotion was justified in the absence of approved promotion policy.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter and fix responsibility on the person at fault for irregular appointment besides recovery.

4.5.4.2 Irregular appointment of CEO and payment of salary - Rs. 13.65 million

According to SECP Notification dated March 03, 2015 regarding procedure for appointment of Chief Executive Officer of Public Sector Companies, the Board shall initiate the appointment process i.e. issue a public advertisement in the print media to invite applications from applicants, shortlist candidates on the basis of criteria specified for the position and evaluate shortlisted candidates. The Board shall conduct the interview of the candidates and recommend a minimum of three candidates to the line ministry for appointment to the position of Chief Executive officer. Upon concurrence of the competent authority, the Board shall appoint the Chief Executive Officer.

Moreover, according to Para – 2 of Establishment Division, Cabinet Secretariat, OM No. 1/85/94-E.6 dated September 12, 1994, the appointment of CEO of the public sector autonomous/semi-autonomous bodies shall be considered/processed through the selection board headed by the Minister in-charge who will suggest a panel of at least three names for each vacancy and

recommend a name out of this panel for the consideration and approval of the Prime Minister.

During the audit of the Pakistan Expo Centers (Pvt.) Limited (PEC), for the years 2016-18, it was observed that the management re-designated the post of COO as Chief Executive Officer (CEO) with the approval of its BoD w.e.f. December 06, 2016. Neither the case of appointment of CEO was processed in line with SECP instructions nor approval of the Prime Minister was sought.

In the absence of proper procedure as well as the approval of the competent authority, the appointment of the COO as CEO and payment of Rs. 13.65 million @ Rs. 718,344 per month on account of pay & allowances from December 2016 to June 2018 was held irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply the management stated that in order to run the day-to-day affairs of the company, the Board of Directors hired the Head of the Company with the title Chief Operating Officer. The contention of the management was not based on facts as articles of association or SECP Governance Rules could not be relaxed by the management at its own. Moreover, during verification it was observed that the management appointed Mr. Arif Mansur Khosa as Chief Operating Officer (COO) on March 05, 2005 on contract basis for three years. but the officer did not fulfill the required advertised criteria of educational qualification i.e. MBA preferably Civil Engineering for his initial appointment as COO, whereas he possessed the degree of Electrical Engineer. The officer was also working above the age of superannuation for which approval of the Prime Minister was necessary but same was not obtained.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter at ministry level, fix responsibility on the person (s) at fault for irregular appointment of the officer and effect recovery.

4.5.4.3 Irregular appointment of CFO and payment of salary - Rs. 38.51 million

According to the order of the Supreme Court of Pakistan, passed in Human Rights Case No.104 dated December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities are making initial appointments, both adhoc and regular to posts without publicity and properly advertising `the vacancies and at times by converting adhoc appointments into regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession. It was ordered that the violation of this Fundamental /Human Right should be discontinued forthwith. Steps shall immediately be taken to rectify, to bring the practice in accordance with the Constitutional requirements.

During the audit of the Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that the management appointed Mr. Zia-ul-Mustafa as Manager Finance & Administration on contract basis for three years w.e.f July 15, 2005. The following irregularities were observed:

i. After one and half years of appointment, the officer was re-designated as CFO & Business Administrator w.e.f November 29, 2006.
ii. The management again issued him a fresh appointment letter for Manager Finance & Business Administration on regular basis on March 01, 2008 and again re-designated him as CFO & Business Administrator on July 25, 2008.
iii. The case of appointment of Manager Finance & Business Administration on regular basis and the appointment as CFO & Business Administrator was not processed in line with directions of Supreme Court.
iv. The salary of the officer was also increased from Rs. 60,000 to Rs. 456,772 per month from the date of appointment up till June, 2018.

Audit was of the view that a sum of Rs. 38.51 million on account of pay & allowances was irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the company appointed Head of Finance & Administration with the title Manager Finance & Administration. Likewise, there was no re-appointment and it was just the change in employment term from periodic to perpetual basis. The reply was not convincing as the officer was appointed against the laid down procedure and declared promoted without having a promotion policy.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter at ministry level, fix responsibility on the person (s) at fault for irregular appointment of the officer and effect recovery.

4.5.4.4 Irregular appointment of Executive Secretary - Rs. 6.03 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual. Moreover, according to advertisement for the post of Executive Secretary made in the daily Jang Lahore, dated April 26, 2005, the required qualification & experience was B.Com plus 3 years relevant experience and computer literate.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that the management appointed Syed Hammad Hasan Hamdani as “Executive Secretary” on June 15, 2005 on contract basis for a period of 3 years. The said official has passed his bachelor degree on August 30, 2004, which proves that he did not possess 3-years experience at the time of appointment. Before expiry of the contract period i.e. July 14, 2008, he was

appointed as HR & Administration Officer on March 01, 2008 without advertisement in newspaper in violation of Government instructions and without observing required qualification (Master in HR) and experience as HR Manager. Thus, appointment and payment of salary of Rs. 6.03 million was held irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the appointment of Executive Secretary was not in contravention of the advertisement. The reply of the management was not convincing as appointment of executive secretary in June 2005 and subsequent placement at higher position as HR and Admin Officer in March 2008 was done without fulfilling required qualification and experience.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends investigating the matter, fix responsibility on the person (s) at fault and effect recovery.

4.5.4.5 Irregular appointment of Mechanical Engineer and payment of salaries – Rs. 18.38 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual. Moreover, according to advertisement in the daily Jang Lahore, dated April 30, 2006 for appointment of Mechanical Engineer, the following qualification & Experience was required.

- Age limit was 32 to 40 years.
- B.Sc. Engineering (Mechanical) or equivalent with specialization in HVAC/ E&M from HEC recognized university/ institution duly registered with

Pakistan Engineering Council with minimum 08 years relevant field experience. Knowledge of HVAC/ E&M works related codes and standards

- Computer literate with knowledge of profession related software programs.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that the management appointed Mr. Zakaul Mustafa as "Mechanical Engineer & Technical Coordinator" on January 16, 2007 on contract basis for a period of one year. The following irregularities were observed:

i. The age of officer at the time of appointment was of 28 years against the minimum required age limit i.e. 32 years with experience of only 4 years and nine months as mentioned in CV against the minimum experience limit i.e. 8 years.
ii. Neither any documents of experience mentioned in CV were available in file nor did the management confirm / verify the relevant experience from concerned organization.
iii. The officer passed engineering degree on attaining the age of 23 years, hence, the experience of 8 years was not possible at the age of 28 years.
iv. The CFO of the company is real brother of the officer recruited and he was the member of recruitment committee, which was an example of conflict of interest.
v. He was re-appointed as "Mechanical Engineer & Project Coordinator" w.e.f. March 1 2008 on regular basis and on August 02, 2013, he was promoted as Resident Engineer without having promotion policy.

Audit was of the view that the appointment, promotion and payment of Rs. 18.38 million was irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the appointment of Mechanical Engineer was not in contravention of the advertisement. The reply was not convincing as appointment of Mechanical Engineer was made without meeting

the requirement mentioned in the advertisement i.e. age and experience. Moreover, the officer was promoted as Resident Engineer and increased salary up to 500% from Rs 0.05 million to Rs. 0.25 million per month while there is no promotion policy in the company.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter through appropriate investigating agency and fix responsibility on the person (s) at fault for irregular appointment besides effecting recovery.

4.5.4.6 Irregular appointment of an employee - Rs 8.90 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/ Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual. Moreover, according to advertisement made in the daily Jang Lahore, dated October 04, 2005 for appointment of Receptionist/ Executive Assistant, the following qualifications & experience was required:

- Preferably Bachelor's degree from HEC recognized institution
- Minimum of 3 years' experience in a corporate environment
- Well versed with operating PABX and computer related office management tools
- Proficient in written and spoken English.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18 it was observed that the management appointed Ms Farhat Nazir as Receptionist/ Executive Assistant on December 01, 2005 on contract basis for a period of 3 years on monthly salary of Rs. 12,000. The appointment was made in violation of the said advertisement. She did not possess minimum 3 years'

experience of corporate environment at the time of appointment as she passed her Bachelor of Arts (Punjabi & Journalism) from University of the Punjab on August 27, 2003 due to which it was impossible to have three-years experience from August 2003 to November 2005.

Later on, just after two years and two months i.e. before completion of her three years contract period as Receptionist, she was appointed as Business Development Officer by the management w.e.f. February 20, 2008 on regular basis without any competitive process. The basic qualification required for said post was Master Degree in Marketing but she possessed only simple graduation degree at the time of her appointment as Business Development Officer and completed her MBA degree from Superior College, Lahore on July 02, 2013. Her MBA degree was also not verified from HEC. Thus, her appointment and payment of Rs. 8.90 million was held irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the appointment of Executive Assistant was not in contravention of the advertisement. The reply was not convincing, as the official did not possess the relevant experience and qualification at the time of appointment. Moreover, the officer was appointed as Business Development Officer without ascertaining required qualification and experience.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter at ministry level and fix responsibility on the person (s) at fault for irregular appointment besides effecting recovery.

4.5.4.7 Irregular appointment of Technical Support Officer - Rs 3.81 million

According to advertisement made in the daily Jang Lahore, dated November 03, 2010, the candidate should have relevant qualification/

certification with the practical experience of at least 5 years in the operations, maintenance and configuration of security systems, communication systems, Visitor's Management System (VMS) and IT equipments.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC) for the years 2016-18, it was observed that the management appointed Mr. Rafiullah, as "Technical Support Officer" on December 01, 2010 on contract basis for a period of one (01) year w.e.f December 01, 2010. He passed his matriculation examination from BISE, Sargodha on July 23, 1998 and three months certification in Optical Fiber Transmission System & Cable Jointing Course in 2009. He did not possess the required minimum practical experience of five (05) years in the operations, maintenance and configuration of security systems, communication systems, Visitor's Management System (VMS) and IT equipments at the time of appointment. Further, the management did not verify his matric certificate as well as certification in Optical Fiber and experience certificates available in the personal file. The contract period of the employee was not extended after expiry of contract i.e. w.e.f. November 30, 2011 and employee continued his services without legal umbrella. The salary of the officer from the date of appointment up till June 2017 was enhanced from Rs. 25,000 per month to Rs. 65,000 per month. Thus, the appointment and payment of Rs. 3.81 million was held irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the appointment of Technical Support Officer was in accordance with the defined criteria specified in the advertisement. The reply was not convincing as the officer did not possess relevant qualification and experience at the time of his appointment.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter at ministry level and fix responsibility on the person (s) at fault for irregular appointment besides effecting recovery.

4.5.4.8 Irregular expenditure through splitting - Rs. 15.92 million

According to Clause -09 of PP Rules-2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website. Moreover, according to clause-12(2) of PP Rules-2004, all procurement opportunities over two million rupees were required to be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that as per design and master plan prepared by M/s NESPAK, a Shopping Mall was to be constructed in Expo Centre, Lahore. However, the management failed to construct the same and converted the place of Shopping Mall into parking area. The management hired the services of M/s Sajid Construction & Bricks to develop the said parking area and incurred an amount of Rs. 15.92 million through petty transactions during 2012-16. No other documents regarding prequalification process and tender process for financial bids was provided to audit which showed that no tender process was adopted and the whole work was irregularly executed by splitting the same to avoid tender process. This was indicative of imprudent management policy.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the Pakistan Expo Centers hired the services of contractors through competitive bidding process. The reply was not convincing as the management failed to execute the work according to the PP Rules and splitting of work was done through petty transactions.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends investigating the matter, fix responsibility on the person (s) at fault and loss may be made good from them.

4.5.4.9 Irregular payment to contractor on account of non-provision of sales tax invoices - Rs 46.69 million

According to Para 3(ii) of the Government of Pakistan, Revenue Division FBR OM No. 1(42) STM /2009/ 99638-R dated July 24, 2013, in case of public works it may be ensured that the contractor engaged makes purchases only from sale tax registered persons. Since contractor carrying out government works against public tender are required to have a bill of quantity (BOQ), the contracting department / organization must require such contractor to present sales tax invoice of all material mentioned in the BOQ as evidence of its legal purchase before payment is released to them. At the time of audit, it may be ensured that the above-mentioned legal requirement has been fulfilled.

During the audit of Pakistan Expo Centers (Pvt.) Limited (PEC), for the years 2016-18, it was observed that the management awarded two contracts to M/s Khan Brothers Engineers for erection work of pre-fabricated building along with other related works of Halls 3 & 4 of Expo Center, Lahore for Rs 303.15 million. An amount of Rs. 274.66 million including Sales Tax amounting to Rs. 46.69 million was released to the contractor by the management against public works transactions without demanding the requisite documentary evidence i.e. Sales Tax invoices in support of different material supplied/purchased by them. Hence, payment of Sales Tax amounting to Rs. 46.69 million without observing the instructions of FBR was considered irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated according to the notification of Government of the Punjab No. SO (TAX) 5-24/2016, the construction services for Government turnkey projects funded under Public Sector Development Fund was zero rated with respect to Sales Tax. The reply was not convincing as the contract was awarded during 2013-14 and at that time FBR, instructions as

mentioned in the para were applicable on said contractor to provide relevant record/information to management to be verified by the audit.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter and fix responsibility on the person (s) at fault.

4.5.4.10 Irregular payment to the PEC employees as PSDF trainers in violation of agreement - Rs 1.38 million

According to clause 8.6 of Vocational Training Contract under Industrial Training Program 2017 signed between Punjab Skills Development Fund (Party A) and Pakistan Expo Centers (Pvt.) Limited (Party B) on March 16, 2017 "Qualified Trainers" means persons of required qualifications, experience and competence. Furthermore according to clause 15, "Conflict of interest", neither Party B nor any of Party B's Personnel/employee shall engage in any personal, business or professional activity which conflicts or could potentially conflict with any other obligations in relation to this Contract.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that the management paid an amount of Rs. 1.38 million to its three employees as trainer's fee in violation of the above referred clauses of the contract. The management advertised the opportunity for professional trainers in the daily "Jang" on September 28, 2017 for six training programs. But contrary to the requirement of professional trainers i.e. required qualifications, experience and competence, the management hired the services of its employees not having qualification and experience in the relevant fields of training program. The management paid a sum of Rs. 1.38 million to the officers/ employees of PEC in addition to their own pay/ salaries.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the program announced by PSDF was

Industrial Training Program in which organizations were invited to train the people about the traits of that specific industry. The reply was not convincing as these employees did not possess relevant experience for providing training. The management extended additional benefits to their employees during working hours.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter, fix responsibility on the persons at fault and effect recovery.

4.5.4.11 Loss due to procurement of steel structure at higher rate - Rs. 243.50 million

According to Rule-10 of PP Rules, specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words "or equivalent". Moreover, according to Rule-4 of PP Rules, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During the audit of the Pakistan Expo Centers (Pvt) Limited (PEC), for the years 2016-18, it was observed that management awarded a contract to M/s Mammut Building Systems, Dubai for purchase of Pre-fabricated Steel Structure for Expo Center, Peshawar on June 20, 2017 for Rs. 590.82 million by ignoring the lowest rates of M/s Banu Mukhtar of Rs. 447.76 million. Furthermore, technical specifications were not prepared in generic form and

favored M/s Mammut Building Systems. The specifications contained words "similar buildings with similar descriptions/images" which were favorable to only M/s Mammut Building Systems, Dubai and were not generic. Further, the word "equivalent" was also not used. Thus, procurement of steel structure by ignoring the lowest rate resulted into loss of Rs. 243.50 million (Rs. 691.26 million - Rs. 447.76 million)

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the company follows PP Rules and tender documents clearly defined the evaluation criteria for technical and financial bids. The reply was not convincing as the management failed to explain the reasons of ignoring the lowest offer bid by M/s Banu Mukhhtar Ltd. of Rs. 447.76 million against accepted bid of Rs. 590.82 million.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter, fix responsibility on the person (s) at fault and loss may be made good from them.

4.5.4.12 Irregular procurement of pre-fabricated buildings for exhibition hall 3 & 4 from M/s Mammut Building System – Rs. 610.40 million

According to Rule 4 of PP Rules 2004, Procuring agencies, while engaging in procurement, shall ensure that the procurements were conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process was efficient and economical. Moreover, according to Rule 12(2) of PP Rules 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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. Moreover, according to minutes of 27th BoD meeting dated October 30, 2012, members advised the COO to proceed with the development of Phase-II of Expo Centre.

During the audit of Pakistan Expo Centers (Pvt) Limited (PEC), for the year 2016-18, it was observed that the management purchased pre-fabricated building of exhibition hall 3 & 4 through direct contracting from M/s Mammut Building System vide contract dated July 09, 2013. As per clause 7.1 of the said contract, supply price C&F Karachi port value of USD 3,409,924 was decided. The management paid a sum of Rs. 610.40 million during August 31, 2013 to June 27, 2014 to M/s Mammut Building System. Furthermore, the building structure did not fall under the category of the items purchased in direct contracting. Direct contracting could be made for proprietary items, availability of single manufacturer, acquisitions of services/ spare parts from original manufacturers, emergency items, and repeated orders upto fifteen percent. Thus, procurement of pre-engineered building from M/s Mammut Building system through direct contracting was held irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that in March 2012, Planning Commission approved PC-1 for Rs 955 million for the development of exhibition hall No 3 & 4. These halls were originally planned in previous PC-1 for which Suppliers and Contractors were selected through tendering process. The reply was not convincing as project was divided into two phases Phase-I for 1, 2 halls and ancillary work, phase II for three, four halls for which work should be done by inviting fresh tenders instead of providing opportunity of direct contracting to the previous party.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter, fix responsibility on the person (s) at fault and loss may be made good from them.

4.5.4.13 Non-deposit of Punjab Sales Tax collected from clients – Rs. 76.37 million

According to Punjab Sales Tax on Services Act, 2012, Sales Tax is applicable @16% on event managers. Section 20 (c) of the Provincial Sales Tax Act, imposes sales tax on services rendered or provided by the person; Section

35 defines "taxable activity "as any economic activity carried on by a person whether or not for profit and includes an activity that involves the supply of goods, the rendering or providing of services, or both to another person.

During the audit of Pakistan Expo Centers (Pvt.) Limited (PEC) for the years 2016-18, it was observed that the management did not deposit the provincial sales tax of Rs. 76.37 million into the Government treasury, which was collected from the event organizers/clients. The company had filed a petition in Honorable Lahore High Court. The Honorable Court passed its orders disposing off the case on the grounds that the company should file its reply with PRA. The management filed its reply with PRA and appeal was pending with Punjab Revenue Authority for final decision regarding imposition of Punjab Sales Tax on PEC. Resultantly the management was collecting Punjab Sales Tax @ 16% from its clients but the same was not yet deposited into Government treasury, which caused revenue loss of Rs. 76.37 million to government exchequer due to non-compliance of provisions of Punjab Sales Tax on Services Act, 2012.

The matter was reported to the management and to PAO on December 09, 2018. In reply the management stated that the company has challenged the imposition of Punjab Sales Tax in Lahore High Court. The reply of the management was not tenable because the Honorable Lahore High Court has already disposed of the case with the direction to resolve the matter with PRA. However, due to non-pursuance of the matter by the company management with the Punjab Revenue Authority, the management was collecting Punjab Sales Tax @ 16% from its clients but the same was not yet deposited into Government treasury, which caused revenue loss of Rs. 76.37 million to government exchequer.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter and fix responsibility for non-deposit of collected sales tax in Govt. treasury.

4.5.4.14 Overpayment due to provision of leave encashment facility to employees - Rs 9.38 million

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance Rules 2013), the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses. Moreover, according to standing instructions of the federal government, earned leave was admissible to employees based on basic pay drawn by the employee.

During the audit of Pakistan Expo Centers, (Pvt.) Limited (PEC), for the year 2016-18, it was observed that encashment of earned leave was sanctioned based on last basic salary drawn plus maximum entitlement of house rent allowance instead of running basic pay. It was further noticed that the company while considering the working papers and deciding the matter had not mentioned as to whether this facility was to be provided based on running basic pay or otherwise. The company implemented the wrong policy No. 4.9 regarding making provision in the accounts for 48 days earned leave instead of 2/3 balance of 32 days and unused leave balances can be carried forwarded up to maximum accumulation of 96 days (two years) for the purpose of leave encashment. Therefore, an amount of Rs. 30.23 million was paid by the management to its employees of different categories during 2007-17 including the excess payment of Rs. 9.38 million.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that as per the Service Rules, the employees of the company are entitled for 48 leaves in the year and out of 48 leaves 32 leaves that is 2/3 of the total earned leaves are en-cashable if not availed by any employee during the financial year. The reply was not convincing

as the management failed to justify the reasons for inclusion of HRA in basic pay to calculate the amount of leave encashment.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends investigating the matter to fix responsibility on the person (s) at fault.

4.5.4.15 Excess electricity sanctioned load over & above the actual requirement resulted in excess payment of fixed charges - Rs 11.44 million

According to schedule of electricity tariff of LESCO, for all non-domestic categories of consumers, fixed charges were to be levied on sanctioned load or Maximum Demand Index (MDI) reading, whichever is higher, on per KVA basis. Lahore Electricity Supply Company (LESCO) guidelines stated that from the period July 2012 to June 2017 onwards, the average of three high maximum demands reading recorded for the consumer during the 60-month period would be adopted to revise the sanction load during the ensuing years i.e. 2012-13 to 2016-17. Any prudent and large consumer of electricity was expected to see that it does not pay fixed charges on account of inflated sanction load.

During the audit of Pakistan Expo Centers (Pvt.) Limited (PEC), for the year 2016-18, it was observed that the management got electricity-sanctioned load as 4,500 KVA from the LESCO in excess of the consumption pattern. The load assessment was not carried out as per the LESCO guidelines. The excess sanctioned load resulted in additional payment of fixed charges of Rs. 11.44 million during the period 2012-17. Despite the reduction in tariff category, the sanctioned load was not assessed resulting in excess payment of Rs. 11.44 million during the period 2012-17. Furthermore, it was observed by audit that during last five years PEC did not utilize the sanctioned load even for a single month during 2011-17 and caused excess payment of fixed charges every month to LESCO.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the under-utilization of load was not loss as the company is recovering all the electricity cost from its clients based on 4500 KVA supplies. The reply was not convincing, as management could not utilize the maximum load since establishment of the center, which resulted into excess payment of fixed charges of Rs. 11.44 million.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to justify the excess payment besides revisiting the capacity issue in order to avoid such irregularity in future.

4.5.4.16 Loss due to payment of fine on account of defective electricity meter - Rs. 8.55 million

According to Rule – 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance.

During the audit of Pakistan Expo Centers (Pvt.) Limited (PEC), for the years 2016-18 it was observed that the Standing Committee of LESCO checked the electricity meter of PEC and found defective. Accordingly, a notice was served to the management on July 24, 2012 along with a detection /assessment bill of Rs. 8.55 million and same was paid by management without enquiring from the concerned department and ensuring the correctness of electricity meter which caused a loss to the company.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that on joint checking of meter in the presence of representative of both organizations, it was found that the reading on the meter installed at Expo premises was not matching with the reading of back

up meter installed at LESCO Grid Station. The reply was not convincing as fine was paid due to lack of proper vigilance and coordination with the WAPDA authorities.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter and fix responsibility on the person (s) at fault.

4.5.4.17 Award & execution of contracts in violation of Pakistan Engineering Counsel Rules - Rs. 303.34 million

According to Planning & Development Division, Government of Pakistan's letter No. 8(60)WR/PC/2008 dated February 12, 2008, ECNEC directed to implement the revised standard form of bidding documents prepared by Pakistan Engineering Council on June 11, 2007 for procurement of all engineering goods, works and services. The Federal, Provincial Departments/Organization and District Governments were responsible to implement the decision of ECNEC. Moreover, according to Standard Form of Bidding Documents for procurements of works issued by Pakistan Engineering Council on June 11, 2007, the bidding documents shall include Instructions to bidders, Bidding data, General Conditions of Contracts, Particular Conditions of Contracts, Special Provisions, Technical Provisions, Forms of Bid & Appendices to Bid, Bill of Quantities (BOQ), Form of Bid Security, Form of Agreement, Form of Performance Security/Bond and Mobilization Guarantee, Drawings.

During the audit of the Pakistan Expo Centre, Lahore, for the years 2016-18, it was observed that management singed two contracts valuing Rs. 49.07 million and Rs. 254.28 million (total Rs. 303.34) with M/s Khan Brother Engineers on December 01, 2013 and October 16, 2014 for construction of works of Hall No. 3 & 4. The management did not follow the directions of ECNEC for preparation of bidding documents despite the fact that funds for subject contract were received from PSDP. The management just prepared TORs

as per their own desire rather than preparation of the standard bidding documents. The BOQ prepared by management was on estimation basis as no detailed Measurement Book showing basis for calculation of BOQ was made available by the management. Thus, the award and execution of contracts were held irregular.

The matter was reported to the management and to PAO on December 09, 2018. In reply, the management stated that the company awarded said contracts as per the PP Rules and PEC Guidelines. The reply was not convincing as the management of company failed to prepare standard bidding documents, issued by the PEC on June 11, 2007. Tailor-made TOR and BOQ shows irregularity on the part of management.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter and fix responsibility on the person (s) at fault for non-compliance of PEC guidelines.

4.6 Pakistan Tobacco Board

4.6.1 Introduction

Pakistan Tobacco Board Peshawar came into existence in 1968 as a semi-autonomous body under the control of Ministry of Commerce and Textile. The principal activities of the Board were to regulate control and promote the export of tobacco and related produce and to undertake and assist research connected with tobacco industry, impart training in tobacco testing etc. It renders assistance for the development of new tobacco growing areas and establishment of model farms, to organize and assist special research connected with tobacco cultivation and generally to render assistance for improving tobacco production and to collect statistics on any matter relating to tobacco and tobacco industry.

4.6.2 Comments on Audited Accounts

4.6.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

4.6.2.2 Audit recommends that the annual audited accounts of past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

4.6.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1999-00	03	03	0	-	100
2003-04	04	02	02	18&18.1,18.2	50
2005-06	04	03	01	26	75
2007-08	02	01	01	17	50
2009-10	08	04	04	27,28,30,33	50
2010-11	13	01	12	2.5.2.2,2.5.2.3,2.5.2.4,2.5.2.5,2.5.2.6, 2.5.2.7,2.5.2.8,	8

				2.5.2.9,2.5.2.10,2.5.2.11,2.5.4.1,2.5.3	
2013-14	11	03	08	4.6.2&4.6.2.1,4.6.4.2, ,4.6.4.5, 4.6.4.1,4.6.3,4.6.4.3 ,4.6.4.7,4.6.4.8	27
2016-17	15	01	14	3.6.4.5,3.6.2.3,(*3.6.4.2,3.6.4.6,3.6.4.7,3.6.4.3,3.6.4.4,3.6.4.10,3.6.4.11, 3.6.4.8,3.6.4.1*,3.6.1 &3.6.2,3.6.2.1,3.6.3	7
Total	**60**	**18**	**42**		**30**

Overall compliance of PAC directives was very poor especially during the year 2010-11 and 2016-17, which need immediate attention of PAO.

4.6.4 Audit Paras

4.6.4.1 Irregular procurement of vehicles - Rs 8.81 million

According to Finance Department (Expenditure Wing), Government of Pakistan letter No. 7(1) Exp-IV/2016-510 dated July 29, 2016, ban was imposed on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2016-18, it was observed that the management procured four vehicles valuing Rs. 8.81 million in replacement of condemned vehicles. The matter was referred to Cabinet Division through Ministry of Commerce for obtaining necessary NOC. Cabinet Division vide letter dated June 3, 2016 issued NOC subject to concurrence of Finance Division. The management instead of getting approval from the Finance Division, Government of Pakistan procured vehicles amounting to Rs. 8.81 million which was held irregular.

Audit was of the view that the procurement of vehicles valuing Rs. 8.81 million without concurrence of Finance Division during ban period was held irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 22, 2018. During DAC meeting held on January 15, 2019, the management informed that all the codal formalities have been followed as required under the Staff Car Rules. The DAC directed the management to seek concurrence from Finance Division on the matter. The requisite concurrence from Finance Division was not obtained till the finalization of this report.

Audit recommends compliance of the DAC directive.

4.6.4.2 Non- recovery of Cess from defaulting contractor - Rs 3.74 million

According to clause 3(a) of Cess Collection Agreement dated January 28, 2017 executed between Mr. Naeem Khan (contractor) and PTB Peshawar, the remaining 75% i.e Rs 8.625 million shall be positively paid in three installments of Rs. 2.875 million each payable on April 04, 2017, June 02, 2017 and final installment on August 02, 2017. Further, according to clause-15 the defaulter of cess payment will be liable to penalty by three times of cess applicable in the case to the contractor.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2016-18, it was observed that the management awarded cess collection agreement dated January 28, 2017 to Mr. Naeem Khan valuing Rs. 12.65 million w.e.f February 02, 2017 to February 01, 2018. The contractor paid cess of Rs. 8.91 million with tax and went to default by leaving a balance of Rs. 3.74 million.

Audit was of the view that the management was required to obtain postdated cheques equivalent to the remaining 75% amount of cess contract at the close of auction but postdated cheques were not obtained which resulted into

non-recovery of Rs 3.74 million. Furthermore, management was also required to take action against the defaulter contractor but the management took no action.

The matter was reported to the management on October 14, 2018 and to PAO on October 22, 2018. The DAC in its meeting held on January 15, 2019, directed the management to pursue the court case more vigorously.

Audit recommends compliance of the DAC directive.

4.6.4.3 Loss due to non-imposition of penalty on defaulters -Rs 24.81 million

According to Cess Collection Agreements, "The successful bidder will pay 1/4th of the bid in advance and the remaining amount in three equal installments. Further in case of failure of the contractor to deposit any installment on due date, the Chairman Pakistan Tobacco Board reserves the right to cancel the contracts with immediate effect or impose penalty equivalent to 10% of the contractual amount and recover the amount from the property of the contractors.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2016-18, it was observed that the management awarded nine contracts to different contractors for cess collection on Tobacco in different areas of Pakistan valuing Rs 315.28 million. The contractors failed to pay installments on due date and penalty of Rs. 24.81 million @10% was recoverable from contractors but the management did not impose the same. This resulted into non-imposition of penalty valuing Rs. 24.81 million from contractors.

Audit was of the view that the management was required to impose penalty on the contractors due to late payment of installments but no penalty was imposed which resulted into loss of Rs 24.81 million to the Board.

The matter was reported to the management on October 14, 2018 and to PAO on October 22, 2018. The DAC in its meeting held on January 15, 2019,

directed to hold an inquiry at Ministry level headed by Joint Secretary, Commerce Division to probe the matter and submit report within 60 days.

Audit recommends compliance of the DAC directive.

4.6.4.4 Loss due to award of civil work at higher rate – Rs 1.10 million

According to Rule-04 of Public Procurement Rules, 2004, the procuring agencies while engaging in procurement, shall ensure that the procurement are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rules-38 further defines that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Govt. shall be awarded the procurement contract within the original or extended period of bid validity.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2016-18, it was observed that the management invited bids for civil work of PTB Head Office building through press advertisement. Bids were opened on March 13, 2017 in which seven firms participated. M/s Said Wali Shah & Brothers Peshawar offered lowest rates of Rs. 2.88 million but the management awarded contract to 2nd lowest bidder M/s. Shahid Khan & Brothers at a cost of Rs 3.98 million due to which PTB suffered loss of Rs 1.10 million. Further probe into matter revealed that the management forwarded the bids to technical committee comprising of non- technical officers. The management changed the evaluation criteria and committee evaluated two bids of M/s. Shahid Khan & Brothers and M/s CS International Lahore on the basis of submitted samples. The work was awarded to second lowest bidder M/s. Shahid Khan & Brothers, prima facie, by extending undue favour, which resulted into loss of Rs. 1.10 million.

Audit was of the view that the management was required to award the contract to lowest evaluated bidder but contract was awarded to second lowest bidder, which was held irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 22, 2018. The DAC in its meeting held on January 15, 2019, directed to hold an inquiry through a committee at Ministry level headed by Joint Secretary (Admn). The report may be submitted within 45 days.

Audit recommends compliance of the DAC directive.

4.6.4.5 Loss due to non-deduction of Sales Tax – Rs 3.82 million

According to Para 2(1)(3) of Sales Tax S.R.O. No.660(I)/2007 dated June 30, 2007, "All withholding agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act, 1990, provided that under unavoidable circumstances and for reasons to be recorded in writing, purchases are made from unregistered persons, the withholding agent shall deduct sales tax at 17% of the value of taxable supplies made to him from the payment due to the supplier".

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the year 2016-18, it was observed that the management executed/ approved a project namely "Barns Modification" valuing Rs. 22.47 million on February 09, 2016. As per project, total 400 barns were required to be modified in two years by the farmers (60 barns in 1st year and 340 barns in 2nd year). For supply of material i.e bricks, cements, sand, crash, iron rods, grills, doors and pipes to farmers, the management awarded work orders to unregistered suppliers M/s Muhammad Sardar & Brothers and M/s Sudais Associates valuing Rs. 4.29 million and Rs 18.16 million on May 31, 2016 and May 10, 2017 respectively. The management paid contract amounts to both contractors without deducting the sales tax @ Rs 17% amounting to Rs 3.82 million.

Audit was of the view that as per rules, it was the sole responsibility of the PTB management to deduct the tax at the time of payment but this was not done. Thus due to non-deduction of Sales Tax from the unregistered suppliers, Government sustained a loss of Rs 3.82 million.

The matter was reported to the management on October 14, 2018 and to PAO on October 22, 2018. The DAC during its meeting held on January 15, 2019, directed the management to take up the matter with contractor for re-imbursement of outstanding tax under intimation to Ministry/Audit.

Audit recommends compliance of the DAC directive.

Chapter-5
Ministry of Communications

5.1 Karachi Infrastructure Development Company Limited

5.1.1 Introduction

The Karachi Infrastructure Development Company Limited (KIDCL) is a public unlisted company incorporated under Companies Ordinance, 1984 on June 02, 2015.

The principal object of the Company is to carry out the business of expansion planning, designing, implementation, construction and execution of infrastructure developments in Karachi and any other areas.

Government of Pakistan (GoP) Ministry of Communication issued instructions for transfer of Special Project Management unit into the Company along with all its assets, liabilities, employees and Business operations. The objective of the Company is to take over and execute the Green Line Bus Rapid Transport System (BRTS) Project of GoP.

5.1.2 Comments on Audited Accounts

5.1.2.1 The working results of the Company for the year 2017-18 are given below:

(Rs. in million)

Particular	2017-18	% Inc / (Dec)	2016-17	% Inc / (Dec)	2015-16
Service revenue net	62.14	77.08	35.091	412.58	6.846
Administrative expenses	(95.63)	64.52	(58.13)	24.45	-46.71
Operating loss	(33.49)	45.37	(23.04)	(42.21)	-39.867
Other income	25.889	(60.89)	66.198	82.31	36.31
Profit / (loss) after taxation	(7.60)	-	43.159	-	-3.557

(Source Annual Audited Accounts)

During the year under review, service revenue of KIDCL has increased by 77.08%, from Rs.35.091 million in 2016-17 to Rs.62.14 million in 2017-18.

5.1.2.2 Administrative expenses has become an area of concern for KIDCL, which took a massive increase of 64.52%, from Rs.58.13 million in 2016-17 to Rs.95.63 million in current year, due to which company sustained operating loss of Rs.33.49 million as compared to operating loss previous year for Rs. 23.04 million

The reason for the increase in administrative expenses is major rise in Salaries, wages and benefits which rose by 71.06%, the only area which impacted operating results.

Particular	2017-18	% Inc / (Dec)	2016-17
Salaries, wages and benefits	64.894	71.60%	37.817

5.1.2.3 Other income is decreased by 60.89%, whereas company registered a loss after taxation of Rs.7.603 million in 2017-18, the same was profit of Rs.43.159 million in 2016-17.

5.1.3 Compliance of PAC Directives

No PAC directive was outstanding against the organization.

5.1.4 Audit Paras

5.1.4.1 Mis-appropriation of funds - Rs.81.087 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 stats that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as

to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that M/s. EA Consultant claimed Rs.4.230 million per month on account salary for their officers / staff and the same was paid by KIDCL. However, the record revealed that the EA Consultant disbursed an amount of Rs.1.977 million to its employees on account of salary per month. Resulting in excess amount of Rs.81.087 million @ Rs. 2.252 million per month claimed by consultant during three years (Annex-19).

Audit is of the view that excess payment was made to the consultant without ascertaining actual salaries of the employees. Which proves negligence and poor financial management. Further, chances of financial embezzlement could not be ruled out.

The matter was reported to the management in January 2018. DAC meeting was held on November 26, 2018. The management apprised the DAC that KIDCL is not responsible of the contract between the Project Consultant & their staffs as this is the discretion of the consultant; KIDCL is only concerned with the qualification of the staff mentioned in bidding process as per the requirement of the project. The audit contended that during scrutiny of payment record it was observed that lesser payment was made by the consultant to the workers. Resultantly, either the management of KIDCL did not sign agreement with due diligence or made excess payment to the consultant. DAC directed the management that the issue may be referred to the Pakistan Engineering Council (PEC) for obtaining its comments. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.2 Non-imposition of Liquidated Damages - Rs. 4,599.872 million

According to the Para 5 of the Conditions of Contract, the amount of liquidated damages per day of delay shall be entered by the Engineer/Employer in Contract Data. Usually the liquidated damages are set between 0.05% and 0.10% per day and the maximum limit as 10 percent.

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that the management did not impose liquidity damages as stated in the Letter of Acceptance. The contractors failed to complete the projects well in time, but the management failed to impose LD Charges as per agreement. The detail is attached as Annex-20.

Audit is of the view that management extended undue favor by not imposing LD charges Rs.4,599.872 million, which resulted non completion of projects by the contractors despite of lapse of more than one year from the actual date of completion.

The matter was reported to the management in January, 2018. DAC meeting was held on November 26, 2018. The management apprised that the delayed was due to the shifting of utility lines and involvement of Sindh Government for structural changes of the routes. Audit further requested to provide the record for verification that whether extension was granted by the competent forum and there is no cost escalation in the project. DAC directed the management to get the record verified from audit on or before 10-12-2018. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.3 Unjustified revision of Cost - Rs. 2,843.652 million

According to the Section (J) of West Pakistan Buildings & Roads, Department Code, any development of a project thought necessary while a work

is in progress, which is not fairly contingent on the proper execution of the work as first sanctioned. Must be covered by a supplementary estimate, accompanied by a full report of the circumstances which render if necessary. The abstract must show the amount of the original estimate and the total of the sanction required including the supplementary amount. A revised estimate must be submitted when the sanctioned estimate is likely to be exceeded by more than 5 per cent (revised to 10%) either from the rates being found, insufficient, or from any cause whatever. Further, According to the Para 11 of the Govt. of Pakistan, Planning Commission's Guide lines, at the time of award of contract if it is found that cost of the project would exceed the approval limits by 15%, get the project revised and approved by the competent forum before implementation.

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that the management increased cost of 05 projects several times ranging from 27% to 327.48% with the total financial impact amounting to Rs.1,508.830 million in violation of above rule. Moreover, the consultant failed to properly design /supervise the different works of Company which caused unnecessary revision and extensions of the works. However, management did not take any action against consultant failure in supervision/design of infrastructure. Almost all contract packages were revised more than 15% without any approval and proper justification. (Annex-21).

Audit is of the view that abnormal increase in the cost of the project shows ill planning and weak internal controls on the part of the management.

The matter was reported to the management in January, 2018. DAC meeting was held on January 11, 2019. The management informed that as the parent ministry of KIDCL is Ministry of Communication and National Highway Authority is the sister concern of KIDCL. KIDCL has adopted NHA variation order procedure (NHACode-2005-Volume-I, rule-94, table : III-13) and implemented same in the KIDCL after approved from BOD of KIDCL. The DAC directed the management to provide all the data to audit for verification at the earliest. However no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.4 Irregular hiring of consultant and sub consultants - Rs. 2,853.579 million

As per clause-3 of Pakistan Engineering Council Standard Guideline for Pre-qualification of Consultant, the PECB by Laws require the client formations to ensure equal and unbiased opportunity to all the eligible firms i.e. the ones registered/licensed by the PEC to practice engineering profession in Pakistan. The Notice must be publicly notified along-with scope of work of the project for which the services of consultant are required. In addition to the fore going, the client formations may also seek their Expression of Interest (EOI) from the following:

i. Firms which have previously satisfactorily performed similar services for the client on a similar project.
ii. Firms having already applied to the client and communicated their EOI prior to issuance of public notification.
iii. Firms which have been involved in an earlier activity on the project e.g. feasibility studies before services are to be procured for detailed design and other activities that follow.
iv. Firms selected on the basis of data on consultants obtained from the PEC's Data base.

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that the management hired consultant and sub-consultants at different times in violation of rules and paid Rs. 2,853.579 million (Annex-22).

Audit is of the view that undue favour was extended to consultants / sub-consultants and hired consultants of their choice in violation of rules at the cost of the company.

The matter was reported to the management in January, 2018. DAC meeting was held on November 26, 2018. The management informed issue-wise justification. The DAC directed the management to provide complete record to audit before December 10, 2018 for verification. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.5 Favoritism in award of contract - Rs.319.547 million

As per rule 36(b) (viii) of PPRA 2004, after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non- responsive shall be returned un-opened to the respective bidders; and

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that the management invited tenders for its project GL-4 in April 2016. In response 09 bidders submitted the bids, out of which five bidders were technically qualified. Moreover, M/s NPI Construction Engineers after technical qualification was excluded from the competition by the management on the plea that NPI has already won in bidding process of project GL-5. It is pertinent to mention here that M/S NPI was the lowest bidder in Contract Package of GL-05 i.e. 16.81% below the estimated cost and it was expected to succeed also in this package therefore, the management did not open deliberately his financial bid to accommodate M/S Usmani Jv Reliable and award the contract irregularly to M/S Usmani JV Reliable sustained expected loss of Rs. 319.547 million in higher quoted rate as compare to 16.81% below in estimated rate in GL-5 project.

Audit is of view that undue favour was extended to the contractor due to award of contract in non-transparent manner.

The matter was reported to the management in January 2018. DAC meeting was held on November 26, 2018. The mmanagement informed that as per PPRA Rules 23 & 24 the procuring agency (if deem necessary) may incorporate any clause that it think necessary for work done and every detail is clearly mentioned in the bidding documents and NIT.

The audit contended that the management, in fact discriminate and putting the particular contractor at advantageous position which is against the rule 10 and rule 32 of PPRA. In case the management conducted fair competition more competitive rates could be obtained contractor has already been given the identical nature of the work by the management which shows that the subject contractor was qualified to execute the work. The DAC directed the management to revisit the reply in the light of quoted rules. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.6 Irregular appointments of Engineers/Managers - Rs. 39.200 million

The management advertised its several vacancies in Newspapers by laying down the appointment criteria. Further, According to the Govt. of Pakistan, Establishment Division OM dated June 24, 2010, the Ministries /Divisions/ Department are advised that hence forth, the concession of 5 years general relaxation in upper age limit shall be clubbed with the maximum age limit of the post in their advertisements. In case usual upper age limit of posts in various Basic Pay Scales is as in column (a) below, the maximum age limit shall be as in column:

Basic Pay Scale	Age Limit	General Age Relaxation	Maximum Age Limit
1-15	25	+ 5 years	30
16	28	+ 5 years	33
17	30	+ 5 years	35
18	35	+ 5 years	40

19	40	+ 5 years	45
20	45	+ 5 years	50
21	50	+ 5 years	55

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that the management appointed 13 Officers (Engineers / Managers) in violation of appointment rules/criteria (Annex-23).

Audit is of the view that the management extended undue favour to the officers which proves weak internal controls.

The matter was reported to the management in January, 2018. DAC meeting was held on January 11, 2019. The management informed that appointments were made through advertisement and HR Committee short listed the candidates according to their profile and recommended the same to BOD. Salaries of the incumbent were determined by the HR Committee according to his/her credentials within the ambit of PC-01. Audit contended that short comings have already been pointed out in audit paras. DAC directed the management to make HR manual for KIDCL and recommended that contract of all those employees who does not fulfill the specific criteria of the post may be reviewed and get the record verified from audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.7 Non-payment of Stamp duty to Sindh Revenue Board - Rs.8.858 million

According to Section 15 of the Sindh Revenue Board (Amendment) Act, 2017 any instrument in the nature of memorandum or agreement made or entered into by contractor with Government, a Corporation, local body, local authority, commercial or industrial concern, whether singly owned or run through partnership, body registered under the Company Law, a cooperative society or any other organization to execute any work or to supply or to undertake cartage

of stores and materials and to provide engineering consultancy services or any other services covered under above documents including a purchase order, work order, cargo bill, a railway ticket of ACC, a running rate contract and other levies and taxes pertaining to local bodies shall pay twenty paisa for every hundred rupees or part thereof of the amount of the contract.

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that the management paid an amount of Rs.4,428.841 million to the different contractors and suppliers on account of construction of project. However, the stamp duty amounting to Rs.8.858 million (4,428,841,000 x 0.20/100) was not paid to the Sindh Revenue Board.

Audit is of the view that non-payment of stamp duty shows negligence on the part of management.

The matter was reported to the management in January, 2018. DAC meeting was held on January 11, 2019. The management informed that as per Sindh stamp duty Act, it is responsibility of contractor to submit stamp duty on contract on given rate to provincial government. Hence, KIDCL cannot withhold stamp duty as per provincial tax laws. Audit contended that it was responsibility of the KIDCL to ensure that all govt. taxes/fees are deposited in federal/provincial exchanges. DAC directed that a letter will be sent to Sindh Revenue Board. After suitable response from SRB, and if advised the stamp duty be deducted and deposited in relevant head of accounts. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.8 Irregular award of additional charge of CEO along with dual pay - Rs. 8.600 million

According to Fundamental Rule 35 and provision to Section 17 of the Civil Servants Act, 1973 additional charge of a vacant post may be held by an

officer for three months. This term may be extended for another three months in consultation with the Finance Department. On expiry of six months of additional charge of a particular vacant post, the post would be treated as having been abolished, and it cannot be revived without the concurrence of the Finance Department. Further, As per section 10(ii/iii) of office memorandum of Finance Division OM No.F.No.1(2)Imp/2016-333, Islamabad Dated 1st July 2016 that; "Special Allowance on additional charge of identical/Non-identical is 20% and 10% of Basic pay respectively subject to maximum of Rs.12000."

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that Mr. Muhammad Sualeh Ahmed Faruqui (a BS-20 Officer) Principal Secretary to the Governor Sindh was holding additional charge of Chief Executive Officer (CEO) KIDCL in addition to his own services since last four 4 years. The officer drawn salary Rs. 8.6 million from KIDCL in addition to the regular salary from EOBI / Governor house at the same time. Whereas, as per Finance Division's OM referred above, he was entitled only additional charge allowance @ 20% of Basic pay subject to maximum of Rs.12,000.

Audit is of the view that the Mr. Farooqui retained charge of CEO, KIDCL and drawn double salaries from EOBI / Governor House and KIDCL at the same time in violation of rules.

The matter was reported to the management in January, 2018. DAC meeting was held on November 26, 2018. The management informed that Rs. 8.60 million as worked out by the auditors was not correct. Rs. 300,000 of incentive allowance was decided in 1st meeting of BOD of KIDCL, if CEO is hired on full time basis. CEO has only availed Rs. 2.4 million till June 30, 2017 for his service of two years in KIDCL as CEO. Audit contended that the officer was holding the additional charge of the post of CEO, KIDCL. Whereas, he is a civil servant and posted as Principal Secretary to the Governor of Sindh on regular basis. Thus, being civil servant, his terms & conditions of service is subject to the Government's rules & regulations. According to which only 20%

of the basic pay was admissible as additional charge allowance. DAC referred the para to FA of the Ministry for his opinion. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

5.1.4.9 Irregular payment of mobilization advance - Rs.74.347 million

Clause 60.12 (a) of standing forms of bidding documents of Pakistan Engineering Council (PEC) states that an interest-free mobilization advance up to 15% of the contract price stated in the letter of acceptance shall be paid by the Employer to the Contractor.

During audit of Karachi Infrastructure Development Company Limited (KIDCL) for the year 2016-17, it was observed that in KAR/BRTS/GL/10 project management paid mobilization advance to M/s. Greeves Pakistan Rs.74.347million @ 20% in violation of PEC standards and guideline. As the maximum limit of mobilization advance was fixed by PEC at 15% of the contract value.

Audit is of the view that undue favour was extended to the contractor by granting 20% mobilization advance instead of 15%. This is irregular.

The matter was reported to the management in January, 2018. DAC meeting was held on November 26, 2018. The management apprised that no mobilization advance was granted to the supplier. It is 20% of CIF (Cost insurance & Freight) cost. As per provision of contract, 20% of CIF cost will be given when contractor has given LC (Letter of Credit). 60% of CIF cost will be given when contractor has given BL (Bill of lading) and 20% of CIF cost will be given when contractor has provided the goods/ equipment at site to the satisfaction of the Engineer. Audit contended that huge amount as advance was released to the supplier for import of lifts and allied equipment without considering the proposed schedule of installation of lifts. Thus, the amount was

blocked and undue favour was extended to the supplier. DAC directed the management to examine necessity of the agreement clauses besides, verification of the record by the audit on or before December 10, 2018. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

Chapter-6
Ministry of Defence Production

6.1 Karachi Shipyard and Engineering Works Limited

6.1.1 Introduction

Karachi Shipyard & Engineering Works Limited (KS&EWL) is an unquoted public limited company incorporated under the Companies Ordinance, 1984. The major activities of the company are shipbuilding, ship repairs, and general engineering.

6.1.2 Comments on Audited Accounts

6.1.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

6.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1999-00	5	3	2	74, 77	60
2005-06	7	6	1	50	86
2013-14 (Paras More Than 50 M)	1		1	5.1.4.1	0
2016-17 (Paras More Than 50 M)	2		2	5.1.4.4, 5.1.4.5	0
Total	**15**	**9**	**6**	**-**	**60%**

The overall compliance of PAC directives needs improvement.

6.1.4 Audit Paras

6.1.4.1 Non-recovery of Service Charges from customers - Rs. 337.607 million

Rule-38(1) of GFR states that it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Public Account.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2016-17, it was observed that the management failed to recover amount of Rs.337.607 million from various clients/customers on account of Ship repairs, Ship Building and General Engineering Services as on June 30, 2017.

Audit is of the view that non-recovery of huge amount shows negligence on the part of the management which indicates weak internal controls.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. The management informed that Rs. 198.00 million (approx) has been recovered and efforts are being made for early recovery of the remaining amount. The DAC directed the management to recover the remaining amount within 06 weeks. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

6.1.4.2 Irregular placement of PSDP funds into commercial banks - Rs. 2,346.377 million

Controller General of Accounts Letter No. 574/CGNAC-IV/1-1/2011 dated June 20, 2012, Para 2 (VI) of the revised procedure for operation of Assignment Account, the transfer of funds from the assignment account for deposit into chest or any bank account is forbidden.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2016-17, it was observed that the management transferred PSDP (Ship Lifting & Transfer System Project) funds of Rs. 2,346.377 million from assignment account (NBP) to commercial banks in violation of above rule. The detail is as under:

Sr. No.	Name of Bank	Account No.	Deposit since	Balance as on 30-06-2017 (Rs.)
1.	Allied Bank	0010000080820041	July, 2009	1,060,418,920
2.	Bank Islami	10030020079-0201 (616)	July, 2011	1,285,959,052
Total				**2,346,377,972**

The management vide letter No.SLTS/MoDO/Admn/17/444 dated December 18, 2017 reported to the administrative Ministry that no public funds were deposited into commercial banks which tantamount to misreporting.

Audit is of the view that the management/Ministry misreported the facts of parking of public funds into commercial banks and chances of financial violation could not be ruled out.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. The management informed that funds were deposited in the commercial banks for opening of the Letter of Credits (LC). However, due to default by the contractor, project could not be finalized therefore; funds were transferred from assignment account to commercial banks A/Cs. A detailed inquiry was also conducted and major punishment was given to the officer. Audit contended that funds cannot be transferred from assignment account to commercial bank without permission of the Finance Department. Further default by the contractor showed that technical and financial position was not evaluated properly resulting into default by the contractor. DAC directed the management to share the inquiry report along with all related record with audit and submit revised reply in next DAC/PAC meeting.

Audit recommends implementation of the DAC directives.

6.1.4.3 Loss due to default by the supplier - Rs.1,911.18 million

Rules 20 & 23 of GFR states that every Govt. officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2016-17, it was observed that in January, 2009 the management awarded a contract for fabrication and installation of steel structure and accessories to ship lift and transfer system (PSDP project) to M/s Schiess-Defrries Engineering GmbH, German based Company amounting of US$ 6.300 million and Rs. 56.610 million against 2,589 ton steel plates, 239 ton welding material for fabrication of platform, and service charges respectively. Meanwhile, the supplier become insolvent and claimed that the requisite materials were supplied to KS&EW. The management claimed that out of total requirement 200 tons of material was short supplied. However, no record was available in the files relating to supply of material. Moreover, in July 2010 the management claimed an amount of Euro 16.619 million equivalent to Rs.1,911.180 million from the supplier (including the amount released, delay penalty, price increase of the new contract, escalations, etc). The same was still outstanding.

Audit is of the view that undue favour was extended to the contractor as no proper financial position and other eligibility criteria were observed.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. The management informed that funds were deposited in the commercial banks for opening of the Letter of Credits (LC). However, due to default by the contractor, project could not be finalized therefore; funds were transferred from assignment account to commercial banks A/Cs. A detailed inquiry was also conducted and major punishment was given to the officer. Audit contended that funds can’t be transferred from assignment account to commercial bank without permission of the finance department.

Further default by the contractor showed that technical and financial position was not evaluated properly, resulted into default by the contractor. DAC directed the management to share the enquiry report along with all related record with audit and submit revised reply in next DAC/PAC meeting.

Audit recommends implementation of the DAC directives.

6.1.4.4 Loss due to purchase of engines at higher rates - Rs. 385.447 million

Rule-12 of Public Procurement Rules, 2004 states that all procurement opportunities over two million rupees should be advertised on the Authorities website as well as in other print media or newspapers 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, clause 33B of National Accountability Bureau (Amendment) Ordinance 2002 requires statutory Corporations or authorities established by the Federal Government shall furnish a copy of contract of fifty million rupees or more to NAB within reasonable time.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2016-17, it was observed that in July 2016 the management purchased MTU marine engines directly from one supplier i.e., M/s Middle East FZE amounting to EURO 4,379,459 equivalent to Rs. 446.348 million in violation of above rules. It is further evident that these engines were almost of same power, but there was huge difference of price i.e. the engines purchased were 10 times higher than the engine of Cummins. Thus, KS&EW sustained a loss of Rs. 385.447 million (Rs. 446,347,572- Rs. 60,900,000=USD 145,000 x 4 engines x Rs. 105) due to procurement without open tendering. The detail is as under:

Sr. No.	Description	MTU Engine purchased	Cummins
1.	Cylinders	16V	16V
2.	Power kw	2720	2935/3935
3.	Speed rpm	2100	1800
4.	Price	Euro1,094,864	US$ 145,000

Audit is of the view that undue favour was extended to contractor and KS&EW was deprived from the benefits of the competitive bidding.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. The management informed that KS&EW install the parts/engine as required by customer, i.e. Pak Navy, which already specified the required parts to be purchased from the OEM. Further, there is difference of specification & components between the engines purchased and engines quoted by Audit. DAC directed the management to provide documentary evidence to audit for verification & obtained ex-post facto approval for being proprietary item from PAO/Secretary MoDP. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

6.1.4.5 Irregular appointment of officers and staff - Rs. 359.212 million

Establishment Division O.M.No.8/31/2000-R.3, dated 11-10-2000.Civil Servant Rule, 1973 regarding quota system states that vacancies in the under-mentioned posts shall be filled on All-Pakistan basis in accordance with the merit and provincial or regional quotas prescribed by Government from time to time. Further, recruitment Policy for the Federal Services/ Autonomous Bodies/Corporation issued by the Establishment Division vide OM dated 22 October 2014 endorsed the conditions of Civil Servant Rules-1973.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2016-17, it was observed that 2,443 employees (Officers/ staff) were appointed on different posts and in different departments, without observing the pre-requisite formalities such as quota system, advertisement, relevant qualification and experience, age etc. Thus, the pay and allowances of Rs. 359.212 million of employees were irregular and unjustified. Further, Service Rules of KS&EW were prepared in contravention of the orders of Establishment Division.

Audit is of the view that the management extended undue favour to the official appointed without observing the above rules and failed to provide equal opportunity to the public.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. The management informed that KS&EW is an unlisted company under Companies Act and is governed by the Board of Directors. Since more than two decades, no induction/ recruitment has been made in regular cadre, but are hired on yearly contract basis. DAC directed the management to consolidate the service rules of KS&EW in the light of Govt. rules/direction and Corporate Governance Rules and get them approved from the BoD and Government of Pakistan within three months or Government services rules be followed in letter and spirit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

6.1.4.6 Irregular appointment beyond age of superannuation - Rs.7.857 million

Govt. of Pakistan, Establishment Division, through OM dated December 04, 2007 issued directives that re-employment beyond the age of superannuation on contract is restricted to few cases where the expertise of the civil servant is still required by the Government, and such re-employment requires approval of the Prime Minister. All Ministries/Divisions were directed that no case of re-employment beyond the age of superannuation be initiated as matter of routine and without following the laid down procedure. These directives are also applicable to the attached Departments/ Subordinates Offices /Autonomous Bodies/Semi-Autonomous Bodies /Corporations etc.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2016-17, it was observed that the management appointed Mr. Siddique Ahmed as DGM on contract basis in September 2012, for a period of one year at salary of Rs. 65,685 per month after the age of superannuation in violation of

above rule. Thus, payment of Rs. 7.857 million (Rs. 130,951 x 5 year x 12 months) on account of salary was held irregular.

Audit is of the view that undue favour was extended to the incumbent and management deliberately violated the rules of the Govt. of Pakistan.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. The management informed that Mr. Siddique Ahmed, DGM is no more on KS&EW payroll and his services has been stuck off w.e.f September 11, 2017. The DAC directed to regularize the matter from competent forum. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

6.1.4.7 Violation of rules due to non-appointment of CIA, CFO & Company Secretary

Rule-13(1) of the code of Corporate Governance Rules 2013, states that the Board shall appoint a Chief Financial Officer, the Company Secretary, and a Chief Internal Auditor by what so ever name called.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2016-17, it was observed that the management did not appoint the Chief Internal Auditor, Chief Financial Officer and Company Secretary as required by the above code of Corporate Governance. Moreover, Deputy General Manager (Internal Auditor) and General Manager (Procurement) were working as Director Finance as per Organizational Chart provided to audit, which was violation of above rules.

Audit is of the view that the above position shows weak internal controls and also conflict of interest.

The matter was reported to the management in March, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to abide by the corporate rules and to consolidate the service rules of KS&EW in the light of Govt. rules/direction and Corporate Governance Rules and get them approved from the BoD and Government of Pakistan within three months.

Audit recommends implementation of the DAC directives.

6.2 Pakistan Ordnance Factories

6.2.1 Introduction

Pakistan Ordnance Factories were established under the POFs Board Ordinance 1961 to meet the arms and ammunition requirements of Pakistan Armed Forces during peace and war. For the purpose, it has 14 manufacturing units along with services department.

6.2.2 Comments on Audited Accounts

6.2.2.2 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2017-18.

6.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1991-92	22	20	02	7,8	91
1992-93	12	11	01	49	92
1994-95	38	36	02	14,78	95
1995-96	12	08	04	66,67,68,107	67
1997-98	18	16	02	42,44	89
1999-00	18	16	02	15,16	89
2003-04	04	01	03	1.3.14,1.3.18,1.3.19	25
2009-10	16	08	08	50&51,52,53,54,55,56,58,1.2	50
2013-14	16	04	12	1.1.2,1.1.5,5.2.1,5.2.2&5.2.2.1,5.2.3,5.2.4.1,5.2.4.2,5.2.4.3,5.2.4.4,5.2.4.5,5.2.4.6,5.2.4.7	25
2016-17	12	01	11	(5.2.1&5.2.2,5.2.2.1,5.2.3,*5.2.4.1,5.2.4.2,5.2.4.4,5.2.4.5,5.2.4.6,5.2.4.7,5.2.4.8,5.2.4.9)*	8
Total	**168**	**121**	**47**		**72**

The overall compliance of PAC directives was not satisfactory, especially in the year 2003-04. No PAC was held for subsequent years.

6.2.4 Audit Paras

6.2.4.1 Loss due to theft of store - Rs. 2.40 million

According to the Rule 159 of General Financial Rules (GFR), the physical verification of stores should be carried out at least once a year by a competent authority. The work should not be entrusted to a person; Who is custodian, the ledger keeper or accountant of store to be verified; Who is not conversant with the classification, nomenclature or techniques of store to be verified; Who is low paid subordinate?

During the audit of POF Explosive Factory for the years 2015-17, it was observed that physical verification was not conducted regularly which resulted in theft of store of substantial value. Court of Inquiry (COI) was conducted on the directives of Director Admin dated November 20, 2013 to probe into the matter. As per findings of the Court of Inquiry 2290.44 Kgs of copper valuing Rs. 2.99 million was found short as a result of embezzlement during the period of three years. The inquiry officer recommended the dismissal of Mr. Sohail Ahmed Senior GK from service along with recovery of the amount of Rs. 2.40 million on November 18, 2014. This resulted into loss of Rs. 2.40 million due to theft of copper.

Audit was of the view that there were serious loopholes in the Internal Control System of the POFs Explosives. These loop holes facilitated the culprits to indulge in this activity over a long period of three years. The inquiry report was incomplete as it recommended action against only one person. All other persons have been exonerated. Furthermore, no recovery was affected from the culprits, which showed lack of follow up action, by the management.

During DAC meeting held on December 19 to 21, 2018, management apprised the Committee that dismissed employees filed a petition in the FST against the dismissal order. The DAC directed the management to recover the

amount from the accused and pursue the case actively. No recovery was affected till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.2 Irregular contracting for imported Machine Guns - Rs 544.38 million

According to Para-2 of Ministry of Defense Production letter No. MoDP's U.O. dated April 06, 2016, import of Finished Defense Stores for Armed Forces as well as Law Enforcement Agencies was neither covered in POFB Act nor Policy letter bearing U.O. Note dated September 16, 1999. Moreover, according to Extracts No. 1972/POF dated February 01, 2016 and 2053/POF dated April 28, 2016 received from the General Manager Production Coordination, the factory had to manufacture two hundred and sixty two (262) 12.7mm AA Machine Guns type W-54 with its accessories valuing Rs 374.95 million for Inspector General Head Office Baluchistan Quetta and Khyber Pakhtunkhwa with delivery period up to June 30, 2017 and June 30, 2018 respectively instead of its import.

During the audit of Pakistan Ordnance Machine Gun Factory Wah Cantt for the years 2014-17, it was observed that:

i. The management invited sealed bids for supply of defense store as per Chinese specification through Tender Inviting Notice in Daily Dawn Islamabad dated June 16, 2016 with opening date July 16, 2016.
ii. Three firms offered their rates out of which the rate of US $ 6,880 (C&F) per unit quoted by M/s Sky Wise Development Ltd China was lowest. Contract No. 0002-FP-46-Pur-MGFY dated October 01, 2016 was issued to M/s Sky Wise Development Ltd Beijing China for supply of 750 12.7mm AA M.G with complete accessories (W-54) with total cost of US $ 5,160,000 equal to Pak Rs 544.38 million (C&F value up to Karachi Seaport) within 10 months after opening of Letter of Credit @ US $ 6,880 per unit.
iii. The Letter of Credit was opened on November 25, 2016 but the firm failed to supply the total quantity of requisite store in stipulated period as

stated in POF letter No 0002-FP-46-Pur-MGFY dated January 01, 2018. The store was still under procurement.

Audit was of the view that POF, Machine Gun Factory was capable enough to manufacture Machine Guns locally instead of importing and spending foreign exchange. Moreover, the subject import was in violation of Ministry of Defense instructions.

During DAC meeting held on December 19 to 21, 2018, management informed the Committee that import was made in view of the capacity constraint of the factory. The DAC decided that the MODP would review the whole case. The case was not reviewed by the MODP till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.3 Irregular import of armed forces stores - Rs 339.43 million

According to Para-2 of Ministry of Defense Production letter No. Ministry of Defence Production U.O. dated April 06, 2016, import of Finished Defense Stores for Armed Forces as well as Law Enforcement Agencies was neither covered in POFB Act nor Policy letter bearing U.O. dated September 16, 1999. Further, as per Finance Division O.M No F.15, (13)-R 14/82 dated September 05, 1982, funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

During the audit of Pakistan Ordnance Machine Gun Factory Wah Cantt for the years 2014-17, it was observed that contrary to above directives the management imported 8,100 Pistols B6 having CFR value up to Islamabad Airport US$ (FOB) 2,096,259 (including air freight charges US $ 30,759) equivalent to Pak Rs 212.25 million through M/s Sarsilmaz Silah Sanayi A.S., Turkey vide Contract dated April 11, 2016. The store was received from March 01, 2017 to April 06, 2017 for total amount of Rs 339.43 million. As the import of Finished Defense Stores for Armed Forces as well as Law Enforcement

Agencies was not allowed as per POF Board Act, Policy letter bearing U.O. Note dated September 16, 1999, therefore, incurrence of expenditure of Rs 339.43 million was held irregular.

Audit was of the view that the management despite having manufacturing capacity imported the pistols against the standing instructions which was held irregular.

During DAC in its meeting held on December 19 to 21, 2018 management informed the Committee that the store was imported with the approval of MODP. The DAC directed that the profit earned by POF and WIL on sale of Pistol/Gun, imported from Turkey may be deposited into Govt. Treasury. However, the profit amount was not deposited into Govt. treasury despite DAC directive.

Audit recommends compliance of the DAC directive.

6.2.4.4 i Irregular acceptance of offer and award of contract - Rs. 95.58 million

ii Non-obtaining of performance guarantee - Rs. 9.58 million

According to Tender Enquiry Clause-4.1, "the bid money at the rate of 2% (for registered firms with POF) and 5% (for unregistered firms) of the quoted value should accompany the tender in shape of Deposit at Call Receipt/ Pay Order/ Banker's cheque from a scheduled bank drawn in favour of GM-Purchase-I". Moreover Chairman POF Board issued instructions vide Director S.C. Management letter dated February 21, 2017 for compliance during procurement processes that offers/ bids of the firms, fulfilling all the terms & conditions of the TE should only be accepted. Conditional offers should be rejected at the time of opening of tender and offers received without tender fee and insufficient bid money should not be entertained".

During audit of POF Director Supply Chain Management, for the years 2016-17, it was observed that the management floated RFP/ EOI on PPRA website and print media for pre-qualification of firms for procurement of High End ICT Equipment for Safe City Project with the opening date on January 18, 2017. Resultantly eight firms participated and only two firms pre-qualified. Commercial offers of both the pre-qualified firms were opened on February 08, 2017. However, it was found that both the firms did not submit bid money @ 5% of the quoted price alongwith their offers. As per requirement of Tender Enquiry and Chairman POF Board's instructions, both the bids were required to be rejected and should not be entertained. However the management obtained the bid money from the lowest bidder through correspondence and signed an agreement with M/s Techaccess Pakistan Private Limited (lowest bidder) for supply, installation and commissioning of store/equipments worth Rs. 95.58 million. In this way, undue favour was extended to the supplier against the provisions of TE and Chairman POF Board instructions. It was further observed from record that the management did not obtain performance guarantee @ 10 % of the total value of contracted store i.e. Rs. 9.58 million, from the supplier for satisfactory execution of the contract according to the provisions of the contract.

Audit was of the view that the awarding of contract and subsequently allowing the technically prequalified firms to deposit bid money and non-obtaining of performance guarantee was in violation of the provisions of TE and Chairman POF Board instruction. The procurement was therefore, considered irregular.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to submit revised reply. Revised reply was not received till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.5 Irregular payment to the supplier - Rs. 19.12 million

According to Clause-13 of the Contract Agreement signed between M/s Techaccess Pakistan Private Limited and POF Director Supply Chain Management, payment to supplier will be made according to following terms.

- 20% advance payment against CDR/Bank Guarantee of equal amount as BG to be released after receipt of equipment.
- 60% payment will be released after receipt of HW Equipment.
- 20% payment will be released after installation, commissioning integration and testing of the complete project (means after FAT).

During the audit of POF Director Supply Chain Management, for the years 2016-17, it was observed that the management signed an agreement with M/s Techaccess Pakistan Private Limited on March 03, 2017 for supply, installation and commissioning of store/equipments worth Rs. 95.58 million for safe city project with completion time up to June 05, 2017. The supplier could not complete the project within the prescribed schedule and requested vide its letter dated 24 October 2017 to extend the completion date of the project till December 30, 2017, which was accepted by the management. Inspite of failure of the contractor, full payment of the project was released during June 2017 before completion of installation, commissioning integration and testing of the project.

Audit was of the view that the payment of Rs. 19.12 million was made to supplier in violation of terms of contract therefore payment was held irregular and undue favor to the supplier.

During DAC held on December 19 to 21, 2018 management informed the Committee that the payment was made as per terms of contract after completion of project. Audit was of the view that the acceptance certificate was issued just to make the payment. The DAC directed the management that the physical verification report regarding completion of project may be provided to audit. The requisite documents were not provided to audit till the finalization of this report.

Audit recommends early submission of revised reply alongwith supporting document as per directive of the DAC.

6.2.4.6 Irregular procurement without obtaining competitive rates - Rs. 364.42 million

According to Rule-12 (2) of PPRs-2004, "All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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. Moreover according to Rule-42 c (ii) of PPRs-2004 "A procuring agency shall only engage in direct contracting if the following conditions exist, namely only one manufacturer or supplier exists for the required procurement: Provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence.

During the audit of POF SAA Factory for the years 2015-17, it was observed that the management awarded contract dated April 29, 2016 worth US $ 3,599,212.50 equivalent to Pak Rs. 364.42 million without obtaining competitive rates to M/s Poly Technologies Inc. China on C & F basis for procurement of "7.6x39 mm Ball Ammunition" quantity 26.75 million. The contract was awarded to the firm on the instructions of GHQ GS Branch W & E Rawalpindi dated October 29, 2015 through direct contracting without declaring the product as proprietary as per criteria given in PPRA Rules. Hence, the management made violation of PPRA rules. Thus, expenditure of Rs. 364.42 million incurred on procurement of store without obtaining of competitive rates/ through direct contracting in violation of PPRA Rules was held irregular.

During DAC dated December 19 to 21, 2018 management apprised the Committee that the order was placed on M/s PTI on the directives of GHQ GS Branch W & E Dte. Rawalpindi. The DAC directed the management to refer the case to MODP for ex-post-facto approval.

Audit recommends compliance of the DAC directive.

6.2.4.7 Irregular enhancement of civil works contract - Rs. 7.00 million

According to Rule-12 of PPRs 2004, "All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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." Rule-42 c (iv) further states that repeat orders/ enhancement should not exceed fifteen per cent of the original procurement/ contract.

During the audit of POF Explosives Factory for the years 2015-17, it was observed that:

i. The management awarded civil works contract worth Rs. 1.5 million to M/s Pyramid Engineering (Pvt) Ltd for repair & maintenance of buildings of POFs Explosives Factory during the year 2015-16.
ii. Similarly another civil works contract worth Rs. 1.5 million was awarded to M/s Hanif & Co for repair &maintenance of buildings of the factory during the year 2016-17.
iii. Later on, both these contracts were enhanced to Rs. 3.5 million each on the plea that certain civil works / repair and maintenance works was yet to be carried out.
iv. As the amounts of enhancement in contracts was more than 100 % of the original contract value and were over and above Rs. 2.00 million in each case, hence the management was required to obtain fresh competitive rates through print media or newspapers, which was not done.

Audit was of the view that the enhancement in civil works worth Rs. 7.00 million in violation of PPRA Rules was held irregular.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to hold a fact-finding enquiry to probe the reasons of enhancement of civil works. Fact finding Inquiry was not held despite DAC directive.

Audit recommends compliance of the DAC directive.

6.2.4.8 Irregular cash payment - Rs 9.570 million

According to FBR (CBR) Notification No.F.4 (1) TP/2004-EC dated July 17th 2004, expenditure incurred under single account was inadmissible if it exceeded Rs 5,000 and not paid through cross cheque. Clause(1) of Section 21 of the Income Tax Ordinance, 2001 has been amended to raise the limit to Rs 10,000 for the purpose of making payment through crossed cheque under a single account head. Further as per para-6.5 of Purchase Manual of POF, payment will be made by the C.O.F.A through cross cheque on receipt/acceptance of store on prescribed bill form supported by receipt voucher on part/full supply basis.

During the audit of CMA POFs Wah for the years 2011-17, it was observed that the management purchased stores to the extent of Rs 9.57 million during the period 2013-14 to 2016-17. It was noticed that the prescribed directives for purchases were not observed and payments were made in cash instead of crossed cheques to the concerned parties. Thus, the entire expenditure was held irregular.

During DAC held on December 19 to 21, 2018 management admitted the cash purchases on the plea that the procurements were made in emergency, however, the practice has been stopped forthwith. The DAC directed the management to segregate the procurement cases with regard to their requirement and value and revised reply be submitted to audit for consideration. Revised reply was not received till the finalization of this report.

Audit recommends compliance of DAC directive.

6.2.4.9 Irregular payment based on fake completion report – Rs 39.16 million

According to clause 61 (a) of MES Regulations, "as soon as possible after the completion of the works to the satisfaction of the GE, the contractor bill shall be accompanied by all abstracts, vouchers, etc supporting it and shall be prepared in the manner prescribed by the GE. No claims will be entertained after the contractor has signed the No Demand Certificate."

During the audit of Director Civil Work (DCW) for the years 2017-18, it was observed that contract was awarded to M/s Wah Construction Ltd. for construction of building for DCW Offices at POF Wah Cantt. Total value of contract was Rs 39.97 million. As per completion report, the building was completed on June 01, 2018. However, building was not handed over due to the reason that building was only 60% complete, necessary accessories were not installed. Final payment was made on fake completion report which resulted into loss of Rs. 39.16 million.

During DAC meeting held on December 19 to 21, 2018, the management apprised the Committee that the building had been completed. However audit highlighted that prima facie final payment was released on fake completion report. The DAC showed its concern over change of the title in working papers and directed the management to hold an inquiry on the matter. The DAC further directed that relevant record regarding completion of building may be provided to audit for verification. No record was produced by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.10 Irregular enhancement in the scope of work - Rs 6.57 million

According to Para-9 (c.) of MES Regulations 1998 " the deviation limit to a contract will not exceed 20 per cent for contracts estimated to cost over

Rs 1.250 million without the prior sanction of DW & CE concerned". Each case will be considered on its merits and the deviation limit fixed as low as possible.

During the audit of Director Civil Work (DCW) for the year 2017-18, it was observed that the management awarded contract to M/s Danyal Enterprise Wah Cantt valuing Rs 12.57 million vide contract agreement dated December 19, 2015 for rectification of leakage /seepage in power house at POF Wah Cantt. Work Order dated January 01, 2016 was issued to the contractor for completion of work within three months up to March 31, 2016. The contractor failed to complete the subject work within time schedule mentioned in the first work order however, submitted 1st running bill of Rs 4.10 million on June 21, 2016 and 2nd running bill of Rs 1.27 million on October 29, 2016. It was observed that the contract was revised in February 2017 and the scope of work was enhanced from Rs 12.57 million to Rs 18.68 million. This resulted into irregular 52% enhancement in scope of work worth Rs 6.57 million which was beyond the permissible limit of 20% of MES Regulations 1998 and was held irregular.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to hold a fact-finding inquiry to probe the reasons as to why both MES and PPRA rules were not followed by DCW. Fact Finding Inquiry was not conducted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.11 Irregular appointment of consultant - Rs. 2.10 million

According to approved sanctioned strength of POF Weapon Factory, there was no post of Consultant Weapons & Ammunition. Further As per Cabinet Secretariat Establishment Division OM. dated Jun 21, 2005 "Engagement of retired officers as Consultant/ Advisors etc shall require prior permission of the Government, invariably i.e. Establishment Division in case of retired civilian officers, Defence Division in case of retired defense officers and Law, Justice and Human Rights Division/ Supreme Court in case of retired judiciary officers".

During the audit of POF Weapon Factory for the year 2016-17, it was observed that the management appointed Col (R) Jawed Umer as consultant Weapons & Ammo on contract basis for a period of one-year w.e.f July 01, 2017 on monthly pay package of Rs. 175,000. The officer joined the duty w.e.f December 28, 2017. However, there was no post of Consultant, Weapons &Ammunition as per approved strength of the factory. Moreover, as per policy instructions of Government of Pakistan for appointment of retired defence services employees, POF management was required to obtain approval of the Defence Division, which was not sought. This resulted into irregular appointment of consultant and payment of pay and allowances amounting to Rs 2.10 million.

Audit was of the view that due to appointment of consultant in the absence of relevant post in sanctioned strength and in violation of Government instructions, appointment of the consultant was irregular.

During DAC meeting held on December 19 to 21, 2018 management apprised the Committee that POF Board was competent to appoint a consultant on contract. The DAC directed to get the matter regularized from the competent forum.

Audit recommends compliance of the DAC directive.

6.2.4.12 Irregular procurement by splitting the requirement -Rs 1.26 million

According to Rule-9 of PPRs-2004, "a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website".

During the audit of POF M.A.A Factory for the year 2016-17, it was observed that the management purchased five items having value Rs. 1.26 million

through different cash purchase orders from different suppliers. However, these purchases were made by splitting the requirement. The management made purchases without assessing the actual annual requirement and purchases were made during the whole year through different purchase orders by obtaining hand-collected quotations in violation of PPRs.

Audit was of the view that the procurement of Rs. 1.26 million by splitting the requirement in violation of PPRs was irregular.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to hold an inquiry on frequent cash purchases made by the factory and the findings of the inquiry may be shared with the PAO. No inquiry was held by the management despite directive by the DAC.

Audit recommends compliance of the DAC directive.

6.2.4.13 Non-recovery of building rent - Rs 16.20 million

According to Para-23 of GFR Vol I & II, every officer should realize fully and clearly that he will be personally held responsible for any loss sustained by government through fraud or negligence on his part and that he will be personally responsible for any loss arising from fraud or negligence on the part of any 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 Director (Admn) including Rent and Estate POF Wah Cantt for the years 2009-17, it was observed that POF's Hotel was renamed as POFs Guest House in January 2015. The management revised the monthly rent w.e.f 7/2017. The POF Hotel management did not pay revised rent for the period January 2015 to June 2017 (30 months) in violation of government rules / procedure.

Audit was of the view that the hotel was renamed as POF Guest House in January 2015 and revised building rent of Rs 16.20 million for the period w.e.f. 01/2015 to 6/2017 @ Rs 540,000 per month was not recovered from the POF Hotel management.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to get the amount of rent deposited into Govt. Treasury.

Audit recommends compliance of the DAC directives.

6.2.4.14 i Non-recovery of rent from NGO, Sir Syed Education Society, Wah Cantt - Rs 4.32 million

ii Non-deposit of recovered rent in POF Account - Rs 1.35 million

According to clause-vi of the agreement between POF Welfare Trust (1st Party) and Sir Syed Education Society (2nd Party) dated August 19, 2011, the 2nd party shall pay Rs 150,000 to 1st Party on account of monthly rent by 5th of each month. The monthly rent shall be increased @ 10% at the end of the each agreement year.

During audit of Director (Admn) including Rent and Estate POF Wah Cantt for the years 2009-17, it was observed that the management provided seventeen (17) quarters to Wah Industries Home (WIH) until completion of orders received from POF Clothing Factory. In August, 2011, upon the closure of WIH due to non receiving of orders from POF Clothing Factory, the quarters were handed over to an NGO M/s Sir Syed Education Society by the management of Welfare Trust through an agreement dated August 19, 2011 valid for a period of 10 years at a monthly rent of Rs. 150,000 per month. The said NGO paid only 50% of the monthly rent i.e Rs. 75,000 per month instead of Rs. 150,000 per month total rent of Rs. 1.35 million was paid for the period September 2013 to February 2016 to Welfare Trust instead of Director (Admn) POF. The management time and again requested management of Welfare Trust to deposit the received rent in their account but Welfare Trust made no payment.

Furthermore, an amount of Rs. 4.32 million (remaining 75% monthly rent for the period October 2015 to May 2018 alongwith 10% increase in monthly rent was not paid by the NGO. This resulted into non-recovery of Rs. 4.320 million from NGO and Rs. 1.35 million from Welfare Trust.

The DAC in its meeting held on December 19 to 21, 2018 directed the management that the rental charges may be recovered from the concerned agencies and deposited into Govt. Treasury.

Audit recommends compliance of the DAC directives.

6.2.4.15 Non-recovery of sales revenue of stores supplied to Sri Lanka - Rs 3.35 million

According to Clause-9 (b) Agreement signed between Sri Lanka Government and POF, on July 27, 2016, the balance 20% of payment would be released within 15 days after receipt of store in Sri Lanka.

During the audit of Director (Export) Pakistan Ordnance Factories Wah Cantt for the year 2016-17, it was observed that the management supplied 194 Nos. Mp5P3 Weapons to Sri Lanka on October 30, 2017 valuing US$ 158,000 equal to Pak Rs 16.59 million in October 2017. However, despite lapse of more than 06 months, the supplied store was neither accepted by the client nor the remaining 20% payment amounting to Rs 3.35 million was released as yet violating the above said clause of contract.

Audit was of the view that the management was required to request the client to accept the material and release balance payment but no efforts were made in this regard.

The matter was reported to the management on April 17, 2018. In reply dated April 19, 2018, the management stated that client was reliable and no impediment was expected to occur in successful completion of the contract. The

reply was not tenable, as despite lapse of more than 06 months, remaining 20% payment amounting to Rs 3.35 million was not made.

The DAC in its meeting held on December 19, 20 and 21, 2018 directed the management to pursue the recovery at appropriate level.

Audit recommends compliance of the DAC directive.

6.2.4.16 Loss of foreign exchange due to import of Pistol B6 & Short Guns by POF - Rs 386.91 million

According to the Contract dated June 4, 2013 signed in Dubai between POF & M/s. Sarsilmaz Turkey for Transfer of Technology (TOT) of Pistol B6 & Shot Guns and to authorize POF to market Sarsilmaz products in Pakistan, the POF should have to transfer the desired technology from Turkey as stated in Managing Director POF Machine Gun Factory Wah Cantt office note dated February 10, 2017. Furthermore, according to Para-2 of Ministry of Defense Production letter No. MoDP's U.O. dated April 06, 2016, import of Finished Defense Stores for Armed Forces as well as Law Enforcement Agencies (LEA) was neither covered in POFB Act nor Policy letter bearing U.O. Note No. 2/6/99/DP-4 dated September 16, 1999.

During the audit of Pakistan Ordnance Machine Gun Factory Wah Cantt for the years 2014-17, contrary to above contract, management failed to get the requisite technology transferred to POFs. During this period management executed contracts for purchase of Pistols& Shot Guns without built-in TOT cost to fulfill the demands of Pak Army, LEAs and WIL orders. The Dy. Secretary MODP vide his letter No. MODP's U.O. dated. 06 April 2016 categorically focused upon carrying out such procurements through Wah Industries Limited and regretted to issue NOC for import of Pistols to MG-POF in future.

Audit was of the view, had the desired technology been transferred and implemented accordingly, the POF would have saved foreign exchange

amounting to US $ 3.68 million equal to Pak Rs 386.91 million @ Rs 105 per US $.

During DAC meeting held on December 19 to 21, 2018 management apprised the Committee that TOT could not be finalized due to irregular requirements and budgetary constraints and the case was closed by the POF Board. The DAC directed that the profit earned by POF and WIL on sale of Pistol/Gun, imported from Turkey may be deposited into Govt. Treasury. The amount of profit was not deposited into treasury despite directive of DAC.

Audit recommends compliance of the DAC directive.

6.2.4.17 Loss due to rejection of lowest bidders - Rs. 6.547 million

According to Rule-04 of Public Procurement Rules, 2004, the procuring agencies while engaging in procurement, shall ensure that the procurement are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rules-38 further defines that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Govt. shall be awarded the procurement contract within the original or extended period of bid validity.

During the audit of POF Weapon Factory for the year 2016-17, it was observed that the management invited tender inquiries on July 28, 2015 on PPRA website and print media for procurement of raw material for G3A3, MP5 and MG-3. In response, 12 firms participated in bidding. The management tested the samples of five bidders and rejected the bids of all other bidders relating to China, Hong Kong, and UAE etc. As per Financial Comparative Statements, it was observed that the management procured following items vide contract dated October 8, 2016 from M/s J.A.C Trading Ltd UK valuing Rs. 9.76 million on highest rates by ignoring the lowest bidder and sustained loss of Rs. 6.55 million.

Audit was of the view that rejection of participating bidders without sample test was unjustified.

The DAC during its meeting held on December 19 to 21, 2018 directed the management to hold an inquiry to probe the reasons due to which lowest bid was rejected and fix responsibility. No inquiry was conducted despite directive of the DAC.

Audit recommends compliance of the DAC directive.

6.2.4.18 Loss due to payment of default surcharge on Income Tax - Rs. 3.44 million

According to Section 205 of Income Tax Ordinance 2001, a person who fails to pay any tax, excluding the advance tax under section 147 [default surcharge] under this section; any penalty; or any amount referred to in section 140 or 141, on or before the due date for payment, shall be liable for default surcharge at a rate equal to 18 % per annum on the tax, penalty or other amount unpaid computed for the period commencing on the date on which the tax, penalty or other amount was due and ending on the date on which it was paid.

During the audit of POF Director Services for the years 2015-17, it was observed that the management failed to pay the amount of income tax collected by the POF through monthly electricity bills of private, commercial and industrial consumer's w.e.f 1992 to 2005. On non-payment of income tax, FBR penalized the management with default surcharge of Rs. 3.44 million. The POF paid the said amount to tax department. Thus due to nonpayment of income tax within stipulated time, POF sustained loss of Rs. 3.44 million.

Audit was of the view that the management was required to deposit the income tax deducted into treasury but same was not deposited, which attracted the penalty.

During DAC meeting held on December 19 to 21, 2018, management informed the committee that the case is subjudice and pending in the court of law. The DAC directed to pursue the case actively.

Audit recommends compliance of the DAC directive.

6.2.4.19 Expected loss due to ill planned procurement of stores - Rs 122.01 million

According to Rule-08 of Public Procurement Rules 2004, all procuring agencies shall devise a mechanism for planning in detail for all proposed procurement to determining the requirement of the procuring agency. Further as per POF Purchase Procedure the procurement was required to be made by assessing the actual requirement. In fact, un-necessary procurement needs to be avoided.

During the audit of POF B & G Factory for the year 2016-17, it was observed that slow moving stores valuing Rs 122.01 million were lying in stores since 2010. Furthermore, the said stores were procured during the years 1978 to 2010 but after June 30, 2010, efforts were not made for the utilization of said stores.

Audit was of the view that non-utilization of store since last eight years clearly showed that the procurement was made without any planning and assessing the requirements and its deterioration could cause loss of Rs 122.01 million.

During DAC meeting held on December 19 to 21, 2018, the management apprised that the store was procured against the targets of various ammunition, which becomes obsolete subsequently. The DAC directed the management to categorize the store as obsolete, slow moving etc. and useless store may be disposed of within 3 months. The categorization of the store was not carried out by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.20 Un-due favour resulted into acceptance of changed specification store at higher rates - Rs 5.05 million

According to Para-14.0(c) of POFs New Purchase Procedure, a bid once opened in accordance with the prescribed procedure shall be subject to only those rules, regulations and policies that are in force at the time of issue of notice for invitation of bids. Moreover, as per Rule 10 of Public Procurement Rules, the specifications shall allow the widest possible competition and shall not favor any single contractor or supplier nor put others at a disadvantage.

During the audit of POF B & G Factory for the year 2016-17, it was observed that the management floated tender on August 25, 2015 for procurement of "Mild Steel Tube Seamless". In response, 17 firms participated in bidding, out of which 13 firms technically qualified. The offer of M/s Huffaz Seamless Pipe Industries (Pvt) Ltd was not fully qualified as the bidder did not mention the tolerance of offered stores. Even then, contract dated March 25, 2016 valuing Rs 10.83 million was awarded to the supplier by ignoring the first lowest bidders who were fully technically qualified.

Furthermore, firm could not supply the store as per contractual specifications and later on requested the management to amend the tolerance of outer dia and thickness as per offered specification. The management accepted the store with amended specification against all five qualities vide letter dated April 21, 2016. This resulted into loss due to irregular procurement of stores at higher rates valuing Rs. 5.05 million.

Audit was of the view that management extended undue favour to bidder M/s Huffaz Seamless Pipe Industries (Pvt) Ltd by issuing tender inquiry direct to the preselected firm. Furthermore, offer of the firm without mentioning of tolerance of offered store was accepted instead of rejection. Due to this un-due favour, management sustained a loss of Rs 5.05 million.

During DAC meeting held on December 19 to 21, 2018, the management apprised the Committee that the lowest firms were ignored due to the reasons that they did not fulfill the requirement of tender enquiry. The DAC directed the management that the relevant record may be produced to audit for verification of facts. The record was not provided by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.21 Inadmissible payment of honorarium to Non-Allied Departments - Rs 8.19 million

According to POF Boards sanction letters for the years 2012-13, 2013-14, 2014-15, 2015-16, payment of honorarium was allowed to POF and allied Department employees only.

During the audit of POF's Pay & Allowances for the years 2011-17, it was observed that an amount of Rs 6.44 million was paid to the officers of following non-allied department as detailed below:

S No	Name	Year	Amount (Rs.)
1	LAO (A&B)	2013-14 to 2015-16	1,746,650
2	PAF	2012-13 to 2016-17	4,158,985
3	Navel Armament Inspection Organization	2012-13 to 2016-17	1,213,140
4	NAVY	2013-14	129,200
5	Navel Armament Research & Development Establishment	2013-14 to 2016-17	939,290
	Total		**8,187,265**

As the above departments were non-allied departments, hence payment of honorarium amounting to Rs 8.19 million was not admissible.

The DAC in its meeting held on December 19 to 21, 2018 directed that in case of declared allied departments duly approved by POF Board, payment of honorarium was justified, whereas, those departments which were not coming under allied status of POF and honorarium had been paid, the recovery may be ensured for its deposit into government treasury. No recovery was affected till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.22 Non-transparent award of consultancy contract - Rs 9.78 million

According to Rule-12 (2) of the Public Procurement Rules- 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During the audit of CMA POF for the years 2011-17, it was observed that the management approved the training policy on August 24, 2016 to impart in-house training during the years 2016-17 to its employees relating to Professional Development and Organizational Development, through a training service provider. An advertisement for submission of bids was published only on POFs Website ignoring all other procedure/rules relating to publicity through print media, leading newspapers, pre-qualification and Technical and Financial Evaluation of bids. Only three firms M/s Myma Communications, M/s PDC Nust Islamabad and M/s International Islamic University Islamabad with collaboration of M/s Asian Management Development Centre (AMDC) Islamabad were received. The firm M/s Asian Management Development Centre (AMDC) Islamabad was selected based on certificate provided by Islamic University. The documents available on record do not bear any registration or the

background/ profile of the firm. The Chairman POF's Board granted the approval and agreement was executed with M/s Asian Management Development Centre Islamabad on August 26, 2016 and same was continued during 2017-18. An amount of Rs 9.78 million (i.e. 2016-17 Rs 4.73 million and 2017-18 Rs 4.15 million) was paid to Asian Management Development Centre.

Audit was of the view that the award of work was thus non-transparent/ unfair as the firm had no legal status in the relevant field and was selected without prequalification.

During DAC meeting held on December 19 to 21, 2018, the management informed the Committee that the firm was selected by evaluating its capability through a committee. The DAC directed to finalize Service & Financial Rules of POF. The Service Rules were not approved till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.23 In-admissible transfer of funds to Chairman Special Fund - Rs 2.13 million

According to the directives contained in Ministry of Defence Production Division, letter dated August 28, 1989, the levy of one percent over and above Export Price of POF's Products was sanctioned by the President with the directives that the amount of levy realized as a result of execution of export orders will be transferred to Chairman POF's Board Special Fund and will be utilized to finance POF's Welfare activities.

During the audit of POF's Director Export for the year 2016-17 it was observed that the management sold out Tungsten Alloy Scrap valued at US $ 2,060,440 (Pak Rs 212.65 million) during the years 2013-17 to a foreign firm M/s Transact Inc USA. An amount of Rs 2.13 million was transferred by CMA on account of 1% of the value of store realized to Chairman Special Fund. It was however, observed that the amount of 1% was neither included in the tender nor

recovered from the party. The transfer of funds to the extent of Rs 2.13 million was in violation of specific directives, therefore, held irregular.

The irregularity was reported to the management on May 2018. In reply, dated July 04, 2018 the management stated that funds transferred to Chairman Special Funds was in conformity with Government orders dated August 28, 1989. Reply was not convincing as the above rules clearly states inclusion of 1% over & above the tendered price of products and transfer on realization. Furthermore, the said rules did not allow transfer of funds to CSF on sale of scrap.

The DAC in its meeting held on December 19, 20 & 21, 2018, hold the audit point of view and directed the management to deposit the amount in question in Govt. Treasury. The amount was not deposited in treasury despite DAC directives till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.24 Loss due to non-deduction of Sales Tax - Rs 1.24 million

According to Government of Pakistan Ministry of Finance, Economic Affairs, Statistics and Revenue Division notification No S.R.O.660 (1)/2007 clause (3) all withholding agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act, 1990, provided that under unavoidable circumstances and for reasons to be recorded in writing, purchases are made from unregistered persons, the withholding agent shall deduct sales tax at 15% of the value of taxable supplies made to him from the payment due to the supplier in case of registered firms while @ 17% in case of non-registered firms.

During audit of CMA POFs for the years 2011-17, it was observed that the management purchased store items valued at Rs 7.27 million during the years 2015-17 on cash basis from the non-registered suppliers by ignoring the recovery of Sale tax @ 17%. Thus due to non-deduction of Sale Tax, the public ex-chequer sustained loss of Rs 1.24 million.

Audit was of the view that due to non-deduction of Sale Tax, the public ex-chequer sustained loss of Rs 1.24 million.

The DAC in its meeting held on December 19 to 21, 2018 showed concern over non-deduction of sales tax from the suppliers and directed the management that efforts be made for recovered of tax amount from the concerned suppliers for its deposit into Govt. Treasury. No efforts were made for the refund of amount till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.25 Non-initiation of risk and cost action against the defaulter suppliers - Rs. 75.44 million

According to Clause-36 of Contract Agreement dated November 26, 2016, March 04, 2015 &February 20, 2008 signed between POF Director Supply Chain Management and two suppliers in case the supplier fails to supply the store, the purchaser will be entitled at his option to repurchase the store from elsewhere at the risk and expense of the supplier.

During the audit of POF Director Supply Chain Management for the year 2016-17, it was observed that the management signed following contracts

S No	Name of supplier	Contract dated	Items	Value (Rs. in million)
1.	M/s Union Traders, Rawalpindi	04.03.2015	296 Pairs of Conductive Shoes in different sizes @ Rs. 13,750 per Pair	4.762
2.	M/s Chelsea Global Pvt. Ltd Lahore	20.02. 2008	97 Energy Devices	70.68
	Total			**75.442**

M/s Union Traders, Rawalpindi supplied samples to the management on August 02, 2016, which were rejected by G.M Inspection, vide letter dated November 04, 2016. Later on, the firm failed to provide the contracted store despite repeated reminders from the management. Moreover performance guarantee @ 10% of the contract value i.e Rs. 0.48 million was not obtained from the supplier and forfeited performance guarantee of Rs. 0.13 million of the firm lying with POF management in another previous case. The management did not initiate risk and cost action against above suppliers despite lapse of more than one year of the delivery period. M/s Chelsea Global Pvt. Ltd Lahore supplied all the energy saving devices and 41 devices were installed and commissioned. However, the firm failed to carry out the performance test of the devices as per terms of the contract to ascertain the committed energy saving of 10 to 30% or above. Resultantly the user department rejected the devices.

Audit was of the view that undue favour was extended to the defaulter suppliers by non-initiating risk and cost action against him despite failure to supply the contracted store worth Rs. 83.93 million (Rs. 8.48 million + Rs. 4.76 million + Rs. 70.68 million) according to requirements and non-obtaining of performance guarantee from the supplier resulted in loss of Rs. 8.39 million (Rs. 0.85 million + Rs. 0.47 million + Rs. 7.07 million).

During DAC held on December 19 to 21, 2018, the management informed the Committee that requirement was re-tendered twice for Risk Purchase of store; however, the case could not be finalized as both the time the samples were rejected by the inspection authority. The case was re-tendered with opening date December 20, 2018. The DAC directed the management to complete the risk purchase action within four months. Furthermore, in case of M/s Chelsea Global Pvt. Ltd Lahore, DAC directed to actively pursue the case in the court.

Audit recommends compliance of the DAC directives.

6.2.4.26 Non-endorsement of contracts to National Accountability Bureau

According to Government of Pakistan (National Accountability Bureau) instructions circulated vide letter No. 19 (14) A&P/NAB/2008 dated February 13, 2012 that all Ministries/ Divisions and Attached Departments of the Federal Government, all departments of Provincial and Local Governments, statutory corporations or authorities established by the Federal Government or Provincial Government and holders of public office are advised to furnish a copy of any contract to NAB, entered into by such bodies as mentioned above or on its behalf as the case may be, of the minimum monetary value of fifty million rupees or more, within such time as is reasonable, practicable (one month) from the date of signing such contract.

During the audit of POFs Supply Chain Management, Wah Cantt for the year 2016-17, it was observed that the management entered into six contracts worth Rs. 544.119 million having value more than Rs 50.00 million each for purchase of raw material with different firms, however, the management failed to furnish a copy of these purchase contracts to NAB authorities. Similarly, the management of POFs SAA Factory entered into different contracts having value more than Rs 50.00 million for purchase of raw material with different firms during 2014-15 worth Rs 1,421.77 million and 2015-16 and 2016-17 worth Rs 1,012.14 million. The management however, failed to furnish copies of these purchase contracts worth Rs. 2,433.93 million to NAB authorities. Moreover, the management of POFs Explosive Factory, entered into different contracts having value more than Rs 50.00 million for purchase of raw material with different firms during the years 2015-17. The management failed to furnish a copy of these purchase contracts to NAB authorities. Hence, violation of NAB's instruction was made by the management by not furnishing the copy of purchase contracts having value more than Rs. 50.00 million to NAB authorities.

Audit was of the view that the violation of NAB's instructions were made by the management by not furnishing the copy of purchase contracts having value more than Rs. 50.00 million to NAB authorities.

During DAC meeting held on December 19 to 21, 2018, the management apprised the Committee that the matter has been taken up with the MODP to seek the clarification in this regard, the response is still awaited. The Chairman DAC decided that necessary instructions would be issued shortly. No instructions were issued by the authority till the finalization of this report.

Audit recommends compliance of the DAC directives.

6.2.4.27 Mis-representation for obtaining financial concurrence for purchase of machine for subsidiary company and non-recovery of cost of machine-Rs. 20.57 million

According to GFR-12, "A controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it".

During the audit of POF SAA Factory for the years 2015-17, it was observed that contract dated May 14, 2016 worth US $ 203,200 equivalent to Pak Rs. 20.57 million was placed on M/s Poly Technologies Inc. China for procurement of "Coiler De-Coiler" for M/s Wah Brass Mills Pvt Ltd (WBM). When the case was sent to the Financial Advisor (Ordnance Factories) to obtain the financial concurrence of this procurement before award of contract, the management stated that De-Coiler will be installed in Wah Brass Mills (WBM) and its cost will be recovered from them after arrival of the machine. The FA(POF) office inquired that "Why POF does purchase for Wah Brass Mills (Pvt) Ltd (WBM) and not by M/s WBM itself". The management replied to the FA(POF) office query that at this belated stage, in case of assigning the procurement to WBM at their own end, a considerable time will be required to exercise the whole procurement cycle, which will cause delay in supply of input

material to SAA Factory. FA (POF) demanded copy of agreement signed between WBM and POF for perusal and concurrence of the case. The management changed its stance and replied that the D-Coiler would be installed/ commissioned in POF SAA Factory for production of Bullet Cups of 7.62 x 39mm Ammunition. As no formal policy or approval had been chalked out for its shifting / transfer to WBM, therefore it will remain the property of POF, however in future, if it is considered to be shifted, the same will be transferred/ shifted as per laid down procedure at that time. FA (POF) made financial concurrence of the purchase proposal conditionally on the management's above statement.

However it was observed from record that on arrival of De-Coiler, the same was installed and commissioned in WBM which shows that the management misrepresented the facts before FA (POF) for obtaining financial concurrence of the purchase proposal. Copy of agreement signed between WBM and POF for this transaction was requested but the same was not provided. The cost of De-Coiler worth Rs. 20.57 million has not been recovered by the POF management from WBM till date.

Audit was of the view that the financial concurrence obtained for purchase proposal of De-Coiler worth Rs. 20.57 million on mis-representation of facts before FA (POF) was irregular and management caused loss due to non-recovery of the cost of machine.

The DAC in its meeting held on December 19 to 21, 2018, directed the management that the value of store may be recovered from the Wah Brass Mills.

Audit recommends compliance of the DAC directive.

6.2.4.28 Loss due to non-recovery of cost of inventory items - Rs 1,122.60 million

According to Para-26 of General Financial Rules, it was the duty of the departmental Controlling officers to see that all sums due to Government are

regularly and promptly assessed, realized and duly credited in the Public Account.

During the audit of POFs SAA & Brass Mills for the years 2015-17, it was observed that plant & machinery valuing Rs 1,122.60 million was transferred to Wah Brass Mills (Pvt) Ltd (a subsidiary of WIL) in the light of POF Board letter dated January 29, 2013. However the cost of these items was neither recovered from the subsidiary company nor booked in the accounts as receivable. Thus due to non-recovery/ non-booking as receivable, of the cost of inventory items issued to the private concern, POFs SAA Factory is likely to sustain loss of Rs. 1,122.60 million.

During DAC held on December 19 to 21, 2018, the management apprised the Committee that the Company had issued shares of equal amount i.e. Rs 1,384 million to POF. The matter was discussed at length with reference to the dividend received on said investment; the Committee directed the management to place the issue before POF Board for fixing a timeline for receipt of return on said investment.

Audit recommends compliance of the DAC directives.

6.2.4.29 Unjustified purchase of TNT despite having own production plant - Rs. 477.94 million

According to Fixed Asset record of POF Explosives Factory, a Plant for production of Tri Nitro Toluene(TNT) was installed in 1974.

During the audit of POF Explosive Factory for the years 2015-17, it was observed that Contract dated May 22, 2015 worth Rs. 93.39 million was awarded to a Chinese firm for procurement of Tri Nitro Toluene (TNT). Similarly, another contract dated March 25, 2017 worth Rs. 44.27 was awarded to another Chinese firm for procurement of TNT. A probe into the matter disclosed that POF Explosives Factory has its own plant for production of TNT. The TNT

Production Plant had been closed for production for last 9 years i.e. since 2010 without any fault. During July 2009 to February 2010, a quantity of 238 M.T of TNT was produced as last production of the plant. Since then, POF Explosives Factory had been purchasing the TNT from foreign source to fulfill its own requirement. The management had purchased a quantity of 2,325 M.T TNT worth Rs. 477.94 million from June 2010 to June 2017. It is worth mentioning here that five Technical Officers, forty Staff members and ninety workers had been deputed on TNT Plant. With the closure of Plant, these employees remained idle and received pay and allowances without utilization of their services for almost 9 years.

Thus, purchase of TNT Rs 477.94 million from foreign source in the presence of own production plant was held unjustified and waste of precious foreign reserves.

During DAC meeting held on December 19 to 21, 2018, the management informed the Committee that efforts were made six times to procure the new NAC-SAC plant but without any fruitful results. The DAC directed the management to produce the relevant record to audit for verification of facts. No record was produced to audit for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.30 Loss due to delay in taking the risk purchase action against the firm - Rs 155.69 million

According to clause, 6.4 of the Tender Enquiry in case of failure to supply the store the unsupplied stores can be purchased from elsewhere at the risk and cost of the supplier.

During the audit of POF Explosives Factory for the years 2015-17, it was observed that contract dated June 17, 2010 for purchase of two cutting machines valuing Rs. 46.22 was awarded to M/s V. Flow China with delivery period of 18

months after opening of LC. The firm could not supply the store according to the required specification and the Factory management rejected the supplied store.

According to the terms of contract, management had to take immediate risk purchase action against the firm but the same was delayed for an abnormal period exceeding five years. The fresh offer for the cutting machines was Rs. 241.00 million which was too high to be recovered from the available balances of M/s V. Flow. An amount of Rs. 19.58 million was withheld by the management against three contracts of the said firm, which was successfully, completed during 2009-10 and 2010-11. The management also forfeited Bank Guarantee in four contracts of the firm amounting to Rs. 18.41 million. Hence, the management recovered Rs. 37.99 million leaving recoverable amount of Rs. 155.69 million against risk purchase.

Audit was of the view that the management was unable to safeguard the interest of the factory and no safety clause was inserted in the contract agreement, which resulted into loss of Rs. 155.69 million.

During DAC meeting held on December 19 to 21, 2018, the management apprised the Committee that recovery suit had been field in the Court of Law. The DAC directed the management to pursue the case actively.

Audit recommends compliance of the DAC directive.

6.2.4.31 Loss due to ignoring rate of first lowest bidder - Rs 20.02 million

According to Rule 38 of PPRs 2004, the bidder who has offered the lowest bid is to be awarded the contract if not in conflict with law within the original or extended period of bid validity.

During the audit of POF's Explosive Factory for the years 2015-17, it was observed that the management invited rates through Tender Enquiry dated October 10, 2012 for procurement of Demin Water Treatment Plant (capacity 50

m3/hr) issued to the 18 local firms out of which technical offers of three firms were qualified. The commercial offer of M/s SAGE Engineering Co Lahore for Rs 10.77 million was the lowest. The Managing Director expressed doubt about the firm's ability to undertake the job. Resultantly, the case was discussed in a meeting held by the firm with the management on May 03, 2013 regarding technical discussion on the design and modalities of firms offer. The firm submitted a revised technical offer on May 08, 2013 with the enhanced financial effect i.e. (option -1 (Resin) Rs 14.17 million and option - II (Mixed Bid) Rs 14.5 million. Thereafter, the entire bidding process was scrapped.

Once again the bidding process was started and contract was awarded to M/s Water Regime Lahore on April 24, 2015 at a cost of Rs 36.04 million including GST. This resulted in loss of Rs 20.02 million being the difference between 1st lowest offer of first bidding and final contract.

Audit was of the view after M/s SAGE was technically qualified after detailed deliberations and submitted revised offer with POFs consent, there was no reason to reject the offer. The management had not resorted to prequalification procedure. The firm M/s Water Regime to whom contract was awarded had no previous experience of dealing with such projects. If M/s SAGE were unreliable then why the 2nd lowest firm of first bidding M/s Aqua Regia (with offer of Rs 25.00 million) was not contacted and procurement was not made from them.

During DAC meeting held on December 19 to 21, 2018, the management informed that to evaluate the capability a three member's team of POF visited firm's premises; team confirmed that the firm is not capable to handle such an important project. The DAC directed the management to hold a fact-finding inquiry to probe the reasons for ignoring the firm, offered lowest rate. Fact Finding Inquiry was not conducted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

6.2.4.32 Blockade of funds due to unnecessary purchase of store - Rs. 23.96 million

According to Rule-4 of PPRs-2004, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Rule-9 further states that "a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. According to GFR-145, store should not be purchased in excess of actual requirement which results in blockage of capital and such purchase is likely proved unprofitable to Government.

During the audit of POFs MAA Factory for the years 2016-17, it was observed that 47 items of material worth Rs. 23.96 million were lying in store of the factory for last 3 to 25 years without any utilization. This reflects unnecessary procurement of store resulting into blockage of funds to the extent of Rs 23.96 million.

During DAC meeting held on December 19 to 21, 2018, the management apprised that the store was procured against the targets of various ammunition, which becomes obsolete subsequently. The DAC directed the management to categorize the store as obsolete, slow moving etc. and obsolete store may be disposed of within 3 months.

Audit recommends compliance of the DAC directive.

6.2.4.33 Unjustified expenditure on establishment of POF Liaison Office Rawalpindi - Rs 106.20 million

According to Para-10 of General Financial Rules (GFR), "every person while incurring expenditure from Public Funds would exercise the same vigilance

as a person of ordinary prudence would exercise while incurring expenditure from his own pocket."

During the audit of Director Civil Works (DCW) for the year 2017-18, it was observed that the management awarded contract to M/s Waheed Khan & Brothers (Pvt) Ltd Rawalpindi worth Rs 106.20 million vide contract agreement dated October 03, 2016 for construction of POF Liaison Office Rawalpindi with the approval of Chairman POF. No PC-I was prepared/ approved from the POF Board regarding establishment of Liaison Office at Rawalpindi justifying the need/objectives of establishment i.e. cost and benefit analysis and its administrative approval from the controlling ministry. The contract for construction of building was awarded without transfer of title of land in the name of POF and re-classification of land duly approved by Director General Military Lands. Furthermore, office of the controlling ministry already existed in Rawalpindi and the same arrangement could have been made at the controlling ministry. In the absence of proper justification the expenditure on establishment of Liaison Office Rawalpindi need proper justification.

The DAC in its meeting held on December 19 to 21, 2018, directed the management that relevant record showing source of funding, transfer of title of land in the name of POF may be provided to audit for verification. The record was not provided by the management till the finalization of this report.

Audit recommends compliance of DAC directive.

6.2.4.34 Un-authorized occupation of A-1 land and non-recovery of Government dues /share - Rs. 5.51 million

According to the policy on use of A-1 land for welfare and other projects of the Armed Forces issued by the Ministry of Defence, vide letter No. F.2/5/D-12/ML & C/99 dated April 02, 2008, compete rent from land shall be deposited in the Government Treasury.

During the audit of POF Hospital for the years 2014-17, it was observed that three shops of 3,568 square feet were occupied by Welfare Drug Store, Welfare Canteen/ Café and Tuck Shop without Government sanction. The income/rent of these shops was deposited into Non- Public Fund. Not a single rupee was being deposited into POF Hospital account causing loss of Rs. 5.51 million (13.11 marla x Rs 560,000 per month x 25%x 3 years) for last three years.

Audit was of the view that recovery of shops rent could not be affected due to inefficiency of the management.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to make recovery as per government policy and deposit into government treasury. No recovery was affected till the finalization of this report.

Audit recommends compliance of DAC directive.

6.3 Pakistan Ordnance Clothing Factory

6.3.1 Introduction

Pakistan Ordnance Clothing Factory was established under the POFs Board Ordinance 1961 to meet the clothing requirements of Pakistan Armed Forces.

6.3.2 Comments on Audited Accounts

6.3.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2017-18.

6.3.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Outstanding Paras	% of compliance
2007-08	07	06	01	2.2.6	86
2009-10	05	05	0	-	100
2013-14	06	01	05	5.3.1,5.3.2&5.3.2.1,5.3.3,5.3.4.1,5.3.4.2	17
Total	**18**	**12**	**06**		**67**

The overall compliance of PAC directives was not satisfactory and needs improvement.

6.3.4 Audit Paras

6.3.4.1 Irregular appointment of contract employees - Rs. 6.21 million

According to Establishment Division letter No.F3/1/2008-SP dated October 22, 2014, “Initial appointment shall be made strictly in accordance with the provisions contained in the Recruitment Rules of the post concerned. In the absence of Recruitment Rules, Ministries/Divisions/Attached Departments/ Subordinate Offices/ Autonomous Bodies/ Semi-Autonomous Bodies/ Corporations/Companies/ Authorities etc are first required to frame the

Recruitment Rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in the absence of approved Recruitment Rules". Moreover, NOC from Establishment Division shall continue to be obtained for all recruitment.

During the audit of POF Clothing Factory for the years 2016-18, it was observed that staff in different categories were appointed on contract basis for initial period of 01 year extendable with the approval of Chairman POF Board if so required. A payment of Rs. 6.21 million was made on account of pay & allowances till June 30, 2018. However, it was observed that POF management did not get their Recruitment Rules approved from the Establishment Division, Government of Pakistan. Moreover, NOC for these appointments was also not obtained from the Establishment Division, Government of Pakistan.

Audit was of the view that the appointments were made without approved Recruitment Rules and obtaining NOC from the Establishment Division and payment of Rs. 6.21 million on account of salary was held irregular.

The matter was reported to the management and to PAO on December 12, 2018 but no reply was received till the finalization of this report.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the reasons of appointment of staff in violation of Establishment Division, Government of Pakistan's instructions besides fixing responsibility.

6.3.4.2 Loss due to expenditure incurred over and above the estimated cost – Rs. 20.57 million

According to Factory Accounts Rule – 46 the Cost Cards are to be totaled on completion of the work / warrant and cases in which the actual cost differs from the standard estimate by more than 10% are to be reported to the

Management for information and ascertaining the reasons for such abnormal variation.

During the audit of POF Clothing Factory for the years 2016-18, it was observed that the management incurred actual cost of Rs. 116.27 million against estimated cost of Rs. 95.71 million of 21 warrants i.e. variation of 11 to 212%. This resulted into expenditure of Rs. 20.57 million over and above the estimated cost during the year under review.

Audit was of the view that the management was required to investigate the increased cost over and above the estimates but it failed to do so which was held irregular.

The matter was reported to the management and to PAO on December 12, 2018 but no reply was received till the finalization of this report.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter of abnormal variation against the Estimated Cost besides fixing responsibility.

6.3.4.3 Loss due to non-realization of export proceeds – Rs 25.55 million

According to Govt. of Pakistan Ministry of Defence Production Division (DPD) letter No. 1/6/73-TS/DP-2 dated August 22, 1973, a minimum of advance of 50% of the value of the order in Foreign Exchange may be asked for at the time of signing the contract, the balance to be recoverable on presentation of shipping documents against an irrevocable confirmed Letter of Credit to be opened within 30 days of the signing of the Contract.

During the audit of POF Clothing Factory for the years 2016-18, it was observed that store valuing Rs. 25.55 million was exported to Tajikistan in August 2016. The sales proceed could not be realized up till now despite lapse of

considerable period of more than two years. The management was requested to provide the terms & conditions of export to Tajikistan but the same was not provided to audit. Thus, due to non-recovery of sales proceed against the export; POCF may sustain loss of Rs 25.55 million.

Audit was of the view that the management was required to export the store through Letter of Credit but it exported without any Letter of Credit which resulted into non realization of sales proceed valuing Rs. 25.55 million.

The matter was reported to the management in May 30, 2018 and to PAO on December 12, 2018. The management in its reply dated July 02, 2018 stated that the PPRA Rules are not applicable on the company. The reply was irrelevant as the management was required to ensure the realization of sales proceeds which was not done.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the reasons under which the recovery could not be made from the client besides recovery the amount.

6.3.4.4 Non reporting of contracts above Rs 50 million to NAB

According to Government of Pakistan Ministry of Law & Justice O.M. No.F.8(8)/2008 A.1 dated March 16, 2009, "it is the statutory obligation under Section 33-B of the National Accountability Ordinance, 1999 that copies of all contracts of Rs. 50 million or more negotiated by Federal or Provincial Government Ministry / Division / Departments and agencies must be furnished to National Accountability Bureau, Islamabad within such time as is reasonably practicable from the date of signing of such contracts".

During the audit of POF Clothing Factory. for the years 2016-18 it was observed that five contracts valuing Rs. 443.82 million were awarded whose

value was more than Rs. 50.00 million but the management failed to forward a copy of the contracts to NAB which was clear violation of rules.

Audit was of the view that award of contracts valuing Rs. 443.82 million was violating of Government instructions.

The matter was reported to the management and to PAO on December 12, 2018 but no reply was received till the finalization of this report.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the matter of non-adherence of rules besides fixing responsibility.

6.3.4.5 Loss due to sale of product below the marginal cost - Rs. 5.82 million

According to Para – 3.3 of the Appendix "A" to POF Board letter No 4600/50/1/PC-IV/50/Secretary dated September 20, 2013 "Chairman POF Board may fix the sale price, both for export as well as civil market between full and marginal cost. In case of special circumstances where market forces demand further reduction in price, decision at board level will be taken to allow the sale below marginal cost. It may however, be ensured that prime cost is recovered in any case. This option may be availed in exceptional cases and on case to case basis".

During the audit of POF Clothing Factory for the years 2016-18, it was observed that Class-II Extract No. 18791 dated October 26, 2015 was approved by the G.M. Coordination for manufacturing of 68,000 Trousers (Drill Khaki) valuing Rs. 66.44 million @ Rs. 977.00 each. The rates however were revised to Rs. 1,041.37 per Trouser. Audit further observed from the record that the marginal cost of the consignment was Rs. 76.63 million @ Rs. 1,127 per trouser whereas the management sold it below the marginal cost of Rs. 70.81 million @ Rs. 1,041.37 in violation of POF Board's instructions.

Thus, POCF management violated the POF Board's instructions by selling the above said products below the marginal cost due to which POCF sustained loss of Rs. 5.82 million.

The matter was reported to the management and to PAO on December 12, 2018 but no reply was received till the finalization of this report.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends to investigate the reasons due to which the product was sold below the marginal cost in violation of POF Board's instruction besides fixing responsibility and recover the amount.

6.3.4.6 Un-justified hiring of casual tailor - Rs. 12.81 million

According Para-06 of the POFs Ordnance 1961, "the principal function of the Board shall be to manage and administer the affairs of the factories and to run them on sound commercial lines so as to adequately meet during war and peace the needs of the defence of the country and to utilize the surplus capacity of the factories to meet the needs of the civilian population".

During the audit of POF Clothing Factory for the years 2016-18, it was observed that the management hired casual tailors on piecework basis and an amount of Rs. 12.81 million was paid to the tailors despite the fact that regular / permanent tailors remained idle during the said period and payment of Rs. 49.62 million was paid as idle hours.

Audit was of the view that when Permanent tailors were available and they were idle, hiring of Casual Tailors and payment of Rs. 12.81 million was unjustified.

The matter was reported to the management and to PAO on December 12, 2018 but no reply was received till the finalization of this report.

Despite repeated requests, the PAO did not convene meeting of the DAC.

Audit recommends investigating the matter of hiring of casual tailors in spite of permanent tailors remaining idle besides fixing responsibility.

6.3.4.7 Non replacement of rejected store - Rs 21.18 million

According to Clause – 9 of the Contract agreement the supplier will replace deficient, defective or wrong stock if so found at consignee and during checking / utilization after receipt.

During the audit of POF Clothing Factory for the years 2016-18, it was observed that contract No.20-LP-47-Pur-Clo dated September 20, 2017 valuing Rs. 21.181 million for supply of 25984 meter Cloth Nylon, 1000 Den was awarded to M/s Arshad Textile Mills Ltd. Faisalabad. As per agreement, the supplier was required to deliver a quantity of 10,000 meters by October 31, 2017 and the remaining quantity 15,984 meters by November 30, 2017. The firm supplied the store on February 20, 2018, which was rejected by the inspection authorities vide their letter dated April 24, 2018. The management of Clothing Factory vide letter dated April 28, 2018 informed the rejection of store to the firm. It is worth mentioning here that a considerable period had lapsed but the rejected store was neither replaced nor was any action initiated against the supplier to date as per provision of the contract dated September 20, 2017.

Audit was of the view that due to non-replacement of rejected store, the production activities for which the store was procured was badly affected.

The matter was reported to the management and to PAO on December 12, 2018 but no reply was received till the finalization of this report.

Audit recommends Investigate the matter of non-replacement of rejected store Initiate the action against defaulter under intimation to audit.

6.4 Wah Industries Limited

6.4.1 Introduction

Wah Industries Limited "the Company" was incorporated in 1958 as public limited company under Companies Act, 1913 (now Companies Ordinance, 2017). The Company is fully owned by Pakistan Ordnance Factories (POFs). The Company is engaged in manufacture and sale of 12 bore ammunition and sale of civil products produced by POFs. The Company also acts as commission agent for POFs to facilitate its sale of obsolete/surplus stores and scraps generated in POFs. The registered office of the Company is situated at The Mall, Wah Cantt.

6.4.2 Comments on Audited Accounts

6.4.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2017-18.

6.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Outstanding Paras	% of Compliance
1992-93	04	03	01	87	75
1994-95	07	06	01	105	86
1999-00	24	23	01	104	96
2001-02	06	05	01	49	83
Total	**41**	**37**	**4**		**90**

The overall compliance of the PAC directives was satisfactory which needs to be continued.

6.4.4 Audit Paras

6.4.4.1 Irregular appointment and regularization of officer - Rs 2.05 million

According to Rule-3 (iii) (a) of the Establishment Rules of the Establishment Division, Government of Pakistan, "the condition of open advertisement may be dispensed with the approval of the Chief Executive, if it is proposed to appoint a retired civil servant or a retired officer of the Armed Forces or retired judge of the Supreme Court on contract basis."

During the audit of Wah Industry Limited for the year 2016-17, it was observed that the management appointed Major (R) Naeem Ahmed as Manager Operation on contract basis on January 23, 2017 for one year without press advertisement and dispensation in this regard from Chief Executive. Furthermore, the following irregularities were observed:

i. No NOC was obtained from Ministry of Defense.
ii. The services of the officer were regularized after completion of one year from the date of his contract appointment and placed in BS-18.
iii. 13 advance increments were granted to the officer at the time of fixation of pay in BPS-18 on regularization of his services.

This resulted into irregular appointment, regularization and payment of pay and allowances of Rs 2.05 million. The entire procedure of contract appointment, regularization and fixation of pay was held irregular.

The DAC in its meeting held on December 19 to 21, 2018 directed the management to hold a fact-finding inquiry to confirm that the appointment had been made through proper procedure and remuneration was fixed as per rules. Fact Finding Inquiry was not carried out by the management till the finalization of this report.

Audit recommends compliance of DAC directive.

6.4.4.2 Irregular award of contract on direct contracting basis - Rs. 112.47 million

According to Rule 42(c) of Public Procurement Rules "a procuring agency shall only engage in direct contracting if:

i. The procurement concerns the acquisition of spare parts or supplementary service from the original manufacturer or supplier.
ii. Only one manufacturer or supplier exists for the required procurement.
iii. Where a change of supplier oblige the procuring agency to acquire material having different technical specification.

During the Audit of Wah Industry Limited for the year 2016-17, it was observed that the management obtained quotation from M/s Ghori Brothers for procurement of deodar wood on May 28, 2017. After two months, the management approached M/s Hamza Enterprise and collected quotation on July 21, 2017. The offer of M/s Hamza Enterprise was accepted and procurement order for supply of 55,000 cft deodar wood worth Rs. 112.47 million was placed on the firm on August 25, 2017 with delivery period up to December 31, 2017. Furthermore, 20% mobilization advance of Rs. 22.49 million was also paid to the contractor against the contract of procurements. The contractor failed to supply the subject store till date. The award of contract on direct contracting basis in deviation of laid down procedure of the Public Procurement Rules needs justification.

Audit was of the view that the management was required to make the procurement through open competition but same was procured through direct contacting without any justification, thus held irregular.

During DAC meeting held on December 19 to 21, 2018 management informed the Committee that the case is subjudice. The DAC directed to management to pursue the case actively.

Audit recommends compliance of the DAC directive.

6.4.4.3 i Irregular procurements - Rs 296.97 million
ii Loss due to rejecting the lowest bidder - Rs 36.03 million

According to Rule -36 (b) (v) & (viii) of PPRs, the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements; and after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted."

During the audit of Wah Industries Limited for the year 2016-17, it was observed that the management sold tenders to 12 registered firms for procurements of bulletproof jackets on June 03, 2016. In response, 9 firms submitted their bids. However, contrary to the above laid down procedure financial bids were opened on June 21, 2016 and the process of technical evaluation was started in July 2016 after opening of financial bids. M/s Alone Ranger, Peshawar was the lowest bidder with Rs 40,000 per unit for large size Bullet Proof Jacket and Rs 38,000 per unit for medium size Bullet Proof Jacket while, M/s Lyra (Pvt) Limited was 2nd lowest bidder with Rs 44,535 per unit for both sizes of Bullet Proof Jackets. The competent authority approved placement of orders worth Rs 296.97 million on 2nd lowest bidders i.e. M/s Lyra (Pvt) Limited on July 25, 2016. Technical evaluation report was received on September 21, 2016 which rejected the first lowest offer on the basis of minor short comings. Thus, by ignoring the first lowest bid, the formation was put to loss of Rs 36.03 million.

Audit was of the view that the management was required to open the technical bids and after technical qualification, financial bids should have been opened but management opened financial bids before technical evaluation, which was against the provisions of the PPRs hence held irregular.

The matter was reported to the management on May 30, 2018. The management in its reply dated July 02, 2018, stated that the PPRA Rules are not applicable on the company. The reply was not convincing because PPRA Rules are applicable on all Federal Government organizations owned and controlled by the Government.

The DAC in its meeting held on December 19 to 21, 2018 directed to hold an inquiry as to why technical and financial bids/offers were opened simultaneously against the standards procurement procedure/rules. No inquiry was conducted by the management till the finalization of this report.

Audit recommends compliance of DAC directive.

Chapter-7
Ministry of Energy
(Power Division)

7.1 National Engineering Services Pakistan (Pvt.) Ltd

7.1.1 Introduction

The Company was incorporated in 1973 under the Companies Act 1913 (now Companies Act 1984). It is wholly owned by the Government of Pakistan and is engaged in providing engineering consultancy services through its Division Offices at Lahore, Islamabad, Karachi, Peshawar and Quetta in Pakistan and Masqat, Oman, Riyadh, Qatar and Kabul abroad.

7.1.2 Comments on Audited Accounts

7.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2016-17 & 2017-18 till December 31, 2018.

7.1.2.2 Audit recommends that the annual audited accounts of the past years be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

7.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1991-92	05	04	1	754	80
1995-96	06	04	2	252,254	67
1998-99	01	0	01	295	-
2006-07	10	08	02	206,207	80
2007-08	02	0	02	178&178.1,178.2	-
2009-10	10	06	04	239,240,241,242	60
2010-11	24	17	07	25.1.2.1,25.1.2.4,25.1.2.5,2	71

				5.1.2.8, 25.1.4.2,25.1.4.3,25.1.4.5	
2013-14	32	23	09	18.1.2.2, 18.1.4.1, 18.1.4.4, 18.1.4.10, 18.1.4.5, 18.1.4.6, 18.1.4.12, 18.2.2.5, 18.2.2.7	72
2016-17	21	01	20	18.1.4.1,18.1.4.5,18.1.4.2,18.1.4.6,18.1.4.3,18.1.2.6, (18.1.1&18.1.2,18.1.2.1,18.1.2.2,18.1.2.3,18.1.2.4,18.1.3,18.1.4.4,18.1.4.7,18.1.4.8, 18.1.4.9,18.1.4.10,18.1.4.11,18.1.4.12,	5
Total	**111**	**63**	**48**		**57**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

7.1.4 Audit Paras

7.1.4.1 i. Irregular appointment of Mechanical Engineer (Gr-11) due to granting of undue favor and non-verification of foreign degree- Rs. 8.75 million

ii. Excess payment of salary due to irregular enhancement of pay & allowances - Rs. 1.95 million

According to clause-08 (a & b) of eligibility criteria for induction and promotion of NESPAK, all inductions shall be made on the basis of applications received in response to the requirements as given in advertisements. The anticipated requirements for hiring of staff shall be determined by the concerned Division Head and were approved from Managing Director for publication of advertisement in important daily newspapers of all provinces of Pakistan as well as on the NESPAK website. The advertisement shall be prepared and forwarded by the concerned Division Head to the Human Resources Division for publication.

During the audit of NESPAK for the year 2017-18, it was observed that the management appointed Mr. Naveed Ahmed Malik as Principal Engineer (Grade-11) w.e.f. March 03, 2016. The officer possessed BSc (Mechanical)

Engineering from a foreign university i.e. Manuel L. Quezon University, Philippines. The degree was not verified from HEC by management. Only three candidates were shortlisted for interview, which indicated that short-listing was not on merit as, in Pakistan, sufficient number of engineers were available. Further, out of three shortlisted candidates, one was absent in interview and 2nd was rejected by interview committee by granting less marks in interview despite the fact that the qualification of said candidate was MSc. Mechanical Engineering and selected candidate had only BSc Mechanical Engineering. Furthermore, after only one year, his services were regularized w.e.f. January 16, 2017 in violation of service regularization policy. Hence, said appointment and payment of Rs. 8.75 million (Rs. 250,000 per month average salary x 35 months from February 2016 to December 2018) on account of salary was held irregular.

Moreover, on the request of officer, the management granted five points per year on foreign experience against the standard 4.5 points per year due to which his credit points were increased. The said activity was performed just to create basis to enhance the salary of the officer and resultantly, the management enhanced his pay by Rs 55,626 per month from the date of appointment. Thus, the excess salary of Rs. 1.95 million (Rs. 55,626 per month x 35 months) was also paid.

Audit was of the view that the management was required to make appointment on merit and avoid additional incentive but the same was not done and undue-favor was extended to the employee.

During DAC held on January 7, 2019, the management informed that verification of degree was in process. The DAC directed to produce record regarding appointment process, degree verification and increasing of salary based on foreign experience to Audit for consideration.

Audit recommends compliance of the DAC directive.

7.1.4.2 Irregular appointment of Senior Engineer (Gr-09) and two Junior Engineers (Grade-08a) -Rs. 4.27 million

According to order of the Supreme Court of Pakistan, passed in Human Rights Case No.104 dated December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities were making initial appointments, both adhoc and regular, to posts without publicity and properly advertising the vacancies and at times by converting adhoc appointments into regular appointments. This practice was prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen the freedom of profession. It was ordered that the violation of this Fundamental /Human Right should be discontinued forthwith. Steps shall immediately be taken to rectify, to bring the practice in accordance with the Constitutional requirements.

During the audit of NESPAK for the year 2017-18, it was observed that the management appointed Mr. Muhammad Danish as Senior Engineer (Grade-09) w.e.f. February 20, 2018, Mr. Muhammad Faizan Qureshi as Junior Engineer (Grade-08a) w.e.f. September 22, 2017 and Ms. Fatima Ashfaq as Junior Engineer (Grade-08a) w.e.f. January 01, 2018 without following competitive procedure. These officers were appointed directly, being top position holders, from UET, Lahore & UET, Taxila respectively. The BOM in its meeting 243th held on April 04, 2016 accorded approval for direct appointment in NESPAK without advertisement, of top position holder of selected twelve universities only. The said decision was also not vetted by the BoDs. Furthermore, Mr. Muhammad Danish was recommended for appointment as Junior Engineer (Grade-08a) and accordingly, the Managing Director accorded approval but the management appointed him as Senior Engineer (Grade-09) which was also a violation of Managing Director's approval. Hence, due to appointment without following any competitive procedure, employment of one officer as Senior Engineer (Grade-09) &two as Junior Engineers (Grade-08a) and payment of Rs. 4.27 million on account of salary were held irregular.

Audit was of the view that the management should have made appointment of eligible candidates through competitive procedure but the same was not done and favor was granted to the employees.

The DAC in its meeting held on January 7, 2019 directed the management to get the policy formally approved by the BoD for appointment of top position holder in relaxation of competitive appointment process and produce relevant record for verification to audit. No record was provided to audit till the finalization of this report.

Audit recommends compliance of the DAC decision.

7.1.4.3 Irregular regularization of employees on partial Appraisal Rating - Rs 109.62 million

According to order dated December 27, 2011, an employee shall be considered eligible for regular cadre if he/she earns an outstanding performance report during the tenure of his/her contract employment. The regular cadre shall be effective on completion of at least one-year service. If an employee does not qualify the above criteria based on one-year performance, he/she shall be considered eligible for conversion into regular cadre as and when he/she earns two "very good" performance reports during the period of contract employment. The effective date of regular cadre in this case shall be upon the completion of at least two years of his/her services.

During the audit of NESPAK for the year 2017-18, it was observed that the management regularized the services of 58 employees based on partial performance reports. These employees were inducted on contract basis for a period of one year. Some employees were regularized based on less than one-year service and some of them were regularized during an extended contract period of a further six months. These employees were regularized by Ex-MD based on six months partial annual performance review report and approval for regularization was also not obtained from BoDs. The APRRs were endorsed by those officers who were not the reporting officer/authorized officer in these cases. The APRRs

of some of these employees was “very good” and these could be regularized only after completion of minimum two years services. Therefore, conversion of contractual cadre into regular cadre resulted in irregular payment of Rs 109.62 million (58 employees x avg. salary/month Rs 105,000 x 18 months)

Audit was of the view that the management should have followed the due procedure for regularization of services but the same was not done.

During DAC meeting held on January 7, 2019, the management informed that an inquiry was conducted in the mater and report has been submitted to the BoD. The DAC directed to produce approval of BoD to Audit for consideration. No approval of BoD was provided to audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

7.1.4.4 Irregular appointment of Senior Engineer (Gr-10) without following appointment process - Rs. 14.52 million

According to clause-08 (a & b) of eligibility criteria for induction and promotion of NESPAK, all inductions shall be made on the basis of applications received in response to the requirements as given in advertisements. The anticipated requirements for hiring of staff shall be determined by the concerned Division Head and were approved from Managing Director for publication of advertisement in important daily newspapers of all provinces of Pakistan as well as on the NESPAK website. The advertisement shall be prepared and forwarded by the concerned Division Head to the Human Resources Division for publication.

During the audit of NESPAK for the year 2017-18, it was observed that the Mr. Muhammad Arshad Farooq joined NESPAK as Procurement Specialist in May 15, 2007 and resigned from service w.e.f. October 03, 2007. After four and half months, in January 2008, Mr. Muhammad Farooq, Project Manager (Job No. 2945) ER Division, Islamabad requested management for appointment of

Arshad Farooq on regular/contact basis on the pretext that the officer had already worked in NESPAK as Contracts Engineer. The client approved his name and was comfortable in working with him. The management appointed Mr. Muhammad Arshad Farooq as Senior Engineer (Grade-10) on contract basis w.e.f. January 22, 2008 without following any appointment process. Just after one year and three months, his services were regularized w.e.f. April 04, 2009. Hence, due to appointment without following any competitive procedure, employment as Senior Engineer (Grade-10) and payment of Rs. 14.52 million (Rs. 110,000 per month average salary x 132 months from January, 2008 to December, 2018) on account of salary were held irregular.

Audit was of the view that the management should have appointed eligible candidate through competitive procedure but the same was not done and favor was granted to the employee.

During DAC meeting held on January 7, 2019, the management informed that Mr. Mohammad Arshad, Farooq joined NESPAK after resigning from his previous job. The DAC observed that appointment process was not followed and directed to hold fact-finding enquiry.

Audit recommends compliance of the DAC directive.

7.1.4.5 Irregular appointment of Junior Engineers (Planning) - Rs. 5.040 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management appointed 04 Junior Engineers (Planning) for Structural Engineering Division in Grade-08A from March 2017 to December 2017. The advertisement was published on December 20, 2016 with closing date of December 26, 2016, which showed that only six days were provided to apply for the post. 184 candidates initially shortlisted by HR Department were sent to concerned division for technical short-listing. However, only eight candidates were shortlisted for interview. The management issued interview call letters to only four candidates who were already working in NESPAK Foundation on daily wage basis. The selected candidates had BSc. Civil degree plus one to two years' experience only. More than 25 candidates with MSc. Structural Engineering along with BSc Civil qualification and experience of more than three years were not shortlisted by the management, which showed undue favor. Thus, the whole appointment process along with payment of Rs. 5.04 million on account of pay & allowances were held irregular.

Audit was of the view that the management should have appointed the employees by ensuring transparency in appointment process but the same was not done and favor was granted to successful candidates.

During DAC meeting held on January 7, 2019, the management informed that the advertisement was published on December 20, 2016 whereas the last date of submission was December 26, 2016. As a result, the response was seven days. The DAC observed that due appointment process was not followed and short listing of candidates having higher education and more experience was not made. The DAC directed to hold fact-finding inquiry and the report should be shared with the Audit.

Audit recommends compliance of the DAC directive.

7.1.4.6 Irregular hiring of the sub-consultant (M/s Royal Haskoning) - Rs. 24.05 million

According to Rule 12(1) & (2) of PPRs 2004, procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

During the audit of NESPAK for the year 2017-18, it was observed that the management entered into a consultancy agreement with M/s Pakistan Power Park Management Company Ltd (PPPMCL) on June 01, 2014 for the project, "Consultancy Services for preparation of Concept Design Report of 6600 MW Pakistan Power Park at Gaddani, Baluchistan". The management hired sub-consultant M/s Royal Haskoning DHV on June 10, 2014 for Preparation of Concept Design Report for US$ 290,950 and made payment of US$ 218,212 (Rs. 24.05 million @ 110.20 per US$) for submission of Draft Concept Design Report and remaining amount could not be paid due to stoppage of work. Audit observed that processes of press advertisement and tendering, as required under PP Rules, was not followed. Therefore, award of work and payment of Rs. 24.05 million to the international consultant in selective manners was considered irregular.

Audit was of the view that violation of PP Rules resulted in irregular selection of sub-consultant and payment of Rs. 24.05 million.

During DAC held on January 7, 2019, the management informed that NESPAK prepared detailed scope of consultancy work in which off shore, activities were also involved. NESPAK selected M/s Royal Haskoni as a foreign sub consultant after inquiry about their capability. The DAC was not satisfied with the reply and directed to hold fact-firing inquiry at Ministry level regarding selection of M/s Royal Haskoni in non-transparent manner.

Audit recommends compliance of the DAC directive.

7.1.4.7 Irregular appointment due to non-verification of degrees of employees at the time of appointment-Rs. 8.75 million

According to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the Autonomous bodies/Companies, Corporations were required to take the measures to authenticate degrees/certificates of all the employees of their organization. It would be of concerned Head of Organization to have the degrees/certificates verified.

During the audit of NESPAK Regional Office Islamabad for the year 2017-18, it was observed that the management appointed Mr. Waqas Elahi, Sub-Engineer in Grade-06, Mr. Manzar Iqbal, Laboratory Technician in Grade-07 and Mr. Muhammad Asim Shehzad, Sub-Engineer in Grade-07 during 2009, 2010 and 2015 respectively. At the time of appointment, the management did not verify the educational certificates of these employees from concerned boards/universities. The degrees were verified from concerned boards/ universities by the management with delay of 03 to 09 years and three degrees were proved bogus. Consequently, the management dismissed these employees from service during 2018. Due to non-verification of degrees at the time of appointment, the appointment of these employees and payment of salary of Rs. 8.75 million was irregular.

Audit was of the view that the management should have appointed the employees after verification of degrees from concerned boards/universities but the same was not done and favor was granted to the employees.

During DAC held on January 7, 2019, the management informed that due to the stay granted by NIRC, disciplinary action against the employees could not be taken. The DAC observed that verification of degrees was made after laps of five years despite direction of Ministry during 2013. The DAC directed that legal action may be initiated against the responsible.

Audit recommends compliance of the DAC directive.

7.1.4.8 Irregular posting on deputation and subsequent promotion of the officer - Rs. 2.88 million

According to NESPAK Memo No. 099/1201/AA/53M/16105-34 dated February 27, 2013; the management decided that in future deputation of NESPAK employees to private companies/competitors shall not be allowed. Moreover, the employees who were currently on deputation shall report back to NESPAK on completion of their deputation period.

During the audit of NESPAK for the year 2017-18, it was observed that Mr. Abdul Hamid Senior Sociologist (Grade-10) of Agriculture Division was posted in Asian Development Bank (Pakistan Resident Mission) on deputation basis w.e.f. March 15, 2012 to February 28, 2013. As per above said NESPAK policy, the officer was required to re-join NESPAK w.e.f. March 01, 2013 but instead, the management granted an extension in deputation period from March 01, 2013 to November 30, 2014. The posting of officer on deputation in a foreign financial institute was not approved by Government of Pakistan through administrative ministry. Moreover, the officer was promoted as Principal Sociologist (Grade-11) w.e.f. July 01, 2017. Due to long leave in promotion year, the credit points based on Annual Performance Appraisal Reports (APARs) could not be assigned to the officer but the same was done. As the promotion of officers in NESPAK was done by considering APARs of the officers, the said officer was not eligible for promotion which resulted in irregular promotion and payment of salary to officer of Rs. 2.88 million (Rs. 160,000 average salary per month x 18 months from July 01, 2017 to December 31, 2018).

Audit was of the view that the management should not have extended the deputation period in contravention of its own policy as well as without approval of Government of Pakistan for posting in foreign international financial institute.

During DAC meeting held on January 7, 2019, the management informed that the deputation was approved by the former Managing Director. Latter extension was also granted by the Managing Director. Moreover, the promotion was made as per NESPAK criteria. The DAC was not satisfied with the reply and directed to hold fact-finding inquiry.

Audit recommends compliance of the DAC directive.

7.1.4.9 Irregular appointment of candidates at lowest position on merit list - Rs. 3.90 million

According to clause-08 (d) of eligibility criteria for induction and promotion of NESPAK, a merit list will be prepared based on marks obtained in the interviews by the concerned Division Head/Office. Recruitments will then be made in the order of merit from these merit lists as and when required.

During the audit of NESPAK for the year 2017-18, it was observed that the management made advertisements on October 19, 2016 and July 09, 2017 for the appointment of Senior Architects (Grade-09) and Senior Engineers (Construction) Grade-09. During review of appointment it was observed that for the posts of Senior Architects (Grade-09) in response to advertisement dated October 19, 2016, 06 candidates were recommended for appointment but the management appointed 05 candidates as Senior Architects (Grade-09) during July, 2017 and one candidate at serial No. 05 of the merit out of six recommended candidates was rejected by management on the plea that the experience required for the post was 04 to 08 years. However, the rejected candidate had experience of 08 years and 16 days, which indicated that only sixteen days experience was excess than the required experience. For the posts of Senior Engineers (Construction) Grade-09 in response to advertisement dated July 09, 2017, 08 candidates were recommended for appointment but the management appointed 07 candidates as Senior Engineers (Construction) Grade-09 during November, 2017 and one candidate at serial No. 04 of the merit out of eight recommended candidates was rejected by the management on the

plea that the experience required for the post was 02 to 07 years. However, the candidate had experience of 07 years and 05 months, which indicated that only five months experience was excess than the required experience. The appointment of candidates having additional experience could have proved an asset for the company but the management rejected candidates just to extend favor to the other candidates standing lower in merit list. Hence, the appointment of two candidates (one Senior Architect, Grade-09 and one Senior Engineer (Construction), Grade-09) despite having lower position on merit list than rejected candidates and payment of salary of Rs. 3.90 million(130,000 per month average salary x 30 months of both officer upto December, 2018) was held irregular.

Audit was of the view that the candidates having extra experience were an asset for the company and management should appoint/consider the candidates on merit basis rather than rejection of candidates having some extra experience.

During DAC meeting held on January 7, 2019, the management explained that the criteria mentioned in advertisement was observed, and induction was made in line with the NESPAK induction rules and policies. The DAC was not satisfied with the explanation of management, as two employees recommended for appointment were not appointed. The DAC directed to hold fact-finding inquiry at Ministry level.

Audit recommends compliance of the DAC directive.

7.1.4.10 Irregular expenditure on hiring of vehicles without obtaining competitive bids - Rs 13.71 million

According to Clause 8 & 9 of Public Procurement Rules-2004, a procuring agency shall devise annual planning for all proposed procurements with the object of realistically determining the requirements of the procuring agency. A procuring agency shall announce in an appropriate manner all

proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned.

During the audit of NESPAK for the year 2017-18, it was observed that the management incurred expenditure of Rs 13.71 million on hiring of vehicles for various jobs. Hiring of vehicles was made without proper planning and by splitting the cost of hiring in order to keep, cost of each hiring below the NESPAK prescribed financial limit of Rs 500,000 to avoid tendering. Consequently, the management not only violated PPRs 2004 but also deprived the company of the benefit of competitive bidding. As the vehicles were hired in violation of rules, thus the whole expenditure of Rs 13.71 million was considered irregular.

Audit was of the view that said services were hired in deviation of proper procedures on splitting basis without keeping in view the actual annual requirements.

The DAC in its meeting held on January 7, 2019, observed that requirement was splitted upto to the level of Rs. 500,000 to avoid the tendering process. The DAC directed the management to follow due process for hiring of vehicle.

Audit recommends compliance of the DAC directive.

7.1.4.11 Irregular appointment of officer as 3D Presenter/Graphic Designer (Grade-09) - Rs. 2.21 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management published advertisement on September 18, 2016 for appointment of 3D Presenter/Graphic Designer for Karachi Office. The management shortlisted only one candidate for interview. Consequently, the candidate i.e. Mr. Naeem Javed was appointed as 3D Presenter/Graphic Designer (Grade-09) w.e.f. July 27, 2017. In fact due to widespread utilization of modern computer technologies it is difficult to understand that only one relevant candidate applied for the post which prima facie showed that the short-listing was made just on favoritism basis. The list and profiles of applicants who applied for the post were demanded from management but the same were not provided to audit.

Audit was of the view that the appointment and payment of salary of Rs. 2.21 million (130,000 per month average salary x 17 months upto December 2018) were held irregular.

During DAC meeting held on January 7, 2019, the management explained that Mr. Naeem Javed Khan went through the entire process of recruitment. The DAC directed to provide complete record regarding appointment process of said employee. No record was provided to audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

7.1.4.12 Loss due to non-renting of vacant space - Rs. 4.50 million

According to bid submitted by KP Economic Zone Development & Management Company, Peshawar regarding hiring of ground and 1st floors of NESPAK Peshawar, Rs. 37.50 per Sq. Ft was offered for 20,000 Sq. Ft area of both floor.

During the audit of NESPAK for the year 2017-18, it was observed that the management constructed NESPAK House Peshawar for establishment of Regional office by incurring a cost of Rs. 150.88 million. The NESPAK Peshawar Regional Office was shifted into second floor of said building and the

basement was utilized for parking of vehicles. The management tried many times to lease out the vacant space i.e. ground and 1st floors having area of 10,000 Sq. Ft. each since July, 2015 but unfortunately, due to non-willingness of any party, the vacant floors could not be leased out.

The management again tried to lease out the vacant space and published tender on May 27, 2018. Only one party i.e. KP Economic Zone Development & Management Company (a state owned company of KP Government), participated in the tender and offered Rs. 37.50 per Sq. Ft for 20,000 Sq. Ft area of both floors. However, management refused to accept the offer with the reasons that NESPAK offices of upcoming projects would be shifted into these floors. Audit observed that both floors were lying vacant as not a single office was shifted. Thus, due to imprudent decision of management, NESPAK suffered a loss of Rs. 4.50 million (Rs. 37.5 per Sq. Ft x 20,000 Sq. Ft x 06 months) from July 2018 to December 2018.

Audit was of the view that the management was required to lease out the vacant floors rather to keep the building vacant for expected projects but the same was not done, due to which the company sustained loss.

During DAC meeting held on January 7, 2019, the management informed that tender of hiring out the vacant building (portion) was advertised five times but no suitable client was found interested. The DAC directed to retender the vacant space in the interest of NESPAK.

Audit recommends compliance of the DAC directive.

7.1.4.13 i *Loss due to irregular payment of pay & allowances to Ex-MD for no-work period after superannuation - Rs. 15.75 million*

ii *Loss due to non-recovery of salaries of employees and rent of vehicles from Ex-MD - Rs. 20.24 million*

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. According to the minutes of BoD meeting dated September 25, 2017, the management was directed to recover the rent of vehicles, furnishing items and salaries of personnel from ex MD.

During the audit of NESPAK for the year 2017-18, it was observed that the then MD Mr. Amjad Ali Khan retired on superannuation on April 09, 2017 and was not eligible for continuation of services as MD for 2nd term of three years. Contrary to that, the officer was again appointed as MD for a further three years vide letter June 28, 2016 without considering the superannuation date of the officer. The officer filed a petition in Lahore High Court regarding retirement notification, which was decided in favor of officer on June 28, 2018 by a single judge bench. The management filed an intra court appeal, which was accepted on July 13, 2018 in favor of NESPAK with the remarks, “the judgment passed by the learned single judge was not sustainable at law”. The officer during reinstatement period i.e. June 28, 2017 to July 13, 2018 claimed pay, allowances, and fringe benefits valuing Rs. 15.75 million for no-work period i.e. April 10, 2017 to June 28, 2017, which was paid by the management. The payment for the period for which no services were rendered was held irregular.

Furthermore, the officer retained two vehicles, one motorcycle, various furnishing items and five NESPAK personnel at his residence beyond the prescribed entitlement during his posting as MD which were returned by ex-MD during September 2017 i.e. five months after his retirement. The BoD in its 145th meeting held on September 25, 2017 directed the management to recover the rent

of vehicles, furnishings items and salaries of personnel from ex-MD but no action was taken by management. Thus, due to non-compliance of the Board's directions, the company also sustained loss of Rs. 20.24 million.

Audit was of the view that the management was not required to make payment of salary for no-work period to a superannuated officer and to ensure the compliance of Board's directives to recover the rent of vehicles, furnishing items and salaries of personnel from ex MD but the same was not done due to which the company sustained loss.

During DAC meeting held on January 7, 2019, the management explained that the matter was subjudice. The DAC directed to take action as per Court decision.

Audit recommends compliance of the DAC directive.

7.1.4.14 i. Loss due to non-claiming of financing charges on account of delay in payments - Rs. 6.94 million

ii. Loss due to non-recovery of consultancy fee from client - Rs. 15.05 million

According to Clause-6.5 of special conditions of contract (Part-B regarding construction supervision of re-modelling works of Warsak Canal System), if the client delayed the consultants' payment more than fifteen days after submission of consultants' invoices, financing charges @ KIBOR plus two percent per annum shall be paid to the consultants for each day of the delay.

During the audit of NESPAK for the year 2017-18, it was observed that the management made an agreement with Irrigation Department, Government of Khyber Pakhtunkhwa, Peshawar regarding provision of construction supervision of re-modelling works of Warsak Canal System in 2012. Part-A of the contract pertained to design consultancy and survey and Part-B of the contract pertained to construction supervision. Part-B of the contract i.e. construction supervision

started w.e.f. November 01, 2013. The consultant raised invoices upto September 2018 of Rs. 181.33 million on account of payment for consultancy supervision to client. Out of said amount, the clients made payment of Rs. 132.52 million by causing delay of more than six months after deducting retention money, withholding tax, mobilization advance and the payment valuing Rs. 15.05 million for the period from January, 2018 to September, 2018 was outstanding from client. The management did not claim financing charges on account of late payments from the client besides efforts for recovery of balance amount, which resulted in further delay in payment due to which the company suffered loss of Rs. 6.94 million on account of non-recovery of financing charges due to delay in payments.

Audit was of the view that the management should have claimed the financing charges from client in pursuance of agreement clause as well as making efforts for the recovery of balance amount but the same was not done due to which the company suffered loss.

During DAC meeting held on January 7, 2019, the management informed that the client did not delay the payment intentionally but it was delayed due to delay in release of funds from the KP Govt. The DAC directed that remaining recovery along with financing charges may be pursued vigorously.

Audit recommends compliance of the DAC directive.

7***.1.4.15*** ***i. Loss due to non-receipt of consultancy fee for delay period - Rs. 13.01 million***

ii. Non-inclusion of consultancy services fee receivable in books of company - Rs. 6.64 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to,

especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management entered into an agreement with M/s UET Taxila on July 10, 2017 for design and construction supervision regarding construction of students' hostels valuing Rs. 11.15 million. The contract was delayed due to non-completion of work by the contractor on account of different reasons. NESPAK also provided consultancy services during contract completion delay period without confirmation from client for payment of services for the said period. The project was completed on June 30, 2017 and NESPAK raised invoices of Rs. 26.04 million on account of consultancy services but the client made payment of Rs. 13.04 million and balance payment of Rs. 13.007 million was not made by the client due to delay in contract completion. Furthermore, against receivable amount of Rs. 13.01 million, NESPAK included an amount of Rs. 6.36 million as receivable in books of accounts as on June 30, 2018 and remaining amount of Rs. 6.64 million was not included in books of accounts due to which company accounts were understated and did not show the true picture.

Audit was of the view that before provision of consultancy services for contract completion delay period, the management should have settled the terms and conditions for receipt of consultancy charges with client but the same was not done due to which the company suffered loss. Further, the non-inclusion of receivable valuing Rs. 6.64 million in books of accounts also needs to be investigated.

During DAC meeting held on January 7, 2019, the management informed that the client was assuring that, the balance payment would be released as soon as approval of Extension of Time by the competent authority. The DAC directed to hold fact-finding inquiry for continuation of work without extension of contract and the report should be shared with the Audit.

Audit recommends compliance of the DAC directive.

7.1.4.16 Loss on account of excess payment of rent due to defective agreement – Rs. 71.74 million

According to Section-5 of Urban Rent Restriction Ordinance, 1959 (Updated as on January 14, 2010), the rent of a residential as well as non-residential building shall stand automatically increased at the end of every three years of its tenancy by twenty-five per cent of the rent already being paid by the tenant.

During the audit of NESPAK Regional Office Karachi for the year 2017-18, it was observed that the management made two agreements with National Insurance Company Ltd to acquire a total space of 15,801 sq. ft. on 12th & 13th floors and 5,300 sq. ft. on 4th floor w.e.f. September 01, 2007 and April 01, 2007 for establishment of NESPAK Regional Office and A&P Division Office respectively. Both agreements were extended time to time and as per agreements, the monthly rent was increased @ 10% p.a. in violation of above said rule. As per Urban Rent Restriction Ordinance, 1959, the monthly rent was to be increased @ 25% after three year but the same was not done due to which the company paid excess rent to lessor and sustained a loss of Rs. 71.74 million.

Audit was of the view that the management should have negotiated with the lessor to review the rent rates as per prevailing rules to avoid further loss and excess rent paid should also be adjusted from the payment of rent for future period otherwise agreements should be terminated under the conditions of contracts.

During DAC meeting held on January 7, 2019, the management informed that the lease agreement was made as per rules at the rental ceiling as the building is situated in Cantt area. The DAC directed to produce relevant supporting document regarding situation of building in cantonment area for verification to Audit.

Audit recommends compliance of the DAC directive.

7.1.4.17 Loss due to late dismissal from service despite proven fake degree Rs. 4.86 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK Regional Office Islamabad for the year 2017-18, it was observed that the management appointed Mr. Ashraf Ali as Inspector/Superintendent in Grade-07 w.e.f. August 07, 1994 based on three year Diploma in Associate Engineering (Civil) granted by Sindh Board of Technical Education. At the time of appointment, the management did not get the educational certificates of the employee verified from the concerned board. The official was promoted as Draftsman in Grade 08B w.e.f. September 13, 2007 and subsequently promoted in Grad-08A as Associate Engineer. During 2013, the management requested the Sindh Board of Technical Education for verification of Diploma. The Board vide his letter dated May 02, 2013 informed that the said diploma was forged. Consequently, the management issued show cause notice to the employee on May 08, 2013 and initiated inquiry against the accused vide letter dated July 10, 2013. The accused did not appear before the inquiry officer despite repeated notices and filed a petition in National Industrial Relations Commission, Islamabad in March 2014, which was dismissed by the court. The departmental inquiry continued for four and a half years just to prove that the degree was bogus which the board already proved in 2013. Finally, the accused was dismissed from service w.e.f. November 07, 2018 based on bogus degree. There was no need for detailed inquiry and employee should have been dismissed immediately. Thus, due to unnecessary detailed enquiry for four and half years,

the accused continued to receive irregular pay and allowances which caused loss of Rs. 4.86 million (Rs. 90,000 average salary per month x 54 months) to the company.

Audit was of the view that had management dismissed the employee from service immediately after proving bogus degree, the irregular payment of salary and allowances could have been saved but the same was not done and favor was granted to the employee.

The DAC in its meeting held on January 7, 2019 directed the management to lodge FIR against the employee and fix responsibility for delay in initiation of legal course against the employee despite of proving bogus degree.

Audit recommends compliance of the DAC directive.

7.1.4.18 Loss due to non-receipt of retention money and consultancy fee from client - Rs 10.00 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK Regional Office Peshawar for the year 2017-18, it was observed that the management executed a contract agreement with Communication and Works Department for engineering consultancy services of detailed design & construction supervision of establishment of Gaju Khan Medical College Swabi in December 2013 for Rs. 15 million. The client made payment of Rs. 5.415 million and remaining amount was not paid by the client till date despite completion of contact since June 30, 2016, Furthermore, in

pursuance of Clause 3.4 (4) of the contract, the client withheld retention money Rs. 541,500 @10% of amount paid which was to be released upon completion of defect liability period. The project was completed on June 30, 2016 and defect liability period concluded on June 30, 2017 but the management failed to get released the same as well as balance amount receivable from the client was also not paid due to which the company sustained loss of Rs. 10.00 million.

Audit was of the view that the management should have made efforts for early receipt of retention money and recovery of receivable from the client but the same was not done.

During DAC meeting held on January 7, 2019, the management explained that the payment was withheld due to no-availability of funds. The DAC directed to get the acknowledgement from client for consideration of audit.

Audit recommends compliance of the DAC directive.

7.1.4.19 Loss due to provision of defective services resulted in non-receipt of consultancy cost - Rs. 17.30 million

According to Clause-3.1 of General Conditions of Contract between M/s UET, Lahore and NESPAK regarding consultancy services i.e. Architectural and Engineering Design and Resident Construction supervision of Innovation Centre at UET Narowal campus, The consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy, in accordance with generally accepted professional techniques and practices and shall observe sound management practices and employ appropriate advanced technology and safe methods. As per clause 3.4, the consultants are liable for the consequences of errors and omissions on his part or on the part of the employees and if client suffers any losses or damages as a result of proven faults, errors or omissions in the design of a project, the consultants, shall make good such losses or damages.

During the audit of NESPAK for the year 2017-18, it was observed that the consultancy services provided by NESPAK were not upto the required stipulations and the client raised many objections regarding removal of faults in services provided by the NESPAK. The management raised invoices for Rs. 29.63 million during the period from January 2016 to October 2018 but the client paid only Rs. 12.34 million and balance amount of Rs. 17.30 million was withheld due to provision of defective services. The client also requested NESPAK for deployment of less staff due to slow pace of work by contractor but the same was not followed/observed. NESPAK suffered loss of Rs. 17.30 million due to defective work.

Audit was of the view that due to defective work NESPAK sustained loss.

During DAC meeting held on January 7, 2019, the management informed that delay was due to revised instructions of HEC. The drawings were submitted in time and the claim of NESPAK was never refuted by client. The DAC directed to produce relevant record for audit verification. No relevant record was provided to audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

7.1.4.20 Appointment of terminated employee as Senior Architect (Gr-10) without following appointment process - Rs. 9.90 million

According to clause-08(a & b) of eligibility criteria for induction and promotion of NESPAK, all inductions shall be made on the basis of applications received in response to the requirements as given in advertisements. The anticipated requirements for hiring of staff shall be determined by the concerned Division Head and were approved from Managing Director for publication of advertisement in important daily newspapers of all provinces of Pakistan as well as on the NESPAK website. The advertisement shall be prepared and forwarded by the concerned Division Head to the Human Resources Division for publications.

During the audit of NESPAK for the year 2017-18, it was observed that Ms. Wajiha Rehan joined NESPAK as Jr. Architect w.e.f. August 1999 and performed services till September 2006 as regular employee of the company. During September 2006, she applied for ex-Pakistan leave (without pay) but the company rejected her leave. Consequently, without permission of company, she absconded from official duty and left Pakistan for Beijing with family. Thus, due to misconduct, the company terminated her services. Later on, she came back in 2011 and requested NESPAK for rejoining of services. The management accepted her request and directed to join duty as Senior Architect w.e.f. May 16, 2011 on daily wage basis. Just after three months, she was appointed as Senior Architect (Grade-10) on contract basis w.e.f August 03, 2011 without following any appointment process. Later on, her services were regularized w.e.f. February 03, 2014. After termination of her services based on misconduct i.e. absconding from duty, she was not eligible for re-appointment. Hence, her re-employment as Senior Architect (Grade-10) and payment of Rs. 9.90 million on account of salary was held irregular.

Audit was of the view that the management should have made appointment of eligible candidate through competitive procedure and re-appointment of already terminated employee under misconduct should be avoided but the same was not done and favor was granted to the employee.

During DAC meeting held on January 7, 2018, the management informed that Ms. Wajiha Rehan was re-inducted after fulfilling the codal formalities. The DAC observed that appointment process was not followed and directed to hold fact-finding enquiry.

Audit recommends compliance of the DAC directive.

7.1.4.21 i. Loss due to continuation of consultancy services despite hiring of another consultant by client - Rs. 6.50 million

ii. Non-inclusion of consultancy services fee receivable in books of company - Rs. 1.50 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management made two agreements with M/s Baluchistan Engineering Services Agency (BESA) in March 2015 for feasibility study for Geometric Improvements at Koyala Phattak Intersection and Car Parking Plaza, Quetta valuing Rs. 11.00 million. During execution of contract, the client hired another consultant for said assignment. NESPAK was required to stop the work due to breach of contract by client but NESPAK also continued to work on the assignment and completed the contract. Resultantly, the client not made the payment of work done valuing Rs. 6.50 million which was ultimately a loss to the company. Furthermore, against receivable amount of Rs. 6.50 million, NESPAK included an amount of Rs. 5.00 million as receivable in the books of accounts as on June 30, 2018 and remaining amount of Rs. 1.50 million was not included in books of accounts.

Audit was of the view that provision of consultancy services after hiring of another consultant by the client should be stopped by NESPAK but the same was not done due to which the company suffered loss. Further, the non-inclusion of receivable valuing Rs. 1.50 million in books of accounts also needs to be investigated.

During DAC meeting held on January 7, 2019, the management explained that the matter was subjudice. The Committee directed to take action as per Court, decision.

Audit recommends compliance of the DAC directive.

7.1.4.22 Loss due to execution of work beyond scope of contract - Rs 22.07 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK HO Lahore for the year 2017-18, it was observed that Water Resources Division, Lahore entered into an agreement with Punjab Irrigation Department Lahore for consultancy services for development of water management system and decision support system for efficient irrigation water management in Punjab (Job No.3621). The management raised supplementary invoice No. 02 dated May 30, 2017 for Rs 80.33 million against the amount already withheld by the client. The client refused to accept complete claim and deducted an amount of Rs. 22.07 million on account of incurring and claiming of expenditure out of contract scope, which showed that the expenditure was incurred by the management without any limitation with the intention to charge to client but the client refused the same.

Audit was of the view that management raised excess invoices just to provide the coverage of additional expenditure incurred out of contract scope but the client refused to pay the same due to which company suffered loss.

During DAC meeting held on January 7, 2019, the management explained that the client did not agree with the justification regarding required assessment. However, it was expected that in the extension phase, NESPAK have good chance of winning various projects in future. The DAC directed the hold a fact-finding inquiry and share the inquiry report with Audit.

Audit recommends compliance of the DAC directive.

7.1.4.23 Loss due to hiring of Human Resources without determining actual requirement - Rs. 395.41 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management placed technical and non-technical human resources in different projects. These human resources were deployed in excess of actual requirement of the project resulting in burden of 214,372 idle person-hours on the company. This scenario indicated that posting of excessive human resources on projects was made just to accommodate the human resources hired in excess of actual requirements. The hiring of excess human resources was unjustified as NESPAK foundation had database of technical and non-technical human resources and said database could be utilized to hire the human resources at the time of human resources requirements on emergent basis for specific project. The excess human resources hired equivalent to 214,372 idle man hours were charged to overheads which was additional financial burden and caused loss of Rs. 395.41 million to the company.

Audit was of the view that the management was required to hire and post the employees on projects by determining actual requirement to avoid idle hours/loss to the company but the same was not done due to which the company suffered loss.

During DAC meeting held on January 7, 2019, the management informed that the idle hours were attributed to project finished in 2017-18 due to non-acquisition of new projects. The DAC directed to devise strategy for full utilization of manpower.

Audit recommends compliance of the DAC directive.

7.***1.4.24*** ***i. Non-receipt of retention money withheld by the client without any authorization - Rs. 32.86 million***

ii. Loss due to withholding of Escalation invoices by the client without any justification - Rs. 26.07 million

According to general and special conditions of contract (Part-B regarding construction supervision of re-modeling works of Warsak Canal System), no clause was included for deduction of retention money from the invoices submitted by the consultant. As per clause-6.2(a) of special conditions of contract (Part-B regarding construction supervision of re-modeling works of Warsak Canal System), remuneration paid in local currency pursuant to the billing rates agreed for each person shall be adjusted in July of every year, subject to maximum of prevalent Consumer Price Index (CPI) as per given formula plus salary revision due to statutory notification.

During the audit of NESPAK for the year 2017-18, it was observed that the management made an agreement with Irrigation Department, Government of Khyber Pakhtunkhwa, and Peshawar regarding provision of construction supervision of re-modeling works of Warsak Canal System during 2012. Part-A of the contract i.e. design consultancy and survey, was completed by the consultants and payments were made by clients on account of consultancy after

deducting the retention money in light of Consultancy Agreement-Part-A. Part-B of the contract i.e. construction supervision, was started w.e.f November 01, 2013. In this segment, no clause regarding deduction of retention money was included. However, the client deducted retention money from monthly invoices of consultants resulting in deduction of Rs. 32.86 million up to December 2017 in violation of agreement. Furthermore, the consultant raised invoices of escalation during execution of Part-B of contract, paid by the client upto August 2016 but stopped the payment by client w.e.f. September 2016. The management raised escalation invoices upto December 2017, showing receivable of Rs. 26.07 million. Due to non-payment of escalation, the management also stopped raising escalation invoices w.e.f January, 2018 which showed that the earlier invoices were raised by management just to cover the unnecessary expenditure which was not reimbursed by the client otherwise escalation could not be minimized in these months.

Audit was of the view that had the management made efforts for receipt of retention money and escalation withheld by client, the company could avoid huge loss but the same was not done. The management may explain reasons for non-recovery.

During DAC meeting held on January 7, 2019, the management informed that the matter was taken up with the client in numerous correspondence and meetings. The DAC directed that recovery may be pursued vigorously and progress achieved got verified from Audit.

Audit recommends compliance of the DAC directive.

7.1.4.25 Loss due to incurrence of heavy expenditure on project of UET Taxila – Rs 29.58 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due

economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management made an agreement with M/s UET Taxila on July 10, 2013 for design and construction supervision regarding construction of students' hostels. The project was completed on June 30, 2017. The NESPAK raised invoices of Rs. 26.04 million on account of consultancy services. NESPAK incurred Rs. 55.63 million on this project under Job No. 3539 upto June 30, 2017 resulting in loss of Rs. 29.58 million due to incurring of heavy expenditure on this project. The main component of expenditure was remuneration of human resources, which showed that excess human resources were deployed on the project without ascertaining the actual requirement at site.

Audit was of the view that the management was required to incur expenditure keeping in view the scope of work to make the project profitable but the same was not done due to which the company suffered loss.

During DAC meeting held on January 7, 2019, the management explained that the project was acquires at bare minimum consultancy fee to enhance business. The DAC observed that excessive expenditure was incurred and directed to hold facts finding inquiry and share the report with audit. No report was provided to audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

7.1.4.26 Decrease in business acquisition despite direction of BoD resulting in non-receipt of loan from Qatar Office - Rs. 53.21 million

According to the approval of Committee on International Operations, dated January 25, 2016, loan of Qatari Riyal 1.996 million was to be released by

NESPAK Muscat Office to NESPAK Qatar Office, which was to be returned by December 2016.

During the audit of NESPAK for the year 2017-18, it was observed that the management released an amount of Qatari Riyal 1.25 million (equivalent to Rs 32.51 million) to Qatar Office during February 2016 to June 2017 out of the approved loan and remaining amount of loan i.e. Qatari Riyal 746,000 (equivalent to Rs 20.70 million) was released to Qatar Office on November 30, 2017 in light of approval of Committee on International Operations dated October 16, 2017 with the direction to repay the amount of loan upto June 2018. However, the Qatar office could not repay the same.

Audit observed that the business acquisitions were reducing time to time and Qatar Office was also suffering loss from its business operations. The BoDs in its meeting No. 146 held on October 20, 2017 also directed to work hard and put in more efforts for acquiring new business and increase the financial performance by at least 20% upto June, 2018 but the management of Qatar Office failed to do so due to which business performance of Qatar Office declined even more during 2017-18.

Audit was of the view that the management was required to follow the BoDs and Committee's directions for increase in business performance and repayment of loan amount of Rs. 53.21 million (Rs 32.51 million + Rs 20.70 million) but the same was not adhered.

During DAC meeting held on January 7, 2019, the management informed that political and financial situation of Qatar was now improving. The DAC directed that appropriate action may be taken to void further loss in future as well as recovery of outstanding loan.

Audit recommends compliance of the DAC directive.

7.1.4.27 Loss of rental income due to defective agreement - Rs. 36.05 million

According to Section 10(1) of Islamabad Rent Restriction Ordinance, 2001, the rent of a residential as well as non-residential building shall stand automatically increased at the end of every three years of its tenancy by twenty-five per cent of the rent already being paid by the tenant.

During the audit of NESPAK Regional Office Islamabad for the year 2017-18 it was observed that management made two agreements with Pakistan Services Ltd and Hashwani Hotels Ltd on March 08, 2012 to lease out a total space of 24,071 sq. ft. on ground, 1st & 2nd floor and 4500 sq. ft. on upper basement respectively w.e.f. April 01, 2012 for five years. As per agreement, the monthly rent was increased @ 5% p.a. in violation of above said rule. These agreements were extended for further five years w.e.f. April 01, 2017 with the same condition of increase in monthly rent @ 5% p.a. As per Islamabad Rent Restriction Ordinance, 2001, the monthly rent was to be increased @ 25% after three years but the same was not done due to which the company sustained loss of Rs. 36.04 million.

Audit was of the view that the management should have made agreements by including increase in rent @ 25% after every three years under the rental rules but the same was not done due to which company sustained loss.

During DAC meeting held on January 7, 2019, the management explained that after detailed deliberation package deal was agreed between NESPAK and M/s PSL with monthly rent of Rs. 40/sqft with an increase of 5% increment annually. The DAC observed that 5% increase was against the provision of Islamabad Rent Restriction Ordinance, 2001 and directed to provide detail justification for consideration of audit.

Audit recommends compliance of the DAC directive.

7.1.4.28 Loss due to non-receipt of consultancy fee from client - Rs 18.26 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK for the year 2017-18, it was observed that the management executed an agreement with Transport & Mass Transit Department, Government of Sindh for engineering consultancy services for preliminary design, bidding documents and evaluation of bid invitations of Karachi Circular Railway Project on August 24, 2017 for Rs. 43 million. The consultant submitted preliminary design and bidding documents to client and raised invoices of Rs. 18.26 million but said amount has not been paid by the client so far despite provision of services, due to which the company sustained loss of Rs. 18.26 million.

Audit was of the view that the management should have made efforts for early receipt of consulting fee from the client but the same was not done.

During DAC meeting held on January 7, 2019, the management explained that several meetings have been held with the client to fulfill their contractual objections. The DAC directed to pursue recovery vigorously.

Audit recommends compliance of the DAC directive.

Chapter-8
Finance Division

8.1 House Building Finance Company Limited

8.1.1 Introduction

House Building Finance Company Limited (HBFCL) is an unlisted public company, incorporated on June 13, 2006 under the Companies Ordinance, 1984. The Company has taken over all assets, running business, contracts, liabilities and proceedings of the House Building Finance Company (HBFC), established in 1952 under the House Building Finance Company (HBFC) Act 1952 (XVIII of 1952) by the Government of Pakistan on December 31, 2006, pursuant to a Vesting Order SRO.1/2007 dated July 25, 2007 issued by the Finance Division– Government of Pakistan.

8.1.2 Comments on Audited Accounts

8.1.2.1 The working results of the company during the year 2017 as compared to previous years are tabulated below:

(Rs in million)

	2017	**% Inc/ (Dec)**	**2016**	**% Inc/ (Dec)**	**2015**
Net rental markup/return/interest income	2,268.56	47.42	1,538.83	6.73	1,441.8
Various Reversal/ (provision) made (net)	681.46	-	(851.44)	(72.21)	491.57
Reconciliation adjustment	(0.75)	189.29	0.84	(91.21)	9.56
Reversal of rental income due to relief package	(7.405)	(25.13)	(9.89)	(55.85)	(22.40)
Other Income	185.84	(31.99)	273.25	381.67	56.73
Total Income	3,040.823	217.69	957.16	(2.32)	979.88
Administrative and other charges	(1,025.89)	(41.96)	(1,767.65)	3.32	(1,710.82)
Profit/(loss) before allocation for SBP share	2,013.88	-	(835.86)	17.17	(728.70)
Share of results of associate	1.43	(79.51)	6.98	(28.55)	9.77
Profit/(loss)before taxation	2,013.88	-	(835.86)	14.70	(728.70)
Taxation	(393.79)	1,209.13	(30.08)	(75.59)	(123.25)
Profit/(loss) after taxation	1,620.09	-	(865.95)	1.64	(851.96)

(Source: Annual Audited Accounts)

Net rental markup/return/interest income are increased by 47.42% in 2017, from Rs.1,538.83 million in 2016 to Rs.2,268.56 million in 2017.

8.1.2.2 Various Reversal/ (provision) made (net) showed positive results in 2017, Rs.681.460 million in 2017 from loss/negative value of Rs.851.449 million in 2016.

8.1.2.3 The total income increased by 217.69%% during the year, from Rs.957.16 million in 2016 to Rs.3,040.82 million. Administrative and other charges are decreased by 41.96% during year under review, from Rs.1,767.65 million in 2016 to Rs.1,025.89 million in 2017.

8.1.2.4 Profit after tax is recorded at Rs.1,620.09 million in 2017 as compared to loss of Rs.865.95 million in 2016.

8.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	14	9	5	37,38,39,41 &42	64
1998-99	2	1	1	82	50
2000-01	5	2	3	101,102&103	40
2001-02	5	4	1	95	80
2002-03	3	2	1	56.1	67
2003-04	14	8	6	41.4,41.5,41.6,42,43&48	57
2004-05	3	-	3	29,30&31	-
2005-06	14	11	3	56.1,57&58	79
2006-07	5	4	1	38	80
2007-08	8	3	5	43,44(a),44(b), 44 (c)& 44(d)	38
2010-11	10	6	4	7.1.2.1, 7.1.2.3, 7.1.4.1, 7.1.4.4	60
2013-14	12	1	11	6.1.2, 6.1.3.1, 6.1.3.2, 6.13.3, 6.1.3.4, 6.1.3.5, 6.1.3.6, 6.1.3.7, 6.1.3.8,6.1.3.9 &6.1.3.10	8
2016-17	1	-	1	6.1.4.2	-
Total	**96**	**51**	**45**	**-**	**53%**

The overall compliance of PAC directives needs improvement.

8.1.4 Audit Paras

8.1.4.1 Non-production of record - Rs. 30.00 million

Section 14 of the Auditor General of Pakistan 'Functions powers Terms and conditions of Service Ordinance 2001, provides that the officer in-charge of any office or department shall afford all facilities and provides record for audit inspection and comply with requests for information in as complete from as possible and with all reasonable expedition (Sub Section-2).Any person or authority hindering the Auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant E & D Rules (Sub Section-3).

During audit of House Building Finance Company (HBFC), Karachi for the year 2017, it was observed that management paid an amount of Rs.30.00 million on account of canteen subsidy allowance to its employees. However, the record were called for from the management on October 12, 2018 vide requisition No.25. But the management failed to produce the same.

Audit is of the view that non-production of record was concealment of fact from audit due to which audit could not ascertained the authenticity of the expenditure.

The matter was reported to the management in October, 2018 but, no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter and responsibility may be fixed on the person(s) at fault.

8.1.4.2 Non-recovery of decreed amount - Rs. 76.756 million

According the Section 19 (1) of the Financial Institutions (Recovery of Finances) Ordinance 2001, upon pronouncement of judgment and decree by Banking Court, the suit shall automatically stand converted into execution proceedings without the need to file a separate application and no fresh notice need to be issued to the judgment-debtor in this regard. Particulars of the mortgaged, pledged, or hypothecated property and other assets of the judgment-debtor shall be filed by the decree-holder for consideration of the Banking Court and the case will be heard by the Banking Court for execution of its decree on the expiry of 30 days from the date of pronouncement of judgment.

During audit of House Building Finance Company Limited (HBFC), Zonal Office Hyderabad for the year 2017, it was observed that in 75 cases the courts awarded decree in favour of HBFC more than 2 years ago. However, the management failed to recover the decreed amount Rs. 76.756 million (Annex-24).

Audit is of the view that non recovery of decreed amount shows slackness on the part of management and prevalence of weak internal controls.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter and responsibility may be fixed on the person at fault besides recovery of the amount.

8.1.4.3 Non-obtaining of post-dated cheques - Rs. 64.455 million

As per House Building Finance Company (HBFCL) Circular No. 40 dated July 14, 2004 applicant(s)/ co-applicant(s) will submit 36 post-dated cheques along with an additional cheque of total outstanding balance before release of

investment instead of submission of post-dated cheques for entire repayment period as per repayment schedule at once'.

During audit of HBFCL (HO) for the year 2017, it was observed that 43 costumers deposited post-dated-cheques against investment of Rs. 56.975 million which were exhausted and no fresh cheques for subsequent period were obtained. Similarly, the management of HBFCL, Zonal Office Hyderabad was also not obtained post dated cheque from 6 customers against investment of Rs. 7.480 million. The details of 6 customers are as under:

Sr. No.	Account No	Assignment Date	Investment Amount
1	9040005994	3/21/2016	1,793,000
2	9040004872	3/4/2015	2,495,000
3	9040004302	8/21/2014	2,000,000
4	9040004211	7/17/2014	500,000
5	9040003254	5/8/2013	500,000
6	9040000615	2/4/2009	192,600
Total			**7,480,600**

Audit is of the view that the management failed to secure the interest of company may not be able to file case against the customers in case of default.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that to safeguard the interest of company, postdated cheques should be collected from the customers besides matter may be investigated and responsibility may be fixed on the person(s) at fault.

8.1.4.4 Irregular disbursement of loans beyond prescribed Area limit - Rs.138.349

As per clause-E (iii) of the Operational Circular No.475 dated October 01, 2007 the District / locality-wise investment limit for urban areas of Hyderabad, Quetta & Peshawar is up to Rs.5,000,000.

During audit of (HBFCL) (ZO), Hyderabad for the year 2017 it was observed that management sanctioned loan to 16 customers more than the prescribed limit of Rs.5.000 million. This result into irregular sanction of loan amounting to Rs. 138.349 million (Annex-25).

Audit is of the view that undue favour was extended to the customers by granting loans beyond the approved area limit which indicates poor financial management and weak internal controls.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that matter may be investigated and responsibility may be fixed on the person(s) at fault.

8.1.4.5 Irregular appointment of head of I.T - Rs. 22.640 million

Clause-3.7.1.1 of Human Resource Manual of House Building Finance Company Limited (HBFCL) states that vacancies should be advertised in appropriate newspapers and journals. Further clause 59-A of Articles of Association of HBFCL provides that Professional Board of Directors and management will be installed in the Company. With corporatization, the Board of Directors will ensure that human resources with relevant skills are included in the Company. The board / management will be competent to decide all human resources matters. The deputation of any professional in the relevant field, if considered essential by the Board of Directors, will be made subject to clearance of 'fit and proper" criteria laid down by the State Bank of Pakistan from time to time.

During audit of HBFCL for the year 2016, it was observed that an advertisement was published by the management through consultants i.e. M/s. KPMG & Fulcrum Pvt Ltd on December 03, 2014 and April 08, 2015 for appointment of Head of IT. In response 30 candidates applied for the post out of

which 11 candidates were shortlisted and interviewed. Meanwhile, two directors resigned from the board and the board became dysfunctional and management appointed Mr. Yousuf Nasir as EVP on secondment from UBL for a period of two (02) years at a monthly salary of Rs.1,331,805 excluding other allied benefits against last monthly gross salary of Rs.672,475 drawn by him from UBL in violation of the above rule. This resulted into irregular appointment of Head of IT and the payment of Rs. 22.640 million (Rs.1,331,805 per month @ 17 months) on account of salary is held irregular and un-justified.

Audit is of the view that the management had misconstrued article 59-A of articles of Association and appointed Mr. Yousuf Nasir from private sector on secondment / deputation in the Public Sector Company. Thus undue favour was extended to the incumbent.

The matter was reported to the management in August, 2017 and in November, 2018. DAC meeting was not convened despite requests by audit.

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

8.1.4.6 Irregular/un-authorized appointment of EVP - Rs. 14.678 million

Clause 3.7.1.1 of Human Resource Manual of House Building Finance Company Limited (HBFCL) states that vacancies should be advertised in appropriate newspapers and journals. Further, According to the Establishment Division O.M dated December 05, 1990 and December, 04 2007, the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining approval of the Prime Minister.

During audit of House Building Finance Company Limited (HBFCL) for the year 2016, it was observed that an advertisement was floated by the management for the post of Executive Vice President (EVP)/Chief Internal Auditor through HR consultants i.e. M/s. KPMG & Fulcrum Pvt. Ltd. In response

08 candidates applied and out of which five 05 candidates were shortlisted. Meanwhile 02 directors resigned from the board and the board became dysfunctional and management appointed Mr. Abdul Waheed as EVP-Chief Internal Auditor on secondment from UBL to HBFCL for a period of two (02) years at a monthly salary of Rs. 1,086,563 excluding other allied benefits, against his last monthly gross salary of Rs. 411, 787 from UBL. It is pertinent to mention here that Mr. Abdul Waheed did not possess the requisite criteria of age and qualification at the time of appointment. This resulted into irregular appointment of Chief Internal Auditor and irregular payment of salary Rs. 14.678 million

Later on, after attaining the age of superannuation on March 31, 2016 he was re-appointed as Head of Internal Audit on contact basis for the period w.e.f April 01, 2016 to January 31, 2018 at a monthly salary Rs. 843,579 including all other perquisites without taking the approval from the Prime Minister.

Audit is of the view that the appointment of the officer was made in contravention of the HR Manual and Establishment Division. Thus, undue favour was extended to the incumbent.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.1.4.7 Irregular appointment of CFO - Rs. 12.186 million

Clause 3.7.1.1 of Human Resource Manual of House Building Finance Company Limited (HBFCL) states that vacancies should be advertised in appropriate newspapers and journals. Further, clause 3.1.9 states that HBFC would promote its own Human Resource in accordance with its own overall policy and appointment on deputation would not be made. Furthermore, clause

59-A of Articles states that Professional Board of Directors and management will be installed in the Company. With corporatization, the Board of Directors will ensure that human resources with relevant skills are included in the Company. The board / management will be competent to decide all human resources matters. The deputation of any professional in the relevant field, if considered essential by the Board of Directors, will be made subject to clearance of 'fit and proper" criteria laid down by the State Bank of Pakistan from time to time.

During audit of HBFCL for the year 2016, it was observed that in April 2016 management appointed Mr. Ashraf Ali Velji as CFO on secondment from UBL on the same terms and conditions i.e. by allowing 20% deputation allowance on his total cash drawings at M/s UBL at a monthly salary of Rs. 870,460 excluding other allied benefits against a monthly gross salary of Rs. 415,000 from UBL. Resultantly, the management had misconstrued article 59-A of Articles of Association and appointment was made from private sector on secondment in the Public Sector Company. Furthermore, the appointment was made without advertisement and on secondment by the management is also a clear violation of clause 3.7.1.1 and 3.1.9 of its HR Manual.

Audit is of the view that undue favour was extended to the incumbent. Hence, the appointment of the incumbent and payment of Rs. 12.186 million (Rs. 870,460 per month x 14 months) incurred on account of salary was also irregular.

The matter was reported to the management in June, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter and responsibility may be fixed on the person(s) at fault.

8.1.4.8 Loss due to imposition of penalty - Rs. 9.80 million

Rule 23 of General and Financial Rules states that every Government officer should realize fully and clearly that he would held responsible for any loss

sustained by Government through fraud or negligence on his part and that will also be held 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 House Building Finance Company (HBFCL)for the year 2017, it was observed that the management violated various instructions/ orders due to which State Bank of Pakistan imposed penalties of Rs. 9.800 million on the Company during the period July, 2015 to June, 2017 (Annex-26).

Audit is of the view that it was the prime responsibility of the management to avoid such violations of regulations and directives of SBP. The management failed to exercise due care and showed negligence which resulted into loss to the Company.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that action may be taken against the person(s) found at fault for such violations and recover the amount from them to avoid such penalties in future.

8.1.4.9 Irregular payments of bonus to employees – Rs. 8.732 million

Finance Division (Regulation Wing) through OM dated November 30, 2001 directed that the payment of bonus by autonomous bodies/semi-autonomous bodies/Corporations requires approval by administrative Ministry and concurrence of Finance Division.

During audit of House Building Finance Company Limited (HBFCL) (Zonal Office) Islamabad for the year 2015, it was observed that management paid bonus amounting to Rs.7.505 million to the officers and staff working under

their administrative control in 7 different branch offices without approval of the Finance Division. The detail is as under:

Name of Office	Total Amount (Rs.)
District Office Islamabad	888,000
Branch Office Rawalpindi	1,785,000
Branch Office Jhelum	363,000
Branch Office Mirpur	343,000
Branch Office WahCantt	533,000
Branch Office Attock	540,000
Grand Total:	**7,505,000**

Similarly, in 2015 the Zonal Office Lahore also disbursed an amount of Rs.1.217 million on account of bonus. This resulted in irregular payment of bonus of Rs.8.732 million.

Audit is of the view that the payment of bonus without obtaining approval of the Finance Division held irregular and against the policy as mentioned above.

The matter was reported to the management in June, 2016 and in November, 2018. DAC meeting was not convened despite requests by audit.

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

8.1.4.10 Irregular disbursement of loan against single valuation - Rs.6.165 million

According to HBFCL Circular/Instruction No.44/2014 dated March 17, 2014 all credit proposals seeking finance of Rs.2.5 Million & above for renovation of house/flat shall be subject to two valuation reports by two different approved valuators on HBFCL panel.

During audit of House Building Finance Company Limited, (HBFCL) Karachi for the year 2017, it was observed that management sanctioned loan

Rs. 6.165 million (account No. 9480000927) on the basis of single valuation report instead of two valuation reports in violation of the above circular. This resulted into irregular disbursement of loan Rs. 6.615 million.

Audit is of the view that management failed to observe the policy and this shows prevalence of weak internal controls.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends matter may be investigated and responsibility may be fixed on the person(s) at fault.

8.1.4.11 Irregular payment of fees to advocates/lawyers/firms - Rs. 1.970 million

According to the Para-2(ii) of the policy, no department/government or semi-government or public corporate body would pay to their counsel/legal advisor fee exceeding Rs. 100,000 including cumulative fee of similar or connected cases, without prior intimation and approval of the Ministry of Law, Justice and Human Rights. In case the fee is less than Rs.100, 000 even then the same will be paid in consultation and with approval of this Ministry. Any failure doing so will render the engagement of advocate/counsel etc., null and void and the fee involved will not be paid to such advocate/counsel."

During audit of HBFCL (HO) for the year 2013, it was observed that the management engaged four lawyers / advocates / firms in 04 different court cases on a fee exceeding the prescribed limit of Rs. 100,000 without obtaining approval of the Ministry of Law and Justice Division. This resulted into irregular payment of Rs. 1.970 million.

The matter was reported to the management in November, 2016. The management in its reply stated that the Board was empowered to engage the

lawyers at higher fees. The reply was ot tenable as concurrence of Ministry of Law was not obtained. DAC meeting was not convened despite requests by audit.

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

8.1.4.12 Irregular Insurance of vehicle from private insurer – Rs. 1.409 million

As per clause-166(3) of Insurance Ordinance-2000 all insurance of business relating to any public property, or to any risk or liabilities pertaining to any public property shall be placed with National Insurance Company Limited only and shall not be placed with any other insurer.

During audit of House Building Finance Company Limited (HBFC) for the year 2014 it was observed that the management got insured its vehicles worth Rs. 40.183 million from private company M/s Takaful Pakistan Limited instead of NICL and premium of Rs.1.409 million was paid in violation of above rule. The detail is as under:

(Amount in Rs.)

Particulars	Quantity	Rate	Sum Covered	Contribution
Motor Car	88	3.1%	34,562,500	1,071,438
Motor Cycle	186	6.0%	5,620,100	337,206
Total			**40,182,600**	**1,408,644**

Audit was of view that undue favour was extended to private insurance company which shows weak internal controls in the company.

The matter was reported to the management in January 2015 and in November, 2018. DAC meeting was not convened despite requests by audit.

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

8.1.4.13 Blockade of funds due to non-recovery of loans from various schemes - Rs. 6,722.596 million

Section 15(4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that where a mortgager fails to pay the amount and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate' the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money.

During audit of the House Building Finance Company Limited (HBFCL) for the year 2017, it was observed that management sanctioned and disbursed an amount of Rs. 6,722.596 million to borrowers in various schemes for a period of 20 years. However, these borrowers failed to pay their loan installments despite lapse of more than 40 to 50 years but management failed to sell the mortgaged property to recover the outstanding loans. This resulted into non recovery of Rs. 6,722.596 million. The details are as under:

Sr. No.	Name of the scheme	Number of Accounts	Defaulter amount (Rs. in million)
1	Interest Bearing Scheme	1,178	87.887
2	ShandarGhar Scheme	1,056	301.282
3	Profit Loss scheme	5,434	652.606
4	Simplified Scheme	5,377	717.724
5	New Simplified Scheme	12,019	2,772.751
6	GharAasan scheme	6,256	1,465.238
7	GharAasan (flexi) scheme	3,601	622.841
8	Goth Abad Scheme	1,077	102.267
	Total		**6,722.595**

Audit is of the view that non recovery of loans shows poor financial management and weak internal controls.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter and responsibility may be fixed on the person(s) at fault, besides recovery of the amount.

8.1.4.14 Non-recovery of loan from a defaulting customer - Rs.1.58 million

As per Clause 1 of the terms and conditions of the loan granted by House Building Finance Company Limited (HBFCL) in case partner fails to pay any of installments, within 10 days of its becoming due and payable to HBFC, the guarantor will pay the same with 07 days of the receipt of notice in writing.

During audit of HBFCL, Zonal Office Hyderabad for the year 2017 it was observed that in December 2015 an amount of Rs.5 million was sanctioned against account No.904000573-9 for renovation of House. However, customer after paying meager amount of Rs.628,793 failed to pay 20 installment involving an amount of Rs.1,577,645 as on December 31, 2017.

Audit is of the view that due to negligence of the management regarding initiate the action for the recovery of loan/auction of mortgaged property in time, the Company had to sustain expected loss of Rs.5.00 million.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter and responsibility may be fixed on the person at fault besides recovery of the amount.

8.1.4.15 Irregular retention of car by Ex-Vice President - Rs. 0.720 million

Rule-38(1) of GFR states that it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Public Account.

During audit of HBFCL, Karachi for the year 2017, it was observed that Mian Abdul Qadeer, Vice President, who retired on superannuation on February 15, 2018 but did not return the Toyota Corolla valuing Rs.0.720 million and no action was taken by the management

Audit is of the view that management extended undue favor to its ex-employee by not recovering the car.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that vehicle may be recovered and action may be taken to against the person(s) found at fault.

8.1.4.16 Non-submission of Widows cases to the Ministry of Finance for settlement of loans –Rs. 500 million

The Widows (Protection & Maintenance) Bill, 2015 provides and maintenance of neglected, abandoned and destitute widows by establishing welfare Board for such widows and for mater connected therewith or incidental thereto. The Ministry of Finance has accorded an amount of Rs. 500 million to provide relief to widows whose late husbands' had borrowed loan from HBFCL.

During audit of House Building Finance Company Limited (HBFCL), for the year 2017, it was observed that the government allocated funds amounting to Rs. 500 million as relief package to widows of borrowers by writing-off their outstanding loans during the financial year 2017-18. In this regard management identified 1,432 eligible cases out of which loans in 383 cases amounting to Rs. 83.868 million were written off and no action was taken the remaining cases.

Audit is of the view that due to slackness and inefficiency management failed to provide relief to eligible cases.

The matter was reported to the management in October, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter and responsibility may be fixed on the person(s) at fault besides action may be taken regarding the remaining cases.

8.1.4.17 Non-collection of sale deeds from the Registrar Office against loans - Rs.79.986 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 stats that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of House Building Finance Company Limited (HBFCL) Zonal Office (ZO) Hyderabad it was observed that an amount of Rs. 79.986 million was disbursed to 19 customers. However, the sale deeds were not collected from the Registrar Office. Further, the internal audit also raised the issue but despite of that the same was remained unresolved (Annex-27).

Audit is of the view that non collection of legal documents shows weak internal controls and negligence of the management.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that to safeguard the interest of HBFCL required legal documentation as per procedure must be completed and pending documents should be got cleared and obtained from sub registrar at the earliest.

8.1.4.18 Blockade of fund due to non- utilization of plot - Rs. 30.010 million

Rule 5 (1) of the Public-Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the company.

During audit of House Building Finance Company Limited (HBFC) Zonal Office, Hyderabad for the year 2015 & 2016, it was observed that in year 1988 management purchased a plot measuring 2,471 sq yards amounting to Rs.30.010 million for construction of residential apartments but same has remained unutilized which resulted into blockade of funds.

Audit is of the view that non utilization of plot shows poor financial management as this not only resulted in blockade of funds but management has failed to achieve the desired objectives.

The matter was pointed out to the management in April, 2017 and in November, 2018 but, no reply was eceived. DAC meeting was not convened despite requests by audit.

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

8.1.4.19 Loss due to illegal retention of public assets by Ex-MD - Rs. 5.145 million

Rule-10 of GFR provides that 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 of expenditure of his own money.

During audit of House Building Finance Company Limited (HBFCL) for the year 2017, it was observed that management incurred an amountRs. 5.145 million on purchase of two vehicles and other valuable for the use of Mr. Pervez

Said, Managing Director. In May 2017 his service tenure expired, but he did not return the company assets. A letter was written to him on April 26, 2017 to return company's assets. Further, the Board in its meeting held on May 24, 2017 directed for early recovery of company assets as per law and an FIR was lodged on May 31, 2017 in Sadder South Police Station. Despite of that, the management failed to retrieve the assets. The detail is as under:

Sr. No.	Particulars	Amount (Rs.)
1	Vehicle No. BDG-267 (Toyota Corolla Altis 1.8, Model 2015)	2,4 92,500
2	Vehicle No. BFL-660 (Toyota Corolla Model 2016)	2, 652,320
3	iPhone 5(s)	
4	Apple 1Mac 27	
5	Apple Mac Book air	
6	Mac Book Operating System (Two CD/DVD)	
7	iPad Apple- mini 32 GB	
8	iIPhone 6 plus	
9	Apple USB Drive	
10	Apple iPhone 6 plus	
11	Accessories & Adaptor	
12	Hard Disc 2 terabyte (Portable)	
	Total	**5,144,820**

Audit is of the view that non recovery of company's assets shows inefficiency and slackness on the part of management.

The matter was reported to the management in October, 2018 but, no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends fixing of responsibility on person(s) at fault besides early recovery.

8.2 Pakistan Security Printing Corporation (Pvt.) Limited

8.2.1 Introduction

Pakistan Security Printing Corporation (PSPC) is a private limited company governed under the Companies Ordinance, 1984 and was wholly owned by the Government of Pakistan up to June 13, 2017. Effective June 14, 2017, the Corporation has become subsidiary of State Bank of Pakistan. The Corporation is principally engaged in the printing of currency and prize bonds on behalf of State Bank of Pakistan. During the year in accordance with the decisions taken in the Corporation's extra ordinary general meetings held on December 27, 2016 and January 06, 2017, a subsidiary Company i.e. National Security Printing Company (Pvt) Ltd. (NSPC) was formed and the assets and liabilities pertaining to the Corporation's non-currency business were transferred to NSPC through a business transfer agreement dated May 18, 2017. Subsequently the Board of Directors of the Corporation in its meeting held on May 18, 2017 approved the distribution, effective May 19, 2017 of the Corporation's shares in NSPC to every shareholder, whose name was appearing in the register of members of the Corporation with the ratio of 1 share of NSPC for 1000 shares held in the Corporation as dividend in specie.

8.2.2 Comments on Audited Accounts

8.2.2.1 The working results of the Corporation for the year ended June 30, 2018 as compared with those of previous years are given below as under:

(Rs. in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Sales	12,214.28	28.89	9,476.19	21.70	7,786.29
Cost of Sales	(9,362.22)	31.74	(7,106.57)	14.28	(6,218.58)
Gross Profit	2,852.06	20.36	2,369.63	51.15	1,567.71
Administrative Expenses	(591.42)	14.80	(515.16)	5.00	(490.65)
Other Income	376.98	(45.09)	686.50	33.46	514.39
Financial charges	(3.27)	71.20	(1.91)	1.60	(1.88)
Share of profit from	691.42	22.93	562.45	47.32	381.79

associates excluding dividend					
Profit before taxation	3,107.33	3.89	2,990.90	50.21	1,991.08
Profit after taxation	2,059.21	0.70	2,044.94	48.56	1,376.47

(Source: Annual audited accounts)

During the year under review, sales increased by 28.89% from Rs.9,476.19 million in 2016-17 to Rs.12,214.28 million in 2017-18, whereas cost of sales also showed increasing trend and increased by 31.74%, from Rs.7,106.57 million in 2016-17 to Rs.9,362.22 million in 2017-18.

8.2.2.2 Administrative expenses increased by 14.80% from Rs.515.16 million in previous year to Rs.591.42 million during current year. Other income is decreased by 45.09% as compared to prior year. Company received sizable share of profit from associates of Rs.691.42 million as compared to Rs.562.45 million of previous year.

8.2.2.3 Profitability position of the company showed marginal improvement, as compared to previous year.

8.2.3 Compliance of PAC Directives

Audit Report Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2002-03	4	3	1	67.2	75
2007-08	5	2	3	49.2&50	40
2010-11	13	-	13	7.3.1, 7.3.2, 7.3.2.1, 7.3.2.2, 7.3.2.3, 7.3.2.4, 7.3.3, 7.3.4.1, 7.3.4.2, 7.3.4.3, 7.3.4.4, 7.3.4.5& 7.3.4.6	-
2013-14	7	4	3	6.2.2.1, 6.2.2.3, 6.2.2.5& 6.3.3	57
Total	**29**	**9**	**20**	**-**	**31%**

The overall compliance of PAC directives needs improvement.

8.2.4 Audit Paras

8.2.4.1 Irregular procurement of Varnish - Rs. 86.580 million

Rule-12 of the Public Procurement Rules, 2004 provides that all procurement opportunities over two million rupees should be advertised on the Authority's Website as well as in other print media or newspapers 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.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that management purchased UV Varnish 20,000 kg at a total cost of Rs. 86.580 million from SICPA Ink Pakistan Ltd (SIPPL) without calling tender. Management declared U-V varnish "as propriety item" without formulation of competent fora. This resulted into irregular procurement of Rs.86.580 million.

Further, while SICPA supplied varnish having expiry date was only 03 months from the date of manufacturing instead of six months. Hence, procurement of varnish amounting to Rs.3.700 million (200 x 5 x 3,700) was loss to the Corporation.

Audit is of the view that undue favour was extended to the supplier by procuring directly from the supplier. Thus, the Corporation deprived from the benefits of competitive bidding.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.2.4.2 Irregular procurement of vehicles - Rs. 44.876 million

According to the Finance Division (Expenditure Wing) office memo No.F.7 (1)Exp-IV/2016dated 29th July, 2016 states that "there will be complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies for which NOC from Finance Division would be required.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that management had procured 34 vehicles valuing Rs.44.876 million in violation of directives regarding Austerity Measures. The details are as under:

Sr. No.	Vehicle(s) Description	No. of vehicles Purchased	Cost of per vehicle	Total Cost (Rs.)
1	Honda Civic 1.8 navigation and multimedia	3	2,363,000	7,089,000
2	Toyota Corolla XLI 1300 CC	7	1,764,000	12,348,000
3	Honds BRV 1500 CC	1	2,667,500	2,667,500
4	Toyota Revo 3000 CC	1	4,299,000	4,299,000
5	Honda City Aspire 1.3 Prosmatic	1	1,547,000	1,547,000
6	Suzuki cultus 1000 CC	3	1,250,000	3,750,000
7	Suzuki Mehrn 800 CC	18	732,000	13,176,000
			Total Cost	**44,876,500**

Audit is of the view that procurement of vehicles in violation of the Austerity Measures issued by the Finance Division indicates weak internal controls and poor financial management.

The matter was reported to the management in August 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

8.2.4.3 Irregular hiring of services - Rs.22.867 million

According to the Rule-12 of PPRA-2004 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that management hired services of M/s. A.F Ferguson & Co. Chartered Accountant and M/s. Maxim Advertising Company (Pvt.) Ltd amounting to Rs.15.00 million and 7.867 million respectively. The hiring of services was made without tendering and in violation of above rules. Thus the payment of Rs. 22.867 million was held irregular.

Audit is of the view that undue favour was extended to the Chartered Accountant and Corporation deprive from the benefits of competitive bidding

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.2.4.4 Loss due to in admissible payment - Rs. 8.421 million

According to Govt. of Pakistan, Finance Division Notification dated November 27, 2013 the allowance, fee, honararium etc in excess of six hundred thousand rupees per annum received by a civil servant as member of the Board of Directors of any one or more statutory Corporation, companies, autonomous bodies, institutions, societies etc,. whether fully or partially owned or controlled by the Federal Government, shall be credited to the General Revenues.

During audit of Pakistan Security Printing Corporation of Pakistan (PSPC) for the year 2015-16, it was observed that excess payment of Rs. 4.681 million was made to the Managing Director and Executive Director over and above the admissible amount of Rs. 0.600 million per year as Directors Fee on attending Board Meetings. The detail is as under:

Sr. No.	Designation of officer	Period of payment	Total amount paid (Rs.)	Admissible payment (Rs.)	Excess payment (Rs.)
			(A)	(B)	(A-B)=C
1.	Director/ CEO, SPL	2015	2,781,000	600,000	2,181,000
	-do-	2016	3,000,000	600,000	2,400,000
2.	Director/ED, PSP to SPL	2015 & 2016	1,300,000	1,200,000	100,000
Total					**4,681,000**

Moreover, Mr. Muhammad Misbah Tunio, a BS 21 officer, was posted on deputation as Chief Executive Officer/Managing Director of PSPC in April 2014. Later on, in August 2014 the MD, PSPC was also appointed as CEO, Security Papers Limited (SPL) and was allowed fixed remuneration of Rs.110,000 per month w.e.f September 2014 from the budget of SPL. Hence, payment of Rs.3.470 million (110,000 X 34) was irregular.

Audit is of the view that the management extended undue favour to the officers at Corporation cost.

The matter was reported to the management in June, 2017 and in November, 2018. DAC meeting was not convened despite requests by audit.

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

8.2.4.5 Irregular payment of Bonus to MDs - Rs. 4.556 million

According to Finance Division (Regulation Wing), O.M.No.F.3 (5) R.12/80(R-14)2002-154 dated March 18, 2002 Managing Directors and Members

of the Board of Directors of autonomous/semi-autonomous bodies/public Corporation/organizations are not entitled to receive bonuses.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2015-16, it was observed that management paid an amount of Rs.4.556 million to its Managing Directors on account of bonus/ex-gratia during 2014-15 & 2015-16 in violation of Finance Division orders. The detail is as under:

Name of MD/CEO	2014-15		2015-16		Total Amount (Rs.)
	Ex-gratia	Bonus	Ex-gratia	Bonus	
Mr. Rizwan Ahmed, Ex-MD	-	847,000	-	-	847,000
Mr. Muhammad Misbah, MD	1,142,772	936,931	768,000	861,000	3,708,703
Total	**1,142,772**	**1,783,931**	**768,000**	**861,000**	**4,555,703**

Audit is of the view that the payment of bonus to the CEO was not admissible as per Finance Division's order as mentioned above. Thus, undue favour was extended to the MDs at Corporation cost which was irregular

The matter was reported to the management in June, 2017 and in November, 2018. DAC meeting was not convened despite requests by audit.

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

8.2.4.6 Irregular appointment of MD - Rs. 4.24 million

Public Sector Companies (Corporate Governance) Rules, 2013 states under the section 5 of the sub-section 2 that the Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive, and recommend at least three individuals to the Government for appointment as chief executive of the Public Sector Company. On receiving concurrence of the Government, the Board shall appoint the chief executive in accordance with the

provisions of the Ordinance. The Board shall also be responsible for development and succession planning of the chief executive.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that in June 2017 the Board of Directors appointed Mr. Haroon Rasheed Malik as MD without following the Public Sector Companies (Corporate Governance) Rules, 2013. Record of selection/appointment the merit/transparency in appointment was not produced to audit hence audit could not verify. Resulting in the payment of Rs.4.24 million on account of pay and allowances was irregular.

Audit is of the view that undue favour was extended to the MD which indicates weak internal controls.

The matter was reported to the management in August, 2018. The management stated in its reply that appointment of the Managing Director was made strictly in compliance with all the legal formalities as per Corporate Governance Rules and under Article of Association of PSPC. The reply was not tenable as the Corporate Governance Rules were not followed. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

8.2.4.7 Irregular procurement of white offset paper - Rs. 2.831 million

According to the Rule-42 (C) (IV) of PPRA-2004 repeat orders not exceeding fifteen per cent of the original procurement provided that the procuring agencies shall specify appropriate for a vested with necessary authority to declare an emergency.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that initially in April 2017 management approved

purchases of 540 reams of white offset papers on the basis of repeated order 15% of previous/last quantity i.e. 3,600 reams from M/s Diamond Packages amounting to Rs.1.528 million. However, the record revealed that actual repeated purchase order was of 1,000 reams of offset white papers worth Rs.2.831 million in April 2017. This resulted into the repeated order was 28% which is excess of the repeat order limit i.e. 15%, was held irregular.

Audit is of the view that undue favour was extended to the supplier and Corporation deprived from the benefits of competitive bidder.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.2.4.8 Irregular payment of Bonus to MD - Rs. 2.122 million

According to Finance Division (Regulation Wing), O.M.No.F.3 (5) R.12/80(R-14)2002-154 dated March 18, 2002 Managing Directors and Members of the Board of Directors of autonomous/semi-autonomous bodies/public Corporation/organizations are not entitled to receive bonuses.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that the Board of Directors in its meetings332nd and 338thheld on February 23, 2017 and June 09, 2017approved ex-gratia and bonus amounting to Rs.2.122 million and paid to Mr. Muhammad Misbah Tunio, Managing Director. The payments were made in violation of the Finance Division orders.

Audit is of the view that undue favour was extended to the then MD and paid bonus and ex-Gratia in violation of rule.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the persons at fault besides recovery of the amount.

8.2.4.9 Inadmissible payment of Fuel Allowance to MD - Rs. 1.891 million

According to Cabinet Secretariat (Cabinet Division) letter No.6/7/2011-CPC dated December 12, 2011, the transport monetization policy shall be strictly adhered by all Ministries/Divisions/Attached Departments and Sub-ordinate Offices and its overall compliance as per defined parameters shall be the responsibility of all Principal Accounting Officers by obtaining Certificates from each of the entitled officer in BS-20 to BS-22 including himself/herself that he/she is not in possession or in use of any project vehicle or the departmental operational/general duty vehicle, as well as, any vehicle of an organization or body corporate in his ex-officio capacity as member of its Board, except the only vehicle allocated to him through this Monetization Policy.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2015-16, it was observed that Mr. Muhammad Misbah Tunio, a BS 21 officer, was posted on deputation as Chief Executive Officer/Managing Director of PSPC in April 2014. As per Last Pay Certificate (LPC) issued by Accountant General Pakistan Revenue Islamabad, the transport monetization allowance of Rs. 65,960 per month was included in his consolidated salary fixed by PSPC. In addition to transport monetization allowance two 1600 CC Cars in Karachi (Vehicle No. AZD-377 & AWU-818) were also provided to him. Furthermore, fuel allowance of Rs. 49,750 per month in lieu of 500 liters was also paid to the officer, which was not admissible under government rules.

Audit is of the view that payment of Rs.1.891 million on account of fuel allowance to the CEO was not admissible as per Finance Division’s order as

mentioned above. Thus undue favour was extended to the CEO at Corporation cost which was irregular.

The matter was reported to the management in June 2017 and November, 2018. DAC meeting was not convened despite requests by audit.

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

8.2.4.10 Non-recovery of trade receivables - Rs. 3,794.830 million

According to Rule 26 of GFR, it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that an amount of Rs.3,794.83 million was outstanding against various customers on account of trade receivables as on June 30, 2018. The detail is as under:

(Rs. in million)

Sr. No.	Description of debtor(s)	Outstanding Amount
1	State Bank of Pakistan	1,702.619
2	Commercial Bank (OSP)	16.814
3	Govt. Deptt/Agencies	77.283
4	Prize Bonds	0.157
5	Passports	860.329
6	Directorate General Pakistan Post Offices (DG-PPO)	1137.629
	Total	3794.83

Audit is of the view that management failed to recover trade receivables from customers as mentioned above, which shows negligence on the part of the management.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault besides recovery of the amount.

8.2.4.11 Loss due to incomplete work/job - Rs. 8.765 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that management started the work of printing of various old series prize bond and consumed and incurred an amount of Rs.8.765 million on account of paper, ink, labour & overhead cost. However, the jobs were not completed / finished due to issuance of new series of the prize bonds. Keeping in view that SBP should have intimated to PSPC to stop the further printing of the old series prize bond which had not been done by SBP. Thus, Corporation had to suffer loss of Rs. 8.765 million. The detail is as under:

Sr. No.	F.O No.	Description	Quantity	Paper (Rs.)	Ink (Rs.)	Labour& Overhead (Rs.)	Total WIP (Rs.)
1	Y-990	Rs. 50 Prize bonds	15	25,930	2,683	17,694	46,307
2	Z-233	Rs. 50 Prize bonds	452	1,520,655	139,614	337,568	1,997,855
3	Z-850	Rs. 100 Prize bonds	403	2,342,439	46,503	337,190	2,726,132
4	Z-810	Rs. 500Prize bonds	481	2,561,240	390,064	1,043,217	3,994,521
Total							**8,764,815**

Audit is of the view that due to negligence and lack of communication between PCP and SBP the Corporation had suffered loss.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.2.4.12 Loss due to depletion of obsolete inventory - Rs. 38.500 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 stats that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that store inventory valuing Rs.38.500 million has become obsolete and no more usage in future. It is pertinent to mention here that denomination of Rs. 5 bank note paper has been stopped since long by SBP. Further, it was also observed that shelf life of the ink was two years but same is lying in the store for more than five years which resulted in loss of Rs. 38.500 million. The details are given below:

Sr. No.	Description of inventory	Amount (Rs.)
1	Rs. 5 Paper	30,605,712
2	RS 10 old paper	3610
3	Prize Bond Paper	536,427
4	Rs. 5 offset inks	2,152,795
5	Prize bond Ink	651,420
6	Offset Ink OSP	4,549,931
Total		**38,499,895**

Audit is of the view that management should have been kept inventory level as per indent / schedule of delivery given by the SBP, so that excess stock of inventory level could have been avoided.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter, besides fixing the responsibility on the person(s) found at fault.

8.2.4.13 Irregular appointment of Mechanical Engineer – Rs. 17.645 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 stats that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that in December 2006 management appointed to Mr. Muhammad Shahid Ahmed as Mechanical Engineer. Later on in July 2010 management promoted him to the position of Senior Manager. However, evaluation report revealed that out of four members, two members of the selection committee did not recommend for selection, one member recommended to hold and only one member recommended for selection as Mechanical Engineer. This resulted into irregular selection. Thus payment of Rs.17.645 on account of salary is held irregular (Annex-28).

Audit is of the view that undue favour was extended to the incumbent as the selection committee did not recommend for promotion. This indicate that nepotism and favoritism prevailing in organization.

The matter was reported to the management in August, 2018. The management in its reply stated that as per PSPC service clause 7.2.3 Managing Director is competent authority. The reply of the management is not tenable as

the selection committee did not recommend him for selection. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

8.2.4.14 Irregular payment of Special Management Allowance - Rs. 7.870 million

According to Establishment Division OM. No. 1/13/87-R.1, dated December 12, 1994, the officer on deputation is entitled to draw pay in BPS as admissible under the government from time to time. According to Finance Division OM No.F.15 (13)R-14/82 dated Sep 05, 1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and Corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rules or specific orders of the Government.

During audit of Pakistan Security Printing Corporation (PSPC) 2015-16, it was observed that an amount of Rs.7.870 million was paid to its Managing Director and Executive Director posted on deputation basses under the head of account of special management allowance @ of Rs.130,000 and Rs.100,000 per month w.e.f. April 2014 and March 2015 respectively. The detail is as under:

Sr. No.	Name of officers	Monthly Payment	No. of month	Total Amount (Rs.)
1	Mr. Muhammad Misbah Tunio, M.D	130,000	39	5,070,000
2	Mr. Shamsuddin Soomro, E.D.	100,000	28	2,800,000
Total		**230,000**	**67**	**7,870,000**

Audit is of the view that the payment of special management allowance to MD and ED was not admissible as per rule which was irregular. Thus, undue favour was extended to them at Corporation cost resultantly loss of Rs.7.870 million.

The matter was reported to the management in June, 2017 and November, 2018. but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.2.4.15 Irregular / unjustified enhancement in price of paper - Rs. 6.672 million

Under the clause No. 04 of the Trade Agreement between PSPC and SPL it is agreed that the selling price of banknote and N.J stamp paper will be mutually reviewed / negotiated on the yearly basis. The value of sales and purchase transaction between SPL and PSPC will be determined in accordance with cost plus markup method for transfer pricing prescribed by the companies ordinance 1984.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that the management issued indent on 30 January, 2017 to M/s. Security Paper Limited (SPL) for prize bond paper of Rs. 750/- of 3369 reams. In response of that, management of SPL quoted sale price of Rs. 17,880/- per reams. However, quoted price of bond paper @ Rs. 17,880 found 12% increased as compared to last purchase made in April, 2014. Although, 32.5% increased in the price was already passed on last purchase in April, 2014. Management also informed to SPL that annual price increase in current purchases should be 2.7%, whereby, the revised price of the prize bond paper should be Rs. 16,329/- per reams. Apart from above, management accepted the price of Rs. 17,880 per reams which is against the essence of the trade agreement and business norms. Subsequently, management paid an amount of Rs. 6.672 million (17,880-15,900) =1980*3369) to M/s. SPL which stands irregular / unjustified.

Audit is of the view that management should have been revised the price according to the spirit of the trade agreement clause which had not been done by

the management. This is serious negligence on the part of the management not to compliance the trade agreement clause.

The matter was reported to the management in Audit, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.2.4.16 Irregular payment of fees to Govt. nominee's members - Rs. 4.187 million

According to the Finance Division OM No.F.2(5)R-1/97 dated February 02, 2007 payment of fee to government officers nominated to attend the meetings of the bodies or institutions is unjustified as full account is taken of these duties in adjusting their work and should therefore be stopped".

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that management paid an amount of Rs.4.186 million to Govt. nominated Board Members fee on account of attending the Board Committee Meetings. The detail is as under;

Sr. No	Name of Director(s) & belonging ministry / institutions	Total Meeting attended	Director Fee per meeting	Amount Paid in Rs.
1	Mr. Muhammad Tanvir Butt, MoF	26	62,500	1,625,000
2	Mr. RiazRiazuddin, SBP	19	62,500	1,187,500
3	Mr. Fakir Syed Shaharyaruddin, DG, PPO	8	62,500	500,000
4	Mrs. RubinaTayyab, DG PPO	14	62,500	875,000
			Total	**4,187,500**

Audit is of the view that undue favour was extended to the government officers by paying meeting fee at Corporation cost.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault besides recovery of the amount.

8.2.4.17 Irregular payment of income tax – Rs. 1.492 million

According to the Sections 12 and 13 of Income Tax Ordinance, 2001 "every employer paying salary to an employee shall, at the time of payment deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified in Division I of the First Schedule on the estimated income of the employee chargeable under the head "salary" for the tax year in which payment is made".

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2014-15, it was observed that the management calculated the amount of total income tax liability in respect of the Managing Director and Executive Director for the tax years 2015 and 2016 amounting to Rs. 1.492 million (1.216 + 0.276) and paid to the officers in the name of "Special Management Allowance".

Audit is of the view that as per above rule, the management was required to deduct income tax at source from the pay and allowance of the officers and deposited with the Income Tax Authorities instead of paying the same on behalf of the above officers which was irregular and unjustified (Annex-29).

The matter was reported to the management in June, 2016. The management in its reply stated that the payment of Income Tax by the Company on behalf of MD & ED was made with the approval of BoD. Further, the amount of expense charged to Company's accounts hence, there was no additional burden on the Company. The management reply was got verified by the audit and found not tenable, as payment of Income Tax is the responsibility of an individual and no new allowance can be sanctioned to employees without the approval of Ministry of Finance. DAC meeting was not convened despite requests by audit.

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

8.2.4.18 Blockage of fund due to unnecessary procurement of parchment paper – Rs. 1.276 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 states that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of o3rbjective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2016-17, it was observed that in January 2017 management procured 100 reams Parchment Un W/M Paper Size 24X36" 120 GSM by declaring Proprietary item and direct contract awarded to M/s. Security Paper Limited (SPL) for Rs.2.553 million against annual consumption requirement of 50 reams. Hence, procurement of 50 extra reams worth Rs.1.276 million was unnecessary which caused blockage of funds.

Audit is of the view that the procurement of 50 extra reams worth Rs.1.276 million above the annual requirement shows lack of procurement planning by the management, which caused blockage of funds.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

8.2.4.19 Loss due to non-implementation of ERP System - Rs. 1.200 million

As per clause 9 (c) of the agreement with M/s. Auriga Associates, if work progress is delayed by Auriga, or if the quality of work is not to the satisfaction

of Pakistan Security Printing Corporation (PSPC), a written warning by PSPC may be given to Auriga, however, PSPC has the right to give notice of contract termination with or without such warning.

During audit of PSPC for the year 2015-16, it was observed that in 2002 management awarded a contract for development and implementation of ERP System as Phase-I and Phase-II to M/s. Auriga Associates (Pvt.) Ltd. for Rs. 9.75 million. Phase-I includes development of modules regarding Ledger/Budget, Purchase, Store Accounts, Payroll/Wages and complete payment of Fixed Assets. However, modules of budget and payroll could not function at all for which Rs. 1.20 million was paid to M/s. Auriga Associates (Pvt.) Ltd.

Audit is of the view that the management should have recovered amount of Rs.1.20 million from M/s. Auriga Associates (Pvt.) Ltd. Due to non-implementation of ERP System.

The matter was reported to the management in March, 2013 and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.3 State Bank of Pakistan

8.3.1 Introduction

State Bank of Pakistan (SBP) is the Central Bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. It is an autonomous institution. Under the provisions of the SBP Act, 1956, the general superintendence and direction of the affairs and business of the Bank rests with the Central Board of Directors. Through an amendment in SBP Act in 1994, the Central Board of Directors was enlarged and now consists of the Governor, Secretary Finance Government of Pakistan and seven directors nominated bythe Federal Government. From these seven directors, one Director from each province is nominated while ensuring representation to agriculture, banking and industrial sectors.

Strategic objectives are:

i. Broadening Access of Financial Services.
ii. Ensuring viability of the Financial Sector.
iii. Maintaining Price Stability with Economic Growth.
iv. Exchange and Reserve Management.
v. Strengthening the Payment System.
vi. Human Resources Development.
vii. Information Technology Development.

8.3.2 Comments on Audited Accounts

8.3.2.1 The working results of the Company for the year 2017-18 as compared to previous years are tabulated below:

(Rs in million)

	2017-18	**% Inc/ Dec**	**2016-17**	**% Inc/ Dec**	**2015-16**
Discount, Interest / Markup and / or return earned	321,606.85	23.30	260,870.6	3.1798	252,831.07
Interest / Mark up Expense	(31,842.39)	49.00	(21,368.8)	4.8348	-22,454.48
Net Income	289,764.46	21.00	239,501.8	5.3326	227,376.59

Commission Income	4,083.40	57.60	2,591.2	35.723	1,909.18
Exchange (loss) / gain-net	(72,280.20)	-	24,569.6	(4.69)	25,779.37
Dividend income	415.00	(96.60)	12,248.8	0.184	12,226.34
Other operating income	1,298.09	126.00	574.4	-79.16	2,756.11
Other income net	796.53	163.70	302.0	78.066	16.96
Total operating income-net	224,768.69	(19.70)	279,814.1	3.5548	270,208.56
Note Bank printing Charges	9,362.22	2.60	9,128.0	18.074	7,730.74
Agency Commission	10,945.40	13.10	9,679.3	7.9238	8,968.64
Loan and advances	(0.022)	(99.60)	(6.139)		-0.76
other doubtful assets	76.15	(352.10)	16.842		-86.21
Total Provision / (reversal)	36.65	-	(3.97)		-94.53
Total direct operating income	204,461.08	(21.7)	261,005.35	2.88	253,690.21
General administrative and other expenses	27,703.66	20.80	22,941.75	(5.40)	24,250.58
Net profit for the year	175,672.65	(26.20)	238,063.60	3.8	229,353.12

(Source: Annual Audited Accounts)

During the year under review, Discount, Interest / Markup and / or return earned have been increased by 23.30%, from Rs.260,870.62 million is 2016-17 Rs.321,606.85 million in 2017-18.

8.3.2.2 Interest / Mark up Expense raised by 49.0% as compared to previous year, from Rs.21,368.84 million in 2016-17 to Rs.31,842.38 million in 2017-18. Divided income has been decreased by 96.60%, from Rs. 12,248.84 million in 2016-17 to Rs.415 million in 2017-18. Moreover agency commission expense is increased by 13.10% from Rs.9,679.30 million in 2016 -17 to Rs.10,945.40 million in 2017-18.

8.3.2.3 Besides high increase in other operating income and other income net by 126% and 163.30% respectively, net profit of State Bank of Pakistan has decreased by 26.20% from Rs.238,063.60 million in 2016-17 to Rs.175,672.65 million in 2017-18.

8.3.2.4 General administrative expenses are increased by 20.80% from Rs.22,941.75 million in 2016-17 to Rs.27,703.66 million in 2017-18, whereas net profit for the year has been decreased by 26.20%, from Rs.238,063.60 million in 2016-17 to Rs.175,672.65 million in 2017-18.

8.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2005-06	13	11	2	73& 76	85
2006-07	9	3	6	43.2, 43.3, 44, 46, 47& 48	33
2007-08	5	2	3	51.2, 52&53	-
2008-09	5	4	1	63	80
210-11	12	-	12	7.4.1, 7.4.2, 7.4.2.1, 7.4.2.2, 7.4.2.3, 7.4.2.4, 7.4.2.5, 7.4.3, 7.4.4.1, 7.4.4.2, 7.4.4.3 & 7.4.4.4	-
2013-14	24	1	23	6.3.2.1, 6.3.2.2, 6.3.2.3, 6.3.2.4, 6.3.2.5, 6.3.2.6, 6.3.2.7, 6.3.2.8, 6.3.2.9, 6.3.2.10, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.4, 6.3.4.5, 6.3.4.6, 6.3.4.7, 6.3.4.8, 6.3.4.9,6.3.4.10, 6.3.4.11& 6.3.4.12	4
2016-17	4		4	6.3.4.1,6.3.4.8, 6.3.4.4, 6.3.4.5	-
Total	**72**	**21**	**51**	**-**	**29%**

The overall compliance of PAC directives needs improvement.

8.3.4 Audit Paras

8.3.4.1 Fake NTN used by the exporter - Rs. 20.909 million

As per Para 10.3 of the State Bank of Pakistan (SBP),for verification of NTN of exporters, the entries in the prescribed proformas "EE-1 and EF-1" are verified with correct NTN # recorded in ITRS data. In ITRS, an exporter is identified/traced through his NTN.

During audit of SBP, Banking Services Corporation (BSC) Sukkur, for the year 2013-14, it was observed that M/s New Raja Commission Shop performed total transactions amounting to 24.860 million during 2011 to 2013. According to the EE-1 statements out of total transactions only Rs. 3.951 million was made on correct NTN bearing No.1405502-3 whereas, Rs. 20.908 million through fake NTN No. 0872539-0.

Audit is of the view that SBP extended undue favour to the exporter and did not verify the entries of NTN in EE-1 and EF-1 as a result of which exporter enjoyed the benefit of concessionary financing scheme of Rs. 20.909 million. (Rs. 24.860 million – Rs. 3.951 million)

The matter was reported to the management in January, 2015. The management in its reply dated April 09, 2015 admitted the fact of fake NTN as pointed out by audit. The management further stated that neither exporter got any undue benefit nor limit was exceeded. The management's reply was not tenable as NTN number used in the transaction could not be verified from active tax payer list of FBR. DAC meeting was not convened despite requests by audit.

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

8.3.4.2 Non-recovery from Pakistan Railways - Rs. 45,936.00 million

Rule 38 of G.F.R. provides that it is primary 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 the public account.

During audit of State Bank of Pakistan (SBP-HO) for the year 2016-17, it was observed that an amount of Rs.45,936.00 million was outstanding against Pakistan Railways. Moreover, overdraft facility provided to Pakistan Railways was capped at Rs. 40,000.00 million in February, 2010. Further, study of minutes showed that from November 2011 onward, Pakistan Railways was not in financial position to pay back the outstanding mark-up which become of Rs. 5,936.00 million by June, 2015.

Audit is of the view that the management is un-able to recover huge amount of Rs. 45,936.00 million from Pakistan Railways which shows poor financial management.

The matter was reported to the management in August, 2018. DAC meeting was held on October 23, 2018. The management explained that subsequent to improvement in the financial condition of Pakistan Railways, the Bank has initiated recovery of the outstanding amount w.e.f. September 16, 2016. An amount of Rs.1.00 million is being recovered from Pakistan Railways for each working day. So far, an amount of Rs.412.00 million has been recovered from the Pakistan Railways. SBP is pursuing recovery of the remaining outstanding amount. DAC directed the management to get the amount verified from audit.

Audit recommends implementation of the DAC directives.

8.3.4.3 Non-production of record - Rs. 886.068 million

Section-14(2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete form as

possible and with all reasonable expedition. Further the Public Accounts Committee directives, issued vide OM No.F-10(1)/2000/2004-PAC dated Jun 03, 2004 requires all PAOs Ministry/Divisions to make available all information/record to Audit as and when required by them, otherwise disciplinary action will be initiated against person(s) responsible for the delay under Section-14(2) of the Auditor General's Ordinance No. XXIII of 2001.

During audit of State Bank of Pakistan (SBP), Banking Services Corporation (BSC), Hyderabad for the year 2016-17, it was observed that auditable record under various heads valuing Rs. 886.068 million was not produced to audit. Hence, the authenticity of Rs.886.068 million could not be ascertained (Annex-30). Further, Record pertaining to the purchase of vehicles was also not produced.

Audit is of the view that non-production of record / information is violation of the Auditor-General's Ordinance 2001, and the directives of PAC.

The matter was reported to the management in September, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view to fixing of responsibility on the persons at fault.

8.3.4.4 Irregular / unjustified payment to PSPC - Rs. 45,631.446 million

The prices of banknotes printed by Pakistan Security Printing Corporation (PSPC) were fixed by the Finance Division (Cost Accounts Organization) on the basis of bank notes price fixation formula of 1991. However, in November 2011, PSPC and Finance Division decided that the price fixation formula of 1991 would be revised and PSPC will conduct cost audit of their accounts and provide information with regard to the fixation of banknote prices. SBP may provisionally release 50% of the outstanding dues to PSPC. Price Fixation

formula of 1991 will be revised after the prices of banknotes already fixed for year 2010-11 are materialized.

During audit of State Bank of Pakistan (SBP) for the year 2016-17, it was observed SBP & PSPC did not fix prices of banknotes printed by PSPC and both mutually agreed to fix the price at increase of 3% from the price of last years. Thus, the increase in the price was held irregular, as the prices were fixed by mutual agreement and without conducting cost audit. The year-wise banknote printing cost paid to PSPC is as follows:

Sr. No.	**Financial Year**	**Paid to PSPC** (Rs. in million)
1	2010-11	4,575.741
2	2011-12	5,689.529
3	2012-13	5,634.372
4	2013-14	6,146.145
5	2014-15	6,690.484
6	2015-16	7,730.740
7	2016-17	9,164.435
	Total	**45,631.446**

Audit is of the view that without conducting the Cost Audit, it is not possible to calculate the actual cost of printing of banknotes. This act of management is an extra financial burden to the State Bank of Pakistan.

The matter was reported to the management in August 2018. DAC meeting was held on October 23, 2018. The management explained before the DAC that in light of recommendation of the meeting dated 15.11.2011, the banknote printing prices for the year 2011 and onwards were mutually agreed between SBP and PSPC, and duly endorsed by M/o Finance. As per practice in vogue since 2012 up to 2017, the mutually agreed printing prices were forwarded to M/o Finance for approval and issuance of notifications. Therefore, payments to PSPC were processed as per notified banknote printing prices. M/s. A.F. Ferguson & Co. Chartered Accountants were hired by PSPC to carry out the procedures relating to costing of banknotes printed by PSPC. The DAC directed

the management to provide the copies of approval accorded by Ministry of Finance regarding the mutual agreed price of printing of Bank notes to Audit for verification. However, no document was provided to the audit till the finalization of this report.

Audit recommends implementation of the DAC directives.

8.3.4.5 Irregular procurement of medicines - Rs. 129.556 million

Rule-12 of PPRA-2004 stipulates that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of State Bank of Pakistan, Banking Services Corporation (SBP, BSC) Karachi, for the year 2014-15, it was observed that the management incurred an amount of Rs. 129.556 million on the procurement of medicines from different suppliers without calling tender. Further the management of SBP Muzaffarabad also purchased medicines amounting to Rs. 1.898 million from different suppliers without calling tender.

Audit is of the view that on-tendering deprived the Bank from the benefits of competitive bidding and this shows poor financial management.

The matter was reported to the management in March, 2016. The management in its reply dated June 06.2016 stated that the procurement of medicines by the Bank is carried out under PPR 42, clause “c” which allows direct contracting and does not come under Rule 12. The reply was not tenable as the tender was required to be floated to avail competitive rate for procurements of medicine. DAC meeting was not convened despite requests by audit.

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

8.3.4.6 Irregular procurement of vehicles during ban period - Rs. 69.609 million

According to the Finance Division OM. No.F.7(1)Exp-IV/2016 dated July 29, 2016 there will be complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies for which NOC from Finance Division would be required.

During audit of State Bank of Pakistan (SBP-HO) for the year 2016-17, it was observed that management procured vehicles amounting to Rs. 69.609 million without considering directives of the Finance Division (Expenditure Wing) Austerity Measures for Financial Year 2016-17. Thus, the procurement of vehicles was held irregular (Annex-31).

Audit is of the view that non-observance of austerity measures issued by the Finance Division was shows poor financial management.

The matter was reported to the management in August, 2018. In DAC meeting held on October 23, 2018, the management stated the office memorandum under reference was not applicable to the SBP being established under SBP Act, 1956. The DAC directed the management to refer the case to the BoD for its clarification.

Audit recommends implementation of the DAC directives.

8.3.4.7 Non-compliance of NAB Ordinance - Rs. 54.495 million

According to clause 33-B of NAB Ordinance 1999 all Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial and local governments, statutory Corporations or authorities established by the Federal Government or Provincial Government and holders of public office shall furnish to NAB a copy of any contract, entered into by such Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial Government or local government, statutory

Corporations or authorities established by the Federal Government or Provincial Government or such holder of public office on its behalf, as the case may be, of the minimum monetary value of fifty million rupees or more, within such time as is reasonably practicable from the date of signing such contract.

During audit of State Bank of Pakistan (SBP), Banking Services Corporation (BSC), Hyderabad for the year 2016-17, it was observed that the management entered into an agreement with M/s. See Sam Solutions Pvt. Limited for supply, Installation, testing, commissioning and maintenance of Desktop banknote sorting and authentication machines valuing Rs.54.495 million. However, the copy of contract was not furnished to NAB which was violation of above ordinance.

Audit is of the view that non-submission contract to NAB was negligence of the management which shows weak internal controls.

The matter was reported to the management in September, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter with a view to fixing of responsibility on the person(s) at fault besides, furnishing copy of the contract to NAB under intimation to audit.

8.3.4.8 Unjustified and irregular payment of salary - Rs. 40.380 million

As per condition No.11 of contract renewal dated October 14, 2009, the officer was required to identify and develop/train successor during contract period as requirement of the job.

During audit of State Bank of Pakistan (SBP) for the year 2011-12, it was observed that management appointed Mr. Asad Qureshi on contract basis as Executive Director (ED), Financial Markets and Reserves Management (FM&RM) w.e.f. Jul 01, 2007 for a period of two years. Before appointment on

contract, he was serving on deputation in SBP for the last two years. The anomalies in contract appointment were highlighted by the Commercial Audit in the year 2007-2008.

After expiry of contract on Jun 30, 2009, SBP renewed the same w.e.f. Jul 1, 2009 for further two years with the condition of identification and development of successor during contract period which was later on again renewed for 2 years w.e.f. Jul 1, 2011. This indicates that the Human Resources Department (HRD) neither prepared succession policy to avoid such proposal for contract renewals nor the concerned officer identified his successor.

Audit is of the view that regular employee should have been recruited through open market in order to substitute the supposedly indispensible officer. Contrary to this undue favour was extended to the officer which resulted into unjustified payment of Rs. 40.38 million from August 2009 to Jun, 2012.

The matter was reported to the management in June, 2013. The management in its reply dated May 23, 2013 maintained that the concerned officer's failures of succession planning are availability of shorter time span and criticality & technicality of his position. Secondly management did not fill the executive position of the said officer due to non-availability of requirement in the market. The reply is not tenable as the department concerned did not make any serious efforts for the substitution of this executive position. DAC meeting was not convened despite requests by audit.

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

8.3.4.9 Irregular payments of fee to Advocates - Rs. 38.240 million

The Law and Justice Division vide its DO. No.5(1)/2009-LA dated February 24, 2009 reiterated its earlier instructions with the observation that a number of advocates were placed on the panel on exorbitant professional fee

exceeding the limit of Rs.100,000 without consultation with this Division, which is required to be discontinued and the appointments/placements earlier made, need to be regularized accordingly. The Law Division requested the Auditor General of Pakistan to direct the Commercial Audit Department not to clear fee of counsel engaged by the autonomous organizations without concurrence of this Division.

During audit of State Bank of Pakistan (SBP) for the year 2016-17, it was observed that the management paid an amount of Rs.38.240 million to 14 different advocates on account of legal charges without consultation with the Law and Justice Division because the payment exceeded the prescribed limit of Rs.100,000 as mentioned above (Annex-32).

Audit is of the view that the payment in violation of Ministry of Law, Justice and Human Rights policy circulated by the Ministry which held irregular.

The matter was reported to the management in August, 2018. DAC meeting was held on October 23, 2018. The management stated before the DAC that the SBP is a corporate body established under the SBP Act 1956. Thus, the directives were not applicable to the SBP. The DAC directed the management to explain their position before PAC.

Audit recommends implementation of DAC directives.

8.3.4.10 Irregular hiring of services of external auditors - Rs. 14.00 million

According to the Rule-12 (2) of PPRA-2004 “all procurement opportunities over two million rupees should be advertised on the Authority’s website as well as other print media or newspapers having wide circulation. The advertisement in the newspaper shall principally appear in at least two national dailies, one is English and the other in Urdu”.

During audit of State Bank of Pakistan (SBP-HO) for the year 2016-17, it was observed that management appointed two audit firms namely M/s. A.F Ferguson & Co. and M/s Ernst & Young FRSH & Co. for the external audit without advertisement at total fee of Rs. 14.00 million in violation of above rules. Thus, the payment of Rs.14.00 million was held irregular.

Audit is of the view that undue favour was extended to audit firms and bank deprived from the benefits of competitive bidding.

The matter was reported to the management in August 2018. In DAC meeting was held on October 23, 2018, the management stated that SBP is a corporate body established under the SBP Act 1956 and the hiring of reputed firm was made with the approval of the Board. Thus the appointments of the external auditors are made in accordance with the provisions of prevailing/respective law i-e Section 43 of the SBP Act 1956. The DAC directed that the management explain the factual position before PAC.

Audit recommends that responsibility may be fixed on the person(s) found at fault.

8.3.4.11 Unjustified payment due to irregular appointment - Rs. 3.780 million

According to the advertisement published in Daily Dawn dated May 16, 2013, the required qualification for recruitment of Divisional Head, External Relation Department (ERD) was Master degree or equivalent in Mass Communication/ Journalism, Business Administration, Economics, Finance or a related discipline duly recognized from university approved by HEC.

During audit of State Bank of Pakistan (SBP) for the year 2011-12, it was observed that in response to the advertisement 1118 candidates applied for the post and out of them 12 were short listed and finally one Mr. Khubaib Usmani was appointed as DH, ERD on April 21, 2014 who was M.A. English in third class and did not possess the right qualification as prescribed above. As such the appointment was irregular and the emoluments drawn by the incumbent worked

out up to April, 2015 amounting to Rs.3.780 million was also held to be unjustified.

Audit is of the view that undue favour was extended to the incumbent instead of adopting merit base recruitments system.

The matter was reported to the Bank in April, 2015. The management in its reply dated July 03, 2015 stated that the required qualification was Master degree or a related discipline with relevant experience. The reply is unacceptable as person appointed did not have required qualification. DAC meeting was not convened despite requests by audit.

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

8.3.4.12 Non-recovery from money changer – Rs. 493.673 million

Rule 38 of G.F.R. provides that it is primary 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 the public account.

During audit of State Bank of Pakistan (SBP) for the year 2016-17, it was observed that in January 2000 the management paid Rs. 1,508 million as advance for purchase of US$ to Malik Muhammad Boston a money changer. Out of which an amount of Rs.1,04 million was adjusted in five installments on supply of dollars. However, Rs. 493.673 million remained outstanding against him. Further, management took up the matter with arbitrator and last hearing of the case was held in March, 2012. Since then no hearing has been held and huge amount is outstanding against Malik Muhammad Boston.

Audit is of the view that due to negligence of the management, the amount remained unrecovered.

The matter was reported to the management in August, 2018. The management in its reply dated August 17, 2018 stated that the case is under arbitration and scheduling of the hearing and the subsequent judgment for the case are not in the direct control of the bank. However SBP is in constant pursuit for the resolution of the matter and has requested the sole arbitrator to fix the date of next hearing. The reply was not tenable as the management paid huge amount as advance without obtaining security/guarantee. DAC meeting was not convened despite requests by audit.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) at fault besides recovery of the amount.

8.3.4.13 Non-utilization of Grant / Fund issued by Ministry of Finance - Rs. 90.00 million

Clause 2.1 of Memorandum of Understanding dated April 13, 2009 states that the Ministry of Finance through the State Bank of Pakistan will make available the requisite funds required to enable the Pakistan Remittance Initiative to commence its operation and take all necessary steps and actions to enhance the flow of remittances and to create investment opportunities in Pakistan for overseas Pakistanis.

During audit of Pakistan Remittance Initiative (PRI) for the years 2015-16 & 2016-17, it was observed that management of PRI surrendered the amount of Rs. 90.00 million to the Ministry of Finance. The management initiated preliminary work on remittance Hub during 2009-10 but the work on PRI HUB could not be progressed due to changes in the top management of SBP. Therefore, unspent amount of Rs. 90.00 million had been surrendered.

Audit is of the view that due to negligence of the management, the grant could not be utilized to enhance the flow of remittances and to create investment opportunities for overseas Pakistanis.

The matter was reported to the management in August, 2018. The management in its reply dated September 17, 2018 stated that work on the project was stopped due to changes at the top management of SBP and resulted in saving of the funds required to initiate the project. The reply is not tenable as after lapse of more than 6 years management failed to execute the enhancement of flow of remittances. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on person(s) at fault.

8.3.4.14 Un-Justified payment of Dis-location Area Allowance - Rs.10.39 million

According to Para 10(i) of GFR 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 of expenditure of his own money.

During audit of State Bank of Pakistan (SBP), Banking Services Corporation (BSC) Islamabad, for the year2014-15 & 2015-16, it was observed that the management incurred an amount of Rs.10.39 million on account of Dis-location Area Allowance without justification. The dislocation allowance is given to hard/remote areas and Islamabad does not fall in such area. Resulting in payment of Rs.10.390 million is irregular.

Audit is of the view that undue favour was extended to the employees at the cost of SBP funds. This indicates weak internal controls.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate matter with a view to fixing of responsibility on the person(s) at fault besides recovery of the amount.

8.3.4.15 Loss due to payment of extension charges to CDA - Rs. 5.270 million

Rule 23 of GFR 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 State Bank of Pakistan (SBP-HO) for the year 2016-17, it was observed that Capital Development Authority (CDA) allotted land measuring 3472.22 sq. yard. to SBP in September 12, 1996 at Sector G-5/2, Islamabad on the condition that the construction shall be completed in all respects within 04 years from the date of issue of the allotment letter. In year, 2017, SBP decided to start construction and applied for NOC from CDA, CDA demanded extension charges for period October, 2000 to December 2017. Accordingly management paid Rs.5.270 million.

Audit is of the view that 17 years delay in start of construction work on the plot caused an extra financial loss to SBP amounting to Rs. 5.270 million. This was slackness on the part of management due to which construction of work could not be initiated as per time frame.

The matter was reported to the management in August, 2018. DAC meeting was held on October 23, 2018. The management stated that the bank completed construction on the plot immediately after its allotment but could not materialize its plans owing to certain unavoidable development. The DAC directed that the factual position may be explained before PAC.

Audit recommends investigating the matter with a view to fix responsibility on the person(s) at fault.

8.3.4.16 Irregular expenditure without budget allocation - Rs.4.484 million

As per SBP (HO) Letter No. AD. Budget-/3997/1-2014 budgetary allocation should not be considered as monetary approval for incurrence of

expenditures. Separate basis while incurring the expenditures. The expenses should be prioritized depending upon the actual operational needs and the Chief Managers/ HODs must ensure that the expenditures are within the allocated budget. In case of any expenditure is going to exceed the limits, prior approval of Accounts Department must be sought.

During audit of State Bank of Pakistan (SBP), Banking Services Corporation (BSC) Islamabad, for the year 2015-16, it was observed that management procured different equipment's valuing Rs.4.484 million without allocation of capital budget.

Audit is of the view that the expenditure without allocation budget is irregular.

The matter was reported to the management in June, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate matter with a view to fixing of responsibility on the person(s) at fault besides recovery of the amount.

8.3.4.17 Non-completion of the PRI Call Centre Project - Rs. 2.953 million

According to Rule 10 of GFR, 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 prospect of expenditure of his own money.

During audit of Pakistan Remittance Initiative (PRI) for the years 2015-16 & 2016-17, it was observed that in December 2016, management entered into an agreement with M/s Softech Microsystems for supply, installation, integration, maintenance & support of IP based call contact solution for PRI with contract price of Rs. 2.953 million. The project timeline was 24 four weeks. However, the project is still incomplete after lapse of 02 years.

Audit is of the view that project should have completed till June, 08, 2017 as per contract but due to negligence of the management the project is still under process.

The matter was reported to the management in August 2018.The management in its reply dated September 17, 2018 stated that IP based online operations / automation of PRI call centre was delayed due to some technical issues. Further, full payment has not yet been paid to the contractor. The reply of the management is not tenable as the call centre was still non-operational. DAC meeting was not convened despite requests by audit.

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

8.3.4.18 Non- recovery of mobilization advance - Rs. 2.943 million

Rule 38 of G.F.R. provides that it is primary 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 the public account.

During audit of State Bank of Pakistan (SBP) Lahore for the year 2015-16, it was observed that an amount of Rs. 2.943 million was given to M/s. Zore Eng.(Pvt.) Ltd on account of mobilization for construction of new office building at Lahore in 2007-08. However, after lapse of a period of 10 years the said amount is still unadjusted.

Audit is of view that non-recovery or adjustment of mobilization advances as on June 30, 2016 shows negligence at the part of the management. Resultantly, Rs. 2.943 million is stuck-up for last 10 years.

The matter was reported to the management in May, 2017 and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.3.4.19 Avoidable expenditure on purchase of gift items - Rs. 2.598 million

As per GFR 10 every public officer is expected to exercise the same vigilance in respect of expenditure carried out from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of State Bank of Pakistan (SBP) Lahore for the year 2015-16, it was observed an amount of Rs. 2.598 million was incurred on procurement of gift items for retired employees without having any provision.

Audit is of the view that neither financial prudence was followed nor austerity measures adopted as per policy guidelines of Government of Pakistan. There is no any provision for procurement of gift items for the retired employees. Thus, expenditure of Rs. 2.598 million was held is irregular.

The matter was reported to the management in May, 2017and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

8.3.4.20 Wasteful expenditures incurred on renovation - Rs. 2.463 million

As per Rule 23 of GFR 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 State Bank of Pakistan (SBP-HO) for the year 2016-17, it was observed that the management carried out renovation works in August 2015 at cost of Rs. 0.681 million at Governor Guest House in Quetta. Further in March

2016 just after six months of completion of renovation works management hired an interior decorator for interior designing at cost of Rs.1.782 million.

Audit is of the view that due to poor planning management has to incur expenditure twice on repair.

The matter was reported to the management in August, 2018. DAC meeting was held on October 23, 2018. The management stated in DAC meeting that the special budget of Rs.0.7 million for essential work was allocated for 2014-15. Accordingly work was awarded to lowest bidder. Further, Rs.2.00 million was allocated for 2015-16. Hence, there was no splitting in cost /financial loss. The DAC directed the management to get the record verified from audit. No progress was reported till the finalization of this report.

Audit recommends implementation of DAC directives.

8.3.4.21 Loss due to undue favor extended to Foreign Supplier in payment of withholding tax – Rs. 2.394 million

Section 152 of the Income Tax Ordinance, 2000 states every person paying an amount of royalty or fess for technical services to a non-resident person that is chargeable to tax under section 6 shall deduct tax from the gross amount paid at the rate specified in Division IV of Part I of the first Schedule. Further, it was mutually agreed between both parties all taxes and duties would be applicable in service provider's country shall be borne by the Service provider and all taxes and duties applicable in Bank's country shall be borne by the Bank (SBP).

During audit of State Bank of Pakistan (SBP-HO) for the year 2016-17, it was observed that management awarded a contract to M/s. CMA Small System AB, Sweden for up gradation of Real Time Gross Settlement (RTGS) system amounting to US$ 180,000. However, SBP instead of deduction of withholding

tax paid an amount of Rs.2.394 million (180000*12.67%*105.00) on behalf of Service Provider. This resulted into irregular payment of Rs.2.394 million.

Audit is of the view that payment of withholding tax was responsibility of service provider. Thus, undue favour was extended to the Foreign Service supplier / contractor which indicate weak internal controls.

The matter was reported to the management in August, 2018. The DAC in its meeting held on October 23, 2018 directed the management to obtain opinion of the FBR in the case to resolve the issue.

Audit recommends implementation of DAC directives.

8.3.4.22 Loss due to exchange of plot - Rs. 7.329 million

As per Rule 23 of GFR 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 State Bank of Pakistan (SBP) for the year 2016-17, it was observed that management exchanged SBP residential colony plot at Khuzdar measuring 03 acres located about 8 KM away from the main RCD highway which was allotted to SBP by the Government of Baluchistan (GoB) in 1985 for construction of staff colony in Khuzdar against cost of Rs. 653,400. In 2009 management decided to surrender this plot to Provincial Government after refund of amount deposited for the purpose or at a negotiated price whichever was higher. Consequently, in the light of the Central Board decision, GoB offered to lease the land measuring 4 acres for Rs. 7.98 million @ Rs. 40 per square feet which was accepted by the management subject to adjustment of the price of plot being surrendered. As agreed by the Senior Secretary Revenue GoB, management was required to pay the difference of amount of Rs. 7.329 million subject to condition that if the acquiring agency failed to start the construction work within 3 years then the lease shall be liable for cancellation. However,

proposal was approved by the Governor of State Bank of Pakistan vide Governor's Memorandum No: 52/2016 dated: October 18, 2016.

Audit is of the view that the above mentioned plot was allotted in 1985 against the cost of Rs. 653,400 only and the management did not initiate any action to construct staff colony at Khuzdar plot even after the lapse of considerable time. The matter was brought into the Central Board after 19 years and it was decided to exchange the existing plot with another plot with difference amount. Resultantly, the management paid an extra amount of Rs. 7.329 million to GoB for exchanging of plot.

The matter was reported to the management in August 2018. DAC meeting was held on October 23, 2018 that the above audit objection is a repetition of Audit Para No.6.3.4.5 printed in the ARPSE for the audit year 2013-14 and the same was under discussion of PAC. Audit expressed its opinion that nature of this para is different from the para No. 6.3.4.5 para stands. DAC directed the management to submit revised reply.

Audit recommends investigating the matter with a view of fixing responsibility on the person(s) found at fault.

8.3.4.23 Mis-procurement of consultancy service from M/s. New Vision Engineering - Rs. 3.072 million

According to the Rule-12 of PPRA-2004 all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of State Bank of Pakistan (SBP-HO) for the year 2016-17, while scrutiny of the records it was observed that the M/s. New Vision Engineering Consultant was appointed as consultant with approval of the

competent authority for construction of RCC boundary wall around open plot for SBP office building at Gwadar. However, fee of the consultancy work decided 5.25% of the cost of project / completed works. Later on, consultant had submitted revised cost estimated amounting to Rs. 58.509 million. Accordingly, consultant fee becomes of Rs. 3.072 million. Further record revealed that the geotechnical investigation was a primary requirement of design which was ignored by the consultant during preliminary design. According to the clause 2 part-V of the agreement, it was the consultant's responsibility to suggest soil investigation tests.

Audit is of the view that appointment of M/s. New Vision Engineering as a consultant was without calling a tender. This is tantamount to be a gross violation on the part of the management. Management should have advertised the tender according to PPRA-2004.However, laid down procedures had not been followed by the management. As a result violation of PPRA- 2004, deprived off the management to get more competitive prices from other bidders. Hence, contract was signed against the consultancy fee amounting to Rs. 3.072 million held irregular / unjustified.

The matter was reported to the management in August 2018. DAC meeting was held on October 23, 2018. The management explained that the project was awarded for Rs.44.90 million against initial internal estimate of Rs.64.17 million. Based on this expectation, the tender notice was published on PPRA and SBP websites. Further, the consultant provided the designs on the assumed bearing capacity of the soil. SBP did not agree to the proposal and advised the consultant to prepare estimate based on Geotechnical investigation. Accordingly, the Geotechnical investigation was carried out through a separate contract from another firm following PPRA rules. Audit expressed its opinions that contract of consultancy was awarded without contract. DAC directed the management to get the record verified from the audit.

Audit recommends investigating the matter with a view of fixing responsibility on the person(s) found at fault.

8.4 SME Bank Limited

8.4.1 Introduction

SME Bank Limited was formed and incorporated on October 30, 2001, as a public limited company under the Companies Ordinance, 1984 (now Companies Act 2017). The prime objective of the Bank was supporting and developing SME sector of the country. Total paid up capital of the Bank was Rs 2,390 million, out of which Rs 2,244 million (93.89%) is owned by the Government of Pakistan. Other shareholders are NBP (2.56%), UBL (1.66%), HBL (0.830%), MCB (0.62%), ABL (0.32%) and IDBP (0.12%). The Bank was operating through a network of 13 commercial banking branches.

The Bank obtained its business commencement certificate on April 16, 2005, which became effective from the date of its issue. The main objectives of Bank were:

i. To support, develop and promote SMEs by providing them with the necessary technical and financial assistance.
ii. To concentrate on value addition and export oriented SMEs.
iii. To enable SMEs to play a vital role in stimulating GDP growth, create job opportunities and reduce poverty.

The Bank was on the list of Privatization Commission of Pakistan. Further, the Bank sustained loss of Rs 282.157 million during the year ending on December 31, 2015 and had an accumulated loss of Rs 2,296.21 million at year-end based on which the external auditors raised their concerns about the material uncertainty of the Bank as a going concern.

8.4.2 Comments on Audited Accounts

8.4.2.1 The financial performance of the Bank for the year ended December 31, 2017 as compared to previous years was as follows:

(Rs in million)

	2017	%Inc/ (Dec)	2016	%Inc/ (Dec)	2015
Mark-Up/return/interest earned	649.28	5.56	615.07	(12.79)	705.27
Mark-Up/return/interest expensed	520.41	17.95	441.20	1.13	436.28
Net Mark-up/interest income	128.87	(25.88)	173.87	(35.36)	268.99
Reversal of provision against non performing advances-net	(16.88)	702.90	(2.10)	(96.66)	(62.87)
Reversal of Provision for diminution in the value of investment	0.70		(62.16)	-	-
Total Provision	(16.81)	73.85	(64.27)	2.23	(62.87)
Net Mark-up/interest income after provision	145.68	(38.83)	238.13	(28.24)	331.85
Non Mark-up/interest					
Free commission and brokerage	11.74	(6.25)	12.52	13.59	11.02
Dividend income	0.50	0.00	0.50	(64.30)	1.39
Gain on sale of securities	10.01	(69.42)	32.7330	0.61	32.54
Other income	2.49	64.19	1.52	(49.04)	2.98
Total non-mark-up/interest income	24.74	(47.67)	47.27	(1.39)	47.934
	170.41	(40.29)	285.40	(24.85)	379.79
Administrative expenses	840.25	13.50	740.332	14.74	645.25
other provisions/write offs	51.170	2,610.28	1.89	(77.20)	8.282
other charges	-	-	-		0.83
Total non-mark-up/interest expenses	891.42	20.10	742.22	13.43	654.358
Loss before taxation	721.01	57.83	456.82	66.38	274.570
Taxation	426.98	65.77	257.58	3,294.97	7.587
Profit (loss) after taxation	294.02	47.57	199.24	(29.39)	282.157

(Source: Annual Audited Accounts)

The markup/return/interest earned increased by 5.56% from Rs. 615.07 million in 2016 to Rs 649.28 million in 2017, whereas, markup/ return/interest expenses also increased by 17.95% from Rs. 441.20 million in 2016 to Rs. 520.41 million in 2017, whereby reducing the net margin of the bank from Rs. 173.87 million in 2016 to Rs. 128.87 million in 2017. Expensive borrowing needs to explained.

8.4.2.2 Balances with other banks increased by 167.89% from Rs. 4.23 million as on December 31, 2016 to Rs. 11.32 million as on December 31, 2017. Detail of balance with each bank alongwith amount and rate of interest thereon may be explained.

8.4.2.3 The accumulated loss of the bank as on Dec, 31.2017 stood at Rs. 3.01 billion and equity of the bank was in negative by Rs. 406.36 million. The bank was also deficient with the Minimum Capital Requirement by Rs. 10,406 million. The above position casts significant doubts on the bank's ability to continue as a going concern. Remedial measures were required.

8.4.2.4 The external auditors of the bank qualified their report regarding treatment of deferred tax assets of Rs. 465.20 million based on expected net profit arising from the privatization of the Bank. Details of deferred credits along with latest position of qualification need to be explained.

8.4.2.5 Provision against non-performing loans and advances stood at Rs. 2.10 million in 2016 and increased to Rs. 16.88 million in 2017 (702.910%). Details of non-performing loans along with reasons need to be explained.

8.4.2.6 Provisions against land and other assets amounting to Rs. 51.17 million were made in the accounts for the year 2017. Details of provisions along with the reasons may be explained.

8.4.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1990-91	04	02	02	221,225	50
1991-92	03	02	01	210	67
1992-93	06	05	01	73	83
1993-94	12	09	03	53,54,57	75
1994-95	10	03	07	68,74,76,77,79,81,125	30
1995-96	04	02	02	88,96	50
1996-97	11	09	02	66,71	82
1997-98	13	12	01	79	92

1998-99	10	07	03	84,85,86	70
1999-00	21	13	08	110,121,122,124,125,126,127,129	62
2000-01	23	0	23	86,88,89,91, 92,94,95, 97,98, 99, 100, 101,102,104,106,107,108,109,110,111,112,114,115	-
2001-02	07	02	05	144,145,146,147,148	29
2002-03	15	11	04	72&72.1,73,74,77	73
2003-04	15	06	09	67,68,69,70,71,73,(74, 75,76-CIRC)	40
2004-05	05	04	01	47-CIRC	80
2005-06	11	06	05	88.4,89,90,91,92	55
2006-07	14	06	08	53,54,55,56,57,58,59,60	43
2007-08	07	05	02	55,56	71
2008-09	07	0	07	64,65,66,67,68,69,70	-
2009-10	08	05	03	70.3,70.4,71	63
2013-14	12	01	11	6.5.1&6.5.2.1,6.5.2.2,6.5.2.3,6.5.4.4,6.5.4.1,6.5.4.2,6.5.4.5,6.5.4.3,6.5.2.4,6.5.2.5,6.5.3	8
2016-17	15	0	15	(6.4.1&6.4.2,6.4.2.1,6.4.2.2,6.4.2.3,6.4.2.4,6.4.2.5,6.4.2.6,6.4.2.7,6.4.3,6.4.4.1,6.4.4.2,6.4.4.3,6.4.4.4,6.4.4.5,6.4.4.6)	-
Total	**233**	**110**	**123**		**47**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

8.5 Zarai Taraqiati Bank Limited

8.5.1 Introduction:

In pursuance of Section-3 of Agricultural Development Bank of Pakistan (ADBP) (Re-organization and Conversion) Ordinance 2002, ZTBL was incorporated as a public limited company under the Companies Ordinance 1984 (now Companies Act 2017) on October 23, 2002. All assets, contract, liabilities, proceedings and undertakings of ADBP were transferred to and vested in ZTBL on December 14, 2002 at a total worth of Rs 8.70 billion. Out of total issued shares of 1,252.24 million, 1,251.19 million are held by Federal Government, remaining shares are held by four Provincial Governments and Erstwhile East Pakistan. The Bank's principal office is situated at 1-Faisal Avenue, Zero Point Islamabad.

Main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market, and investment activities and other banking business. The Bank was disbursing loans of two categories i.e. production loans for short term and development loans for long-term purposes. The Bank was being operated through 32 Zones with a total number of 460 branches. On December 31, 2016, the net advances amounted to Rs 141.27 billion (2015: Rs 134.69 billion).

8.5.2 Comments on Audited Accounts

8.5.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017 till December 31, 2018.

8.5.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

8.5.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1989-90	19	14	05	226,230,233,234,235	74
1990-91	14	10	04	174,175,176,178	71
1991-92	13	06	07	154,155,148,150,152,151,153	46
1992-93	18	12	06	8,16,17,18,19,21	67
1993-94	17	10	07	9,11,12,13,15,16,22	59
1994-95	19	13	06	7,12,15,20,14,22	68
1995-96	24	15	09	8,13,14,16,17,18,19,23,28	63
1996-97	06	04	02	7,11	67
1997-98	18	11	07	46,49,53,56,58,59,62	61
1998-99	10	05	05	68,70,73-S,74-S,75-S	50
1999-00	11	01	10	1.2,1.3,1.4,2.1,2.2,3.1,3.2,4.1, 4.2,5 (SAR-141)	9
2000-01	14	06	08	68,72,73,74,76,79,75,80	43
2001-02	10	05	05	133,134,135,138,139	50
2002-03	02	01	01	69	50
2003-04	10	05	05	62.6,62.2,62.4,64,65	50
2004-05	03	01	02	45,46	33
2005-06	14	07	07	80.5,80.6,81,82,84,85,86	50
2006-07	14	07	07	62.6,63,64,65,66,67,68	50
2007-08	11	07	04	59,60,61,62	64
2008-09	14	06	08	71.3,72,73,74,75,76,77,78	43
2009-10	07	02	05	74,75,76,77,79	29
2013-14	13	0	13	6.6.4.2,6.6.4.3,6.6.4.1,6.6.1&6.6.2.1,6.6.2.4,6.6.2.8,6.6.4.4,6.6.2.2,6.6.2.3,6.6.2.5,6.6.2.6,6.6.2.7,6.6.3	-
2016-17	21	01	20	6.5.4.1,6.5.2.8,6.5.2.4,(6.5.1 & 6.5.2,6.5.2.1,6.5.2.2,6.5.2.3,6.5.2.5,6.5.2.6,6.5.2.7,6.5.2.9,6.5.3,6.5.4.2,6.5.4.3,6.5.4.5,6.5.4.6,6.5.4.7,6.5.4.8,6.5.4.9,6.5.4.10	5
Total	**302**	**149**	**153**		**49**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

8.5.4 Audit Paras

8.5.4.1 Loss due to embezzlement in Branch - Rs. 631.66 million

According to Clause 33.1 (i) of the ZTBL HR Manual 2012, the minor penalties will be (a) Censure (b) Freezing of salary at the existing level for specified period (c) Recovery from salary and or terminal benefits of the whole or part of any pecuniary loss caused to the Bank (g) Compulsory Severance (h) Removal from service (i) Dismissal from service. It was further stated that where an employee has been found guilty of willfully committing an act of defalcation or embezzlement, the minimum punishment shall be anyone of the punishments provided for at (g) (h) and (i) in addition to (c) above.

During the audit of ZTBL (HO) for the year 2017, it was observed that the bank manager and other staff approved / sanctioned many loan cases in favor of different borrowers and embezzled the amount. On inquiry by the Head Office, the charges were established / approved against the accused employees and accused were punished. The aggregate amount of punishment was approximate of Rs. 9.01 million. Later on the management conducted complete internal audit of the branch. In Internal audit, it was established that bank suffer a loss to the tune of Rs. 631.66 million. The management decided to lodge complaint in NAB against the accused.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that the some of the employees were in litigation; and case was referred to NAB for investigation. Reply was not convincing as no document was produced by the management in support of reply.

During DAC meeting held on December 31, 2018, the management explained that case has been referred to NAB for detailed investigation. Audit

informed that amount of para has been revised from Rs 9.01 million to Rs. 631.66 million in light of case referred to the NAB. The DAC directed the management to vigorously follow the case in NAB.

Audit recommends compliance of DAC directive.

8.5.4.2 Loss due to embezzlement of funds through NIFTS - Rs 37.78 million

According to Clause 33.1 (i) of the HR Manual 2012, in case where an employee has been found guilty of willfully committing an act of defalcation or embezzlement, the minimum punishment shall be anyone of the punishments provided for at (g) (h) and (i) in addition to (c) above. On imposition of penalty at (f) above, the salary of the concerned officer/executive shall be reduced by 10% of his/her current salary for the period of penalty.

During the audit of ZTBL (HO) for the year 2017, it was observed that the Manager and staff of ZTBL Khairpur Mirs Branch committed fraud. The employees issued bogus cheques to different parties having nil or less balance in their accounts while these cheques were presented to the branch for clearance through NIFT, the cheque were cleared by the branch staff without considering the actual balance by debiting the 'income heads (7103)' and crediting the 'NIFT clearance account (3504)'. When the higher authorities noticed these transactions, the accused, managed to burn all relevant record including CCTV Cameras etc. Inquiry committee was constituted to probe into the matter which ascertained that the total loss suffered by the bank was Rs. 37.78 million.

Audit was of the view that that the management failed to recover the amount of penalties imposed on accused along with mark up. Only an amount of Rs. 2.00 million was recovered till the close of audit without recovery of markup. Furthermore, management should recover the amount of Rs. 11.33 million from M/s KSSL on account of share of Mr. Sikandar Abbas Dasti (teller) being KSSL employee.

The matter was reported to the management on September 11, 2018 and to PAO on October 17, 2018. The management in its reply dated September 19, 2018 stated that some of the employees were in litigation however, recovery from some employees was initiated and recovery documents will be provided for verification. Reply was not convincing, as management not provided any documents for verification.

The DAC in its meeting held on December 31, 2018, directed the management to vigorously follow up the case in FIA for early finalization.

Audit recommends compliance of DAC directive.

8.5.4.3 Irregular expenditure over and above the approved budget - Rs. 10,380 million

According to Finance Division O.M No: F.15(13)-R 14/82 dated: September 05, 1982, funds provided, acquired or generated by the autonomous bodies, semi-autonomous bodies and corporations are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rule or specific orders of the Government.

During the audit of Zarai Traqiti Bank (ZTBL) Head Office for the financial year 2017 it has been observed that management incurred expenditure of Rs. 10,380 million over and above the approved budget under the following heads:

(Rs in million)

S No	Particulars	Approved budget Rs.	Actual Rs.	Excess Rs.	% of variance
1.	Provision for staff retirement benefits plan	688.00	11,037.00	10,349.00	1604
2.	Rent, Taxes & Insurances etc	217.00	239.00	22.00	1.10
3.	Legal & Professional Charges	56.00	60.00	4.00	1.70
4.	Depreciation	366.00	372.00	6.00	1.20
				10,380.00	

The financial discipline of the bank was not good which resulted into excess expenditure of Rs. 10,380 million from approved budget for the financial year 2017.

Audit was of the view that excess expenditure than the approved budget was irregular as the prior approval of BoD was not obtained.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated increase in expenditure of staff retirement benefits was due to increase in pension factor in light of the Supreme Court decision. However no evidence to that effect was provided. Further expost facto approval from BoD for incurrence of excess expenditure in all heads was still not obtained.

The DAC in its meeting held on December 31, 2018 directed the management to take up the matter to the BoD for ratification of excess expenditures incurred in the case.

Audit recommends compliance of the DAC directive.

8.5.4.4 Irregular hiring of consultancy firm at higher rates - Rs 4.85 million

According to clause 29 of PPRs 2004, the procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management decided for refurbishment and remodeling all floors of ZTBL main building Islamabad in 2009. The EOI was called for on February 15, 2009 and in response 17 firms showed interest and submitted company profile on March 09, 2009. No bidding documents were prepared by the management and a questionnaire was developed for bidders, which did not include the evaluation

criteria / method to shortlist the firms as required under PPRs. The President ZTBL called for the presentation to all firms and M/s Zaheer A. Sheikh & Associate (another consultant who originally did not submit bid) was specially allowed by the management to participate in the presentation. After two or three presentations, the management shortlisted M/s Zaheer A. Sheikh & Associate and consultancy contract was awarded to said firm.

Audit was of the view that selection process of the consultant for refurbishment of head office building was not transparent and prima facie favor was granted to the consultant in selection process. Thus, the payment made to the consultant till now is considered as irregular.

The matter was reported to the management on September 14, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that initial advertisement was just for information further evaluation criteria was mentioned in questionnaire. Management reply was not acceptable as serious violations in hiring process were observed.

The DAC in its meeting held on December 31, 2018, directed the management to hold a fact finding inquiry in the case and furnish its report to audit & Ministry within 45 days. The DAC further directed that inquiry committee will be headed by president ZTBL and one member (not below the rank of Dy. Secretary) from M/o Finance. Its ToRs includes the contents of audit Para.

Audit recommends compliance of the DAC directive.

8.5.4.5 Irregular procurement of land - Rs 45.28 million

According to Part-II, clause 4 of Land Acquisition Act 1894. 'whenever it appears to the Collector of the District that land in any locality is needed or is likely to be needed for any public purpose or for a Company, a notification to that effect shall be published in the official Gazette, and the Collector shall cause public notice of the substance of such notification to be given at convenient

places in the said locality. Further, as per clause 38 of Land Acquisition act, (1) the Executive District Officer (Revenue) may authorize any officer of any Company desiring to acquire land for its purpose to exercise the powers conferred by sub-section (2) of section 4 of this act.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management planned to purchase land / plot for its branches in Bahawalnagar Zone, Rahim Yar Khan Zone and Chillianwali Branch of Sargodha Zone. The management procured the land / plot without involving the collector of land revenue / EDO (Revenue) in violation of above provisions of Land Acquisition Act 1894. The management floated an Expression of Interest (EOI)/ Tender in newspapers and after fulfilling necessary formalities land was purchased in 2009 from different parties without any survey and need assessment. This resulted into irregular purchase of land valuing Rs 45.28 million.

Audit was of the view that land for the bank was required to be procured through land acquisition collector. Furthermore, there was no urgency for such procurement as the plots / land procured was still lying idle and was not utilized by the bank even after lapse of more than nine years. The procurement of land in violation of Land Acquisition Act 1894 showed prima facie melafide intention of the management.

The matter was reported to the management on September 14, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that land procured in transparent manners after fulfilling all codal formalities. Management point of view was not acceptable, as the same was required to be procured under Land Acquisition Act.

The DAC in its meeting held on December 31, 2018 directed the management to hold a fact finding inquiry and submit its report within one month to audit & Ministry. The DAC further directed the management to furnish a comparison of schedule rates (announced by relevant Board of Revenue

authorities) that were prevalent at the time of purchase of plots/land as well as current prevailing schedule rates in the respective three sites.

Audit recommends compliance of the DAC directive.

8.5.4.6 Irregular hiring of second lowest contractor - Rs. 75.14 million

According to Clause 38 of PPRs 2004, "the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity. As per clause 33 (1) of PPRs 2004, the procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals, but is not required to justify those grounds.

During the audit of the ZTBL (HO) for the year 2017, it was observed that the management decided to refurbish Ground, Mezzanine, second and 3rd floor of ZTBL main building head office Islamabad. For this purpose, Eleven (11) prequalified firms were contacted for submission of technical and financial proposals. Six (6) firms had participated in this process and out of them four firms were declared technically qualified by the consultant. The financial proposals of technically qualified firms were opened in presence of head office procurement committee on April 12, 2016. The engineering estimates of work as prepared by the consultant were Rs. 78.66 million. The financial proposals of all these firms were as follows:

Sr. No.	Name of firm	Corrected amount by consultant after rebate	Position
1	M/s Capital Builders, Islamabad.	72,128,172	1st lowest
2	M/s Quality Pvt. Ltd. Lahore.	83,206,273	2nd lowest
3	M/s Rehman Construction & Interior Lahore.	98,200,867	3rd lowest
4	M/s B.R Construction Company Islamabad.	112,701,333	4th lowest

The procurement committee instead of allotting the work to the lowest contractor rejected all bids and decided to go into the rebidding process at some later stage.

Later on the management again called for submission of renewed/valid PEC registration certificate and submission of bids. The consultant estimated the whole work at the cost of Rs. 88.08 million. The results of technical and financial bids are summarized as below:

Sr. No.	Name of firm	Results of Technical bid	Results of Financial bid	Position
1	M/s Capital Builders, Islamabad.	Qualified	69,513,977	1st lowest
2	M/s Quality Pvt. Ltd. Lahore.	Qualified	88,244,222	3rd lowest
3	M/s Rehman Construction & Interior Lahore.	Not qualified	Not opened	-
4	M/s B.R Construction Company Islamabad.	Qualified	79,500,000	2nd lowest

As per the above stated table M/s Capital Builders Islamabad stand lowest on 2nd time but the management again illegally ignored the 1st lowest bidders i.e. M/s Capital builders who quoted Rs. 69.51 million and the contract was awarded to the next bidders i.e. M/s BR construction company at a total cost of Rs. 75.52 million (after considering 5% rebate). The original quoted price of the firm was Rs. 79.500 million. Audit was of the view that after considering the rebate the firm is still on higher side, hence the public exchequer suffered loss.

The matter was reported to the management on September 14, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that the opportunity was given to the first lowest contractor to explain its implementation strategy which did not timely respond due to which contract was awarded to 2nd lowest contractor. Management reply was not acceptable as the clear violations of PPRA were observed in award of contract.

The DAC in its meeting held on December 31, 2018, directed the management to hold a fact finding inquiry in the case and furnish its report to audit & Ministry within 45 days. The DAC further directed that inquiry

committee will be headed by president ZTBL and one member (not below the rank of Dy. Secretary) from M/o Finance.

Audit recommends compliance of DAC directive.

8.5.4.7 Irregular grant of subsequent loans to defaulters - Rs. 61.03 million

According to clause 2.5.1 of Credit Manual, applications for additional loans can be entertained only if the request for additional loan is genuine, previous loan has been properly utilized, and the borrowers or any of their relatives are not defaulters. Similarly as per clause 2.5.8 (a)& (b) Subsequent disbursement in loan cases falling in NPLs categories will be made on the next day of complete closure of loan accounts or 95% of the previous sanctioned amount on the same day. No enhancement of loan was allowed in these cases.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management granted subsequent loans to various borrowers wherein the borrowers were already defaulters and fall under the categories of Non-Performing Loans (NPL).

Weak internal controls led to increase in the number of cases of Non-Performing Loans (NPLs) which ultimately resulted in increase in litigation expenses and also increased the ratio of bad debts.

Audit was of the view that the management was required to take necessary steps to strengthen the internal controls so that such kind of violations may not be repeated.

The matter was reported to the management on September 14, 2018 and to PAO on December 10, 2018. The management in its reply dated September 19, 2018 stated that borrower was not in default at the time of sanctioning of second or third loan. Management reply was not based on facts.

The DAC in its meeting held on December 31, 2018, directed the management to take necessary steps for early recovery of Non-performing loan (NPLs) cases pointed out by audit. The DAC also directed to review existing loaning policy of the bank ensuring that no loan facility shall be provided to any bank defaulter in future.

Audit recommends compliance of DAC directive.

8.5.4.8 Irregular procurement of vehicles - Rs. 196.26 million

According to the Government of Pakistan vide Finance Division letter No. 7(1) Exp. iv/2016-540 dated July 26, 2017, there will be a complete ban on purchase of all types of vehicles (excluding motorcycles) both for current as well as development expenditure except operational vehicles of law enforcing agencies for which NOC from Finance Division would be required. Same kind of instructions was also issued in financial year 2016-17.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management procured vehicles worth Rs 196.26 million. The vehicles were purchased as per bank policy for utilization of same in head office and in field audit offices. Further, it was observed that Car Loan Depreciation Policy of the bank allowed the executives to purchases car at book value after five years. The applicable depreciation rate on vehicles was 20% and book value of vehicle becomes zero. The rule allowed an executive to purchase more than three to four vehicles in entire service, which create additional burden on bank. This policy needed to be reviewed in best interest of bank. This resulted into irregular purchase of vehicles valuing Rs 196.26 million.

The matter was reported to the management on September 14, 2018 and to PAO on December 10, 2018. The management in its reply dated September 19, 2018 stated that said instructions were not applicable to the bank. The reply was not acceptable and clarification may be sought from Finance Division regarding

observations of austerity measures. Furthermore, list of those beneficiaries who availed more than one vehicle under CLDP be provided to audit.

The DAC in its meeting held on December 31, 2018, directed the management to refer the matter of car loan depreciation policy (CLDP) to the BoD for review and decision in the matter.

Audit recommends compliance of DAC directive.

8.5.4.9 Irregular payment of Personal Pay - Rs. 32.16 million

According to Chapter 6.2(vi) of HR Manual of the ZTBL, Personal pay can only be paid to the Deputy Manager /Assistant Manager in Medium Branches @ Rs. 1500 and in Large Branches @ Rs. 2000. There is no provision of personal pay admissible to bank staff posted in head office.

During the audit of ZTBL (HO) for the year 2017, it was observed that many employees posted in head office were drawing personal pay with two-nomenclature i.e ZTBL Personal Pay and Personal Pay RTP (Reckonable to pension). On further verification, it was noticed that only 'personal pay RTP' was a kind of personal pay eligible only to those staff that were on maximum stage of his relevant pay scale. Management did not provide satisfactory reply against other kind of personal pay RTP. Thus, the payment of personal pay to the tune of Rs 32.16 million (Rs 2.680 million x 12) was considered irregular.

Later on it was explained by the management that personal pay was granted to those employees who were appointed under SR-1961 and opted SR-2005. Some of these employees were later on again reverted to SR-1961 in light of directions of the court. However, most of them were still working on pay scale of SR-2005. As the salary benefit under SR-2005 is higher than those of SR-1961, thus personal pay to these employees was granted to save them from financial loss suffered due to reversion.

Audit was of the view that as the reversion was made in light of court decision and at the option of the employee, thus grant of personal pay on this ground was irregular and recoverable. Further, court decision was not implemented in letter & sprite hence whole process needs to be reviewed.

The matter was reported to the management on September 14, 2018 and to PAO on October 18, 2018. During DAC meeting held on December 31, 2018, the management explained that personal pay was granted to the staff who reverted from SR-2005 to SR-1961 to save them from financial loss. The DAC directed the management to furnish revise reply and confirm / certify that no further litigation is pending in any court of law. Further, DAC also directed the management to take up the case in BoD for early resolution of the issue.

Audit recommends compliance of DAC directive.

8.5.4.10 Non recovery of advances from dismissed / severance employees - Rs 6.02 million

According to para-15 (iv) and (v) of Staff Regulation 2005 of ZTBL, all deductions from the salary of an employee against all outstanding liabilities shall be completed on or before the employee attains the age of 59 years. No loan shall be granted to any employee without security.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management dismissed compulsory retired ten (10) employees from bank service during 2017. The different advances amounting to Rs. 6.02 million outstanding against them were still recoverable.

Audit was of the view that the management was required to recover the outstanding advances valuing Rs 6.02 million against dismissed / compulsory retired employees but no recovery was effected.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that all cases belong to those employees who were terminated / dismissed from service. Furthermore, some were in court of law to seek remedy. Reply was not acceptable as court cases were not pursued properly which resulted into non-recovery.

During DAC meeting held on December 31, 2018, audit pointed out the correction of amount in title of para as Rs. 6.02 million. The management informed that necessary steps are being taken for initiation of liquidation process for early recovery of outstanding amount. The DAC directed the management to provide case wise detail to audit. The recovery suits may be filed wherever necessary.

Audit recommends compliance of DAC directive.

8.5.4.11 Non-recovery of advances from ex-employees - Rs 43.55 million

According to clause 18.5 (x)(d) of HR Manual, where an Officer/Executive attains the age of superannuation, the outstanding amount of loan, if any, shall be adjusted out of the severance benefits payable. The concerned Drawing and Disbursing Officer shall indicate the same in the No Demand Certificate (NDC).

During the audit of ZTBL (HO) for the year 2017, it was observed that the management granted loan to different employees. These loans were required to be adjusted / recovered within the specified period before retirement or accepting resignation of the employee. However, these employees had left the service of bank. An amount of Rs. 43.55 million was still pending against ex-employees of the bank, which was not recovered.

Audit was of the view that due to lose internal control, while processing the final settlement of employees did not recover/deduct the amount due to them, which caused loss to the bank.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that it is being ensured that all the superannuating and resigned employees were produced NDC. However, this amount belongs to those employees terminated / dismissed on disciplinary grounds and their outstanding amount could not be adjusted.

Audit was of the view in such cases said amount should be recovered from their CP fund balance besides other punitive measures taken against employees.

The DAC in its meeting held on December 31, 2018 could not discuss the para due to no submission of working paper by the management.

Audit recommends to justify the position for issuance of NDC without adjustment of advances, investigate the matter and fix responsibility on persons at fault and necessary revision be made to fix recovery period of loan / advances specially motor car advance and HBA advance which was on longer side.

8.5.4.12 Non-recovery of penalties imposed by SBP - Rs 58.05 million

According to sub section (3) of Section 25 of Banking Company's Ordinance 1962, , 'if any default was made by a banking company in complying with the policy determined under sub-section (1) or direction given under subsection (2), every director and other officer of the banking company and every other person who was knowingly a party to such default shall, by order of the State Bank, be liable to a penalty of an amount which may extend to twenty thousand rupees and, where the default was a continuing one, of a further amount

which may extend to one thousand rupees for every day after the first during which the default continues.

During the audit of ZTBL (HO) for the year 2017, it was observed that an amount of Rs. 58.35 million was appearing in GL No. 8989 relating to SBP penalties. The management was unable to effect recovery.

Audit was of the view that the management had not maintained internal control over instructions/policies issued by the regulator, which caused imposition of penalty of Rs 58.35 million.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 again stated that said penalties were neither imposed by the SBP. Reply was not convincing the management committed to provide necessary record against the transactions under GL head 8989 at earliest.

The DAC in its meeting held on December 31, 2018 directed the management to take necessary measures for early recovery of SBP penalties from guilty persons.

Audit recommends compliance of DAC directive.

8.5.4.13 i Loss due to payment of additional markup on Preference Shares Rs 1,906.15 million

ii Irregular purchase of ZTBL shares by the SBP

According to Section 20 of the State Bank of Pakistan Act 1956, there were restrictions on SBP to certain business, which the Bank may not transact. As per sub clause (i) & (ii) the Bank shall not, except as authorized under this Act- (2) purchase its own shares or the share of any other bank or of any company, or grant advances or loans upon the security of any such shares.

During the audit of the ZTBL (HO) for the year 2017, it was observed that SBP entered into a settlement agreement with the ZTBL on April 18, 2017 for restructuring of SBP debts amounting to Rs. 94,616.00 million. The management agreed to issue 5,446,153,632 numbers of redeemable preference shares valuing Rs. 54,461.53 million carrying annual profit / return @ 7.5% p.a. Furthermore, the management also issued 4,015,599,174 numbers of ordinary shares valuing Rs. 40,155.99 million to SBP against settlement of outstanding markup. This resulted into increase in equity of the bank and SBP possessed largest equity stockholding in ZTBL due to which ZTBL now become a subsidiary of the SBP. It was also worth mentioning here that said deal was also not favorable for ZTBL, initially the ZTBL obtained 45 credit lines from SBP to the tune of Rs. 54,461.53 million (including subordinate loans) at an average markup of 6.08%. Now the bank had issued preference shares worth Rs. 54,461.53 million bearing markup @ 7.5% which resulted into annual excess burden of Rs. 773.35 million.

Audit was of the view that SBP purchased ZTBL shares in violation of above provisions of SBP Act 1956. As SBP was now major shareholder in ZTBL, and there was an issue of conflict of interest, thus it may affect the SBP's role as regulator of the bank.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that said settlement was made in the light of directions of Federal Govt. Audit was of the view that management should have watched and communicated the interest of bank. Further necessary steps (like creation of reserve fund etc) should have been taken so that additional burden may be avoided at the time of repayment of principal amount in 2025.

The DAC in its meeting held on December 31, 2018, directed the management to take up the matter before the BoD for further deliberation on the issue.

8.5.4.14 Loss due to unjustified writing off the project loans - Rs. 270.28 million

According to clause 1 of SBP Circular No. Circular No. 06 of 2007 dated June 05, 2007, bad / irrecoverable loans may be continued to be written off by banks themselves with the approval of BoD. According to clause 4 of said circular, before considering write off proposals placed before the competent authority will ensure (along with other conditions) that (ii) Confirmation by the concerned official of the branch/office duly countersigned by the authorized official(s) of the office higher than the originating branch/office that borrower or his guarantor has no known means of repayment and (vi) No write off will be allowed where forced sale value of securities held, is more than the recoverable outstanding amount.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management written off 27199 loan cases worth Rs. 1,831.44 million in 2016. These cases include an amount of Rs. 270.28 million on account of seven loan cases sanctioned in favor of M/s Saudi Pak Kalabagh Live Stock Company limited. An amount of Rs. 90.00 million was sanctioned in favor of said company during the period from 1984 to 1990 and total default period was 30 years. The loan was shifted to SAM on December 31, 2005 and at that time Rs. 63.30 million was outstanding as principal and Rs. 309.48 million was outstanding as Markup/return and other charges. Thus, total outstanding amount was Rs. 372.78 million. The collateral against these loan cases was 100 acres agriculture land situated in village Massan Tehsil Essakhel Distt. Mianwali, building & civil work, project machinery and equipment, residential house No. 431, BSA Ahmad Park Ichara and House No 3, Street 62 F-6/3 Islamabad (comprising on approximately 10 kanal area). It was also worth mentioning here that the case was decreed by the court in favor of ZTBL and the same was at execution stage. The management entered in a settlement agreement with the loanee company and wrote off an amount of Rs. 270.28 million after recovery of Rs. 102.49 million. As the collateral of the loan was sufficient, enough to repay bank loans, thus there was no need to write off the loans. The beneficiary owners were going to

sell a part of loan collateral property (100-Acre land) to third party. Thus, beneficiaries of the borrower created a business interest, which was violation of above said instructions of the SBP.

Audit was of the view that while writing off the loans of above referred cases the instructions of SBP were ignored and management prima facie extended undue favor to the borrowers.

The matter was reported to the management on September 14, 2018 and to PAO on December 10, 2018. The management in its reply dated September 19, 2018 stated that SBP team during its routine audit did not raise any objection on writing off the loans. Audit demanded the SBP report for verification which was not provided to audit.

During DAC meeting held on December 31, 2018, the management explained that writing off the said loans was made in light of SBP circular dated June 05, 2007. The DAC directed the management to get the relevant record verified by audit. No record was produced till the finalization of this report.

Audit recommends compliance of DAC directive.

8.5.4.15 Loss due to procurement of Penaflex Sign Boards at higher rates - Rs 26.52 million

According rule 4 of PPRs 2004, 'Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, the objective of ZTBL expenditure policy is to serve as guideline for prudent use of approved budget and financial powers. Moreover, it aims to improve the efficiency and effectiveness of the bank regarding the allocation of expenditure

During the audit of ZTBL (HO) for the year 2017, it was observed that the management floated tender in newspapers for the procurement of Backlit Penaflex Sign Boards at ZTBL branches. The tender was opened on December 26, 2016 and was handed over to consultant for technical evaluation. The four firms were shortlisted and lowest rate was Rs. 12225.12 per sf ft. The competent authority did not accord the approval and bidding process was scrapped. Finally the contract was awarded to M/s Insight Solutions (Pvt) Ltd being lowest and procurement order was issued to the firm at the rate of Rs. 1180 per sq ft for 460 branches assuming requirement of 100 sq. ft for each branch. The management can award contract while the tender was floated second time. M/s Insight initially quoted rates of Rs. 719.20 per sq. ft. but later on same firm quoted Rs. 1180 per sq. ft. Thus the bank suffered loss of Rs. 26.52 million.

Audit was of the view that management of the ZTBL prima facie procured the said items on higher rates, which resulted into loss to the public exchequer to the tune of Rs. 26.52 million. This loss should be recovered from faulted person.

The matter was reported to the management on September 14, 2018 and to PAO on October 17, 2018. The management in its reply dated September 19, 2018 stated that procurement of Penaflex was made in transparent manner. The reply is not tenable as due consideration to safeguard public interest was not made by the management and procurement was on higher rates.

During DAC meeting held on December 31, 2018, audit pointed out there was no issue on selection of a single bidder if the bidder is lowest. The DAC directed the management to hold a fact finding inquiry in the case and submit the report to audit / Ministry within one month.

Audit recommends compliance of the DAC directive.

8.5.4.16 Excess cost incurred due to non-preparation of cost estimates - Rs 13.52 million

According to rule 8 of PPRs-2014, all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During the audit of ZTBL (HO) for the year 2017, it was observed that procurement committee awarded the procurement contract to the lowest bidder i.e. M/s Insight Solutions (Pvt) Limited at total price of Rs. 54.280 million based on estimated quantity of 46,000 sq. ft at the rate of Rs. 1180 sq. ft. However, it was observed that management had not prepared the cost estimates and rough assumption was made that 100 sqft was required for each branch and total 460 branches was selected. This resulted into the total quantity of 46000 sq. ft at the rate of Rs 1180 per sq. ft. Later on while making payments to the supplier it was observed that up till June 2018, the supplier completed the work in 197 out of total 460 branches and billed for 31,160.05 sq. ft. while as per estimate this quantity should be 19,700 (197 X 100). Thus, excess quantity of 11,460.05 sq. ft (31,160.05 – 19,700) was claimed by the party. This resulted into overpayment of Rs. 13.52 million (11460.05 x Rs 1180) due to poor work estimates and ultimately affect the budget of the bank.

The matter was reported to the management on September 14, 2018 and to PAO on October 17, 2018.The management in its reply dated September 19, 2018 stated that the presumed quantities were on tentative basis to obtain per sq. feet rate. The reply was not acceptable as the quantities can easily be assessed.

The DAC in its meeting held on December 31, 2018, directed the management to furnish a certificate that no loss had occurred due to wrong estimates. Further, matter may be referred to the BoD for deliberation and decision.

Audit recommends compliance DAC directive.

8.5.4.17 Procurement of land at higher rates - Rs. 11.53 million

According to clause 23 of Land Acquisition Act 1894, regarding the Matters to be considered in determining compensation as per sub clause (1) In determining the amount of compensation to be awarded for land acquired under this Act, the Court shall take into consideration, the market-value of the land, the damage sustained by the person interested and as per sub-clause (2) In addition to the market-value of the land as above provided, the Court shall award a sum of twenty-five per centum on such market-value if the acquisition has been made for a Company.

During the audit of ZTBL for the year ended 2017, it was observed that management of the ZTBL had purchased plots/land directly from owners without involvement of District collector in violations Land Acquisition Act. The said plot was purchased at higher rates and in district Rahim Yar Khan, the bank suffered loss of Rs. 11.53 million as detailed below:

Sr. No.	Zone & Branch	Plot size	*Assessed Rate per Marla	Rate paid	Difference	Total over payment
1	Rahim Yar Khan	87 Marla	32,500	165,000	132,500	11,527,500

*Schedule rate plus 25% compulsory acquisition charges

Similarly, a piece of land measuring three kanals was procured by the ZTBL near Kharian-Mandi Bahauddin road at the rate of Rs.148,000 per marla. The said plot was an agriculture land and away from main road. The front from main road (Kharian – Mandi Bahauddin Road) of said plot was owned by the Provincial Government. Local management had not made proper assessment of said plot and did not focus to obtain schedule rates of relevant district revenue authorities. The amount paid by the management was on higher side. The piece of land remained idle since its procurement and there is no plan, in near future, to construct a building on it.

Audit was of the view that management of ZTBL had prima facie procured these plots (Both at Rahim Yar Khan and Challianwala) at higher rates and the bank suffered heavy losses. Further, there was no urgency as the procured plot was still vacant and no construction was started till date.

The matter was reported to the management on September 14, 2018 and to PAO on October 18, 2018. The DAC in its meeting held on December 31, 2018, directed the management to hold a fact finding inquiry and submit its report within one month to audit & Ministry. The DAC further directed the management to furnish a comparison of schedule rates (announced by relevant Board of Revenue authorities) that were prevalent at the time of purchase of plots/land as well as current prevailing schedule rates in the respective three sites.

Audit recommends compliance of the DAC directive.

8.5.4.18 Unjustified payment of SAM incentive - Rs 45.32 million

According to Special Assets Management (SAM) incentive notification, the SAM incentive was admissible to the employees of ZTBL against cash recovery in loan cases, who were shifted to SAM category upto 2012.

During the audit of ZTBL (HO) for the year 2017, it was observed that SAM recovery incentive amounting to Rs. 45.32 million (Rs. 3.78 million x 12) was paid to the bank employees during the year under review without extension of the incentive scheme after 2012. Thus approximate total payment of Rs. 45.32 million was considered as unjustified.

Audit was of the view that SAM incentive was required to be paid only on 100% closure of loan cases. Further, as the BoD decision for payment of SAM incentive was only for 2012 and the extension of payment of SAM incentive by executive order was required to be ratified from BoD.

The matter was reported to the management on September 14, 2018 and to PAO on December 10, 2018. The management in its reply dated September 19, 2018 stated that relevant record in soft form was provided to ZTBL Field Audit Department for onward submission to commercial auditors. Reply was not convincing as same was not provided to audit for verification till finalization of this report.

The DAC in its meeting held on December 31, 2018, referred the case to the Board of Director for decision on SAM incentive.

Audit recommends compliance of DAC directive.

8.5.4.19 Loss due to irregular writing off project loans - Rs. 107.62 million

According to the ZTBL SAM Settlement Policy 2012, the said policy was only for general credit schemes directly pertaining to Agriculture loaning and there was no provision of settlement of project loans. The said policy was again revised vide letter dated June 24, 2015 under clause 7, it was decided by the competent authority for inclusion of SAM project loan cases in settlement policy. As per said clause, all project loans will only be settled on recovery equal to 1.5 times of principal disbursed. This policy did not follow the guideline provided by SBP vide its circular June 05, 2007.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management settled an amount of Rs. 107.62 million in five project loan cases. These project loan cases were settled by the Head Office Write Off and Remission Committee on recommendations of Zonal Write Off and Remission Committee. Audit observed that as these cases were initiated based on SAM Policy guidelines of ZTBL issued vide circular dated April 30, 2012 wherein no provision existed for write off / remission of project loans. Furthermore, while settling the loan cases the management did not focus on SBP's guidelines circulated vide SBP Circular No. dated June 05, 2007. Thus, the write off /

remission of loans worth Rs. 107.62 million as calculated by the management was considered as irregular and unjustified.

Sr #	Name of Borrower	Loan case #	Amount disbursed	Amount already recovered	Amount outstanding	Amount recovered under policy	Amount Write off / Remission
1	M/s Fresh Juice	2546	64.57	24.89	126.41	73.56	50.49
2	M/s Modern Leather Industries	4317	24.90	13.67	53.70	23.59	30.23
3	M/s Bandagi Agro Services	1747	1.83	3.82	2.05	0.19	2.05
4	M/s Sheikh Steel Pressing	N/A	0.63	0	N/A	0.07	0.44
5	M/s Hyderabad Beverage Co. Ltd	93810	14.60	22.00	24.41	20.91	24.41
Total							**107.62**

It was clear from the above table that the management had written off an amount of Rs. 107.62 million in above five loan cases in violation of SBP guidelines.

Audit was of the view that the management granted undue favor to the borrowers by writing off loans, which could have been recovered through court. Prima facie management included clause 7 in SAM settlement notification dated June 24, 2015 regarding settlement of all project loans even though this was not discussed in relevant BoD meeting. Thus public exchequer suffered heavy losses to the tune of Rs. 107.62 million.

The matter was reported to the management on September 14, 2018 and to PAO on December 10, 2018. The management in its reply dated September 19, 2018 stated that cases were written off by the management as per policy approved by the BoD. Management reply was not acceptable as the policy for writing off the project loans was introduced in 2015 and some of the cases for writing off the project loans were initiated in 2014.

During DAC meeting held on December 31, 2018, audit pointed out that there was no proposal for writing off the project loans in ZTBL Circular No. R&SAMD/8/2012 dated April 30, 2012. Later on the BoD in its meeting held on dated June 17, 2015 allowed that all project loans cases can also be written off. This clause was inserted in violation of BoD decisions. The DAC directed the management to get the policy of 2015 reviewed by the BoD and relevant record be verified from audit.

Audit recommends compliance of the DAC directive.

8.5.4.20 Loss due to late verification of degree - Rs 2.95 million

According to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the Autonomous bodies/Companies, Corporations were required to take the measures to authenticate degrees/certificates of all the employees of their organization. It would be of concerned Head of Organization to have the degrees/certificates verified.

During the audit of ZTBL (HO) for the year 2017, it was observed that the management appointed Ms. Arifa Malik as OG-II on May 07, 2012. While applying for the post she mentioned MBA as her qualification and provided copies of Bachelor & Master Degrees duly verified by Higher Education Commission. These attested copies were again referred to Higher Education Commission for re-verification, which were proved as fake. The competent authority dismissed her from service with immediate effect and ordered recovery of all the financial benefits of Rs 2.95 million availed by her during the period of service.

Audit was of the view that the management was required to verify the documents of employee after her appointment but same was done late which resulted in loss to the public exchequer of Rs 2.95 million. It was further added that said issue was initially highlighted by audit through audit report for the year 2013-14 but management instead of taking prompt action delayed the verification

process upto 2017. This resulted in increase in amount of pay & allowances to the said candidate.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that necessary action was already taken and employee was dismissed from service. Reply was not convincing as reasons for prolong delay in verification of degree were not submitted by the management.

The DAC in its meeting held on December 31, 2018, observed with great concern that the degrees/certificate of Ms. Arfa Malik was verified by the management after considerable delay. The DAC directed the management to take necessary steps for early recovery of pay & allowances and get relevant record verified by audit. The DAC further directed to review the existing procedure of verification of degrees of newly appointees and the bank should verify the testimonial without involving the concerned appointees.

Audit recommends compliance the DAC directive.

8.5.4.21 Loss due to non-recovery of penalty and official vehicle from employee – Rs 9.18 million

According to para 4 (i) Chapter 23 of ZTBL HR Manual, it was the duty of every employee of the Bank, who comes to possess, receive, obtain any information regarding involvement / indulgence of any employees in corruption or corrupt practices directly or indirectly, or activity on part of an employee that falls within the ambit of corruption or corrupt practices, to report the same to the President or Head, I&C Department. Failure on part of the employees in meetings this obligation shall be deemed as abetment/connivance in the offense, and shall be cognizable under the regulations.

During the audit of ZTBL (HO) for the year 2017, it was observed that fourteen (14) officers/officials were involved in inefficiency, negligence,

misconduct, embezzlement and misappropriation. The disciplinary proceedings were initiated against them and found guilty. The competent authority imposed penalty on officers/officials in shape of recovery, which was still outstanding against them. Furthermore, it was observed that the Suzuki Cultus Car was also given to Mr. Nazir Ahmed Tabassum, Senior Vice President for his official-cum-private use which was also not returned to the Bank.

Audit was of the view that the management was required to take concrete steps for the recovery of amounts embezzled by officer/officials. However, no steps were taken in this regard.

The matter was reported to the management on September 11, 2018 and to PAO on October 18, 2018. The management in its reply dated September 19, 2018 stated that necessary steps were taken against the accused. The reply was not acceptable as penalty and vehicle were still recoverable.

During DAC meeting held on December 31, 2018, the management apprised that recovery of Rs. 26,750 has been made from Mr. Qudrat ullah. Further, efforts are being made to recover remaining amount. The DAC directed the management to get the relevant record verified from audit and take necessary steps for early recovery of outstanding amount and vehicle at the earliest.

Audit recommends compliance of the DAC directive.

8.6 Kissan Support Services (Pvt.) Limited

8.6.1 Introduction

Kissan Support Services (Pvt) Ltd (the company) was incorporated as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Traqiati Bank Limited, which holds 100% shares. The registered office of the company is situated at Zarai Taraqiati Bank Limited, Head Office 1-Faisal Avenue, Zero Point, Islamabad.

The company's principal business was to provide consultancy, advisory, agency and other support services on contractual basis or otherwise to ZTBL. In the year 2016, the company changed its Memorandum of Association and now the company can provide services/ undertake business with other corporate sector as well.

8.6.2 Comments on audited accounts:

8.6.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017 till December 31, 2018.

8.6.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

8.6.2.3 The working results of Kissan Support Services (Pvt) Limited for the year 2017 are as under:

(Rs. in million)

	2016	**% Inc/ (Dec)**	**2016**	**% Inc/ (Dec)**	**2015**
Revenue	1,243.54	13	1,102.24	28.59	857.17
Cost of services	1,085.41	16	937.84	26.94	738.83
Gross profit	158.13	(4)	164.40	38.93	118.33
Administrative expenses	42.37	8	39.21	24.91	31.39
Operating profit	115.76	(8)	125.19	43.98	86.95
Other income	39.31	30	30.33	8.63	27.92

Financial charges	0.01	(71)	0.04	-	0.04
Profit before taxation	155.06	0	155.48	35.40	114.83
Provision for taxation	49.55	(2)	50.57	14.05	44.34
Profit after tax	105.51	1	104.91	48.83	70.49

(Source: Annual Audited Account)

Revenue of the company increased from Rs. 1,102.24 million in 2016 to Rs. 1,243.54 million in 2017 registering a 13% increase, whereas, service charges the main source of revenue decreased from Rs. 189.86 million in 2016 to Rs 181.81 million in 2017. The management needs to look into the situation.

8.6.2.4 Cost of services increased from Rs 937.84 million in 2016 to Rs 1,085.41 million in 2017 by registering an increase of 16%. The increase in cost of services affected the gross profit of the company which decreased by 4% during the year 2017. The management needs to control the increase in cost of services.

8.6.2.5 Adjustment of Rs 3.53 million was made in operating fixed assets (vehicles) have been during the year 2017. The basis of adjustment and documentary evidence in support of the amount adjusted may be provided to audit.

8.6.2.6 Expenditure of Rs 78.26 million was incurred on sports activities during the year 2017. Detailed breakup of the expenditure alongwith list of sports tournaments held during the year may be provided.

8.6.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	05	01	04	6.7.4.2,6.7.4.3,6.7.4.4,6.7.4.1	20
2016-17	08	0	08	6.6.2.5, (6.6.1 & 6.6.2,6.6.2.1,6.6.2.2,6.6.2.3,6.6.2.4,6.6.2.6,6.6.3)	-
Total	**13**	**01**	**12**		**8**

Overall compliance of PAC directives was very poor which needs immediate attention of PAO.

Chapter-9
Ministry of Industries and Production

9.1 Export Processing Zones Authority

9.1.1 Introduction

The Export Processing Zones Authority (hereinafter referred to as "EPZA / the Authority") was established by the Government of Pakistan on Feb 06, 1980 through Export Processing Zones Authority Ordinance, 1980. The main objective of the Authority is to plan, develop, manage and operate Export Processing Zones (EPZ) in Pakistan in order to invite / help foreign investors.

9.1.2 Comments on Audited Accounts

9.1.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts.

9.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2000-01	1	-	1	194	-
2006-07	1	-	1	Annex-I Item-8	-
2010-11	8	4	4	11.1.4.1, 11.1.4.2, 11.1.4.3& 11.1.4.5	50
Total	**10**	**4**	**6**	**-**	**40%**

The overall compliance of PAC directives needs improvement.

9.1.4 Audit Paras

9.1.4.1 Non-recovery of annual ground rent and other charges from industries - US$ 256,272 (Equivalent to Rs. 28.702 million)

Rule-5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18 it was observed that an amount of US$ 256,272 was outstanding against investors on account of annual ground rent, electricity and water charges which caused blockage of funds. The detail is as under:

Sr. No.	Head of account	Amount in US$
1.	Annual Ground Rent	229,375.92
2.	Electricity charges	22,849
3.	Water charges	4,047.33
Total		**256,272.25**

Audit is of the view that the management was unable to recover above expenses from various investors, which shows negligence and inefficiency on the part of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that an amount of US$ 34,000 recovered and remaining cases were lying pending in the courts. DAC directed the management to pursue the case on priority and further directed that the recovered amount be got verified by Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.2 Irregular deposit of funds without Board's approval - Rs.1,146 million (US$.8.269 million)

As per Finance Division OM.No.F.4 (1)2002-BR II dated July 02, 2003 the process of selection of banks should be transparent, therefore, prior to placing deposits with a bank, where working balance exceeds Rs.10 million, the selection of banks as well as terms of deposits will be approved by the Board of Director/governing body on the basis of competitive bids from at least 3 independent banks.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management placed funds of US$ 8.269 million (equivalent to Rs.1,146 million) in foreign currency account in various banks without the approval of BoD (Annex-33).

Audit is of the view that as per above mentioned rule, the management was required to obtain Board of Director's approval before placing the funds into banks. However, the requisite approval of the Board was not obtained, thus violating the above rule and need to be justified.

The matter was reported to the management in October 2018. DAC meeting was held on January 07 & 08 2019. The management informed that the Board of Directors of EPZA has delegated the powers to the Chairman EPZA in order to run the affair of the Authority under Rule 12(1) of EPZA Ordinance IV of 1980, in its first meeting held on July 20, 1980, therefore, Board's approval was not required. DAC directed the management to place the matter in BOD for ex-post facto approval and further directed to constitute an investment committee comprising members from Board. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.3 Irregular revision of pay - Rs.52.00 million

According to GoP O.M.No.F.4.(3) R-4/2011 dated August 04, 2017, the revision of pay scale and grant of Adhoc Relieve Allowance 2017 shall also be admissible to the employees of those Autonomous /Semi-Autonomous Bodies and Corporations which have adopted different pay-scale/Allowances with the concurrence of standing committee of Finance Division on recommendation of their respective Board of Directors. It is also clarified that the Autonomous /Semi-Autonomous Bodies and Corporations will forward the cases of Executive/Supervisory Staff with the recommendation of their respective Board of Directors for concurrence of Finance Division to the revision of pay scale and grant of Adhoc Relief Allowance 2017.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management allowed Adhoc Relief Allowance, 2017 to its employees after gating the approval from its BoD (Annex-34). The Board accorded ex-Post facto approval in its 120th'meeting held on June 06, 2018 subject to clearance from Ministry of Finance. However, concurrence of Finance Division had not been obtained so far.

Audit is of the view that undue favour was extended to the Employees at company cost.

The matter was reported to the management in October 2018. DAC meeting was held on January 07 & 08 2019. The management informed that undertaking was signed by the all officers and case of Revision of Pay has already been forwarded to Finance Division through MOI&P. DAC decided to expedite the case and concurrence of the Finance Division be obtained under intimation to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.4 Irregular appointment of Daily wages Employees - Rs.8.486 million

As per Establishment Division OM No. 06/02/2000, the appointment on contract basis in Autonomous/Semi- Autonomous bodies, Corporation, Public Sector Companies etc can be through open advertisement in the leading and regional newspapers indicating prescribed academic and professional qualification, experience, age provincial/regional quotas etc. Selection should be made through regularly constituted Selection Committees/Board.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that management appointed sweepers, watchman and security guards at the lump-sum salary of 15,000 per month for each employee. However, these employees were appointed without observing codal formalities and in violation of above rules, resultantly the payment of Rs.8.486 million was irregular. The detail is as under:

Category of employees	Number of employees	Total salary paid during the year (Rs.)
TOC watchmen	39	6,008,128
Sweepers (D/W)	09	1,746,819
Security Guards (D/W)	05	731,404
Total		**8,486,351**

Audit is of the view that undue favour was extended to the employees as appointment was made irregularly which indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that Rs.6 million were recovered out of Rs.8.486 million. DAC directed the management to recover the remaining amount and further directed to avoid cash payment in future and take action against the persons at fault who made such irregular appointment. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.5 Loss due to un-accounted for units of Electricity - Rs. 33.287 million

Rule.5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management purchased electricity from K-Electric in bulk. The Electricity was further distributed to industries situated at EPZA. However 2,030,956 units valuing Rs.33.287 million remained unaccounted for. This resulted into loss of Rs.33.287 million. The detail is as under:

Unit purchased	**Cost of electricity**	**Per unit cost (col.2/1)**	**Unit consumed**	**Lost Units**	**Loss of electricity (col.3 x 5)**
(1)	(2)	(3)	(4)	(5)	(6)
(Nos.)	(Rs.)	(Rs.)	(Nos.)	(Nos.)	(Rs.)
53,527,051	877,181,358	16.39	51,496,095	2,030,956	**33,287,369**

Audit is of the view that due to negligence of the management authority sustained loss which indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that EPZA purchased Electricity from KESC in bulk and distributed among the investors. The percentage of losses 3.79% was nominal. DAC directed to minimize the losses in future and recover the loss. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.6 Loss due to un-accounted for gallons of water - Rs.11.861 million

Rule.5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence it the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that the management purchased water from KW&SB in bulk. This water was further distributed to industries situated at EPZA. The authority raised bills to the industries on the basis of readings obtained from respective meters. Thus, during review of record it was noticed that 49,015,538 gallons of water valuing Rs.11.862 million were not account for, which caused loss the authority. The detail is as under:

Gallons purchased Rs.	**Cost of Gallon Rs.**	**Per 1000 gallon cost (col.2/1)**	**Gallons consumed**	**Lost gallons**	**Loss of gallons (col.3 x 5) Rs.**
(1)	(2)	(3)	(4)	(5)	(6)
228,730,700	55,352,917	.0.242	179,715,162	49,015,538	**11,861,760**

It is evident from the above position that the management purchased 228,730,700 gallons from KW&SB whereas, bills charged from the industrials of 179,715,162 gallons.

Audit is of the view that due to negligence of the management authority sustained loss which indicates weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that notices have already been issued to all the investors to replace the meter immediately and the same also be got verified from KW&SB. DAC directed the management to conduct an internal inquiry regarding delay in replacing the

defective meters and recover the dues within 15 days and get it verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.7 Loss due to imprudent investment - Rs.2.830 million

As per Finance Division OM No.F.4 (1)2002-BRII dated July 02, 2003 the process of selection of banks should be transparent, therefore, prior to placing deposits with a bank, where working balance exceeds Rs.10 million, the selection of banks as well as terms of deposits will be approved by the board of director/governing body on the basis of competitive bids from at least 3 independent banks.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18 it was observed that the management invested huge funds in local and foreign currency in different banks working at zone premises for the period of one year. However, instead of the deposits to highest bidders, the investments were split among the banks. The Allied Bank of Pakistan in the first case, United Bank of Pakistan in the second, Silk bank in the third and fourth case, quoted highest rates. However, management split the investment amount among all the banks which caused loss to the authority for Rs.2.830 million (Annex-35).

Audit is of the view that undue favour was extended to the Banks and authority was deprived from the benefits of higher rates.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that EPZA does not invest whole amount of fund in one bank to diversify the risk. DAC directed the management that whole process of this approval of minutes and investment be got verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.8 Non-verification of degrees/certificate of the employees

Rule-5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence it the best interest of the company.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that more than 500 employees are working in EPZA on permanent and contract basis, but the degree of these employees were not verified from the institutions/ Universities.

Audit is of the view that non-verification of degrees/certificates shows negligence of the management and indicates weak internal controls prevailing in the organization.

The matter was reported to the management in October, 2018. DAC meeting was held on January 07 & 08, 2019. The management informed that 58 employees' degrees were not verified and only 02 foreign employees' degrees and 06 local employees' degrees were declared fake by HEC. DAC directed the management to give list of verified degrees to Audit for verification, and remaining degrees be verified within 15 days otherwise action be taken against the concerned fake degree holders under intimation to audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.1.4.9 Non-segregation of properties in books of accounts

As per section-10 IAS-40 if the owner uses part of the property for its own use and part to earn rentals or for capital appreciation and the portion can be sold or leased out separately, they are accounted for separately. Therefore, the

part that is rented out is investment property. If the portion cannot be sold or leased out separately, the property is investment property only if the owner-occupied portion is insignificant.

During audit of Export Processing Zone Authority (EPZA) for the year 2017-18, it was observed that number of acres of land of EPZA to be used for lease/rent purpose for industries, warehouse or commercial purpose. So far, 264 industrial units have undertaken the units of land for industrial purpose in phase-I and phase-II. However, the management has not defined these properties as investment properties in their books of accounts. These properties are presently being reported in the books of accounts as administrative properties, which is a violation of above mentioned IAS.

Audit is of the view that non-segregation of properties shows slackness of the management which indicates poor financial internal controls.

The matter was reported to the management in October l, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to conduct fact finding inquiry at Ministry level regarding non finalization of audited accounts since 2007-08 and further directed to segregate the properties in books of accounts within six months. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2 Pakistan Industrial Development Corporation

9.2.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984. Pursuant to an order of Federal Government, the business, project properties and all the shares held by ex-Pakistan Industrial Development Corporation in the capital of the managed companies and subsidiaries were transferred to and vested in the Company with effect from April 01, 1985. The Company was established to set up/manage and/or run a project/undertaking or business.

During the year ended June 30, 2008, the Government of Pakistan Ministry of Industries, Production & Special Initiatives, through letter dated August 24, 2007 took a step to consolidate and improve the management of Pakistan Automobile Corporation Limited (PACO). Accordingly, PACO was administratively merged with PIDC as a wholly owned subsidiary. The Government of Pakistan also vide Ministry of Industries' letter dated September 11, 2008, took another step to merge Ghee Corporation of Pakistan (Private) Limited (GCP) with PIDC.

9.2.2 Comments on Audited Accounts

9.2.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	74	71	3	67, 69& 70	96
1997-98	74	73	1	180	99
1998-99	20	17	3	137,138&141	85
2005-06	8	7	1	108	88
2006-07	5	4	1	94	80

2008-09	4	3	1	104	75
2009-10	3	2	1	197.1	67
2013-14	4	1	3	8.1.2.1, 8.1.2.2& 8.1.3	25
Total	**192**	**178**	**14**	**-**	**93%**

The overall compliance of PAC directives was satisfactory which needed to be maintained.

9.2.4 Audit Paras

9.2.4.1 Wasteful expenditure on non-operational units - Rs.435.89 million

Rule 5 of Corporate Governance Rules, 2013 states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The Rule 4(3) states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2016-17 to 2017-18, it was observed that the management released funds amounting to Rs. 435.89 million to its non-operational subsidiary companies to meet their expenditure i.e employee's salaries, utility bills, payment of rent taxes, rent and miscellaneous expenses etc. The summary of total expenditure on non-operational units of PIDC as at 30-06-2018 is as under:

Sr. No.	**Name of units**	**Expenditure incurred** (Rs. in million)
1	Sindh Engineering Ltd.	200.00
2	Morafco Industries Ltd.	148.22
3	Suraj Ghee Industries Ltd.	87.67
Total		**435.89**

Audit is of the view that the management failed to exercise control over the spending/releasing of funds, which resulted into wasteful expenditure amounting to -Rs.435.893 million. This showed poor financial management.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC decided that the matter be referred to MOI&P for further decision and progress be intimated to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.2 Non-recovery of outstanding dues from TUSDEC - Rs.28.598 million

Rule-38 (1) of GFR provides that it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to government which have to be brought to account, are correctly and promptly assessed, realized and credited to Public Account.

During audit of Pakistan Industrial Development Corporation (PIDC) Head office for the year 2015-16, it was observed that the management allotted area of 285,975 Sq.Ft to Technology Up-gradation & Skill Development Company (TUSDEC), Lahore situated at State Cement Corporation Building, Cement and Research & Development Institute, Kot LakhPat, Lahore since 2008 without fulfilling legal requirements i.e. Tenancy Agreement with tenant.

Audit is of the view that had such a large area been rented out to any other tenant then an amount of Rs.28.597 million (285,975 Sq.Ft @ Rs.100/-per Sq. Ft. Per Month) could have been earned by PIDC. Thus, an amount of Rs.28.597 million was still outstanding against TUSDEC.

The matter was reported to the management in March, 2017 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that MOI&P requested PIDC to condone the rent in respect of

TUSDEC office. Audit contended that as rent cannot be condoned and it needs to be recovered. DAC directed the management to get verified the instruction of MOI&P and revise the agreement on reasonable rent with the approval of BOD. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.3 Non-recovery of the outstanding rent from tenants - Rs.13.530 million

Rule-38(1) of GFR provides that it is primarily responsibility of the departmental authorities to see that all revenue or other debts due to government, which have to be brought to account, are correctly and promptly assessed, realized to public account.

During audit of Pakistan Industrial Development Corporation (PIDC) for the years 2016-17 to 2017-18, it was observed that an amount of Rs.13.530 million was laying outstanding on account of rent against the various tenants of the PIDC buildings as on 30th June 2018. Detail of outstanding is as under:

(Rs. in millions)

Sr. No	Name of Party/tenants	Up to 3 years	Beyond 3 years	Total
1	M/s Chick- A- Zee	3.584	5.189	8.773
2	M/s Pakistan Dairy Development Company	2.346	-	2.346
3	MCB Bank Limited	0.784	-	0.784
4	National Bank of Pakistan	0.690	-	0.690
5	Aik Hunar Aik Nagar (AHAN)	0.373	-	0.373
6	M/s Grow Green	-	0.364	0.364
7	M/s Highland Tours & Travels	0.092	0.016	0.107
8	M/s Comsats Internet Services	0.035	-	0.035
9	M/s Sui Northern Gas Pipelines	0.024	-	0.024
Total		**7.928**	**5.601**	**13.530**

Audit is of the view that undue favour was extended to the tenants due to non-recovery of rent. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC showed displeasure on the recovery performance of the management and directed to submit detail revised reply to audit regarding detail of recovered amount and got verified from audit. The status of the legal cases may be intimated to audit and expedite the cases within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.4 Loss due to non-imposition of LD charges - Rs.29.322million

As per condition (8) of the work order, in case of delay in completion of ordered job/work, contractor shall be liable to pay to the Corporation penalty @ Rs.1% (Rupees one percent) per day of the total amount of contract awarded till its completion. Further, as per clause 29 of Public Procurement Rules, Evaluation criteria: Procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an integral part of the bidding documents. Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2016-17 and 2017-18, it was observed that in January 2017 management awarded a contract to M/s Trade centre for the Interior & Exterior paint, miscellaneous, civil, electrical & other work at PIDC house, Karachi amounting to Rs.6.883 million. As per work order, the civil work was required to be completed within ninety (90) days from the date of receipt of work order i.e. May 01, 2017. However, the contractor failed to complete the said work within stipulated period as the work is still in progress. Later, it was observed that there was no significant improvement in the progress of work and the management proposed the termination of the contract. Despite the fact, the management allowed an extension for (45 days) to the contractor. Thus, the management non-imposing LD clause the Corporation sustained a loss of Rs. 29.322 million

(68,832*426 days) as at June 30, 2018. Moreover, the contract was awarded to incapable contractor in irregular manner.

Audit is of the view that undue favour was extended to the contractor by non-imposition of the penalty as required under the term and conditions of the contract.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to probe the matter regarding irregular award of contract and further probe the actual LD Charges on the contractor or otherwise. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.5 Irregular appointment & promotion of G.M (A&P) - Rs.24.84 million

Establishment Division O.M. No.9/2/74-R.6 (Pt.2), dated January 21, 1988 states that appointment to the post shall be made by promotion on the basis of selection by the DPC of the Ministry/Division/ Department concerned and with the approval of the appointing authority, from amongst the regularly appointed Stenographers of the Ministry/ Division/Department concerned. Further, Para 4 states if no suitable person is available for promotion to the post in the Ministry/ Division/Department concerned, the vacancy shall be filled in by appointment from amongst the regular Stenographers, employed in other Ministries/Divisions/Departments who fulfill the conditions for promotion to the post as laid down in para 3 above, in consultation with the Establishment Division.

During audit of PIDC for the years 2016-17 to 2017-18, it was observed that in August 2007 management appointed Mr. Ashfaque Ahmed as Private Secretary to CEO. The following irregularities were observed:

i. He was appointed in management group IV which was to be filled by promotion, but he was directly appointed.

ii. The advertisement for the post of PS to CEO dated 21 July, 2007 was made just in single newspaper (Dawn) through P.O Box as it neither mentioned name of entity (PIDC), age, qualification nor regional/ provincial representation (quota).

iii. He was appointed during the ban period as daily wage worker.

iv. He was promoted as Deputy General Manager (DGM) to Group V from Group IV on 3rd December, 2009 just within 26 months.

v. He was brought to administration cadre from PS/stenographer cadre against the promotional rules and seniority principles and was posted Company Secretary & held additional charge as MD, Pakistan Motor Car Company (subsidiary of PIDC). Later, he was appointed as Company Secretary of PIDC on 11-01-2012 without fulfilling codal formalities (experience & qualification) and was upgraded to group D3 (equivalent BS-20).

vi. He was promoted as General Manager (GM) dated 04-10-2012 in Grade D3 equivalent to BPS-20 (Management Grade) as Company Secretary without duly constituted Selection Committee and without approval of Prime Minister/ Chief Executive of Pakistan as notified by Establishment Division.

Audit is of the view that undue favour was extended to the employee as he was holding degree of Bachelor of Commerce (B.Com) only and initial he was appointed as Private Secretary and subsequently he was awarded promotions to higher management cadre in contravention of the rules and against the orders of Honorable Supreme Court of Pakistan. Thus, the payment of Rs.24.84 million (74month X 210,000 p.m = Rs.15,540,000 and 62 month X Rs.150,000 p.m = Rs.9,300,000) on account of pay and allowance was held irregular.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. The management informed that an Inquiry Committee was constituted by MOI&P, wherein the Committee recommended to immediate transfer the officer from the current position which has been implemented. DAC directed the management to conduct a fresh inquiry under E&D rules of PIDC as recommended by the inquiry committee of MOI&P

within one month and report be provided to audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.6 Irregular appointment & promotions of GM - Rs.15.30 million

Establishment Division's O.M.No.6/4/96-R.3, dated May 10, 1997 states that the cases of appointment to various posts in autonomous/semi-autonomous bodies shall be processed in accordance with the following guidelines:

Sr. No.	Nature of Case/post	Selection Procedure	Approving Authority
140 ii(c)	Posting of government servants of BPS 17 to 19	To be processed in the Ministry/Division concerned.	Secretary of Ministry/Division concerned.
iii (b)	Appointment to posts in Management Grades (i.e. M1-M3, D1 to D3/BPS-20)	Selection Board headed by the Secretary of Ministry Division concerned to consider & recommend from a panel of three names of each vacancy	Prime Minister/ Chief Executive

Establishment Division's O.M.No.1/9/80-R.2 dated 2-6-1983 states that the President is pleased to decide that five year minimum length of service in grade 17 for promotion to grade 18.

Further, letter No. 7(50)/90-P-II, dated 17 October, 1990 by Ministry of Production Islamabad states (i) (a) the board of directors of company concerned shall act as selection board for direct recruitment or promotion to posts in management grade (BS 20 and above). The participation of nominee of the ministry (additional secretary for M1 & M2, and joint secretary for M3) will be necessary when the board of directors meets as Selection Board." (ii) (a) "all appointments/ promotions in management grades will be subject to the approval of the ministry of the production."

During the audit of PIDC for the years 2016-17 to 2017-18, it was observed that in April 1997 Mr. Zahid Ur Rehman was transferred to PIDC from Industrial Steel Pipe Limited, PIDC subsidiary and later absorbed, appointed in PIDC in October 1997, in group E-II equivalent to BPS-17. His appointment in group E-II equivalent to BPS-17 as per Federal Rules should have been processed in the Ministry/Division and must be approved by the concerned Secretary of Ministry/Division which has not been adopted. Further, he was promoted to group E-III, equivalent to BPS-18, within 3 year and 3 month against the Federal Govt. rules which require minimum length of service of 5 years in grade 17.

Later on, he was promoted on 01-09-2014 to group D3, equivalent to BPS-20, without adopting due process of the law and without prescribed Selection Board headed by the Secretary of Ministry Division concerned to consider & recommend from a panel of three names of each vacancy and then must be approved by Prime Minister/ Chief Executive of Pakistan. In addition, the approval of the Ministry of the Production was not obtained as to extend favour to Mr. Zahid Ur Rehman. Further, he has been holding dual charges, sometimes more than dual charges, from time to times since his promotion to group D3, equivalent to BPS-20, without recommendation of the Departmental Promotion Committee (DPC) or the Central Selection Board (CSB) as prescribed by the Federal Govt. which is irregular.

Audit is of the view that appointment and promotion of Mr. Zahid Ur Rehman were irregular. His transfer, absorption and appointment in BPS-17, promotion in BPS-18 and promotion in BPS-20 were irregular as the due process of law was not adopted.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide Ministry's approval regarding promotion of concerned within 07 days for verification of Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.7 Irregular payment of Ex-gratia/Bonus - Rs.12.001 million

Finance Division OM dated Nov 30, 2001 states that the payment of bonus of autonomous bodies /semi-autonomous bodies/ Corporations requires approval by administrative Ministry and concurrence of Finance Division.

Service Rules of PIDC Chapter –VIII (21) "Bonus may be paid to employees of the profit making units and the Corporation at such rate as the Board may decide after finalization of accounts and due audit at the close of each financial year in the light of conditions prescribed by the Federal Government".

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2015-16, it was observed that the management paid bonus amounting to Rs.12.001 million to its employees during the year 2015-16. The detail as under:

(Rs.in million)

Year	Amount
2014-15	4.669
2015-16	7.332
Total	**12.001**

Audit is of the view that the, payment of Ex-gratia/ Bonus amounting to Rs.12.001 million without the approval of administrative Ministry and concurrence of Finance Division is irregular and unjustified.

The matter was reported to the management in March 2017 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that the Corporation earned profit during 2014-15. DAC directed the management to get the record verified from audit within 07 days. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.8 Irregular appointment of Junior Executive - Rs.8.537 million

According to Rule-6 of Pakistan Industrial Development Corporation (PIDC) Service Rules 1986, all initial appointments and promotions against sanctioned posts shall be made in consultation with the selection committee constituted by the competent authority for the purpose in relation to each post or grade as the case may be.

During audit of PIDC for the year 2014-15, it was observed that the management appointed Mr. Dedar Ali Kalhoro as Junior Executive without advertisement of the post and without any recommendations of the Selection Committee/Board. Subsequently, the officer was promoted as Deputy Manager (E-I) without fulfillment of the codal formalities. The degree of BA and MA (Economic) submitted by the officer was also not got verified from the concerned university by the management. Hence, the appointment of the officer was irregular and the payment of Rs.8.537 million on account of Pay & Allowance was also irregular.

Audit is of the view that undue favour was extended to the employee by the management.

The matter was reported to the management in September, 2016. DAC meeting was held on January 15, 2019. The management informed that appointment was made with the approval of Ministry. DAC directed the management to provide approval of MoI&P and verification of degree to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.9 Fraudulent/Irregular appointment CIA - Rs.7.673 million

Section 22 of the Corporate Governance Rules, 2013 states that no person shall be appointed as the Chief Internal Auditor of a Public Sector Company

unless he has five years of relevant audit experience and is (a) member of a recognized body of professional accountants; or (b) certified internal auditor; or (c) certified fraud examiner; or (d) certified internal auditor; or (e) person holding a master degree in finance from a university recognized by HEC.

During audit of PIDC for the years 2016-17 to 2017-18, it was observed that in November 2016 management appointed Mr. Amjad Hussain as Chief Internal Auditor (CIA). He neither possessed the requisite qualification nor did have required experience of five (5) years in relevant audit field. He was inter chartered accountant (mid of degree) at the time of appointment. Post was advertised only in single newspaper (Dawn) and it did not mention qualification, regional/ provincial representation (quota). He contract was initially for three (03) years instead of two years. On verification of his additional academic qualification, HEC rejected the existence of educational institutions of USA as degree awarding institutions, as mentioned in his CV produced by him.

He was appointed without adopting due process/ mechanism which requires the application must be processed through Head of HR department. In letter vide IDC-2 (4623) dated 23 July, 2018 GM (Admin & HR) stated that he was not involved in the appointment process of CIA. Further, he was applied after due date and without NOC which was mandatory as highlighted in the press advertisement. Thus, the payment of Rs.7.673 million on account of pay and allowances was held irregular.

Audit is of the view that undue favour was extended to the incumbent by appointing him in non-transparent meaner. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct fact finding inquiry from the concerned Joint Secretary in MOI&P to determine the Qualification, experience, HEC degree Verification and applying date for the post. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.10 Irregular appointment of CFO - Rs.6.40 million

Section 14 of the Corporate Governance Rules, 2013 states that no person shall be appointed as the chief financial officer of a Public Sector Company unless he is- (a) a member of a recognized body of professional accountants with at least five years relevant experience. Further, Establishment Division's O.M.No.6/4/96-R.3, dated 10-5-1997 the cases of appointment to various posts in autonomous/semi-autonomous bodies shall be processed in accordance with the following guidelines:

Sr. No.	Nature of Case/post	Selection Procedure	Approving Authority
140 iii (b)	Appointment to posts in Management Grades (i.e. M1-M3, D1-D3/BPS-20)	Selection Board headed by the Secretary of Ministry Division concerned to consider & recommend from a panel of three names of each vacancy	Prime Minister/ Chief Executive

During the audit of PIDC for the years 2016-17 to 2017-18, it was observed that in August management appointed Mr. Muhammad Sarfaraz Javed as CFO. He was not the member of a recognized body of professional accountants at the time of appointment as no such document was provided. He also does not have required experience of five (5) years in the relevant field. It was further observed that he has been appointed through the advertisement given by KPMG firm (Private Chartered Accountants Firm) in single newspaper (Dawn) instead of advertisement given by PIDC management under its name and logo. Even in that advertisement placed by KPMG did not mention name of PIDC which is no less than concealment of job opportunity for all eligible citizens of Pakistan.

He was appointed on contract basis initially for three (03) years instead of two years. He was interviewed twice. Firstly, he did not appear in person (physically) before 1st interview panel conducted dated 14-07-2017 at PIDC (HO) Karachi, but as a favour, he was interviewed through Skype. Later, another

interview panel was constituted, as to extend him favour, on 22-07-2017. In addition, he was appointed as CFO equivalent to BPS-20 (Management Grade) without duly constituted Selection Committee and without approval of Prime Minister/ Chief Executive of Pakistan as notified by Establishment Division. Thus, the payment of Rs.6.400 million on account of pay and allowances was held irregular.

Audit is of the view that undue favour was extended to the incumbent by appointing him in non-transparent meaner. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide the record relating to required qualification and experience of 05 years in relevant field to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.11 Unjustified expenditure on account of Travelling & Accommodation - Rs.4.810 million

Para-33 of Pakistan Industrial Development Corporation (PIDC) provides that in the case of travel by air, the counterfoil of the air ticket should be produced when making a claim for payment indicating also the class in which the employee travelled.

According to Rule PIDC Travelling allowance rules Para No.62 (i) to scrutinize the necessity, frequency and duration of journey and halt for which travelling allowance is claimed and to disallow the whole or a part of the claim in respect of any journey or the halt if he considers that a journey or halt was unnecessary or that a halt was of excessive nature.

During audit of PIDC, for the year 2014-15, it was observed that the management paid travelling and daily allowance (TA/DA) amounting to Rs.4.810 million to their officers/executives without scrutinizing/examining their bills. The payment of TA/DA claim seems to fictitious/bogus. During scrutiny of the TA/DA, following discrepancies have been observed:

Approval of the competent authority /Tour programme of the officers was not found attached with the bill.

Specific purpose of Journey was not mentioned in the bill Air tickets and counterfoil of the boarding card was not found attached with the bill.

Audit is of the view that due to the above discrepancies the payment of Rs.4.810 million seems to be doubtful. The irregular/doubtful expenditure on account of TA/DA was also indicative of weak internal control prevailing in the organization.

The matter was reported to the management in September, 2016 and November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide the original Boarding passes and airline tickets to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.12 Irregular splitting of purchases - Rs.3.231 million

Rule-9 of Public Procurement Rules, 2004 states that, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirement so determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2011-12 to 2015-16, it was observed that management purchased Furniture & Fixture, Sundry Equipment, Electric Equipment's, Computers & Ancillary Equipment, and incurred expenses an amount of Rs.3.231 million by splitting up.

Audit is of the view that the management procurements for the year were planned properly and requirements of all departments were obtained and made purchases through one time open tendering process, resultantly the benefit of economical procurements could have been achieved. The procurements of different items valuing to Rs.3.231 million were held irregular as these procurement s were splitting up and in violation of PPRA 2004.

The matter was reported to the management in May, 2015 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that purchases were on receipt of requisitions from different departments on need basis and no splitting was incurred. DAC directed the management to get the record verified from audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.2.4.13 Irregular payment due to dual benefits rewarded to CEO - Rs.1.673 million

As per terms and conditions of the contract appointment of Mr. Muhammad Iqbal Tabish, Chief Executive officer, (CEO) vide para 5.

a. Monthly salary Rs.450,000/- p.m
b. House rent allowance @ 150,000/- p.m
c. Entertainment allowance @ 10% of salary p.m
d. House maintenance allowance @ 10% of house rent p.m
e. Utility allowance 50,000/- p.m

f. 1300cc chauffer driven company maintained car with 700 litres monthly petrol ceiling as per company policy.

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi, for the years 2016-17 and 2017-18, it was observed that Mr. Muhammad Iqbal Tabish (CEO) was allowed Adhoc Relief Allowance Rs.45,000 and Conveyance Allowance Rs.57,525 per month in addition to above contract amount, which was irregular.The detail is as under:

(Amount in Rupees)

Description	Amount per month	No. of Months	Total
Conveyance Allowance	57,525	15	862,875
Adhoc Relief Allowance	45,000	18	810,000
Total			**1,672,875**

Audit is of the view that undue favour was extended to the CEO at the cost of the Company's fund which indicates weak internal controls and poor financial management.

The matter was reported to the management in December, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to verify the payment of conveyance allowance from audit and stop adhoc relief allowance immediately from the salary statement. The paid amount to the officer regarding adhoc relief allowance should recovered/adjusted from the salary/dues and also get it verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.3 Pakistan Industrial Development Corporation Medical Centre

9.3.1 Introduction

PIDC Medical Centre was established in 1959 and awarded Corporation status in February, 1986 as a non-profit association incorporated as Public Limited Company by Guarantee.

The activities of the center are to provide medical facilities on non-commercial basis to the employees of PIDC (Private) Limited, its units subsidiaries, associated companies, and other state enterprises in particular and to public in general.

9.3.2 Comments on Audited Accounts

9.3.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.3.3 Compliance of PAC Directives

No PAC directives were outstanding against the organization.

9.3.4 Audit Para

9.3.4.1 Non-recovery of outstanding service charges - Rs.1.702 million

According to the Rule 4 of Public Sector Companies (Corporate Governance) Rules, 2013 the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Industrial Development Corporation (PIDC) Medical Centre (MC) for the year 2011 to14, it was observed that an amount of Rs.1.702 million was outstanding from M/s. Pakistan Machine Tool Factory (PMTF) on account of medical service charges since July, 2013.

Audit is of the view that due to negligence and inefficiency of the management the amount could not be recovered.

The matter was reported to the management in July, 2015 and November, 2018. DAC meeting was held on January 15, 2019. The management informed that out of 1.702 million, an amount of Rs.1.012 million has been recovered/adjusted from PMTF.

DAC directed the management to got verified the recover amount from audit and recover the reaming outstanding amount, otherwise presented before the BoD for written off. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.4 Karachi Tools, Dies and Moulds Centre

9.4.1 Introduction

Karachi Tools, Dies and Moulds Centre (KTDMC) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984. The primary objective of the Company is to establish and run an Information Technology (IT) based common facility centre primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC) the holding company.

9.4.2 Comments on Audited Accounts

9.4.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	5	1	4	8.2.4.1, 8.2.2.1, 8.2.2.2& 8.2.3	20
Total	**5**	**1**	**4**	**-**	**20%**

The overall compliance of PAC directives was 20%, which needed to be improved.

9.4.4 Audit Paras

9.4.4.1 Irregular procurement of services from suppliers amounting - Rs.3.027 million

According to Rule-20 of PPRA Rules, 2004 the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During audit of Karachi Tools, Dies and Mould Centre (KTDMC) for the year 2015-16 it was observed that the management awarded contracts to M/s. Executive Security (Pvt.) Ltd. for providing security services amounting to Rs.0.880 million, supplies of water from M/s. Raja Muhammad Sarwar Enterprises & Co amounting to Rs.0.927 million and Janitorial Services for KTDMC Building on regular basis from M/s. Al-Basit Facilities Management Pvt. Ltd. amounting to Rs.1.212 million.

Audit is of the view that the management procured services from the suppliers without adopting open competitive bidding procedures by violating PPRA Rules. Thus, the payment of Rs.3.027 million was held irregular/unjustified.

The matter was reported to the management in November, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC was not satisfied with the explanation given by the management and directed the management to give revised reply and get it verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.4.4.2 Irregular procurement without open tendering - Rs.2.577 million

According to the Rule 12 of PPRA Rules, 2004 all procurement opportunities over two million rupees should be advertised on the authority's website as well as in other print media or newspapers having wide circulation."

During audit of Karachi Tools, Dies and Mould Centre (KTDMC) for the year 2015-16 it was observed that the management procured raw material of Aluminum Casting amounting to Rs.2.577 million from the supplier M/s. Qadri Foundry (Pvt.) Ltd. The detail is as under:

Sr. No.	Invoice No.	Descriptions	Amount (Rs.)
1	9511	Aluminum Casting	713,000
2	9520	Aluminum Casting	118,220
3	9529	Aluminum Casting	333,500
4	9530	Aluminum Casting	258,060
5	9562	Aluminum Casting	555,600
6	3417	Aluminum Casting	598,951
		Total	**2,577,331**

Audit is of the view that the management did not follow open tendering procedure & advertisement was not launched on the authority's website for procurement of raw material (Aluminum Casting) having value greater than rupees two million and also not get competitive rates by violating PPRA rules.

The matter was reported to the management in September 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that M/s Qadri Foundry was the only foundry in Pakistan who was expert in manufacturing such a large size of Aluminum casting, however KTDMC thereafter went for open tendering after raising of audit observation by Commercial Audit but again M/s Qadri Foundry came the lowest. DAC directed the management to give revised reply to Audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.4.4.3 Irregular payment of Performance Award/Bonus - Rs.1.805 million

Finance Division through O.M.No. F.3 (5) R.12/80(R.14) Vol-II/2001-544 dated Nov 30, 2001, applicable to all autonomous bodies/public sector enterprises, the payment of bonus to the employees is subject to concurrence of Finance Division. Further, the bonus should be paid to the employees on the basis of operational profit of the organization.

During audit of Karachi Tools, Dies and Mould Centre (KTDMC) for the year 2015-16 it was observed that the management paid an amount of Rs.1.805 million as performance award equal to one month's basic salary to officers/officials during the year 2015-16 on the basis of achievement of budgeted profit instead of operational profit of the KTDMC only excluding income from other sources. Further, the concurrence of Finance Division was also not obtained.

Audit is of the view that payment of performance award/bonus could not be justified because of being the violation of rules.

The matter was reported to the management in November, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that the said bonus was paid from the operational income of the KTDMC which can be verified from the annual audited accounts. DAC settled the para subject to verification to find that whether the company was in operational profit or not during that period. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.4.4.4 Irregular hiring of security services without tendering - Rs.1.505 million

According to Rule 12 of PPRA Rules, 2004 regarding procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Karachi Tools Dies &Mould Center, (KTDMC) Karachi for the year 2014-15, it was observed that the management awarded contract of hiring for 4 security guards from M/s. Executive Security (Pvt.) Ltd in 2013 without floating tender in violation of above rule. Further on Supervisor was hired even without agreement.

Audit was of view that undue favour was extended due to negligence by depriving right of deserving and suitable candidates, which reflected weak internal controls.

The matter was reported to the management in December, 2015 and November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that security services were hired in emergency. DAC directed the management to give revised reply stating facts of emergency to be verified by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5 National Industrial Parks Development and Management Company

9.5.1 Introduction

The National Industrial Parks Development and Management Company (NIPD&MC) was incorporated as a public company with a share capital limited by guarantee on March 07, 2005 under Section-42 of the Companies Ordinance, 1984. Government of Pakistan (GoP) holds 58.31% shares and Pakistan Industrial Development Corporation (Private) Limited (PIDC) holds 41.69 % shares in the Company. The principal activity of the Company is establishing, developing and managing industrial estates of parks and upgrading existing estates and undertaking related activities.

The Company has entered into Agreements with PIDC for establishment of Korangi Creek Industrial Park (KCIP) and Pakistan Steel Mills (PSM) in respect of Bin Qasim Industrial Park (BQIP) Project as a consequence of which the Company incurs expenditure on development of industrial parks on land owned by PIDC and PSM respectively.

9.5.2 Comments on Audited Accounts

9.5.2.1 The working results of the Company for the year 2016-17 as compared with those of the previous years are given below:

(Rs. in million)

	2016-17	% Inc / (Dec)	2015-16	% Inc / (Dec)	2014-15
Revenue	682.47	10163%	6.65	(98.09)	348.98
Development Cost	(522.27)	-	-	-	(290.64)
Gross Profit	160.20	2309%	6.65	(88.60)	58.34
Administrative Expenses	(108.67)	19%	(91.05)	(9.79)	(100.93)
Operating loss for the year	51.53	-	(84.4)	98.22	(42.58)
Other Income	77.79	109%	37.21	(54.21)	81.26
Financial Charges	(0.0407)	52%	(0.0267)	-	-

Profit/Loss before taxation	129.28	171%	47.63	25.67	37.9
Taxation	-	-	(0.44)	(93.17)	(6.44)
Profit/(Loss) after taxation	129.28	-	(47.63)	(251.40)	31.46

(Source: Annual audited accounts)

The Revenue generation shows a massive increase of 10,163% from previous year, total revenue earned during 2016-17is Rs.682.47 million as compared to Rs.6.65 million in 2015-16, but external auditors of the company has raised objections on the revenue recognition policy of the company and pointed out that revenue on the sale portion of Rs.470.70 million measuring 18.375 acres pertains to previous year.

9.5.2.2 Administrative Expenses and Other Income has increased by 19% and 109% respectively.

9.5.2.3 The external auditors has raised objections on revenue recognition policies, lack of independent confirmation on major receivables, capitalization of development costs and dealing with PSM as briefly explained in note I-V of Auditor's Report to the members.

9.5.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	9	3	6	8.4.4, 8.4.3, 8.4.2.4, 8.4.2.1, 8.4.2.2, 8.4.4.1,	33
Total	**9**	**3**	**6**	**-**	**33%**

9.5.4 Audit Paras

9.5.4.1 Embezzlement in plot allotment - Rs.10.30 million

Condition No. (1) of the provisional allotment letter dated December 06,2016 states that the payment of remaining balance amount of Rs.19,700,000" within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management on 06-12-2016 allotted single plot of 5 acre for Rs.50 million to Chaudhry Muhammad Aslam, which was situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.50 million, he deposited Rs.20 million and the remaining balance of Rs.30 million was required to be deposited but the management on 27-09-2018 said for payment of remaining balance of Rs.19.7 million instead of 30 million.

Audit is of the view that the management incurred a loss to government by embezzlement in plot allotment revenue collection of Rs.10.3 million.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to get the record verified from audit within three weeks. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.2 Irregular allotment of 36 acres land and issuing 37 licenses to allottees - Rs. 965.281 million

As per para (1) of External Auditor's annual report for the year 2016-17, Memorandum of Understanding MoU expired in March 2014 and terms of MOU

have not yet been extended. Therefore, MoU is not legally enforceable and revenue should not be recognized by the Company until the execution of revised MoU.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that management executed 37 license agreements relating to plots measuring 36 acres with an aggregate sale price amounting to Rs.956.281 million. The basis of management fee and price of land to be paid on sub-lease of industrial plots at KCIP are not specified and agreed in the Memorandum of Understanding (MOU) signed between the Company, PIDC, Government of Sindh and The President of Pakistan through Ministry of Industries and Production dated March 19, 2009. Moreover, MOU expired in March 2014 and terms of MOU have not yet been extended. Therefore, MOU is not legally enforceable and revenue should not be recognized by the Company until the execution of revised MOU.

Audit is of the view that the management sold 36 acres land and issued 37 licenses without execution of MOU and without approval of President of Pakistan.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide correspondence with Government of Sindh and extension of MOU to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.3 Non-recovery of revenue - Rs.296.53 million

As per Note (3.1) of External Auditor's annual report for the year 2016-17, According to revenue recognition policy of the Company, revenue shall be recognized using the percentage-of-completion method as development

progresses for each developed plot of land after execution of license agreement/ sub-lease of the industrial land / plots.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that NIP management issued 37 license agreements pertaining to KCIP, entitling allotte33333es access to the premises for commencement of construction work, had been executed measuring 36 acres with an aggregate sale price amounting to Rs.956.281 million out of which 17 license agreements admeasuring 18.375 acres with an aggregate sale price amounting to Rs.470.7 million pertains to prior year. The NIP shall transfer the amount received from the allottees / Sub-lease holders to PIDC upon issuance of Sub-lease Deed by PIDC to the allottees but the Sub-lease Deed has not be executed by PIDC to the allottees. Accordingly, payable to PIDC in respect of the value of land has not been recognized in theses financial statements.

Description	**Amount** **(Rs. in million)**
Revenue recognized during the year 2016-17	539.747
management fees received during the year 2016-17	120
Total Revenue recognized during the year 2016-17	659.747
Total revenue to be recognized for sale price of 37 license of 36 acres land	956.281
Non-recovery of revenue during the year 2016-17	(296.53)

The above position clearly transpires that huge recovery of Rs.296.53 million is lying un-recovered till close of audit. The accumulation of huge outstanding amount indicates that no proper system existed in the Corporation with regard to timely recovery of un-recovered amount. With the passage of time the chances of such recoveries become remote and they are likely to be converted into irrecoverable/loss.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management, who could not devise and launch any effective mechanism for timely recovery.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.4 Non-recovery of tax refunds - Rs.76.996 million

Rule 20 of G.F.R states that it is the duty of the department Controlling Officer to see that all sums due to Government are regularly and properly, realized and duly credit to Government Account.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that tax refund during the year was Rs.76.996 million.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. The management informed that cumulative amount of tax refund is Rs.76.996 million instead of Rs.148.718 million and Rs.5.00 million has been refunded by the tax authority. DAC directed the management to get verified the refund amount and pursue for remaining claim vigorously. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.5 Loss due to under determining of plot value - Rs.40.00 million

Condition No (3)(a) of the terms and conditions for land at Rachna Industrial Park states that the allottee shall pay the prices as per area wise

division for the industrial plot at Rachna Industrial Park i.e 08 Kanal total price Rupees 12.00 million.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed from the file of plot allotment that in terms and conditions (3)(a) plot of 8 Kanal/01 Acre was worth Rs.12 million per acre and 20 acres land was worth Rs.240 million but the management of NIP on 22-12-2016 allotted plot of 20 acre for Rs.200 million at 10 million per acre to M/s Akzo Nobel Pakistan Limited, which was situated at Rachna Industrial Park (RIP) Lahore. Hence the management incurred a loss of Rs.40 million by under determining of plot value in violation of terms and conditions.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide relevant record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.6 Loss due to non-receiving of plot allotment revenue - Rs.30.00 million

Condition No. (1) of the provisional allotment letter dated December 06,2016states that the payment of remaining balance amount of Rs.19,700,000" within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management on 06-12-2016 allotted single plot of 5 acre for Rs.50 million to Chaudhry Muhammad Aslam, which was situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.50 million, he deposited Rs.20 million and the remaining balance of Rs.30 million

was required to be deposited which was not received by management and no receivable was mentioned in accounts for the year 2016-17 & 2017-18

Audit is of the view that the management incurred a loss to government by not receiving 30 million revenue and non-disclosing of 30 million in accounts against Chaudhry Muhammad Aslam.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct a fact finding inquiry in detail and fix responsibility on the concerned. Also probe the matter why the remaining amount was not shown as receivable in the balance Sheet of the Company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.7 Non-recovery from Khairpur project - Rs.14.079 million

Rule 20 of G.F.R states that it is the duty of the department Controlling Officer to see that all sums due to Government are regularly and properly, realized and duly credit to Government Account.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that receivables against Khairpur Project Rs.14.079 million during 2017 increased from Rs.9.751 million to Rs.14.079 million as on June 30, 2017.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide detail of outstanding dues along with reconciled amount and get the recovered

amount verified from audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.8 Excess transfer of funds for purchase of 80 acres land - Rs.13.20 million

As per supporting email dated July 01, 2016 for fund transfer from Faysal Bank Limited to HBL Tariq Road branch, Rs.100 million was required for the purpose of procurement of land of Naushero Feroze Industrial Park.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that management by email dated 01-07-2016, transferred funds of Rs.100 million from Faysal Bank Limited to NIP account maintained in Habib Bank Limited for the purpose of Procurement of land of Naushero Feroz Industrial Park. But the land was purchased for Rs.86.8 million, hence the management transferred excess Rs.13.2 than the required value of land i.e. (100 million – 86.8 million = 13.2 million).

Further, it was observed that the management did not write letter to Faysal Bank for transfer of 100 million funds directly to Habib Bank account but the management deposited 100 million by depositing cheque no.0081588799 into Habib Bank which was irregular way to use company funds in its own way.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide all record regarding site office plan and expenditure incurred so far including bank statements of the amount for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.9 Non-recovery from others - Rs.9.399 million

As per Note (15.2) of External Auditors Report of NIP for the year 2016-17, this represents receivable against management consulting services provided by the Company in respect of infrastructure development of the project.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that receivables against others stood at Rs.9.399 million as on June 30, 2017, showing increased from Rs.5.88 million from previous year. This indicates 62.57% increases during the 2017.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management, who could not devise and launch any effective mechanism against timely recovery.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to recover outstanding dues within 30 days under intimation to audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.10 Loss due to non receipt of plot allotment revenue - Rs.9.00 million

Condition No. (1) of the provisional allotment letter dated September 27, 2018 states that the payment of remaining balance amount of Rs.9,000,000" within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management on 28-11-2016 allotted plot of 1.5 acres for Rs.15 million to Mahmood Shafi Batla, which was

situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.15 million, he deposited Rs.6,000,000 as a first installment and the remaining balance of Rs.9,000,000 was required to be deposited within 90 days of receipt of NIP letter dated:16-02-2017 but the same was not deposited within due time period in violation of provisional allotment letter terms and conditions and this amount of Rs.9.0 was never received by NIP management from him during the period 2016-17 and 2017-18.

Furthermore, the management provided accounts for the year 2016-17 and 2017-18 but there was no amount of receivable shown against the said customer i.e. Mahmood Shafi Batla.

Audit is of the view that the management incurred a loss to government by non receiving sales revenue in due time of 90 days in violation of provisional allotment letter terms/conditions and amount of Rs.9.0 million was never received by NIP during period 2016-17 and 2017-18, further it no receivables were disclosed in accounts during the year 2016-17 & 2017-18.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct a fact finding inquiry in detail and fix responsibility on the concerned. Also probe the matter why the remaining amount was not shown as receivable in the balance Sheet of the Company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.11 Non-approval of PC-I from planning commission of Pakistan - Rs.434.00 million

Section 6.1 of Planning Commission provides that the projects are identified by line Ministry/Autonomous Bodies/Attached departments, Provincial

and district governments. After appraisal and selection Projects are sent for approval.

During audit of Sargodha Industrial Park (SIP)) for the year 2011-12 and 2012-13, it was observed that a PC-I for SIP was prepared by the Development Working Party (DWP) of PIDC. The same was approved by the BoD of PIDC and Ministry of Industries on December 20, 2011. However, the same was not sent to the Planning Commission of Pakistan for its approval as per rule mentioned above.

The matter was reported to the management in May, 2014 and November, 2018. DAC meeting was not convened despite requests by audit.

Audit recommends responsibility should be fixed on the person(s) at fault.

9.5.4.12 Chartered Accountant annual report showing contradictory amounts for same transaction leaving difference - Rs.87.339 million

As per chartered accountant annual accounts report of NIP for the year 2016-17 para (1) states:" As detailed in note 1.3 to the financial statements, the Company has recognized revenue and management fee amounting to Rs. 539.747 million and Rs.120.092 million".

As per chartered accountant annual accounts report of NIP for the year 2016-17 note (3.1) states:"The Company has recognized revenue and management fee amounting to Rs.452.408 million and Rs.120.092 million during the current year"

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-18, it was observed that Chartered accountant BDO disclosed figures of revenue recognized in para (1) for Rs.539.747 and shows different figure of same transaction in note (3.1) for Rs.452.408 million. Details of which

are as below:

Description	Rupees in million
Figures of revenue recognized during 2016-17 as per chartered accountant report para (1)	539.747
Figures of revenue recognized during 2016-17 as per chartered accountant report note no (3.1)	452.408
difference of figures for same transaction	**87.339**

Audit is of the view that in accounts of NIP Chartered accountant made difference of 87.339 million in accounts for same transaction in two statements.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide detail record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.13 Irregular payment for purchase of Naushahro Feroze land - Rs.86.80 million

As per PIDC letter dated28-03-2016 for Sale Agreement of Land states that this is with reference to your SMS of 26th March, 2016 authorizing PIDC to conclude the subject agreement with the buyers. Furthermore, the Board of Directors of PIDC in its 110th meeting held on 12th February, 2016 resolved that, Mr. Deedar Ali Kalhoro, DGM (E&I), PIDC was nominated to sign the title documents subject to fulfillment of all legal & codal formalities by NIP. Accordingly Mr. Deedar Ali Kalhoro, DGM (E&I), PIDC concluded / executed the “Sale Agreement of Land” duly signed by both the parties, i.e., Mr. Bisharat Ali Memon Son of Dhani Bux (Attorney of Seller) and Mr. Deedar Ali Kalhoro, DGM (E&I), PIDC as Purchaser on behalf of Pakistan Industrial Development Corporation (PIDC) as approved by both the Boards, i.e., PIDC & NIP.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that PIDC purchased land of 80 acres at total cost Rs.86.8 million for Naushahro Feroze Industrial Project and payment was to be made by PIDC on equal share basis to 03 land owners Sons of Dhani Bux i.e (1) Abdul Sattar (2) Abdul Jabbar and (3) Bisharat Ali. Management of PIDC hired M/s Lawyers & Lawyers legal consultant for transfer/mutation of land in the name of PIDC. It was noticed that irregular payment of Rs. 86.8 million was made by NIP instead of the land was purchased by PIDC. Audit further observed following major violations in purchase of 80 acre land:

i. That the management of PIDC made the sale agreement of land on SMS dated:26-03-2016, without approval by Board and official correspondence.
ii. That the M/s Lawyers & Lawyers legal consultant intimated through letter dated:12-07-2016 to the PIDC management for payment/ pay order will be made to 03 owners of land on equal basis for which no evidence found that the payment made by PIDC on equal basis.
iii. PIDC payment was irregularly paid by NIP management of Rs.86.8 million by mentioning cheque No.5629650 dated:12-7-2016 no copy of cheque was found in record.
iv. No tender document was found for purchase of 80 acre land.
v. Payment of Rs.86.8 million was paid by NIP by simply attaching printed computer paper sale deed of immoveable property and without signing of PIDC, 03 owners of land and witnesses.
vi. No evidence was found that the land of 80 acres was transferred in the name of PIDC or NIP.

In the light of above mentioned facts audit of the view that the irregular payment of Rs.86.8 million for 80 acres land was made by NIP instead of payment to be made by PIDC and huge payment was made on blank and unsigned sale deed on SMS basis.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide

detail original record of such huge purchase to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.14 Irregular payment of penalty and markup - Rs.69.00 million

As per chartered accountant annual accounts report of NIP for the year 2016-17 note (20) (20.1) states that this represents Sukuk Certificates under Musharaka arrangement with Al Baraka Bank Pakistan Limited as the Trustee amounting to Rs.500 million. These were secured by way of mortgage of immovable properties of the Company and ranking hypothecation charge over the assets. The tenor of financing is 7 years maturing on September 04, 2021. First Installment of principal was due on March 04, 2017. Profit on Sukuk Certificates issued by the Company to Sukuk holders was payable on semi-annual basis at an average rate of 6 months KIBOR plus 1.10% per annum. During the year these Sukuk certificates have been repaid earlier before the due date of installment by the Company".

As per BoD meeting No.4/2014, dated:14-11-2014 (Penalty levied by Al Baraka Bank Pakistan Ltd). The matter was brought to the notice of the Board and Mr. Asad Chandna explained that initially the Bank had in total levied approx Rs.37 million as penalty on various delayed payments over the seven years period on Bi-annual installments payable by Ministry of Finance as per the terms of the 2 billion Sukuk loan.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management borrowed loan of 2 billion from Al Baraka formerly known as Emirates Islamic Bank borrowed taken in 2007 for 7 years and paid in 2014 but its final and full payment of Rs.500 million was paid in 2017, due to delay in paying loan penalty of Rs.37 million was imposed by Al Baraka Bank in 2014 and management paid further

markup payment of Rs.31.984 million in 2017 total Rs.68.984 million was paid by management due to delay in payment of period of 3 year.

Further, the Chartered Accountant M/s BDO misstated this full and final payment of loan of Rs.500 million as Sukuk Certificates under Musharaka arrangement with Al Baraka Bank Pakistan Limited as the Trustee amounting to Rs.500 million and mentioned tenor of financing is 7 years maturing on September 04, 2021.

Audit is of the view that payment of Rs.500 million loan was full and final payment of 2 billion loan borrowed by NIP in 2007 for 7 years and paid up to 2014 but the Chartered Accountant BDO change this as Sukuk Certificates under Musharaka arrangement with Al Baraka Bank, which are two different statements not matching with ledger payment of Rs.500 loan and Chartered Accountant statements.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to fix responsibility on the person(s) who were responsible for the delay. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.15 Non-recovery from PIDC - Rs.63.789 million

As per chartered accountant annual accounts report of NIP for the year 2016-17 note (15.1) states that this represents amounts receivable from PIDC, an associated company on account of Cantonment Board charges pertaining to 250 acres of KCIP land amounting to Rs.60.984 million and legal charges amounting to Rs.2.805 million (2016: Rs.2.085 million) and Rs.0.639 million on account of development expenditure relating to Sarghoda Industrial Parks paid by the Company on behalf of PIDC.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that from annual accounts of NIP for the year 2016-17 it was revealed that an amount of Rs.63.789 million was lying un-recovered against PIDC.

The above position clearly transpires that huge outstanding amount of Rs.63.789 million is lying un-recovered as on June 30, 2017. The accumulation of huge outstanding amount indicates that no proper system existed in the Corporation with regards to the timely recovery of un-recovered amount. With the passage of time the chances of such recoveries become remote and they are likely to be converted into increase in outstanding balances.

Audit is of the view that recovery of outstanding amount could not be realized due to slackness and poor pursuance of the management.

The matter was reported to the management in November, 2018. The management informed that transfer fee paid to CBKC on behalf of PIDC, which will be adjusted from the payment of undeveloped land at the time of sub-lease of plots in KICIP. DAC directed that contention of the management be verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.16 Loss due to non receipt of plot allotment revenues - Rs. 20.50 million

Condition No. (1) of the provisional allotment letter dated February 02, 2017states that the payment of remaining balance amount of Rs.20,500,000 within 90 days of receipt of this letter by Pay Order / Demand Draft in the name of National Industrial Parks Development and Management Company. Any collection charges charged by bank and exchange gain / loss, in case of foreign exchange payments, will be borne by the Allottee.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management of NIP on 28-11-2016 allotted plot of 3.5 acres for Rs.35 million to Sheikh Tahir Ahmed Munir, which was situated at Rachna Industrial Park (RIP) Lahore. Out of total Rs.35 million, Mr Sheikh Tahir Ahmed Munir deposited Rs.14,000,000 as a first installment and the remaining balance of Rs.20,500,000 was required to be deposited within 90 days of receipt of NIP letter dated:16-02-2017 but the same was not deposited within due time period in violation of provisional allotment letter terms and conditions and this amount of Rs.20.5 was never received by NIP management from him during the period 2016-17 and 2017-18.

Furthermore, the management provided accounts for the year 2016-17 and 2017-18 but there was no amount of receivable was shown against the said customer i.e Sheikh Tahir Ahmed Munir in these accounts.

Audit is of the view that the NIP management incurred a loss to government by non receiving sales revenue in due time of 90 days in violation of provisional allotment letter terms/conditions and amount of Rs.20.5 million was never received by NIP during period 2016-17 and 2017-18, further it no receivables were disclosed in accounts during the year 2016-17 & 2017-18.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct a fact finding inquiry in detail and fix responsibility on the concerned. Also probe the matter why the remaining amount was not shown as receivable in the balance Sheet of the Company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.17 Irregular purchase of vehicles - Rs.12.397 million

Rule 12 of PPRA-2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management purchased vehicles during the year 2016 for Rs.3.568 million and during the year 2017 of Rs.8.829 million without tendering process in violation of PPRA Rules, 2004. Details of additions are as below:

Vehicles additions during the year 2016	3,567,720
Vehicles additions during the year 2017	8,829,280
Value of total Vehicles additions during 2016-17 (Rs.)	**12,397,000**

Audit is of the view that management purchased vehicles of Rs.12.397 million by violated the PPRA rules as the procurement opportunity was not advertised due to which NIP deprived from the benefit of competitive rate.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide documents regarding purchase of vehicles through local assembled manufacturers at the fix price of the authorized company. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.18 Irregular payment of bonus - Rs.9.151 million

According to the Finance Division O.M. No. F.3 (5) R.12/80(R.14) Vol-II/2001-544 dated November 30, 2001, the payment of bonus to the employees is subject to concurrence of Finance Division and that should be paid to the employees on the basis of operational profit of the organization and further as per Finance Division (Regulation Wing), O.M.No.F.3 (5) R.12/80(R-14) 2002-154 dated March 18, 2002 Managing Directors and Members of the Board of Directors of autonomous/ semi-autonomous bodies/public Corporation/ organizations are not entitled to receive bonuses.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management incurred a loss after taxation of Rs.47.632 million during the year 2016, despite of the fact the management guaranteed bonuses amounting to Rs.9.151 million to its officers and officials for the year 2016. Further, bonus paid without obtaining the concurrence of Finance Division as required under the rule.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management that ex-post facto approval from Finance Division may be obtain to regularize the expenditure on account of bonus despite operating loss. Responsibility may be fixed on the person(s) at fault. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.19 Loss due to irregular sale and purchase of vehicles - Rs.7.942 million

Rule 20 of G.F.R states that it is the duty of the department Controlling Officer to see that all sum due to Government are regularly and properly, realized and duly credit to Government Account.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that the management sold vehicles for Rs.4.455 million during the 2016-2017 and purchased new vehicles of Rs.12.397 million during the 2016-2017 and incurred a loss of Rs.7.942 million during the 2016-2017. Details of sale and purchase of vehicles are as below:

Description	Amount (Rs.)
Vehicles sold during 2017	4,411,941
Vehicles sold during 2016	43,251
Total Vehicles sales during 2016-2017	**4,455,192**
Vehicles additions during the year 2016	3,567,720
Vehicles additions during the year 2017	8,829,280
Total Vehicles additions during the year 2016-17	**12,397,000**
Total loss due to sale and purchase of vehicles during 2016-2017	**(7,941,808)**

Audit observed following irregularities in sale and purchase of vehicles. That the management did not include all other costs in during sale value of vehicles and other information which is required as under:

i. Cost of repair and maintenance
ii. Cost of lubricants
iii. Cost of POL
iv. Cost diesel
v. Cost of spare parts changed
vi. Cost of spare parts purchased
vii. Cost of insurance expenses
viii. Driver salary expenses
ix. Admin expenses
x. Transfer letter of company registered numbers allotted to buyers.
xi. Evidence for vehicle transferred to buyers name and new number allotted to them.
xii. Evidence for intimation sent to Insurance companies, Government Excise department and ministry for selling vehicles and transferring vehicles to buyer's name.
xiii. Tender documents of sale of vehicles.

Audit is of the view that management involved in irregular activity of sale and purchase of vehicles and utilized Government funds carelessly causing loss of Rs.7.942 million.

The matter was reported to the management in November 2018. DAC meeting was held on January 15, 2019. DAC directed the management to submit revised reply to audit with justification that the salvage value was properly assessed and capitalized or not and whether Condemnation Committee/Board approval had been obtained or not. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.5.4.20 Irregular payment of annual office rent - Rs.7.780 million

According to Rule 12 of Public Procurement Rules, 2004 Procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency:

During audit of NIPD&MC (HO), Karachi for the year 2015-16, it was observed that in June 2009 management hired an office located at 2ndfloor FTC building measuring 6112 sq.ft. @ of Rs.332,798 per month and paid a sum of Rs.7.780 million during 2 years . The hiring of office was made without fulfilling codal formalities like the assessment report of covered area concurrence of Ministry of Housing works/PPRA Rules, 2004 or advertisement.

Audit is of the view that undue favour was extended to the landlord and office hired without approval of Ministry of Housing and works.

The matter was reported to the management in November, 2016 and November, 2018. DAC meeting was not convened despite requests by audit.

Audit recommends responsibility should be fixed on the person(s) at fault.

9.5.4.21 Irregular payment of stamp duty and other taxes - Rs.5.208 million

As per Legal Consultants letter dated04-07-2016 for Duties & Taxes of Sale Deed in respect of property of PIDC at District Naushahro Feroze, 2.40% Stamp Duty of Rs.2,083,200 + (2) 1.20% Registration Fee Rs.1,041,600 + (3) 1.20% Town Tax (TMO) Rs.1,041,600 + (4) 1.20% Withholding Tax Rs.1,041,600= Total Rs.5,208,000 will be in Cash at Naushahro Feroze.

During audit of National Industrial Parks (NIP HO) Karachi for the year 2016-2017 & 2017-2018, it was observed that PIDC hired M/s Lawyers & Lawyers legal consultant for transfer/mutation of land in the name of PIDC. M/s Lawyers & Lawyers legal consultant written letter dated 04-07-2016 to PIDC for duties & taxes of sale deed in respect of property of PIDC at District Naushahro Feroze and mentioned total value of Sale Deed Rs.5.208 million to be paid in cash at Naushahro Feroze. Audit observed following further irregularities in payment of duties and taxes:

i. That the payment of Rs.5.208 was made by NIP instead of payment to be paid by PIDC.
ii. The payment of Rs.5.208 was paid to M/s Lawyers & Lawyers legal consultant in cash instead of transferring or paying into Mukhtiarkar and Sindh revenue department account.
iii. Payment was made on simple letter basis without provided stamp duties and tax receipts.

The matter was reported to the management in November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to get

verified the whole sale deed from Audit including handling of cash transaction. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.6 Pakistan Chemical & Energy Sector Skill Development Company

9.6.1 Introduction

Pakistan Chemical and Energy Sector Skills Development Company (PC&ESSDC) was incorporated as a non-profit public-private partnership on January 9, 2009. Its mandate is to promote, facilitate and provide education and training to a young and growing rural population in various disciplines of the chemical and energy sector in Pakistan. Its aim is to provide employment and invest in the productivity of locals for industrial development by establishing Vocational Education and Training Centers (VETCs), Technical Training Centers (TTCs) and management schools. PCESSDC's partners include Pakistan Industrial Development Corporation (PIDC), Engro Corporation, Mari Gas Corporation Limited, Descon Engineering and Saipem of Italy.

Objectives of the project:

The program aims to provide quality technical education offering three year diploma in the fields of Chemical and Mechanical Technology through establishment of a recognized standard Technical Training Centre (TTC) supervised by Chemical and Energy Sector Skill Development Company (CESSDC). It also aims to fill the gaps essential for imparting such education by providing complete practical training facilities along with suitable faculty.

9.6.2 Comments on Audited Accounts

9.6.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.6.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	5		5	8.3.1, 8.3.2.1, 8.3.2.2, 8.3.2.3, 8.3.3	-
Total	**5**	**-**	**5**	**-**	**Nil**

The overall compliance of PAC directives needs improvement.

9.6.4 Audit Paras

9.6.4.1 Irregular enhancement of pay of the CEO - Rs.8.450 million

As per Section-199 of the Companies Ordinance, 1984 the appointment of subsequent chief executive (1) Within fourteen days from the date of election of directors under section 178 or the office of the chief executive falling vacant, as the case may be, the directors of a company shall appoint any Companies Ordinance, 1984 person, including an elected director, to be the chief executive, but such appointment shall not be for a period exceeding three years from the date of appointment.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that in June 2011, the management appointed a Chief Executive Officer (CEO) at fixed salary of Rs.309,460 per month for a period of three (03) years. However, the management not only extended the period of service but also merged performance pay with fixed pay on the each renewal period of CEO in violation of above rule and against the BoD approval. Moreover, record/information was called for from the management on September 18, 2018 but the same was not provided to audit. Thus the payment of performance pay of

Rs.8.450 million to CEO is irregular. The detail is as under:

(Amount in Rupees)

Sr. No.	Initial Period & Extended period of contract	Pay fixed by BoD initial in	Pay revised Per month	Performance pays allowed by BoD	Performance pays increased by CEO	% of Performance pay	Difference of Pay payment
		A	B	C	D	E	F= (C-D×12) months)
1.	2009-11	309,460	309,460		-		-
2.	2011-12	309,460	309,460	46,419	46,419	15%	-
3.	2012-13	309,460	355,879	46,419	53,381	15%	83,544
4.	2013-14	309,460	409,261	46,419	61,389	15%	179,640
5.	2014-15	309,460	470,650	-	161,190	-	1,934,280
6.	2015-16	309,460	470,650	46,419	94,130	20%	572,532
7.	2016-17	309,460	544,624	-	235,164	-	2,821,968
8.	2017-18	309,460	547,624	-	238,164	-	2,857,968
						Total pay enhanced	**8,449,932**

Audit is of the view that performance pay is not the part of pay therefore, enhancement of pay is held irregular payment allowed to CEO.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that PIDC had paid an amount of Rs. 100 million from 2008 to 2011 to PCESSDC which is 26% of total share and remaining 74% is from the private sector who seen the company. Further no grant has been paid by the PIDC. Donors have conducted company Audit regularly from their Chartered Accountant Firm. Therefore the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.2 Irregular pay of Shift allowance/Evening Allowance to the Non - Teaching Staff - Rs.6.562 million

As per Rule 4 of Public Sector Companies (Corporate Governance) Rules, 2013 the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18,it was observed that management paid extra time allowance/Evening shift allowance to the non-teaching staff & Admin staff of Rs.6.562 million (4,835,401 + 1,726,615) during 2016-17 & 2017-18 respectively without providing a proof/justification of extra time services rendered by the administrative employees. Thus, the payment of extra allowance is irregular as the company sustained operating loss of Rs.31.78 million.

Audit is of the view, that undue favour was extended to the employees due to payment extra allowance which was not admissible.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.3 Irregular use of Cash for procurement of goods & Services - Rs.4.563 million

As per Rule 42 of the PPRA Rules-2004 procuring agency may utilize the following alternative methods of procurement of goods, services and works, namely(b) request for quotations.-A procuring agency shall engage in this method of procurement only if the following conditions exist, namely(i) the cost of object of procurement is below the prescribed limit of one hundred thousand rupees. Rule - 9 states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that management procured goods and services either directly from the suppliers or through the quotations in violation of above rules. Furthermore, it is also worth to mention here that the period limit of petty cash was also not fixed by the management and though frequent usage of petty cash was observed during the periods. The details of petty cash amount utilized during the periods of 2016-17 & 2017-18 are tabulated below:

Sr. No.	Period of used petty cash	Purposes of cash payment	Amount of petty cash (Rs.)
1.	2017-18	Advances for petty procurement and procurement of electrical, mechanical, chemical and general stores items	1,962,227
2.	2016-17	Advances for petty purchase and procurement of electrical, mechanical, general store items	2,601,743
Total			**4,563,970**

Audit is of the view that due to non-planning and preparation of procurement policy majority of the procurement was made through petty cash purchases which were against the PPRA Rules-2004.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.4 Irregular Purchases of Vehicle without approval from the BoD - Rs.3.530 million

According Rule-4 of the Corporate Governance Rules (Public Sector Companies) Rules, 2013 the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18,it was observed that management purchased a Toyota Hiace 2013 amounting to Rs.3.530 million directly by getting quotation and without prior approval of the Board of Directors of the company. Thus, the payment of Rs.3.530 million was irregular.

Audit is of the view that undue favour was extended to the contractor and the company deprived from the benefits of competitive rates. The procurement without the approval of the BoD indicates poor financial controls.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.5 Irregular award of security contract -Rs.2.228 million

According to Rule 12 of PPRA Rules-2004 Procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the authority website in the manner and format as specified by the Authority from time to time.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC) Daharki for the years 2016-17 & 2017-18, it was observed that the in August 2015 management hired Security Services Company for a period of one year directly without floating the tender in violation of PPRA Rules-2004. Further, the same was extended for a further period of two years. This resulting in payment of Rs.2.228 million was held irregular. The detail is as under:

S. No	Description	Per Month per Guard	Period	Amount Paid (Rs.)
1.	Three Guards	18,700	August,2015 to August,2016	673,200
2.	Three Guards	20,570	August,2016 to August,2017	740,520
3.	Three Guards	22,627	August,20117 to August,2018	814,572
Total				**2,228,292**

Audit is of the view that undue favour was extended to the contractor and the company deprived from the benefits of competitive bidding.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.6.4.6 Illegal auction of vehicle - Rs.1.051 million

According to Corporate Governance Rules (Public Sector Companies) 2013, Section (7) the Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely(a) the formal approval and adoption of the annual report of the Public Sector Company, including the financial statements (b) the implementation of an effective communication policy with all the stakeholders of the Public Sector Company; (h)acquisition or disposal of fixed assets and investments. Further, according to Memorandum & Articles of Associations of PCESSDC - BoD Clause-29 the business of the company shall be managed by BoD which shall determine direction and scope of activities thereof in accordance (vi) to incur capital expenditure or dispose of fixed assets. Furthermore, as per PPRA Rule-2004 Section-13 Response time sub-Section (1) however, under no circumstances the response time shall be less than fifteen days for national competitive bidding and thirty days for international competitive bidding from the date of publication of advertisement or notice.

During audit of Pakistan Chemical & Energy Sector Skill Development Company (PCESSDC), Daharki for the years 2016-17 & 2017-18, it was observed that management sold a Hino bus model-2001donated by Mari

Petroleum Company (MPC) valuing Rs.1.051 million without prior approval of the BoD. Furthermore, MPC handed over bus along with Rs.1.00 million for repair & maintenance cost. However, after renovation of bus, the management floated advertisement on April 13, 2018 for auction of the same. The last date for submission the bids was fixed on April 17, 2018 (05 days period) which was also in violation of the PPRA rules-2004.

Audit is of the view that the management failed to safeguard the interest of company which indicates weak internal controls.

The matter was reported to the management in September, 2018. DAC meeting was held on January 07 & 08 2019. The management informed DAC that the Government Audit should not applied on the accounts of PCESSDC. DAC advised the CEO to submit a comprehensive brief to the Secretary, MOI&P for taking up the case with the Auditor General of Pakistan in this regard. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7 Pakistan Gems and Jewellery Development Company

9.7.1 Introduction

Pakistan Gems & Jewellery Development Company (PG&JDC) was incorporated in 2006 as a company limited by guarantee having share capital under section 42 of the Companies Ordinance, 1984 (now Company's Act 2017). The registered office of the company is situated at suit No. 115-118, first floor, Progressive Plaza, Beaumont Road, PIDC House, Karachi. PG&JDC became operational in April 2007. The primary objective of the company is to promote and develop value added gems and jewellery products.

9.7.2 Comments on Audited Accounts

9.7.2.1 The working results of company for the year ended Dec 31, 2018 as compared to previous years are given below:

(Rs. In million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Income					
Training Fees	8.50	(0.47)	8.54	51.42	5.64
Income from Exhibitions	0.00	(100.00)	8.31	635.40	1.13
Grant related to Investment	50.00	25.01	39.996	-	-
Other Income	2.01	41.55	1.42	(67.27)	4.34
Expenditure					
Direct Costs	(122.37)	(21.43)	(155.75)	32.53	(117.52)
Administrative Expenses	(43.63)	(4.82)	(45.84)	10.67	(41.42)
Other expense	(2.46)	169.18	(0.92)	435.09	(0.17)
Excess of expenditure over income	(105.11)	(26.40)	(142.82)	(1.18)	(144.53)

(Source: Annual Audited Accounts)

The above working results of the company clearly depict that revenue/income of the company are unable to meet its expenditure. Negative equity is accumulating every year.

9.7.2.2 Excess of expenditure over income is Rs.105.11 million in 2018 as compared to last year of Rs.142.82 million. Company is losing its balance sheet value due to non generation of required revenues to meet its expenditures.

9.7.2.3 The statutory auditor M/s Baker Tilly Mehmood Idrees Qamar Chartered Accountants have qualified the audit report of Pakistan Gems and Jewellery Development Company and raised some serious qualifications; they qualified their opinion on unfunded gratuity scheme which has been accounted for in deferred liability for Rs.15.196 million as mentioned in note No.3.6 and qualified their opinion on deposit of Rs.37.522 million into government treasury as mentioned in note No.1.4 to the financial statements.

9.7.2.4 The chartered accountants has also pointed out material uncertainty of the company's ability to continue as going concern due to accumulated deficit of Rs.1,536.44 million up to 2018.

9.7.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	3	1	2	8.5.2.1& 8.5.3	33
Total	**3**	**1**	**2**	**-**	**33%**

The overall compliance of PAC directives needs improvement.

9.7.4 Audit Paras

9.7.4.1 Double payment of salaries to officers / staff for seven months - Rs.14.500 million

Rule 10 (i) and (iv) of General Financial Rules (GFR) states that every public 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 expenditure of his own money. Public moneys should not be utilized for the benefit of a particular person or section of the community.

During the audit on the accounts of Pakistan Gems & Jewellery Development Company (PG&JDC) for the year 2016-17 & 2017-18, it was observed from the payment voucher of the month of February, 2018 that, an amount of Rs.14.500 million was paid by the management on account of salary. This payment was made from the "Assignment Account" which was actually meant for development expenditure. However, the monthly salaries of Head Office staff for the months of July, 2017 to January, 2018 were already paid every month to such employees which was evident from bank payment vouchers and bank reconciliation statements of employees 19 in number who received double salary for seven months. That is double payment of salaries to the staff of Head Office, for seven months indeed from July, 2017 to Jan, 2018 which requires recovery.

Audit is of the view that not only the management made payment of salaries from the Assignment Account but also paid double salaries for the same period i.e. from July 2017 to January, 2018. This issue tantamount to embezzlement / misuse of public funds and the expenditure amounting to Rs.14.500 million needs to be justified.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to conduct an inquiry to probe veracity of double payment of salary and look in to irregular withdrawal of funds from the assignment accounts and report to Audit within a month. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.2 Loss due to shortages of store items - Rs.1.840 million

Rule 151 of General Financial Rules (GFR) states that the head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in various projects of PGJDC, materials valuing Rs.1.84 million were reported short/stolen (Annex-36). This clearly depicts that the management was unable to protect / safeguard the assets resulting in to loss to the company.

Audit is of the view that the management was unable to exercise due care in protecting its available assets which resulted in a loss amounting to Rs.1.840 million.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to conduct an internal inquiry at ministry level and fix responsibility on persons at fault against missing items within a month. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.3 Irregular appointment and extension of contract of CEO - Rs.16.316 million

As per PC-I of the Company, the salary is required to be increased to the extent of 10% annually. Further, rule 5(2) of the Public Sector Companies Rules, 2013 states that the Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive and recommend at least three candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company, except where the chief executive is nominated by the Government. On receiving concurrence or nomination of the Government, as the case may be, the Board shall appoint the chief executive in accordance with the provisions of the Ordinance. The Board shall also be responsible for development and succession planning of the chief executive.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in November 2011, management appointed Mr. Bakhtiar Khan as Chief Executive Officer(CEO) at fixed salary of Rs.300, 000 per month on contract for a period of two (02) years. After 2 months his salary was enhanced from Rs.300, 000 to Rs.400, 000 per month. Later on, in November 2013 his contract was further extended for a period of two (02) years along with an increment of Rs.40,000 per month w.e.f. July 01, 2013 with arrears of Rs.200,000. Furthermore, in December 2015 he was re-appointed as CEO for a further period of two (02) years. This re-appointment / extension was made in violation of rule 5(2) of the Public Sector Companies Rules, 2013 because the BoD sent only his recommendation against the recommendation of at least three (03) candidates to the Government for its concurrence. Thus, the payment of Rs.16.316 million on account of pay and allowances was held irregular (Annex-37).

Audit is of the view that undue favour was extended to the CEO at company cost which indicates poor financial management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management that the case of CEO irregular appointment, extension and enhancement of pay within three months of appointment be referred to MOI&P for review and necessary action. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.4 Mis-procurement in awarding contract - Rs.3.487 million

Rule 22(2) of PPRs.-2004 states that a procuring agency shall specify the manner and method of submission and receipt of bids in an unambiguous and clear manner in the bidding documents. Rule 23(1) procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. According to the Rule 23(2) whether open or limited, the bidding documents shall include "form of bid".

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in April 2016 an advertisement was floated by the management for the procurement of machinery, accessories and consumables item for Gems and Jewellery Training and Processing Center (GJTPC) Muzaffarabad, AJK. In response, three bidders submitted their bids. The contract was awarded to M/s Javed Sheikh Trading Co in June 2016 amounting to Rs.3.487 million being the lowest bidder. It is worth mentioning that no technical evaluation was made during the award of the subject procurement. Only comparative statement of the amount quoted by the bidders was made. The technical aspect of the items quoted was totally ignored by the management.

Audit is of the view that undue favor was extended to the bidder as the contract was awarded without technical evaluation.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to inquire the matter on mis-procurement and further directed the CEO, PIDC to arrange training classes for senior management from PPRA. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.5 Irregular direct procurement from German supplier - Rs.2.485 million

Rule 20 of the Public Procurements Rules, 2004 states that procuring agency shall use open competitive bidding as the principle method for the procurement of goods, services and works. As per the Rule12 all the procurement opportunities over two-million rupees should be advertised on the Authority's website as well as other print media or newspapers having vide circulation.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the year 2012-13, it was observed that management awarded a contract to German based supplier M/s. Kruess Optronic for procurement of equipment and tools for its laboratory at Muzaffarabad, AJK GMBH valuing of Euro 17,441 (equivalent to Rs.2.259 million) without advertising the procurement opportunity as laid down under rule quoted above.

Audit is of the view that undue favour was extended to the supplier and the company deprive from the benefit of competitive bidding.

The matter was reported to the management in February 2015 and November, 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to give revised reply under PPRA Rule, conduct an internal inquiry, and arrange training classes of senior management from PPRA under intimation to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.6 Loss on disposal of various items - Rs. 2.461 million

Rule 5 of Public Sector companies (Corporate Governance) Rules, 2013 states that board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that the management decided to vacate the rented building and machinery / equipment and removable furniture / fixture due to closure of GJTMC, Quetta. A committee was constituted for the purpose. In September 20, 2017 the committee obtained rates of renovation / civil work items which are removable from the local salvage dealers to ascertain its value as detailed below:

Sr. No.	Name of Salvage Dealer	Offer Price (Rs.)
1.	Annar Gul	110,000 Including Removal and Transportation
2.	Ahmed Shah / Abdul Manan	160,000 Including Removal and Transportation

Later on, the Committee also offered the above mentioned items to the landlady which was accepted by her valuing Rs.200, 000. The Committee recommended accepting the offer of the landlady being the highest without auction / advertisement. It was worth mentioning here that the management highlighted the subject disposal of assets by means of tender (Note no: 4.2 of Annual Accounts for the year ended on June 30, 2018). However, subject disposal of assets was made on quotations and offer basis to the landlady. No reserve prices were being fixed by the management for the items. There seems to be an undue favor extended to the landlady. Resultantly, management sustained a loss of Rs.2.461 million.

Audit is of the view that undue favour was extended to the contractor and valuable items were disposed off by the management on just quotation and offer basis.

The matter was reported to the management in November 2018. DAC meeting was held on January 07 & 08, 2019. Management informed the DAC that civil works items like electric, plumbing items could not be removed from the project site. DAC directed the management to provide detail of all items sold, to prove their point including auction process adopted by them. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.7 Non-posting of officers on key positions lying vacant since long

Rule 5 of Public Sector companies (Corporate Governance) Rules 2013 states that board shall exercise its power and carry out fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the year 2016-17 & 2017-18, it was observed that various key posts were lying vacant in the company. It is a matter of utmost concern that the key positions of the company are lying vacant from a considerable period and there are no concrete efforts being taken by the management to fill these positions. The detail is as under:

Sr. No.	Name of Post	Number of Posts	Date Since the Post Vacant
1.	Chief Executive Officer	01	17-11-2017
2.	General Manager (Marketing & Quality Assurance)	01	07-04-2011
3.	General Manager, Training & Development	01	26-02-2018
4.	Chief Financial Officer & Company Secretary	01	20-11-2017
5.	Manager Projects	01	01-05-2012
6.	Manager Accounts	01	29-09-2016
7.	Manager (Admin & HR)	01	02-07-2014
8.	Manager (Internal Audit)	01	02-10-2013
9.	Manager (Coordination)	01	
10.	Assistant Manager (Quality Assurance)	01	29-09-2016
11.	Assistant Manager (Projects)	01	29-09-2016

Audit is of the view that in absence of the key posts, functioning of the company had been affecting badly. This shows sleekness of the management.

The matter was reported to the management in November 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to refer the case to MOI&P after getting approval from the BOD regarding appointment against vacant post. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.7.4.8 Irregular hiring of advertising agency

Rule 12 of PPRA-2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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, rule 36 (a) of PPRs.-2004 states that in Single stage-one envelope procedure, Each bid shall comprise one single envelope containing, separately, financial proposal and technical proposal (if any). All bids received shall be opened and evaluated in the manner prescribed in the bidding document.

During audit of Pakistan Gems & Jewellery Development Company (PG&JDC) for the years 2016-17 & 2017-18, it was observed that in January 2018 an advertisement was uploaded by the management on Public Procurement Regulatory Authority (PPRA) website for hiring the services of advertising agency. In response, two firms i.e. M/s TNI Communications and M/s M Communications (Pvt) Ltd submitted their proposals. On February 19, 2018 M/s M Communication was being technically qualified and hired for releases of all advertisements of the company and its projects in print media. The firm was hired on only technical evaluation basis by Single Stage-one envelope procedure. However, Single stage-one envelope procedure clearly states that each bid shall

comprise one single envelope containing, separately, financial proposal and technical proposal. The financial aspect of the tender was totally ignored as only technical bids were called for by the management from the bidders. Furthermore, the advertisement was also not floated on print media or newspapers having wide circulation which deprived the management of getting competitive rates.

Audit is of the view that undue favor was extended to the bidder as neither the advertisement was floated in the print media nor financial proposals were obtained from the bidders.

The matter was reported to the management in November 2018. DAC meeting was held on January 07 & 08, 2019. DAC directed the management to inquire the matter on Mis-procurement and further directed the CEO, PIDC to arrange training classes for senior management from PPRA. However, no progress was reported till finalization of this report.

Audit recommends implementations of DAC directives.

9.8 Pakistan Institute of Management

9.8.1 Introduction

Pakistan Institute of the Management (PIM) was established in 1954 by Pakistan Industrial Development Corporation (PIDC) under the Ministry of Industries, Government of Pakistan. In December 1975, it was transferred to the Ministry of Industries and Production, Government of Pakistan and subsequently through SRO dated November 15th, 1976 an autonomous Board of Governors was constituted to promote management development in the country. Its primary mission is to serve the growing and complex need of organizational managers to achieve managerial excellence. Toward this end, PIM seeks to contribute to the enhancement of the managerial skills through training consultancy and research.

9.8.2 Comments on Audited Accounts

9.8.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.8.3 Compliance of PAC Directives

Audit Report Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1998-99	5		5	6(xxv),126,127,128,129	-
2009-10	8	-	8	Annex-I Item-09,94,94.1,94.2,94.3,94.4,95,96	-
2013-14	7	4	3	8.6.2.1, 8.6.3, 8.6.4.1	57
Total	**20**	**4**	**16**		**20%**

The overall compliance of PAC directives was 20% which need to be improved.

9.8.4 Audit Paras

9.8.4.1 Irregular payment of Pay & Allowances due to non-verification of Degrees – Rs.46.430 million

Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28) 2011-DG-II dated Mar 08, 2011 circulated the directives of the Prime Minister, according to which " all the Autonomous bodies / Companies, Corporations were required to take the measures to authenticate degrees/ certificates of all the employees of their organization. It would be of concerned Head of Organization to have the degrees/certificates verified".

During audit of Pakistan Institute of Management for the years 2016-17 & 2017-18, it was observed that the degrees/certificates of 18 employees were not verified during either probation period or until October, 2018 as required under the Establishments Division instruction referred above (Annex-38). Thus, the payment of pay & allowances amounting to Rs.46.430 million held irregular.

Audit is of the view that in the undue favour was extended to the employees by non-verified of degrees of the employees.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that so far degrees of 14 officers were verified. DAC directed the management to get verified the remaining degrees of employees within one month under intimation to Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.2 Irregular expenditure on advertisement - Rs.10.731 million

According to PID vide letter No. 18(47)/2014-Advt dated October 13, 2014 that some Ministries/ Divisions / Department/Corporations/ Autonomous and Semi-Autonomous bodies have been releasing their advertisement to

newspapers through advertising agencies, by passing Press Information Department and the Competent Authority i.e. DG/PIO has taken serious notices of such gross violation of GOP rules and deviation from the approved policy.

During audit of Pakistan Institute of Management (PIM) for the years 2016-17 & 2017-18, it was observed that management incurred an amount of Rs.10.731 million on account of advertisement. These advertisements were made through private advertising agencies M/s. Arugs Advertising Pvt. Ltd. in various newspapers for different works without obtaining NOC from DG/PIO of Press Information Department, Govt. of Pakistan which was the clear-cut violation of the Policy. Thus, expenditure held irregular.

Audit is of the view that undue favour was extended to the advertising agency and against the Govt. policy.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. Management informed the DAC that all the advertisements were published through PID. DAC directed the management to verify the relevant documents pertaining to entire expenditure of Rs. 10.731 million. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.3 Irregular appointment of employees on contact basis - Rs.7.972 million

According to Cabinet Secretariat, Establishment Division OM No6/2-2000/R.3 dated May 06,2000 vacancies to be filled through contract appointment should be advertised in leading national / regional newspapers and selection should be made through regularly constituted Selection Committee/ Boards. Further, as per order of Supreme Court of Pakistan passed on Human Rights case No 104 of 1992on Dec 26,1992 (circulated by the Cabinet Division), the Court held initial appointments both ad hoc/regular without publicity and proper

advertisement as violation of Fundamental Rights (Article-18 of the constitution) and ordered to discontinue this practice forthwith.

During audit of Pakistan Institute of Management for the years 2016-17 & 2017-18, it was observed that management appointed 10 employees on contract basis during the years 2016 to 2018. After lapse of few months 03 employees were regularized and permanent. In the process of hiring management did not observe the prescribed procedure issued by Cabinet Secretariat, Establishment Division and appointed the contract employees without advertisement in leading national / regional newspapers. Thus the payment of Rs.7.972 million on account of pay and allowances was held irregular (Annex-39).

Audit is of the view that undue favour was extended to the employees due to appointment of without advertisement.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed for inquire in to the matter at the level of Joint Secretary, MOI&P regarding irregular appointment and regularization within one month and report also be shared with Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.4 Irregular award of rental agreement with JS Bank - Rs.7.956 million

As per clause-20 of PPRA-2004 regarding principal method of procurement i.e. the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Further, the vacant space in the building located in commercial area should be let out at highest possible rate obtained through press advertisement and lease agreement should envisage normal increase as allowed by applicable Rent Restriction Ordinance.

During audit of Pakistan Institute of Management (PIM) for the years 2016-17 & 2017-18, it was observed that management entered into an agreement with M/s. JS Bank Limited. As per agreement PIM rented out the space of Premises having covered area of 6,760 Sq. ft. for the period of eleven months. The monthly rental was agreed as Rs. 663,000 which is equivalent to Rs.98/- per Sq. ft. This rental agreement with JS Bank Limited was made directly by the management without undergoing the procedure for tendering as mentioned in clasue-20 of PPRA-2004.

Audit is of the view that undue favour was extended to JS Bank and rented out at cheaper rate and the institute was deprived from benefits of competitive rates.

The matter was reported to the management in November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to conduct an inquiry at internal level and get the record verified to audit whether BOD was competent to award this contract rent agreement without proper advertisement. In future extension in rent agreement shall not be allowed. Rather the matter must be advertised. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.8.4.5 Irregular allotment of vehicles against entitlement to general managers

Rule-10 (i) of GFR provides that 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 of expenditure of his own money.

During audit of Pakistan Institute of Management (PIM) for the year 2012-13 it was observed that the management allotted vehicles to General Managers against their entitlement of transport policy. The details are as under:

Sr. No.	Name of Officers	Designation	Allotted Vehicle, Registration No. & Horse power	Entitlement as per PIM Transport facility
1	Syed ul Haq	General Manager	Toyota Corolla GLI, ALU-490 &1296CC	1000, CC without driver with 235liters of petrol per month
2	Aslam Soni	General Manager	Toyota Corolla GLI, ACZ-107& 1296CC	1000 CC without driver with 235liters of petrol per month

Audit is of the view that undue favour was extended to the officer at public cost which indicate weak financial controls.

The matter was reported to the management in December, 2013 and November, 2018. DAC meeting was convened despite requests by audit.

Audit recommends responsibility should be fixed on the person(s) at fault.

9.9 Pakistan Steel Mills Corporation (Pvt.) Limited

9.9.1 Introduction

Pakistan Steel Mills Corporation (Private) Limited (PSM) was incorporated on July 02, 1968 as a Private Limited Company and is wholly owned by the Government of Pakistan. The Corporation is engaged in the manufacturing and sale of iron and steel products. Pakistan Steel Mills is the Country's largest Steel Industrial undertaking.

9.9.2 Comments on Audited Accounts

9.9.2.1 The working results of the Corporation for the year 2014-15 as compared with those of the previous years are given below:

(Rs. in million)

	2014-15	% Inc / Dec	2013-14	% Inc / Dec	2012-13
Sales-Net	7,031.72	(8.37)	7,673.65	(24.70)	10,191.17
Cost of Sales	(-24,020.78)	(7.64)	(26,007.84)	(14.54)	-30,434.40
Gross Profit/(Loss)	(16,989.06)	(7.34)	(18,334.20)	(9.43)	(20,243.23)
Distribution costs	(291)	1.82	(285)	(10.98)	(320.67)
Administration expenses	(2,794.63)	(10.64)	(3,127.37)	5.69	(2,959.01)
Other Operating Expenses	(815.75)	13.65	(718)	9.28	(656.77)
Finance Cost	(6,091.89)	(0.50)	(6,122.40)	25.23	(4889.10)
Total expenses	(9,992.93)	(2.54)	(10,252.96)	16.17	(8,825.54)
Operating profit / (loss)	(26,981.99)	(5.61)	(28,587.16)	(1.66)	(29,068.78)
Other Income	3,934.61	110.65	1,867.88	168.25	696.31
Profit (loss) before Tax	(23,045.37)	(13.74)	(26,715.75)	(5.82)	(28,366.79)
Taxation	(39.72)	-	661.71	-	(30.79)
Net Profit/ (Loss) after Tax	(23,085.08)	(11.40)	(26,054.04)	(8.25)	(28,397.58)

(Source: Annual Audited Accounts)

The Corporation has continued to make losses during the above mentioned three year period. The net sales during the year 2014-15 were even below the cost of sales. In this regard PSM’s procedure for planning, establishment of sales prices and sales plan needs to be explained and rationalized.

9.9.2.2 The above working shows that sales has declined by 8.37%, from Rs.7,673.65 million in 2013-14 to Rs.7,031.72 million in 2014-15, whereas cost of sales has remained at the same levels.

9.9.2.3 Loss for the year 2014-15 is Rs 23,085.08 million and accumulated losses amounted has reached to Rs 141,830 million. Current liabilities exceed current assets by Rs 123,404 million.

9.9.2.4 External Auditors raised five qualifications in their report for the year 2014-15, which are appended below:

a) Non-compliance of IAS-40 "Investment Property" that unallocated land should be classified as Investment Property instead of an item of Property, Plant and Equipment. The area of land should have been classified, as investment property, but it was not identified so; therefore, the impact of this non-compliance could not quantify.

b) No formal estimation of useful life of each part of plant was made separately since inception and a single rate of 5% is charged to whole plant for depreciation; while IAS-16 requires review of useful life of each year for each part of Property, Plant and Equipment. No physical verification of immoveable fixed assets including Plant and Machinery was made since inception; therefore, impact of this matter on carrying value of operating assets could not be determined.

c) An amount of Rs. 2,796 million was reflected as taxes refundable in the Corporation's balance sheet. No communication has been observed with the tax authorities to indicate recovery of such funds.

d) There was no system of carrying physical count and valuing the scrap material in the Corporation. As a result, such material was reflected in the financial statements at zero value.

e) The Corporation is in dispute with SSGCL with regard to late payment surcharge (LPS). The management believes the decision of ECC would prevail to waive off the surcharge. The Corporation has filed a counter-suit against SSGCL for claiming damages owing to discontinuance of gas supply.

9.9.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.9.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1990-91	6	5	1	700	83
1992-93	25	19	6	136, 137, 138, 140, 143& 145	76
1994-95	12	9	3	118, 120& 126	75
1995-96	28	26	2	121& 122	93
1996-97	36	11	25	100, 101, 111, 112, 113,114,117,118,123, 1.1, 1.3, 1.5, 1.8, 1.9, 1.10, 2.2, 2.3, 2.7, 2.8, 2.9, 2.10, 2.11, 2.13, 2.15& 3.1	31
1997-98	10	7	3	209, 210& 215	70
1999-00	10	9	1	219	90
2000-01	10	6	4	216, 218, 220& 224	60
2003-04	12	9	3	92.5, 92.6& 92.7	75
2004-05	8	5	3	65, 66& 70	63
2005-06	28	24	4	117,118,122&124	86
2008-09	16	12	4	106,107,109&110	75
2009-10	19	11	8	98.1,99,100,104,105, 109,110&112	58
2010-11	10	9	1	11.3.4.6	90
2013-14	15	2	13	8.7.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5, 8.7.2.7, 8.7.3, 8.7.4.2, 8.7.4.3, 8.7.4.4, 8.7.4.5& 8.7.4.6	13
Total	**245**	**164**	**81**	**-**	**67%**

The overall compliance of PAC directives needs improvement.

9.9.4 Audit Paras

9.9.4.1 Loss due to embezzlement of Hafta Bazar income - Rs.6.112 million

According to Rule 23 of GFR every Govt. Officers should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud or negligence on the part of any other Govt. Officer by his own action or negligence.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that Incharge of Township Hafta Bazar retained income of Hafta Bazar for the period of July 2015 to January, 2016 and May 2016 to March, 2017 amounting to Rs.6.112 million with connivance of PSM employees instead of depositing the same to PSM's account. This resulted into embezzlement of Rs.6.112 million. It was further observed that the relevant file/record was also mis-placed.

Audit is of the view that retention of money by the Incharge was criminal breach of trust and shows weak internal controls.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to conduct fresh inquire within 02 months and fix responsibility on the person(s) at fault. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.2 Loss due to non-recovery of electricity bills - Rs.159.744 million

Rule 38 of G.F.R. provides that it is primary 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 the public account.

During audit of Pakistan Steel Mills (PSM), for the Year 2017-18, it was observed that management provides electricity through KESC to the consumers and the same was required to be recovered from them. However, management failed to recover outstanding due on account of electricity charges amounting to Rs.159.747 million. The detail of amount is as on June 30, 2018 is as under:

Sr. No.	Billing Location	No. of Consumers	Amount (Rs. in million)
1	Gulshan-e-Hadeed	775	21.196
2	Steel Town	877	74.848
3	Country Club	01	63.700
	Total	**1,653**	**159.744**

Audit is of the view that the management could not pursue the recovery effectively. This indicates weak internal controls of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to recover the remaining amount within 02 months and recovered amount be got verified from Audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.3 Loss due to non-utilization of vacant space at FTC building - Rs.33.014 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that management abandoned / left vacant space of 10081 Sq. Feet at 2nd Floor FTC Building, Karachi since 2015 (actual month not verified). The last

rent charged from tenant by PSM was amounting to Rs.634,891 per month. Due to non-renting the vacant space, PSM sustained loss of income from July, 2015 to October, 2018 amounting to Rs.33.014 million. It is pertinent to mention here that PSM is totally shutdown (i.e. zero production), salaries of employees and fixed overhead of mills is being meet from bailout package from GoP to PSM.

Audit is of the view that this state of affairs shows poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide the record to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.4 Loss on account of non-recovery of dues from Country Club - Rs.20.00 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, the record pertaining to the Country Club were called for from the management vide requisition No.19 on October 29, 2018. But the same were not provided to audit on the plea that it was a private entity. If the estimated rent of Country Club is calculated @ Rs.2.00 million per annum, revenue of ten years would be Rs.20.00 million. The same was not collected.

Audit is of the view that as the Country Club was a private entity however, established on the land of PSM. Hence, the terms and conditions for

provision land and collection of rent was fall under the jurisdiction of audit. There for non-provision of record shows concealment of fact from audit.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. The management informed that utility dues were outstanding for Rs. 24.00 million. Their electivity was disconnected but, later resorted on the condition of early deposit. DAC directed the management to place a legal notice for revision of lease as it had expired in 2015 and recover utility charges within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.5 Non-recovery from M/s Marigold Educational Society - Rs.9.893 million

Rule-26 of GFR provides that it is the duty of the departmental controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that the management failed to recover an amount of Rs.9.893 million on account of rent from M/s Marigold Educational Society. PSM filed the case in court of law which was decreed in favor of the PSM. The Honorable court also directed the PSM to arrange the fresh addresses of the Judgment Debtor for issuance of notices for compliance of order.

But the management failed to do so. The detail is as under:

(Amount in Rs.)

Sr. No.	Premises / Land	Party Name	Rent Receivable
1	Makhdoom Bilawal Sec. School GH Phase-I	Marigold Educational Society	3,483,541
2	Rana Liaquat Ali Khan Girls School GH Phase-I	-do-	3,539,278

3	Muhammad Bin Qasim, School GH Phase-I	-do-	2,870,450
		Total	**9,893,269**

Audit is of the view that the management could not pursue the recovery case effectively. This indicates weak internal controls of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. The management informed that matter is subjudice. DAC directed the management to pursue case vigorously.

Audit recommends implementation of DAC directives.

9.9.4.6 Non-recovery of outstanding dues from residents of township - Rs.4.820 million

According to Rule-10 (1) of GFR provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of Ordinary Prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that residential estate section of township department failed to pay their dues amounting to Rs.0.762 million. Further, Internal Audit also reported that an amount of Rs.4.057 million was outstanding against outside parties of residential units. Thus, Rs.4.820 million was lying unrecovered. The detail is as under:

Sr. No.	Description of Allottees	Outstanding amount (Rs.)
1	Employees	763,527
2	Outsiders	4,057,400
	Total	**4,820,297**

Audit is of the view that the management could not pursue the recovery effectively. This indicates weak internal controls of management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. Management informed the DAC that non-recovery of outstanding amount against residential units of Township allotted to employees / others have been searched out. Notices have also been issued for the payment of outstanding amount. DAC directed the management to submit a revised reply and recovered amount be got verified from Audit and outstanding amount be recovered within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.7 Loss due to encroachment of land

According to Chapter-V Rule-23 of GFR every Govt. Officers should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part and that he will also be held responsible for any loss arising from fraud or negligence on the part of any other Govt. Officer by his own action or negligence.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that 344 acres PSM Township land was under encroachment. As per valuation report of M/s Iqbal A. Najee appointed by Privatization Commission the value of land under encroachment was Rs.3.44 billion (344 acres X 10 million = 3.44 billion). The detail of encroached land is as under:

Sr. No.	Description / Name	Area (Acres)
1	Abbasia Society	100
2	Mian Khan Goth	70
3	Photo Goth	134
4	Ali Akbar	15
5	Pir Sirhindi Goth	25
	Total	**344**

Audit is of the view that since 2007 to 2018 more than 11 years have been passed but PSM management has failed to remove the encroachment. This indicates weak internal controls and poor management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. Management informed that an inquiry has been conducted in this regard. DAC directed the management that recommendations of the inquiry Committee as already issued be implemented immediately under intimation to Audit. And take up the matter with the law enforcing agencies for early vacation of encroachment. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.8 Irregular payment of house rent allowance - Rs.21.380 million

According to Rule-10 (1) of GFR provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of Ordinary Prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that management has allotted residential accommodation in Steel Town to the officers and Staff through Residential Estate Section of Township Department. Besides residential facility the management is paying them House Rent Allowance and deduction on account of the rent from residential accommodation is made at very nominal rate (Example shown at Annex-40). The actual HRA payment and deduction of the officer and staff for the month of June, 2018 is depicted below:

(Amount in Rupees)

Sr. No.	Description	Code	Paid Amount	Deducted Amount	Difference
1	HRA to Officer	640	7,311,382	4,418,142	2,893,240
2	HRA to Staff	2330	22,850,988	4,364,429	18,486,559
				Total	**21,379,799**

Audit is of the view that as per other Govt. owned organization / Corporations where housing facility is provided to employees, HRA + 5% of pay (maintenance charges) is deducted from salaries of employees.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to revise the rate of House Rent and get it approved from Board within 02 months. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.9 Excess of officers beyond approved rationalized strength

As a general establishment rule available strength/holding should not exceed the sanctioned strength/rationalization.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that officers in the cadre of XENs / DMs and AXENs / AMs were in excess than the approved limit. Hence, the prior to promotions of the officers in the next upper cadre/ grade, rationalized policies was not revised / revisited and the same was also not approved from the Board of Directors. The detail is as under:

Officer designation	Rationalization 2004	Holding	Difference
XENs/DMs	312	1638	1326
AXENs/AMs	794	1166	372

Audit is of the view that the working strength of officers is in excess than the rationalized policy which shows weak internal controls and poor financial management.

The matter was reported to the management in October 2018. DAC meeting was held on January 15, 2019. Management informed the DAC that appointments were made with the approval of BoD. DAC directed the

management to provide the BoD approval to audit for verification. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.9.4.10 Unjustified expenditures on medical treatment - Rs.22.848 million

According to Rule-10 (1) of GFR - provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of Ordinary Prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM) for the year 2017-18, it was observed that an amount of Rs.22.848 million was incurred on treatment of employees from hospitals other than Pakistan Steel Hospital which is a full fledge 100 Beds Hospital having strength of 46 Medical Officers / Specialist and 273 well equipped Paramedical Staff. Thus the expenditure was held irregular.

Audit is of the view that in present severe financial crunch an amount of Rs.22.848 million incurred on medical treatment outside of PSH is a huge financial burden on the organization.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to reduce outsource payment and curtail the expenses and also provide details of payment made to each hospital.

Audit recommends implementation of DAC directives.

9.9.4.11 Allotment of vehicles to non-entitled persons resulting in un-justified expenditure - Rs.4.902 million

According to Govt. of Pakistan Finance Division's OM No. F.15 (13) R-14/82 dated September 5,1982 the funds provided, acquired or generated by

the autonomous/Semi-autonomous bodies and Corporation are public funds which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with prescribed rules and specific orders of the Government.

During audit of Pakistan Steel Mills (PSM) for the year 2016-17, it was observed that the management provided two vehicles to the Ministry of Production since 2010-11 to 2016-17 and incurred expenditure of Rs.5.87 million. The detail is as under:

Vehicle No.	Fuel in Qty (ltr per month)	Total Fuel Ltrs	Rate Rs. per Ltr	Total Fuel cost Rs.	Repair & Maint Rs.	Pay of Driver Rs.	Total Expenditure Rs.
GP-8989	223*84	18,732	72.22	1,352,825	170,000	800,000	2,322,825
PD-867 VIP Pool MI&P	375*84	31,500	72.22	2,274,930	196,650	108,000	2,579,580
	--	**50232**	**72.22**	**3,627,755**	**366,650**	**908,000**	**4,902,405**

The Ministry was not entitled to use PSM's vehicles in presence of its own budget therefore, the allotment of vehicles by the management to the Ministry was irregular and the expenditure incurred thereon amounting to Rs.4.902 million was un-justified.

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

The matter was reported to the management in October, 2017 and November, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to submit revised reply to audit with justification of PSM decision to allot vehicle for use by Minister of Industries and Production. However, no progress was reported till finalization of this report.

Audit recommends responsibility should be fixed on the person(s) at fault.

9.9.4.12 Loss due to hiring of valuator for calculation of employees dues - Rs.2.00 million

According to Rule-10 (1) of GFR - provides that every Public officer is expected to exercise the same vigilance in respect of expenditure incurred from the Public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Steel Mills (PSM), for the year 2017-18, it was observed that in January 2018, management appointed M/s Horwath Hussain Chaudhry & Co. (Audit Firm) as valuator at the cost of Rs.2.00 million for valuation of outstanding dues of PSM's ex-employees. Despite having a full-fledged Account Department and Internal Audit, the management failed to assess the dues i.e. gratuity, pension etc. and outsourced the job which was quite unnecessary and unjustified. Extra expenditure so incurred may be got regularized and job description of Director Finance may also be produced to Audit.

Audit is of the view that the appointment of evaluator was showed inefficiency of the accounts department and poor financial management.

The matter was reported to the management in October, 2018. DAC meeting was held on January 15, 2019. DAC directed the management to provide record of Board approval and advertisement for verification to audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10 Pakistan Steel Fabricating Company (Pvt.) Limited

9.10.1 Introduction

Pakistan Steel Fabricating Company (Pvt.) Limited (PSFCL), a wholly owned subsidiary of the Pakistan Steel Mill Corporation (Pvt.) Limited, was incorporated on Jun 28, 1975 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The principal activity of the Company is the fabrication of steel structure, production of paints and other related activities.

9.10.2 Comments on Audited Accounts

9.10.2.1 The working results of the Company for the year 2015-16 as compared to the previous years are as under:

(Rs. in million)

	2014-15	**% Inc / (Dec)**	**2013-14**	**% Inc / (Dec)**	**2012-13**
Sales	119.274	21.641	98.054	(10.347)	109.370
Cost of Sales	(122.160)	(0.978)	(123.366)	22.655	(100.580)
Gross Profit/(Loss)	(2.885)	111.398	(25.312)	-	8.790
Administrative and general expenses	23.508	(9.088)	25.858	(1.117)	26.150
Financial charges	0.029	(9.088)	0.018	21.641	0.061
Other income	5.299	(46.803)	9.961	57.114	6.340
Profit loss before taxation	(21.226)	(48.618)	(41.310)	269.830	(11.170)
Taxation	23.478	-	(4.700)	-	0.191
Net profit/(loss) after taxation	**2.251**	-	**(46.020)**	319.126	**(10.980)**

(Source: Annual Audited Accounts)

The above working results disclosed that the sales of the company increased from Rs.98.05 million in 2014-15 to Rs.119.27 million in 2015 which was increased by 21.64%. Further net loss after taxation was Rs.46.02 million as on June 30, 2014 as compared to Rs. 2.252 million during the current year.

9.10.2.2 The Company has steadily increased its sales over the years whereas the cost of sales did not significantly increase. Administrative expenses decreased by 9.08% as compared to previous year. Company registered net profit after tax for Rs.2.251 million in 2014-15 as compared to net loss for Rs.46.020 million in 2013-14.

9.10.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1990-91	8	7	1	708	88
1995-96	12	10	2	151, 146	83
1999-00	3	1	2	228,230	33
2003-04	6	5	1	96.4	83
2006-07	2		2	102.2, 102.3	-
2009-10	6		6	Annex-i Item 10,113,113.1,113.2,113.3,113.4	-
2010-11	4	3	1	11.4.4.1	75
2013-14	5	2	3	8.8.2.1, 8.8.2.2, 8.8.3	40
Total	**46**	**28**	**18**	**-**	**61%**

The overall compliance of PAC directives needs improvement.

9.10.4 Audit Paras

9.10.4.1 Embezzlement of amount of advance against the work orders - Rs.3.216 million

According to para-23 of GFR every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part.

During audit of Pakistan Steel Fabricating Company Ltd. (PSFCL) for the years 2016-17 & 2017-18, it was observed that the management drawn advance payments against various Purchase Orders (PO) amounting to Rs.3.216 million

issued by Pakistan Steel Mills during the years 2015 to 2016 for the supply of material (paint / distemper). Detail is as under:

Sr. No	P.O.No	Scheduled date of delivery	Order Qty.		Delivered Qty.	
			Paint (Ltr)	Distemper (K.G)	Paint (Ltr)	Distemper (K.G.)
1	448 dt:09-01-2015	07-07-15	2,540	-	540	-
2	434 dt:05-01-2015	03-07-15	2,625	-	242	-
3	677 dt:19-03-2015	14-09-15	5,400	30,150	0	192
4	683 dt: 24-03-2015	19-09-15	40	-	0	-
5	793 dt: 16-04-2015	12-10-15	-	18,645	-	0
6	106 dt: 31-07-2015	27-01-16	1,170	-	0	-
7	085 dt: 30-07-2015	26-01-16	1,740	96	0	0
8	159 dt: 17-08-2015	13-01-16	1,560	-	0	-
9	107 dt: 31-07-2015	27-01-16	1,500	-	0	-
10	158 dt: 17-08-2015	13-01-16	780	-	0	-
11	445 dt:10-12-2015	06-06-16	500	-	0	-
12	473 dt: 30-12-2015	30-06-16	120	1878	0	0
13	575 dt:10-03-2016	09-03-16	400	-	0	-
14	549 dt: 29-04-2016	28-04-17	500	-	0	-
15	559 dt: 09-05-2016	08-05-17	53	-	0	-
Total			**18,928**	**50,769**	**782**	**192**

It is evident that during the period PSM issued 15 Purchase Orders for the supply of 18,928 Ltr paint and 50,769 K.G.distemper. Against this, PSFCL delivered 782 Ltr. paint and 192 K.g. distemper to PSM. This resulted in loss of Rs.3.216 million.

Audit is of the view that management failed to safeguard the interest of the company and undue favour was extended to the officials involved in embezzlement. This indicates weak internal controls.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that the advance received from PSM used for procurement of raw material which was lying at stores and could not be processed due to financial constraints. The DAC

directed the Acting CFO of PSM to enquire in to the matter and intimate the factual position. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10.4.2 Non-recovery/non-adjustments of outstanding balances/advances - Rs.149.349 million

As per Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013 the Chief Executive is responsible for the management of a public sector company and for its procedures in financial and other matters, subject to the oversight and directions of the Board. Responsibilities of CEO include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Fabricating Company Ltd. (PSFCL) for the years 2016-17 & 2017-18, it was observed that the management failed to recover from the debtors and adjust advances to suppliers amounting to Rs.149.349 million. Detail is as under:

Sr. No.	Particulars	Amount (Rs.) as on 30-06-2016
Non-recovery from Debtors		
1	Pak Steel Mills Corporation	53,803,054
2	Others	4,844,517
3	SSGC	1,339,410
4	PECO	1,952,476
5	CDGK	20,993,714
6	M/s. G.M. Engineering	1,200,000
Non-Recovery of Earnest Money		
7	Utility Store Corporation	450,000
8	State Bank of Pakistan	843,694
9	Port Qasim Authority	6,108
10	Railcop Corporation	584,680

Non-adjustment of Advances		
11	Advances to 61 parties	63,331,000
	Total	**149,348,653**

Audit requested the management through a Requisition dated November 27, 2018 to provide ageing of the receivable amount but no reply was received from the management till close of audit.

Audit is of the view that the management failed to recover/adjust advances/receivables amounting to Rs.149.349 million due to its slackness.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that efforts were being made to resolve disputed issue for adjustment / recoveries. The DAC directed the management that the position of adjustment / recoveries may got verified by audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10.4.3 Mis-appropriation of stock - Rs.92.533 million

According to Rule (5)(a)(i) of Public Sector Corporate Governance Rules 2013, the Board of Directors shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During the audit of accounts of Pakistan Steel Fabricating Company Ltd. for the years 2016-17 & 2017-18, it was observed that stock-in-trade valued at Rs.92.533 million was retained at different shops/stores as shown in financial statements as on June 30, 2015.

Audit personally visited PSFCL's shops and store to verify the existences of stock. In this regard audit randomly checks some bin cards which were not updated since 2014. It is also pointed out that audit requested to the management to provide the relevant record for examination through Requisition No. 03 & 08 dated27-11-2018&dated 06-12-2018 but no record received till close of audit.

Audit is of the view that in absence of completion of transactions in the bin cards/stock register etc. there are chances of mis-appropriation of the stocks valuing Rs.92.533 million.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that it was not mis-appropriation but due to the non-updating of the bin cards the material could not be issued from stores. The DAC directed the management to ensure that updating of bin cards would be completed within 30 days and get the position verified. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.10.4.4 Loss due to short recovery - Rs.14.187 million

According to para-23 chapter -2 of GFR every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Govt. through fraud or negligence on his part.

During audit of Pakistan Steel Fabricating Company Ltd. (PSFCL) for the years 2016-17 & 2017-18, it was observed that a project for installation of metal beam, guard rail of Motorway (M-2) was awarded to M/s. PSFCL in 1997-98. Total cost of the project was Rs.166.192 million, out of which an amount of Rs.127.581 million was received leaving a balance of Rs.38.612 million which could not be recovered upto 2017.

In August 01, 2017 a meeting was held in the office of Member (Finance) NHA to resolve the long outstanding issue and it was decided to pay Rs.26.698 million as final payment to M/s. PSFCL. However, management only received Rs.24.425 million instead of Rs.26.698 million.

Audit is of the view that actual claim of M/s. PSCL was Rs.38.612 million that was reduced upto Rs.26.698 million. Resultantly, a loss of Rs.14.187 million was suffered by PSFCL which needs to be justified.

The matter was reported to the management in December, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that the long outstanding issues were resolved by NHA and NHA & PSM agreed on amount of Rs. 26.698 million. After deduction of taxes, an amount of Rs.22.80 million was received. The DAC directed that the actual terms & conditions of contract be got verified by audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.11 Pakistan Machine Tool Factory (Pvt.) Limited

9.11.1 Introduction

Pakistan Machine Tool Factory (Pvt.) Limited (PMTF) was established with technical collaboration of M/s. Oerlikon Buhrle of Switzerland. It was incorporated on Jul 23, 1974 as a private limited company under the Companies Act, 1913 (now Companies Ordinance 1984). The Company is engaged in manufacturing and marketing of machine tools, transmission components for trucks and tractors, die-casting and other classified defence based products. PMTF is wholly owned by the Government of Pakistan and its working is controlled through State Engineering Corporation (Pvt) Limited.

9.11.2 Comments on Audited Accounts

9.11.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

9.11.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2007-08	7	3	4	82.1, 82.2, 82.4& 82.7	43
2009-10	5	2	3	121.1, 121.3& 122	40
2013-14	9	5	4	8.20.3, 8.20.4.3, 8.20.4.4& 8.20.4.5	56
Total	**21**	**10**	**11**	**-**	**48%**

The overall compliance of PAC directives needs improvement.

9.11.4 Audit Paras

9.11.4.1 Loss due to non-installation of Separate K-Electric meters - Rs.7.350 million

Clause-5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company.

During audit of Pakistan Machine Tool Factory (PMTF), Karachi for the year 2015-16 it was observed that the PMTF is maintaining the staff and officers houses comprises of 178 Nos. and 14 Nos. respectively. He further informed that due to continuous increase in electricity tariff and old age existing network the monthly loss on average is Rs.6,12,500/-.

Reasons for losses:

1. Tariff charged by K-Electric is higher than that from residents.
2. Line losses.
3. Slowness of meters (about 60%)
4. Meter tempering at consumers ends.

Pay back period

1. Monthly Loss Rs.612,500/-
2. PMTF estimated investment for switchover present system (this investment may vary actual cost will be determined after survey of K-Electric's. Rs.6 million.

MD suggested that existing network of PMTF residential colony may hand over to K-Electric as a replacement of the system which will save Rs. 7.35 million per year after payback period of one year rand K-Electric will provide relief to PMTF.

The Boards defer the matter for installation of electric meters by K-Electric in residential home.

The matter was reported to the management in August 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that around 130 meters have already been installed in PMTF colony and they were pursing for the remaining. DAC directed the management to expedite the matter within one month. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.11.4.2 Irregular procurement of vehicles - Rs.5.100 million

As per Finance Division Office memorandum No.7 (1) Exp-IV/2014 dated September 9, 2014, stated that there will be complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles of law enforcing agencies.

During audit of Pakistan Machine Tool Factory (PMTF), Karachi for the year 2015-16 it was observed that PMTF, Karachi purchased (05) vehicles during the ban period and without approval of the Finance Division. The detail is as under:

Sr. No.	Vehicle & Registration No.	Quantity	Amount (Rs.)
1	Mehran Car 800cc VXR	01	700,000
2	Bolan Van (High roof)	01	700,000
3	Cultus 1000 cc VXR	02	20,000,000
4	Toyota car 1300	01	17,00,000
		Total:	**Rs.5,100,000**

Audit is of the view that payment of Rs.5.10 million on account of procurement of vehicles was irregular as procurement was made in violation of above rules.

The matter was reported to the management in August, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to regularize the procurement of vehicles from the Finance Division through MOI&P. However, no progress was reported till finalization of this report.

Audit recommends implementation of DAC directives.

9.12 ENAR Petrotech Services (Pvt.) Limited

9.12.1 Introduction

The Company was incorporated in July, 1974 as a private limited company and is working under the Ministry of Industries and Production. The Company provides complete range of services including design engineering project management, construction supervision, operational and management services for executing projects in oil and gas sector. The Company also offers project development / planning services and undertakes sectoral/feasibility studies, technology evaluations and environmental impact assessments.

9.12.2 Comments on Audited Accounts

9.12.2.1 The organization is included in Annex-2: Non-submission of Audited Accounts

9.12.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	18	2	16	8.18.2.1, 8.18.2.2, 8.18.2.3, 8.18.2.4, 8.18.2.5, 8.18.2.6, 8.18.2.7, 8.18.3, 8.18.4.1, 8.18.4.2, 8.18.4.3, 8.18.4.4, 8.18.4.5, 8.18.4.6, 8.18.4.7& 8.18.4.8	11
Total	**18**	**2**	**16**	**-**	**11%**

The overall compliance of PAC directives needs improvement.

9.12.4 Audit Paras

9.12.4.1 Mis-utilization of funds - Rs.6.00 million

According to Finance Division OM No.F-15(13) R-14/82 dated Sep 05, 1982 "the funds provided, acquired or generated by the Autonomous/Semi-Autonomous Bodies and Corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution."

During audit of ENAR Petrotech Services Limited (EPSL) for the year 2015-16, it was observed that the management instructed Habib Metropolitan Bank Ltd., Karachi (HMBL) to issue a Pay Order amounting to Rs.6.000 million in favour of EPSL on May 30, 2016. The record revealed that the Pay Order was kept by the EPSL for about one month and then deposited in to the same bank i.e. HMBL, Karachi on June 27, 2016.

Audit is of the view that keeping of funds in shape of PO to the tune of Rs.6 million without any purpose was irregular.

The matter was reported to the management in October, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.12.4.2 Irregular payment on account of car maintenance - Rs.5.67 million

According to adopted and approved rules NRL by EPSL in respect of Perquisites dated Nil, Section-(4) " The Petrol of 235 liters Per Month and maintained amounting to Rs.3000/- Per Month will be provided to Executive".

During audit of ENAR Petrotech Services Limited (EPSL) for the year 2013-14 & 2014-2015, it was observed that the management paid car maintenance allowance @Rs.3000 per month to officers for allocated vehicles, but expenditure of Rs.3.51 million was also incurred on maintenance of same vehicles without any justification

Audit was of view that undue favour was extended to the officers at the cost of company, which shows poor financial management.

The matter was reported to the management in October, 2015 and November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that payment of Car maintenance allowance had not been paid to those employees who were provided company maintained car. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.12.4.3 Irregular payment to security guards -Rs.1.388 million

As per clause (d) of Rent Agreement, ENAR Petrotech Services Limited (EPSL) as tenant would pay 50% charges per month for Security Guards to PERAC Research and Development Foundation (PRDF) owner of the building.

During audit of EPSL for the year 2015-16, it was observed that the management awarded a contract amounting to Rs.1.388 million for hiring the services of armed security guards at PERAC Research and Development Foundation's (PRDF) building premises.

Audit is of the view that the management had violated the agreement clause because EPSL was the tenant of PRDF, Karachi and as per agreement it was the responsibility of PRDF to hire the services of armed guards and then ENAR would pay only 50% of the security guards charges. Because of this

company suffered an expenditure amounting to Rs.1.388 million which is treated irregular, unjustified and wasteful.

The matter was reported to the management in October, 2016 and November, 2018. DAC meeting was held on January 07 & 08 2019. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.12.4.4 Non-recovery of Emergency loan – Rs.1.31 million

As per authority No.16 of Statement of Authority of Board of Director and Chief Executive, BoD is competent to give emergency loan of ENAR employees. Further as per Para-2.2 & 2.4 of emergency loan policy, the limit of the loan amount will be 06 basic pay (on date of payment) subject of maximum of Rs.300,000 only and the employees, who claimed the staff loan for the first time, will be granted interest free loan, to be paid back in 24 months. However, after first loan, further loan will be granted on applicable interest rate i.e. KIBOR, prevailing at the date of approval of loan.

During audit of ENAR Petrotech Services Limited (EPSL), for the year 2013-14 and 2014-15, it was observed that management granted emergency loan of Rs.1.31 million Contractual permanent employees. The loan disbursed in 2012 without approval of the Board and was not received after lapse of more than 3 years.

Audit is of the view that undue favour was extended to the employees due to negligence and inefficiency poor financial controls.

The matter was reported to the management in October 2015 and November, 2018. DAC meeting was held on January 07 & 08 2019. The management informed that emergency loan had been fully recovered in

subsequent years. DAC directed the management to provide the relevant record for verification of facts by Audit. However, no progress was reported till finalization of this report.

Audit recommends that implementation of DAC directives.

9.13 Technology Up-gradation and Skill Development Company

9.13.1 Introduction

Technology Up-gradation and Skill Development Company (TUSDEC) is a Company incorporated in January 2005 and licensed under Section 42 of the Companies Ordinance 1984. The principal activity of TUSDEC is to upgrade technology & skills of the key and strategic Industrial Clusters and connect Pakistan to the global value chain. TUSDEC is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The principal office of TUSDEC is located at State Cement Corporation Building, Kot Lakhpat, Lahore.

9.13.2 Comments on Audited Accounts

9.13.2.1 The working results of the company for the year 2017-18 as compared to previous years were as under:

(Rs in million)

	2017-18	**% Inc/ (Dec)**	**2016-17**	**% Inc/ (Dec)**	**2015-16**
Income	67.07	42.46	47.08	11.17	41.82
Salaries, remuneration & benefits	71.72	43.67	49.92	2.32	48.76
Travelling & conveyance	5.99	38.98	4.31	14.62	3.68
Depreciation	27.22	161.57	10.40	(28.85)	13.40
Others	27.93	37.58	20.30	3.79	19.53
Total expenditure	132.86	56.43	84.93	(1.01)	85.79
Excess of expenditure over income	**(65.79)**	**13.67**	**(37.85)**	**13.92**	**(43.97)**
Other income	7.53	72.31	4.37	(43.68)	7.76
Accumulated Deficit	308.06	124.55	137.19	32.28	103.71
Surplus/ (deficit) for the year	(170.87)		(33.48)		(36.21)

(Source: Annual Audited Account)

Excess expenditure increased to Rs 65.79 million during 2017-18 from Rs 37.85 million during 2016-17, i.e. 13.67% increased. Management was required to explain the reasons for further increase in expenditure.

9.13.2.2 The amount of income tax withheld by the banks from profits on deposits accounts and Terms Deposits Receipts (TORs) increased to Rs 20.13 million in 2017-18 from Rs 9.19 million in 2016-17, registering an increase of 119%. The management was stressed upon to make vigorous efforts for clearance of these dues from government.

9.13.2.3 Two companies, namely Gujranwala Tools Dies and Molds Centre (GTDMC) and Ceramics Development and Training Complex, (CDTC) were amalgamated into TUSDEC. Management is required to intimate the future course of action with reference to performance of these new projects after amalgamation.

9.13.2.4 Prepayments & other receivables increased to 118.78% from Rs 5.69 million in 2016-17 to Rs 12.45 million in 2017-18. The reasons for this abnormal increase may be intimated besides effecting their early recovery.

9.13.2.5 The expenditure on projects in progress increased by 42.174% to Rs 621.14 million in the year 2017-18 from Rs 436.89 million in 2016-17. The increasing trend was indication of delay in completion of projects. Reasons of increase along with detail of projects in progress may be provided.

9.13.2.6 Trade receivables & others increased to Rs 9.34 million in 2017-18 from Rs 0.16 million in 2016-17 registering an increase of 5701%. The management was required to explain the reasons for such abnormal increase in trade receivables and make efforts for their early recovery.

9.13.2.7 An amount of Rs 2.88 million was shown as short-term advance to suppliers in the year 2017-18. Latest status of short-term advance to suppliers may be shared with audit.

9.13.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	06	-	06	8.10.1& 8.10.2.1,8.10.2.2,8.10.4.1, 8.10.4.2, 8.10.2.3,8.10.2.4,	-
Total	06	-	06		-

The compliance of PAC directives was very poor which needs immediate attention of the PAO.

9.13.4 Audit Paras

9.13.4.1 Irregular organization of events without tendering - Rs 5.58 million

According to Rule-12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of TUSDEC for the years 2015-17, it was observed that the management did not follow PPRs when it made agreements with institutes for organizing different events. Thus, management left project funds at the discretion of the second party which incurred expenditure of Rs 4.919 million without calling tenders.

Audit was of the view that by avoiding the tender process, undue favour was extended to different parties and the company was deprived of the benefit of competitive rates. The management should have determined the annual requirements and procured the services after tendering.

During DAC meeting held on January 11, 2019, Audit pointed out that the said expenditures were incurred on the scheduled seminars, workshops, conferences etc. and all the components of expenditures were recurrent in nature. This practice was adopted by the management only to avoid PPRA Rules/Tender procedure. Management explained that the said expenses were not recurrent in nature and the expenses were incurred on different 25 location where these workshops/Seminars were conducted. The DAC directed to get the record verified from audit within two days. The requisite verification was not facilitated by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.2 Irregular appointment of External Auditors - Rs 1.11 million

According to Finance Division's O.M. No. F.3(1)-Inv. III/80-406 dated March 25, 1981, where appointment of Chartered Accountant Firm was to be made by the Government, before submitting the name of the auditor(s) for approval of the Board of Directors, the institution should get the approval of Auditor General of Pakistan.

During the audit of TUSDEC for the years 2015-17, it was observed that the management hired the services of Chartered Accountants without obtaining mandatory approval from office of the Auditor General of Pakistan, Islamabad. The hiring of Chartered Accountant Firms and payment of Rs 1.11 million for the years 2015-16 & 2016-17 and engaging the services of M/s EY Ford Rhodes (engagement partner) for TUSDEC Head Office, M/s Horwarth Hussain Chaudhary & Co for CTDC and M/s Ch Safqat Ali & Co for GTDMC without the approval of AGP was held irregular.

Audit was of the view that as the management hired its external auditors without the consent of Auditor General of Pakistan in violation of Govt. instructions therefore, payment of Rs 1.11 million to the auditors was considered irregular.

The DAC during its meeting held on January 11, 2019, directed the management to observe all rules & regulations.

Audit recommends compliance of the DAC directive.

9.13.4.3 Irregular appointment of the Manager Design & Development - Rs 6.50 million

According to Job Vacancy Statement for the post of Manager Design & Development, "the candidate should have a degree of B.E, 7-10 years' experience in CAD/CAM and have a command on design software like CATIA, DEL CAM, PRO-T etc.

During the audit of TUSDEC for the years 2015-17, it was observed that Mr. Zaki-ur-Rehman was appointed as Manager Design & Development in GTDMC at monthly salary of Rs 100,000 without advertisement. The candidate appointed against the said post had qualification of DAE (equivalent to intermediate) instead of BE (Bachelor of Engineering). Neither formal appointment letter was issued to the officer nor it was available in his personal file. Therefore, the said appointment was held irregular. The officer was paid Rs 6.50 million as salary w.e.f. February 2012 to June 2017. Furthermore, the management did not verify academic and experience certificates of the officer.

Audit was of the view that undue favor was granted which should be enquired at Ministry level.

During DAC meeting held on January 11, 2019, the DAC directed to fix responsibility.

Audit recommends compliance of the DAC directive.

9.13.4.4 Irregular appointment of Chief Executive Officer - Rs 5.55 million

According to advertisement published in newspapers for the post of Chief Executive Officer the required qualification and experience was Bachelor's Degree in Mechanical Engineering or MBA and preference would be given to holders of Bachelor degree in Mechanical Engineering with MBA. Further the candidate should have vast experience of management and the well aware of the technological and related skills needs of the country. Candidate should have at least 10 years of experience with a minimum of 5 years in senior management position.

During the audit of TUSDEC for the years 2015-17, it was observed that Mr. Muhammad Awais was appointed as Chief Executive Officer in GTDMC at monthly salary of Rs 0.25 million on January 18, 2016 without having relevant qualification and experience. In the BoD meeting, it was also decided to hire a person having engineering background for the post of CEO. As per CV, Mr. Awais was holding degree of MBA Marketing from Preston University (black-listed by HEC in 1998) instead of engineering degree. No evidence/certificates in support of education and experience was found in the personal file/record of the officer. Thus due to irrelevant qualification and less experience without support of degrees/certificates the appointment was held irregular. The officer worked irregularly in GTDMC as CEO till September 29, 2017 for a period of 22 months and during his stay, he received salary of Rs 5.50 million which was also held irregular.

Audit was of the view that undue favor was extended to the officer instead of observing merit.

During DAC meeting held on January 19, 2019, the management explained that the appointment was made as per requirements published in the advertisement, "as Bachelor's Degree in Mechanical Engineering or MBA may apply". The appointed candidate had a degree of MBA. Audit contended that no academic and experience record was available either during audit or during

verification. The DAC directed to get the record verified from audit within two days. The requisite record was not provided by the management till the finalization of this report.

Audit recommended compliance of the DAC directive.

9.13.4.5 Unjustified payment to private training institutes despite poor monitoring results - Rs 25.80 million

According to terms of contract agreement Appendix-II of Business Rules, violations & penalties which will be imposed in case of violations during visits by PFU- M&E Team, a financial penalty of up to 50% on invoiced amount was to be imposed. As per agreement, 80% of training cost would be divided by the number of training months and paid via monthly invoice on the basis of eligible enrolment, satisfactory attendance and performance of the trainees, and remaining 20% would be paid after satisfactory conclusion of on job training (OJT).

During the audit of TUSDEC for the years 2015-17, it was observed that the management conducted the physical verification of the institutes providing services in different trades, selected under European Community Project. Thirteen (13) institutes were not providing training services as per contract agreements despite directions of the Monitoring and Evaluation teams. However, management did not consider the recommendations /remarks and continued payments to the institutes having poor performance and un-satisfactory attendance record. An amount of Rs 25.80 million was paid without observing contract clauses and without deduction of OJT from the invoices of the institutes.

Audit was of the view that the management was required to take action in the light of detailed remarks of Physical Assessment Committee but no action was taken against the institutes and payment released was held irregular.

During DAC meeting held on January 11, 2019, Audit pointed out that the subject amount was disbursed to the training institutes which had poor performance, fake training activities, non-availability of trainers and trainees and non-availability of equipments etc. highlighted by the monitoring & inspection team. Management explained that the penalties had been imposed on the said institutes. The DAC did not accept the view point of the management and directed to probe the matter at Ministry level.

Audit recommends compliance of the DAC directive.

9.13.4.6 Fictitious payment of stipend to trainees under PSDF Scheme - Rs 1.08 million

According to Rule-2 of Business Rules, Appendix-B of Punjab Skill Development Fun, in case of missing unverified CNICs, PSDF will withhold training cost of such trainees since inception. The same amount will be released only when PSDF receives valid CNICs for such trainees.

During the audit of GTDMC Gujranwala for the years 2015-17, it was observed that the management paid an amount of Rs 1.08 million to students of different trades whose CNICs were not entered with the payment vouchers when examined on test check basis. Hence, these payments were made without verification of CNIC in violation of the above-referred criteria.

Audit was of the view that the figure of Rs 1.08 million has been taken on sample basis and consists of one year data i.e. 2015-16 therefore, the chances of fake payments made in previous years cannot be ruled out. In some cases the names of students were entered /written by hand without CNICs. Thus, the process of such disbursements under Punjab Skills Development Fund (PSDF) could not be termed fair and transparent and the payment made during the year was held fictitious.

During DAC meeting held on January 11, 2019, Audit pointed out that names of the students without CNIC numbers were inserted with pen at the

bottom of system-generated reports, which creates ambiguity. The management explained that no payment was made without the registration/verification of CNIC and all the record was available. The DAC directed the management to get the record verified by audit within 2 days. The requisite record was not provided for verification to audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.7 Non-conducting of technical inspection of idle/out of order machines - Rs 333.73 million

According to agenda item-I of 18th BoD meeting held on December 31, 2015, BoD members suggested a technical report on idle machines to be prepared for which a technical team may be constituted to prepare the report after third party evaluation.

During the audit of TUSDEC for the years 2015-17, it was observed that major machines of GTDMC were out of order since inception, which affected the operation of the center. The said situation/scenario also indicated an alarming situation regarding doubtful existence of complete structure and parts installed in the said machines valuing Rs 333.73 million. A case of leakage/theft of machine part by the technician Mr. Tehmas Fiaz was also observed. During visit of machine hall and surrounding lobby, the Maintenance Engineer also pointed out that four out of five generators were out of order and most parts of these faulty generators were missing even before his appointment. Moreover, the logbook/work load and work utilization sheet of the running machines were not produced to audit. At this stage, a detailed technical inspection needs to be conducted by the Ministry for all machines.

The DAC in its meeting held on January 11, 2019, directed to probe the matter at Ministry level and a certificate regarding current status of machines about their functionality may be produced. The requisite probe was not carried out till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.8 Doubtful/fake inspection reports of machines – Rs 16.49 million

According to Schedule-D of the General Clause of the Contract under heading Installation/Commissioning, "Installation/Commissioning & training of all above machines will be completed within 1 or 2 weeks from the date of delivery".

During the audit of TUSDEC for the years 2015-17, it was observed that the management issued purchase order/Letter of Intent No. 1064 dated May 30, 2016 and No. 1284 dated December 13, 2017 to the vendors M/s K.M. Enterprises and M/s Waseer Impex for supply of Induction Hardening Machinery and Electro Plating Equipment valuing Rs 7.24 million and Rs 5.48 million respectively. As per clause 26.2 and Schedule-D of contract agreement, buyer (TUSDEC) was bound to conduct inspection of machinery according to the specification within one or two weeks from the date of the delivery. On April 19, 2017, a letter was issued by M/s K.M Industries to TUSDEC regarding expected delivery schedule of Induction Hardening Machine till April 21, 2017. An office note was also submitted by Manager Technical intimating that the said machine was delivered and commissioned at site on April 21, 2017.

However, as per Delivery Note dated August 23, 2016, the machine was delivered on August 23, 2016 and as per inspection report, the machine was also inspected on August 29, 2016, which was contradictory. Moreover, as far as electroplating equipment was concerned, two inspection reports of the same machine on the same date were found. The first report dated December 18, 2017 indicated that the machine was not installed, while second inspection report indicated that the machine was installed/commissioned successfully and operational training was also provided to the staff. Furthermore, an inspection report was also found indicating an advance date of inspection i.e November 25, 2018, which was not yet arrived. This resulted in fake inspection against purchase order No. 1280 to M/s EES for supply of four modules valuing Rs 3.771 million.

Audit was of the view that due to internal controls weakness, fake inspection reports were prepared which was held irregular.

The DAC in its meeting held on January 11, 2019 directed to probe the matter at Ministry level. The requisite probe was not carried out by the ministry till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.13.4.9 i Commissioning of machine with expired warranty - Rs 18.22 million

ii Commissioning of machines having warranty near to expiry - Rs 17.07 million

According to Clause 28.3 of GCC of the contract agreement, the supplier will furnish a full comprehensive warranty certificate, certifying that the goods supplied conform exactly to the specifications laid down in the contract. The one year warranty period will commence from the date of commissioning of the machine or 14 months from the date of delivery at site, whichever comes first. Moreover, according to Schedule-D of the General Clause of the Contract under heading Installation/Commissioning, "Installation/Commissioning & training of all above machines will be completed within 1 or 2 weeks from the date of delivery".

During the audit of TUSDEC for the years 2015-17, it was observed that the machines with expired warranty valuing Rs 18.216 million and machines having a warranty near to expiry valuing Rs 17.07 million were installed in ESCs project at Light Engineering Unit Center (LEUC). The said machines remained idle even after lapse of more than 12 months from the date of delivery. The TUSDEC management was bound to get commissioning /installation of Machinery within 1 or 2 week after the delivery date. The installation of machines with expired warranty valuing Rs 18.22 million and machines having warranty near to expiry valuing Rs 17.07 million was held irregular by audit and needs justification.

Audit was of the view that due to weak internal controls TUSDEC management could not get the machines commissioned within given timelines which resulted into irregular payments.

The DAC in its meeting held on January 11, 2019 directed to probe the matter at Ministry level and a certificate be submitted through Ministry regarding smooth functioning of machines. The requisite probe was not carried out by the ministry till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.14 Pakistan Hunting and Sporting Arms Development Company

9.14.1 Introduction

Pakistan Hunting and Sporting Arms Development Company is a Company limited by guarantee having share capital duly incorporated under Section 42 of the Company Ordinance, 1984 on September 29, 2006. The Company obtained the requisite certificate of business under Section 146(2) of Companies Ordinance 1984 and was thus entitled to commence business with effect from April 25, 2007. The Company was formed with the primary objective to uplift, develop and build hunting and sporting sector of Pakistan for exports and commercial activities with a view to generate foreign exchange and to develop quality and capacity to eventually compete in the international market. The registered office of the Company is situated at Ground Floor, State Life Building, The Mall, Peshawar.

The Company is a subsidiary of PIDC and fully owned by the GoP and has paid-up capital of Rs 86.49 million. The Company is working under the administrative control of Ministry of Industries and Production.

9.14.2 Comments on Audited Accounts:

9.14.2.1 The working results of the Company for the year 2017-18 as compared to previous years are given below:

(Rs in million)

	2017-18	**% Inc / (Dec)**	**2016-17**	**% Inc / (Dec)**	**2015-16**
Income from Training Center (CFTC)	3.80	782.37	0.43	-	-
Profit on investment	0.11	-	-		2.78
Profit on Bank Account	1.87	177.63	0.67	6.30	0.64
Other income	1.21	-	-	-	2.05
Total income	**6.99**	532.19	**1.11**	(79.78)	**5.47**
Administrative expenses	23.02	21.28	18.98	32.65	14.31

Marketing expenses	0.33	(87.50)	2.60	(35.37)	4.02
Financial expenses	0.09	2,900.00	0.03	(91.43)	0.04
Total Expenditure	**23.433**	8.57	**21.58**	17.52	**18.37**
(Deficit) of income over expenditure	(16.44)	(19.71)	(20.47)	58.77	(12.90)
Actuarial (loss)/gain	(0.52)	(242.58)	0.36	-	-
(Deficit) for the year	**(16.96)**	**(15.68)**	**(20.11)**	**55.95**	**(12.90)**
Accumulated deficit	150.08	(212.74)	(133.12)	17.80	(113.01)

(Source: Annual Audited Accounts)

The Company incurred total expenditure of Rs 23.43 million as against the total income of Rs 6.99 million resulting in deficit of Rs 16.44 million in the year 2017-18.Although the company has generated an income of Rs 3.80 million from Common Facility Training Center (CFTC), yet there is a huge gap between the income and expenditure. No income was earned from sale/export of hunting arms, which was the major objective of establishment of the company. The other main source of income was profit on bank accounts, which could cover only a small fraction of its expenditure. The management must justify the non- operation and failure to achieve its objectives of foreign exchange generation. Serious efforts may be made to generate revenues from the operations; otherwise, audit would recommend the liquidation of the Company.

9.14.2.2 Accumulated deficit increased to Rs 150.08 million in 2017-18 as compared to Rs 133.12 million in 2016-17. The continuous losses and accumulation of huge deficits indicated serious doubts about the Company's ability to continue as a commercial concern.

9.14.2.3 Company started procurement/installation of plant and machinery in 2015-16. During the year 2016-17, an addition of Rs 31.41 million and in 2017-18, an addition of Rs 1.00 million was shown in Plant &Machinery, which showed a very poor pace of work. No production from this plant was started for last three years. Slow pace of work and non-commencement of production need justification alongwith fixation of responsibility for such low performance.

9.14.2.4 Capital work in progress showed an amount of Rs 1.87 million as final settlement with M/s KM Enterprises for purchase of universal milling machine, which was subsequently rejected. Detailed record, alongwith penalties imposed for this settlement, may be provided to audit.

9.14.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	06	01	05	8.15.2.3,8.15.2.2, 8.15.2.4,8.15.2.5, 8.15.2.6	17
Total	**06**	**01**	**05**		**17**

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.15 Furniture Pakistan (Pvt.) Limited

9.15.1 Introduction

The Furniture Pakistan Company is limited by guarantee and was incorporated on August 06, 2007 under Section-42 of the Companies Ordinance, 1984 (now Companies Act 2017). The company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Pvt) Ltd (PIDC), Ministry of Industries & Production. The registered office of the company is situated at 4-A Lawrence Road, Lahore. The overall objective of the company is to promote, develop and upgrade furniture sector of Pakistan and to strengthen and support the technical capabilities thereof to enhance competitiveness of the sector.

9.15.2 Comments on Audited Accounts

9.15.2.1 The working results for the year 2017-18 as compared to the previous years are as under:

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16 (restated)
Income					
Profit on bank accounts	2.12	436.62	0.40	(12.97)	0.45
Income from projects	2.74	82.31	1.5040	(27.06)	2.06
Gain on disposal of fixed asset	0.54	-	-	-	-
Other income	0.11	(62.79)	0.30	100	0
Total income	5.52	150.84	2.20	(12.55)	2.52
Expenditure					
Salaries & Wages	16.24	(1.28)	16.45	(51.76)	34.10
Advertisement	0.40	(45.47)	0.74	(35.68)	1.15
Legal & professional charges	0.71	(2.22)	0.72	(44.20)	1.29
Other expenses	36.94	13.57	32.53	(19.71)	40.51
Total expenditure	54.29	7.63	50.44	(34.54)	77.06
Surplus/ (deficit) for the year	48.77	1.10	(48.24)	(35.29)	(74.54)

(Source: Annual audited accounts)

The company continued to be in deficit from 2013-14 to 2017-18. In 2017-18, the deficit was at Rs 48.77 million. Efforts need to be made to further reduce the deficit to make the company a going concern.

9.15.2.2 Cash deposits with commercial banks in current accounts increased from Rs. 8.81 million in 2016-17 to Rs. 42.30 million, carrying 3% to 3.5% markup as on June 30, 2018. The management was required to determine its working balance requirements and investment of surplus funds in the light of Finance Division (Budget Wing) Office Memo No.F.4(1)/2002-BR.II, dated: July 02, 2003 at better interest rates but no such action was taken by the management, which may result in loss of interest income. This needs explanation.

9.15.2.3 As per Statement of Income and Expenditure for the year ended June 30, 2018, management incurred an expenditure of Rs. 1.83 million on technical assistance. The nature of the expenditure along with the benefits may be elaborated.

9.15.2.4 The Capital Work in Progress was Rs 69.31 million as on July 01, 2017, which increased to Rs. 114.65 million as on June 30, 2018. Early completion of the building / plant & machinery was stressed upon the management.

9.15.2.5 As per Statement of Financial Position as June 30, 2018, tax refund due from Government increased from Rs 3.05 million during the year 2010-11 to Rs 6.42 million during the year 2017-18. Previously, the company had exemption certificate under section 2 (36) of Income Tax Ordinance, 2001 and tax payable was subject to 100% tax refund under section 100(C) of the Ordinance. The certificate expired in 2016 but no action was initiated for the renewal of the certificate, which needs justification. Moreover, early action may be taken for the renewal of certificate.

9.15.2.6 As per Note No: 1.2 to the Financial Statements, Securities and Exchange Commission of Pakistan had granted license under Section 42 of the Companies Ordinance 1984, upto August 03, 2012. It had to be renewed for a

further period of five years but the license had not been renewed. Reasons for non-renewal of the license may be explained, besides expediting the same.

9.15.2.7 As per Note No: 5.1 to the Financial Statements, an amount of Rs.2.961 million was receivable from parent company i.e PIDC, but the expenditure on registration fee of land owned by parent company was incurred by the management. The same was outstanding for a long time. Early recovery of the same is stressed.

9.15.3 Compliance of PAC Directives:

There was no pending PAC directive for compliance.

Note***:*** Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.16 State Engineering Corporation (Pvt) Ltd

9.16.1 Introduction

State Engineering Corporation (Pvt.) Ltd. (SEC) was incorporated in 1973 under the Companies Ordinance 1913 (now Companies Act 2017) with a paid up capital of Rs. 836 million fully subscribed by the Federal Govt. The Corporation is working under the administrative control of Ministry of Industries and Production. As at June 30, 2016, the company has fully paid up Capital of Rs. 889.96 million. Moreover the company also has Govt. Equity Fund of Rs 2,250.00 million (Rs. 1,173.00 million on June 30, 2009) representing the funds available for issue of shares to GoP.

The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Corporation manages and controls important segments of Engineering Industry of Pakistan. The industrial units are dealing in designing, engineering, manufacturing and supply of light, medium and heavy engineering plants and machinery.

The core objectives of the Corporation are as follows:

- To promote Industrial Self-reliance and build a sound technical/Industrial base in the country.
- To upgrade facilities for maximum possible indigenization and maintenance of technological edge over other domestic competition.
- To induct local and foreign Private Sector Partners, whenever possible, to promote joint ventures with them for achieving higher operational efficiencies.

The following companies are functioning under the control of the Corporation:

i. Pakistan Machine Tool Factory (Pvt.) Limited (PMTF)
ii. Heavy Electrical Complex (Pvt.) Limited (HEC)
iii. ENAR Petrotech Services (Pvt.) Limited

9.16.2 Comments on Audited Accounts

9.16.2.1 The working results of the Corporation for the year 2017-18 as compared to previous years are given below:

(Rs in million)

	2017-18	% Inc / (Dec)	2016-17	% Inc / (Dec)	2015-16
Income					
Service charges	55.00	25.00	44.00	0.00	44.00
Interest income	3.80	20.25	3.16	107.89	1.52
Grant income	-	-	0.25	(64.29)	0.70
Total income	**58.80**	**24.02**	**47.41**	**2.57**	**46.22**
Expenditure					
Operating expenses	56.97	45.74	39.09	7.45	36.38
Operating Profit/(loss)	**1.84**	**(77.86)**	**8.31**	**(15.55)**	**9.84**
Profit/(loss) before Taxation	**1.86**	**(77.62)**	**8.31**	**(15.55)**	**9.84**
Taxation	4.40	3.77	4.24	50.53	2.81
Profit / (loss) after Taxation	**(2.55)**	**(162.5)**	**4.08**	**(41.96)**	**7.03**
Accumulated profit/ (loss)	**(1,520.73)**	**0.17**	**(1,518.19)**	**(0.27)**	**(1,522.27)**

(Source: Annual Audited Accounts)

The External Auditors of the corporation reported the following qualification, which needs to be resolved. On September 10, 2017, a fire broke out in the Industrial Facilitation Centre Building – Software Technology Park where the Corporation's office was situated on the 3rd floor and destroyed all the records and data since its inception up till September 10, 2017. Consequently, the External Auditors were unable to obtain sufficient appropriate audit evidence about the total expenses other than salaries paid by the Corporation during the period of July 1, 2017 to September 10, 2017, which amounts to Rs. 2.81 million.

9.16.2.2 Provision of Rs. 2.44 million and Rs. 4.85 million was made on account of staff gratuity and leave encashment respectively. These provisions were made without getting actuarial valuation. The management was stressed upon to get actuarial valuation of these account heads to provide the factual position in the accounts.

9.16.2.3 Salaries allowances and benefits under major head of operating expenses which increased by 54.33 % from Rs. 31.38 million in the year 2016-17 to Rs. 48.42 million in the year 2017-18. The abnormal increase in the salaries, allowances and other benefits needs justification.

9.16.2.4 Advances as on June 30, 2018 included Rs 15.04 million (2017: Rs 9.61 million) as advances to employees registering an increase of 56.40%. The abnormal increase in advances to employees at the time when company's financial position was not sound and needs justification.

9.16.2.5 Loan from Government included a loan of Rs. 38.15 million received for mutation of 1776.17 kanal of land in the name of Heavy Electrical Complex (Pvt) Limited (HEC) located at Village Usman Khattar to transfer in the name of the company. The terms & conditions for repayment of loan alongwith current status of mutation of land in the name of HEC may be intimated.

9.16.2.6 The head due from associated undertakings included an amount of Rs. 227.57 million which was past due 90 days. These dues were increased by 23.84 % in the year under review as compared to previous year (2016-17: Rs. 183.76 million) which shows that dues were not timely recovered from the associated undertakings. The reasons for non-recovery of dues from the associated undertakings need explanation.

9.16.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1996-97	05	04	01	163	80
1998-99	04	03	01	257	75
1999-00	06	0	06	319,320,321,322,323 ,324	-
2000-01	05	04	01	296	80
2002-03	03	01	02	89&90,90.2	33
2003-04	05	02	03	102&102.1,102.4	40
2005-06	06	02	04	129.1,129.2,129.4,13	33

				0	
2008-09	22	21	01	120.1	95
2009-10	4	03	01	129	75
2013-14	07	01	06	8.17.2.6,8.17.1&8.17.2.1,8.17.2.2,8.17.2.3, 8.17.2.4,8.17.2.5	14
Total	**67**	**41**	**26**		**61**

The compliance of the PAC directives was not satisfactory especially during 1999-00, 2002-03, 2003-04, 2005-06 and 2013-14, which need attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.17 Heavy Electrical Complex (Pvt.) Limited

9.17.1 Introduction

The Company was incorporated as a Private Limited Company on December 09, 1991, fully owned by State Engineering Corporation (Pvt.) Limited Ministry of Industries and Production, Government of Pakistan. The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Company is engaged in the manufacturing and repair of power transformers.

9.17.2 Comments on Audited Accounts

9.17.2.1 The working results of the Company for the year 2017-18 as compared to the preceding years were tabulated below:

(Rs in million)

	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Sales	**259.00**	**(71.52)**	**909.52**	**34.34**	**677.03**
Cost of sales	229.90	(71.24)	799.40	44.73	552.32
Gross profit/(loss)	29.10	(73.57)	110.12	(11.70)	124.71
Operating expenses					
Administrative expenses	59.42	15.59	45.35	(2.18)	46.36
Selling & distribution expenses	10.60	(31.02)	15.51	(2.45)	15.90
Operating profit/(loss)	**(40.92)**	**(183.07)**	**49.26**	**(21.11)**	**62.44**
Other income	8.92	(35.27)	13.78	53.79	8.96
Financial charges	37.73	4.49	36.11	(8.47)	39.45
Profit/(loss) for the year before tax	(69.73)	(358.93)	26.93	(15.63)	31.92
Taxation	0.15	(98.35)	9.10	19.89	7.59
Profit/(loss) after taxation	**(69.58)**	**(490.02)**	**17.84**	**(26.67)**	**24.33**

(Source: Annual Audited Accounts)

The Chartered Accountants in their qualified opinion expressed that during the financial year 2015-16, the portion of land measuring 1,746.9 kanals, held by the Company was not appearing in the fixed asset record of the Company but was transferred to State Engineering Corporation (Private) Limited, the parent

Company, in its name through mutation signed by the Assistant Director, Land Records Tehsil, Taxila on Jun 29, 2016, for nil consideration, which was not the fair value. The value determined as per revenue assessment rate by Assistant Director Land Records Tehsil Taxila was Rs 533.06 million, as explained in note 5.4 to these financial statements. The same land in prior years, vide letter No. 5 (46) /2006- HMC dated December 17, 2012 from Ministry of Production, was transferred from the Company to a related party, Heavy Mechanical Complex (Pvt) Limited. The management did not produce sufficient and appropriate supporting documents of these transactions relating to land to the chartered accountancy firm. The land was neither recognized in prior years as fixed asset nor was its disposal recorded in the books of accounts of the Company for the year as no consideration was paid/ received on this acquisition/ disposal. Furthermore, appropriate legal advice in this regard was not sought to regularize the matter. Therefore, audit was unable to confirm the accuracy and completeness of land held by the Company. The management may review the case and factual position may be intimated to audit.

9.17.2.2 The chartered accountancy firm in their qualified opinion on the audited accounts further expressed that the balance under the head "trade debts" included receivables relating mainly to late delivery charges of Rs. 111.34 million which were outstanding for more than three years; against which provision of only Rs 32.61 million was appearing in the last year's financial statements. No further provision for the remaining amount was created during the year against these balances, whose recovery seemed doubtful. The management was stressed upon to review the issue of doubtful receivables and updated status may be intimated to audit.

9.17.2.3 During the year 2011, Sarhad Development Authority (SDA) cancelled the leasehold land of the Company measuring 11 acres, costing approximately Rs. 3.00 million which was included in the operating assets as at June 30, 2016. The Company went into litigation against SDA on cancellation of lease and the matter is currently pending adjudication. Current status of case may be intimated to audit.

9.17.2.4 The sales of the Company decreased by 71.52% to Rs 259.00 million in 2017-18, (2016-17): Rs 909.52 million) while the cost of sales decreased by 71.24% to Rs 229.90 million in 2017-18 (2016-17: Rs 799.40 million).The huge decrease in sales as compared to previous year resulted in decrease in Gross Profit by 73.57% to Rs 29.10 million during 2017-18 (2016-17:Rs 110.12 million). The Company sustained loss of Rs. 69.58 million in 2017-18 as compared to the profit of Rs. 17.84 million earned during 2016-17, which showed huge decline in the performance of the Company during the year under review. The reasons for huge decrease in sales, which ultimately resulted in loss, need justification.

9.17.2.5 Administrative expenses included salaries, wages and benefits, which increased by 35.09% to Rs 34.63 million during 2017-18 (2016-17: Rs 25.64 million). Similarly, repair & maintenance expenses increased by 88.43% to Rs 2.82 million during 2017-18 (2016-17: Rs 1.50 million).The abnormal increase in expenditure on account of salaries, wages benefits and repair & maintenance needs justification.

9.17.2.6 Selling and distribution expenses included salaries & benefits which increased by 42.63% to Rs 6.94 million during 2017-18 (2016-17: Rs 4.86 million) despite the fact that sales of the company decreased by 71.52% as compared to previous year. The abnormal increase in salaries and benefits under selling & distribution expenses despite decrease in sales shows that increase in salaries was not based on performance of the employees which needs justification.

9.17.2.7 Certain ex-employees of labour contractor were in litigation with the company for their outstanding dues claiming Rs. 4.67 million and, in case of unfavorable decision; the company shall be required to pay the said amount. Current status of the case may be intimated to audit.

9.17.2.8 The Bank of Khyber has issued guarantee of Rs. 230.98 million in favour of DESCOs and WAPDA against different contracts. Complete detail of

contract agreements against which Bank of Khyber issued guarantees, along with current status of those contract agreements, may be made known to audit.

9.17.2.9 During the year under review, the company has changed depreciation method of plant and machinery from capacity utilization basis to 2.5% per annum on written down value basis. Due to change in accounting estimates, the depreciation charge for the current year on plant and machinery amounts to Rs. 15.35 million. Had there been no change in accounting estimate, the depreciation charge for the current period would have been Rs. 6.24 million. Reasons for changing depreciation method which increased depreciation charge to Rs. 15.35 million from Rs. 6.24 million may be intimated to audit.

9.17.2.10 The Company has plant capacity of 2.928 million MVA on three shift basis as per PC-I whereas practical capacity was 1.33 million MVA against which the company could obtain actual production of 0.35 million MVA as compared to actual production of 1.10 million MVA of the previous year. Less utilization of plant capacity needs justification.

9.17.2.11 The Company has Contributory Provident Fund Scheme for benefit of all its permanent employees under the title "HEC – Employees Provident Fund". The size of the fund as at June 30,2018 was Rs. 9.07 million (2017: Rs. 5.69 million). On the other hand, provision for gratuity of Rs 9.23 million has been created. This shows that the Company has devised Contributory Provident Fund scheme as well as gratuity scheme for employees pensionary benefits in violation of policy of Finance Division issued vide O.M. dated October16, 1984. Finance Division vide O.M. dated January 21, 2015 directed that the same policy would remain intact. Reasons for violation of Finance Division's policy may be investigated with a view to fix responsibility thereof and recovery of the overpaid amount.

9.17.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1995-96	05	04	01	190	80
1996-97	05	04	01	169	80
1998-99	03	02	01	262	67
2000-01	04	03	01	299	75
2002-03	09	07	02	103.5,103.8	78
2003-04	05	0	05	104.2,107&107.1,107.2,104&104.1, 108.3	-
2005-06	06	05	01	132.3	83
2006-07	05	04	01	107.1	80
2007-08	03	02	01	80.2	67
2009-10	03	02	01	132	67
2013-14	04	01	03	8.19.1&8.19.2.1,8.19.2.2,8.19.2.3, 8.19.2.4,8.19.2.5,8.19.2.6,8.19.2.7,8.19.4.1,8.19.4.3, 8.19.4.5	25
Total	**52**	**34**	**18**		**65**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.17.4 Audit Paras

9.17.4.1 Irregular procurement on direct contracting basis - Rs 8.18 million

According to Rule 42- (c) of PPRs-2004, a procuring agency shall only engage in direct contracting if the procurement concerns the acquisition of spare parts or supplementary services from the original manufacturer or supplier, or only one manufacturer or supplier exists for the required procurement. Furthermore, the procuring agency shall specify the appropriate fora, which may authorize the procurement or proprietary object after due diligence.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management procured material worth Rs. 8.18 million from M/s SGWI Associates Lahore on direct contracting basis without press advertisement. It was also observed that M/s SGWI Associates Lahore was neither the sole proprietor of the goods procured nor the authorized agent of the manufacturer.

Audit was of the view that the procurement of goods in violation of PPRA Rules was irregular.

During DAC meeting held on January 11, 2019, management appraised that the material was procured from SGWI as per written requirement of NTDC. The DAC directed the management to submit revised reply accordingly and further directed to inquire the matter at Deputy Secretary level within 14 days after receipt of revised reply. Inquiry report was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.2 Irregular procurement of vehicles during ban period - Rs 4.80 million

According to para-1 (I) of Government of Pakistan Finance Division (Expenditure Wing) OM No. F.7 (1) Exp-IV/2016-510 dated July 25, 2016 regarding austerity measures for the financial year 2016-17, "there will be a complete ban on purchase of all types of vehicles both for current as well as development expenditure except operational vehicles for law enforcing agencies for which NOC from Finance Division would be required"."

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management procured four Suzuki Cultus worth Rs. 4.80 million from Suzuki Taxila Motors in violation of above instructions. The procurement of vehicles without approval of the Finance Division was held irregular.

Audit was of the view that the management was required to refer the case to Finance Division but no such action was taken by the management.

The DAC in its meeting held on January 11, 2019, directed the management to get the matter regularized from Finance Division. The management was unable to submit the case for regularization to Finance Division till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.3 Irregular payment of pays & allowances due to non-verification of degrees - Rs 22.51 million

According to Establishment Division (Management Services Wing), Islamabad OM No. 6(28)2011-DG-II dated March 08, 2011, it will be the responsibility of concerned Secretary & head of the department/ organization to have the degrees/ certificates verified. They should satisfy themselves of the genuineness of the degrees/ certificates which are required for the post as per rules. Any foreign degree/ diploma should be got verified from HEC. A certificate, along with list of officers whose degree/ certificate have been verified, should be furnished to said division within 45 days.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that degrees/ certificates of 10 out of 21 regular employees were not verified after a lapse of more than eight years of issuance of instructions by Government. Moreover, not even a single degree/certificate of contract employees as well as employees hired through third party contractor was verified despite the fact that Establishment Division in March 2011 directed to get the degrees verified from the respective universities within 45 days.

Audit was of the view that the management failed to comply with the directions of Establishment Division regarding verification of degrees of employees despite lapse of eight years. In the absence of the verification of

degrees, the payment of pay & allowances amounting to Rs 22.51 million was held irregular and unjustified.

During DAC meeting held on January 11, 2019, management apprised that verification of degrees was in process. The DAC directed the management to get the degrees verified from quarter concerned within 30 days. Process of the verification of degrees was not completed till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.4 Irregular hiring and subsequent extension of labor contractor in violation of the PPRs - Rs. 105.41 million

According to clause 12(1) of PPRs-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of Heavy Electrical Complex (HEC) Hattar for the years 2016-18, it was observed that the management awarded manpower labor contract agreement to M/s Zeb Enterprises for three months' period on September 26, 2016 whereas payment of Rs 105.41 million was disbursed upto June 30, 2018 without any competitive process. The contract was extended repeatedly uptill September 30, 2018 in violation of the PPRs.

Audit was of the view that award of contract and subsequent extensions to the contractor were serious violation of PPRs.

The DAC in its meeting held on January 11, 2019, directed the management that it was clear cut violation of PPRA Rules and matter be regularized from PPRA and further directed to hire the labour contractor as per PPRA requirement. The case for regularization was not submitted by the management to PPRA till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.5 Irregular appointment of officers - Rs 17.30 million

According to para-(III) (b) & (c) of Cabinet Secretariat Establishment Division OM No.6/2/2000-R.3 dated May 6, 2000, "vacancies should be advertised in leading national and regional newspapers and selection should be made through regularly constituted Selection Committee /Boards. "According to para-2 (ii) of State Engineering Contract Employment Policy 2004, "appointment in Executive Grades EPS-1 to EPS-V shall be made in accordance with recruitment procedure.

During the audit of Heavy Electrical Complex (HEC) Hattar for the years 2016-18, it was observed that, contrary to the above, the management recruited Assistant Manager EPS-II and Dy. Manager EPS-III through labour contractor on 89 days contract without open competitive selection process. The recruitment through labour contractor was made to avoid the competitive selection process i.e. test / interviews. The contract period of the officers was also being regularly extended since 2015 and officers were working till date. This resulted into irregular appointment and payment of Rs. 17.30 million.

Audit was of the view that the management was required to appoint the employees after advertisement and through proper procedure but appointments were made through labour contractor without open competitive process, which was held irregular.

The DAC in its meeting held on January 11, 2019, directed the management to inquire the matter at Deputy Secretary level. Case was not inquired till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.6 Irregular hiring of accommodation - Rs 12.08 million

According to Federal Government Policy, vide OM No. F-2(3) 2003, dated July 31, 2004, the Government allowed hiring of residential accommodation at six specified stations i.e. Islamabad, Rawalpindi, Lahore, Karachi, Peshawar and Quetta. It was the responsibility of the respective Ministry /Division /Department to hire Government residential accommodation for their employees within their budgetary resources. Furthermore, according to para-03 of Ministry of Finance Government of Pakistan (Regulation Wing –II) OM No. F.15 (5)R14/91-423 dated June 25, 1992, "Corporations /Companies wherein Government owns major or part shares cannot allow excess benefits to the employees of the corporations which were otherwise not admissible under Government Policy."

During the audit of Heavy Electrical Complex (HEC) Hattar for the years 2016-18, it was observed that HEC was located in Hattar District Haripur Khyber Pakhtunkhwa. Contrary to the policy whereby the above six stations were specified by the Ministry of Housing and Works, the management allowed hiring of accommodation to 21 employees at Sawabi, Chakwal, Haripur, Taxila, Wah Cantt. & Havalian. This resulted into irregular payment of Rs. 12.08 million.

Audit was of the view that the management was required to allow hiring at the specified stations only, but it allowed hiring at non-specified stations, which was held irregular.

The DAC in its meeting held on January 11, 2019 directed to get the clarification from Ministry of Housing & Works and approval from Finance Division. The requisite clarification from Ministry of Housing & Works and approval from Finance Division was not obtained by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.7 Regularization of officers in violation of directives of Privatization Commission - Rs 8.83 million

According to para-04 (d) of Privatization Commission OM No. PC/GEN/2005 dated November 28, 2005, regarding privatization of State Enterprise Units directions by the Commission, "no induction of employees under any category either through the company or through contractors." Furthermore, as per para-04 (g), any promotion / up-gradation may also be made in consultation with Privatization Commission.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was noticed that the company was on the approved list of Privatization Commission. The management regularized the services of Dy. Managers/ Assistant Managers serving on contract vide State Engineering Corporation letter dated September 01, 2010. Therefore, irregular expenditure of Rs. 8.82 million was incurred.

Audit was of the view that the management was required to obtain the approval of Privatization Commission for the regularization of above employees.

The DAC in its meeting held on January 11, 2019, directed the management to inquire the matter at Deputy Secretary level for regularization of officer in violation of Privatization Commission directions. Inquiry Report was not submitted till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.8 i Excess payment of interest due to non-competition with other banks – Rs 14.80 million
ii Irregular payment of interest - Rs 66.28 million

According to minutes of 57th meeting of BoD held on October 27, 2015 the Managing Director/CEO and Company Secretary were authorized to enter into agreement with other banks/financial institution for banking and financing

facilities. According to Clause (12)2 of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management, during 61st meeting of BoD held on August 31, 2017, apprised the Board that although Bank of Khyber (BoK) already sanctioned the regular financing facility of Rs.400.00 million @ KIBOR plus 2.5% interest for the year 2017-18 but the bank did not concede the HEC's requests for reducing the markup rates. In order to create healthy competition, HEC needed to have Financing Facilities from some other Bank(s). The Company Secretary informed that the BoD had already authorized the Managing Director/CEO and Company Secretary to enter into agreement with other banks/financial institutions for banking and financing facilities in its 57th meeting on October 27, 2015. Accordingly, BoD desired to utilize the earlier authorization for the purpose as and when needed. The directions of BoD were not followed in letter and spirit and management was still paying the interest @ KIBOR plus 2.5% and paid interest of Rs 66.28 million during 2016-18 in violation of BoD directions and sustained loss of Rs 14.80 million.

Audit was of the view that management was availing the credit facility for many years from BOK at KIBOR plus 2.5% and this loss could be accumulated many times, if the period prior to 2016-17 were also considered. Had the competitive process been adopted and the instructions of BoD followed diligently, management could have avoided the huge financial burden.

The DAC in its meeting held on January 11, 2019, directed the management to submit revised reply with proper justification. The revised reply was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.9 Mis-procurement from M/s Affaq Corporation -Rs 3.24 million

According to Clause 42C(v) of the PPRs 2014, the procuring agency may utilize the following alternative methods of procurement of goods, services and works in case of any emergency. And as per section 2 (g), emergency means natural calamity, disaster, accident, war and operational emergency which may give rise to abnormal situation requiring prompt and immediate action to limit or avoid damage to person, property or the environment. As per rule 12 (2) of PPRs-2014, procurement over two million should be advertised on PPRA's website as well as in other print media/newspapers. Furthermore, detailed procedure for appointment of consultants is described in Rule 39 to 54 of PPRs 2014.

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that the management paid Rs 3.24 million to M/s Affaq Corporation for purchase of 28 Panel Type Radiators @ Rs. 115,830 including 17% GST by invoking emergency clause. The management participated in tender issued by TESCO for purchase of transformers and subsequently LOI and purchase order were issued to HEC on November 03, 2016 and December 13, 2016 for delivery of transformers within 60 days. The management took lenient action for procurement of raw material during November 03, 2016 to December 18, 2016 (44 days), and decided to purchase the Panel Type Radiators by invoking emergency clause from M/s Affaq Corporation to avoid proper procedure.

Audit was of the view that as the management invoked emergency clause without the approval of competent authority, resultantly purchase was considered irregular.

The DAC in its meeting held on January 11, 2019, directed the management to clarify whether HEC management can invoke emergency clause without approval of competent authority. The requisite clarification was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.17.4.10 Weak internal control and poor financial management due to non-existence of CFO and Board Secretary

According to Rule 14(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, "The company secretary shall be responsible for ensuring that Board procedures are followed, and that all applicable laws, rules and regulations and other relevant statements of best practice are complied with. Where the company secretary is not separately appointed, the role of company secretary may be combined with chief financial officer or any other member of senior management."

During the audit of Heavy Electrical Complex (HEC), Hattar for the years 2016-18, it was observed that due to non-availability of CFO and Company Secretary, Mr. Muhammad Zahoor (DGM) Finance, was performing duty as head of Finance as well as Company Secretary since July 07, 2007. After advertisement the HR Committee of SEC Board of Directors held on March 6, 2017, shortlisted three candidates for each post of CEO and CFO of Heavy Electrical Complex. The post of CEO was filled in July 2017 but due to unknown reasons the post of CFO could not be filled. The DGM Finance, could not perform his duties in compliance of corporate governance rules as per statutory requirements.

In addition, the following shortcomings in the working of finance department were also noticed:

i. Non-availability of Fixed Assets Register
ii. Non-availability of allocation method for direct and indirect labour hours
iii. Non-availability of per unit utilization of scrap material
iv. Wrong calculation of depreciation
v. Non-competitive process for availing credit line facility
vi. Under-utilization of credit line facility of Rs. 550 million

Audit was of the view that the jobs of CFO and Company Secretary were full time commitments and could not be efficiently performed as part time. Therefore, the non-appointment of CFO since long was unjustified.

The DAC in its meeting held on January 11, 2019, directed the management to remove shortcomings pointed out by the audit within 45 days. No progress was reported till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.18 Industry Facilitation Centre (Pvt.) Limited

9.18.1 Introduction

Industry Facilitation Centre (Pvt) Limited (formerly State Enterprises Display Centre (Pvt.) Limited) was incorporated on September 03, 1989 under the Companies Ordinance 1984 (now Companies Act 2017). The initial purpose of the Company was to construct a building for display and exhibition of all kinds of manufactured and semi-manufactured goods produced by public and private sector enterprises in Pakistan. It was, however, later used as Awami Markaz under the directive of the Federal Government. The new name of the Company is Industry Facilitation Centre (Pvt.) Limited (IFC).

9.18.2 Comments on Audited Accounts

9.18.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2017-18 till December 31, 2018.

9.18.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

9.18.2.3 The working results of the Company for the year 2016-17 as compared to previous years are as under:

(Rs. in million)

	2016-17	**% Inc/ (Dec)**	**2015-16**	**% Inc / (Dec)**	**2014-15**
Income					
Income from Property	102.96	27.60	80.69	8.69	74.24
Direct cost	(41.17)	0.02	(41.16)	11.88	(36.79)
Gross Profit	**61.80**	**56.34**	**39.53**	5.55	**37.45**
General & Administrative expenses	(36.41)	52.03	(23.95)	20.41	(19.89)
Finance cost	(0.003)	85	(0.02)	-	-
Other Income	10.60	(21.48)	13.50	24.31	10.86

Profit before Taxation	**35.97**	**23.78**	**29.06**	2.25	**28.42**
Taxation	**(27.07)**	**38.96**	**(19.48)**	(6.66)	**(20.87)**
Profit for year after Taxation	**8.90**	**(7.10)**	**9.58**	26.89	**7.65**
Earnings per Share	7.21	(7.09)	7.76	27.00	6.11

(Source: Annual Audited Accounts)

The overall income of the Company increased by 27.60% to Rs 102.96 million in 2016-17 (Rs. 80.69 million 2015-16) whereas direct cost increased by 0.02% during current year 2016-17 as compared to the previous year. Similarly the general and administrative expenses also increased by 52.03% to Rs 36.41 million during current year as compared to previous year Rs. 23.95 million. Resultantly, the profit before taxation for the year showed increase of only 23.78% to Rs. 35.97 million (Rs. 29.06 million 2015-16). The management was therefore, stressed upon to exercise control over the expenses.

9.18.2.4 Advance against shares issued increased to Rs. 446.63 million at the end of year 2016-17, which increased from Rs 102.68 million at the end of previous year while the paid-up share capital stood at Rs. 123.46 million against authorized share capital of Rs. 150.00 million. As such, the adjustment of advance against the existing authorized share capital was not possible without its enhancement. Reasons for getting such huge amount of advance instead of making the company a self-sustained unit needs to be elucidated.

9.18.2.5 Cash at Bank was increased to Rs. 362.38 million at the close of current year as compared to Rs. 139.96 million at the end of previous year registering an abnormal increase of 158.92%. The main reasons for such increase in current accounts instead of TDR's/investment were the non-observance of standing instructions regarding maintenance of its current accounts by the management. Reasons for such weaknesses need to be elaborated, besides ensuring the transfer of surplus funds from the current accounts to the TDRs. /investment

9.18.2.6 Investment properties were appearing in the Balance Sheet for Rs. 229.95 million as on June 30, 2017 as against Rs. 126.23 million of previous year, registering an increase of 82.17%. This included an amount of Rs. 115.44 million on account of building under construction. Reasons for non-completion of

the project for the last several years need to be explained, besides making strenuous efforts for its early completion. Furthermore, the escalation affect due to delay in completion may also be worked out and intimated to audit.

9.18.2.7 Rent receivable was decreased to Rs. 26.18 million as on June 30, 2017 as compared to Rs. 29.14 million at the end of previous year showing a nominal decrease of 10.16%, whereas, the total amount of security deposits from the tenants was only Rs. 12.62 million as on June 30, 2017. Out of total rent receivables, an amount of Rs. 0.320 million was shown as doubtful, which showed that management did not pay due attention to recovery of rent. Strenuous efforts were required to recover the rent from the tenants.

9.18.2.8 General and administrative expenses increased to Rs. 36.41 million as on June 2017 as compared to Rs. 23.95 million at the close of the previous year, registering an increase of 52.03% over the previous year. This included an amount of Rs. 2.92 million as bad debts. Details and reasons for declaring bad debts need to be provided besides controlling the expenses for improvement of financial health of the company.

9.18.2.9 Other receivables stood at Rs. 6.02 million as on June 30, 2017 (2015-16 Rs. 6.20 million). The amount included electricity charges from tenants and CFP payment to MD. Reasons due to which the amount could not be recovered needs to be elaborated.

9.18.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras no	% of compliance
2013-14	02	02	-		
Total	02	02	-		

Compliance of the PAC directives was satisfactory and needs to be carried on.

Note: Audit paras' portion for the entity has not been compiled as audit of the entity was not undertaken during subject period.

9.19 National Fertilizer Corporation (Pvt.) Limited

9.19.1 Introduction

National Fertilizer Corporation of Pakistan (Pvt.) Limited (NFC) was established in August 1973 as a private limited company to carry out the business of manufacturing, buying, selling, exporting and importing all types of chemical fertilizers. The Corporation has four wholly owned subsidiaries including three institutes of engineering and one marketing company. The Company's main source of income includes dividend from investment in subsidiary companies and return on bank deposits and other investments.

Due to privatization of all fertilizer manufacturing units of NFC, the principal activities of the Corporation like manufacturing, buying, selling, exporting and importing all types of chemical fertilizers were stopped. However, marketing and selling of fertilizer imported by Trading Corporation of Pakistan is being carried out by the subsidiary company National Fertilizer Marketing Limited (NFML). Likewise, two training institutes are running independently.

9.19.2 Comments on Audited Accounts

9.19.2.1 The working results of the Corporation for the year 2017-18 as compared with the previous years are given below:

(Rs in million)

	2017-18	%Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Income					
Dividend	11.54	(40.55)	19.41	(98.23)	1,098.89
Profit on bank deposits	301.03	(3.13)	310.77	(39.42)	513.00
Other income	28.20	5131.54	0.54	(90.22)	5.51
Total income	340.77	3.04	330.72	(79.55)	1,617.41
Expenses					
Administrative expenses	149.16	(13.92)	173.27	24.18	139.53
Finance charges	0.09	(26.67)	0.12	(23.57)	0.16
Total expenses	149.25	(13.93)	173.39	24.13	139.69
Profit before taxation	191.52	21.73	157.33	(89.35)	1,477.72
Taxation	57.46	17.33	48.97	(84.41)	314.15
Profit after taxation	134.06	23.72	108.36	(90.69)	1,163.58

(Source: Annual Audited Accounts)

The profit after taxation of the company increased from Rs108.36 million in 2016-17 to Rs 134.07 million in 2017-18 registering an increase of 23.72 % which was mainly due to increase in other income and reduction of admin expenses by 13.92%. However, main source of income of NFC is profit on bank deposits. Efforts need to be made to decide the fate of NFC, either by assigning some function to the Company or otherwise, steps should be taken for its winding up.

9.19.2.2 Capital Work in progress indicated that the Company incurred a sum of Rs 46.45 million in 2017-18 and Rs 43.12 million 2016-17 for vehicle, land and other items. This represents expenditure incurred on new project of the company (NFC Institute of Engineering and Technology Nausharo Feroz). Status of the project with regard to hiring of the contractor for building and infrastructure work alongwith contract cost and tentative completion period for the Institute need be explained.

9.19.2.3 Other Long Term investments included investment in the Sanofi-Aventis Pakistan Limited, which raised in the market from Rs 138.08 million as on June 30, 2016 to Rs 454.29 million as on June 30, 2017. It was suggested by audit during last year audit comments for disposal of investment because there was a boom in the market at that time and prices were at peak but management did not give any weightage to audit advice. However, the value of this investment has again reduced in the market in 2017-18 and reached to Rs 273.60 million as on June 30, 2018. The issue needs immediate attention and clarification.

9.19.2.4 Receivable from NFC Residencies was outstanding as Rs 69.04 million, Rs 49.04 million and Rs 52.51 million as on June 30, 2016, June 30, 2017 and June 30, 2018 respectively. Interest of Rs 2.90 million was charged on this loan during 2017-18 @ 6% whereas no interest was charged in previous years. Reasons for non-charging of interest in previous years needs to be justified.

9.19.2.5 The salary package of three executive and one chief executive was Rs 21.60 million during 2017-18, which was on the higher side if we compare with salary packages of M1, M2 and M3 scales introduced by government for top

executives of public sector organizations. Payment of high salaries to the executives of such a company which has practically no work since last many years seems questionable. Matter may be placed before the Board for consideration.

9.19.2.6 The Director fee paid by NFC was Rs 13.11 million in 2016-17 and Rs 5.85 million in 2017-18. The number of Directors were seven in both years thus average fee paid to each Director was Rs 1.87 million in 2016-17 and Rs 0.84 million in 2017-18 whereas as per government instructions the active government officers working as Directors in companies are bound to deposit Directors fees beyond Rs 0.60 million in government treasury. Evidence for deposit of additional amount in government treasury by government side Directors need be provided.

9.19.2.7 Deposit with bank for Project Account included an amount of Rs 920.96 million as on June 30, 2018 which represents the amount invested in term deposit receipts with different banks earmarked for the purpose of establishment of NFC Institute of Engineering and Emerging Technologies, Lahore with an exclusive section for female students wholly funded by NFC through its own sources. These deposits carrying markup at a rate ranging from 6.05% to 7.10% for a maturity ranging from 3 to 6 months. Since management does not have any immediate plan to start the project in next few months, therefore, investment in short term period of 3 to 6 months is not a prudent decision. Need for shifting of funds from short term to long term period according to need of the management is stressed upon the management.

9.19.2.8 Investment in subsidiary companies indicated that NFC owned 100% shares of NFC Institute of Engineering and Technological Training (Private) Ltd, (IETT) Multan at Rs 25.00 million, whereas books of IETT Multan showed nil investment of NFC. Necessary reconciliation in this regard needs be conducted to arrive on the same page. The management should clarify this variation.

9.19.2.9 Dividend of Rs 11.71 million was received in 2016-17 from the investment made in Industry Facilitation Center but no dividend was received during 2017-18 from this investment, which needs justification.

9.19.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1995-96	36	35	1	36	97
1999-00	28	27	1	294	96
2000-01	35	33	2	271,273	94
2001-02	17	16	1	286	94
2006-07	23	22	01	118.3	96
2010-11	06	05	01	11.13.2.5	83
2013-14	03	02	01	8.22.2.2,	67
Total	**148**	**140**	**8**		**95**

The compliance of the PAC directives was satisfactory; efforts need to be made for 100% compliance.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.20 NFC Institute of Engineering and Technological Training (Pvt.) Limited, Multan

9.20.1 Introduction

The company was incorporated on June 26, 1984 as a Private Limited Company under the name "NFC Technical Training Centre (Pvt) Limited". Subsequently the name of the Company was changed to "NFC Institute of Engineering and Technological Training (Pvt) Limited" on August 30, 1994. Later on, all assets properties, rights and interests of whatever kind, used, enjoyed possessed, owned or vested in or held in trust by and liabilities legally subsisting against the company were transferred to NFC Institute of Engineering and Technology in accordance with the provisions of NFC Institute of Engineering and Technology Multan Act, 2012 passed by the National Assembly on 8th October 2009 and by the Majlis-e- Shoora (Parliament) in its joint sitting on 5th April 2012 which was published in " The Gazette of Pakistan" on 8th May 2012 and recognized as Degree Awarding Institute. The Institute is engaged in educational and training programs leading to higher degree in the field of Engineering.

9.20.2 Comments on Audited Accounts

9.20.2.1 The working results of the Institute for the year 2017-18 as compared to the previous years are given below:

(Rs in million)

	2017-18	**%Inc/ (Dec)**	**2016-17**	**% Inc/ (Dec)**	**2015-16**
Income					
Tuition and training fee and other income	507.79	15.66	439.03	8.58	404.34
Expenditure					
Teaching	316.19	20.69	261.97	39.98	187.15
Training	15.01	18.37	12.68	(20.03)	15.85
Admin and general	83.45	17.46	71.04	25.66	56.54
Bank charges	0.25	19.32	0.21	40.82	0.15
Total expenditure	414.89	19.94	345.90	33.20	259.69
Surplus before taxation	92.90	(0.25)	93.13	(35.62)	144.65

Taxation	-	-	-	-	2.80
Surplus after taxation	92.90	(0.25)	93.13	(34.34)	141.85

(Source: Annual Audited Accounts)

The income of the Institute increased by 15.66 % in 2017-18 as compared to previous year whereas teaching, training and administration & general expenses disproportionately increased by 20.69%, 18.37% and 17.46 % respectively which resulted in decrease in surplus of income over expenditure from Rs 93.13 million in 2016-17 to Rs 92.90 million in 2017-18. Efforts need to be made to control the expenses of the Institute so that the profitability trend could be maintained in coming years. However, reasons need to be explained for extraordinary increase in teaching, training and administration & general expenses.

9.20.2.2 Capital work in progress increased from Rs 138.06 million as on June 30, 2017 to Rs 193.08 million as on June 30, 2018. Early and timely completion of civil work is stressed upon the management in order to avoid time over-run and escalation factors.

9.20.2.3 Balance in short term investments with banks increased from Rs 830.00 million as on June 30, 2017 to Rs 875.00 million as on June 30, 2018 (5.42% increase over previous year), whereas profit from this investment decreased from Rs 52.40 million in 2016-17 to Rs 51.90 million in 2017-18 (0.94% decrease over previous year). Decrease in profit in 2017-18 despite increase in investment as compared to previous year needs to be clarified.

9.20.2.4 Receivables from 'Institutes and others' increased from Rs 4.21 million as on June 30, 2017 to Rs 8.38 million as on June 30, 2018 (98.98 % increase over previous year). Reasons for abnormal increase under this head need to be explained.

9.20.2.5 Land freehold of the Institute has been appearing in the books of accounts at a cost of Rs 36.97 million since the beginning. The Institute is situated on precious land of many acres in the city of Multan but the management has never revalued its value. Need for revaluation of the land of the Institute from

any independent source is stressed upon the management so that the financial statements of the Institute may depict a true and fair value of the assets.

9.20.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	04	03	01	8.23.2.3	75
Total	**04**	**03**	**01**		**75**

The compliance of the PAC directive was satisfactory however; efforts need to be made for 100% compliance by PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.21 NFC Institute of Engineering and Fertilizer Research Faisalabad

9.21.1 Introduction

The Company was incorporated on June 26, 1984 as a private limited company under the name "Fertilizer Research and Development Institute (Pvt.) Limited". Subsequently, the name of the Company was changed to NFC Institute of Engineering and Fertilizer Research (Pvt.) Limited on January 15, 1998. The Company is engaged in educational programs leading to higher degree in the field of Chemical Engineering since 1998. Later on, it started disciplines of Electrical Engineering, Mechanical Engineering and Computer Sciences in 2003, 2004 and 2007 respectively. It is affiliated with the University of Engineering and Technology Lahore. The Company is also engaged in research and development activities with reference to fertilizer industry.

9.21.2 Comments on Audited Accounts:

9.21.2.1 The working results of the Institute for the year 2017-18 as compared to previous years are as under:

(Rs in million)

	2017-18	%Inc/ (Dec)	2016-17	%Inc/ (Dec)	2015-16
Income					
Tuition fee	331.10	6.69	310.35	44.02	215.49
Research income	4.41	34.18	3.29	-	-
Other income	20.86	37.65	15.16	(82.61)	87.17
Total income	356.37	8.39	328.79	8.63	302.66
Expenses					
Teaching expenses	227.65	9.86	207.22	10.77	187.08
Research and development	16.78	7.55	15.61	11.07	14.05
Administrative expenses	90.22	13.29	79.64	4.08	76.51
Total expenses	334.65	10.64	302.46	8.94	277.64
Profit before taxation	**21.73**	**(17.48)**	**26.33**	**5.244**	**25.02**

(Source: Annual Audited Accounts)

The income of the Institute increased by 8.39 % in 2017-18 as compared to previous year whereas the total expenditure increased by 10.64% in 2017-18 as compared to 2016-17. The disproportionate increase in expenditure as compared to income resulted in reduction of profit before tax from Rs 26.33 million in 2016-17 to Rs 21.73 million in 2017-18 registering a decrease of 17.48% in 2017-18 over previous year. The expenses of the Institute particularly under the head of Administrative expenses needs to be controlled which were due to increase in number of employees from 266 as on June 30, 2017 to 304 as on June 30, 2018. The reasons for hiring of additional employees without enhancing its business need to be justified with facts and figures.

9.21.2.2 Capital work in progress carried nil balance as on June 30, 2018 as against Rs 0.58 million as on June 30, 2017. On the other hand, retention money was outstanding as Rs 10.55 million as on June 2018 as compared to Rs 10.81 million as on June 30, 2017. The management of the Institute should clarify the non-clearance of retention money.

9.21.2.3 Current Liabilities as on June 30, 2018 included deferred taxation and provision for tax of Rs 33.01 million and Rs 8.72 million respectively. On the other hand, the head current assets included advance tax of Rs 5.08 million as on June 30, 2018. Settlement of issues with Tax authorities is stressed upon the management.

9.21.2.4 Advances and Prepayment included other receivables of Rs 16.02 million as on June 30, 2018 as compared to Rs 15.60 million as on June 30, 2017. Nature, detail and reasons of their non-recovery need to be explained.

9.21.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2010-11	05	03	02	11.15.2.2,11.15.4.1	60
2013-14	04	03	01	8.24.2.2	75
Total	**09**	**6**	**3**		**67**

The compliance of the PAC directives was not satisfactory which need immediate attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

9.22 Small and Medium Enterprises Development Authority

9.22.1 Introduction

Small and Medium Enterprises Development Authority (SMEDA) was created under a notification dated October 13, 1998 issued by the Prime Minister of Pakistan office and is working under the Ministry of Industries, Government of Pakistan. On August 12, 2002, an Ordinance was promulgated for the establishment of SMEDA as an autonomous body under the Federal Government for encouraging and facilitating the development and growth of small and medium enterprises in Pakistan.

SMEDA was primarily working as an apex policymaking body for economic and commercial development of Small and Medium Enterprises (SMEs). The primary objective of the Authority is to provide a fresh impetus to Pakistan's economy through launching aggressive SMEs support programs. The head office of SMEDA is situated on the sixth floor, LDA Plaza, Egerton Road, Lahore.

9.22.2 Comments on Audited Accounts

9.22.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2017-18 till December 31, 2018.

9.22.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

9.22.2.3 The working results of the Authority for the year 2016-17 as compared

to previous years are as under:

(Rs in million)

	2016-17	% Inc / (Dec)	2015-16	% Inc/ (Dec)	2014-15
Income					
Grant from Government of Pakistan	232.03	3.10	225.05	17.107	190.77
Income from projects	8.50	-	-		-
Income from services	1.27	(52.84)	2.70	(44.62)	4.87
Other income	1.22	26.09	0.97	8.17	0.89
Total Income	**243.02**	**6.25**	**228.72**	**16.37**	**196.54**
Expenditure					
Salaries, wages and other benefits	133.48	17.22	113.87	10.12	103.41
Traveling and vehicle running	23.21	0.93	23.00	9.02	21.10
Repair and maintenance	4.22	33.10	3.17	0.76	3.15
Depreciation	5.18	(20.87)	6.55	(16.76)	7.87
Rent Rates	21.58	11.78	19.31	8.00	17.88
Projects expenditure	8.92	158.43	3.45	36.96	2.52
Provision for staff gratuity	21.15	26.82	16.68	12.42	14.83
Other expenditure	36.33	(13.62)	42.06	57.10	26.77
Total expenditure	**254.08**	**11.39**	**228.09**	**15.47**	**197.53**
(Deficit)/surplus of income over expenditure	(11.05)	(1858.19)	0.63	-	(0.99)
Fund balance	**(45.01)**		**(33.95)**	**(1.82)**	**(34.58)**

(Source: Annual Audited Accounts)

Income from services of the Authority decreased from Rs 2.70 million in 2015-16 to Rs 1.27 million in 2016-17 by 52.84% and ultimately management had to rely on Government grants, which have increased from Rs 225.05 million in 2015-16 to Rs 232.03 million in 2016-17. Efforts need to be made to enhance the income from services so that dependency on Government grants could be reduced.

9.22.2.4 Salaries, Wages and other benefits of other permanent staff increased by 18.19% from Rs 106.39 million in 2015-16 to Rs 125.75 million in 2016-17. The increase in salary packages of other staff needs clarification.

9.22.2.5 Training and conference expenses increased by 66.41% from Rs. 3.23 million in year 2015-16 to Rs. 5.38 million in year 2016-17 which needs clarification.

9.22.2.6 Income from services decreased from Rs. 2.70 million in 2015-16 to Rs. 1.27 million in 2016-17 decreased by 52.84%, which needs clarification.

9.22.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2003-04	02	0	02	120&121	-
2004-05	02	01	01	77	50
2006-07	04	03	01	86.3	75
2009-10	07	05	02	114.4 ,114.6	71
Total	**15**	**9**	**6**		**60**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.22.4 Audit paras

9.22.4.1 Irregular award of contract at higher rates - Rs 1.25 million

According to clause 36 (b) (ix) of PPRs 2004, the bid found to be the lowest evaluated bid shall be accepted.

During the Audit of SMEDA, Sialkot Business and Commerce Centre (SBCC), Sialkot, for the year 2016-18, it was observed that the management floated tender in the daily newspaper "The Nation" dated April 24, 2016 for procurement of eighty one (81) air conditioners along with accessories. In response to the tender, eight (8) bidders participated in the bid. Out of these bidders, M/s Greaves Air Conditioning (Pvt.) Ltd. quoted the lowest rates of Rs 13.73 million. During technical evaluation, the management disqualified the lowest bidder (M/s Greaves) on the ground that the bidder did not mention the

specifications of temperature. During examination of the relevant record of tender submitted by the bidder, it was revealed that the bidder provided the specifications of temperature i.e. 82.7/ 67. Contrary to the above, management rejected the first lowest bidder and accorded undue benefit by awarding contract to M/s Humak Engineering Pvt. Ltd. at a cost of Rs 14.98 million on June 21, 2016. This resulted into irregular award of contract valuing Rs 14.98 million.

Audit was of the view that award of contract by the management to second lowest bidder was irregular.

The matter was reported to the Ministry and management on October 11, 2018.The DAC in its meeting held on January 11, 2019 directed to probe the matter at Ministry level. The inquiry was not conducted by the ministry till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.22.4.2 Wasteful expenditure on third party performance evaluation of SMEDA - Rs 2.45 million

According to Ministry of Industries & Production letter No. 3(2)/2015-ME-I dated May 06, 2015, the administrative Ministry directed SMEDA to conduct third party performance evaluation for three years 2011-14 and compliance report be furnished to the Ministry on priority basis. As per Terms of References (ToRs) issued by Ministry of Industries & Production, the Firm/ consultant will complete the assignment within thirty (30) days from award of contract. The scope of work as per ToRs was as under:

i. Examine and analyze;
   a. SMEDA Products & Services Portfolio
   b. Over the counter Products & Services
   c. Business Development Services
ii. Sector/ Cluster Development Initiatives
iii. SMEDA's Demonstration Projects (PSDP) and other strategic initiatives
iv. Research, policy and advocacy activities

During the Audit of Small and Medium Enterprises Development Authority (SMEDA) for the year 2016-18, it was observed that M/s SKP Consulting Limited was awarded the contract amounting to Rs 4.90 million being the lowest bidder on January 28, 2016. The management allowed 120 days for completion of the assignments against Ministry directions of 30 days. Management paid Rs 2.45 million to the consultancy firm. Due time for submission of report by the consulting firm as per contract was May 28, 2016 (120 days) but after lapse of considerable time i.e. 27 months, Performance Evaluation Report as per ToRs was not furnished by the consulting firm. The management just encashed the performance guarantee Rs 0.49 million but did not initiate legal action against the firm.

Audit was of the view that the management neither followed the instructions of administrative ministry nor initiated legal action against the consulting firm for its blacklisting.

The matter was reported to the Ministry and management on October 11, 2018.The DAC in its meeting held on January 11, 2019 directed to take the matter to BoD and Ministry of Industries and Production for review. No progress was reported till the finalization of this report.

Audit recommends compliance of the DAC directive.

9.23 Spun Yarn Research & Development Company (SYRDC),

9.23.1 Introduction

Spun Yarn Research and Development (R&D) Company was established/incorporated on June 27, 2011. The principal office of the Company is situated at House No.1 Green Homes, Nawabpur Road, Multan. A Company was established under section 32 of Companies Ordinance, 1984 under Ministry of Industries & Production (MOIP) owned by the Federal Government. The Company runs as a joint venture between the Government of Pakistan and private investor, with around 37% Government of Pakistan shareholding and around 63% private party shareholding. The purpose of the project is to consume left over waste of cotton ginning industry to produce useful raw material for next processes. The proposed facility aims to consume waste of cotton spinning industry in the form of card fly and dropping to convert it into valuable market product.

9.23.2 Comments on Audited Accounts

9.23.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.23.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

9.23.3 Compliance of PAC Directives:

There were no pending PAC directives for compliance.

9.23.4 Audit Paras

9.23.4.1 Irregular purchase of raw material - Rs 373.41 million

According to Rule 9 of PPRs 2004, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2011-18, it was observed that the management executed purchase agreements with different parties and purchased raw material amounting to Rs 373.41 million without getting any competitive rates during the years 2015 to 2018.

Audit was of the view that the management was required to purchase the raw material considering the annual requirements/ targets. Due to the absence of purchase plan as well as approval of the board with respect to PC-I, the procurement of raw material was considered irregular.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.2 Irregular purchase of cables - Rs 5.85 million

According to Rule 12(2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management purchased electric cable amounting to Rs 5.854million without advertisement from M/s Pakistan Cables Private Limited during 2014-15 in violation of Public Procurement Rules.

Audit was of the view that the management was required to follow PPR rules and obtain competitive rates during procurement of electric cables.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.3 Irregular purchase of land at higher rate - Rs 8.05 million

According to PC-I of Spun Yarn Research & Development Company (SYRDC) dated December 2009 the estimated capital cost of land was Rs 5.00 million. According to advertisement in the Daily Mail (English) dated December 29, 2011, industrial plot measuring 12-16 kanals was required at Multan to establish facilitation center. Preference was to be given to the industrial plot situated at main road, MEPCO Grid Station and near Industrial Gas Pipelines.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management purchased land at the cost of Rs 13.05 million during March, 2012 inspite of the fact that estimated cost of land was Rs 5.00 million as per approved in PC-I dated December 2009. The management purchased agricultural land instead of industrial plot in violation of advertisement. Management delayed the purchase of

land despite availability of sufficient funds which resulted in extra payment of Rs 8.05 million (i.e. Rs 13.05 million - Rs 5.00 million).

Audit was of the view that management was required to revise the PC-I with respect to increase in cost of land from the competent forum but no approval was obtained from the competent authority. Furthermore, the plot was required to be purchased in the industrial area instead of agricultural land.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.4 Irregular appointment on contract basis - Rs 12.45 million

According to order of the Honorable Supreme Court of Pakistan, passed on Human Rights Case No.104 of 1992 on December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities are making initial appointments, both adhoc and regular to posts without publicity and properly advertising the vacancies and at times by converting adhoc appointments into regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession. It was ordered that the violation of this Fundamental/Human Right should be discontinued forthwith. Steps shall immediately be taken to rectify, so as to bring the practice in accordance with the Constitutional requirements.

During the audit of Spun Yarn Research & Development Company (SYRDC), for the years 2012-18, it was observed that the management appointed twenty two (22) employees on contract basis without advertisement during the years 2010 - 2018 and paid an amount of Rs 12.45 million. Thus, the appointment as well as payments were considered irregular due to noncompliance of orders of Supreme Court of Pakistan.

Audit was of the view that the compliance of instructions issued by Supreme Court of Pakistan as well as Government of Pakistan is mandatory.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.5 Unjustified expenditure on account of stipend to trainees - Rs 15.00 million

According to Rule 5(5) of Public Sector Corporate (Governance Rules) 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

During the audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management incurred expenditure of Rs.15.00 million on account of stipend to various trainees during the year 2015-16 without necessary provision in PC-I.

Audit was of the view that the management was required to make expenditure as per provisions of the approved PC-I but expenditure was incurred without any provision in approved PC-I which was unjustified.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.6 Non-conducting the physical verification of assets - Rs 132.14 million

According to Rule 159-A of General Financial Rules, physical verification of all stores should be made at least once in every year under rules prescribed by competent authority.

During the Audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the company had fixed assets worth Rs 132.14 million as on June 30, 2017.The existence of company assets was not checked through an independent body to ensure physical existence at any specific date in violation of above referred rules. During site visit of SYRDC, it was observed that machinery & equipment, furniture & fixtures and tools amounting to Rs 132.14 million purchased for the project was lying in the unit No. 2 & 3 of LCDC in shabby / poor condition.

Audit was of the view that the management was required to conduct physical verification of the assets but the same was not done.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.23.4.7 Non-insurance of company assets - Rs 39.78 million

According to Clause 166 (2a) and (3) of Insurance Ordinance, 2000, all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the NICL only and shall not be placed with any other insurer.

During the Audit of Spun Yarn Research & Development Company (SYRDC) for the years 2012-18, it was observed that the management purchased different assets worth Rs 39.78 million during the period from 2012-18. It was

the responsibility of the management to get the company assets insured as per the above said govt. instructions from NICL to safeguard against any loss.

Audit was of the view that all the Government assets were to be insured from M/s National Insurance Company Limited.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24 Leather Crafts Development Company (LCDC) Multan

9.24.1 Introduction

Leather Craft Development Company was established/incorporated on May 31, 2010. The principal office of the Company is situated at House No.1 Green Homes, Nawabpur Road, Multan. A Company was established under section 32 of Companies Ordinance, 1984 under Ministry of Industries & Production (MOIP) owned by the Federal Government. The Company run as joint venture between the Government of Pakistan and private investor, with around 47% Government of Pakistan shareholding and around 53% private party shareholding. The primary goal of the project is to generate economic activity is Southern Punjab and provide employment to the local people based on their indigenous strength.

9.24.2 Comments on Audited Accounts

9.24.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.24.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

9.24.3 Compliance of PAC Directives:

There were no pending PAC directives for compliance.

9.24.4 Audit Paras

9.24.4.1 Irregular procurement of roof slabs - Rs 3.82 million

According to Rule-12(2) of the PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of Leather Crafts Development Company (LCDC) for the years 2011-18, it was observed that the management issued purchase order dated August 21, 2014 for precast roof slabs and girders to M/s Izhar Group of Companies Multan amounting to Rs 3.82 million on quotation basis in violation of the above said rules.

Audit was of the view that the management was required to make procurement through competitive process but the same was not done. Hence, purchase of roof slabs in violation of PPRs was considered irregular.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24.4.2 Unjustified appointment of Chief Executive Officer - Rs 16.00 million

According to order of the Supreme Court of Pakistan passed on Human Rights case No.104 of 1992 on December 26, 1992 (circulated by the Cabinet Division), the Court observed that the Federal Government, Provincial Government, Statutory bodies and the Public Authorities are making initial appointments, both adhoc and regular to posts without publicity and properly advertising the vacancies and at times by converting adhoc appointments into

regular appointments. This practice is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen's freedom of profession.

During the audit of Leather Crafts Development Company (LCDC) for the year 2011-18, it was observed that BoD in its second meeting held on October 31, 2011 appointed Khawaja Muhammad Ali Yousaf as Chief Executive Officer of the company at monthly salary of Rs 200,000. The officer was also the Chief Executive Officer & Chairman of the Spun Yarn Research & Development Company (SYRDC) established on June 27, 2011 till to date and was drawing salary and fringe benefits from both companies. The appointment as CEO was made in violation of Honorable Supreme Court decision and as well as being the Chairman/CEO of SYRDC. Resultantly the said officer was working in two posts simultaneously (in LCDC & SYRDC). Hence, the appointment as CEO in LCDC and payment thereof valuing Rs 16.00 million was considered irregular and unjustified.

Audit was of the view that the officer could not work as CEO in two companies simultaneously. Furthermore, the appointment was made in violation of Supreme Court of Pakistan decision.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24.4.3 i Non conducting the physical verification of assets –Rs 11.60 million
ii Non utilization of assets purchased for the projects lying in store since long - Rs 4.46 million

According to rule 159-A of General Financial Rules, physical verification of all stores should be made at least once in every year under rules prescribed by competent authority.

During the audit of Leather Crafts Development Company (LCDC) for the years 2011-18, it was observed that company had fixed assets worth Rs 11.60 million as on June 30, 2018. The existence of company assets was not checked through an independent body to ensure physical existence at any specific date in violation of above referred rules. During site visit of unit 2 & 3 of LCDC, it was observed that machinery & equipment, furniture & fixtures and tools amounting to Rs 4.46 million purchased for the project was lying in the store room shabby/ poor condition.

Audit was of the view that the management was required to verify the physical existence of the assets but the same was not done.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.24.4.4 Unjustified expenditure on training - Rs 16.86 million

According to clause 6 of PC-I, the training courses to produce workers for value added sector of leather was scheduled as two courses of leather manufacturing and two courses of cutting & pattern. Further, stipend of Rs 2,000 per month would be given to each student.

During audit of Leather Crafts Development Company (LCDC) for the years 2011-18, it was observed that the management incurred expenditures of Rs 16.86 million on stipend to various trainees during the year 2015-16. Contrary to the PC-I requirement the management conducted more than two courses for each student. Furthermore, it was also observed that these trainees did not join any leather industry as no documents / evidence was available with the management. Thus, public funds were not utilized with due care and caution and this resulted into wasteful expenditure of Rs 16.86 million. Further, the

management did not execute the project in spite of lapse of considerable period as required in PC-I.

Audit was of the view that the management was required to conduct two courses instead of more than two according to PC-I provisions which was serious lapse on the part of management.

The DAC in its meeting held on January 11, 2019, discussed the issue and decided that the Ministry will review both the projects and then the matter would be discussed again.

Audit recommends compliance of the DAC directive.

9.25 Utility Stores Corporation of Pakistan (Pvt.) Limited

9.25.1 Introduction

Utility Stores Corporation of Pakistan (Pvt.) Limited (the Company) was incorporated on September 03, 1971 as Private Limited Company under Presidential order issued vide President Secretariat U.O dated March 26, 1971. The Corporation is registered under Companies Ordinance 1984 (now Companies Act, 2017) with its registered office at Islamabad.

The Company has paid up capital of Rs 737.73 million fully owned by the Government of Pakistan. The Company is working under administrative control of Ministry of Industries and Production. The key objectives of the Company were to:

i. Undertake the procurement of essential consumer goods from domestic and external sources.
ii. Ensure the availability of quality goods in adequate and regular quantities and market them at prices lower than the market, through a chain of store operations.

9.25.2 Comments on Audited Accounts

9.25.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.25.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

9.25.2.3 The working results of the Corporation for the year 2016-17 as compared to previous years were given below:

(Rs in million)

	2016-17	% Inc/ (Dec)	2015-16	% Inc/ (Dec)	2014-15
Sales	53,619.49	10.34	48,593.95	(13.44)	56,137.24
Subsidy	4,250.60	138.87	1,779.47	(38.08)	2,873.87
Cost of sales	53,231.90	14.53	46,478.52	(15.25)	54,838.87
Gross Profit	4,638.20	19.08	3,894.90	(6.65)	4,172.24
Selling and Distribution expenses	7,322.38	13.73	6,438.67	11.69	5,764.66
Administrative expenses	412.68	1.39	407.02	55.72	261.38
Finance Cost	46.75	4.68	44.66	(2.85)	45.97
Other Income	306.14	(21.87)	391.83	22.52	319.80
Loss before taxation	2,837.47	8.98	2,603.62	64.79	1,579.97
Taxation	536.55	14.08	470.34	(24.49)	622.90
Loss after taxation	3,374.02	9.76	3,073.96	39.54	2,202.87
Loss per share	45.74	9.77	41.67	39.55	29.86

(Source: Annual Audited Accounts)

Loss of the corporation increased from Rs. 2,603.62 million during 2015-16 to Rs. 2,837.47 million during 2016-17 despite the fact that the subsidy from Federal Government increased by 138.87 % from Rs. 1,779.47 million during 2015-16 to Rs. 4,250.60 million during 2016-17, which needs explanation.

9.25.2.4 Sales of the corporation increased by 10.34% i.e. from Rs. 48,593.95 during 2015-16 to Rs. 53,619.49 during 2016-17 whereas Selling & Distribution Expenses increased by 13.73% i.e. from Rs. 6,438.67 million during 2015-16 to Rs. 7,322.38 during 2016-17. Disproportionate increase in selling & distribution expenses needs explanation.

9.25.2.5 As per qualification of the Chartered Accountants, the title of leasehold land and building at Roti Plant, Karachi acquired by the Company in 1999 from Privatization Commission, Government of Pakistan at a revalued amount of

Rs 571.85 million had not been transferred in the name of the Company which needed justification.

9.25.2.6 As per qualification of the Chartered Accountants interest free long-term loan amounting to Rs 500 million from Ministry of Industries and Production had not been shown at amortized cost as required by the International Accounting Standard 39, which needed justification.

9.25.2.7 The corporation had a Tax Refund due from the government valuing Rs. 2,753.45 million for the last many years, which needs early recovery to reduce the ever-increasing financial crunch of the corporation.

9.25.2.8 The Trade and other payables of the corporation increased from Rs. 44,963.34 million during 2015-16 to Rs. 49,453.01 million during 2016-17. The non-payment of Trade and other payables despite having bank balance of Rs. 712.27 million as on June 2017 needs justification.

9.25.2.9 The provision for slow moving items charged on the basis of actual damaged, expired and obsolete goods received from the regions increased from Rs. 1.67 million during 2015-16 to Rs. 166.88 million i.e. 9,904.62% increase. The management required immediate attention to curb the tendency of increase in damaged, expired and obsolete goods.

9.25.2.10 The management had made 100% provision of Rs. 193.71 million for the trade debts considered doubtful during the year 2016-17, which requires explanation.

9.25.2.11 The shortage in stocks recoverable from store incharges valuing Rs. 1,419.79 million as on June 30, 2016 increased to Rs. 1,447.21 million as on June 30, 2017. The provision for doubtful debts (shortage in stocks recoverable from store incharges) increased from Rs. 42.16 million as on June 30, 2016 to Rs. 249.47 million as on June 30, 2017 i.e 491.76% increase. Effort needs to be

made for an early recovery of the shortage amount besides minimizing the chances for shortage.

9.25.2.12 The provision for miscellaneous receivable increased from Rs. 0.99 million as on June 30, 2016 to Rs. 2.79 million as on June 30, 2017 i.e. 182.56% increase. Efforts need to be made for an early recovery of the miscellaneous receivable for an early payment of Trade and other payables of the corporation.

9.25.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of Compliance
1990-91	03	02	01	250	67
1992-93	05	02	03	149,150,151	40
1994-95	08	05	03	156,157,160	63
1995-96	13	12	01	131	92
1997-98	02	01	01	214	50
1998-99	07	06	01	172	86
1999-00	04	01	03	251,252,253	25
2002-03	08	07	01	142.4	88
2005-06	05	04	01	147.3	80
2006-07	07	05	02	87.2,87.4	71
2007-08	07	02	05	89.2,89.3,90,91,93	29
2008-09	06	04	02	116,118	67
2009-10	12	06	06	117.2,117.4,118,120, 122,123	50
2010-11	14	06	08	11.6.2,11.6.4.1,11.6.4 .2,11.6.4.3, 11.6.4.4, 11.6.4.6, 11.6.4.7, 11.6.4.8,	43
2013-14	09	02	07	8.25.2.5,8.25.1&8 .25.2.1,8.25.2.3, 8.25.2.4,8.25.2.6, 8.25.2.7,8.25.2.8	22
Total	**110**	**65**	**45**		**59**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.25.4 Audit Paras

9.25.4.1 Embezzlement of subsidy on Atta – Rs 75.69 million

According to serial No: 3(i), (ii), (iii) of the GM Procurement (Wheat/ Wheat Flour) USC Head Office letter No: 4092/MAR/W&WF dated July 03, 2013, allocation of Atta would be made according to demand/ population. As per Senior GM Operation/ Procurement (ATTA) USC Head Office letter No: 4092/MAR/W&WF dated July 22, 2013, Atta cannot be purchased from pre-qualified flourmills out of zone.

During the audit of USC Zonal Office Lahore for the year 2017-18 it was observed:

i. The management of Sheikhupura & Gujranwala Regions in collaboration with flour mills sold out the allocated Atta (100,000 bags each) in open market instead of stores and made up the documentation for procurement of Atta. This resulted into embezzlement of subsidy due to bogus supply of Atta to the poor citizens of Pakistan valuing Rs. 24.000 million @ Rs. 120 per bag.
ii. Regional Manager, Sheikhupura prepared debit vouchers for procurement of Atta valuing Rs 6.80 million from M/s Khawaja Flour Mills & National Flour Mills Shahpur Kanjran Lahore in one day despite the fact that these mills had no physical existence.
iii. Against the allocation of 100,000 bags, Atta Regional Management Gujranwala procured 134,496 bags of Atta valuing Rs 83.39 million. This resulted into excess procurement of 34,496 bags Atta valuing Rs. 21.39 million without approval of USC head office.

iv. Regional Manager Gujranwala prepared bogus debit vouchers for the procurement of 21,105 bags of Atta valuing Rs. 13.09 million from M/s Nasir Flour Mills Lahore (outside the jurisdiction of RM Gujranwala) during the period July 09, 2013 to August 07, 2013 and obtaining signatures of different store Incharges forcibly.

v. Regional Manager Gujranwala procured 16,795 bags of Atta valuing Rs 10.41 million from M/s Chenab Flour Mills Gujrat (outside the jurisdiction of RM Gujranwala) during July 22, 2013 to August 07, 2013.

Audit was of the view that regional management violated the USC head office instructions but no action was taken.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that same observation was already printed in Special Audit Report relating to Mr. Hassan Ali Bhatti and Nedeem Ashar Gill of Sheikhupura Region and there was no loss to the corporation. Audit contended that no action was taken against RM Gujranwala. The DAC directed to inquire the matter at Ministry level.

Audit recommends compliance of DAC directives.

9.25.4.2 Loss due to embezzlement in US Pak Secretariat Utility Store Karachi – Rs. 118.70 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages: (a) on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN; (b) any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy; (c) from warehouse to stores the responsibility for damages will

devolve in the Delivery Clerk/ Loader as the case may be; and (d) after receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that the Zonal Manager Karachi on February 20, 2018 intimated the embezzlement of Rs. 118.70 million in US Pak Secretariat Store, US Farer Road Karachi and some other stores of Karachi Region. The 26th Executive Board Meeting (EBM) held on March 05, 2018, constituted an internal audit team to carry out the audit of US-Pak Secretariat Store and all the stores of USC Karachi North & South Region. A Fact Finding Inquiry was also carried out to fix responsibility on the responsible officers/ officials involved in misappropriation/ embezzlement of Government funds. Audit demanded the Audit Report of US Pak Secretariat Karachi Stores along with Fact Finding Report but same were not provided.

Audit was of the view that weak internal controls and poor vigilance resulted in embezzlement cases at Quetta Region in 2012 and now in Karachi Region in 2018.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that Fact Finding has been carried out along with Special Audit of the Karachi Regions and case was referred to NAB. The Committee directed to pursue the case with NAB and affect recovery.

Audit recommends compliance with DAC directives.

9.25.4.3 Loss due to massive embezzlement in Sargodha Region - Rs. 9.06 million

According to USC Circular Order bearing No: 501/Acctt/2006 dated: December 30, 2006, in case of any violation or lapse/ violation in performance of

these duties the official concerned shall be duly accountable for the loss, if any, arising from such lapse/ violation of duty.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that the management dismissed two employees of Sargodha Region on the following charges of embezzlement, misconduct, inefficiency, negligence and dereliction:

i- Sales worth Rs 985,690 were under- booked in Cash in Transit (CIT) of relevant stores and credited to other irrelevant stores;
ii- Disparity between CIT Schedules sent to USC Head Office & maintained at region and non recovery of Rs 883,263;
iii- Embezzlement of Rs. 19.98 million through excess crediting of sales to stores accounts.

Afterwards an amount of Rs 12.785 million (Rs 9.81 million in cash and Rs 2.98 million from the salary) was recovered. This resulted into embezzlement of Rs. 9.06 million through excess credit of sales into stores account by the above culprits.

Audit was of the view that the management was required to take strict disciplinary action against the culprits and recover the embezzled amount but no further recovery was effected from the culprits till the close of audit which was an undue favour. Furthermore, weak internal controls resulted into embezzlement of Rs. 9.06 million.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that an amount of Rs. 6.4 million has been recovered. The Committee directed to get the recovery verified and make efforts for balance recovery.

Audit recommends compliance of the DAC directive.

9.25.4.4 Loss due to dacoity in warehouses of Rawalpindi (North) & (South) Regions - Rs. 9.54 million

According to circular order No.4/SO&S/2007 dated January 24, 2007 and No.06/SOS/2010 dated June 03, 2010, the regional manager and store in-charge were responsible to ensure the safe and secure operation of stores and to ensure that proper security measures have been adopted and security guards/chowkidars deployed at warehouse/stores are available and performing their duties as per instructions issued from time to time.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that an incident of dacoity took place in the branded goods warehouses of USC Rawalpindi (North) and Rawalpindi (South) Regions on midnight of 17 & 18 February 2018, wherein the dacoits broke the locks of warehouses and entered both warehouses of the regions and took away the stock in bulk. As per initial investigations, loss of Rs. 9.54 million was assessed. Fact Finding Inquiry was ordered by the then Managing Director, which was under process. FIR was also lodged and investigation in this regard was pending with police authorities and no accused was arrested by the police authorities till the close of audit.

Audit was of the view that poor watch & ward conditions of these warehouses by private security guards resulted in loss of Rs. 9.54 million. The management was required to include necessary clauses to safeguard against these incidents but contract with security agencies were not revised despite frequent incidents of dacoity.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that claim of the NICL could not be completed due to non-finalization of the Fact Finding Inquiry. The Committee directed to complete the same within 15 days.

Audit recommends compliance of the DAC directive.

9.25.4.5 Irregular upgradation of accounts cadre of USC - Rs. 21.11 million

According to Cabinet Division (Establishment Division) Government of Pakistan OM No: 01/13/96/R/6 dated: August 10, 2016, the competent authority was pleased to approve up-gradation/ grant of higher scale to following ministerial posts as mentioned against each w.e.f July 01, 2016:

S No	Designation of the posts	Exiting pay scales	Up-graded pay scales	Remarks
1.	Assistant Incharge	BPS-15	-	The existing incumbents are granted BPS-16 as one time dispensation. The posts of Assistant Incharge (BPS-15) are henceforth decided a dying cadre.
2.	Assistant	BPS-14	BPS-15	
3.	Upper Division Clerk	BPS-09	BPS-15	
4.	Lower Division Clerk	BPS-07	BPS-09	

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that BoD adopted the above Office Memorandum of Cabinet Secretariat in its 139th meeting held on February 10, 2017. While adopting the above OM the BoD also decided to upgrade the posts of Senior Accounts Assistant (BS-14)/ Senior Audit Assistant (BS-14) Accounts Assistant (BS-14)/ Audit Assistant (BS-14)/ Junior Accounts Assistant (BS-9) without obtaining the approval of Finance Division. This resulted into irregular up-gradation and payment of Rs. 21.11 million.

Audit was of the view that the management was required to obtain the prior approval of the Finance Division, Government of Pakistan for upgradation of the accounts cadre but no approval was obtained.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019,

management apprised that BoD has granted the approval for the up-gradation of Accounts Cadre employees. The Committee did not accept the plea of the management and directed to submit revised reply.

Audit recommends to obtain ex-post facto approval of the Finance Division under intimation to audit.

9.25.4.6 Irregular continuation of security agreement with M/s Ghosia Guards and Management Services (Pvt) Ltd - Rs. 56.99 million

According to Clause-4 of contract agreement on September 01, 2016, the agency shall be registered with the concerned authorities of the Federal/ Provincial Government and should fulfill the conditions laid down by such authorities. Moreover, according to Clause-17 of contract agreement on September 01, 2016, the agency shall deposit performance security @10% of the total yearly estimated contract value.

During the audit of USC Zonal Office Lahore for the year 2017-18, it was observed that the management awarded contract for the provision of security services to M/s Ghousia Guards and Management Services (Pvt) Ltd through tendering w.e.f September 01, 2016 to August 31, 2017 and made a payment of Rs 56.99 million. The registration certificate of the security agency from the concerned authorities of the Federal/ Provincial Government were not obtained, and performance security of only Rs 500,000 was obtained instead of the required Rs 2.85 million @10% of the total yearly estimated contract value, which was in violation of the above quoted clause of the contract agreement.

Audit was of the view that management failed to fulfill requirements.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that they invited tenders twice but same were rejected due to higher rates and security amount was being recovered. DAC was not satisfied

with the explanation of the management and directed to re-tender the services and effect recovery of the 10% security.

Audit recommends compliance of the DAC directive.

9.25.4.7 Irregular payment of honorarium to daily wage employees - Rs 43.21 million

According to engagement letter, appointment of the Daily Wage employees was on fixed pay.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that Board of Directors approved the payment of honorarium to daily wage employees on account of performing duty beyond normal duty during the month of Ramzan 2017 & 2018 @ Rs 7000 & Rs 5000 respectively. As per terms and conditions of the employment of daily wage employees, they were not entitled to any other benefit except fixed wages hence payment of honorarium to daily wage employees valuing Rs 43.21 was held irregular.

Audit was of the view that the BoD was required to amend the term and conditions of the appointment of these daily wage employees for the eligibility for payment of honorarium otherwise, they were not entitled to receive honorarium.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that BoD approved the payment of honorarium to daily wage employees due to work beyond normal hours during Ramzan. The DAC directed the management to submit detail revised reply.

Audit recommends compliance with DAC directives.

9.25.4.8 Irregular procurement of branded sugar - Rs. 990.05 million

According to Clause (12) (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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. According to Clause (12) (3) of PPRA Rules 2004, in cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management procured a quantity of 20 M. Ton branded sugar valuing Rs. 2,325.42 million from M/s Chashma Sugar Mill Unit I & II and M/s Premier Sugar Mills without advertisement on Authority's website nor in newspapers in violation of the above quoted rule of PPRs. The management directly entered into an agreement with above sugar mills without any bid or tender which was held irregular. Furthermore, management did not obtain earnest money/ security money valuing Rs. 600,000 from the suppliers.

Audit was of the view that the management was required to advertise the opportunity on Authority web site and in newspapers but no such action was taken by management.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that PPRA was not applicable in case of procurement of branded sugar. Committee was not satisfied with the explanation of the management and directed to hold inquiry for violation of the PPRs at Ministry level.

Audit recommends compliance of the DAC directive.

9.25.4.9 Irregular appointment of daily wage employee without approval of the USC head office - Rs. 11.24 million

According to letter No: 237-Estt/DW dated September 13, 2012 from Sr. GM (HR&A), all Regional Manager/Accounts Officer were directed that no payment will be made to the daily wagers who were engaged without approval of the USC Head Office and in case of 2nd violation of the head office directions, RM/AO would be responsible for the requisite amount which would be recovered from the salary of RM/AO.

During the audit of Utility Store Corporation (USC) for the year 2017-18 it was observed that the management of 13 regional offices engaged a large number of daily wage employees or continued the engagement of daily wage employees after the termination of their engagement period without obtaining any approval from head office during 2009 to 2012. Therefore, the engagement and payment of wages to these employees valuing Rs. 11.24 million was irregular.

Audit was of the view that the regional management was required to either terminate the engagement of daily wage employees after expiry of approved engagement period or obtain the approval of the USC head office for the re-engagement of these daily wage employees but no such approval was obtained.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that after retrenchment of 246 employees they got stay orders from NIRC and case was still pending. The DAC directed to pursue the court case.

Audit recommends compliance of the DAC directive.

9.25.4.10 Irregular engagement /hiring of casual labor without advertisement – Rs. 41.61 million

According to Rule-12 (ii) of PPRs 2004, all procurement opportunity over two million rupees should be advertised on the Authority's website as well as in other print media or newspaper having wide circulation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management was hiring the services of casual labour for loading and un-loading of commodities in warehouses from open market without adopting competitive bidding as required under the rules, therefore, the re-imbursement of bills on account of labour charges of Rs 41.61 million was held irregular.

Audit was of the view that the management was required to engage the labor contractor on competitive rates but it failed to comply with the PPRs. Therefore, payment of Rs. 41.61 million to casual labor was held irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that they hire casual labour on need basis. The Committee was not satisfied with the reply of the management and directed to submit revised reply.

Audit recommends compliance of the DAC directive.

9.25.4.11 Irregular payment of sales commission on deficient sales targets - Rs. 66.89 million

According to Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage

and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management made payment of sales commission valuing Rs. 66.89 million despite the fact that regional sales staff was deficient in achievement of sales targets i.e out of total sales targets of Rs. 64,023.60 million for the year 2017-18 they achieved only sales worth Rs. 29,972.20 million hence achievement was only 54%. This resulted into unjustified payment of sales commission valuing Rs. 66.89 million.

Audit was of the view that the payment of sales commission incentive despite deficiency in achieving the sales targets was an extra financial burden on the corporation. Furthermore, management did not formulate any policy regarding payment of sales incentive and sales commission. Therefore, payment of commission valuing Rs. 66.89 million was considered irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that the amount also includes shoplifting allowance to sales staff. The committee directed the management submit revised reply.

Audit recommends compliance of DAC directives.

9.25.4.12 Non-recovery from various organizations - Rs. 360.22 million

According to Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels within the Public Sector Company to ensure compliance of principle of probity and propriety

entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that an amount of Rs. 360.22 million was outstanding against various organizations from 2004 to 2015 which showed that no serious efforts were made by the management for recovery of the above outstanding amount.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that main amount relates to Emergency Relief Cell, Pakistan Bit ul Mal and National TB Control Programme for which efforts were being made. Committee was not satisfied with explanation of the management and directed to pursue the recovery.

Audit recommends compliance of DAC directives.

9.25.4.13 Non-recovery/ adjustment of sales return, stocks transferred to other regions – Rs.2,185.86 million

According to clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that in several cases stocks valuing Rs. 2,185.86 million

were returned to suppliers/transferred to other regions/warehouse adjustments etc through stock debit notes but no confirmation of recovery/adjustment from these suppliers/Regions was available in the record of the respective region.

Audit was of the view that the management of respective regions was required to confirm the receipt/ return of stock to suppliers but no confirmation was received even lapse of ten years which was objectionable and showed poor performance/ weak internal controls.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that it was an ongoing process and only SDNs for the period prior to introduction of Accounting Software were pending. The Committee directed to clear the same at an early date.

Audit recommends compliance of DAC directives.

9.25.4.14 Non termination of the services of excess daily wage employees hired after January 2017 - Rs 33.36 million

According to Minutes of 22nd Executive Board Meeting (EBM) held on January 31, 2018, the committee decided that excessive manpower hired after January 2017, should be relieved in view of the grievances of the CBA highlighted during National Assembly Standing Committee meeting held on January 31, 2018.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that during National Assembly question dated: January 31, 2018, CBA Union representative agreed to retrench the excess daily wage employees of the corporation recruited after January 2017. The management failed to terminate the services of 278 daily wage employees hired after January 2017 despite the orders of the Executive Board dated January 31, 2018 and agreement with CBA Union. This resulted into irregular continuation of the 278

daily wage employees and payment of salary and wages valuing Rs 33.36 million (Rs 15000 per month x 8 months x 278).

Audit was of the view that the management was required to immediately terminate the services of excess daily wage employees of the corporation in view of the present financial crunch of the company.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that after retrenchment of 246 employees, they got stay orders from NIRC and case was still pending. The DAC directed to pursue the court case.

Audit recommends compliance of the DAC directive.

9.25.4.15 Appointment of Legal Advisors without approval of Law & Justice Division - Rs 12.88 million

According to Para-V of the letter of Government of Pakistan Ministry of Law, Justice and Human Rights Division dated: June 3, 2015, every Government Department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice and Human Rights Division for engagement of lawyer where professional fee exceeds Rs. 300,000. In such a case concerned department will send a panel of at least three advocates for selection of one of them along with proposed professional fee for approval of Law, Justice and Human Rights Division.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that BoD in its 131st meeting held on January 08, 2016 formally approved the appointment of legal counsel Mian Shafqat Jan Advocate Supreme Court, Senior Partner Khan & Muezzin Barrister, Advocates & Legal Counsel and payment of legal fee amounting to Rs. 500,000 in connection with filing of writ petition No 3944/2015 on behalf of Board of Directors before

Islamabad High Court, Islamabad. Management moved the case for the approval of legal fee of Rs. 500,000 to Law, Justice and Human Rights Division through administrative ministry. The Law, Justice and Human Rights Division regretted to concur on the payment of the fee to advocate engaged by USC on their own without following the prescribed procedure and without lawful authority. The USC Head Office and Regional management also hired the services of legal counsels without forwarding the panel for the approval of the Law, Justice and Human Rights Division and made payment of legal fee of Rs. 13.68 million which was held irregular.

Audit was of the view that the management was required to forward a penal of legal counsel for the approval of Law, Justice and Human Rights Division but it appointed legal counsel at its own in violation of the prescribed procedure and without lawful authority by the division.

The matter was reported to the management on October 14, 2018 and to PAO on October 13, 2018. During DAC meeting held on January 25, 2019, management apprised that same para was printed which was settled by the DAC. Audit contended that the current para was regarding payment of Rs. 0.80 million to Mr. Ahsan Amin Gill, Rs. 1.07 million to other legal Advisors and Rs. 11.59 million by Regional Offices. The Committee settled the para to the extent of Rs. 0.80 million paid to Mr. Ahsan Amin Gill and directed to justify the payment to other legal advisors.

Audit recommends obtain ex-post fact approval of the Law, Justice and Human Rights Division in each case under intimation to audit.

9.25.4.16 Stores continuously running in losses - Rs. 310.71 million

According to Clause-3.09 & 3.12 of the Chapter-3 of the Stores Operational Manual 1982, the Regional Managers / Area Managers must analyze the performance and commercial viability of each store and devise ways and means for sale promotion at each ale outlet. The Regional Managers must follow

a proper monitoring system to identify unviable stores, which should be eliminated according to a suitable plan. The stores, which were serving no socioeconomic purpose, should be closed.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that 1678 stores in 25 regions sustained loss of Rs. 310.71 million but no corrective measures were taken by either head office or regional management. A legislative body of the Senate on May 05, 2016 gave six months' time to Utility Stores Corporation of Pakistan (USC) to improve its performance and stop corruption; otherwise, they would recommend the government to wind it up as it had no purpose to continue. The committee was of the view that department was involved in massive corruption and mismanagement.

Audit was of the view that the management was required to take measures to improve the sales of these stores but no action was taken and stores were continuously running into loss.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that they had moved case to Government and a rehabilitation plan of loss-making stores was also under consideration. The Committee pended the para for PAC.

Audit recommends compliance of the DAC directive.

9.25.4.17 Loss due to non-execution of the decree against ex-employee - Rs.1.22 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages: (a) on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/

quantity in accordance with the GRN; (b) any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy; (c) from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be; (d) After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed:

i. Management appointed Mr. Muhammad Ghazanfar s/o Sherbaz Khan of Rawalpindi as Store Manager in Islamabad Region vide office order dated: August 29, 1998 on personal guarantee of Mr. Muhammad Ameen s/o Sarwar of Rawalpindi. The Store Manager embezzled an amount of Rs. 1.22 million during September 14, 1998 to December 14, 1998.
ii. Charge sheet was issued on December 31, 1998. The Inquiry Officer issued final show cause notice on March 15, 1999 but accused did not appear before the committee.
iii. On the recommendation of the inquiry officer, the officer was dismissed from service.
iv. The court announced the case in favour of the USC in February 2000 and management filed execution petition in March 2000 but since then the execution petition was not finalized and matter was subjudice.

This resulted into loss due to non-recovery of Rs. 1.22 million from the culprit since 1998.

Audit was of the view that weak internal controls resulted into embezzlement of Rs. 1.22 million by ex-employee. The management was required to actively pursue the execution petition but no recovery was affected despite engagement of best legal counsels.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the case was pending in the court and would be adjourned. The Committee pended the para being subjudice.

Audit recommends pursue the execution petition vigorously for an early recovery.

9.25.4.18 Loss due to dumping of inventory of Awami Markaz Islamabad and payment of building rent – Rs. 24.80 million

According to clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal controls, which shall be effectively implemented at all levels within the public sector company, to ensure compliance with the fundamental principles of probity and propriety; the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that:

i. Management transferred huge inventory of Awami Markaz Islamabad valuing Rs. 5.30 million during 1992 and dumped at the upper storey of the Islamabad Region Warehouse. Afterwards management hired the warehouse from M/s Bakhat Amin & Co Islamabad in 1992 @ monthly rent of Rs. 0.75 million to store the inventory of ghee and sugar of Islamabad Region and Internal Audit Department.
ii. The regional management time and again requested the head office management to make decision either to sell the saleable items out of the

inventory of Awami Markaz Islamabad or dispose of the same to clear the space for storage of sugar and ghee/ oil at warehouse Islamabad Region.

iii. During 36th Executive Board Meeting held on June 20, 2018, Managing Director informed that process for shifting of Audit Department from I-10 Islamabad to I-9 Islamabad would be accelerated which will save the cost of rent being paid by USC for hiring of building.

iv. However, no shifting had taken place till the close of audit which resulted into loss of Rs. 5.30 million and extra expenditure on hiring of building for warehouse valuing Rs. 19.50 million (Rs.750,000 x 26 months).

Audit was of the view that the management was required to decide the fate of inventory of Awami Markaz Islamabad lying in the warehouse of Islamabad Region for the last 26 years but due to mismanagement no executive decision was taken. Management was also required to de-hire the warehouse of ghee and sugar to avoid recurring extra expenditure on rent but no decision was taken till the finalization of this report.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they had vacated the space hired for the warehouse. Committee showed displeasure over dumping of inventory since 1992 and directed to arrange sale of the saleable inventory.

Audit recommends compliance of the DAC directives.

9.25.4.19 i. Unjustified charging of profit on banks balances - Rs 419.25 million

ii. Irregular retention of profit by National Bank of Pakistan – Rs 8.29

According to Sr. No 2 of Terms and Conditions of agreements with MCB, MCB will calculate profit on daily basis (compound interest method) on closing balance of the day on the very next day @ 10.50% P.A and disbursement will be made on 1st of every month.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that:

i. A comparison of Bank Receipt Voucher No. 13 dated May 07, 2018 regarding sales proceeds received in main collection account of MCB bearing No 181 G-9 Markaz Islamabad with three other bank accounts offering daily product basis profit revealed that banks were offering special approved rates without any agreement up to certain limits set by the bank itself.
ii. In MCB and UBL, the banks were offering maximum special rates to the corporation up to 5.25% and 5.65% without any set terms and conditions of deposit limits.
iii. Audit demanded the details of process of retaining these banks on different slabs/profit rates, which was not provided for clarification.
iv. As per bank statement of HBL transpired that bank was crediting the profit @ 4.675% instead of offered rate of 6.07% with one month impact of Rs. 289,611. This was an instance of one bank in one month, so an analysis of the data of all banks for a whole year may reveal a greater impact.

Details of monthly balances details of main collection accounts bank were as under:

Name of Banks	**Offered rate on daily product profit basis (%)**	**Amount of balances based on month of May & June 2018 (Rs.)**
MCB	5.25	232,716,578.40
UBL	5.650	87,418,362.53
HBL	6.07	9,279,268.09
NBP	5.50 on 6 return on balance	89,840,029.72
		419,254,238.74

The management extended undue favour to National Bank of Pakistan by accepting six monthly credit of corporation's sales proceeds instead of credit on

daily basis like other main collection banks. Therefore, NBP credited net profit of Rs. 8.29 million less withholding tax after six months in January 13, 2018.

Audit was of the view that the management should have negotiated an interest rate favorable to corporation on deposits of its wide network of stores. Due to poor financial management, every bank was paying its own per day interest rate by setting the limit on daily deposits of stores. Therefore, either management failed to perform its statutory obligation or the same was an extension of undue financial favor to the bank at the cost of the corporation. Thus, retaining of the banks offering their own determined rates without any policy may cause loss on average daily balance of Rs. 419.25 million to the corporation.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that NBP was crediting the interest after six months as per their system. The Committee was not satisfied with the reply and directed to submit revised reply.

Audit recommends compliance of DAC directives.

9.25.4.20 Recurring losses due to non-closure of unviable stores - Rs. 14.03 billion

According to Clause-3.09 & 3.12 of the Chapter-3 of the Stores Operational Manual 1982, the Regional Managers / Area Managers must analyze the performance and commercial viability of each store, devise ways, and mean for sale promotion at each ale outlet. The Regional Managers must follow a proper monitoring system to identify unviable stores, which should be eliminated according to a suitable plan. The stores which were serving no socioeconomic purpose should be closed.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that the management opened 5,000 stores upto union

council level during the year 2008 on the direction of Federal Government for provision of essential commodities on subsidy basis. The Federal Government in the year 2012-13 discontinued the provision of subsidy on above-mentioned commodities. Economic Coordination Committee in its meeting held on April 15, 2014, decided to discontinue the subsidy on sugar, due to which more than 2,000 stores operating in rural areas became commercially unviable and had serious impact on overall sales of company. Presently 472 stores were making sales less than
Rs. 100,000. As per sales reports of first quarter of the 2016-17, at least 64% stores were running in losses and present position was even worse. The Board Audit Committee also decided to hold accountable the employees responsible for the losses. The sales of the company decreased considerably during last five years as detailed below:

(Rs. in billion)

S No	Year	Sales	Net Loss
1.	2013-14	87.349	0.202
2.	2014-15	59.011	2.203
3.	2015-16	50.373	3.074
4.	2016-17	59.005	3.854
5.	2017-18		4.700*
	Total		**14.033**

(budged figure)

Audit was of the view that due to mismanagement, inefficiency and corruption management was sustaining recurring losses due to non-closer of the unviable stores. Management was required to present the case with full facts and figures to administrative ministry for the closure of unviable stores and reduce the ever increasing losses of the corporation otherwise the corporation could become bankrupt.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they had moved case to Government and a

rehabilitation plan of loss making stores was also under consideration. The Committee pended the para for PAC.

Audit recommends compliance of the DAC directive.

9.25.4.21 Loss due to non-recovery of balances appearing in Memorandum Register - Rs. 1,708.95 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure would be adopted to minimize damages; a. on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN. b. any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy. c. from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be. D After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that heavy recoverable balances of Rs. 1,708.95 million from serving, ex-employees, court cases and NICL cases were appearing in shortage recoverable register (Memorandum Register) maintained in 15 Regional Offices. This resulted into loss due to non-recovery of Rs. 1,708.95 million.

Audit was of the view that due to slackness of regional management huge amount were recoverable since long. Management did not accounted for interest due from the defaulter employee @ 18% per annum above the 2% shortage, which needs to be recovered.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that these were the balances recoverable

from serving employees, ex-employees, court cases and NICL cases. The Committee directed to pursue the recovery.

Audit recommends compliance of DAC directives.

9.25.4.22 Expected loss due to non-return of damaged/ expired items to vendors - Rs. 125.37 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages; a. on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN. B. any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy. c. from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be. d. After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that in 30 regional warehouses huge inventory of damaged / expired items was available but no efforts were made to return the same to respective vendors which result into loss of Rs. 125.37 million.

Audit was of the view that there was no control on regional warehouses of the Stores Operation and Sales (SO & S) Department of USC head office and regional management was at liberty to furnish whatever demand of branded and commodity items without any analysis of sales and stock previously held.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that it was an ongoing process in which USC arrange return of damaged/ expired items from vendors. The Committee directed the

management to get the expired/ damaged items of Lahore Region verified by Audit.

Audit recommends compliance of DAC directives.

9.25.4.23 Loss due to excess consumption of poly/ shopping bags - Rs 14.27 million

According to Clause-5 (a) of public sector companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the public sector company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation for the year 2017-18, it was observed that Incharge of warehouse of 23 regions consumed excess poly/ shopping bags against prescribed limit of actual stock sold which resulted into loss of Rs. 14.27 million.

Audit was of the view that the management and accounts staff of the respective regions were required to check the excess consumption of poly/ shopping bags but they failed to do so which resulted into loss of Rs. 14.27 million.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they have consumed the ploy/ shopping bags in accordance with sale. The Committee directed to get verify the consumption of poly/ shopping bags of Lahore Regions.

Audit recommends compliance of the DAC directive.

9.25.4.24 Dumping of stocks of Coca Cola in Multan Zone due to excess procurement and non-lifting of stocks - Rs. 1.90 million

According to Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that Zonal Manager Multan requested Senior GM (Coordination) USC Head Office Islamabad on November 30, 2017 and to General Manager (M&B) Head Office on December 13, 2017 to approach M/s Coca Cola to revise the price of 78,583 bottles of Coke, sprite, Fanta valuing Rs. 7.343 million to be expired on February 17, 2018 and March 26, 2018 being un-seasonal and sale was very slow. The GM (M&B) on January 19, 2018 directed the M/s Coca Cola to lift back the stock near to expiry/ excess stocks from regions of Multan Zone without investigating the matter regarding procurement of excess stocks. According to USC Finance-III record dated: August 31, 2018 vendor had lifted a quantity of 62,388 bottles valuing Rs. 5.45 million instead of 78,583 bottles valuing Rs. 7.34 million hence a quantity of 16,195 valuing Rs. 1.90 million was not lifted by the vendor which was a loss to the company.

Audit was of the view that the management was required to investigate the matter regarding excess procurement of stocks without keeping in view the sales pattern of the Multan Zone and non-sales of the same but no action was taken by the General Manager (M&B).

During discussion on October 04, 2018, management stated that an inquiry was conducted into the matter and stocks have been lifted by the vendors and clearance certificates have been issued by the regions of Multan Zone. The reply was not convincing, as entire stocks were not lifted by the vendors. Furthermore, management did not provide the copy of inquiry report and proof regarding adjustment of stocks in the books of accounts.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the stocks were liquidated and there was no loss to USC. The Committee directed the management to provide record of the liquidation of stocks for verification. The documents regarding liquidation of balance stocks worth Rs.1.896 million was not provided till the finalization of this report.

Audit recommends compliance of DAC directives.

9.25.4.25 Irregular procurement of sub-standard ghee/ oil and non-deduction of penalty from vendor - Rs. 25.50 billion

According to clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses. Moreover, according to clause-2(d) of the agreement dated: October 21, 2014 between USC and M/s Oil World Mill would provide the goods in accordance with PSQCA's approved specification strictly in accordance with USC Purchase Orders.

During the audit of Utility Stores Corporation (USC) for the year 2017-18, it was observed that the management was marketing utility ghee/

cooking oil under a bipartite agreement with M/s Oil World (Pvt) Ltd for the last eleven years. On October 26, 2016 District Drug Inspector / Food Authority, Mirpur (A&JK) alongwith Extra Assistant Commissioner inspected the Utility Stores Mirpur City and seized substandard adulterated stocks of utility ghee/ oil after checking the sample from NIH Laboratories on November 8, 2016 which do not confirm to the cooking oil standard prescribed by PSQSA. On the direction of Chief Justice of Pakistan in a suomoto notice on January 05, 2017 PSQCA Report depicted that stocks of M/s Oil World were found non-conforming to PSS-221/2010 by PSQCA and USC management decided to stop the purchase and sale of utility ghee/ oil. A stock of 3029.143 m. ton utility ghee/ oil was lying in the warehouses/ stores as on January 13, 2017 when honorable Supreme Court took notice of the subject case, while stock of 1803.29 million was sold during January 10, 2017 to January 13, 2017 and stock of 1225.853 m. ton was returned to vendors / ghee mills during January 13, 2017 to April 30, 2017 total value Rs. 25,500.00 million. The Management failed to deduct penalty for supply of substandard ghee/ oil to utility stores corporation valuing Rs. 3.03 million they also paid commission on sale of substandard utility ghee to its sales staff amounting to Rs. 859.37 million during 2017-18 which was held irregular.

Audit was of the view that the management was required to obtain quality certificate on quarterly basis from the vendors but no quality certificate was obtained. Furthermore, administrative ministry was required to investigate the matter with a high level inquiry committee but no action was taken against the officers/ officials responsible for procurement and sale of substandard utility ghee/ oil. Furthermore, management was required to deduct penalty from the pending payments of the vendors but payments were released without any deduction in violation of the above clause of the agreement, which was undue favour.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that USC stopped the sale of utility ghee after court commitment and un-sold stocks were returned to the respective vendors and

penalty was also recovered from vendors except M/s IFFCO. Accepting the explanation of the management Chairman DAC settled the para. Audit did not agree with the decision and asked the management to affect recovery of Rs.1.95 million from IFFCO and fix responsibility of the loss which resulted into huge decrease in corporation sales.

Audit recommends compliance of DAC directives.

9.25.4.26 Loss due to less deduction of withholding income tax from vendors - Rs 152.33 million

According to Section 153 (1) (a), Changes in withholding provisions of Income Tax Ordinance 2001, Finance Act 2016, deduction of tax at source for sale of rice, cotton seed oil and edible oil under withholding income tax regime, tax @ 1.5% of gross amount and for sale of any other goods (i) in the case of company filer was @ 4% and (ii) in case of non-filer @ 8%.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management ignored the clause of withholding of income tax as per standing instructions of the above noted criteria and extended undue benefit to the vendors of ghee & oil at the cost of public exchequer. Audit checked the payment of ghee & oil brands companies on test check basis for the period 2016-17 up to cut off date i.e. January 2017 (as intimated by Finance II) when rate of withholding tax changed from 1.5% to 4%. Thus, due to delay in implementation of withholding rates @ 4% on the invoices of vendors of ghee & oil w.e.f July 01, 2016 to June 30, 2017 or before as per the above mentioned criteria resulted into loss of Rs. 152.33 million.

Audit was of the view that due to imprudent decision of the management to charge less withholding tax from the payments of vendors proved that management either failed to perform its statutory obligation regarding deduction of tax or the same was just an eyewash to extend undue financial favour to the vendors/ firms at the cost of public exchequer.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised the committee that there was no loss to the national exchequer as it was not Final Tax Liability since there was clarity on the issue by FBR. The Committee considering the facts of the issue settled the para subject to settlement of Final Tax Liability.

Audit recommends compliance of the DAC directives.

9.25.4.27 Huge inventory of Chakki Basin lying in the stores and warehouses - Rs. 20.92 million

According to decision of the 143rd meeting of USC Board held on April 10, 2018, Zonal Managers should generate the demands after reviewing the Region wise statistical data of last three years procurement, sales and closing stocks. If the stocks are build up due to excess procurement, then Zonal Managers should be held accountable.

During the audit of USC Zonal Office Lahore for the year 2017-18 it was observed that the management procured a quantity of 131.428 m. ton valuing Rs. 20.92 million chakki basin for 2018 but it could not be transferred to stores and since then and was lying in the stores and warehouses of zone which might cause a loss to the corporation.

Audit was of the view that the management was required to raise demand of chakki basin as per actual requirement but demand was raised without keeping in view the sales of the item and climatic effects and possibility of worms on chakki basin due to long storage.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the stocks were procured keeping in view of the last

year sales and efforts were being made to sale the stocks till March 2019. The Committee directed to liquidate the stocks at an early date.

Audit recommends compliance of DAC directives.

9.25.4.28 Loss due to theft of polythene bags - Rs.0.95 million

According to circular order No.4/SO&S/2007 dated January 24, 2007 and No.06/SOS/2010 Dated June 03, 2010, the regional manager and store in charge are responsible to ensure the safe and secure operation of stores. Ensure that proper security measures have been adopted and security guards/chowkidars deployed at warehouse/stores are available and performing their duties as per instructions issued from time to time.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that an incident of theft and sales of USC polythene bags in open market took place in Chakwal Region. As per Assistant Vigilance Officer Report, a vehicle (Mazda Truck No: LES 4996) loaded with 20 sacks of USC polythene bag worth Rs. 53,900 was caught by a Police which were reportedly being sold to somewhere in Muridke. The management ordered a fact finding inquiry. As per Fact Finding Report the shopping/ polythene bags were short from very beginning, Incharge Warehouse does not gave any attention to the shortages. The incident of selling shopping / polythene bags on August 7, 2014 was claimed as wastage by Incharge Warehouse, which was actually shortage worth Rs. 1.49 million. A surprise audit of warehouse (commodity) of USC Chakwal Region was carried out on August 9, 2014 and shortage detected of stocks / polythene, shopping bags amounting to Rs.1.28 million. Consequently after through inquiry, charges were proved and authority on January 11, 2017 decided that culprits should deposit Rs. 1.28 million.

Audit was of the view that the management was required to finalize the inquiry and affect recovery from the culprits but no action was taken which was held irregular. Furthermore, shortage of stocks and embezzlement by employees

was an inherent problem of the corporation over the years but USC Board of Directors had no Whistle Blowing Policy which results in frequent cases of shortages and embezzlement.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that an amount of Rs. 325,000 has been recovered from the culprits. The Committee reduced the para to the extent of recoverable amount of Rs. 949,696.

Audit recommends compliance of DAC directives.

9.25.4.29 Purchase and sale of ghee / cooking oil declared unfit for human consumption by Punjab Food Authority - Rs. 3,412.26 million

According to Clause-7.06 of the Chapter-7 (Damages/ Losses) of Stores Operations Manual 1982, the following procedure will be adopted to minimize damages, a. on receipt of good from suppliers, the Incharge Warehouse will check the contents of packages and satisfy himself as to the number / quality/ quantity in accordance with the GRN. b. any damages within the warehouse will be the responsibility of Incharge Warehouse/ the person causing damage/ discrepancy. c. from warehouse to stores the responsibility for damages will devolve in the Delivery Clerk/ Loader as the case may be. d. After receipt at store point, the Incharge Store will be responsible for all damages/ discrepancies and will be called upon to make good the loss so caused to the corporation.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management made procurement and sale of certain commodities which failed in PFA sample tests of Kausar Banaspati, Zaiqa Banaspati, Mujahid Banspati, Gaye Banspati, Darja-e-Awal Banspati/ cooking oil, Hafeez Banspati, Handi Cooking Oil, Handi Banspati, Soya Supreme Banspati despite declaration unhealthy/ harmful for human consumption.

Audit was of the view that quality control of the oil and other edible products in USC was very poor. In this year of information technology management was continuing with ancient manual system without any innovation which resulted into procurement and sale of ghee brands declared unfit for human consumption by Punjab Food Authority. Board and its committees were in the knowledge of this declaration by the Punjab Food Authority but management continued with the procurement and sale of unfit ghee brands and playing with lives of poor Pakistani peoples. The management was also required to have a close liaison with Punjab Food Authority to avoid procurement and sale of items unfit for human consumption.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they awarded the contract to M/s Kausar Ghee after clarification from Punjab Food Authority. The Committee settled the para to the extent of M/s Kausar Ghee and directed to submit detailed reply for remaining companies.

Audit recommends compliance of DAC directives.

9.25.4.30 Excess procurement of ghee and oil products from New Sohail Dairies products - Rs. 7.80 million

According to Paragraph-1& 3 of the Circular Order No: 131/SOS/2018-568 dated: May 03, 2018, all ZMs and RMs will be held accountable for accuracy of demands and any disproportionate leftover stock will be considered as negligence and misconduct. To avoid over stocking in warehouses each incharge will prepare demand of fast selling items only for the quantity required for 15 days. All concerned must be vigilant of seasonal / quick perishable stock.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the management of Sahiwal, Okara, Sialkot, Gujranwala, Lahore (North) and Lahore (South) regions issued excessive purchase orders for

the procurement of ghee and oil products of M/s Dalda Foods, Habib Oil Mills and New Sohail Dairies without keeping in view the previous sales pattern in violation of above referred directives of USC head office. This resulted into procurement of excessive ghee / oil from these producers. A large quantity was 478.40 m. ton ghee /oil valuing Rs. 100.14 million was lying in warehouses of respective regions and same was shifted / transferred to other regions to normalize the excess quantity purchased. Thus, purchase of excess stocks was held irregular.

Audit was of the view that the USC head office management was required to inquire the matter regarding excess procurement of Dalda/ Habib Oil stocks by ZM/ RMs of Sahiwal, Okara, Sialkot, Gujranwala, Lahore North and Lahore South regions but no action was taken against the persons involved in excess procurement. Furthermore, the status of the sale of transferred stocks in respective regions was not available with the management.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that the stocks have been lifted by M/s Dalda Oil and Habib Oil Mills and same was verified by Audit. The Committee accepted the explanation of the corporation and para to the extent of M/s Dalda Oil and Habib Oil Mills was settled. The committee further directed to get the stock lifting by M/s Shail Dairies verified from Audit.

Audit recommends compliance of DAC directives.

9.25.4.31 Loss due to less achievement of sales target - Rs 17,226.56 million

According to Clause-3.07 of the USC Stores Operational Manual 1982, in order to provide a guideline to all Regional Managers, sales target excluding sales of confiscated goods based on their previous performance and on minimum sales turn over expected for each division were fixed for each financial year. The sales targets for individual stores were also fixed by the Head Office. The regional

sales targets are subject to revision, based on the decrease or increase in the number of stores.

During the audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that the corporation sustained the loss of Rs. 17,226.56 million due to non-achievement of sales targets set for Ramazan Package 2018 by zones despite the fact that the management claimed Ramzan subsidy from the government of Pakistan. Further probe in to the matter revealed that sales targets were fixed by considering the actual sales of Ramzan 2017 but sales fallen short of Rs. 8,907.81 million i.e. 53% short of the previous year sales targets.

Audit was of the view that the zonal management could not ensure the achievement of sales targets fixed by the head office or the head office management not consulted the zonal managers while setting targets of Ramzan sales. Thus, non achievement of sales targets was termed as in-efficient performance of Zonal Managers, causing the loss to the corporation.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that sales targets fixed for Ramzan 2018 could not be achieved due to non-availability of stocks as per requirement. The Committee was not satisfied with the explanation of the management and directed to submit revised reply.

Audit recommends compliance of the DAC directive.

9.25.4.32 Non-compliance of the Public Sector Companies (Corporate Governance) Rules 2013

According to Rule-5(7) (j), 5(7) (m) and 5(7) (n), (Public Sector Companies (Corporate Governance) Rules 2013, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the

fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders. The Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely: (j)Corporate social responsibility initiatives including, donations, charities, contributions and other payments of a similar nature; (m) health, safety and environment; (n) development of whistle-blowing policy and protection mechanism;

During audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that following instances of non-compliance of the requirements of the Public Sector Companies (Corporate Governance) Rules 2013 were observed as detailed below:

S. No	Required rule	Non compliance
1.	Rule 5(7)(j), 5(7)(m) and 5(7)(n)	The Board has not formulated significant policies regarding Corporate Social Responsibility, Health Safety and Environment, Whistle Blowing Policy and Protection Mechanism.
2.	Rule 5(2)	The Board has not formulated succession planning of the Chief Executive.
3.	Rule 5 Sub Clause 4	The company has not uploaded the Code of Conduct on company's website.
4.	Clause-5 (5b) (ii)	The Board has not developed and enforced an appropriate conflict of interest policy.
5.	Clause-5 (5b) (vi)	The Board has not developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.
6.	Clause-5 (6)	The Board has not developed a vision or mission statement and corporate strategies of the company.
7.	Clause-8	A mechanism for the evaluation of the Board's performance is not yet in place.
8.	Clause-10	The Board has not approved the profit and loss account for and balance sheet as at the end of the third quarter of the year and it has also not placed the

		annual financial statements on the company's website.
9.	Clause-11	There was no orientation course arranged by the company for the board during the year.
10.	Clause-13(1)	The Board did not appoint a separate Company Secretary (CS) and Chief Internal Auditor (CIA) since the last CS and CIA has resigned. Currently the Chief Financial Officer (CFO) is acting as the CS and there is no acting CIA of the company.

The non-compliance was since 2013 i.e. adoption of the Public Sector Companies (Corporate Governance) Rules 2013 which was highly objectionable and requires immediate attention of the Board of Directors.

Audit was of the view that due to lack of supervision and oversight by the Board, above non-compliance occurred. Furthermore, Board was required to arrange immediate compliance of the above rules but no effort was make to comply the same.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that they were arranging compliance of the Corporate Governance Rules. The Committee directed to arrange full compliance of the subject rules.

Audit recommends the compliance of the DAC directive.

9.25.4.33 Non appointment of Chief Internal Auditor & Company Secretary

According to Rule 25 of the Public Sector Companies (Corporate Governance) Rule 2017, whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and willfully authorities or permits such failure, refusal or contravention shall, in addition to any other liability under the ordinance, be punishable with fine. In the case of continuing failure, to a further fine, as provided in sub- section (2) of section 506 of the ordinance. USC

BoD in its 117 meeting held on May 16, 2014 approved the post of chief internal auditor of the company.

During audit of Utility Stores Corporation (USC) for the year 2017-18 it was observed that company had terminated the services Chief Internal Auditor and Company Secretary in 2017. Since than these vacancies were falling vacant and CFO was given the additional charge of Company Secretary which was held irregular being violation of Corporate Governance Rules 2017. During BoD in its 139th meeting held on February 10, 2017 it was informed that SECP had issued the Show Cause Notice to all the Board Members on account of non-compliance of the Public Sector Companies (Corporate Governance) Rules, 2017. The company had taken up the matter with SECP and it was informed that Audit of the financial statements for the year ended June 30, 2016 is under process and on finalization of Audit Compliance Report will be submitted to SECP but since than no progress was made in this this regard. Furthermore, as per report of the external auditors of the company M/s BDO EBRAHIM & CO Chartered Accountants for the year ending June 30, 2012 & 2016-17 also showed their reservations in management letter in this regard.

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Audit was of the view that Board was required to immediately appoint CIA and Company Secretary but these vacancies were vacant for the last year, which was held irregular.

The matter was reported to the management on October 14, 2018 and to PAO on October 14, 2018. During DAC meeting held on January 25, 2019, management apprised that hiring process was initiated. The committee directed to complete the hiring process at the earliest.

Audit requires compliance of the SECP Rules and DAC directive.

9.26 Aik Hunar Aik Nagar

9.26.1 Introduction

Aik Hunar Aik Nagar (AHAN) is a limited company by guarantee, incorporated on October 17, 2007 under Section 42 of the Companies Ordinance 1984. The Company is wholly owned subsidiary of Pakistan Industrial Development Corporation (Pvt.) Ltd (PIDC), Ministry of Industries and Production, Government of Pakistan. The overall objective of the Company is to uplift, develop and build up the capacity of artisans and poor producer groups in Pakistan by providing support in cluster formation, product development, marketing entrepreneurship, linkages with relevant institutions and to establish and arrange for the pilot projects or do any other activity to achieve aforementioned objectives.

AHAN has provided a platform for rural artisans and craft persons to place and promote their products in better markets through establishing linkage and participation in exhibitions and fairs. It conducted data collection exercise on non-farm product sector such as, carpet, silver jewelry, wood work, ceramics, leather, straw work, textile and ajrak.

9.26.2 Comments on Audited Accounts:

9.26.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

9.26.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

9.26.2.3 The working resulted of the company for the year 2016-17 as compared to the previous years are as under:-:

(Rs in million)

	2016-17	% Inc/ Dec	2015-16	% Inc /Dec	2014-15
Income					
Grant income	18.54	(72)	66.26	(50)	131.51
Trading income-net	2.57	335	0.59	(82)	3.26
Other income	5.79	15	5.03	(40)	8.41
Total Income	26.90	(63)	71.87	(50)	143.18
Expenditure					
Programme activities cost	27.38	(69)	89.37	31	68.40
Administrative Costs	39.54	(26)	53.51	(24)	70.03
Total Expenditure	66.92	(53)	142.88	3	138.43
Deficit before provision of tax	-40.02	(44)	-71.01	(1595)	4.75
Provision for taxation					
Deficit for the year	-40.02	(44)	-71.01	(1595)	4.75

(Source : Annual Audited Accounts)

The company has a deficit of Rs 40.02 million in 2017 and Rs 71.01 million in 2016 and accumulated deficit amounting to Rs 490.30 million .The company incurring continuous operational losses and is dependent on continuous support/funding from Government of ,Pakistan through Industrial Development Corporation (PIDC). Efforts need to make enhance the company's ability to continue as going concern.

9.26.2.4 Trading income was 9.5 % of total income during 2017 and 0.82 % during 2016. Management should control cost of production and increase cluster support sales by introducing new market strategy.

9.26.2.5 An amount of Rs 3.04 million was showed as gain on disposal of property and equipment during 2017. However, detail of disposal was not available. Management should have provided detail and approval of competent authority.

9.26.2.6 External Auditor of the company during 2014 reported that auditors were unable to satisfy with inventories quantities. Management should have maintained inventory management system to ensure the true value of stock and assets. Physical existence of stock and inventory was not ensured.

9.26.2.7 Company entered into two projects "Central Craft Development Project"(CCDP) and "Northern Punjab Craft Development" (NPCDP) with Pakistan Industrial Development Corporation which was revised into new project National Craft Development Project . The management of Company received Rs 150.42 million against approved funding of Rs 159.9 million. However, Rs 9.48 million not received against the NPCDP. Similarly in Rural Craft Development Project (RCDP) the company received Rs 134.13 million against Rs 200 million from Holding company PIDC . The reason may be explained for non recovery against agreed amounts.

9.26.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	**10**	**0**	**10**	8.13.1&8.13.2.1,8.13.2.2,8.13.2.3,8.13.2.4,8.13.2.5,8.13.2.6,8.13.2.7,8.13.2.8,8.13.4.1,8.13.4.2	
Total	**10**	**0**	**10**		

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

Chapter-10
Ministry of Information, Broadcasting and National History & Literary, Heritage Division

10.1 Pakistan Television Corporation Limited

10.1.1 Introduction

Pakistan Television Corporation Limited (PTVC) was established as an un-quoted public limited company under Companies Act 1913 (Now Companies Act 2017) on Nov 26, 1964. All its shares are held by Government of Pakistan. There is no change in the pattern of shareholding of company since incorporation.

The main purpose and objectives of the corporation are:

i. To provide television broadcasting services by telecasting programs of all kinds, news pictorials and documentaries, local and foreign films of all kinds and nature for the purpose of disseminating information, education and entertainment.
ii. To carry out instructions of the Government of Pakistan with regard to general pattern or policies of programs, announcements, news etc.
iii. To carry on the business of commercial advertisement by selling programs and advertising time of television stations either directly or through advertising agencies or by setting up advertising agencies or by other means.

10.1.2 Comments on Audited Accounts

10.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

10.1.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

10.1.2.3 The working results of the corporation for the year 2016-17 as compared to previous years were as under:

(Rs in million)

	2016-17 Restated	**%Inc /(Dec)**	**2015-16 Restated**	**%Inc /(Dec)**	**2014-15 Restated**
Revenue net	10,160.60	2.15	9,947.07	(8.98)	10,928.52
Operating expenses	7,238.75	(6.06)	7,705.69	3.45	7,448.71
Admn expenses	3,568.04	(1.82)	3,634.05	43.74	2,528.28
Finance cost	31.25	(32.49)	46.29	8.99	42.47
Total expenditure	10,838.03	(4.81)	11,386.03	13.64	10,019.46
Operating profit / (loss)	(677.42)	(52.92)	(1,438.97)	-	909.06
Other operating Income/ (loss)	59.31	(59.94)	148.06	(33.51)	222.67
Profit /(loss) before tax	(618.11)	(52.12)	(1,290.91)	-	1,131.73
Taxation	30.65	(22.89)	39.75	(3.24)	41.08
Profit/(loss) after tax	(648.76)	(51.25)	(1,330.66)	-	1,090.66
Earnings/ (loss) per share	(15.25)	(51.25)	(31.28)	-	25.64

(Source: Annual Audited Accounts)

The revenue of the corporation increased by 2.15% to Rs 10,160.61 million in 2016-17 from Rs 9,947.07 million in 2015-16 which was mainly due to increase in income from license fee collection by 21.61% to Rs 7,235.54 million in 2016-17 from Rs 5,949.72 million in 2015-16. However income from advertising decreased by 29.72 % to Rs 2,424.95 million in 2016-17 from Rs 3,450.24 million in 2015-16. The decrease in advertising income may be explained. Efforts need to be made to boost advertising income so that operating loss could be eliminated.

10.1.2.4 Operating expenditure included current affairs program expense which increased by 19.72% to Rs 169.85 million in 2016-17 from Rs 141.87 million in 2015-16. The increase in current affairs programme expense may be clarified.

10.1.2.5 Salaries, wages and other benefits included PTVC/CPF loan amounting to Rs 0.12 million and Rs 2.42 million written off in 2016-17. Detail of CPF

written off along with factors leading to non-recovery of CPF loan may be explained.

10.1.2.6 Capital work in progress slightly decreased by 4.77% from Rs 783.91 million in 2015-16 to Rs 746.51 million in 2016-17. The projects for provision of television facilities / services in remote areas were started and could not be completed even after lapse of more than eight years. Reasons for not completing the projects may be explained. Project wise details along with actual date of completion of each project may be provided.

10.1.2.7 Long term loans included loan amounting to Rs 47.35 million given to PTV Foundation. The loans were interest free and terms of payment have not been decided. There was chance of impairment loss for the amount as decision to wind up foundation was made by the BoDs. The corporation has made provision for doubtful receivables of Rs 40 million. The reasons for non deciding the terms of repayment may be explained. Steps need to be taken for recovery of loan from foundation.

10.1.2.8 Trade debtors of the corporation stood at Rs 2,489.76 million as at June 30, 2017. These included a sum of Rs 2,466.49 million receivable from advertisers and considered as unsecured. Party wise aging of trade debts and chances of its recovery need to be elaborated.

10.1.2.9 Receivable on account of program sales increased to Rs 314.80 million as at June 30, 2017 from Rs 314.72 million as at June 30, 2016. Reasons for increase and chances of its recovery need to be elaborated. Breakup of the same along with their aging may also be explained alongwith supporting documents.

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10.1.2.10 External auditors of the corporation reported the following qualification which needs to be removed / resolved:

i) The corporation has not prepared consolidated financial statements as required by Section 237 of Companies Ordinance 1984, and by IAS -27

consolidated and separate financial statement and IFRS -3 (Business combination) of its subsidiaries. The factors of the failure to consolidate subsidiaries could not be determined.

ii) The Corporation has retained the pension fund with itself and not invested in the fund name. The present value of defined benefit obligation as at year end amounts to Rs 12805.20 million against fair value of its plan assets of Rs 641.08 million, which is in excess of Rs 12164.12 million and the accumulated loss of the Corporation amounted to Rs 2526.91 million (2016: Rs 1716.65 million) which costs significant doubt about the entity's ability to pay off the excess liability.

10.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1989-90	09	08	1	478	89
1990-91	06	04	2	362,364	67
1991-92	07	06	1	312	86
1992-93	05	3	2	212,214	60
1994-95	05	02	3	223,225,228	40
1996-97	05	03	2	184,187	60
1997-98	09	05	4	121,122,123,124	56
1998-99	06	04	2	1.1.4,2.1.1(SAR-55)	67
1999-00	09	02	7	165,166,168,169, 170,172,173	22
2000-01	18	06	12	133,134,137,170, (1.1,1.1.1,1.1.3,1.1.2,1.1.5,1.1.6,1.1.7,4.11)	33
2001-02	03	02	1	158	67
2002-03	09	05	04	166.1,166.3,166.4 ,166.7	56
2003-04	08	06	02	126.2,130	75
2004-05	03	01	02	79,81	33
2005-06	12	10	2	154.2,154.4	83
2006-07	21	10	11	121.8,122,124,126,127,128,129,13	48

				0,133,121.6,123	
2007-08	06	05	01	100&100.1	83
2008-09	13	05	08	138,139,140,141, 142,143,144,145	38
2009-10	13	04	09	152,153,154,156,157,158,159,160, 155	31
2010-11	23	17	06	12.3.2.5,12.3.2.6, 12.3.2.7,12.3.2.13 , 12.3.4.5,12.3.4.7	74
2016-17	10	0	10	8.2.4.2,8.2.4.8, (8.2.1 & 8.2.2,8.2.3,*8.2.4.1,8.2.4.3,8.2.4.4,8.2.4.5,8.2.4.6,8.2.4.7)*	-
Total	**200**	**108**	**92**		**54**

Overall compliance of PAC directives was not satisfactory which needs to be improved.

10.1.4 Audit paras

10.1.4.1 Irregular expenditure due to retention of staff over and above the sanctioned strength - Rs 130.66 million

According to Rule 5.04 of Chapter-5 of PTV Service Rules, actual staff strength of any unit of the Corporation will, at no time except with the prior permission of the MD exceed its sanctioned staff strength.

During the audit of PTVC for the years 2016-18 it was observed that excess staff was appointed in different categories over and above the sanctioned strength resulting into irregular expenditure of Rs 130.66 million on pay and allowances from July 2016 to June 2018.

Audit was of the view that the management has hired staff against the sanctioned strength which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the staff has not exceeded from the overall sanction strength. The DAC directed that the procedure of posting staff over and above the sanction strength may be reviewed.

Audit recommends compliance of the DAC directive.

10.1.4.2 Irregular appointment of Design Coordinator - Rs 2.78 million

According to para 4 of the minutes of 184th meeting of BoD dated: April 23, 2009, job applications for various categories shall be received on a regular basis for which a data base was to be maintained. To further strengthen the data base, advertisement would be placed on PTVC website and newspapers periodically, inviting applications.

During the audit of PTVC for the years 2016-18, it was observed that Mrs. Saira Qamar was appointed as Coordinator in Design Department on contract basis at ETV Channel (PTV Home) Islamabad on monthly consolidated emoluments of Rs 100,000 per month on July 04 2016 for a period of one year without advertisement and she joined PTVC on July 13, 2016.

Further, just after four months of her appointment she was placed in professional pay scale (PS-1) equal to pay group-9 of PTV scales (controller) w.e.f November 25, 2016 vide office order dated November 30, 2016. Her salary was increased and fixed at Rs 117,000 per month alongwith mobile charges of Rs 3,000 per month, 4000 calls of office and 1600 calls at residence. She was paid Rs 2.78 million from July 13, 2016 to July 2018. This resulted into irregular appointment of Design Coordinator without advertisement and payment of pay and allowances of Rs 2.78 million.

Audit was of the view that her appointment without advertisement and subsequent placement in professional pay scale after four months was not covered under the terms and conditions of the appointment letter, hence considered irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC in its meeting held on January 16, 2019 directed that the case may be placed before BoD.

Audit recommends compliance of the DAC directive.

10.1.4.3 Irregular retention of employees despite bogus degrees - Rs 21.61 million

According to Rule 11.01 (XXII) of PTVC Employees Service Rules, giving false, incorrect or inaccurate information regarding name, age, father's name, qualification or previous service and experience, or anything related to previous employment at the time of employment is treated as mis-conduct.

During the audit of PTVC for the years 2016-18 it was observed that the degrees of four officials were declared as bogus by the concerned institutes but they were still working and their cases have not been finalized for disciplinary action by the competent authority. Non-finalization of the cases would extend the benefit to the delinquents to manage relief from the Courts. This resulted into irregular retention of employees whose degrees were declared bogus and payment of pay and allowances of Rs 21.61 million.

Audit was of the view that the management was required to terminate the services of these employees but it failed to do so. Furthermore, payment of Rs 21.61 million to these employees was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the cases are under process. The DAC directed that

the employees should be terminated immediately and the case may be referred to FIA for lodging FIR and recovery of illegal salary drawn.

Audit recommends compliance of the DAC directive.

10.1.4.4 Non-recovery of Islamabad Club Membership Fee - Rs 4.50 million

According to minutes of 216th meeting of BoD held on May 10, 2018, the BoD resolved to recover the Islamabad Club Membership Fee from whole time working Directors of PTV.

During the audit of PTVC for the years 2016-18, it was observed that the management paid Islamabad Club Membership Fee in respect of following four Directors during 2012-13:

S.No.	Name	Amount (Rs)
1.	Mr. Qazi Mustafa Kamal, Ex-Acting Director	1,500,000
2.	Mr. Asadullah Khan, Ex-DAP	1,500,000
3.	Mr. Asad Ahmed Jaspal, Director Security	1,500,000
4.	Mr. Fakhar Hameed, Director IT	1,500,000
	Total	**6,000,000**

The management was failed to recover the membership fee from these full time Directors of PTVC except Late Fakhar Hameed Ex-Director, IT. This resulted into non recovery of Rs 4.50 million from full time Directors.

Audit was of the view that the management was required to recover the member ship fee from full time Directors as per directives of the PTVC BoD but it failed to do so.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the recovery orders were issued but the officers have

got stay order from Islamabad High Court against the recovery. DAC deferred the case being subjudice.

Audit recommends recovery in pursuance of BoD decision after court decision.

10.1.4.5 Irregular induction of staff against prescribed criteria - Rs 1,117.57 million

According to Rule 5.07 Chapter-5 of PTVC Service Rules, the age of a person at the time of entry into Corporation's service shall not be less than 18 years and not more than 35 years. Furthermore educational qualification would be at least 2nd Division.

During the audit of PTVC for the years 2016-18 it was observed that the management inducted staff against the prescribed criteria of age limit of 35 years and 2nd Division. The matter regarding relaxation in the criteria for regularization of staff was placed before the BoD in its 200th, 202th and 212th meetings but the Board did not agree to relax the criteria. The BoD in its 213th meeting held on October 31, 2016 again discussed granting waiver in the criteria already prescribed and advised the management to fix responsibility as how ineligible persons were inducted in gross violation of PTV Rules. The management of PTVC did not take any action as per BoD directions. This resulted into irregular induction of staff and payment of pay and allowances valuing Rs 1,117.57 million.

Audit was of the view that as per criteria for induction, the upper age limit was 35 years with 2nd Division but the above mentioned employees did not meet the criteria. The induction was made in disregard to the prescribed criteria and held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During its meeting held on January 16, 2019, DAC directed to fix responsibility as the appointments were made against the

prescribed procedure/criteria. The DAC also directed to share inquiry report with audit.

Audit recommends compliance of the DAC directive.

10.1.4.6 Irregular payment of pay & perks to ex-Chairman PTVC and payment of advertisement charges - Rs 117.19 million

According to Clause-95 of Memorandum and Articles of Association of PTVC, the BoD shall elect a Chairman of the company from amongst the Directors representing Government of Pakistan to preside over there meeting. Furthermore, according to Clause-95-A, Chairman shall not be entitled to any remuneration. However, he may be paid all or any of the expenses incurred in attending the BoD meetings or representing the company in any matter. The position of such Chairman shall be mainly honorary in nature and under no circumstances he shall be considered to be in the service of the Company.

During the audit of PTVC for the years 2016-18, it was observed that Ministry of Information, Broadcasting and National Heritage appointed Mr. Attaul Haq Qasmi as member and Chairman of the BoD for a period of 3 years vide Notification dated December 23, 2015. The Chairman assumed the charge w.e.f December 23, 2015. The management vide office order dated February 29, 2016 in pursuance of Ministry of Information Broadcasting and National Heritage letter dated February 29, 2016 fixed salary Rs 1.50 million per month (net of taxes). The Chairman was also entitled to T.A/D.A, Medical and Entertainment Allowance. The Chairman remained posted w.e.f December 23, 2015 to December 18, 2017 and tendered his resignation w.e.f December 19, 2017. The management made payment of pay/perks w.e.f December 23, 2015 to December 18, 2017 valuing Rs 53.39 million. Furthermore, management also made payment of Rs 62.80 million as advertisement charges for the TV Programe of the Chairman i.e “Khoay Hoaoon Ki Justaju” which was held irregular. This resulted into irregular payment of pay & perk and advertisement charges amounting to Rs 116.19 million (Rs 53.39 million + Rs 62.80 million).

Audit was of the view that according to Memorandum and Articles of Association, the post of the Chairman was honorary and payment of pay/perks to ex-Chairman was not in line with Memorandum and Articles of Association of PTVC and held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management stated that the case for appointment of Mr. Attaul Haq Qasmi, Ex-Chairman PTVC was also under hearing before Honorable Supreme Court of Pakistan which has been decided on November 08, 2018. As per decision, the learned Court has declared his appointment as illegal and ordered to recover pay/perks and other expenses of Rs 197.87 million from M/s Attaul Haq Qasmi @50%, Pervaiz Rasheed, Ex-Minister for Information @20%, Ishaq Dar, Ex-Finance Minister @20% and Fawad Hassan Fawad, Ex-Secretary to the Prime Minister @10%. DAC directed to pursue the recovery and get it verified from Audit.

Audit recommends compliance of the DAC directive.

10.1.4.7 Irregular purchase of SMD screen - Rs 3.60 million

According to Rule 12 (2) of PPRs 2004, all procurement opportunities over 2 million should be advertised on the authority's website as well as in other print media or news papers having vide circulation. Furthermore, according to Clause-42 (C-II) of PPRs 2004, Procuring Agency shall only engage in direct contracting if the following conditions exist namely: only one manufacturer or supplier exist for the required procurement. Provided that procuring agencies shall specify the appropriate fora which may authorized procurement of propriety object after due diligence.

During the audit of PTV Sports for the years 2016-18 it was observed that management purchased Surface Mount Device(SMD) Screen 10 X 13 feet valuing Rs 3.600 million from M/s M. Ahmad Trading Karachi and executed

agreement dated May 24, 2017 on the basis of single quotation (i.e direct contracting) stating propriety item without observing PPRs. This resulted into irregular purchase of SMD Screen valuing Rs 3.60 million.

Audit was of the view that direct contracting could be made only on availability of single supplier/manufacturer whereas as per Finance Manager note dated July 11, 2017, there were a number of firms and companies dealing with SMD rental and sale business i.e. M/s Optimum Technology Karachi, M/s Smart One Technologies Lahore and M/s OAS Enterprises Karachi. The management did not identify the appropriate authority to declare this procurement as propriety item which was also in violation of PPRs.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018 but no reply was received till the finalization of this report.

The DAC in its meeting held on January 16, 2019, pended the para till next DAC meeting.

Audit recommends to justify purchase of SMD Screen in violation of PP Rules and waiving off purchase procedure as MD was not authorize to waive off purchase procedure. Regularize the expenditure from the competent authority.

10.1.4.8 i Irregular payment to Director Sports for hosting sports programmes - Rs 8.18 million

ii Excess payment of Talent Fee – Rs 4.09 million

According to clause 1.08 of Booking and Fee Structure Policy, the employee of PTVC in special circumstances was allowed to participate in PTV's programmes as script writer, or performer. Employee so booked for PTV's progrmmes including Directors, Controller, General Managers and other officers of substantive Group-9 will be paid 50% of prescribed fee for which contract would be got signed .The Board in its 216th meeting held on May 10, 2018

debarred appearance of PTV employees on PTV screen as well as on the private channels as anchors/compare/news casters/performer.

During the audit of PTVC for the years 2016-18, it was observed that Dr. Nouman Niaz was appointed as Director (Sports) on regular basis w.e.f February 19, 2014. He was also hosting sports programme regularly since his appointment @ Rs 150,000 per programme and received payment of Rs 8.18 million during 2014-18 for appearance in programmes in contravention of Booking and Fee Structure Policy as special permission was not obtained in this regard. Furthermore, the participating employee was required to be paid 50% of prescribed fee but full fee was paid resulting into excess payment of Rs. 4.09 million which was held irregular. Dr. Nouman Niaz also continued hosting of sports programme even after debarring by Board in its 216th meeting and received an amount of Rs 8.18 million which was held irregular.

Audit was of the view that the management was required to pay only 50% of the prescribed fee to Director Sports but full fee was paid. Furthermore, the management required to stop the hosting of sports programme by Director Sports but no action was take in this regard which showed weak internal controls.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019 recommended that the case may be placed before BoD.

Audit recommends compliance of the DAC directive.

10.1.4.9 Irregular appointment of Chief Commercial Officer at exorbitant remuneration - Rs 7.50 million

According to Para 4 of the procedure approved by the BoD in its 184th meeting held on April 23, 2009 for induction of fresh and experienced professionals in PTVC, applications for various categories shall be received on a regular basis for which a database to be maintained. To further strengthen the data base advertisement will be placed on PTVC website and news papers

periodically inviting applications. According to Rule 6.07 of PTVC Employees Service Rules, appointment to all posts in Group-7 and above will be made strictly and exclusively on the basis of merit.

During the audit of PTVC for the years 2016-18, it was observed that the management appointed Mr. Ameen Akhtar as National Sales Manager on contract basis w.e.f August 01, 2007, the officer had resigned w.e.f September 08, 2017. The management again appointed the officer as Chief Commercial Officer on contract basis at Central Sales Office, Karachi at exorbitant salary of Rs 1.50 million per month vide appointment letter dated March 20, 2018. He submitted his joining on March 30, 2018. The appointment was approved by MD on March 07, 2018 and the officer was paid Rs 7.50 million upto August 2018. The appointment was termed irregular on the following grounds:-

i. Criteria approved by BoD for appointment of professionals was not followed as vacancy was not advertised.
ii. Application of the official for appointment as Chief Commercial Officer was not on record.
iii. Educational certificates were also not on record.
iv. Verification of educational certificates was also not made as per Government instructions.

The services of the officer were hired exclusively for increase in advertising income but revenue from advertisement decreased since his appointment till June 2018 as detailed below:

Month	**2016-17 (Rs in million)**	**2017-18 (Rs in million)**
April	112.762	141.909
May	104.876	19.068
June	800.894	330.748

Audit was of the view that the appointment of Chief Commercial Officer was made against prescribed procedure hence held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019 management explained that the appointment of Chief Commercial Officer without advertisement was made keeping in view of his expertise in the marketing field. The DAC directed to place the case before the BoD.

Audit recommends compliance of the DAC directive.

10.1.4.10 Irregular payment of Producer Allowance - Rs 5.90 million

According to the minutes of 163th meeting of Board of Directors held on October 26, 2004, producer allowance of Rs 2,000 per month was approved for all producers for the period they will be actively involved in the production of programmes. The payment of the said allowance would be subject to good quarterly report from the General Manager of the respective TV Centre.

During the audit of PTVC for the years 2016-18, it was observed that 123 producers were working at the following channels/centers and drawing producer allowance and an amount of Rs 5.904 million was paid during 2016-17 & 2017-18. The payment of said allowance was subject to good quarterly reports of producers from the respective Television Centre. However the management did not consider quarterly reports of GMs for the payment of said allowance and payment of producer allowance was made as routine as per detail given below:-

Name of channel/centre	No. of producer	Rate per month	No. of months	Total amount (Rs)
PTV Centre Lahore	19	2000	24	912000
PTV Sports/Training Academy	12	2000	24	576000
PTV Centre Karachi (PTV Home, PTV National, Sports Current Affairs)	37	2000	24	1776000
PTV Centre, Multan	6	2000	24	288000
ETV Centre, PTV Home, Islamabad	22	2000	24	1056000
PTV Centre, Peshawar	22	2000	24	1056000
AJK TV Centre	5	2000	24	240000
			Total	**5,904,000**

Audit was of the view that payment of producer allowance was made in violation of Board decision hence, held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the case for approval of the competent authority regarding recovery of producer allowance from the producers who were not covered under the approved criteria for payment of producer allowance is under submission. The DAC directed to recover the producer allowance from the ineligible producers.

Audit recommends compliance of the DAC directive.

10.1.4.11 Irregular appointment of PTVC employee in Associated Press of Pakistan - Rs 6.46 million

According to Rule 11.01 (xxii) of PTVC Employees Service Rules, giving false, incorrect or inaccurate information regarding name, age, father's name qualifications or previous service and experience or anything related to previous employment at the time of employment is treated as miss conduct.

During the audit of PTVC for the years 2016-18, it was observed that Mr. Gull Hassan was engaged as Resource Person (IT Deptt) on March 01, 2000. His services were regularized as Associate Graphic Engineering I.T (Group-4) vide letter No. HP/159/IT/10816 dated January 13, 2012 w.e.f January 11, 2012. It was noticed that management on May 29, 2017 asked Associated Press of Pakistan to confirm/verify employment of the official in APP. The Associated Press of Pakistan on June 05, 2017 confirmed that he was appointed Video News Editor w.e.f September 13, 2007. His contract services were regularized as video News Editor in Grade-III w.e.f August 14, 2012. After coming to know that the official is having dual appointment was charge sheeted on June 07, 2017. In the meanwhile official tendered his resignation from APP w.e.f June 05, 2017. The inquiry officer in his report dated July 11, 2017 found him guilty. Accordingly

his services were terminated w.e.f June 07, 2017 vide office order dated January 03, 2018. No criminal case was lodged against the culprit. He served in APP w.e.f September 13, 2007 to June 05, 2017 and also drawn salary of Rs 6.46 million from PTV.

Audit was of the view that due to loose internal controls of the corporation the official illegally got employment in APP and also drawn salary from PTV, which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the official has been terminated from the service of PTV. The DAC recommended that the employee should be terminated from both organizations and recovery of illegal salary drawn be recovered beside lodging FIR.

Audit recommends compliance of the DAC directive.

10.1.4.12 Irregular appointment of anchor twice on contract basis – Rs 16.85 million

According to para-04 & 05 of the minutes of 184th meeting of PTVC Board of Directors held on April 23, 2009, the job applications for various categories shall be received on a regular basis for which a database is being maintained. To further strengthen the database, advertisements will be placed on PTV website and newspapers periodically, inviting applications. Suitable candidates will be picked up from the existing database for interview/written test for fresh inductions by the selection board and finalization of terms and conditions of the selected candidates.

During the audit of PTVC for the years 2016-18, it was observed that Ms. Nusrat Haris, was appointed as Anchor Person/Host for morning show Subhai Nou" on contract basis at TV Centre, Karachi for one year against monthly salary of Rs 200,000 on July 14, 2010 without observing the above criteria. Her contract and pay was extended/revised during July 2010 to April

2013 and payment of Rs 9.20 million was made. The lady tendered her resignation w.e.f April 14, 2013 without serving notice and thus she was required to pay one month's basic pay of Rs 190,322 in lieu of notice period but she did not deposit the same.

The lady was appointed as anchor current affairs after four years on contract basis for one year against monthly salary of Rs 450,000 per month vide appointment letter dated May 05, 2017 without following approved criteria. The application for the job and joining report was not available on record. She was paid Rs 7.65 million from April 01, 2017 to August 31, 2018. The appointment letter was issued on May 05, 2017 however her pay was started w.e.f April 01, 2017. The total payment on account of salary w.e.f July 14, 2010 to April 13, 2013 and from April 01, 2017 to August 31, 2018 worked out Rs 16.85 million.

Audit was of the view that the two times appointment of the lady anchor was against the prescribed procedure and pay was increased before expiry of contract hence, held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the appointment has been made as per approved criteria of the Board. The DAC directed to place the case before BoD.

Audit recommends compliance of the DAC directive.

10.1.4.13 Irregular induction of staff on fake degrees - Rs 20.17 million

According to the judgment of Honorable Supreme Court of Pakistan (Case 2009 SC MR 1497) no leniency should be shown in favour of employees possessing fake/bogus degrees/certificates. The Honorable Supreme Court of Pakistan authorizes to examine the possibility of getting registered criminal case against such employees so that in further no one should dare to commit such mis-conduct. Further, the authority awarding punishment of dismissal from service to an employee cannot re-instate him in service.

During audit of PTVC for the years 2016-18, it was observed that degrees of 51 employees inducted during 1997 to 2016 against different posts were declared bogus/fake by concerned universities/institutes. A sum of Rs 20.17 million (on average basis) was fraudulently drawn by these officials. Although the services of these employees have been terminated but criminal cases were not registered against them.

Audit was of the view that management did not immediately send the degrees for verification after employment which showed slackness on the part of management. The payment of Rs 20.17 million paid to these employees was irregular and needs recovery.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, directed that the employees should be terminated immediately and the case may be referred to FIA for lodging FIR and recovery of illegal salary drawn.

Audit recommends compliance of the DAC directive.

10.1.4.14 Non-recovery of TV license fee - Rs 1,960.36 million

According to the Television Receiving Apparatus Rules 1970, the Government of Pakistan levied TV license fee on each and every TV set holder who has to pay monthly TV license fee @ Rs 35 per domestic and Rs 60 for commercial TV set. Under Agreement of 2004, the fee was to be collected through monthly electricity bills.

During the audit of PTVC for the years 2016-18, it was observed that an amount of Rs 2,345.92 million of TV license fee was recoverable from domestic

& commercial consumers since 2004-2005 to March 2018 as per detail given below.

S.No	Name of Distribution Companies	Total No. of default consumers	Recoverable amount of TV license fee for the period 2004-05 to 31-03-2018	Category Domestic & Commercial)
1.	FESCO	30,674	6,394,384	Domestic
2.	IESCO	30,639	7,709,729	Domestic
3.	GEPCO	21,465	4,834,493	Domestic
4.	LESCO	287,154	81,475,334	Domestic
5.	QUESCO	100,706	197,072,948	Domestic
6.	MEPCO	151,430	37,525,423	Domestic
7.	SEPCO	349,011	967,190,098	Domestic
8.	HESCO	399,326	697,033,169	Domestic
9.	PESCO	226,254	303,584,207	Domestic
	Total (Category-A)	**1,596,659**	**2,302,819,785**	
1.	FESCO	694	314,668	Commercial
2.	IESCO	1,000	497,275	Commercial
3.	GEPCO	709	268,866	Commercial
4.	LESCO	8,711	4,447,146	Commercial
5.	QUESCO	709	1,613,527	Commercial
6.	MEPCO	3,793	1,739,777	Commercial
7.	SEPCO	4,490	17,437,659	Commercial
8.	HESCO	5,287	14,347,080	Commercial
9.	PESCO	1,620	2,432,038	Commercial
	Total (Category-B)	**27,013**	**43,098,036**	

Audit was of the view that the management failed to recover the long outstanding TV license fee from chronic defaulters which resulted in non recovery of Govt. dues valuing Rs 2,345.92 million.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that recovery of Rs 385.56 million has been made out of total recoverable amount of Rs 2,986.01 million and verified by audit. The DAC directed that recovery for balance amount be made and reduce the para to Rs. 1,960.36 million.

Audit recommends compliance of the DAC directive.

10.1.4.15 Loss of income due to non-reduction of service fee on collection of TV license fee - Rs 101.84 million

According to Ministry of Water & Power Notification No.15(134)/2016-DISCO-1 dated June 07, 2016, the service fee collected by Electric Distribution Companies on the collection of TV license fee through electricity bills reduced to Rs 1 from Rs 5 per paid bill w.e.f April 04, 2016.

During the audit of PTVC for the years 2016-18, it was observed that the management executed agreements with PEPCO and KESC for collection of TV license fee through monthly electricity bills. As per agreements Rs 5 was to be deducted from each paid bills as service fee. According to above notification the service fee was subsequently reduced to Rs 1 w.e.f April 01, 2016. However, KESC was not considered for inclusion in the said decision resulting into loss of income due to excess charging of service fee as worked out below:

Description	
Domestic & Commercial Consumers during 2017-18	2121647 Nos.
Total service charges by KESC @ Rs 5 per bill per month	Rs. 10,608,235
Service fee required to be charged @ Rs 1 per bill	Rs. 2,121,647
Difference per month	Rs. 8,486,588
Total loss for the year	**Rs. 10,839,056**

Audit was of the view that the management was required to take up the matter with the Govt. but steps were not taken in this regard. Non inclusion of KESC in the said notification resulted into income loss to PTVC.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the Minister for Information has taken up the matter with Minister for Power. The DAC directed to continue efforts for reduction of service fee from KESC.

Audit recommends compliance of the DAC directive.

10.1.4.16 Shortage of store items - Rs 11.97 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of PTVC for the years 2016-18, it was observed that physical verification of stores of PTVC (HQs) and PTV Centre Lahore was carried out on April 30, 2017 and again on April 30, 2018 and shortage valuing Rs 11.97 million was detected. No action against the defaulters for shortage of stores was initiated even after lapse of a considerable period.

Audit was of the view that the management was required to investigate the matter and take action against the persons at fault but no action was taken. Non-initiation of action against the defaulters indicated slackness on the part of management.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that missing inventory item has been traced out. The DAC directed to get the short items verified from Audit.

Audit recommends compliance of the DAC directive.

10.1.4.17 Overpayment due to agreements without sales tax - Rs 23.50 million

According to instructions issued by PTVC HQ vide circular No.DCF(Tax)/clarifications/81 dated December 16, 2015, all agreements (local or international) must be made on total amount/gross amount basis instead of agreeing the term on net of tax basis. This is due to the fact that under the provisions of the Ordinance the tax born by PTVC on behalf of other party may not be claimed as admissible deduction.

During the audit of PTVC for the years 2016-18, it was observed that the management procured nine programs/dramas from private production houses by agreeing the term on net of tax i.e. exclusive of sales tax of the total cost against above instructions resulting into over payment of Rs 23.50 million. As per Note of PTVC Tax Manager dated May 11, 2017, net of tax agreements were strictly prohibited as per instructions refereed above and advised that the cost of the programe be considered inclusive of GST. The instructions were not adhere to and the agreements with the production houses were made excluding GST and thus excess payment was made to the production houses and corporation was put to loss of Rs 23.50 million.

Audit was of the view that cost of programme should also be included GST which was not done resulting into over payment of Rs 23.50 million which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the sales tax refund has been claimed from CBR. The DAC directed to get the sales tax refund verified from Audit.

Audit recommends compliance of the DAC directive.

10.1.4.18 Loss due to launching non-viable programme" celebrity lounge" without approval of competent authority - Rs 5.50 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.

During the audit of PTVC for the years 2016-18, it was observed that PTVC Centre, Karachi launched a programme titled "celebrity lounge" on PTV network during quarter October-December 2017 & January-March 2018. The programme was launched without the approval of MD. The rating of the programme remained at 01 which was very low. The cost per episode stood at Rs 466,763 during quarter October-December 2017 and at Rs 454,687 during the quarter January-March 2018. The revenue per episode remained at Rs 249,019 at average which was far less than per episode cost and thus sustained loss of Rs 5.50 million as worked out below:

Period	Cost 13 Episode (Rs)	Income (Rs)	Loss (Rs)
Oct-Dec 2017	6,067,919	4,836,627	1,231,292
Jan-Mar 2018	5,910,931	1,637,873	4,273,058
	11,978,850	**6,474,500**	**5,504,350**

The programme was continued despite low rating and stopped in June, 2018.

Audit was of the view that the programme was aired on PTV network which was not commercially viable and the same was launched without the approval of the Managing Director authority which caused loss of Rs 5.50 million to the corporation.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the issue is under inquiry. The DAC directed to complete the inquiry and share with audit.

Audit recommends compliance of the DAC directive.

10.1.4.19 Fake claim of POL for generator at RBS Turbat - Rs 11.00 million

According to Rule-23 of GFR Vol-1, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

During the audit of PTVC for the years 2016-18 it was observed that Mr. Khurshid Anwar, Senior Engineer Incharge remained posted at RBS Turbat w.e.f March 02, 2000 to December 20, 2013 and submitted POL bills of generator to PTVC HQ for payment. The electricity supplied by the Islamic Republic of Iran in costal areas of Baluchistan including Turbat in 2005, there was no load shedding as reported by Quetta Electric Supply Company vide letter dated March 25, 2014. The matter for claiming POL bills of generator despite the fact that there was no load shedding at Turbat was proved by an initial inquiry committee constituted by the management. As per preliminary inquiry report there was no load shedding at Turbat but generator worked for more than 200 hours per month and POL bills of 2300 liters per month were constantly claimed. After the transfer of Mr. Khurshid Anwar on December 20, 2013 Mr. Zahir Hussain, Engineer was posted as Incharge RBS Turbat. He also continued this practice for sending bills of POL of generator for payment. However bills submitted by him were not paid and after inquiry his services were terminated w.e.f January 02, 2018. This resulted into payment of fake POL bills of the generator of RBS Turbat valuing Rs 11.00 million.

Audit was of the view that due to weak internal controls of the company Mr. Khurshid Anwar succeeded to claim POL bills without any load shedding which was loss to the corporation.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the accused has been terminated from the services of

PTVC. Audit contented that there was no mention about the fake claim of POL bills in the termination orders and suggested to work out the amount of fake bills of POL for effecting recovery. The DAC directed to work out and recover the fake claims of POL bills from the accused.

Audit recommends compliance of the DAC directive.

10.1.4.20 Non-adjustment of salary advance - Rs 6.77 million

According to PTV Head Quarters, Islamabad Office Order No. HPP/2014/186 dated November 11, 2004 &Office Order No. HP/2014/139 dated January 06, 2006 the advance against salary was to be adjusted from the salary in three equal installments before the closing of the financial year 2004-2005 & 2005-06.

During the audit of PTVC, Lahore for the years 2016-18, it was observed that an amount of Rs. 6.765 million was outstanding against 573 employees on account of advance against salary. The advances against salary on the eve of Eid-ul-Azha 2005, Eid-ul-Fitr 2006 and Eid-ul-Fitr 2010 were given to theses employees which were to be adjusted from salary in three equal installments before the closing of the financial years 2004-2005 & 2005-2006. Advance against salary on Eid-ul-Fitr 2010 given in anticipation of ex-gratia which was not approved by the BoD was also required to be adjusted from the salary. However, the advances were not adjusted and deferred for adjustment from commutation of the employees at the time of retirement. An amount of Rs 6.77 million was outstanding since 2004-05 and 2010.

Audit was of the view that the advances were required to be recovered from the salary of the employees within three equal installments but same were deferred till retirement of the employees which was held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16,

2019, directed that the recovery of the advances be made from the salary of the employees concerned.

Audit recommends compliance of the DAC directive.

10.1.4.21 Non-transparent hiring of equipment &hall for Ramzan Transmission - Rs 11.18 million

According to Rule 12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of PTVC Centre, Lahore for the years 2016-18, it was observed that the management hired equipments from different parties for conducting Ramzan Iftaar Transmission 2016 titled "Ramzan Allah Ka Ehsaan" without observing PPRA Rules 2004 as detailed below:

S.No.	Suppliers Name	Description	Amount (Rs.)
1.	M/s Royal Caterers, Lahore	Set Material & Props	3,000,000
2.	M/s Royal Caterers, Lahore	Hiring of Hall	3,750,000
3.	M/s Ad Mills, Lahore	Hiring of Lights	1,888,410
4.	M/s Idrees Sound, Lahore	Hiring of Sound	900,000
5.	-	Hiring of JIbs	665,000
6.	M/s Al-Jannat, Lahore	Hiring of SMDs Screen	450,000
7.	-	Hiring of Chillers	525,000
	Total		**11,178,400**

While approving the Programme Budget Estimates M.D waived off the purchase procedure.

Audit was of the view that hiring of equipments & hall without advertisement as against the PPRs, was held irregular. Moreover, M.D had no authority to waive off purchase procedure under PPRs.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, recommended that the case may be placed before the BoD.

Audit recommends compliance of the DAC directive.

10.1.4.22 Loss of income due to non-collection of PTV license fee from Bulk Meter Consumers – Rs 574.65 million

According to Television Apparatus (Possession &Licensing) Rules, the Govt. of Pakistan levied Rs 35 per month TV license fee for domestic consumer and Rs 60 for Commercial TV set.

During the audit of PTVC for the years 2016-18, it was observed that 3637 Bulk Consumers (Private/Govt. Institutes, Housing Societies) were registered with PEPCO as per Asstt. Controller Revenue (CS) note No.PTV(HQs) note No.PTVC-RD-403/Audit/77 dated August 08, 2018. However, PTVC was collecting PTV license fee from only 267 Bulk Consumers. Thus, the corporation was deprived of license fee income of Rs 574.65 million as worked out below:

Description	**Total Nos. & Amount (Rs)**
Total Consumers of 267 Bulk Meters	108,356 Nos.
Average consumers per bulk meter of 267 bulk meters (108,356/267)	406 Nos.
Average consumers per Bulk meter of 3,370 Bulk Meters	1,368,220 Nos.
Rate of fee per consumer per month	Rs. 35
Loss of income per month (1,368,220 x 35)	Rs. 47,887,700
Total loss for one year (47,887,700 x 12)	**Rs. 574,652,400**

The management did not collect actual date of bulk meters/consumers from PEPCO for recovery of license fee from the remaining bulk meters owners which showed slackness on the part of the management.

Audit was of the view that the actual data of bulk consumers was not collected and the corporation was deprived of license fee due to non-recovery of license fee from the total bulk meters consumers registered with PEPCO.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. During DAC meeting held on January 16, 2019, management explained that the legal notice to the defaulter bulk consumers are in process of issuance. The DAC directed to make efforts for recovery of PTV License Fee from the bulk meter consumers.

Audit recommends compliance of the DAC directive.

10.1.4.23 Unjustified hiring of various equipments - Rs 30.13 million

According to rule 12 (2) of PPRs 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of PTVC, Islamabad for the years 2016-18, it was observed that PTV Sports, PTV Home, PTV Karachi and PTV Lahore incurred an expenditure of Rs. 30.13 million on acquiring of equipments like SMD Screen, Jibs, LED lights, Props and Set Materials during 2016-17 & 2017-18 for recording programmes on rental basis. The equipments were hired from the parties without going through the tendering process as per PPR hence held irregular. Furthermore, the equipments hired were of fixed asset nature and usable for every programme for longer period hence, the decision for hiring instead of purchase was not justified at all.

Audit was of the view that by avoiding tender process undue favor was extended to the parties and the corporation was deprived of the benefit of competitive rates. The hiring of equipments amounting to Rs. 30.13 million was made in contravention of PPRs and thus held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, recommended that the case may be placed before the BoD.

Audit recommends compliance of the DAC directive.

10.1.4.24 Irregular deduction of Punjab Sales Tax Rs 54.10 million

According to PTVC, Head Quarters letter No. Nil dated June 19, 2017, PTVC entered into contract with PEPCO for collection of TV license fee, PEPCO has in term asked DISCO's for said collection. Hence sales tax is required to be charged by DISCO's to PEPCO instead of PTVCL.

During audit of PTVC, HQ, Islamabad for the years 2016-18 it was observed that Faisalabad Electric Supply Company (FESCO) and Multan Electric Supply Company (MEPCO) was deducting Punjab Sales Tax Rs 41.68 million and Rs 12.43 million respectively from TV license fee collected by them since July 2014 as against the above criteria. In this regard an amount of Rs 54.10 million has been deducted upto June 2018.

It is pointed out that no other DISCO's was deducting sales tax from collection of TV license fee except the above two DISCO's. The deduction of sales tax was being shown as receivables in the accounts. Management has not effectively taken up the matter with concerned authorities for resolving the issue..

Audit was of the view that the DISCO's are rendering services to PEPCO as PTVC has not entered into any contract with DISCO's, hence deduction of sales tax from the collection of TV license fee is held irregular.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC during its meeting held on January 16, 2019, directed that the efforts may be continued to resolve the matter.

Audit recommends compliance of the DAC directive.

10.2 Pakistan Broadcasting Corporation Limited

10.2.1 Introduction

Pakistan Broadcasting Corporation was established under the Pakistan Broadcasting Corporation Act 1973, Pakistan Broadcasting Corporation (PBC) is a Federal Government Corporation being managed through Ministry of Information and National Heritage.

10.2.2 Comments on audited accounts

10.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2013-14 to 2017-18 till December 31, 2018.

10.2.2.2 Audit recommends that the annual audited accounts of the past years be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

10.2.3 Compliance of PAC directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1990-91	06	04	02	354,359	67
1991-92	11	10	01	300	91
1992-93	07	05	02	205,209	71
1993-94	10	08	02	182,183	80
1994-95	05	04	01	219	80
1996-97	06	04	02	180,182	67
1997-98	09	08	01	115	89
1998-99	28	26	02	1.1, 8 (SAR-56)	93
1999-00	06	02	04	159,160,162, 163	33
2000-01	04	03	01	127,	75
2003-04	17	14	03	124.4,125,130	82

2006-07	03	01	02	120.1,120.2	33
2007-08	19	13	06	94.3,94.4,99,100,102,105	68
2008-09	15	08	07	132,133,134,135,131.5,131.6,136	53
2009-10	02	0	02	148,149	-
2010-11	12	09	03	12.2.1,12.2.2,12.2.2.4	75
2016-17	09	0	09	8.1.4.3, (8.1.1 &8.1.2,8.1.3,*8.1.4.1,8.1.4.2,8.1.4.4,8.1.4.5,8.1.4.6,8.1.4.7)*	-
Total	**169**	**119**	**50**		**70**

Overall compliance of the PAC directives was not satisfactory and needs immediate attention of the PAO.

10.2.4 Audit paras

10.2.4.1 Non transparent appointment of Resource Persons on contract basis - Rs 31.87 million

According to Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management appointed 114 Resource Persons on contract basis without press advertisement and written tests. The resource persons were appointed on simple application by Director General PBC without Selection Board Committees. This resulted into irregular appointment and payment of pay and allowances worth Rs 31.14 million upto June 30, 2018.

Audit was of the view that the appointments were made at the cost of public exchequer depriving the deserving persons.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed the management that the case may be placed before the BOD for approval/ regularization.

Audit recommends compliance of the DAC directive.

10.2.4.2 Irregular award of contract for marketing rights to disqualified firm, non recovery of outstanding dues - Rs 5.92 million

According to Rule-36 (b) (viii) of PPRs 2004, after the evaluation and approval of the technical proposal, the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders. Moreover, according to para-11 of the contract signed between Pakistan Broadcasting Corporation (PBC) and M/s Sacom Media Communication Consultant Islamabad, "recovery cheques against the invoices shall be collected by firm in the name of PBC and deposited in PBC Account No. DC-655/77 HBL Foreign Office Branch Islamabad under intimation to the Central Sales Office Islamabad.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was noticed that the management invited Expression of Interest (EOI) for the award of marketing and sales rights of PBC FM channels across the country on December 15, 2015. In response nine (9) firms submitted their technical proposals. The technical evaluation committee recommended /qualified technical proposal of four (4) firms on January 08, 2016 and rejected /disqualified five (5) firms including M/s Sacom Media Communication Consultant Islamabad. The management awarded contract /agreement on April 11, 2017 to M/s Sacom Media Communication Consultant, Islamabad for marketing and sales rights of PBC FM channels valid up to December 31, 2017 despite disallowed/ disqualified by the technical evaluation committee.

Furthermore, the following irregularities were also observed in this case:-

a. The firm secured business of Rs.5.92 million of PBC till date, however, the amount received was directly credited to their own account instead of PBC in violation of caluse-11 &12 of the contract and paid only a sum of Rs.1.61 million.
b. The contract of the firm was expired in December 2017 however the firm continued its business till date without any extension in the contract/agreement.

Keeping in view the above facts the award of sales/marketing rights to technically disqualified firm and execution of the contract in violation of the contract/agreement was considered irregular.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed that the recovery already made may be verified and complete recovery may be made within 120 days.

Audit recommends compliance of the DAC directive.

10.2.4.3 Irregular appointment of employees –Rs 29.25 million

According to Establishment Division S.R 0248(i)/88 dated April 07, 1988, a candidate must possess the educational qualifications and experience and must be within the age limit as mentioned against the post commenced below:

i. LDC Matric with typing speed 30 w.p.m
ii. Stenotype Metric, with 80/40 w.p.m in short hand and typing respectively.
iii. Stenographer intermediate with 100/50 w.p.m speed in short hand and typing respectively.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management appointed 201 LDC, Steno typist and Stenographer during 2007-08 in PBC Scale No. 2, 3 and 4 respectively, however, the relevant criteria was not followed in letter & spirit as no practical

test was carried out in order to judge the ability of typing speed, which was the basic condition of the direct appointment, only written test of the general knowledge was conducted which was not requirement in the case of the appointment against the above referred posts.

Audit was of the view that due to violation of the above referred criteria, appointment against these posts cannot be considered on merit. Therefore, expenditure of Rs 29.25 million incurred on the pay & allowances was held irregular.

The matter was repeatedly brought to the notice of the management and Ministry through Audit Inspection Reports for the year 2007-08 to 2015-16 but neither any action was taken against above irregular appointment by the management nor furnished plausible reply to audit.

The matter was reported to the management on October 10, 2018 and to PAO on October 25, 2018. The DAC in its meeting held on January 30, 2019, directed the management that the case may be referred to Establishment Division for regularization.

Audit recommends compliance of the DAC directive.

10.2.4.4 Irregular appointment of HRM Officer – Rs 5.66 million

According to the Establishment Division vide their OM No. 4/1/93-R-1 dated February 23, 2009, duly communicated to PBC through controlling Ministry vide U.O dated March 03, 2009, NOC was required to be obtained from the Establishment Division regarding availability of staff in the surplus pool before recruitment in vacant posts.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management appointed Ms Faryal Malik as Human Resources Management Officer on August 24, 2009 at monthly pay of Rs 50,526. The management published advertisement in the daily Jang on August

17, 2009 for walk in interview at PBC head office on August 21, 2009. The lady was appointed without any written test (NTS or other) merely on the assessment of a tailor made committee. Since inception of PBC in 1948 and their subsequent conversion into corporation in 1972 the organization did not have their approved Appointment, Promotion and Transfer Rules as required under PBC Act.

The management accommodated the officer through re-designation of the post of Administrative Officer as HRM Officer by D.G PBC on August 24, 2009 i.e. on the date of issuance of appointment letter. The appointment of the officer was also seriously viewed by the PBC BoD in its 366 meeting held on March 04, 2010 in which it was observed that in draft rules there was no post of HRM Officer. A sub-committee of the Board Members was constituted in March 2010 to investigate the matter and report to the board. Neither the inquiry was finalized nor any action was taken in line with the instructions contained in the above letter.

Audit was of the view that the appointment/selection of the officer as well as subsequent increase in the pay was held irregular. The employee was paid an amount of Rs 5.66 million (approx. @Rs 50,526 pm X 112 months) on account of pay & allowances since the date of appointment.

The matter was brought to the notice of PBC/Ministry through Audit Inspection Reports for the year 2014-15 and 2015-16. The DAC in its meeting held on January 30, 2019, deferred the para as the matter is subjudice.

Audit recommends explain reasons for violation of Establishment Division’s instructions. Fix responsibility for the irregular appointment and take action against the responsible. Get approved Appointment, Promotion and Transfer Rules as required under PBC Act.

10.2.4.5 Irregular payment of shift allowance to news staff - Rs 1.37 million

According to para-12 (1) of Rules of Business 1973 Government of Pakistan, "No Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation."

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that contrary to the above instructions of the Federal Government, the management approved shift allowance to the News staff on April 10, 2018. Furthermore, it was observed that PBC was receiving grant in aid from the Federal Government on annual basis and approved annual budget for the year 2017-18 reflected deficit budget of Rs. 1.57 billion.

Audit was of the view that the available resources of PBC were in-sufficient to meet the approved expenditure for the year 2017-18.The management approved additional allowance to the employees of the organization without concurrence of the Finance Division. Thus expenditure of Rs. 1.37 million incurred from April 2018 to August 2018 on the said allowance was considered irregular.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed the management that the case may be placed before the BOD for approval/ regularization.

Audit recommends compliance of the DAC directive.

10.2.4.6 Ill-planed expenditure on establishment of Pakistan Institute Of Broadcasting & Information Technology - Rs 56.25 million

According para-3.4 of Project Management Guidelines Planning Commission Government of Pakistan "at the project preparation stage, various indicators such as input, baseline data, outputs and outcome, are determined over the life of project. In addition, viability of the project in terms of financial and economic indicators is also determined, which focus on financial and economic viability of the project. Another important aspect which needs to be considered is the sustainability aspect after completion; how it would yield the required output/outcome.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18, it was observed that development project "Establishment of Pakistan Institute of Broadcasting & Information Technology at Islamabad" was approved by Central Development Working Party (CDWP) on July 20, 2005 at a cost of Rs.62.94 million with completion period of 18 months. It was observed that expenditure of Rs.56.25 million was incurred on civil works through Pak PWD against the allocated budget of Rs.34.38 million. In 2010 revised PC-I costing Rs.134.44 million was submitted to Planning & Development Division for approval of CDWP in the Planning & Development Division, Ministry of Information & Broadcasting constitute the committee on February 02, 2012 by consisting representative of Pak PWD, Ministry of Housing of Works, Ministry of Planning & Development for the best possible solution of the project but report of the committee was still awaited even after lapse of six years. Thus, the expenditure incurred Rs.56.25 million on construction of building was considered wasteful because the objective set in PC-I of the project could not be achieved even after lapse of 13 years.

Audit was of the view that PC-I of the project was prepared without proper planning and necessity of the requirement.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed to hold an inquiry and share report with Audit within 60 days.

Audit recommends compliance of the DAC directive.

10.2.4.7 Loss due to non recovery of rent of shops from M/s Khattak Sons since 2005 – Rs 9.67 million

According to lease agreement between Pakistan Broadcasting Foundation (PBF) and M/s Khattak Sons (Pvt) Ltd on December 31, 2004, it was decided that PBF will provide 5 canal land situated at Radio Colony, Rawat to M/s Khattak Sons for construction of shops from their own funds. M/s Khattak Sons was bound to pay monthly rent of Rs 50,000 to PBF.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that M/s khattak Sons constructed shops at the land of PBF but Rs 9.67 million was not paid to PBC/PBF on account of rent of shops since 2005.

Audit was of the view that management did not take strenuous efforts to recover the rent from concerned party for the last 13 years hence PBC suffered loss to the extent of Rs 9.67 million.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, deferred the para as the matter is subjudice.

Audit recommends investigate reason for non recovery of rent from party in violation of agreement and fix responsibility. Recover the rent amount from concerned party or from the persons held responsible.

10.2.4.8 Non-receipt of outstanding amount from different private advertising agencies/clients - Rs 10.92 million

According to Clause-06 of terms and condition of Transmission Contract, 90 days credit facility to Government Clients dependable Advertising Agencies would be provided.

During the audit of Pakistan Broadcasting Corporation (ZSO, Karachi, Islamabad& Lahore) for the years 2016-18 it was observed that the management sold out air time to the private clients/advertising agencies on credit basis in violation of above said rule as this credit based facility was admissible only to Government client dependable advertising agencies. The receivable from these clients was Rs 10.92 million lying outstanding since 2012-13.

Audit was of the view that the management was required to sell air time to private clients on cash basis because credit facility was admissible only to Government clients secured advertising agencies.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed to hold inquiry report be shared with audit with 45 days.

Audit recommends compliance of the DAC directive.

10.2.4.9 Non-adjustment/recovery of TA/DA &others advances from employees / ex-employees - Rs 5.72 million

According to Para 273 of PBC Accounting Manual, all the advances drawn by employees for TA/DA, whether for inland or tour abroad should be adjusted immediately after performance of the tour.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management did not recovered advances

and other inadmissible payments from the employees/ex-employees as considerable time of more than ten (10) years was lapsed.

Audit was of the view that the management was required to make serious efforts for recovery from existing or ex-employees.

The matter was repeatedly brought to the notice of the management and Ministry through Audit Inspection Reports for the year 2007-08 to 2015-16 but neither any action was taken against above irregular appointment by the management nor furnished plausible reply to audit.

The DAC in its meeting held on January 30, 2019, directed that recovery may be verified and inquiry report be shared with Audit.

Audit recommends compliance of the DAC directive.

10.2.4.10 Loss due to irregular award of land on lease to M/s SNK Enterprises - Rs. 1.66 million

According to Ministry of Housing and Works Rules for entering into an agreement regarding renting out of buildings, the rent of building should be enhanced @ 25% after every three years.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management leased out plot measuring four (4) kanal at HPT Peshawar to M/s SNK Enterprises Peshawar for thirty (30) years on monthly rent of Rs. 154,000 vide lease agreement dated June 13, 2008. Contrary to the above referred instructions the increase in annual rent was agreed @ 15% after three years as per para-1(a)(i) of the lease agreement. Thus, the organization was put to loss of Rs.1.66 million from July 1, 2011 to June 30, 2018.

Audit was of the view that slackness on the part of management resulted in undue favour to the tenant and loss of Rs 1.66 million to the corporation.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC meeting held on January 30, 2019, directed that efforts for recovery may be continued.

Audit recommends compliance of the DAC directive.

10.2.4.11 Loss due to non recovery of sales income from marketing company - Rs. 5.00 million

According para-11 of the contract agreement signed between Pakistan Broadcasting Corporation (PBC) and M/s Avenue International Pvt. Ltd, "recovery cheques against the invoices shall be collected by firm in the name of PBC and deposited in PBC Account No. DC-655/77 HBL Foreign Office Branch Islamabad under intimation to the Central Sales Office Islamabad.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was noticed that the management entered into a contract/ agreement with M/s Avenue International Pvt. Ltd for award of marketing and sales rights of PBC channels FM-101, FM-93, FM-94 and Medium Waver Network stations on non exclusive basis on public private partnership basis in the ratio of (70: 30) on April 07, 2017 valid up to December, 31 2017.The firm secured business /commercials worth Rs. 5.002 million for PBC during the period from April to August 2017. However, it was observed that the management failed to collect share of income according to agreement. The cheques of business /commercial secured were collected and deposited by the firm in its own account instead of PBC account mentioned in the contract/ agreement. The firm went into default and the contract/ agreement was expired in December 2017 and not a single penny was received from the firm till date.

Audit was of the view that the management suffered loss of sales income Rs.5.00 million due to irregular execution of sales contract.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed that case may be filed for recovery.

Audit recommends compliance of the DAC directive.

10.2.4.12 Unjustified retention of staff on monthly consolidated contract - Rs 10.17 million

According to Establishment Division OM dated May 06, 2000 (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During the audit of Pakistan Broadcasting Corporation (PBC) for the years 2016-18 it was observed that the management engaged 107 employees of various cadres on monthly contract basis without any approved qualification and posted at various units of PBC throughout Pakistan. The pay of the employees having same qualification was different from each other. Furthermore, the retention of the monthly contract employees was not justified in the context of decreased operational activities of the corporation. Hence, Rs 10.17 million per annum (spent on pay of 107 employees) was considered irregular and unjustified.

Audit was of the view that the management was retaining unnecessary employees only to oblige them at the cost of other deserving persons.

The matter was reported to the management on September 27, 2018 and to PAO on October 17, 2018. The DAC in its meeting held on January 30, 2019, directed that the case may be placed before the BOD for approval/ regularization.

Audit recommends compliance of the DAC directive.

10.3 National Book Foundation

10.3.1 Introduction

National Book Foundation (NBF) is an autonomous body established under an Act of Parliament, 1972. National Book Council of Pakistan (NBCP) was merged with National Book Foundation on July 01, 1994. Accordingly, all the assets and liabilities of former NBCP on that date were incorporated in the books of NBF. National Book Foundation is engaged in the promotion of literacy by developing, printing and trading of books and other activities related thereto.

10.3.2 Comments on Audited Accounts

10.3.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

10.3.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

10.3.2.3 Working results of the Foundation for the year 2016-17 as compared with previous years are as under:-

(Rs in million)

	2016-17	**% Inc/ (Dec)**	**2015-16**	**% Inc/ (Dec)**	**2014-15**
Sales	331.943	(2.05)	325.265	9.54	296.95
Cost of sales	250.445	1.90	245.771	2.51	239.748
Gross profit	**81.498**	2.52	**79.494**	38.97	**57.201**
Admn &general expenses	208.864	(1.42)	211.872	721.85	25.78
Financial charges	0.170	(47.69)	0.325	71.05	0.19
Operating profit/ (loss)	**127.537**	(3.89)	**132.703**	324.79	**31.24**
Other income	32.262	39.99	23.046	39.33	16.54
Profit/ (loss) for the year	**74.689**	92.78	**38.744**	(18.91)	**47.78**

Provision for taxation	16.752	251.93	4.760	(63.94)	13.2
Net profit (loss) for the year after taxation	**57.936**	**70.48**	**33.984**	**(1.70)**	**34.57**

(Source: Annual audited accounts)

As per Note 18, PLS & Current Account of Foundation increased to Rs 224.62 million in 2016-17 from Rs 185.63 million in 2015-16 (increase by 21%). Foundation was required to determine its working capital or day to day expenses and made investment of surplus funds in terms of TDRs rather than PLS Accounts to earn maximum interest after getting better rates.

10.3.2.4 As per Note 14.1 provision for slow moving stocks of foundation of Rs 646,941 was shown in annual accounts for the years 2015-16 and 2016-17 respectively. Efforts should be made to sell the stock.

10.3.2.5 The work in progress valuing Rs 18.56 million remained stagnant hence the project was not completed. Early completion of the project was stressed upon the management.

10.3.2.6 As per Note 7, trade other payables, the amount for "Others" increased by 157% i.e. Rs 7.90 million in 2016-17 from Rs 3.07 million in 2015-16. Detail of increase in other payable may be explained .

10.3.2.7 As per Note 17, receivable from employees increased by 1052% i.e. from Rs 0.75 million in 2015-16 to Rs 8.64 million in 2016-17. Detail of irregularities /increase in receivables from employees alongwith latest status of inquiry may be explained.

10.3.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2003-04	04	0	04	34&34.1,34.2,34.3,34.4	-
2009-10	02	01	01	61	50
Total	**06**	**01**	**05**		**17**

Overall compliance of PAC directives was poor which needs immediate attention of PAO.

10.3.4 Audit Paras

10.3.4.1 Irregular appointment beyond the age of superannuation - Rs. 3.44 million

According to the Establishment Division vide O.M. No. 4/2/90-R-1-1 dated December 05, 1990 and subsequent instructions issued vide letters dated May 26, 1999 and December 04, 2007 instructed that the re-employment after the age of superannuation in the government, autonomous bodies, semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During the audit of National Book Foundation (NBF) for the years 2012-17 it was observed that Mr. Shaukat Ali working as Data Control Operator (DCO) NBF was retired on superannuation w.e.f. July 04, 2014. His services were hired as Assignment / Contractor for a period of two months w.e.f. July 07, 2014 at a total remuneration of Rs.80,000. The contract was executed on July 07, 2014 for preparation of Draft Service Rules and Revised Act of NBF. His services were continued as Stenographer with the approval of Managing Director NBF vide office order dated September 17, 2014 w.e.f. September 09, 2014 (till further orders) at a monthly remuneration of Rs.40,000 since then he remained in service of NBF. An amount of Rs.1.840 million was paid for the period July 07, 2014 to May 31, 2018. Similarly Mr. Asghar Abid a PTV employee retired on attaining the age of superannuation was engaged on contract as Public Relation Officer for six months w.e.f. February 07, 2014 at a monthly remuneration of Rs.30,000. His contract period was extended time & again and an amount of Rs.1.60 million was paid to the concerned. The appointment as well as payment of pay & allowances valuing Rs 3.44 million was irregular as approval of the competent authority was not obtained.

The DAC in its meeting held on December 18, 2018 directed the management to take effective steps for the constitution of Board and the matter

may be placed before BOG for regularization being the competent authority under NBF's Act.

Audit recommends the compliance of DAC directives.

10.3.4.2 Irregular appointment of Advisor - Rs. 2.40 million

According to Clause-3 of Establishment Division M.S Wing's U.O. No.11-3/2001-MSWIII dated January 25, 2002, the client organization was required to ascertain as to whether or not the required expertise was available within the organization / government. In case the expertise was available in house, reasons for not undertaking the assignments internally may be spelled out and detailed justification including the following be given for hiring of consultants.

During the audit of National Book Foundation (NBF) for the years 2012-17 it was observed that the management appointed Prof. Dr. Attaullah Attash as "Advisor Text Books" vide office order dated May 22, 2014 on contract basis for six months at monthly lump sum assignment fee Rs.50,000. The contract period was continuously extended after expiry. Last extension was granted for 89 days w.e.f February 16, 2018 vide letter dated February 19, 2018 and an amount of Rs. 2.40 million was paid since November 22, 2014 to May 15, 2018.The appointment was irregular because the prescribed procedure was not observed and post was not published in the press. The Advisor was appointed by the Managing Director NBF on the grounds that there was no Text Books Development Expert in NBF for checking the errors and discussion with authors and the applicant being an author of many books and was a Text Book Development Specialist. As proper procedure for appointment of Advisor was not followed therefore the appointment as well as payment of Rs. 2.400 million was held irregular.

Audit was of the view that the management was required to appoint the Advisor after following the prescribed procedure but no procedure was adopted which resulted into irregular engagement of Advisor.

The DAC in its meeting held on December 18, 2018 directed the management to take effective steps for the constitution of Board and the matter may be placed before BOG for regularization being the competent authority under NBF's Act.

Audit recommends the compliance of DAC directives

10.3.4.3 Inadmissible payment due to unauthorized promotion of employees - Rs. 1.23 million

According to Rule-7 (Sub Rule-7.8.1) of NBF Service Rules, an employee of NBF would be eligible for promotion on a higher vacant post provided he possessed the requisite educational, technical and other professional qualification and considered fit in all respects for promotion subject to fulfillment of such other conditions as laid down by the NBF from time to time.

During the audit of National Book Foundation (NBF) for the years 2012-17 it was observed that certain employees were promoted w.e.f. January 07, 2011 to BS-16 vide office order dated January 07, 2011. The employees were again promoted as Assistant Director BS-17 w.e.f. May 30, 2012 after a period of 17 months without observing the prescribed rules / laid down criteria. The promotion of employees was unauthorized because they neither possessed prescribed qualifications nor the required length of five (5) years service was fulfilled. An amount of Rs.1.23 million being the difference of pay in BS-16 and 17 was paid. As the employees were not eligible for promotion therefore the difference of pay and allowances Rs.1.23 million drawn by the employees was inadmissible.

Audit was of the view that the management was required to promote the employees as per prescribed procedure but promotions were made in violation of relevant rules which was held irregular.

The DAC in its meeting held on December 18, 2018 did not agree with the point of view of the department and deputed Deputy Secretary (Admin), NH&LH Division as a fact finding inquiry officer to investigate the matter, fix responsibility and submit a report to DAC within one month.

Audit recommends the compliance of DAC directives.

Chapter-11
Ministry of Information Technology and Telecommunication

11.1 Pakistan Software Export Board (Guarantee) Limited

11.1.1 Introduction

Pakistan Software Export Board (Guarantee) Limited ("the Company") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act 2017) on June 13 1998 as company limited by guarantee not having share capital to carry on business activities previously performed by the Pakistan Software Export Board more independently, effectively and dynamically. The registered office of the Company is situated at 2nd floor, Evacuee Trust Complex, Sector F-5/1 Islamabad. The company is fully owned and controlled by the Federal Government through Ministry of Information Technology.

The principal objective of the company is to make Pakistan a preferred destination for the business process outsourcing, placing Pakistan key player in the global information technology market, creating an environment that is conducive for IT business in the country and develop and strengthen domestic IT industry through various support programs and projects to deliver high value added services and enhance IT and IT enabled services export from Pakistan.

11.1.2 Comments on Audited accounts

11.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

11.1.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

11.1.2.3 The working results of the Board for the year 2016-17 as compared to previous years are as under:-

(Rs in million**)**

Particular	2016-17	Inc/ (Dec)	2015-16	Inc/ (Dec)	2014-15
Revenue					
Federal govt. grant	86.75	(1.68)	88.24	41.65	62.29
Amortization of deferred grant in kind	17.32	(2.04)	17.68	(2.54)	18.14
Revenue from bandwidth and related services	51.71	(1.81)	50.79	26.94	40.01
Registration and renewal fee	23.74	14.24	20.78	8.56	19.14
Other income	7.94	(33.05)	11.86	55.03	7.65
Total	**187.46**	(1.00)	**189.35**	**28.61**	**147.22**
Expenditure					
Salary allowances and benefits	80.49	8.10	74.46	14.67	64.93
Data node bandwidth and related charges	20.68	0.44	20.59	18.06	17.44
Rent, rate and taxes	10.27	9.72	9.36	10.50	8.47
Exhibition and seminars	14.99	(3.85)	15.59	49.75	10.41
Other expenses	33.30	(12.07)	37.87	(10.13)	42.14
Total	**159.73**	1.18	**157.87**	**14.87**	**137.44**
Surplus before taxation	27.73	(11.88)	31.47	221.78	9.78
Taxation	2.72	(29.53)	3.86	-	(4.00)
Surplus after taxation	**25.01**	**(9.42)**	**27.61**	**377.68**	**5.78**

(Source: Annual Audited Accounts)

Revenue from bandwidth and related services increased only by 2% from Rs. 50.79 million in 2015-16 to Rs. 51.71 million in 2016-17. The expenditure incurred on data node bandwidth and related charges remained almost the same as of previous year i.e Rs 20.68 million as compared to Rs 20.59 million during 2015-16. This indicated the stagnant position in the revenue as well as expenditure which showed that the management was not putting much effort by adopting innovative and modern techniques or expanding its activities to enhance self generating revenue. The management was stressed upon to adopt immediate measures for enhancing self generating funds.

11.1.2.4 Federal Government grant decreased by 2% from Rs. 88.24 million in 2015-16 to Rs. 86.75 million during the year 2016-17. Major portion of grant i.e 92% (Rs. 80.490 million) was spent on salaries, allowances and other benefits of

the employees of the Board. Due to excessive expenditure on salaries and allowances, the management did not have funds from Federal Government grant to utilize on the functions assigned to the Board. The management needs to look into the situation and spend more of the budgets on the designated functions to achieve objectives assigned to the Board.

11.1.2.5 The expenditure incurred on exhibitions and seminars decreased by 3.58% as compared to the previous year i.e from Rs 15.59 million (2015-16) to Rs 14.99 million (2016-17). This also indicated that the management was not focusing on major functions for achievement of its objectives as per Memorandum of Association which needs justification.

11.1.2.6 Assets related to PSDP and other project restricted funds include cash with banks in current accounts Rs. 47.67 million as of June, 30 2017. The reason of placement of PSDP funds in current account with Habib Bank Limited and detail regarding the actual date of release of these funds and updated status of utilization may be provided to audit.

11.1.2.7 Capital works in progress –civil works stood at Rs. 20.18 million as on June 30, 2017. The updated status of the civil works and its adjustment documents, if any, may be provided to audit.

11.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2004-05	01	0	01	82	-
2005-06	01	0	01	159	-
2008-09	04	03	01	147	75
2010-11	17	02	15	13.1.1,13.1.2.2,13.1.2.3,13.1.3, 13.1.4.1,13.1.4.3, 13.1.4.4,13.1.4.5, 13.1.4.6,13.1.4.7, 13.1.4.8,13.1.4.9, 13.1.4.10,13.1.4.11,13.1.4.12	12
Total	**23**	**05**	**18**		**22**

Overall compliance of PAC directives was very poor especially during the year 2004-05, 2005-06 and 2010-11, which needs immediate attention of PAO.

11.1.4 Audit Paras

11.1.4.1 Irregular award of work - Rs 21.35 million

According to Rule-42 (C) (iv) of PPRs-2004, "Repeat orders exceeding fifteen percent of the original value of contract shall not be awarded". Moreover, according to Rule-42 (C) (iii), a procuring agency shall only engage in direct contracting if, a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance: Provided that the contract or contracts do not exceed three years in duration.

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18, it was observed that the management signed contract with M/s Bestel (Pvt) Ltd on February 23, 2009 for providing network/ support staff for a period of one year at STP Shaheen Complex, Lahore. The contract was extended seven times on yearly basis after expiry of each contract period till May 31, 2017.

Audit was of the view that under PPRA-2004, repeat orders exceeding 15% of the original value of contract cannot be awarded. Moreover, no contract can be extended for more than three years. The management granted undue favour to the contractor by granting extension in contract period seven times in violation of PPRs, which was held irregular alongwith payment of Rs. 21.35 million made to the contractor during 2010 to 2017.

During DAC meeting held on January 08, 2019, management informed the DAC that contract was awarded to M/ Bestel for providing network/ support staff at STP Shaheen Complex Lahore to the IT companies. Although extension in the contract agreement was granted in violation of rules but the additional cost involved in extensions was not exceeding 15% of the contract rates. The DAC

directed the management to provide cost benefit analysis to audit. DAC further directed to obtain clarification from PPRA regarding competent authority for regularization of violation of rules and irregular expenditure in the result of that violation and initiate the case accordingly.

Audit recommends compliance of the DAC directive.

11.1.4.2 Irregular appointment of officer on fake documents - Rs. 1.02 million

According to Pakistan Software Export Board Service Rules approved criteria for recruitment of Marketing Officers, "the individual must have 16 years' education from Higher Commission of Pakistan (HEC) recognized institute with a minimum of two years' relevant experience." Furthermore, according to Rules "Contract post means a post for a specific period or assignment and shall either be on fixed amount for the assignment or on monthly remuneration."

During the audit of Pakistan Software Export Board (PSEB) for the years2016-18, it was observed that the management called applications for recruitment of Marketing Officer on contract basis through advertisement dated August 07, 2016. The applicants were required to submit their applications to Pakistan Testing Services up to August 24, 2016 and offer letter was issued to Miss Maryam Khan on October 24, 2016. Test result from Pakistan Testing Services was received on October 25, 2016 after appointment of Marketing Officer. Following irregularities were also observed during scrutiny of personal file of the officer.

a. The individual remained a regular student till August 22, 2016 and qualified her Master of Business Administration in August 2016. Fake one-year experience certificate was produced which did not fulfill the requisite criteria for the post.

b. The post was advertised on contractual basis, whereas, offer letter was issued on contractual basis till the age of superannuation instead of fixed contractual period in clear violation of PSEB Service Rules.

This resulted into irregular appointment payment of Rs. 1.020 million to the officer till date.

Audit was of the view that the management was required to terminate the services of the officer appointed on fake documents but undue favour was extended at the cost of public exchequer.

During DAC meeting held on January 08, 2019, management apprised the committee that the appointment of the officer concerned was made based on BBA and not based on MBA. Audit contended that the incumbent did not possess the required experience. The DAC directed to constitute a Fact Finding Committee to inquire the facts of the case after proper verification from the quarters concerned and submit report within one month.

Audit recommends compliance of the DAC directive.

11.1.4.3 Irregular appointment of Project Manager - Rs. 1.70 million

According to agreement signed with National ICT R&D Fund and Pakistan Software Export Board (PSEB) regarding Prime Minister's ICT Internship Programme the following criteria was approved for appointment of Project Manager of the Programme.

a. 16 years of education MBA Project Management or equivalent.
b. Minimum 5 years' experience required in similar assignments.

During the audit of Pakistan Software Export Board (PSEB) for the years2016-18, it was observed that the management made advertisement for recruitment of Project Manager in Prime Minister's ICT Internship Programme on December 16, 2016. Six candidates were called for interview based on test results received from Pakistan Testing Services. The individual who secured

highest marks in PTS and interview was ignored and Mr. Abdul Qayoom was appointed Project Manager at gross salary of Rs.100,000 per month. The individual selected do not fulfill the requirement necessary for the post. He completed Master of Project Management in October 2014 and possessed no relevant post qualification experience. No proof of requisite experience for the post was provided by the individual nor demanded by the management. The individual joined his duties in PSEB on May 24, 2017 in response to appointment letter dated May 23, 2017 without provision of medical fitness certificate from the authorized hospital. The probation period of the officer was still not cleared even after lapse of more than one year due to his poor performance. Thus, irregular payment on account of pay and allowances Rs. 1.70 million was made to the officer.

Audit was of the view that the management was required to make the appointment as per approved criteria but appointment was made in violation of the same, which was held irregular.

During DAC meeting held on January 08, 2019, management apprised the committee that the appointment of the officer concerned was made based on BBA and not based on MBA. Audit contended that the incumbent did not possess the required experience. The DAC directed to constitute a Fact Finding Committee to inquire the facts of the case after proper verification from the quarters concerned and submit report within one month.

Audit recommends compliance of the DAC directive.

11.1.4.4 Irregular appointment of Project Officer CMMI - Rs. 2.45 million

According to approved PC-I the project “enhancing IT export through industry support programme” the following criteria was approved for recruitment of Project Officer CMMI.

a. 16 years degree in computer science from a university /institute recognized by HEC. Certification in PMP shall be preferred.
b. Minimum 3 years of commercial experience.

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18, it was observed that the management advertised the post of Project Officer CMMI on August 7, 2016. Eight candidates were called for interview based on test results received from Pakistan Testing Services. Mr. Fakhar Javed Cheema was appointed as Project Officer on contract basis on November 21, 2016. It was observed that the individual completed his MS Project Management from National Defense University Islamabad in February 2016 and does not possess the requisite post qualification experience mentioned in the approved PC-I of the Project.

Audit was of the view that the management was required to appoint the candidate who fulfilled the required experience but it failed to do so, therefore his appointment as well as payment of pay and allowances of Rs 2.45 million held irregular.

During DAC meeting held on January 08, 2019, management apprised the committee that the appointment of the officer concerned was made based on BS Computer Science and not on the basis of MS Project Management and had required experience as well. Audit contended that the incumbent did not possess the required experience. The DAC directed to constitute a Fact Finding Committee to inquire the facts of the case after proper verification from the quarters concerned and submit report within one month.

Audit recommends compliance of the DAC directive.

11.1.4.5 ***i. Loss due to non-recovery of cost of land from CAA- Rs. 332.80 million***

ii. Loss due to non-recovery of interest on retention of funds - Rs. 199.68 million

According to Para-26 of General Financial Rules, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18 it was noticed that the management deposited an amount of Rs. 332.801 million as partial payment out of Rs. 646.305 million (total cost of land) on May 8, 2008 to Civil Aviation Authority (CAA) for allotment of 6 acres land at AIIA, Lahore for establishment of IT Park under the Project titled "Purchase of land from CAA at JIA, Karachi and AIIA, Lahore for establishment of IT Parks". The CAA did not allot the required land to PSEB on July 11, 2018 and informed PSEB that CAA Board in its 175th meeting held on April17, 2018 accorded approval for cancellation of lease of 6 acres land allotted to PSEB with re-imbursement of deposited funds. The Ministry of IT & T on March 29, 2018 and PSEB on August 15, 2018 initiated case with CAA for re-imbursement of Rs. 332.80 million along with interest of 10 years. Later on, CAA vide letter dated September 22, 2018 informed the management that case of refund of Rs. 332.80 million without interest was under process at Headquarters CAA, Karachi. However, neither the principal amount nor interest thereon had so far been recovered from the quarter concerned. Thus due to non-recovery of cost of land i.e. Rs. 332.80 million and interest of Rs. 199.68 million thereon, for 10 years, PSEB was likely to sustain loss of Rs. 532.48 million. Furthermore, Govt exchequer was also put to loss of Rs. 15.78 million due to non-registration of lease agreement.

Audit was of the view that the management was required to recover the principal alongwith interest from CAA but nothing was recovered so far, which is loss to the Board.

During DAC meeting held on January 08, 2019, management explained that the lease of the proposed land could not be finalized due to non-release of funds by the Planning Division and later on land earmarked for IT Park has been occupied by the PHA Government of Punjab. The DAC directed the management to pursue the recovery of Rs. 332.20 million along with interest from CAA and strenuous efforts may be made with Lahore Knowledge Park Company for obtaining alternate land for establishment of IT Park under intimation to audit.

Audit recommends compliance of the DAC directive.

11.1.4.6 In-ordinate delay in completion of development project - Rs. 37.60 million

According to Para 10.1 A xv. A (xv) of Project Management Guidelines of Planning Commission Government of Pakistan, "strong check should be exercised on time over-runs and cost over-runs. For this purpose, frequent revisions of scope and design of the projects should be avoided. Acquisition of land where required should be completed in the minimum time. Efficient and honest officers should be made responsible for supervision, implementation and timely completion of the projects. Any instances of mal-administration, corruption, lapses and pilferage should be seriously investigated and those found responsible should be severely dealt with".

During the audit of Pakistan Software Development Board (PSEB) for the years 2016-18 it was observed that PC-I of the Project "Site Development and Construction of Boundary Wall at PSEB's site for establishment of IT Park at Chak Shahzad", Islamabad was approved by the DDWP in its meeting held on March 18, 2013 at a total cost of Rs. 37.60 million. As per approved PC-I the project was required to be completed in 24 months i.e up to March 2015.The management failed to start the execution of the project as per timeline approved in PC-I. In April 2015, case for extension in completion time of project was submitted to the controlling ministry in spite of the fact that the project was not even started. Further two years extension in completion time up to June 30, 2017 was granted by the controlling ministry in May 2015. The management failed to complete the project even in the extended time and same was still in progress as on October 2018. The land for the said project was acquired in 2006 at a cost of Rs. 157.79 million on 33 years lease from Capital Development Authority (CDA). Depreciation of leasehold was being charged @ 3.33% in the annual accounts and management wasted 12 years lease rights of the allotted land without any benefit.

Audit was of the view that the management was required to carry out the project as per provisions of the PC-I but it failed to fulfill the same, which resulted into inordinate delay in completion of development project.

During DAC meeting held on January 08, 2019, management informed the committee that main reason of inordinate delay in the project was non-release of funds by the Planning Division and dispute of land. DAC directed to get the relevant record regarding release of funds and phase wise completion of the project verified from Audit. The DAC further directed the management to make efforts for completion of the project within the extended period i.e June 30, 2019 and get it verified from Audit. The project was not completed till the finalization of this report.

Audit recommends compliance of the DAC directive.

11.1.4.7 Non-achievement of CMMI training objectives - Rs. 10.15 million

According to Managing Director, approval dated December 2, 2014 regarding training of IT Industry staff on "Introduction to CMMI for Development vl.3 course". The objectives of the training were to train 30 plus employee of those 15 IT Companies, which are interested to acquire CMMI certifications in collaboration with PSEB. Once the resource pool of IT Industry is developed/ trained, PSEB shall offer subsidized CMMI Certifications to the IT Industry in the next phase.

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18 it was observed that the management awarded contract to M/s Infogistic Lahore for training of 30 participants on "Introduction to CMMI for Development V1.3 course" at cost of Rs.2.63 million vide contract dated January 19, 2015. In step-II, Four participants were selected and trained on "Intermediate Concept of CMMI" held at CMMI Institute USA at a cost of Rs. 3.15 million in August 2015.Furthermore, in step-III four participants were selected and trained on "Standard CMMI Appraisal Method for Process

Improvements (SCAMPI)" held at CMMI Institute USA at a cost of Rs. 4.37 million in December 2017. It was observed that under para-7 of the undertaking the participants were bound to provide appraisal services to the local IT Industry for at least three years. However, the management failed to start CMMI Certification to the local IT Industry till date. Furthermore, two participants left the CMMI Auditors Training Programme in step-III and under the training bond, they were liable to refund the training cost of Rs 10.15 million to PSEB, which was not done. Hence, PSEB was likely to sustain loss of Rs. 10.15 million due to non-recovery of training cost and the management could not achieve the objectives of the project and expenditure of Rs. 10.15 million was wasted.

Audit was of the view that the management was required to ensure that trainee should have provided appraisal services to the local IT Industry for at least three years but it failed to ensure the same due to which training objectives were not achieved.

During DAC meeting held on January 08, 2019, management informed the committee that the individuals from public as well as private sector were selected in accordance with the criteria provided in the PC-I. Audit contended that the individuals from private sector for CMMI training were included in the PC-I against the objective of the company envisaged in the Articles of Association. Moreover, no individual has yet completed the CMMI Certification. The DAC directed to get the relevant record for process of selection of public as well as private individuals verified from Audit. Moreover, recovery action be initiated against individuals who left the training incomplete, according to bonds signed by them.

Audit recommends investigate the reason of non-achievement of training objectives and fix responsibility. Recover the cost of training from the trainees left the PSEB CMMI Auditor training within bond period.

11.1.4.8 Loss due to non-receipt of subsidy on space procurement and booth construction - Rs 1.47 million

According to Para-26 of General Financial Rules, it is the duty of the departmental controlling officers to see that all sums due to the Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During the audit of Pakistan Software Export Board for the years 2016-18, it was observed that the management participated in exhibition named "Mobile World Congress 2017" held in Barcelona, Spain during February 27, 2017 to March 2, 2017with five IT companies. The Director General (IM-II) of Trade Development Authority, Pakistan (TDAP) vide his email dated August 16, 2016 addressed to MD, PSEB intimated the decision of competent authority of TDAP that instead of organizing the participation by TDAP, the Authority has allocated the forth coming Mobile World Congress February /March 2017 Barcelona, Spain to PSEB to organize itself as an allocated fair and terms and conditions shall be as follows:

i. TDAP shall provide 40% space rent (i.e covered area of 22 sq. m only)
ii. 30% cost of customized pavilion construction only (excluding accessories).
iii. The subsidy shall be released after the conclusion of the event and upon submission of original attested/ verified space rent and pavilion construction voucher/ invoices, which shall be attested by the commercial councilor, Madrid.

PSEB incurred an amount of GBP 21,307 equivalent to Pak Rs. 2.88 million on space cost and Euro 8,900 equivalent to Pak Rs. 1.07 million on booth construction for participation in MWC. An amount of Rs. 1.47 million was required to be recovered from TDAP as 40% space rent and 30% cost of customized pavilion construction as agreed by the competent authority of TDAP. However, PSEB management neither received the subsidy amount from TDAP despite elapse of more than one & half year nor took up the matter with TDAP for its early recovery. Thus due to non-receipt of subsidy amount on account of

40% space rent and 30% cost of customized pavilion construction, PSEB was likely to sustain loss of Rs. 1.47 million.

Audit was of the view that the management was required to recover the subsidy amount from TDAP but it failed to do the same which resulted into loss of Rs. 1.47 million.

The DAC During its meeting held on January 08, 2019 directed the PSEB to make strenuous efforts for recovery of Rs. 1.47 million from TDAP under intimation to audit.

Audit recommends compliance of the DAC directive.

11.1.4.9 Loss of store/inventory due to fire - Rs. 20.62 million

According to Chapter- III Para-151 of General Financial Rules, "the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration. Suitable accommodation should be provided more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to prevent losses through theft, accident, fraud or otherwise and to make it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc."

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18, it was observed that the management established Software Technology Park in 1999 in Awami Markaz Building to provide bandwidth and collocation services to 30 Information Technology Companies. Inventory /Networking equipment worth Rs 24.44 million was procured and installed for the purpose. Fire in the building broke out on September 10, 2017 and Telecom and

Networking Equipment worth Rs. 20.62 million was completely burnt. Fact finding inquiry committee was constituted on the same day to assess:

a) The overall damage in term of quantity and financial worth.
b) Determine PSEB roles and responsibilities with respect to Software Technology Park.
c) Determine the established standing operating procedures (SOPs) for declaring such building as Software Technology Park. If such SOPs are not established, what were the reasons for not prioritizing the same by the concerned organization to avoid such incidents.

The inquiry committee assessed PSEB's financial loss of Rs. 20.620 million due to complete destruction of Telecom /Networking Equipment. Furthermore, the committee expressed that none of the IT Park was owned by PSEBs or Ministry of Information Technology, therefore, no SOP was in place. Moreover, PSEB management did not get the Telecom /Networking Equipments insured to safe guard the government property.

Audit was of the view that Telecom/Networking equipment worth Rs. 24.44 million were purchased from the public funds. However, no action was taken to safeguard the assets from possible loss. Resultantly the Government ex-chequer suffered a loss of Rs. 20.62 million.

The DAC during its meeting held on January 08, 2019 directed the management to pursue the claim with the Committee constituted by the Federal Government and inform the Audit accordingly.

Audit recommends compliance of the DAC directive.

11.1.4.10 Non-transparent/ irregular appointment of Manager Domestic Business and payment of pay& allowances - Rs. 19.07 million

According to Job Description of Manager Domestic Business, the required qualification for the post was sixteen years of education having Master degree in MBA Business, Marketing or Management from a reputable university

along with five years of progressively responsible experience in I.T systems, strategic planning or project management and working in the public sector.

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18 it was observed that the management advertised the post of Manager Domestic Business in press on May 29, 2005 with Master degree in MBA Business, Marketing or Management from a reputable university along with five years of progressively responsible experience in I.T systems, strategic planning or project management and working in the public sector. The selection committee (comprising of three PSEB officers) shortlisted twenty (20) candidates including Mr. Sajid Iqbal working as Assistant Project Officer in PSEB for interview was finally appointed as Manager Domestic Business. In this appointment, the following discrepancies were noticed:

i. In press nine (9) different job categories were advertised but appointment against Manager Domestic Business was made.
ii. The appointment of candidate serving in PSEB was made by ignoring four (4) candidates having requisite qualification and sufficient experience required for the post.
iii. The selected officer has one-year degree of "Executive Master in Business Administration" issued by Preston University, Kohat in October 2004 which had no equivalency with required degree of MBA for the post because the required qualification of the post was sixteen (16) years of education with MBA degree whereas the officer concerned had only fifteen (15) years of education with one year MBA-Executive degree.
iv. The officer concerned did not complete the credit hours required to complete the MBA degree, as official transcript issued by the university showed forty four (44) credit hours against the required one hundred and two (102) hours for authentic MBA Degree.
v. In the presence of eligible candidature, / management decision to select /appoint its own in eligible officer against the post of Manager was non-transparent / irregular.

All the above facts tantamount to non-transparent appointment and payment of pay & allowances worth Rs. 19.07 million since his appointment till June 2018 was also held irregular.

During DAC meeting held on January 08, 2019, management apprised the committee that the officer concerned was already working in the relevant department as Assistant Project Officer and was qualifying the prescribed criteria of qualification and experience therefore, he was selected for the said post. Audit contended that the officer concerned did not possess the qualification required for the said post. DAC directed to constitute a Fact Finding Committee to inquire the facts of the case after proper verification from the concerned quarters and submit reports within one month.

Audit recommends compliance of the DAC directive.

11.1.4.11 Amortization of leasehold land without any benefit - Rs. 170.01 million

According to Capital Development Authority (CDA), letter No. CDA/EM-27(2515)/2006/3370 dated July 13, 2006 an area of 14.49 acres (70131 sq. yards.) land @ Rs 2,250 per sq. yards at National Park Area, Islamabad was leased out to PSEB for 33 years extendable for further two terms of 33 years for establishing Information Technology Park. Total value of land was Rs. 157.795 million. Similarly, land measuring 32.89 acre (159187.60 sq. yards) valuing Rs. 358.17 million was also allotted by CDA to PSEB in National Park Area @ Rs. 2,250 per sq. yards vide letter CDA.EM.II/DD-I/G-S-27 (2515)08/504 dated February 02, 2008.

During the audit of Pakistan Software Export Board (PSEB) for the years 2016-18, it was observed that the management failed to start the construction of IT Park despite expiry of twelve (12) years lease period till date i.e October 2018. An amount of Rs 170.01 million was charged as amortization of leasehold land without its utilization. The PC-I of IT Park on this land was prepared after expiry

of 10 years lease period and construction could not be started till date. Moreover, expiry of more than 1/3rd of the lease period will affect at the time of availing foreign loan facility, as financial institution will come with more strict terms & conditions for loan facility. In view of the above, the expenditure of Rs. 170.00 million was charged on amortization of leasehold land for twelve (12) years without utilization and without obtaining any benefit.

Audit was of the view that the management was required to start the construction work soon after acquisition of land but project was not started even after expiry of 12 years lease period, which was mismanagement.

During DAC meeting held on January 08, 2019, management apprised the committee that Exim Bank of Korea conducted detailed feasibility of the report from September 2015 to October 2016. The PC-I of this project was approved by Executive Committee of National Economic Council (ECNEC) in its meeting dated December 20, 2016 and loan agreement with Korean Exim Bank was signed on March 22, 2017. DAC directed the management to provide the copies of the loan agreement with Exim Bank to audit to examine the terms and conditions of the loan. Moreover, record of selection of consultant for the project may be got verified from audit.

Audit recommends compliance of the DAC directive.

Chapter-12
Ministry of National Health Services Regulation and Coordination

12.1 National Institute of Health Biological Production Division

12.1.1 Introduction

The Biological Production Division (BPD) was established in 1967 as National Health Laboratories, subsequently under an Ordinance in 1980, the laboratory was converted into Body Corporate namely National Institute of Health (NIH) currently under the administrative control of Ministry of National Health Services Regulation and Coordination (NHR&C) Government of Pakistan. All the Assets and Liabilities of the laboratories were taken over by NIH. Currently the BPD is working as a production unit of NIH.

The Biological Production Division is responsible for production and supply of vaccine, Therapeutic Anti Sera and Nimkol (ORS) to Government Hospitals, Civil Medical Institutions, Autonomous Bodies and Defense Forces of the country. Its main source of income is sale of its Biological Products. The management prepares separate Pre-format Accounts on the commercial activities of BPD.

The Director General Federal Audit, Islamabad conducts the regularity audit of NIH. The Director General of Commercial Audit & Evaluation Lahore conducts the certification audit of Pre-format Accounts and regulatory audit of BPD activities only.

12.1.2 Comments on the Audited Accounts

12.1.2.1 The working results of Pre-format Accounts of Biological Production

Division for the year 2017-18 as compared with those of the previous years are tabulated below:

(Rs in million)

	2017-18	%Inc/ (Dec)	2016-17	%Inc/ (Dec)	2015-16
Income					
Sale of vaccines	197.42	2.54	192.53	17	164.07
Sale of animals	1.77	45.08	1.22	1441	0.07
Total	**199.19**	2.81	**193.75**	**18**	**164.05**
Expenditure					
Cost of Production	156.09	22.67	127.24	10	116.01
Gross Profit	**51.73**	(19)	**63.87**	**33**	**48.04**
Operating Expenses	45.85	0.43	45.65	14	40.18
Net Profit Transferred to Balance Sheet	**5.86**	(67.80)	**18.20**	**132**	**7.86**

(Source: Annual Audited Accounts)

Sales of the Division increased from Rs. 193.75 million in the year 2016-17 to Rs. 199.19 million in 2017-18 registering increase of 2.81%. Whereas, the cost of Production increased from Rs. 127.24 million in 2016-17 to Rs. 156.09 million in 2017-18 registering increase of 22.67%. Resultantly Gross Profit of the Division decreased by 19% from Rs. 63.87 million in 2016-17 to Rs. 51.73 million in 2017-18. The management needs to exercise strict control over expenditure to continue the production of vaccine at economical cost.

12.1.2.2 Measles vaccine 180,000 ml manufactured during the year 2017-18. However, no quantity was sold during the year. The reason of non- selling of the vaccine may be provided.

12.1.2.3 According to statement of wastages/rejection for the year 2017-18 vaccine worth Rs.4.64 million rejected/ wasted during the year. Typhoid vaccine quantity of 50,600 ml rejected against the manufactured quantity of 240,000 ml during the year, which is 21% of the manufactured quantity. The management needs to look into the huge ratio of rejection of vaccine.

12.1.2.4 Production of the following vaccine remained nil during the year 2017-18. The management needs to justify the nil production of these vaccines during the year:

S #	Vaccine	Production
1	CHOLERA VACCINE	Nil
2	ANTI RABIES VACCINE (HUMAN):	Nil
3	ANTI RABIES VACCINE (ANIMALS):	Nil
4	ANTI DIPHTHERIA SERUM:	Nil
5	ANTI RABIES SERUM:	Nil

12.1.2.5 According to statement of withdrawal from National Bank of Pakistan NIH Branch for the year 2017-18 an amount of Rs 2.91 million was spent on purchase of machinery /equipment. However, no addition was shown in the relevant head during the year.

12.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2002-03	04	03	01	86.1	75
2013-14	01	0	01	Annex-2 (Non-submission of A/cs)	-
Total	**05**	**03**	**02**		**60**

Overall compliance of PAC directives was not satisfactory especially for the year 2013-14, which needs to be improved.

Chapter-13
Ministry of National Food Security and Research

13.1 Pakistan Agricultural Storage and Services Corporation Limited

13.1.1 Introduction

Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) was incorporated on August 31, 1973 as a non-listed public limited company. It is involved in the implementation of the Federal Government's policy of support price program of food grains, equitable distribution of food commodities and maintenance of their reserve stock.

The objectives of the Corporation are to purchase, acquire, sell, supply, market, distribute, exchange, and dispose of, import, export and store agricultural commodities. The Corporation is under the administrative control of Ministry of National Food Security and Research.

13.1.2 Comments on Audited Accounts

13.1.2.1 The working results of the Corporation for the year ended March 31, 2018 as compared to the previous years are as under:

(Rs in million)

	2017-18	**% Inc/ (Dec)**	**2016-17**	**% Inc/ (Dec)**	**2015-16**
Sales	27,231.09	131.69	11,753.31	(25.40)	15,755.70
Cost of sales	27,855.04	95.61	14,240.40	(32.23)	21,013.08
Gross (loss)/ profit	(623.95)	(74.91)	(2,487.09)	(52.69)	(5,257.38)
Allowance for incidentals	2,195.91	(21.00)	2,779.65	(4.73)	2,917.76
Profit/ (loss) after allowance for incidentals	1,571.96	437.31	292.56	(87.50)	(2,339.62)
Operating expenses	1,744.01	28.96	1,352.39	5.80	1,278.28
Administrative and general expenses of Head Office	533.14	(0.46)	535.58	43.48	373.28

Administrative and general expenses of Field Offices	1,105.94	(2.66)	1,136.12	34.74	843.19
Cost differential	9,152.48	(3.58)	9,492.69	(38.44)	15,421.45
Other operating income	181.44	(8.93)	199.25	(11.64)	225.50
Profit from operations	7,522.78	8.08	6,960.42	(35.63)	10,812.59
Finance cost	6,798.24	4.69	6,493.74	(20.26)	8,143.99
Profit/ (Loss) before tax	724.55	55.26	466.68	(82.51)	2,668.59
Taxation	315.83	155.77	123.48	(44.34)	221.84
Profit/ (Loss) for the year	408.72	19.09	343.19	(85.97)	2,446.75
Accumulated Profit	6,697.07	6.50	6,288.35	5.77	5,945.16

(Source: Annual Audited Accounts)

Although allowance for incidentals was decreased from Rs 2,779.65 million in 2016-17 to Rs 2,195.92 million (21%) in 2017-18, the same is still on the higher side due to retention of excessive stock, which required to be maintained at minimum level.

13.1.2.2 Abnormal increase of stores and spares from Rs 66.47 million in 2016-17 to Rs 110.24 million (66%) in 2017-18, which was due to 242% increase in stocks of polythene sheets and 204% of fumigation chemicals. Despite disposal of stock, this abnormal increase in stock needs to be justified.

13.1.2.3 Under head recoverable from Government of Pakistan, amount claimed for the year 2016-17 was Rs 9,492.69 million, which increased the recoverable to Rs 45,992.42 million in 2016-17. Out of which Rs 27,756.00 million (60%) was recovered in 2016-17. However, in 2017-18 the amount claimed was Rs 9,152.48 million which reduced the receivable Rs 27,388.90 million but only 17% amount valuing Rs 4,785.00 million was received from GoP in 2017-18, which needs justification.

13.1.2.4 In 2017-18 delivery expenses, renovation of plinths, tarpaulins/Gunji Kits and Misc. Expenses were increased by 39%, 78%, 168% and 300%, whereas the cost of labor charges, fumigation and Matting/polythene charges were decreased by 4.5%, 13.28% and 34.58% respectively under different heads of operating expenses needs clarification regarding huge variation as well as increase and decrease in different heads.

13.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1988-89	11	09	02	297,300	82
1989-90	07	05	02	318,319	71
1990-91	07	05	02	233,237	71
1991-92	07	06	01	222	86
1992-93	14	12	02	121,122	86
1993-94	06	04	02	100,102	67
1995-96	15	12	03	105,106,108	80
1996-97	15	12	03	118,122,123	80
1997-98	05	04	01	98	80
1999-00	04	03	01	141	75
2002-03	04	02	02	82.1,82.3	50
2004-05	03	0	03	53,54,55	-
2006-07	10	07	03	74,75,76	70
2008-09	23	14	09	80, 82,83,84,86,87,90,91,93	61
2009-10	11	09	02	81,82	82
2010-11	22	15	07	8.1.1,8.1.2.9,8.1.4.5,8.1.2.7, 8.1.4.1,8.1.4.2,16.2.2.4	68
2013-14	11	0	11	11.1.1,11.1.2.1,11.1.2.2,11.1.2.3, 11.1.3,11.1.4.1,11.1.4.2,11.1.4.3, 11.1.4.4,11.1.4.5,11.1.4.6	-
Total	**175**	**119**	**56**		**68**

Overall compliance of PAC directives was not satisfactory especially for the year 2004-05 and 2013-14, which needs to be improved.

13.1.4 Audit Paras

13.1.4.1 Non production of record

According to Section-14(1)d. & (3) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the officer incharge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition. Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

The National Assembly Secretariat issued instructions of the Public Accounts Committee to all the Principal Accounting Officers, Ministries /Divisions/Heads of Departments vide OM dated Jun 03, 2004. “Make available all information/record to Audit as and when required by them. Otherwise, disciplinary action will be initiated against person(s) responsible for the delay under Section-14(2) of the Auditor General’s Ordinance No. XXIII of 2001.”

During the audit of PASSCO for the year 2017-18, it was observed that 46 employees were appointed during 2013 and their employment was later on terminated as a result of different inquiries conducted by FIA, M/o NFS & R, Member Finance (PARC) and Member C&M (PARC). Based on said facts complete files regarding termination and subsequent reappointment of contract employees, alongwith personal files were demanded but same were not provided to Audit. In addition to that, certain other record was also requisitioned from the management but the same was not provided despite repeated written and verbal requests. Due to non-provision of record, audit was unable to complete the audit assignment satisfactorily.

The DAC in its meeting held on January 14, 2019 directed that the relevant record may be immediately produced to Audit. The DAC further

directed that non-production of record would not be tolerated at all. No record was produced by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.2 Irregular payment of bonus to employees - Rs 70.75 million

According to Government of Pakistan Finance Division OM No.F.3(5)R.12/80(R.14) VoI.II/2001-544 dated November 30, 2001, certain autonomous bodies/semi-autonomous bodies, corporations are not following the Government instruction and making payment of bonus to their employees without approval of Finance Division (Regulation Wing). Bonus paid in disregard of Government Policy is tantamount to financial irregularity.

During the audit of PASSCO for the year 2017-18, it was observed that the management paid bonus of Rs.70.75 million to employees and deputationist without obtaining administrative approval of the Ministry and concurrence of the Finance Division in contravention of Government policy.

Audit was of the view that PASSCO was nonprofit organization and all the expenditure of the corporation was borne by the Government of Pakistan. Hence, undue favour was extended to employees at the cost of public exchequer which was held unjustified and in violation of the above referred instructions.

The DAC in its meeting held on January 14, 2019 directed to refer the matter to Finance Division (Regulations Wing) for advice. The case was not referred to Finance Division (Regulations Wing) for advice till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.3 Irregular contribution to PASSCO Benevolent Fund - Rs. 18.05 million

According to Finance Division letter No F.15 (13) R-14/82 dated September 5, 1982, the funds provided, acquired or generated by autonomous/semiautonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with prescribed rules. Further, as per Section-III (6) of Book for Administrative and Financial Powers for PASSCO Management, Revision of pay scales and allowances of employees is the Power of BoD as per policy of GOP.

During the audit of PASSCO for the year 2017-18, it was observed that the management created Staff & Officers Benevolent Fund in which employees & corporation made contributions at a specified rate. During the year 2017-18, an amount of Rs 18.05 million was contributed by the corporation to the fund without approval of BoD & concurrence of Ministry of Finance. Managing Director, PASSCO approved amendments in Staff/Officers Benevolent Fund and also increased the rate of contribution by PASSCO from 2.5% to 4% and 2.5% to 5% for staff & officers respectively. It was pertinent to mention here that another fund named PASSCO Employees Welfare Trust Fund was also being managed/operated for the welfare of employees.

Audit was of the view that contribution towards Benevolent Fund by PASSCO involving huge financial impact was being paid by GOP in shape of incidental claims. Hence, approval from M/o Finance was required to be obtained. Furthermore, increase in rate of contribution was not in the financial power of Managing Director, therefore, all the payment made on account of contribution to benevolent fund by PASSCO was held irregular.

The DAC in its meeting held on January 14, 2019 directed to refer the matter to Finance Division for advice. The case was not referred to Finance Division for advice till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.4 Irregular award of advance increments and wrong fixation of pay of officers - Rs 20.60 million

According to Finance Division letter, No F.15 (13) R-14/82 dated September 5, 1982, the funds provided, acquired or generated by autonomous/semiautonomous bodies and corporations were public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with prescribed rules.

During the audit of PASSCO for the year 2017-18, it was observed that the management granted two to fifteen advance increments to thirteen officers appointed from 2006 to 2012 whereas they were supposed to be on initial stage of the pay scale. An inquiry was also conducted by Ms. Rubina Safir in which it was observed by the inquiry officer that mismanagement was committed which should be rectified. A number of officers were appointed overage/without advertisement and granted number of advance increments. The GM (F&A) was requested by GM (HR) to work out the overdrawn amounts but no record regarding pay fixation was available in personal files. This resulted in irregular award of excess increment valuing Rs. 20.60 million.

Audit was of the view that the management was required to take action against the officers responsible for mismanagement & irregularities in fixation of pay and also work out the overdrawn amount and recover the same from officers but no action was taken.

The DAC in its meeting held on January 14, 2019 directed that the matter may be investigated through a Fact Finding Inquiry at the level of Ministry. The Fact Finding Inquiry was not conducted till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.5 Irrational purchase of wheat and loss due to sale below the cost - Rs 3,624 million

According to Government Policy, PASSCO was mandated to maintain 1.00 million tons wheat as the Federal Strategic Reserve and 0.040 million tons as SAARC Food Bank Reserve till March 31, of every year. Further, requirement of agencies as allocated wheat quota was 0.42 million tons. These reserves cannot be disposed-off without prior permission of Federal Government.

During the audit of PASSCO for the year 2017-18, it was observed that the management was maintaining wheat stock above the required limit, which caused huge cost on account of markup and storage cost every year as detailed below:

Opening stock as on 01.04.2017	1,602,579 M. ton
Procurement Crop 2017 and climate gain	901,167 M. ton
Total stocks available	**2,503,746 M ton**
Annual requirement of Strategic Reserve, Govt. agencies quota and SAARC Food Reserve Bank	**1,456,942 M ton**
Excess stock	1,046,804 M ton

The stock of 500,000 m. ton was sold to private parties @ 32,000 per m. ton against the procurement cost of Rs.39,248.68/m. ton (32,500 cost of wheat + Rs. 6,748.68/m. ton incidental). Excess procurement of wheat caused loss to the tune of Rs. 3.415 billion, which needs to be justified. As per policy of PASSCO, old stock was required to be disposed-off first, but after sale of 500,000 m. ton a stock of 48,344 m ton from crop year 2015 was still lying with PASSCO.

Audit was of the view that the procurement and disposal should be made in a rational way. Hence, sale of wheat below the purchase price caused huge loss to Government.

The DAC in its meeting held on January 14, 2019 directed to review the Wheat Disposal Policy by Ministry. The policy was not reviewed till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.6 Excess payment of leave encashment and non-compliance of DAC Directive-Rs 108.98 million

According to standing instructions of the Federal Government, earned leave was admissible to employees for a maximum of 365 days based on basic pay drawn by the employee. Further, the DAC in its meeting held on January 30, 2018 directed the management to refer the case to Finance Division for regularization.

During the audit of PASSCO for the year 2017-18, it was observed that an amount of Rs 108.98 million was paid as leave encashment during the year 2017-18 to employees. The said amount was calculated on gross salary instead of basic pay in violation of the above quoted rule of Federal Government. The matter was also reported to the management during the year 2016-17 and DAC directed the management to refer the case to Finance Division for regularization. The management instead of regularization from the Finance, continued payment of leave encashment during the year 2017-18 as well. The payment of Rs 108.98 million on account of leave encashment was considered irregular.

The DAC in its meeting held on January 14, 2019 directed to refer the matter to Finance Division for advice, through the respective administrative section of Ministry. The case was not referred to Finance Division for advice till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.7 Lavish expenditure on establishment of Guest House at Islamabad - Rs 22.96 million

According to Finance Division letter No F.15 (13) R-14/82 dated September 5, 1982, the funds provided, acquired or generated by autonomous/semiautonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with prescribed rules.

During the audit of PASSCO for the year 2017-18, it was observed that the management established a guest house along with Liaison Office Islamabad w.e.f. July 2016 to March 2018 and incurred Rs 22.96 million on rent of residential building and salaries and other administrative expenses (excluding liaison office related expense) and all these expenditure were being charged to the incidental charges for handling and carrying of wheat, which were subsequently borne by the Government of Pakistan, and in case of delay in payments by GOP, PASSCO claimed additional interest on these receivables.

Audit was of the view that expenditure incurred on the guest house was more than the income it generated and that the expenditure incurred for the said purpose in previous years may be excluded from the receivable incidental charges from the Government of Pakistan.

The DAC in its meeting held on January 14, 2019 directed to justify the utility of maintaining the facility and rationalize its rent. Management was also advised to pursue an alternate proposal with the Ministry. No justification was provided by the management till the finalization of this report.

Audit recommends that the operations of the guest house may be made profitable by rationalizing its rent and ensuring its availability to all interested instead of few officials of PASSCO. Further decision of the DAC may be complied.

13.1.4.8 Wasteful expenditure on unnecessary establishment of procurement Centre at Sargana village - Rs 3.87 million

According to clause 16(d) of Wheat Procurement Policy 2017, maximum economy will be exercised for hiring of land/sites for PCs-cum-RVs. However, priority will be given to the sites, which have been vacated through the disposal of stocks.

During the audit of PASSCO for the year 2017-18, it was observed that a new PC cum RV was established within already available centers having very small number of villages i.e. 07 villages/mouzas in Zonal Office Vehari (Mailsi Project). In year 2016, there were eleven centers in Mailsi Project, which increased to twelve in 2017 and thirteen in year 2018. Average number of villages per center ranged between 10 to 31 in said project. However, it was observed that three nearby centers contain only 06 to 07 village per center and a new center i.e. Sargana was established without justification. Detail of expenditure on newly established center is given here under:

Rent of site	Construction of plinths	expenditure 2016-17 & 2017-18	Pay of Centre Incharge & 75,000 pm	Total expenditure
300,000	674,044	1,095,172	1,800,000	3,869,216

Audit was of the view that two nearby centers were already established with less than 10 villages per center as compared to 30 villages per center in other areas of same project; hence, there was no need to establish a new center.

The DAC in its meeting held on January 14, 2019 discussed the para at length and it was directed to formally frame a policy through the Competent Authority regarding establishment of such centers. Matter would be settled subject to framing of policy. No policy was framed in this regard till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.1.4.9 Loss due to imprudent decision and provision of dry ration to regular field staff - Rs 81.98 million

According to 10 (1) GFR Vol-I, every public officer was expected to exercise the same vigilance in respect of expenditure incurred from public money as person of ordinary prudence would exercise in respect of expenditure of his own money. Further, as per serial (g) of minutes of the Zonal Heads' meeting held on 2nd August 2017, to upkeep the image of PASSCO, dry rations for field staff was allowed/granted as field incentive but the expected positive effects/gains have not been achieved. It has seriously been observed that this incentive is being misused by PASSCO staff.

During the audit of PASSCO for the year 2017-18, it was observed that:

i. An incentive of dry ration @ Rs. 3,575 per head was recommended by the board comprising all the GMs. The incentive was allowed w.e.f April 01, 2015 to all the regular staff, chowkidars and daily wagers posted at PCs & Godowns without approval of BoD & Ministry of Finance.
ii. Later on, the management realized that the incentive was misused and no positive gain was achieved and expenditure of dry ration was also irrational. The Acting General Manager (Field) vide notification dated August 24, 2017 issued revised rates @ Rs 2,140 per head and payment of the same to regular staff in the field was also discontinued w.e.f September 01, 2017. This resulted into irregular grant of field incentive to regular field staff valuing Rs 47.15 million excluding regular chowkidars.
iii. The rate of field incentive was later on rationalized w.e.f September 01, 2017 therefore, an amount of Rs. 34.957 million on account of dry ration paid to daily wagers and chowkidars was loss to the corporation.

Audit was of the view that, field incentive in shape of dry ration was required to be allowed to chowkidars and daily wager (low paid staff).

Furthermore, had the outcome of the incentive given to field staff been assessed in a timely manner, a huge amount of Rs 81.98 million could have been saved.

The DAC in its meeting held on January 14, 2019 directed that the matter may be referred to BoD for regularization. The matter was not referred to BoD till the finalization of this report.

Audit recommends compliance of the DAC directive.

13.2 Livestock and Dairy Development Board

13.2.1 Introduction

Livestock and Dairy Development Board (the company) was incorporated in Pakistan as a Guarantee Limited Company on October 27, 2005 and is registered under Section 42 of the repealed Companies Ordinance, 1984 as a non-profit organization. The company's registered office is located at Ex-Milk Plant Building, Gate No. 2, National Agriculture Research Centre, Main Park Road, Islamabad. The principal activity of the company is to promote and facilitate livestock development (including dairy, meat poultry and allied areas) in Pakistan

13.2.2 Comments on Audited Accounts

13.2.2.1 The working results of Livestock and Dairy Development Board for the year 2017-18 are as under:

(Rs. in million)

	2017-18	Inc / (Dec)	2016-17	Inc / (Dec)	2015-16
Income					
Grant income recognized	27.75	(26.03)	37.528	102	18.59
Income on Investments and bank deposits	12.59	15.18	10.936	(18)	13.37
Other income	0.38	533.33	.060	567	0.009
Total	**40.78**	**(15.95)**	**48.525**	**52**	**31.970**
Expenditure					
Administrative expenses	17.18	91.95	8.954	(29)	12.660
Program expenses	10.57	(63)	28.574	381	5.940
Total	**27.75**	**(26.05)**	**37.528**	**102**	**18.590**
Taxation	-		-		-
Surplus after taxation	**12.97**	18.23	**10.966**	**(18)**	**13.380**

(Source: Annual Audited Accounts)

Grant income of the Board decreased from Rs.37.528 million to Rs. 27.755 million during the year under review registering decrease of 26%. The reasons of

decreased grant allocation from the Federal Government may be provided to audit.

13.2.2.2 Salaries and wages under the budget head "administrative expenses" increased by more than 100% from Rs. 6.49 million to Rs. 13.04 million as on June 30 2018 inspite of the fact that the grant from the Federal Government decreased by 26% during the year. The reasons of abnormal increase in salaries and wages during the year 2017-18 may be provided to audit.

13.2.2.3 An amount of Rs.10.57 million receivable from the Federal Government under different projects was written off. The reason/justification for the written off amount and administrative approval of Board of Directors may be provided.

13.2.2.4 Program expenses remained nil as on June 30, 2018 against the actual expenditure of Rs. 28.57 million during the year 2016-17. The reasons/justification of nil expenditure during the year under review may be provided to audit.

13.2.2.5 According to notes 9 & 11 of the accounts, short term investment and cash and bank balances stood at Rs.231.06 million as on June 30, 2018. However, it was observed that only a sum of Rs. 4.14 million was spent on the function of the Board during the year 2017-18. The management needs to justify legal status of investment instead of spending on functions assigned to the Board.

13.2.2.6 Fixed assets Rs.5.56 million acquired from Public Sector Development Funds (PSDP) during the year 2016-17. The entire amount was charged to depreciation during the year 2016-17. The depreciation policy and reasons of depreciating the entire value of asset in the year of acquisition may be provided to audit.

Chapter-14
Ministry of Maritime Affairs

14.1 Gwadar Port Authority

14.1.1 Introduction

Gwadar Port Authority (GPA) was established as a separate organization, after promulgation of the GPA ordinance No.LXXVII of 2002 dated October 17, 2002, for construction, operations, management, and maintenance of Gwadar Deep Water Port.

The Government of Pakistan has adopted the landlord concept for development of Gawadar Port. This means that GPA will drive the overall development of the port and will raise the funds for development of general port infrastructure (primarily dredging of channels and construction of breakwaters), while private sector investors will be the primary source for the development of terminals and cargo handling capacity. Reputable private investors/operators will be sought on a BOT (Build-Own-Transfer) basis for the design, construction and operations of the various terminals that are foreseen. In the longer term, as much as possible, different cargo types will be handled by dedicated terminals. This will allow for terminals to be developed and operated by dedicated operators who are specialized in these particular operations.

14.1.2 Comments on Audited Accounts

14.1.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

14.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	5	1	4	16.1.2, 16.1.3.1, 16.1.3.2 & 16.1.3.3	20

2015-16	5	1	4	17.1.4.1, 17.1.4.2, 17.1.4.3, 17.1.4.4	20
Total	**10**	**2**	**8**	**-**	**20%**

The overall compliance of PAC directives needs improvement.

14.1.4 Audit Paras

14.1.4.1 Excess payment of mobilization advance to contractor - Rs. 26.353 million

Clause- 60.12 of the contract agreement states that (a) An interest free mobilization advance up to 10% of the contract price stated in the letter of acceptance shall be paid by the Employer to the Contractor in two equal parts upon submission by the Contractor of a Mobilization Advance Guarantee/Bond for the full amount of the advance in the specified from a scheduled bank in Pakistan acceptable to the employer. (b) This advance shall be recovered in equal installments; first installment at the expiry of third month after the date of payment of first part of advance and the last installment two months before the date of completion of the works as per clause 43.

During audit of Gwadar Port authority (GPA) for the year 2016-17, it was observed that the management entered into a contract with M/s. Shaheen construction Company amounting to Rs. 527.058 million for construction of Commercial Complex–I at Gwadar on December 29, 2016. An amount of Rs. 79.059 million @ 15% was paid to the contractor instead of Rs. 52.706 million @ 10% in violation of above agreement. Resultantly, excess amount of Rs. 26.353 million was paid.

Audit is of the view that the undue favour was extended to the contractor which indicates poor financial management and weak internal controls.

The matter was reported to the management in October, 2017 and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.1.4.2 Non-deduction of retention money – Rs. 3.692 million

Clause 60.2 of the Conditions of Contract of Bidding Form for Civil Works, states that the percentage of retention money @ 10% of the amount of Interim payment Certificate should be deducted.

During the audit of Gwadar Port Authority (GPA) for the year 2017-18, it was observed that 10% retention money amounting to Rs.3.692 million was not deducted from the payment bills of the contractors. The details are as under:

(Rs. in million)

Name of Contractor	Amount	10% Retention money
M/s RAB Construction Company	34.919	3.492
M/s Coastal Construction Company	2.001	0.200
	Total	**3.6921,929**

Audit is of the view that undue favour was extended to the contractors by non-deduction of retention money, showing poor financial management and weak internal controls.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that the recovery may be made and responsibility may be fixed on person (s) at fault.

14.1.4.3 Non-conducting physical verification of fixed assets - Rs. 12,273.305 million

Rule-151 of GFR provides that the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, keeping them in good and efficient condition and protecting them from loss, damage or deterioration. He should maintain suitable accounts and

inventories and prepare correct returns in respect of the stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balance and the payment to suppliers, etc.

During audit of Gwadar Port authority (GPA) for the year 2017-18, physical verification of Fixed Assets of Rs. 12,273.305 million was not carried out by the management in violation of above rule .

Audit is of the view that no estimation of useful life of each part of plant was made separately since inception, which is violation of IAS-16. Due to non-carrying out of physical verification of immoveable fixed assets, the impact of assets could not be determined.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to intimate reasons/circumstances under which the physical verification of assets could not be carried out and to ensure the regular annual physical verification of assets in future.

14.1.4.4 Less deduction of withholding Income Tax - Rs.5.099 million

Section 153 of the Income Tax Ordinance, 2001 provides that withholding income tax on execution of contracts in the case of other than companies taxpayers, is 7.5% on filers.

During audit of Gwadar Port Authority (GPA) for the year 2017-18, it was observed that the management paid an amount of Rs.973.156 million to seven (7) different contractors against their claims/bills. However, the income tax was deducted @ 7% instead of 7.5%, resulting in less deduction of tax of

Rs.5.099 million. The detail is as under:

(Rs. in million)

Total amount	**Tax deducted @ 7%**	**Tax require to be deducted @ 7.5%**	**Less deduction of tax @ 0.5%.**
973.156	68.121	72.988	5.099

Audit is of the view that less deduction of withholding income tax from the claims/bills is violation of above mentioned rules which indicates poor financial management and weak internal controls.

The matter was reported to the management in August, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to fix responsibility on person(s) at fault besides recovery of the amount.

14.2 Korangi Fisheries Harbour Authority

14.2.1 Introduction

The Korangi Fisheries Harbour Authority (KoFHA) was established under Ordinance No. XVI of 1982 for making all arrangements for planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

The Harbour was completed in 1992 at a cost of Rs. 938.14 million including foreign component of Rs.644.24 million (US$ 26.121 million) financed by Asian Development Bank.

14.2.2 Comments on Audited Accounts

14.2.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

14.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2003-04	5	4	1	180.2	80
2013-14	8	1	7	16.2.2.1, 16.2.2.2,16.2.2.3, 16.2.2.4, 16.2.2.5, 16.2.3 & 16.2.4.1	13
2015-16	7	1	6	17.2.4.1, 17.2.4.4, 17.2.2.1, 17.2.3, 17.2.4.2, 17.2.4.3	14
Total	**20**	**6**	**14**	**-**	**30%**

The overall compliance of PAC directives was 30%, which needs to be improved.

14.2.4 Audit Paras

14.2.4.1 Non-recovery of various charges - Rs. 8.800 million

As per Agreement, Lease allottee hereby agrees with the Authority. To pay all rents, taxes, rates, royalties (if any be payable), duties, charges and any impositions whatsoever which may now or hereafter be charged or be imposed upon or be payable in respect of the plot and structures, thereon or any business conducted therein under any law for the time being in force.

During audit of Korangi Fisheries Hourbour Authority (KoFHA)for the years 2016-17 & 2017-18, it was observed that management failed to collect the outstanding dues of Rs. 8.800 million from Business units/Companies on account of various charges. The detail is give as under:

Sr. No.	Title of A/c	Amount
1	Electricity Charges	3.737
2	Water charges	2.130
3	Ground Rent	1.883
4	Berthing charges	1.050
Total		**8.800**

Audit is of the view that undue favour was extended to the parties, shows poor financial controls, resulting blockage of funds.

The matter was reported to the management in December, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault, besides early recovery of the amount.

14.2.4.2 Non-production of record

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

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the years 2016-17 & 2017-18, it was observed that 58 employees were shown in the record as on March 2018 and 66 employees in April, 2018. This indicated that 08 new employees were appointed. The record was called for relating to appointments, but the management failed to produce the same, which is violation of above Ordinance.

Audit is of the view that non-production of record shows concealment of facts from audit.

The matter was reported to the management in December, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

14.2.4.3 Irregular award of security Services Contract - Rs. 6.300 million

According to Public Procurement Rule (PPRA)12 (2) 2004 "all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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."

During audit of Korangi Fisheries Harbour Authority for the years 2016-17 & 2017-18, it was observed that a security contract was awarded to M/s. Pacific Security Services without competitive bidding in violation of PPRA rules. Thus, the payment of Rs. 6.300 million was held irregular.

Audit is of the view that undue favour was extended to the contractor and authority was deprived from the benefits of competitive bidding.

The matter was reported to the management in December, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the persons at fault besides adopting corrective measures to avoid recurrence in future.

14.2.4.4 Unjustified decrease in revenue of berthing charges - Rs. 4.878 million

Rule-4 of GFR states that all transactions to which any officer of Government is a party in his official capacity must be brought to account without delay. Further, Rule No. 24 of the Korangi Fisheries Harbour Authority Ordinance, 1982 for Recovery of dues as arrears of land revenue states that "All fees and sums due on account of property for the time being vested in the Authority and all arrears of tolls, charges, rates and dues imposed under this Ordinance or any rules or regulations may be recovered as arrears of land revenue, in addition to the other modes provided by this Ordinance.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the years 2016-17 & 2017-18, it was observed that revenue of berthing charges decreased from Rs. 13.435 million in 2016-17 to Rs. 8.557 million in 2017-18 despite increase in number of boats and local trips as compared to previous year. Details are as under:

Description	2016-17	2017-18	Difference
Berthing charges (Rs. in million	13.435	8.557	(4.878)
Total local trips	1,229	1,851	622
No. of Boats	150	210	60
Quantity of Fish(MT)	12,818	17,871	5,053

Audit is of the view that 37% decrease in the berthing charges shows inefficiency and negligence of the management.

The matter was reported to the management in December, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

14.2.4.5 Non-adjustment of advances - Rs. 4.400 million

As per rule-5 of GFR Advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the years 2016-17 & 2017-18, it was observed that most of the payment for purchase of stores and maintenance work was made in advance prior to the actual procurement or service completion, which is in violation to above rule. Moreover, no adjustments of advances were available, which makes it doubtful that whether the expenditure was actually incurred for the job specified or not. Thus the payment of Rs.4.400 million as advance was held irregular.

Audit is of the view that undue favour was extended to the suppliers / contractors by making payments in advance. This indicates weak internal controls.

The matter was reported to the management in December, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the persons at fault besides adjustment of advance amount.

14.2.4.6 Irregular payment of overtime allowance - Rs. 4.827 million

As per Finance Division (Regulation Wing) No.F.4(1)R-5/2010 dated August 09, 2012, " the overtime admissible to staff car drivers/dispatch riders from Rs. 20 per hour to Rs. 25 per hour subject to maximum limit of Rs. 150 per day w.e.f. August 01, 2012. The existing condition that the overtime allowance to staff car drivers/dispatch riders will only be paid if it has been verified by the officer concerned will continue to apply. Further, According to G.F.R. rule 10 (iv) Public moneys should not be utilized for the benefit of a particular person or sector of the community. As per rule 11 "Each head of a department is responsible for enforcing financial order and strict economy at every step.

During audit of Korangi Fisheries Harbour Authority for the years 2014-15, 2016-17 & 2017-18, it was observed that management paid an amount of Rs. 4.827 million on account of overtime allowance to employees (other than drivers/dispatch riders), despite the facts that organization is presently not executing its core function of deep sea fishing. Moreover, the allowance is paid in cash instead of crossed cheques, therefore the authenticity of payment could not be verified.

Audit is of the view that undue favour was extended to the employees at organization cost. This indicates weak internal controls.

The matter was reported to the management in November, 2015 and December, 2018. The management in its reply dated December 5, 2018 stated that the operations of Harbour remain open 24 hours. The officials are essentially required to perform duties round the clock. The payment of overtime is relating to the performing of duties after office hours and on holidays and has no connection whether department is meeting expenses from grant or from own

revenues. The reply was not tenable as explanation of the management was unsatisfactory. DAC meeting was not convened despite requests by audit.

Audit recommends that the payment of overtime allowance should be discontinued immediately. Moreover the detail of amount paid to each individual should be provided to Audit with supporting evidences. Responsibility may be fixed on the persons at fault.

14.2.4.7 Loss of revenue due to non-auction of Fish

Section-30 of Korangi Fisheries Harbour Authority's Act says that the Authority shall frame rules for appropriate arrangements for a wholesale auction of fish on the Harbor area, and cause the auction fees to be received there from to be credited to the account of the Authority for the purpose of funding of the operation, maintenance, repair and up-keep of the Harbor area.

During audit of Korangi Fisheries Harbour Authority for the years 2016-17 & 2017-18, it was observed that no such auction was being held during the years under review, which shows inefficiency and negligence on the part of the management, causing financial constrains resulting into dependence on the Government grants.

Audit is of the view that management failed to exercise its due functions to generate revenue to become a self sustainable organization.

The matter was reported to the management in December, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the persons at fault besides adopting measures to generate revenue.

14.3 Pakistan National Shipping Corporation

14.3.1 Introduction

Pakistan National Shipping Corporation (the Holding Company), its subsidiary companies and associates (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance 1984, respectively. The group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services.

Commercial Operations

During the year under review, PNSC and its vessel-owning subsidiary companies lifted 13.326 million freight tons of cargo (Dry-Bulk 1.181, Liquid Bulk 11.782, Slot Charter 0.363) as compared to Rs.16.277 million freight tons of cargo in the previous year.

14.3.2 Comments on Audited Accounts

14.3.2.1 The working results of the Corporation for the year 2017-18 as compared with those of the previous years are given below:

(Rs. in million)

	Unit	2017-18	Variance (%)	2016-17	Variance (%)	2015-16
No. of Ships	No.	-		9	-	9
Cargo carried by owned and chartered vessels	million tons	12.797	(10.536)	14.304	7.340	13.326
Operation Revenue	Rs in Million					
Own vessels	"	5,738.182	12.282	5,110.499	(25.880)	7,017.359
Chartered vessels	"	4,139.771	(42.309)	7,175.737	34.110	5,350.482
Total income from shipping business	"	9,877.953	(19.601)	12,286.236	(0.066)	12,367.840

Rental Income	”	192.344	0.467	191.449	8.690	176.144
Other income	”	1,743.175	(23.514)	2,279.086	40.080	1,627.014
Total revenue	”	11,813.472	(19.945)	14,756.770	4.130	14,171.020
Operating expenses	Rs in Million					
Fleet expenses Direct and indirect	”	(7,820.782)	(11.447)	(8,831.707)	(0.510)	(8,877.180)
Admin expenses	”	(1,063.571)	5.611	(1,007.062)	8.760	(925.910)
Other expenses including Finance Cost	”	(924.142)	(45.127)	(1,684.156)	(3.210)	(1,739.930)
Total expenses	”	(9,808.495)	(14.878)	(11,522.925)	(1.140)	(11,655.647)
Operating profit/(loss)	”	2,104.439	(38.685)	3,432.174	11.650	3,073.933
Profit/(Loss) before Taxation	”	1,854.037	(40.226)	3,101.763	23.320	2,515.352
Profit/(Loss) after Taxation	”	1,641.121	(33.741)	2,476.815	6.620	2,323.054

(*Source: Annual Audited Accounts)*

During the year 2017-18, the operational revenue earned by the Corporation through its own vessels was Rs.5,738.182 million as compared to that of the previous year Rs.5,110.499 million showing an improvement of 12.28%.

14.3.2.2 The revenue through chartered Vessel was Rs.4,139.771 million as compared to that of previous year Rs.7,175.737 million registering a significant decline of 42.31%. The decline in chartered revenue by Rs.3,035.966 million in 2017-18 as compared to previous year is the prime contributor in attaining reduced total income of Rs.9,877.953 as against Rs.12,286.23 million of that last year.

14.3.2.3 Other income remained Rs.1,743.175 million in 2017-18 as compare to Rs.2,279.086 million of previous year so registering decline of 23.51%.

14.3.2.4 The major decline in chartered vessel revenue and other income led to fall in total revenue to Rs 11,813.472 million in 2017-18 as compare to Rs 14,756.77 million of that of last year registering decline of 19.95%

14.3.2.5 Total expense reduced to Rs.9.959.435 million in 2017-18 as compare to Rs.11,522.925 million of that previous year reflecting decrease of 13.569.This decrease is contributed by significant fall in fleet expenses and other expenses.

14.3.2.6 Operating profit remained limited to Rs.2,104.439 million in 2017-18 as compare to that of previous year profit of Rs.3,432.174 million registering decline by 38.68%.

14.3.2.7 The fall in operating profit in 2017-18 is caused by relatively higher decline in revenues Vs related expenses. Profit before tax and after tax also revealed decline in 2017-18 by 40.23% and 33.74% respectively.

14.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2003-04	6	5	1	181	83
2006-07	18	17	1	189	94
2008-09	5	4	1	212	80
2013-14	10	7	3	16.3.2.1, 16.3.4.2 & 16.3.4.4	70
2015-16	11	1	10	17.3.2.1, 17.3.2.2, 17.3.2.3, 17.3.2.4, 17.3.3, 17.3.4.1, 17.3.4.2, 17.3.4.3, 17.3.4.4, 17.4.2.1	9
2016-17	5	-	5	15.3.4.1, 15.3.4.2, 15.3.4.3, 15.3.4.4, 15.3.4.5	-
Total	**55**	**34**	**21**	**-**	**62%**

The overall compliance of PAC directives needs improvement.

14.3.4 Audit Paras

14.3.4.1 Loss due to transportation of Furnace Oil of wrong specification - Rs. 1,731.77 million

As per clause-10 (b) of the agreement, "quantities and quality of crude oil delivered hereunder shall be determined by the Company or the Company's supplier's personnel, and certificates of quality and quantity of net crude oil after deduction of any measurable sediments and water received at discharge port in accordance with standard practice. However, the Carrier may at own expense, but jointly with the Company's supplier or the Company, measure the quantity of crude oil delivered, at loading port and received at the discharge port, and inspect before delivery and after discharge the quantity of such crude oil delivered to the vessel or received in Company's tank."

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2014-15, it was observed that PNSC ship, MT Quetta carried 69,272 MT Low Sulphur Furnace Oil (LSFO) from Fujairah to Karachi for Pakistan State Oil (PSO). The ship arrived at Karachi on April 02, 2015. A survey was carried out at Loading Port according to which the LSFO was as per required specification. However, on survey at arrival port Karachi, the Hydrocarbon Development Institute of Pakistan, (HDIP) found that the LSFO was not as per specification due to which PSO did not allow to decant the fuel. Resultantly PNSC had to pay cost of fuel Rs.1,731.77 million (US$ 250 /pmt x 69,272 x Rs. 100) on account of substandard fuel imported for PSO. Thus, loss amounting to Rs.1,731.77 million was incurred to PNSC.

Audit is of the view that the Corporation suffered loss due to changes in specifications at the discharging Port Karachi, which indicates poor management and weak internal controls.

The matter was reported to the management in October, 2015 and November, 2018. DAC meeting was not convened despite requests by audit.

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

14.3.4.2 Non-recovery of demurrage from PSO - Rs. 1,540.413 million

Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17 it was observed that the management failed to recover demurrage charges of Rs. 1,475.298 million from Pakistan State Oil (PSO) since 2013 in violation of above agreement. Moreover, no late payment surcharge was imposed. Moreover, an amount of Rs. 65.115 million (pertaining to PNSC and its subsidiary companies) was also found outstanding against PSO on account of "Heating Claim Receivables" as on June 30, 2017.The said amount is lying un-recovered since 2012 to 2016. This resulted into recovery of Rs.1,540.413 million.

Audit is of the view that non-recovery of demurrage charges along with LPS shows negligence and poor financial management in PNSC.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault besides, recovery of the amount.

14.3.4.3 Loss due to payment of demurrage charges on chartering of ships for PSO -Rs. 892.229 million

According to Rules-20 & 23 of GFR, every Government officer should realize fully that he will be held responsible for any loss sustained by the

Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2014-15, it was observed that the management chartered ships from private parties for transportation of oil for Pakistan State Oil, Pak Arab Refinery, National Refinery Limited and Pakistan Refinery Limited. Total 116 voyages were chartered by PNSC during 2014-15, out of which 64 were charted for PSO and 52 for other companies. The detail is as under:

(Rs. in million)

Sr. No.	Companies	No. of Voyage for which ships hired	Voyages incurring demurrage	Amount of Demurrage paid	Percentage (%) of total amount
1	PSO	64	61	892.229	92.45
2	Other Companies (PRL, NRL, PARCO, etc)	52	22	72.395	7.504
	Total	**116**	**83**	**964.624**	**100%**

Above table shows that out of total 64 voyages chartered for PSO, demurrage charges of Rs. 892 million in 61 cases were paid by PNSC. Further the voyages were delayed very long and demurrage was paid for more than Rs. 10.00 million in 54 voyages each. On the other hand, out of 52 voyages of other companies, 22 voyages were delayed and no individual case involved the figure of Rs.10 million.

The reason of the payment of demurrage charges in PSO cases was non-deploying ships by PNSC as per scheduled laycans, the ships neither reached in time on loading port nor on discharge port resultantly, the ships had to wait for many days till next availability of berthing at loading/discharge ports. The expenditure of Rs. 892.229 million incurred on account of demurrages for chartering for PSO due to excess utilization of time at loading and discharging port mostly in the Ships chartered for PSO is held irregular and doubtful.

The matter was reported to the management in November, 2015 and November, 2018. DAC meeting was not convened despite requests by audit.

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

14.3.4.4 Non-recovery of outstanding dues from various parties - Rs. 715.454 million

Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that an amount of Rs. 715.454 million was lying outstanding against various parties on account of Trade Debts as on June 30, 2017 (Annex-41).

Audit is of the view that accumulation of outstanding amount and non- recovery from the parties concerned shows weak internal controls regarding the recovery of outstanding amount.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the persons at fault besides recovery of the amount.

14.3.4.5 Loss due to chartering of ships through an agent - Rs. 331.122 million

Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 stats that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of

the company. The Board shall also formulate significant policies of the Public Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public Sector Company.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2014-15, it was observed that the management placed its bulk carrier ships for chartering to other parties through an agent M/s Optima Chartering Ltd during the period July 2014 to June 2015. PNSC sustained loss of Rs. 331.122 million on 12 voyages of these 04 ships. The details are as under:

(Rs. in million)

Sr. No.	Name of Ship	No. of Voyages	Loss
1.	Sibi	02	38.754
2.	Malakand	05	256.798
3.	Hyderabad	02	12.399
4.	Multan	03	23.171
Total		**12**	**331.122**

The above table shows that although PNSC was suffering continuously losses on chartering its ships through the Agent M/s Optima Chartering Ltd even then, the management persisted with the same agent who was offering low rates as compared to prevailing market rates.

Audit observed that the management failed to formulate polices/SOPs as per the Corporate Governance Rules, 2013 as the opportunity was offered through e-mails to selected agents and in most of the cases, M/s Optima Chartering Ltd won the contracts.

Audit is of the view that PNSC's own human resources were not utilize properly as its Commercial Department is responsible to chartering of ships, this department is constantly watching the market trends of ship chartering, which could have easily avail the best rates in the market. Whereas, the management

gave their ships in the hands of the agent. Due to such improper handling of the ships, PNSC sustained a loss of Rs. 331.122 million during the year 2014-15.

The matter was reported to the management in November, 2015 and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.3.4.6 Losses in the voyages of PNSC Ships - Rs.292.177 million

Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 stats that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public Sector Company.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that 05 different vessel (subsidiary companies of PNSC operational with the vessel) performed total 24 voyages during the year under review. However, during operational activities, these companies sustained net loss of Rs. 292.177 million. The detail is as under:

Sr. No.	Ship	No. of voyages	Net loss
1	Multan	06	66.781
2	Malakan	02	63.042
3	Hyderabad	02	59.553
4	Chitral	03	55.967
5	Sibi	11	46.834
Total		**24**	**292.177**

Audit is of the view that due to ineffective planning and non-assessment of the productivity feature for the voyages, the management has exposed the Corporation to a huge loss of Rs.292.177 million.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommended that investigate the matter with a view to fixing of responsibility on the person(s) at fault.

14.3.4.7 Non-recovery of Hull Claim Receivables - Rs. 32.389 million

Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation, (PNSC) for the year 2016-17 it was observed that dry-docking and repair work of two (02) PNSC vessels (Multan & Lahore) was carried out during the year under review. For this purpose an amount of Rs. 79.979 million was paid in advance to the client companies. However, work was carried out by the clients Rs. 47.590 million. Whereas, Rs. 32.389 million was lying outstanding as on June 30, 2017.

Audit is of the view that non-recovery of outstanding amount shows inadequate financial management and weak internal controls.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault besides recovery of the amount.

7.3.4.8 Non-recovery from temporary agents - Rs. 27.292 million

Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies

and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that an amount of Rs. 27.292 million was lying receivable against sundry debtors (temporary agents) as on June 30, 2017. Resultantly, amount was stuck-up since long.

Audit is of the view that that non-recovery of outstanding amount shows inadequate financial management and weak internal controls.

The matter was reported to the management in November 2017, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault besides recovery of the amount.

14.3.4.9 Non-recovery of Additional War Risk Receivables - Rs.16.642 million

Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that an amount of Rs. 16.642 million were lying outstanding against four subsidiary companies of PNSC on account of Additional War Risk receivables as of June 30, 2017. The amount is lying un-recovered from 2011 to 2016.

Audit is of the view that that non-recovery of outstanding amount shows inadequate financial management and weak internal controls.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault besides recovery of the amount.

14.3.4.10 Non-recovery from Agents and other parties - Rs. 13.774 million

Rule 4 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC), for the year 2016-17 it was observed that an amount of Rs. 13.774 million was lying outstanding against agents and other parties on account of freight as of June 30, 2017.

Audit is of the view that that non-recovery of outstanding amount shows inadequate financial management and weak internal controls.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault besides recovery of the amount.

14.3.4.11 Loss due to imprudent investment in Companies' Shares - Rs. 13.415 million

Sr. No.6 of Memorandum issued by Finance Division dated July 02, 2003 states before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management

functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2015-16, it was observed that PNSC sustained loss of Rs.13.42 million (Annex-42) because of continuance of share investment in Siemens and PSO companies despite sharp devaluation of their share value. This investment could easily have been divested and invested in Pakistan Investment Bond (PIB) as Rate of Return on PIB was 14.47% in 2008 for tenor of ten years. Total market value of Siemens share in year 2008 was Rs. 9.742 million. If funds were invested at 14.47%, PIB offer rate in 2008 for tenor of ten years, its profit would have become Rs. 12.687 million. Whereas, PNSC has earned "cash dividends on shares" of Rs.3.453 million only for the same period. Thus, PNSC incurred loss of Rs. 9.234 million (Rs. 12,687,007 – Rs. 3,453,000 = Rs. 9.234 million). Similarly, PSO shares devalued sharply during 2015 and 2016 which required to be divested in PIB which offered 8.06% in year 2015. The total cash dividend PNSC earned in years 2015 and 2016 was Rs. 2.993 million. Therefore, for any Public Sector Enterprise (PSE), investment in shares is always risky; it is always advisable to invest in PIB and Treasury Bills which are more secure investments and preferred by the Investment Committees of all PSEs.

The matter was reported to management in October, 2016. The management replied that PNSC has earned Cash Dividends of Rs. 3.453 million on Siemen shares from 2008 to 2016 and Rs. 2.993 million on PSO shares. The reply was not satisfactory as the combined profit in form of cash dividends of Siemen and PSO was Rs. 6.446 million which was much lower than profit management could have earned from PIB investment. Hence, PNSC sustained loss of Rs. 13.42 million. DAC meeting was not convened despite requests by audit.

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

14.3.4.12 Outstanding insurance claims of Vessels - Rs.119.626 million

Section 118(I) of the Insurance Ordinance 2000 stipulates "it shall be implied term of every contract of Insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including the filing of complete papers, for claiming the payment, the Insurer shall, if he fails to make the payment within a period of ninety days from the date on which the payment becomes due or the date on which the claimant complies with the requirements, whichever is later, pay as liquidated damages."

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that in 2016 the management lodged three claims with National Insurance Company Limited (NICL) on account of Hull & Maintenance amounting to Rs.119.626 million. However, the same were not received despite lapse of more than 03 years resulting, blockage of funds.

Audit is of the view that non-recovery of the claims shows poor financial management an inordinate delay on the part of the management.

The matter was reported to the management in November, 2017, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter with a view to fix responsibility on the person(s) at fault beside recovery of the claim.

14.3.4.13 Loss due to delay in chartering of tanker - Rs. 12.623 million

As per Job description of PNSC, the General Manager (Commercial Division) was required to perform Utilize Vessels allocated in the most profitable manner; prepare and maintain vessel schedule and ensure proper execution of the voyage, etc.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2014-15, it was observed that the management received a request from PSO for chartering tanker for the import 65,000 MT Furnace Oil from Fujairah to Karachi on May 25, 2015. The loading was scheduled on June 02-04, 2015. However, the management initiated the case for the chartering after lapse of 11 days and chartered a ship New Naxos on June 15, 2015. This resulted not only the delay in the loading/unloading of this shipment but the next schedule shipment from the same Port to Karachi for loading laycan on June 17-19, 2015 was also delayed. Due to such lapse, Corporation sustained extra expenditure on account of demurrage charges US$ 126,225 equivalent to Pak Rs. 12.623 million.

Audit is of the view that the management did not utilize the vessel in profitable manner due to which the cargo could not be brought in time to the country and PNSC had to bear extra expenditure of Rs. 12.623 million which was loss to the Company.

The matter was reported to the management in November, 2015and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.3.4.14 Loss due to shipment of crude oil through foreign Flag Tankers - Rs. 2.156 million

Under the provision of rules 20 & 23 every government officer should realize fully that he will be held responsible for any loss sustained by the government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that the management chartered two foreign Flag Tankers for the shipment of crude oil during the year 2016-17. An expenditure of

Rs. 73.252 million was incurred on the voyages against the freight income of Rs. 71.096 million. This caused loss of Rs. 2.156 million to the Corporation. The detail is as under:

(Amount in Rs.)

Sr. No.	Name of vessels	Voyage No.	Freight income	Expenses	Net Profit/Loss)
1	M.T Lion	0003	37,197,788	38,947,604	1,749,816
2	M.T Morning Glory	0003	33,897,952	34,304,286	406,334
		Total :	**71,095,740**	**73,251,890**	**2,156,150**

Audit is of the view that non-commercially viable decision indicates poor financial management and weak internal controls.

The matter was reported to the management in November, 2017, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

14.3.4.15 Irregular appointment of employees without approved Service Rules

Section-38 of Pakistan National Shipping Corporation (PNSC) Ordinance, 1979 states that, the Federal Govt. may by notification in the official Gazette, make rules for the purpose of giving effect to the provisions of this Ordinance.

During audit of PNSC for the year 2014-15, it was observed that the management failed to formulate service rules in accordance with the above provisions i.e. regional quota, advertisement, age, qualification, experience, pay and allowances sanctioned strength. Furthermore, incomplete service rules so prepared by the management were also not approved by the Federal Govt. thus; all the appointments made contrary to the above rules were held irregular.

Audit is of the view that in the absence of Service Rules duly approved by the Federal Government, all appointments made and annual pay and allowances paid worth Rs. 1,263.024 million was also irregular.

The matter was reported to the management in December, 2015 and November, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.3.4.16 Irregular payment of demurrage - Rs.303.443 million

As per Job description of Pakistan National Shipping Corporation (PNSC), the General Manager of Commercial Division was required to perform:

- Utilize vessels allocated in the most profitable manner
- Prepare and maintain vessel schedule
- Ensure proper execution of the voyage, etc

During audit of PNSC for the year 2016-17, it was observed that the management chartered ships from private parties for carrying crude oil for 04 clients. Due to delays in the voyages, the management had to pay an amount of Rs.303.443 million on account of demurrages on shipment during the year 2016-17. The break-up of such demurrages paid is appended below:

(Rs. in million)

Sr. No.	Party	Voyage	Items	Demurrage Amount
1.	PSO	V.C	Crude Oil	275.448
2.	PRL	”	”	10.924
3.	PARCO	”	”	9.426
4.	NRL	”	”	7.645
Total:				**303.443**

Demurrage is not an expense of routine nature but a kind of penalty imposed by the port authorities against abnormal detention of vessels beyond the permissible time limit.

Audit is of the view that due to payment of huge demurrage charges the Corporation sustained a loss of Rs.303.443 million which could have been avoided had the proper / timely arrangement been made by the management.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault.

14.3.4.17 Irregular issuance of stores for Vessels amounting to Rs. 22.197 million

Under the provision of GFR-20 & 23 every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that various types of spares / items amounting to Rs.22.197 million were procured and issued to different vessels during the year under review. However, the replaced items declared condemned did not return to the workshop. The vessel wise detail of stores issued is appended below:

Sr. No.	Vessel Name	Amount (Rs.)
1.	Chitral	154,304
2.	Hyderabad	112,727
3.	Malakand	165,472
4.	Multan	172,465
5.	Sibi	193,433
6.	Shalamar	4,846,408
7.	Lahore	6,659,580
8.	Karachi	5,434,054
9.	Quetta	4,458,690
	Total:	**22,197,133**

Audit is of the view that the items declared condemned /un-repairable/un-serviceable should have been taken on charge properly and disposed off to realize

the revenue, by adopting prescribed procedure. This indicates poor financial management and weak internal controls.

The matter was reported to the management in November, 2017, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that investigate the matter with a view to fixing of responsibility on the persons at fault.

14.3.4.18 Irregular procurement of Spares for M.V. Multan - Rs. 5.561 million

As per Rule-12 of PPRA Rules 2004, procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17, it was observed that management issued three purchase orders for the procurement of spare parts for M.V. Multan to three different suppliers for US$ 53,155 (equivalent to PKR 5.561 million) without competitive bidding as required under PPRA rules.

Audit is of the view that undue favour was extended to the suppliers and the Corporation was deprived from the benefit of competitive bidding.

The irregularity was pointed out to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault.

14.3.4.19 Non-payment of EOBI Contribution - Rs. 2.671 million

Chapter-ii (3) EOBI Act 1976 states that Compulsory Insurance: All employees in an industry or establishment shall be insured in the manner prescribed by or under this Act.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2016-17 it was observed that the management has not paid Pension contribution to EOBI amounting to Rs.2.671 million on behalf of low paid employees working in PNSC on daily wages in accordance with the prevailing labor laws in the country. It is obvious from the above that an amount of Rs.2.671 million (i.e. 265 x 840 x 12 = Rs.2,671,200) per annum is lying payable to EOBI on account of contribution during the period under review.

Audit is of the view that Government of Pakistan has protected the interest of low paid workers in the country through EOBI Act 1976 applicable on all firms, industries and commercial organizations to safeguard them through various schemes. The PNSC is also covered under EOBI Act and is bound to pay contribution on behalf of registered employees working directly or through third party contract in PNSC. Due to non-payment of contribution, the low paid workers of the Corporation have been deprived from the benefits of pension, insurance and medical facilities as provided in the Act.

The matter was reported to the management in November, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) at fault, besides, payment of contribution to EOBI as per rules and regulations.

14.4 Port Qasim Authority

14.4.1 Introduction

Port Qasim Authority was established in 1973 under the Port Qasim Authority Act, 1973 (the PQA Act). The principal activities of the Authority are to provide services of ship movement, storage, berthage, wharfage, and towage, etc., besides developing and managing an industrial and commercial estate within its occupied area. The location of operations and principal office of the Authority is situated at Port Muhammad Bin Qasim, Karachi.

14.4.2 Comments on Audited Accounts

14.4.2.1 The Organization is included in Annex-2: Non-submission of Audited Accounts

14.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1999-00	5	2	3	67, 68 & 70	40
2000-01	13	10	3	59, 62 & 64	77
2003-04	5	3	2	182 & 183	60
2005-06	14	11	3	225.1, 225.4 & 228	79
2006-07	1		1	194	-
2007-08	-				
2008-09	5	3	2	213 & 214	60
2013-14	13	5	8	16.4.3.1, 16.4.3.2, 16.4.3.3, 16.4.3.4, 16.4.3.5, 16.4.3.8, 16.4.3.10 & 16.4.3.11	38
2015-16	18	1	17	17.4.4.1, 17.4.4.3, 17.4.4.5, 17.4.4.10, 17.4.4.15, 17.4.3, 17.4.4.2, 17.4.4.4, 17.4.4.6, 17.4.4.7, 17.4.4.8, 17.4.4.9, 17.4.4.10, 17.4.4.11, 17.4.4.12, 17.4.4.13, 17.4.4.14	6
2016-17	2		2	15.4.4.5, 15.4.4.1	-
Total	**76**	**40**	**41**	**-**	**53%**
Percentage	**82**	**%**			

The overall compliance of PAC directives needs improvement.

14.4.4 Audit Paras

14.4.4.1 Non-recovery of wharfage charges - Rs. 1,159.294 million

Rule-4 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that in June, 2014 a contract for handling the LNG ships was signed between PQA and Pakistan State Oil (PSO). According to the agreement PSO was responsible to pay handling / wharfage charges to PQA @ Rs. 87 per cubic meter for providing berthing and handling facilities at port. From July 05, 2016 to June 30, 2017, fifty eight vessels carrying LNG arrived at the port. However, PSO stopped payment of above charges on plea that wharfage charges are not applicable on import of LNG. Subsequently, an amount of Rs.1,159.294 million was outstanding as on June 30, 2017.

Audit is of the view that due to negligence of the management, the amount was not recovered.

The matter was reported to the management in May, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends responsibility may be fixed on the person(s) at fault besides recovery of the amount.

14.4.4.2 Non-recovery of fixed charges from Pakistan Steel - Rs.618.172 million

Rule-23 of GFR states that every Government officer should realize fully and clearly that he would 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 Port Qasim Authority (PQA) for the year 2016-17, it was observed that in July 2015 a berth was allotted to Pakistan Steel, against which management raised bills on account of fixed charges / Port on quarterly basis. However, management failed to recover the same and an amount of Rs. 618.172 million was lying outstanding against Pakistan Steel Mills (PSM) as on June 30, 2017.

Audit is of the view that due to negligence of the management, the amount was not recovered.

The matter was reported to the management in May, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends responsibility may be fixed on the persons at fault besides recovery of the amount.

14.4.4.3 Loss due to onetime relaxation for transfer of open plot - Rs.500.00 million

As per terms & conditions of transfer letter dated February 03,2016 in favour of Siddique Energy Limited: (a) to submit plans for construction for approval by PQA for the above said plot within 03 months of issuance of letter of transfer or possession by PQA whichever is earlier and (b) to commence construction work on the above plot within 06 months of issuance of letter of transfer or possession by PQA whichever is earlier (c) entitling PQA to cancel the

allotment/ lease/ transfer/ mutation of the said plot and take immediate repossession of the same in the event of our negligence, omission or failure to submit the plan and/ or commence construction within the stipulated periods mentioned above.

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During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that in February 2016 a plot measuring 100 acres was transferred in favour of M/s. Siddique Energy Limited for Coal Based Power Plant and Ash Handling Facilities. As per terms and conditions of transfer letter, the party was required to submit plans of construction for approval by PQA within 03 months and to commence construction work within 06 months of issuance of transfer letter but since transfer of plot, M/s. Siddique Energy Limited did not start any activity on subject plot and the plot remained open. However, in January 2018 the same plot was transferred to M/s. Port Qasim Electric Power Company Private Limited.

As per amendments in LAP dated June 04, 2015, allotments made or transfers executed subsequent to this B.R., allottee / transferee having open plot shall not be allowed further transfer. The Board in its meeting held on May 23, 2017 allowed one time relaxation to M/s. Siddiq Sons for further transfer of the plot to M/s. Port Qasim Electric Power Company (Pvt.) Ltd. As M/s. Siddique Energy Limited has not followed the terms and conditions of the transfer letter, the plot should have been cancelled and PDCs amounting to Rs.500.00 million (Rs.5.00 million per acre x 100 acres) should have been forfeited. Due to non cancellation of plot and non forfeiture of PDC amount, PQA sustained a loss of Rs.500.00 million.

Audit is of the view that open plot was not transferable as per LAP amendment of 2015. Hence, the transfer of open plot to Port Qasim Electric Power Company Private Limited is irregular as the management has violated the provisions of LAP to extend undue favour to the party.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

14.4.4.4 Loss due to non-recovery of transfer surcharge - Rs.150.00 million

Minutes of 164 BoD dated June 04, 2015 provides, Subject to the provisions of Land Allotment Policy, a transfer surcharge shall be imposed on each event of transfer of interest in any form. Transfer Surcharge is Rs.1.5 million per acre.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that in April 2007 management allotted land measuring 100 acres in favour of M/s. South Asia Steel Works Pakistan Ltd. for the purpose of Down Steel Stream Plant. However, due to non-imposition of transfer surcharge the authority sustained a loss of Rs.150.00 million.

Audit is of the view that this shows negligence on the part of the management which indicates poor financial management and weak internal controls.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault besides recovery of the amount.

14.4.4.5 Loss due to short collection of non-utilization fees – Rs. 135.00 million

As per Land Allotment Policy of Port Qasim Authority, the allottees were required to start physical execution of the project within the time specified in PQA's Land Allotment Policy, 2000. In case of default, Non-Utilization Fee

(NUF) will be realized on specified rates. Further, the allotment letter dated January 06, 2007 states that allottee shall start the work on the plot within (06) months from the date of possession of plot and infringement of any term & conditions of this letter of allotment will lead for cancellation of plot and forfeiture of deposited amounts.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that in January 2007 management allotted land measuring 100 acres to M/s. South Asia Steel Works Pakistan Ltd. for the purpose of Down Steel Stream Plant. The work on the plot was required to be started within 06 months from the date of possession of the plot. However, since possession in April 2007, no work was executed by allottee till 2014. Thus, NUF amounting to Rs.275.000 million from the period from January 01, 2008 to December 31, 2015 was required to be recovered; however, Board resolved that NUF shall not be charged for a period of 05 years from the date of allotment from the allottee till June 2012 in violation of Land Allotment Policy. Thus, an amount of Rs.140.000 million w.e.f. July 01, 2012 to June 30, 2016 was billed. However, Rs.135.000 million for period January 01, 2008 to June 30, 2012 was not charged. This resulted into short realization of NUF Rs.135 million.

Audit is of the view undue favour was extended to the allottee due to non-collection of NUF. This indicates weak financial management.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault besides recovery of the amount.

14.4.4.6 Non-recovery of revenue from debtors - Rs. 67.582 million

Rule.5.(1) of Public Sector Companies (Corporate Governance) Rules,2013 state that the board shall exercise its power and carry out its fiduciary

duties with a sense of objective judgment and independence it the best interest of the company.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that PQA is responsible to collect revenue and other receivable from parties. However, audit observed that a huge amount of Rs. 202.832 million was unrecovered from various parties (Annex-43).

Audit is of the view that the management is un-able to recover such a huge amount of Rs.67.582 million from various customers despite the lapse of more than one year which shows negligence/slackness of the management.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault besides recovery of amount from defaulters.

14.4.4.7 Loss due to non-imposition of transfer surcharge - Rs.50.88 million

As per amended Land Allotment Policy - 2015, and Minutes of 164th BoD dated June 04, 2015 says that Subject to the provisions of this Policy, transfer surcharge shall be imposed on each event of transfer of interest in any form. Transfer Surcharge of North West Industrial Zone (NWIZ) of PQA is Rs.2.00 million per acre.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that M/s. Fauji Oil Terminal and Distribution Company (FOTCO) was allotted plot No.B-08 to B-13 measuring 25.44 acres in NWIZ, PQA for oil storage facilities. FOTCO requested for transfer of lease hold rights of their 25.44 acres in the favour of Fauji Trans Terminal Limited (FTTL). As per Policy, a transfer surcharge shall be imposed on each event of transfer of interest in any form. The Board resolved that transfer surcharge shall not be imposed on the transfer of 25.44 acres of land by M/s. FOTCO to M/s. Fauji Trans Terminal

Limited (FTTL) in violation of the Land Allotment Policy which resulted into loss of Rs.50.88 million (Rs.2.00 million/acre x 25.44 acre = Rs.50.88 million).

Audit is of the view that undue favour was extended to the allottee this indicates weak internal controls.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault besides recovery of the amount.

14.4.4.8 Non-furnishing details of the contracts to NAB - Rs. 939.371 million

According to the NAB Ordinance, 1999 all statutory Corporations or authorities established by Federal Govt. shall furnish to NAB a copy of any contract entered into by such entity minimum monetary value of 50 million or more, within such time as is reasonably practicable from the date of signing such contract. Further, as per rules all procuring agencies whether within or outside Pakistan shall post contract awards over fifty million rupees on PPRA website on the proform as set out to these regulations.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that the management neither posted the contracts valuing more than Rs. 50 million on PPRA website nor furnished the same to the NAB, which is violation of above rules of PPRA as well as NAB Ordinance. The details are as under:

Sr.No	Contractor name	Contract	(Rs. in million)
1.	PSO	Supply of diesel	806.139
2.	M/s. But Brothers	Transport service	133.232
Total			**939.371**

Audit is of the view that non-compliance of Govt. directives indicates weak internal controls prevailing in the organization.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

14.4.4.9 Irregular payment of pension through open cheque/cash - Rs. 222.019 million

According to Finance Division's Notification No. 12(9)-Reg.6/2012.pt1453, dated January 5, 2016 the Banks (Main Branch or dealing Wing) and Accounts offices shall carry out reconciliation on quarterly basis regarding new pension issued, pension transferred to heirs, pension transferred to other places, pension stopped/restored, pension discontinued, pension amended, on the basis of full details and particulars of pensioners. Reconciliation statement shall be signed by the officers of B-17 or above/equivalents in Banks and copies shall be retained as permanent record. Any discrepancy shall be resolved within six weeks. The responsibility for disciplinary action and reporting to crime investigation agencies, if needed, will rest with the end where fraud.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that management paid an amount of Rs. 222.019 million on account of pension to its pensioners through open cheques/cash instead of bank and crossed cheque.

Audit is of the view that disbursement of pension Rs. 222.019 million irregular as the payment of pension was made in violation of directives of Finance Division and the State Bank.

The matter was reported to the management in October, 2017 and November, 2018. DAC meeting was not convened despite requests by audit.

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

14.4.4.10 Irregular allocation of vehicles to the officers - Rs. 100.674 million

According to the Resolution No.1457 resolved in the PQA's Board of Director's meeting held on September 15, 1987, all Managers/equivalent officers be allocated one Suzuki Van for operational/official duty of their respective departments.

During audit of Port Qasim Authority (PQA) for the year 2013-14, it was observed that the management allocated 94 vehicles of higher version to the Managers and equivalent grade officers instead of allocating them Suzuki Vans in contravention of vehicle allocation policy as laid down by the Board of Directors. The detail of such vehicles and expenditure thereof are given below:

S. No.	Vehicle Type	No of vehicle	Fuel Amounts for 05 year (Rs.)	Depreciation of vehicles for 05 years (apx) (Rs.)	Repair & Maintenance (5yearapx) (Rs.)
1.	Toyota Corolla	1	2,772,000	1,200,000	250,000
2.	Suzuki Cultus	83	2,220,000	58,100,000	20,750,000
3.	Suzuki Mehran	3	1,662,000	1,500,000	750,000
5.	Suzuki Swift	5	-	5,500,000	1,250,000
6.	Suzuki Jimny	2	2,220,000	2,000,000	500,000
		94	**8,874,000**	**68,300,000**	**23,500,000**
			Total		**100,674,000**

The above table indicates that due to unauthorized allocation of vehicles unnecessary expenditure of Rs.100.674 million on account of fuel, repair & maintenance, and depreciation charges was incurred by PQA during five years.

Audit was view of the that allocation of vehicles in such a manner was irregular and undue favour extended to the officers.

The matter was reported to the management in August, 2015 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.11 Irregular purchase of Bungalow - Rs. 86.472 million

Rule-10 of Public Procurement Rule-2004 stated that specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers catalogue numbers. or similar classifications. However if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words "or equivalent.

During audit of Port Qasim Authority (PQA) for the year 2013-14, it was observed that the management invited bids through press for purchase of a bungalow for commercial use i.e. for setting up its liaison office on December 23, 2009. The terms & conditions of the required property were set in a manner which did not allow widest possible competition such as location from FTC Building to Karsaz, ground plus one storey on about 2,000 square yards, spacious garden, adequate car parking etc. Subsequently, the management purchased a residential bungalow No.39-Z/1, measuring area of 1,800 square yards situated at Block-6, Pakistan Employees Cooperative Housing Society (PECHS) Karachi at the cost of Rs. 86.472 million.

Audit is of the view that the requirements were not set as per the rule, therefore, the procurement of a bungalow was irregular and also mis-procurement under Rule-50 of PPR-2004. Moreover, the purchase of residential building for commercial purpose was also illegal under the Karachi Building Control Authority (KBCA) Byelaws.

The matter was reported to the management in May, 2015 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.12 Loss due to irregular award of contract of Rs.9.394 million and its extension without justification- Rs.70.454 million

According to Rule-38 of Public Procurement Rule, 2004 provide that the bidders with the lowest evaluated bid, if not in conflict with any other law, rules, regulation or policy of the Federal Government shall be awarded the procumbent contract, within the original or extended period of bid validity. Further, rule 12 provide that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that in December, 2014 management called bids through press tender for manning, operation and maintenance of PQA seven (07) crafts. In response following bids were received.

(Rs. in million)

	Sr. No.	Name of party	1st year of operation	2nd Year	3rd Year	Total
Rates of 1st Tender	1	**M/s M. International**	4.683x 12=**56.198**	4.831 x12=57.972	5.111 x 12 =61.332	175.502 (A)
	2	**M/s Bharia Foundation**	5.293 x12=63.516	5.822 x12 =69.864	6.404 x12 =76.848	210.228 (B)
Rates of 2nd Tender	1	**M/s Bharia Foundation**	5.078x12= 60.936	5.135x12 =61.620	5.194x12 = 62.328	184.884 (C)
Total Loss		**C-A = 9.394**				**9.394**

However, the management scrapped the tender without any justification. The same were called again and only M/s Bahria Foundation participated in the bidding process and contract was awarded accordingly. Thus, due to scrapping of first tender wherein M/s. M. International was the lowest bidder, this resulted into loss of Rs.9.394 million to the organization.

Moreover, the contract was awarded for a period of 03 years up-to April, 2015 amounting to Rs.184.92 million per year. However, the management further extended the contract from April 2015 to March 2016 valuing to Rs.70.454 million in violation of the above rules.

Audit is of the view that undue favour was extended to the contractor by ignoring first lowest contractor and granting subsequent extension of contract which indicates poor financial management and weak internal controls.

The matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view of fixing responsibility on the person(s) at fault.

14.4.4.13 Irregular award of transport contract - Rs.66.379 million

Rule 36(b)(viii) of Public Procurement Rules-2004 states that after evaluation and approval of the technical proposal the procuring agency shell, at the time within the; bid validly period, publicly open the financial proposals of the technically accepted bids only. The financial proposals of bids found technically non-responsive shall be returned unopened to the respective bidders and (ix) bid found to be the lowest evaluated bid shall be accepted.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that a press tender was floated on November 19, 2016 for hiring of transport. In response, five bidders participated and M/s. But Brothers Transport and M/s. Banaras Petroleum Services qualified in both technical and financial

bids. However, after opening the financial bids, Central Procurement Committee conducted two inspections on March 24, 2017 and March 30, 2017 to verify the condition of buses. Buses of M/s. But Brothers Transport was found unsatisfactory, therefore the bid of lowest bidder was rejected and contract was awarded to M/s. Banaras Petroleum Services at contract price of Rs.4,330 per bus per day at total contract price of Rs. Rs.66.379 million. Resultantly, rejection of bid of the lowest bidder on the basis of inspections of buses made after opening of financial bid was irregular.

Audit is of the view that undue favour was extended to contractor and contract was awarded in non-transparent manner.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view of fixing responsibility on the person(s) at fault.

14.4.4.14 Loss due to non-imposition of liquidated damages - Rs.59.900 million

As per clause 3.19 of Implementation Agreement, completion of the project will be 36 months from the date of effectiveness of Agreement. Further, clause 18.25 of Implementation Agreement, If the company shall fail to achieve completion of the project in time then the company shall be liable to pay liquidated damages for every day of delay, such damages not exceeding Rs.100,000 (Rupees one hundred thousand only) per day.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that in November 2010, an Implementation Agreement (IA) was signed between PQA and M/s. Pakistan International Bulk Terminal Pvt. Ltd. (PIBT) for establishment of a dedicated Coal and Clinker/Cement Terminal at Port Muhammad Bin Qasim, Karachi for 30 years.

As per Implementation Agreement, project was to be completed by May 12, 2015, however, the contractor failed to complete the project/work within the stipulated period. Board Resolution No. 32/2016 dated 25.05.2016 also allowed M/s PIBT to continue the work up to 31-12-2016 subject to payment of LD. However, management failed to imposed LD amounting to Rs. 59.900 million (Rs. 100,000 x 599 days).

Audit is of the view that undue favour extended to the contractor which indicates poor financial controls.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view fixing of responsibility on the person(s) at fault besides recovery of the amount.

14.4.4.15 Irregular appointment and regularization of three officers - Rs. 57.311 million

Establishment Division O.M. No.8/10/2000-CP.I dated March 21, 2000 and May 10, 1997 states that the concerned department should specifically justify that why it is not possible to fill in a vacancy in accordance with the procedure laid down in the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973 and the Recruitment Rules and where it is considered necessary to fill in a post on contract, it shall only be for a period not exceeding two years. The professional qualifications, experience, and age limit (where necessary) required for the post, shall be prescribed in consultation with the Establishment Division.

During audit of Port Qasim Authority (PQA) for year 2015-16, it was observed that three officers of Prime Minister's Secretariat and Establishment Division are working on deputation basis in PQA on contract basis for a period of 2 years. Meanwhile, they were absorbed in PQA without fulfillment of the codal

formalities. Thus, the payment of Rs.57.311 million on account of pay and allowance was irregular. The detail of the officers is as under:

Sr. No.	Name	Parent Office	Appointed As	Date of Appointment	Absorbed/ Regularized
1	Mr. Akhtar Javed	Prime Minister's Secretariat	Dy Manager (Vigilance/Equipment Yard) Bs-17	09-03-2010	31-Jan-2012
2	Mr. Mehmood Zamir Farooqui	Prime Minister's Secretariat	Dy Secretary BS-18	05- 03-2009	27-Oct-2010
3	Lt. Col. (Retd) Tanveer Ud Din Farooqui	Establishment Division	Director (Security & transport) BS-19	07-Oct-2009	27-Nov 2010

Audit is of the view that undue favour were extended to the officer due to absorption in authority in irregular way. This indicates weak internal controls.

The matter was reported to the management in May, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view fixing of responsibility on the person(s) at fault.

14.4.4.16 Irregular award of contract for chartering Pilot Boat - Rs. 45.625 million

As per Rule-31of PPRA-2004, no bidder shall be allowed to alter or modify his bid after the bids have been opened. However the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.

During audit of Port Qasim authority (PQA) for the year 2016-17, it was observed that the management awarded a contract amounting to Rs. 45.625 million for hiring of Pilot boat to M/s Ocean World Pvt. Limited by waiving main conditions of contract/tender specially related to the Fitness of the Boat and replacement of boat during the days in case the contracted boat is not available,

which is violation of tender conditions and PPRA Rules. Further, the contract was awarded without competition as only one bidder participated since the specifications were so framed to benefit the specific bidder.

Audit is of the view that the management extended undue favour to the contractor by waiving main conditions of the tender which indicates poor financial management and weak internal controls..

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault.

14.4.4.17 Irregular appointment of Director Accounts - Rs. 38.864 million

The Establishment Division O.M.No.3/1/92-R.2 dated January 02, 1992 regarding recruitment for the Federal Services/Autonomous Bodies/ Corporations states that the vacancies in each Ministry/Division/Department/autonomous body/Corporation, as per the provincial/ regional quotas, shall be advertised through National/ provincial/regional newspapers and electronic media on Sundays.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that in February 2012, the management appointed Mr. Farukh Jamil as Director (Accounts) and Mr. Muhammad Yahya as Director (Revenue) in BPS-20 without following the laid down procedure as stated above. Moreover, the candidates did not possess the relevant experience as well.

Audit is of the view that appointments of officers were irregular and undue favour was extended to them. Thus, the payment of Rs.38.864 million on account of pay and allowances was also irregular.

The matter was reported to the management in July, 2017 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.18 Irregular award of contract to disqualified bidder – Rs. 30.660 million

According to Rule-36 of PPRA-2004 the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements. During the technical evaluation no amendments in the technical proposal shall be permitted. After the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period, publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically nonresponsive shall be returned un-opened to the respective bidders;

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that notice for inviting tenders for hiring of one Pilot Boat for a period of one year contract was published on March 02, 2016. Two bidders M/s. Ocean World (Pvt.) Ltd. and M/s. Seamax Marine Services submitted bids on April 21, 2016. Technical evaluation was carried out on March 29, 2016 and M/s. Seamax Marine Services was found technically qualified whereas the offer of M/s. Ocean World was disqualified being non-responsive. However, the financial bids were opened and tender was awarded to M/s. Ocean World for Rs.84,000 per day, being the lowest bidder for a period of one year amounting to Rs.30. 660 million (Rs.84,000/- x 365 days).

Audit is of the view that undue favour was extended to a technically disqualified bidder. Hence, award of contract of Rs.30.660 million to M/s. Ocean World and payments made in this regard are held irregular and unjustified.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

14.4.4.19 Irregular award of contract for hiring of pilot boat – Rs. 30.240 million

According to Rule-30 of the Public Procurement Rule all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents. No evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that in June 2016 the management awarded a contract for hiring of pilot boat for a period of one year to M/s Ocean World amounting to Rs. 30.24 million. However, in May 2016 technical offer of M/s Ocean World (Pvt.) was found non-responsive and was disqualified. Thus, the award of contract to non-qualified bidder is held irregular.

Audit is of the view that undue favour was extended to the contractor and award of to disqualified Firm showed poor internal controls.

The matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view of fixing responsibility on the person(s) at fault.

14.4.4.20 Irregular appointment of Deputy Manager - Rs. 21.792 million

As per Establishment Division OM dated March 21, 2000, where it is considered necessary to fill in a post on contract, it shall only be for a period not exceeding two years. The professional qualifications, experience, and age limit (where necessary) required for the post, shall be prescribed. The post should be advertised and selection made by a Departmental Selection Committee (DSC)

During audit of Port Qasim Authority (PQA) for the year 2015-16 it was observed that the management appointed Mr. Saqib Fatimi as Deputy Manager (BPS-17) in August 2007 on contract basis for a period of 02 years without recommendations of the Departmental Selection Committee (DSC) which was obligatory for contract appointments. Moreover, the officer has no relevant experience. Thus, the appointment was irregular and payment of Rs. 21.792 million on account of pay and allowances was unjustified. Moreover, in July 2010 his services were regularized, which was contradictory to the above rule.

Audit is of the view that undue favour was extended to the officer.

The matter was reported to the management in July, 2017 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.21 Irregular appointment of Deputy Manager - Rs. 20.247 million

As per Establishment Division's O.M.No.3/1/92-R.2, dated January 2, 1992, Sl. No. 76, the vacancies in each Ministry/Division/ Department/ Autonomous Body/Corporation, as per the provincial/ regional quotas, shall be advertised through National/ provincial/regional newspapers and electronic media on Sundays.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that in November, 2007 Mr. Mughisul Wara Fasihi appointed as Deputy Manager (Finance) on contract basis for a period of two years in BPS-17 without advertisement and fulfillment other codal formalities. Moreover, he was regularized as Deputy Manager (Finance) in BPS-18 in March, 2010 without observing the rules. Thus, the payment on account of pay and allowance Rs. 20.247 million was held irregular.

Audit is of the view that neither the post was advertised nor relevant rules & regulations were observed in appointment and subsequent regularization of the service. Thus, undue favour was extended to the employee by ignoring the rules & regulations.

The matter was reported to the management in July, 2017 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.22 Irregular payment on account of overtime to security guards - Rs.14.400 million

Corporate Governance Rules, 2013 section 4(3) states that chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that the management had hired services of security guards from Pak-Navy on deputation basis for operational area, escorting LNG carriers and paid amount of Rs. 14.434 million on account of over time. The defence related employees are not entitled to draw overtime allowance because it falls under their

essential requirements of duty to provide security at the time of duty. However, the payment of overtime to the mariners is irregular.

Audit is of the view that undue favour was extended to the security guards. This indicates poor financial management and weak internal controls.

The matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault besides recovery of amount.

14.4.4.23 Irregular appointment of DM Security - Rs. 9.765 million

According to Esta Code (Sr. No. 66), the application for appointment in other offices should be forwarded through proper channel. Further, as per advertisement three (03) years' experience in Security function was required for appointment against the post of Deputy Manager (Security).

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that an advertisement was published in Daily "Dawn" dated March 19, 2010 for the post of Deputy Manager (Security). In response management appointed Mr. Wajid Hayat Khan, serving in FIA (Cyber Crime Circle). The following short comings were noticed in his appointment:

i. As per rules the application was required to be routed through proper channel whereas the management accepted his application addressed directly to the Secretary PQA.

ii. The said applicant wrongly showed him serving as 'Security Officer' in FIA whereas he was Assistant Sub-Inspector.

iii. Required experience was 03 years in 'Security functions' whereas he had only 02 years' experience in Cyber Crime Circle which is computer based activity.

Moreover, the officer manipulated his attachment with Joint Maritime Information Organization (JMIO) and was relieved from PQA on November 26, 2012 at a time when the authority was facing acute shortage of employees and was managing manpower through deputation from other departments like Pakistan Navy. During the period of attachment with JMIO, the salary and other allowances of the officer were being paid by the authority. He was repatriated in PQA in April 2013 and attached with Ministry of Ports & Shipping in May 2013 without observing the formal channel and during the ban period on posting/transfer of all PQA employees imposed by the Honorable Supreme Court of Pakistan. This resulted in irregular payment of Rs.9.765 million on account of pay and allowances. The detail is as under:

Description	**Amount P.M. (Rs.)**	**No. of Months**	**Total Amount** (Rs. in million)
Monthly Salary	100,000	96	9.600
Conveyance Allowance	5,000	33	0.165
Total:	-	-	**9.765**

Audit is of the view that undue favour was extended to the incumbent which indicates weak internal controls prevailing in the organization.

The matter was reported to the management in June 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

14.4.4.24 Irregular employment after superannuation age - Rs.4.800 million

According to Establishment Division, Govt. of Pakistan O.M No.4121901-r-I-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment

after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that Mr. Jawaduddin Ather Chughtai, Director (Channel Dredging) BPS-19 was retired from service on 31-03-2016 after attaining the age of superannuation. Then management requested the Ministry to re-employ him on contract basis for a period of two years. In August 2016 Ministry of Ports & Shipping allowed to re-appoint him as Manager Hydrography in BS-19 without approval of the competent authority i.e. Prime Minister. Thus, an amount of Rs.4.800 million (Rs.200,000 per month x 24 months) was paid to him on account of salary was irregular.

Audit is of the view that undue favour was extended to the incumbent which indicates weak internal controls and nepotism in PQA.

The matter was reported to the management in June, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

14.4.4.25 Non-reconciliation of revenue - Rs.14,968.00 million

The challans issued and revenue deposited against these challans must be reconciled by the accounts/finance department.

During audit of Port Qasim authority (PQA) for the year 2016-17, it was observed that the Port generated revenue of Rs. 14,968.000 million from port operation, but the management did not reconcile the challans against which the

revenue collected from customers. The head-wise detail of revenue is given as under:

Sr. No	Head of revenue	(Rs. in million)
1.	Fixed revenue income	272.323
2.	Ship movement and services	2,400.103
3.	Berthing fee	897.092
4.	Wharf age	1,257.943
5.	Storage and demurrage	60.964
6.	Towing & pilot age	4,953.796
7.	PQA royalty	2,046.425
8.	Gate pass money	72.000
9.	Weighment charges	11.101
10.	Industrial and commercial estate	2,997.015
Total		**14,968.762**

Audit is of the view that non-reconciliation of revenue shows negligence of the management and indicates weak internal controls prevailing in the organization.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to fix responsibility on the person(s) found at fault besides reconciliation of the revenue.

14.4.4.26 Loss of due to non-completion of project – (US$ 80 million) - Rs. 8,000 million

According to Clause 3.19 of the Implementation Agreement dated November 06, 2010 the completion period of the project will be 36 months from the date of effectiveness of the agreement. Port Qasim Authority (PQA) entered into implementation agreement (IA) with Pakistan International Bulk Terminal (PIBT) on November 06, 2010 for establishment of Coal and Clinker/ Cement Terminal on 30 years on Build Operate and Transfer (BOT).

During audit of PQA for the year 2015-16, it was observed that the project of Coal and Clinker Cement Terminal was required to be completed on May 12, 2015 i.e. in 36 months. However, due to non-completion of project within stipulated time PQA had sustained a loss of Rs.8,000 million on account of revenue in terms of royalty.

Audit is of the view that due to ill-planning and poor financial management the PQA is sustaining heavy losses in shape of royalty/revenue.

The matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault.

14.4.4.27 Loss due to non-operation of boat Jatli - Rs. 89.837 million

Rule-20 & 23 of GFR states that, "Every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action."

During audit of Port Qasim Authority (PQA) for the year 2013- 14, it was observed that the Pilot Boat Kalri was shifted to Karachi Shipyard & Engineering Works for repair work in March 2014. The concerned boat remained with KS&EW from March 2014 to May 2015. The record did not mention any progress of repair work or docking after lapse of more than one year to till finalization of audit nor KS&EW submitted any bill after June 2014 for adjustment, as concerned record was silent. The above position indicates that the management did not take action for early repair of said boat and let the crucial boat idle for more than a year due to which PQA sustained a loss of Rs. 41.910 million.

In addition to above, an amount of Rs. 47.927 million was incurred on the repair and maintenance of survey boat Jatli during the years 2008-09 to 2013-14. But the boat remained non operational during the year 2013-14. The record revealed that the Board of Directors had approved the replacement of the survey boat Jatli during the year 2010-11 vide BOD 81st meeting held on June 17, 2006 but the management did not replace the said boat.

Hence, PQA sustained a loss of Rs. 41.910 million due to letting the new boat Kalri idle for more than a year and incurring expenses of Rs. 47.927 million on non operational boat Jatli. As such the authority sustained total loss of Rs. 89.837 million on non-operation and repair and maintenance on two boats.

The matter was reported to the management in June, 2015 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.28 Loss due to excess reservation of vehicles in central pool – Rs. 59.018 million

As per Port Qasim Authority (PQA) Board of Directors' Resolution No. 2953 dated December 10, 1996, following number of vehicles were reserved for staff cars /central pool vehicles as under:

1.	Operation Division	1000/800 cc	01
2.	Planning & Development Div	1000/800 cc	01
3.	Coordination Div	1000/800 cc	01
4.	Technical Div	1000/800 cc	01
5.	A & P Div	1000/800 cc	02
6.	Finance Div	1000/800 cc	01
7.	Secretariat	1000/800 cc	02
8.	Transport	1000/800 cc	06
	Total:		**15**

During audit of PQA for the year 2013-14, it was observed that the management allocated 35 vehicles in reserve/ central pool against 15 vehicles, which were required to be reserved as staff car for each department. Resulting 20 vehicles were reserved in excess of approved allocation by the Board, which was violation of Board of Director's resolutions as mentioned above. The detail of loss due to irregular reservation of vehicles as Pool vehicles is attached as Annex-44. Resultantly, PQA sustained a loss of Rs. 59.018 million.

Audit is of the view that the management did not manage properly resources of PQA and misuse the vehicles.

The matter was reported to the management in July, 2015 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.29 Irregular payment on account of repair and maintenance of Pilot Boat Kalri - Rs. 36.757 million

Rule-20 & 23 of GFR states that, every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During audit of Port Qasim Authority (PQA) for the year 2013-14, it was observed that the contract for "repair work of Pilot Boat Kalri was awarded to M/s Karachi Shipyard & Engineering Works in 2014. PQA paid 50% advance payment to KSEW Rs. 26.351 million and Rs. 10.406 million in March and June 2014.

The record revealed that the boat remained with KSEW for more than a year and no progress came to know after lapse of more than one year from March

2014 to June 2015. Further M/s KSEW also did not submit bill up till June 2015 for adjustment.

The above position indicates that the concerned management did not care properly the crafts due to which millions of rupees were being incurred on repair and maintenance every year and new crafts remain idle for years due to which PQA deprived an amount of Rs. 78.667 million.

The matter was reported to the management in June, 2015 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.30 Poor performance of law firms - Rs. 26.471 million

Rule 4(3) of the Corporate Governance Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Port Qasim Authority for the year 2016-17, it was observed that management engaged various Legal Firms, Advocates / Counsels to plead the 81 cases pending with different courts of law. An amount of Rs. 26.471 million was incurred. However, the cases are still lying pending in the courts of law after lapse of a considerable period.

Audit is of the view that due to poor performance of the legal firms / advocates with regards to pursuing and getting the litigation cases disposed off in favour of the authority. It is obviously the result of the lack of communication between the management and Legal Advisors.

The matter was reported to the management in May, 2018, but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends responsibility may be fixed on the person(s) found at fault and hectic efforts may be made to get the cases settled without further loss of time.

14.4.4.31 Loss due to wastage of water - Rs. 25.724 million

Rule 4(3) of the Corporate Governance Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that the management purchased 547,285,772 gallons of water and consumed 430,702,908 gallons only. The remaining quantity of 116,582,864 gallons was either wasted or misused causing loss of Rs. 25.724 million to PQA. The detail is as under:

Sr. No.	Month	Water Billed by KW&SB in Gallons to PQA	Actual Water Consumed & Billed By PQA in Gallons to Users	Unaccounted Water Wasted Gallons (2-3)	Rate per 1000 Gallons in Rs.	Total loss due to wastage of water Rs.((4X5)/1000) Gallons)
	1	2	3	4	5	6
1.	July, 2015	44,863,973	36,163,144	8,700,829	204	1,774,969
2.	August, 2015	44,863,973	37,285,760	7,578,213	222	1,682,363
3.	September, 2015	48,905,340	36,576,876	12,328,464	222	2,736,919
4.	October, 2015	44,863,973	34,485,930	10,378,043	222	2,303,925
5.	November, 2015	44,863,973	34,401,780	10,462,193	222	2,322,606
6.	December, 2015	40,881,720	34,539,940	6,341,780	222	1,407,875
7.	January, 2016	44,111,540	32,601,960	11,509,580	222	2,555,126
8.	February, 2016	47,920,180	33,997,200	13,922,980	222	3,090,901
9.	March, 2016	42,913,860	38,401,600	4,512,260	222	1,001,722
10.	April & May, 2016	94,403,980	75,672,840	18,731,140	222	4,158,313
11.	June, 2016	48,693,260	36,575,876	12,117,382	222	2,690,058
Total		**547,285,772**	**430,702,908**	**116,582,864**		**25,724,777**

Audit is of the view that due to negligence of the management, PQA sustained loss of Rs. 25.724 million.

The matter was reported to the management in July, 2017 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

14.4.4.32 Loss due waiver of mark up on late payment of land rent to M/s. National Molasses - Rs. 9.671 million

Clause- xv of the allotment letter stipulates that in case of delay in payment, the allottee shall have to pay the mark-up at the rate of one percent (1%), above the commercial bank Rate.

During the audit of PQA for the year 2013-14, it was observed that two plots bearing No. 9 and 10 measuring 02 acres were allotted to M/s. National Molasses in the year 1991 for 10 years lease period on annual land rent of Rs. 35.43 per square meter with five percent (5%) annual compounded increase. The concerned allottee did not pay annual land rent and 5% increase thereon since allotment of plot. The outstanding amount was accumulated to Rs. 18.270 million as on June 30, 2012. In July, 2002 PQA served a notice to M/s. National Molasses due to default of annual land rent and mark up, after 10 years i.e. on July 17, 2002. The party filed a suit against PQA against such notice in 2002. The concerned file did not mention any proper perusal of the court case by PQA. After 06 years of notice, PQA also filed a recovery suit in 2008 vide suit No.1178/08 in Sindh High Court for Rs.19.408 million. However, PQA made out of court settlement in which M/s. National Molasses agreed to pay the principal amount of land rent and requested for the waiver of markup and maintenance charges. The development committee approved the recommendations of the out of court settlement and recommended the PQA Board for waiver of markup/late payment penalty subject to payment or Rs. 9,671,346 which waived off vide by BoD on December, 2011.

Audit is of the view that waiver of mark-up/late payment surcharge indicates that PQA extended undue favour to M/s. National Molasses since the plot was not cancelled as per conditions of allotment letter.

The matter was reported to the management in July, 2015 and November, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

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

7.4.4.33 Loss due to payment of professional qualification pay – Rs. 7.980 million

Corporate Governance Rules, 2013 section 4(3) states that chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations. Further, Finance Division, Government of Pakistan Vide F.No.1(2) Imp/2016-333 dated July 01, 2016 approved the "Rates of Qualification Pays" are as under:

Sr. No.	Qualification	Previous rates (Rs.) P.M	Latest Rates (2016) (Rs.) P.M
1	SAS/PIFA	800	1,200
2	ICMA/ICWA (Part-III)	800	1,200
3	ICMA/ICWA	2100	3,100
4	Chartered Accountants	2300	3,400
5	Staff College/NMC/NDC	2000	3,000
6	NIPA Advance Course	1000	1,500
7	Mid Career Mgt Course	500	750

During audit of Port Qasim Authority (PQA) for the year 2015-16, it was observed that in violation of above rule management paid an amount of Rs.7.980 million on account of qualification pays to its officers @ of Rs. 20,000 p.m.

resulting in loss of Rs.7.980 million. The detail is as under:

Sr. No.	Name of Employee	Designation	P No.	From 2012 to 2016
1.	Mr. Muhammad Yahya	Dir (Accounts)	070280	1,140,000
2.	Mr. Farukh Jamil	Dir (IM)	070300	1,140,000
3.	Mr. Jamil Ajmal	Mgr (Revenue)	062102	1,140,000
4.	Mr. Khalid Mahboob	Mgr (I.A)	070320	1,140,000
5.	Mr. Waseem Ahmed	DM (Fin)	070180	1,140,000
6.	Mr. Mughis-ul-Wara Fasih	DM (Fin)	065233	1,140,000
7.	Mr. Khuram Naveed	Mgr (expenditure)	070130	1,140,000
Total				**7,980,000**

Audit is of the view that undue favour was extended to the officer at PQA cost. This indicated poor financial management.

The matter was reported to the management in July, 2017 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view of fixing responsibility on the person(s) at fault besides recovery of the amount.

14.4.4.34 Lapse of internal controls due to non-implementation of internal audit plan and internal audit report

Rule-22 (3) of Public Sector Companies (Corporate Governance) Rule, 2013 states that internal audit reports are provided for the review of external auditors. The external auditor shall discuss any major findings in relation to the reports with the audit committee, which shall report mattes of significance to the Board.

During audit of the scrutiny of the record of PQA for the year 2016-17 it was observed that the internal audit department of PQA has not prepared internal

audit plan as well as internal audit report as required under the above mentioned rule.

According to above mentioned rule the internal audit department was responsible to formulate internal audit plan and conduct audit accordingly. The internal audit report was required to be submitted to audit committee and share with external audit. However the same was not conducted by the management so far, which need to be justified.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault.

14.4.4.35 Violation of rules due to non-formulating statutory policies by the BoD

As per Rule 5 Public Sector Enterprise (Corporate Governance), 2013 states that the board shall develop and implement a policy on “anticorruption to minimize actual and perceived corruption in the company. Develop and enforced an appropriate conflict of interest policy. Such policy shall clearly lay down the circumstances of considerations when a person may be deemed to have actual of potential conflict of interest, and the procedure disclosing such interest. Develop whistle blow policy and protection mechanism. Formulate significant policies of the Public Sector Company.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that following policies were required to be formulate under above mentioned rules. However, the same were not formulated by the BoD. The detail is as under:

1. Conflict of interest policy
2. Anti-corruption policy

3. Whistle blow policy

In addition to above, the operational activities of the port were distributed amongst different departments, such as operation, administration, maintenance, finance, planning and development, and technical departments etc., but these departments were performing functions without any SOPs.

Audit is of the view that non-compliance of Corporate Governance rules shows weak internal controls.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends investigate the matter with a view of fixing responsibility on the person(s) at fault.

14.4.4.36 Non-appointment of Professional Fund Managers

Sr. No. 3 of Finance Division OM No.F.4(1)2002-BRII dated July 02, 2003 states that the investment committee should be assisted by an investment management unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instrument. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that heavy amount of Rs. 28,968.99 million was invested in various banks without appointment of professional fund manager, which is violation of above orders of Finance Division, Government of Pakistan.

Audit is of the view that the management constantly violating the standing instructions of Finance Division as stated above.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends to investigate the matter and fix responsibility on the person(s) at fault.

14.4.4.37 Non-verification of degrees/certificate of the employees

Rule-5(1)of Public Sector Companies (Corporate Governance) Rules, 2013 states that the board shall exercise its power and carry out its fiduciary duties with a sense of objective judgment and independence it the best interest of the company.

During audit of Port Qasim Authority (PQA) for the year 2016-17, it was observed that more than 1,500 employees are working in PQA on permanent/contract basis, but the degree of these employees were not verified from the institutions/Universities.

Audit is of the view that non-verification of degrees/certificates shows negligence of the management and indicates weak internal controls prevailing in the organization.

The matter was reported to the management in June, 2018 but no reply was received. DAC meeting was not convened despite requests by audit.

Audit recommends that responsibility may be fixed on the person(s) found at fault besides verification of degrees /certificates.

Chapter-15
Ministry of Overseas Pakistanis and Human Resources Development

15.1 Employees' Old-Age Benefits Institution

15.1.1 Introduction

Employees' Old Age Benefits Institution (EOBI) is a body corporate, established under Employees Old Age Benefits Act, 1976. The Institution's prime objective is to provide pensions and old-age grant to the insured persons covered under the scheme. It operates 31 regional offices and 32 field offices located in various parts of the country. Under 18th amendment in the Constitution, EOBI has been brought under administrative control of a new ministry, i.e., Ministry of Human Resource Development (HRD).

EOBI Fund was established under Section 17 of Employees' Old Age Benefits Act, 1976 wherein all contributions paid under this Act, and all other moneys received by or on behalf of the Institution are paid into it while expenditure incurred by the institution necessary for the purpose of this Act are charged to the same.

15.1.2 Comments on Audited Accounts

15.1.2.1 The working results of the institution of the year 2010-11 as compared to the preceding years are given as follows:

(Rs in million)

	2010-11	% Inc/(Dec)	2009-10	% Inc/(Dec)	2008-09
Income	29,310.75	6.94	27,408.27	51.16	18,132.15
Expenses:					
Benefits paid	(9,365.27)	59.75	(5,862.53)	1.31	(5,786.94)
Management expenses	(1,469.60)	81.29	(810.62)	12.74	(718.99)
Reversal/Provision: Against other receivables-FIBs	24.00		-		`-
Donation to Prime Minister Fund for Malak and IDP	1,000.00		-		(100.00)
Taxation	-		(6.56)	22.14	(5.37)

Total expenses	11,834.88)	77.35	(6,673.14)	0.94	(6,611.30)
Surplus for the year	17,475.88	15.72)	20,735.12	79.98	11,520.85
Fund balance	198,765.15	9.64	181,289.28	12.95	160,506.61

(Source: Annual Audited Accounts)

Income of EOBI is increased by 6.94%, from Rs.27,408.266 million in 2009-10 to Rs.29,310.753 million in 2010-11. Benefit payments showed an increase of 59.75%, from Rs.5,862.527 million in 2009-10 to Rs.9,365.274 million in 2010-11.

15.1.2.2 Management expenses rise by 81.29% from Rs.810.615 million in 2009-10 to Rs.1,469.604 million in 2010-11. Surplus for the year has decreased by 15.72% from Rs.20,735.12 million in 2009-10 to Rs.17,475.88 million in 2010-11.

15.1.2.3 Surplus in the Fund has decreased by 15.72% from Rs 20,735.12 million in 2009-10 to Rs.17,475.87 million in 2010-11 million.

15.1.2.4 The chartered accountants reported following observation in their audit report:

- We did not receive confirmations from certain legal advisors during the course of our audit and subsequently while performing procedures to verify the events occurring after the balance sheet up to the date of audit report.
- The institution has not disclosed the effects of valuation of investment properties subsequent to the year end up to the date of audit report that are required to be disclosed under the applicable financial reporting standards for non-adjusting events occurring after the reporting period.

15.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1996-97	2	1	1	202	50
1999-00	10	9	1	135	90

2000-01	11	8	3	152, 154 & 156	73
2003-04	7	4	3	134.3,134.5 & 135	57
2004-05	7	4	3	83, 88 & 89	57
2006-07	8	3	5	134.2, 135, 136, 138 & 139	38
2007-08	7	4	3	109, 110 & 111	57
2008-09	7	3	4	150, 151, 152 & 154	57
2009-10	3	1	2	163, 164	33
2010-11	6	5	1	15.1.3	83
2016-17	8		8	12.1.4.3, 12.1.4.4, 12.1.4.5, 12.1.4.6, 12.1.4.8, 12.1.4.9, 12.1.4.10, 12.1.4.11	-
Total	**76**	**42**	**34**	**-**	**55%**

The overall compliance of PAC directives needs improvement.

15.1.4 Audit Paras

15.1.4.1 Doubtful payment of pension – Rs. 33,252.310 million

Para-10 of GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money, as person of ordinary prudence would exercise in respect of his own money. Further, para-309 of GFR states that every officer is responsible for collection of Government dues or expenditure of Government money and sees that proper accounts are maintained for the same.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2017-18, it was observed that the management paid doubtful pension Rs. 33,252.310 million. The variation of disbursed amount during the last ten years through NBP, TMFBL and BAFL w.e.f. January 2009 to Jun 2018 seem to be doubtful as the Operations Department of EOBI did not carry out any reconciliation of the above disbursement and total count of the pensioners with banks.

Audit is of the view that non-reconciliation with the banks shows weak internal controls and poor financial management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that the audit calculated the amount by presuming that all the pensions of EOBI are paid at a flat /minimum rate whereas, a person who has worked for 15 years, and his last drawn minimum wages was Rs.8,000 gets Rs.5,250 per month pension which is the minimum amount paid by EOBI.

A person who has worked for 33 years gets pension of Rs.5,280 per month. Similarly, all insured persons working beyond minimum threshold get their due share of Formula Pension. Hence, amount disbursed over a certain period of time cannot be based on flat rate of pension. The DAC directed the management to provide all the details and relevant record to audit by 24 January, 2019. However, no progress was reported til finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.2 Doubtful disbursement of pension - Rs. 3,680.712 million

Clause 6.1 of the agreement signed between EOBI and BAFL state that BAFL shall be responsible for registration of all EOBI pensioners after biometric verification. The registration process shall ensure that EOBI pensioners are not troubled and registration facility is provided to at a location in close proximity to their existing pension receiving channels BAFL shall submit a detailed transition strategy and mechanism to EOBI for approval of the same before its execution. Further, clause 6.2 of the agreement state that: BAFL shall be responsible for biometric verification of EOBI pensioners every six months at locations in close proximity to their pension receiving location.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2017-18, it was observed that in August 2015, the management entered in to an agreement with M/s Bank Al-Falah Limited (BAFL) for a period of five years. The purpose of this agreement was to facilitate the pensioners of EOBI to collect their contribution and disburse pension payment through debit card. It was

observed that 375,456 pensioners were registered with BAFL after biometric verification as on May 2016. Whereas, prior to this arrangement 433,880 pensioners were drawing EOBI pension through National Bank of Pakistan (NBP). Thus, 58,424 pensioners were not registered with BAFL through biometric verification. Therefore, payment of pension amounting to Rs. 3,680.712 million (58,424 x 5,250) by NBP to non-verifiable pensioners was doubtful.

Audit is of view that the disbursement of pension to 58,424 non-verifiable pensioners shows weak internal controls.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that actual disbursement to the pensioners is less than registered person with Bank Alfalah. The DAC directed the management that an exercise should be carried out to verify authenticity of the 58,424 persons as pointed out by the audit who did not turn up for biometric verification with Bank ul Falah and share the results of this exercise with the Ministry and Audit. However, no progress was reported till the finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.3 Wasteful expenditure due to non-operation of HVAC system - Rs. 80.715 million

Para-23 of GFR "Every Government officer should realize fully and clearly that he would 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 Employees Old-Age Benefits Institution (EOBI) for the year 2017-18 it was observed that in April 2011,management invited a tender from pre-qualified contractors through daily Dawn for supply, installation, testing and commissioning of new Air-conditioning system on a turnkey basis with Natural Gas operated Korean origin at EOBI head office. In response 08 firms submitted their pre-qualification documents, out of which 02 firms were qualified. The financial standing of the tender was as under:

Sr. No.	Name of Bidder	Offer Bid Price (Rs. in million)	Bid Position	Difference with Estimation
1.	M/s Iceberg Industries	71.029	1st lowest	-3.75 %
2.	M/s Airtech Engineers	78.538	2nd lowest	6.42 %

Accordingly PRIMACO entered in to an agreement on June 3, 2011 with M/s Iceberg Industries amounting to Rs. 71.029 million. The completion period of work was four months from the date of issuance i.e. June 04, 2011 and extended to Dec 31, 2011 with revised contract Rs. 77.882 million. The management revised contract price at Rs. 80.715 million with the variation orders. Moreover, management also hired services of M/s Iceberg Industries to provide maintenance service for that plant approximately Rs.3.0 million per year. HVAC system was handed over to EOBI on March 09, 2014 after delay of two year and nine months. Since its installation, the system has not been functioning due to technical defect and same was not removed by contractor due to non-payment of outstanding bills amounting to Rs.10.468 million.

Audit is of the view that due to negligence and inefficiency of the management resulted in huge loss.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that inquiry committee in the matter has been constituted and matter has also referred to FIA. The DAC directed the management to share the results of the inquiry with

the Ministry and Audit at the earliest. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.4 Double payment of pension - Rs. 27.97 million

According to the SOP Circular No.05/2017-18 dated 2nd August, 2002, Retrieval of PR-02A u/s. 10 of EOB Act. 1976. Pension claims are settled by Regions on the basis of Service verification rather than verification of insurable employment / contribution payments, despite an amendment to Section 22, EOBI Act, 1976w.e.f. June30, 2002, which requires; paid Contribution for pension settlement, for the insurable employment after 30.06.2002. Employers generally don't submit particulars of their employees on the prescribed format i.e. PR-02A mandated under Rule 8 of the EOBI (constitution) Rules, 1976, which is the only source to verification insured persons for benefits available under EOB Act, 1976.

During audit of EOBI, RO Sukkur for the years 2016-17 & 2017-18 it was observed that management processed pension cases and awarded pension without service verification as per required Performa of PR-02A. Further, it was observed that management has issued two registration numbers to one/ same person. This resulted into double payment of pension Rs. 27.97 million (Annex-45).

Audit is of the view that due to weak internal controls double payment has been made.

The matter was reported to the management in September 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that insurable employment of a claimant is verified on the basis of the documents such as Joining Letter, Personnel File, Registers containing particulars of employees, Personal Record maintained by employees to be produces before Regional Claims Committee and the Record available with EOBI Regional Offices in form of Employer’s File. The DAC directed the management to submit

revised reply to the audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.5 Loss due to short deposit of contribution by the employers - Rs. 49,066.17 million

According to Act No. VII of 2016 as notified in Gazette of Pakistan vide Notification No. F.9(32)/2015-Legis, Monthly minimum wages for unskilled workers have been revised in the following manner:

Rs. 8,000 w.e.f. 1st July, 2012 till 30th June, 2013
Rs. 10,000 w.e.f. 1st July, 2013 till 30th June, 2014
Rs. 12,000 w.e.f. 1st July, 2014 till 30th June, 2015
Rs. 13,000 w.e.f. 1st July, 2015

A contribution equal to 5% of minimum wages has to be paid by the Employers of all the Industrial and Commercial Organizations where EOBI act is applicable. Contribution equal to 1% of minimum wages by the employees of said Organizations.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2015-16, it was observed that the contribution amount was required to be revised from Rs.480 per month to Rs. 600 and Rs.720 per month in the years 2013-14, 2014-15 and 2015-16 respectively. The management however, collected the contribution at the previous rate of Rs. 480 per month from their 6,000,000 Insured Persons (IPs). Thus resulted into short collection of contribution amounting to Rs.49,066.175 million. The details are as under:

(Rs in million)

Year	Minimum wages Rs. per Month (Rs)	Amount required to be collected (Rs)	Amount collected by EOBI (Rs)	Amount Less collection (Rs)	No. of IPS	Less Collection Per Year
2012-13	8,000	480	480	-	6.00	-
2013-14	10,000	600	480	120	6.00	8,640.00

2014-15	12, 000	720	480	240	6.00	17,280.00
2015-16	13,000	780	480	300	6.429	23,146.00
					Total	**49,066.17**

Audit is of the view that due to inefficiency of management, it could not collect the contribution on revised rates.

The matter was reported to the management in September 2016. DAC meeting was held on January 17 & 18, 2019. The management informed that there are many reasons including that the employers challenged the circulars of EOBI in all the High Courts, due to this the EOBI failed to collect the contributions on new rates of minimum wages from almost all the employers except few ones. The Regions could not also issue demands of contribution due to dilemma of wages. The DAC decided to place the matter before PAC for decision.

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

15.1.4.6 Gap between contribution collection and benefits payment - Rs. 27,656.00 million

The provision of the Para 01.5.1 (a) of the Employees Old Age Benefits Institution (EOBI) Operation Manual states that the DG Operation is responsible for the core activities of EOBI i.e. collection of contributions, disbursement of benefits, their reconciliation, inspection of regions and control of all field activities through zonal and regional heads.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2017-18, it was observed that since last five years, the management collection of contribution has remained less than the payment of benefits. This has resulted into gap of Rs.27,656.40 million. The details are as under:

(Rs. in million)

Financial year	Contribution collected from Employers & Insured persons	Benefit Payments	Deficit Amount
	Actual	**Actual**	**Actual**
2013-14	12,568.000	15,860.000	-3,292.00
2014-15	12,856.607	15,812.179	-2,955.57
2015-16	14,600.600	22,580.974	-7,980.37
2016-17	18,271.550	24,150.000	-5,878.45
2017-18	18,550.000	26,100.000	-7,550.00
Total	**76,846.76**	**104,503.15**	**-27,656.40**

Last actuarial valuation report of EOBI fund up to June 30, 2017 indicates that the fund would start depleting from the year 2021 and will exhaust in the year 2029 which is very alarming situation.

Audit is of the view that non-collection of arrears shows poor financial management and weak internal controls.

The matter was reported to the management in November 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that there are many issues i.e., legal, non-closure of units, contribution rate variable due to different courts decisions etc due to which the Institution is unable to collect 100% contribution. However, on the other hands the Institution is paying same rate of benefits. The DAC directed the management to take measures to collect contribution from active defaulters units and also increase the focus on registration of new employers.

Audit recommends implementation of the DAC directives.

15.1.4.7 Non-reconciliation of contribution collection with banks - Rs. 12,219.00 million

Employees Old Age Benefits Institution (EOBI) entered in to agreement with Bank Al-Falah Limited for disbursement and contribution for a period of

Five years. The agreement was commenced on August 03, 2015. The provision of the clause is as under:

Clause 6.10 of the agreement state that "Bank Al-Falah Limited (BAFL) shall be responsible for reconciliation of bank statement and transaction data before submitting it to EOBI. Clause 6.15 of the agreement state that "BAFL shall be responsible for reconciliation of all funds received from EOBI, disbursed / credited to pensioners and contribution received. BAFL shall also provide monthly MIS for main Collection Account, Main Disbursement Account, and Main investment Account to EOBI. Para - 01.5.1 (a) of the Employees' Old-Age Benefits (EOBI) Operating Manual states that the DG Operations is responsible for the core activities of EOBI i.e. collection of contributions, disbursement of benefits, their reconciliation, inspection of regions and control of all field activities through zonal and regional heads.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2017-18, it was observed that an amount of Rs.31,917.463 million were shown on account of contribution collection during 2017-18 as per EOBI record. Where as the Bank statement of BAFL showed collection of contribution of Rs.19,697.467 million for same period. Resulting, in non-reconciliation of figures between regions and the banks, amounting to Rs.12,219.995 million (Annex-46). Similarly, the record of EOBI regional office Islamabad showed short collection of contribution of Rs.1,107.724 million during 2016-17 and regional office, Sukkur also showed short collection of contribution. The details are as under:

(Rs. in million)

Sr. No.	Name of Bank	Year	Amount collected		Difference
			As per Bank	As per EOBI	
1	Bank Alfalah	2016-17	0.421	96.456	96.372
2	National Bank	2016-17	93.569	94.661	5.280
3	Bank Alfalah	2017-18	213.745	172.978	46.863
	Total		**307.735**	**364.095**	**137.894**

Audit is of the view that above position shows serious concerns regarding the process of reconciliation of contribution collection and disbursement of pension.

The matter was reported to the management in November 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that amount pointed out by the audit is not short receipt of contribution but pertain to non-reconciliation of contribution with bank al Falah and efforts are under way for reconciliation of the said amount. The DAC directed the management to get the amount reconciled with Bank al Falah within one month. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.8 Non-collection of outstanding/arrears of contribution - Rs.9,875.934 million

As per Employees Old-Ages Benefits Institutions (EOBI) Operating Manual, 05.11 (a) 1, All the Regional Heads have been invested with the powers of Assistant Collector, (Grade-1) to recover the arrears of contributions as arrears of Land Revenue the notice under section 81 will be served and (b) 7. After service of notice u/s 81 and expiry of 15 days from the date of service of notice, the Assistant Collector should order u/s 83 for attachment and sale of moveable property of the defaulter. A copy of warrant shall be endorsed to the B&C Department, head office for information. (8) if the defaulter fails to pay the dues within stipulated time; recovery thereof shall be affected as arrears of land revenue.

During audit of EOBI for the year 2017-18, it was observed that the management failed to collect outstanding arrears of contribution from Employers, Employees amounting to Rs. 9,875.934 million as on June 30, 2018 (Annex-47).

Audit is of the view that due to negligence of the management, EOBI was deprived of contribution income. This indicates poor planning and weak internal control.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that recovery against all Insured Persons (IPs) as pointed out by the audit is not achievable because of closure of establishments and recent Judgments of Honorable Supreme Court of Pakistan and Sindh High Court. The DAC directed the management to submit the revised reply to audit showing the actual amount recovered and get it verified from audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.9 Short collection of contribution than targets - Rs. 4,986.47 million

The provision of the Para - 01.5.1 (a) of the Employees' Old-Age Benefits (EOBI) Operating Manual states that the DG Operations is responsible for the core activities of EOBI i.e. collection of contributions, disbursement of benefits, their reconciliation, inspection of regions and control of all field activities through zonal and regional heads.

During audit of EOBI for the year 2017-18 it was observed that out of 39 Regions, 36 Regions failed to achieve their targets. The target for collection of contribution was fixed Rs. 2,4050.00 million against which the Regions achieved / recovered Rs. 19,062.66 million, resulting in short fall of contribution collection of Rs.4,986.47 million (Annex-48).

Audit is of the view that due to negligence and poor planning of the management the institute was deprived of its potential revenue. This indicates inefficiency of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that BoT revised the target and EOBI has achieved a collection of Rs.19,062.66 million which was 102.76% of revised. Audit pointed out that the targets were revised after completion of the year under review, this shows that the targets were not set on rational basis. The DAC directed the management that in future target must be set on the basis of proper working and keeping in view the operational ground realities.

Audit recommends implementation of the DAC directives.

15.1.4.10 Loss due to retention of investments in the category of held for trading – Rs. 4,595.777 million

As per International Accounting Standard-39, a financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Further, para-14 of Application Guide of IAS-39 "Trading generally reflects active and frequent buying and selling, and financial instruments "Held for trading" generally are used with the objective of generating a profit from short-term fluctuations in price or dealer's margin". The purpose of "held for trading" category is to earn profit through trading."

During audit of Employees' Old-Age Benefits Institution (EOBI) for the year 2017-18, it was observed that Institution sustained a loss of Rs. 4,156.043 million during the year under review due to diminution in value of equity investments classified as "Held for Trading" as the shares of the companies were not disposed-off despite posting of heavy losses in revenue account. Similarly in the year 2015-16, EOBI also sustained loss of Rs.439.733 million. Thus, the accumulated loss of Rs.4,595.777 million occurred due to imprudent investment (Annex-49).

Audit is of the view that due to negligence of the management Institute sustained heavy losses. This indicates imprudent investment decision of investment department.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that in 2017-18 EOBI realized capital gain of Rs.605.270 million and earned dividend income of Rs.746.942 million in the Trading. Thus the total realized return of Rs.1,352.213 million (from capital gain and dividends) overshadows the diminution of Rs.329. 919 million. Audit contended that EOBI sustained a loss of Rs. 4,595.777 million during the year under review due to diminution in equity investments that were classified as "Held for Trading". The DAC decided to place the matter before PAC for decision.

Audit recommends to investigate the matter with a view to fix responsibility on the person(s) at fault.

15.1.4.11 Irregular investment in NIT Equity Market Opportunity Fund - Rs. 3,071.00 million

Rule-3(j) of Employees' Old-Age Benefits (Investment) Rules, 2007 state that, the Institution may invest money, which are not immediately required for expenses under the Act in any collective investment scheme (fund) authorized under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and offered by an Asset Management Company or an investment advisor carrying a valid license under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, subject to a minimum rating of the fund of "4-Star."

The provision of the Rule 4(2) "No investment made in any one Corporation, company or scheduled commercial or Islamic bank under rules 3 shall exceed ten percent of the fund size in case of investment in mutual funds under clause (j) or two and a half percent of the portfolio, whichever is less.

During audit of EOBI for the year 2014-15, it was observed that an amount of Rs.1.3 billion was invested in NIT Equity Market Opportunity Fund (EMOF) by the EOBI on August 30, 2008. The total size of the EMOF was Rs. 5.10 billion as on August 30, 2008 in which EOBI's investment was 26% whereas, other institutions also contributed i.e. NBP 35%, SLIC 29% and NICL 10%.

It was further observed that with the passage of time size of NIT-EMOF was increased to Rs.8,226 million as on June 30, 2015 and share of EOBI investment was also increased simultaneously uptoRs.3,071 million which was 37% of the total fund size. Audit is of the view that the investment of Rs.3,071 million in NIT-EMOF was irregular and unjustified as it was more than 10% as on June 30, 2015 of the total fund size and in violation of EOBI investment rules.

The matter was reported to the management in October, 2015 and November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that the investment was made under Rule 3 (i) of EOBI Investment Rules and excess amount is covered under Rule 6 of the Investment Rules. Audit contended that EOBI initially invested an amount of Rs1.3 billion in NIT Equity Market Opportunity Fund (EMOF) which comes to 26% and was increased to Rs.3,071 million which comes to 37% of the total fund size. The investment was irregular and unjustified as it was more than 10% of the total fund size and in violation of EOBI Investment Rules. The DAC directed the management to submit revise reply to audit by January 24, 2019. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.12 Opportunity loss of investment income - Rs. 1,209.89 million

Section-17(1) of Employees Old-Age Benefits Institution (EOBI) Act1976. The Institution shall have its own fund, to be called the EOBI fund and may incur out of the Fund such expenditure as may be necessary for the purposes

of this Act. Further, in 11th Emergent Meeting held on June 23, 2014 the chairman EOBI informed that under the EOB Act 1979, the institution cannot make donation for charitable purpose.

During audit of EOBI for the year 2017-18 it was observed that management paid an amount of Rs. 1,271.95 million on account of donation to Pakistan Bait-ul-Mal fund and Prime Minister Fund for flood relief from EOBI investment account during 2009 to 2012. Later on, EOBI had approached honorable Supreme Court of Pakistan for refund of EOBI amount. Subsequently, SCP vide its order dated March 03, 2018 directed to Federal Government refund the amount to EOBI and Rs.1,250 million were credits into EOBI Account. Audit observed that had the institute invested the said amount in investment scheme such as in Special Saving Certificate (SSC) EOBI could earn capital gain (Annex-50).

Moreover, in response of Court order an amount of Rs. 21.95 million is still not refunded.

Audit is of the view that donation payments were prohibited by the BoT and cannot be used for purposed as the amount is trust fund and only for pensioners. This indicates weak internal controls and poor financial management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that the payment of Rs1,271.950 million was made with the approval of the BoT of EOBI. However, an amount of Rs1,250 million was recovered on the directives of the Honorable Supreme Court of Pakistan and efforts are under way to recover the remaining amount. The DAC directed the management that matter of recovery of remaining amount along with interest from Bat-ul-Mall and NDMA be pursued vigorously.

Audit recommends implementation of the DAC directives.

15.1.4.13 Extra ordinary delay in settlement of pension claims - Rs. 476.217 million

The Section-06.2.1.2.5 of the Operating Manual of Employees Old-Age Benefits Institution (EOBI) states that:

a. Regional offices to settle all the claim cases within the stipulated time of 45 days. In case of delay, the regional office must inform the insured person about the reasons for delay in non-settlement of his / her claim case.
b. All claims should ordinarily be processed in the serial order. Departure under any special circumstances may only be made by the Regional Head with full justification thereof.

During audit of Employees Old-Age Benefits Institution (EOBI) for the year 2017-18, it was observed that 7,559 numbers of pension claims amounting to Rs. 476.217 million (5,250×7,559×12) were pending in all 39 Regional Offices. The ageing of these claims were between 1 to 3 years (Annex-51).

Audit is of the view that non-settlement of claims shows poor performance of regional offices and lack of interest towards the processing of claim cases.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that 80% pending cases of pensioners have been cleared and remaining will also be cleared in due course of time. The DAC directed the management to get the record verified from audit by January 24, 2019. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.14 Loss due to reduction in monthly rent - Rs. 112.694 million

As per clause 2.2 Agency Agreement dated 01st January 2013 between EOBI and Pakistan Real Estate Investment & Management Company (Pvt.) Ltd. (PRIMACO). Maintenance of its owned staff and records and separate account for collection of rent and petty expenditure in respect of the EOBI shopping Mall and other rental premises building shall be maintained payment of petty expenses and other monthly bills to the contractors engaged for services in the rental building shall be paid out of the above account after scrutiny by finance Division of PRIMACO & verified by Internal Auditor PRIMACO.

During audit of Employees Old-Age Benefits Institution (EOBI) for the year 2017-18 it was observed that in 2012 the management purchased a building plot No.5, F-7 Markaz Islamabad measuring covered area 30,100 Sq. Ft. worth Rs. 1,002 million, from Mr. Abdul Qayuum (land lord). At the time of purchase of said property M/s MOL was house tenant and were paying rent @ Rs. 212 per Sq. Ft. w.e.f September 24, 2011 to 23 September, 2012 for one year with 10% annual increase in the rent. Hence after purchase of building of Mr. Syed Iqbal Haider Zaidi (officiating Director General operation) EOBI entered in to a new tenancy agreement on behalf of EOBI with same House tenant M/s MOL on 10th September 2012 for one year w.e.f September 23, 2012 to September 23, 2013 on same terms and conditions which were agreed with previous land lord Mr. Abdul Qayuum.

Moreover, in January 2013 management entered into a further tenancy agreement with M/s MOL for four years before expiry date of previous agreement and also reduce their rate of rent from Rs. 212 per Sq. Ft. to Rs. 180 per Sq. Ft P.M. Resulting into institute suffered a loss of Rs.112.694 million (Annex-52).

Audit is of the view that undue favour was extended to the tenant by reducing the rent instead of increasing 10% PA. This indicates weak internal controls and poor financial management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that currently rent in the surrounding properties of similar nature stands between Rs.140 to Rs.180 sq. ft. while consequent to the 10% annual increases in the rent of this property, its rent has increased to Rs264/ per sq. ft. (From 170 per sq. ft.) as on 30-06-2018. The DAC directed the management to refer the case to Ministry for constituting Inquiry Committee and evaluation of rent agreement.

Audit recommends implementation of the DAC directives.

15.1.4.15 Non-completion of construction of residential building at Sialkot – Rs. 67.375 million

The provisions of the Section-4.1 of the Agency Agreement dated June 29, 2007 between Pakistan Real Estate Investment & Management Company (the Agent) and EOBI (the Principal) states that the Agent shall be liable to implement the projects assigned by the Principal as per time limits and budget approved by the Principal.

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

During audit of Employee's Old Age Benefits Institution (EOBI) for the year 2015-16 it was observed that, Pakistan Real Estate Investment Management Company (Pvt) Ltd. (PRIMACO), subsidiary of EOBI awarded a contract for construction of Residential Building at Plot No. 58A & 58B, Sabir Kamal Road Sialkot (EOBI Project) to M/s Sultan & Sons on December 26, 2012 at a total contract price of Rs. 58.275 million. As per contract agreement, the completion date of the project was March 26, 2014. M/s ESS.I.AAR was appointed as a Consultant on August 15, 2012 at a total contract price of Rs. 9.100 million. The consultant was responsible for Survey, Feasibility study, Architecture

& Engineering design, construction management & detail supervision of the subject project. Following discrepancies/irregularities were noticed in project:-

i. The contractor and consultant failed to complete the project in the stipulated period of time. It was due to contractor & consultant negligence, casual attitude, poor planning and lack of interest towards quality execution. At present, the project is still in abandoned and only 45% of the project is completed despite of lapse of 29 months over actual date of completion.
ii. All the claimed monthly payments of consultant & contractor were paid regularly for assuring smooth financial facilitation in the best interest of the project. But they did not even meet the project deadlines, which resulted in failure of project completion and EOBI was deprived from likely rental revenue due to non-completion of the project in time.
iii. The contractor has been paid an excess amount of Rs. 2.2 million against steel.
iv. The total cost for appointing the consultant for the project was 9.100 million which was 15.61% of the total construction cost. The same was very high as compared to the normal consultancy fee for same nature of project. Rs. 5.923 million have been paid to the consultant until now. This huge amount was paid to consultant for ensuring the time quality & cost matrices of the project, but the consultant failed to deliver.

Audit is of the view that, due to negligence and ill planning of M/s PRIMACO, the contractor and consultant failed to complete the project in the stipulated period of time and only 45% of the project is completed despite of lapse of 29 months over actual date of completion. Audit also holds the view that due to abandon of the project, the EOBI funds amounting to Rs. 67.375 million (Rs.58.275 million + Rs.9.100 million) were not only blocked but also EOBI has been deprived from rental revenue.

The matter was reported to the management in October, 2016. DAC meeting was held on January 17 & 18, 2019. The management informed that the project has been taken back by the PRIMACO from contractor on 31 July, 2018.

The matter is subjudice in the Lahore Civil Court due to litigation initiated by the Contractor besides inquiry by FIA. Preparation of PC-1 for completing the remaining work is under progress which will be submitted to the BoT for approval in its next meeting. The DAC directed the management to furnish payment detail of 45% completed work to the Ministry and the audit. The DAC further directed the management to revise the reply and furnish the same to audit by 24 Jan, 2019. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.16 Loss of contribution income due to less assessment of registered employees - Rs.58.673 million

As per clause-12(3) 05.4.1.8 Issuance of Employees' Old-Age Benefits Institution (EOBI), Act, 1976 According to the law, there can be following situations for assessment of contribution. Further, Section 12 (3) where assessment is made on the basis of information furnished by the employer or books of accounts and the employer raises no objection. In the first situation, the authorized officer determines contribution on the basis of information called by him and no dispute is raised hence, it may be called an "Admitted Assessment" where no objection is raised. For such assessment format 002.1 has been prescribed.

During audit of EOBI, RO Sukkur for the years 2016-17 & 2017-18 it was observed that management assessed and registered 263 employees instead of actual employees 4,651 were working in five sugar mills. Resultantly EOBI sustained loss of Rs.58.673 million on account of collection of contribution (Annex-53).

Audit is of the view that short assessment of employees caused loss to the institute which indicates weak internal controls and poor financial management.

The matter was reported to the management in September, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that actual numbers of insured persons registered with EOBI are more than as reported by the audit. The DAC directed the management to provide all the relevant record of insured person of 05 entities in question to audit for verification till 24 January, 2019. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.17 Non-recovery of outstanding rent and utility charges - Rs.54.854 million

As per Clause 1.2 of Agency Agreement between Employees' Old Age Benefits Institution (EOBI) and Pakistan Real Estate Investment and Management Company (Pvt.) Limited (PRIMACO), the PRIMACO shall be responsible for running all rental properties of the EOBI Rent and security deposit collected from tenants of the buildings shall immediately be deposited into the EOBI bank account, the EOBI shall pay service charges equal to 2% of the rent collected. Further, clause-3.5 of the standard rent agreement states that utility bills including electricity charges is the exclusive responsibility of the leasee on the due date.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2017-18, it was observed that an amount to Rs. 54.854 million was outstanding on account of Rent and Electricity charges against the tenant as on June 30, 2018.The detail is as under:

Sr. No.	Name of Building	Outstanding Amount (Rs.)
1.	EOBI, House Peshawar	1,388,456
2.	EOBI Reginol Office Karachi	605,452
3.	Danish Group (Ex-AwamiMarkaz Karachi.	19,876,454
4.	Government Agencies (Karachi)	4,628,195
5.	EOBI Building, Nazimabad Karachi	4,400

6.	EOBI House 7-N PECHS, Karachi	1,260,250
7.	EOBI House (Awami Markaz) Karachi. (**Annex-54)**	27,090,742
	Total	**54,853,949**

Audit is of the view that it was responsibility of PRIMACO to recover the outstanding rent and utility charges from the tenants on monthly basis but the management failed to recover the rent charges. This shows poor performance and in-efficiency of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that an amount of Rs. 4.100 million has been recovered whereas, cases at Sr. No. 3 & 6 are under litigation. For remaining cases efforts are under way to recover the rent amount. The DAC directed the management to pursue the court cases & recoveries vigorously.

Audit recommends implementation of the DAC directives.

15.1.4.18 Non-recovery of Contribution from M/s. Kiran Sugar Mill - Rs. 38.38 million

As per clause-05.11 (a) of Employees' Old-Age Benefits Institution (EOBI) Operating Manual, all the Regional Heads have been invested with the powers of Assistant Collector, (Grade-1) to recover the arrears of contributions as arrears of Land Revenue.

During audit of EOBI, Sukkur for the years 2016-17 & 2017-18 it was observed that M/s. Kiran Sugar Mills (Pvt). Ltd was registered with the EOBI in July 1993. However, employer did not pay monthly contribution till the year 2005. The employer paid contribution from 2006 to 2008 and again stopped the payment for contribution. However, the management failed to initiate any concrete efforts toward recovery. Resulting in non-recovery of contribution amount to Rs.38.380 million (Annex-55).

Audit is of the view that non-recovery of contribution shows poor financial management toward recovery which indicates weak internal controls.

The matter was reported to the management in September, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that recovery proceedings against M/s Kiran Sugar Mills (Pvt) Ltd are in progress and demand & show-cause notice under section 83 of Land Revenue Act has already been enforced. Out of total assessed amount, an amount of Rs.4.791 million has been recovered so far. For the remaining amount, due course of action is being followed as per law. Audit contended that M/s. Kiran Sugar Mills (Pvt). Ltd was registered with the EOBI in July 1993. However, employer did not pay monthly contribution till 2005. The employer paid contribution from 2006 to 2008 and again stopped the payment for contribution. An amount of 38.38 million is outstanding against the Mill. The DAC directed the management to revise the reply and furnish the same to audit by 24 Jan, 2019. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.19 Loss of rental income due to non-renting out of vacant spaces - Rs. 38.28 million

As per Clause 1.2 of Agency Agreement between Employees' Old Age Benefits Institution (EOBI) and Pakistan Real Estate Investment and Management Company (Pvt.) Limited (PRIMACO), the PRIMACO shall be responsible for running all rental properties of the EOBI Rent and security deposit collected from tenants of the buildings shall immediately be deposited into the EOBI bank account, the EOBI shall pay service charges equal to 2% of the rent collected.

During audit of Employees Old Age Benefits Institution (EOBI) for the year 2017-18, it was observed that area of 44,029 sq. ft. in EOBI buildings

remained vacant as on June 30, 2018.Resultantly EOBI sustained a loss of rental income Rs. 38.28 million. The detail is as under:

S. No.	Name of Building	Total Area (Sq. ft)	Vacant Area (as on 30-06-2018) (Sq. ft)	Rate per Sq. ft (Avg.) Rs.	Rent (Rs.)
1.	EOBI, Islamabad	93,663	12,710	152.50	1,938,275
2.	EOBI, Ex-AwamiMarkaz, Karachi	96,379	25,375	45.0	1,141,875
3.	EOBI Building, Malir Karachi	24,078	2,550	17.50	44,625
4.	EOBI Building, Nazimabad Karachi	24,078	2,550	17.50	44,625
5.	Gul Tower. I.I. Chudrigar Road, Kar.	844	844	25.0	21,100
		251,882	44,029		**3,190,500**
Total Loss of Rental Income (Per month)					3,190,500
Total Loss of Rental Income (Rs. 3,190,500* 12 months)					**38,286,00**

Audit is of the view that non-renting out area of vacant space shows poor performance and in-efficiency of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that space mentioned at Sr.No.01 as pointed out in audit para has been rented out. Efforts are under way for renting out the remaining buildings/space. The DAC directed the management to get the record of space rented out be verified from audit. DAC further directed to expedite the efforts for renting out the remaining buildings. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.20 Loss due to retaining of shares transferred through plea bargain - Rs.25.269 million

Finance Division through its OM dated July 02, 2003 issued instructions for investment of surplus funds of the public sector enterprises. Para-5(b) of this OM requires that "Public units should have a total return comprising the dividend paid and appreciation in value, which exceeds the average six months' Treasury

bill rate for the last three years. The formula for the calculation of the total return would be provided by the SECP from time to time."

During audit of Employee Old Age Benefit Institution (EOBI) for the year 2015-16, it was observed that in EOBI, the Federal Investment Bonds (FIBs) amounting to Rs.1, 033.89 million were embezzled in the year 2000. The matter was investigated by the National Accountability Bureau (NAB). The accused approached NAB for settlement / plea bargain by surrendering certain properties / assets worth Rs.804.926 million including shares of various listed companies in September 2003. It was observed that the shares received in the year 2003 were retained by the management till to date and then market value depreciated. This resulted into loss of Rs.25.269 million. The details are as under:

Name of the Company	Shares transferred through NAB in September 2003			Position as on 30-06-2016			Loss
	Total No. of Shares	Value Rs. per share	Total value Rs. in million	No. of Shares	Market Price Per Share	Total Market value	Rs. in million
1	**2**	**3**	**4=(2x3)**	**5**	**6**	**7=(5x6)**	**8=(4-7)**
Tele Card	401,600	13.00	5,220,800	401,600	3.06	1,228,896	3,991,904
Investment Capital Investment Bank	4,246,917	6.10	25,906,194	4,246,917	1.09	4,629,140	21,277,054
Total			**31,126,994**			**5,858,036**	**25,268,958**

Audit is of the view that the shares of the above stated companies should have been off loaded in favorable conditions to make the loss good. Instead of doing so, the management retained the shares unnecessarily since 2003 to 2016 for 13 years and sustained loss of Rs. 25.269 million.

The matter was reported to the management in September, 2016. DAC meeting was held on January 17 & 18, 2019. The management informed that Audit picked up Telecard & ICIBL (plea bargain proceeds) having cost of Rs31.126 million (0.1842%) out of 16.898 billion portfolio, and neglected the fact that no equity portfolio in the world contains all shares at profit. The DAC directed to place the matter before PAC.

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

15.1.4.21 Loss due to award of contracts at higher rate - Rs. 13,730.122 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 stats that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company. Further, Construction material prices and labor cost in Islamabad, Pakistan the construction charges with material depends upon the material quality Like we have rates of LOW Quality material 1200 per square feet and high-quality material 1700 per square feet and without material 210 per square feet including Plumbing, marble, and electric works.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 201617 it was observed that management awarded contracts of four project at a very high plinth area rate that incurred loss of Rs.13,730.122 million to EOBI. The construction/plinth rates are much higher than prevailing rates in the area. Estimates were not determined from PWD rates or even the cost of similar buildings having similar specifications, heights; construction and locality were also not surveyed for estimation. The detail is as under:

Name of Project	Covered Area Sq.ft. (Rs.)	Plinth Area Rates Sq.ft. (Rs.)	Construction cost(as per LOA) (Rs.)	Construction cost (as per Market Rate Rs.2000 per Sq.ft)	Excess Payment (Rs. in million)
OEC Tower, Sector G- 9/4, Islamabad	208,920	8,875	1854.165	417.840	1436.325
Construction of Multipurpose Cineplex & Commercial Complex, Sector I-8/3, Islamabad	329,537	9,286.	3060.080	659.074	2401.006

Construction of SERENA Hotel & Mixed-Use Development Project, Lahore.	1,097,907	10,189	11186.574	2195.814	8990.76
EPC of Mixed Use Development & Commercial Complex, Johar Town, Lahore	116,647	9,733	1135.325	233.294	902.031
Total Excess					**13,730.122**

Audit is of the view that the management did not follow PWD schedule rates or current market rates of similar constructions which resulted loss to EOBI.

The matter was reported to the management in September, 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit therefore, DAC directed to place the para before PAC.

Audit recommends investigation in the matter with a view to fix responsibility on the person (s) at fault.

15.1.4.22 Loss due to award of contract at increased cost - Rs.452.000 million

According to the Clause-1.6 of Schedule-1 of the Agency Agreement dated June 29, 2007 between Pakistan Real Estate Investment & Management Company (the Agent) and EOBI (the Principal), the services to be provided by the Agent includes monitoring the physical and financial progress of the projects through specially created Project Monitoring Units.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 2016-17 it was observed that management awarded construction work of Multi-purpose Cineplex and Commercial project @ I-8 Markaz Islamabad to M/s Nigro-Skyways- JV at cost of Rs.2,892 million. This was Rs.452 million higher than the original total estimated cost prepared by engineers in March 2013.

Audit is of the view that the management awarded the contract at high rate/cost without due diligence and taking into account the market rates/PWD rates.

The matter was reported to the management in May 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit therefore, DAC decided to place the para before PAC.

Audit recommends investigating the matter with a view to fix responsibility on the person (s) at fault.

15.1.4.23 Irregular payment of secured advance - Rs. 159.036 million

As per clause – 3 of the additional terms and conditions of contract the secured advance against the materials @ 75% of the market value of material brought at sight required for project, shall be admissible to the contractor on certification by the engineer in-charge that the material/materials qualify the laid down specifications and necessary tests. No such advance is payable against the perishable materials. The sum so paid shall be recovered from the running bills of the contractor proportionate to the materials consumed.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 2016-17 it was observed that management paid secured advance amounting to Rs.159.036 million to M/s Bhalli Construction for construction of Commercial Complex at Johar Town Lahore, for procurement of local and imported equipment i.e. Generators, lifts, HVAC, protection of piles ceiling and other works without obtaining above mentioned certification from the Engineer in-charge.

Audit is of the view that management extended undue favor to contractors by awarding secured advance without observing required certificate of the Engineer.

The matter was reported to the management in May 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit therefore, DAC directed to place the para before PAC.

Audit recommends investigating the matter with view to fix responsibility on the person(s) at fault.

15.1.4.24 Loss due to commencement of work without approval of building plan Rs.93.00 million

Lahore Development Authority (LDA) is responsible for new planned development in Lahore, Punjab, Pakistan. It is also responsible for the regulation, issuance and permissions for new construction projects, private and commercial development. When a person or an entity plans to construct a building, he has to go through certain verification processes; following is a list of requirements as mentioned by LDA:

i. Submit application along with copy of ownership certificate.
ii. Copy of CNIC.
iii. 4 original copies of building plan drawing along with A.B Form issued by an architect & copy of physical possession certificate.
iv. After issuance & submission of building plan fee challan, applicant has to submit application along with copy of paid challan & CNIC.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 2016-17 it was observed that management started construction work of Mix Use Development Commercial Complex Project Johar Town on Plot No.63A Block-25 trade phase-II M.A Johar Town without approval of building plan from Lahore Development Authority. After the completion of excavation work at required level Rs.93 million, contractor was instructed by the management to suspend the work on plot No.63A and start work on an-other Plot No.66 Johar Town phase-II Lahore which resulted in loss of Rs.93.00 million.

Audit is of the view that due to negligence of the management EOBI sustained loss of Rs.93.00 million.

The matter was reported to the management in May, 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit therefore, DAC directed to place the para before PAC.

Audit recommends investigating the matter with a view to fix responsibility on the person (s) at fault.

15.1.4.25 Irregular payment of legal fees at exorbitant rates - Rs.44.583 million

According to Ministry of Law, Justice and Human Rights letters dated Feb 24, 2009 and Jan 13, 2010, no legal advisor, advocate or consultant shall be appointed or engaged by the department, without prior approval of the Ministry. The Ministry further directed that no department, Government/Semi Government or Public Corporate body would pay to their council/legal advisor fee exceeding Rs. 100,000 including cumulative fee of similar or connected cases without prior intimation and approval of the Ministry.

During audit of Employees Old Age Benefits Institution for the year 2015-16, it was observed that EOBI engaged 18 advocates / counsel in different court cases during the period of Ex-Chairman Mr. Zafar Iqbal Gondal from January 2010 to April 2013 at exorbitant rates and without approval of the Ministry of Law, Justice and Human Rights. The consolidated fee paid to these 18 lawyers was Rs. 44.583 million (Annex-56).

It was also observed that there was no criterion for fixation of fees. Cases were assigned to the advocates without any criteria as per demand of lawyers at the exorbitant rates since there is wide difference between fees of different lawyers in similar nature cases. Even same lawyer was paid at different rate of fees in similar nature cases. Moreover, fees were paid 100% in advance whereas cases are pending in courts since many years.

The Prime Minister's Office vide their letter dated October 10, 2013 and October 25, 2013 directed the EOBI to furnish the detailed report in the matter. In

response, the EOBI informed Prime Minister's Office on October 28, 2013 that the payment of Rs. 44.583 million as legal fee was made to various lawyers / law chambers during the period of Ex-Chairman Mr. Zafar Iqbal Gondal without approval of the Ministry of Law & Justice as was required under the policy. All these irregular payments made to different lawyers / law firms are being referred to Ministry of Law for advice guidance to initiate appropriate action.

The matter was reported to the management in August 2016 and November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that the Honorable Supreme Court in a suo-moto action vide SMC No. 04/2016 directed the Federal Govt. that for the purpose a clear policy and/or law should be notified in this regard. Therefore, in view of the above directives, EOBI cannot be held accountable for any violation of such notification since the same is held ambiguous. The DAC directed the management to refer the case in the light of Honorable Supreme Court judgment to Law Division for formulation of clear policy / law regarding applicability of such notifications on the federally administered and financially controlled departments including EOBI.

Audit recommends implementation of DAC directives.

15.1.4.26 Irregular payment of variation order - Rs.17.609 million

As per Section-44 (b) of S.R.O. 438 (1)/77, dated 12th May 1977, the Employees' Old-Age Benefits Act, 1976 (XIV of 1976), Board of Trustees under Employees' Old-Age Benefits Rule 1977, have powers to approve extraordinary expenditure not included in the approved budget for submission to the Federal Government when it appears to the Board that such expenditure is justified.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 2016-17 it was observed that in April 2012 management issued two variation orders in respect of construction of Hotel

Serena Lahore Rs.2.7 million and Rs.14.909 million without approval of the BoT. This resulted into irregular payment of Rs.17.609 million.

Audit is of the view that management extended undue favor to contractors by making variation order payment without approval of BoD.

The matter was reported to the management in May, 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit. The DAC directed to place the para before PAC.

Audit recommends investigating the matter with view to fix responsibility on the person(s) at fault and ex-post facto approval may also be obtained from BoT.

15.1.4.27 Loss due to non-transferring of land in the name of EOBI - Rs. 110.650 million

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

During audit of Employees' Old-Age Benefits Institution (EOBI) for the year 2015-16, it was observed that EOBI purchased 1,048 Kanals Agricultural Land at Mauza Niaz Beg Multan Road, Lahore, through open auction from Punjab Cooperative Board Limited (PCBL) in the year 2006 at a cost of Rs. 1,026.202 million (including transition cost). Out of 1,048 Kanals, 935 Kanals land had been transferred to the EOBI and out of which only 810 Kanals and 11 Marlas was mutated in the name of the EOBI. 112 Kanals and 17 Marlas of Rs. 110.650 million were not transferred in the name of EOBI since its purchase.

The matter was also discussed in 242nd meeting of Investment Committee held on July 08, 2015, the Committee was informed by CEO,

Pakistan Real Estate Investment & Management Company (Pvt.) Ltd. (PRIMACO) regarding illegal encroachments on the said land and also informed that complicity between the encroachers and the ex-officials of PRIMACO cannot be ruled out. The Committee after deliberation recommended that M/s PRIMACO may initiate legal action for retrieval of the land from encroachers. Disciplinary and legal action may be initiated against those officials of PRIMACO / EOBI who are found complicit with encroachers.

Audit is of the view that despite the lapse of more than 10 years, the whole land purchased from PCBL could not transfer in the name of EOBI. The encroachment was result of poor monitoring of the property and collaboration between the encroachers and the ex-officials of PRIMACO.

The matter was reported to the management in September, 2016 and November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that land is not in one chunk. Out of 112 Kanals, 98 Kanals and 17 Marla has been cleared and demarcation with the assistance of Revenue Board has been made. The DAC directed the management to get the record of cleared land verified from audit within one week. DAC further directed to hold fresh fact finding inquiry by the Ministry and EOBI and submit its report to Ministry and audit. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.28 Wasteful expenditure on purchase of diesel generator - Rs.25.00 million

Rule-5 of the Public-Sector Companies (Corporate Governance) Rules, 2013 states that, the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board shall also formulate significant policies of the Public-Sector Company, which may include the Procurement of goods and services so as

to enhance transparency in procurement transactions, marketing of goods to be sold or services to be rendered by the Public-Sector Company.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 2016-17 it was observed that management paid an amount of Rs.25 million to the M/s Builder Associates Limited for purchase of diesel generators beforehand of the OEC project completion. The generators are on the site and idle for many years with expired guarantee/ warranty period.

Audit is of the view that payment for purchase of set of generators before completion of the work is total wasteful expenditure.

The matter was reported to the management in May, 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit therefore, DAC directed to place the para before PAC.

Audit recommends implementation of the DAC directives.

15.1.4.29 Loss due to unjustified revision rates - Rs. 22.991 million

As per Rule-6 (g), Powers and functions of the Board of Trustees of the Employees' Old-age benefits (Board of Trustees) Rules, 1977 that the order investment and disinvestment in real estate where the investment exceeds Fifty Lac Rupees.

During audit of PRIMACO, for the year 2016-17 it was observed that in September 2013 the Ex-CEO of the company approved variation of costly items pertaining to architectural finishes with already approved items vide variation order No.2 pertaining to OEC Tower without any justification and without the approval of BoD/BoT which resulted loss of Rs.22.991 million (Annex-57).

Audit is of the view that management extended undue favor to the contractors by making unjustified revision in façade without approval of BoT/BoD.

The matter was reported to the management in May, 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit therefore, DAC decided to place the para before PAC.

Audit recommends implementation of the DAC directives.

15.1.4.30 Unauthorized/Unjustified procurement of Crane - Rs.10.50 million

As per section-44 (b) of S.R.O. 438 (1)/77, dated 12th May 1977, the Employees' Old-Age Benefits Act, 1976 (XIV of 1976), Board of Trustees under Employees' Old-Age Benefits Rule 1977. The Board shall have powers to approve extraordinary expenditure not included in the approved budget for submission to the Federal Government when it appears to the Board that such expenditure is justified.

During audit of Pakistan Real Estate Investment & Management Company (PRIMACO), for the year 2016-17 it was observed that management released Rs.10.5 million for procurement of third tower crane for hotel project Lahore without approval of BoT and without justifying the expenditure. Thus the payment of Rs.10.50 million was held as unjustified.

Audit is of the view that procurement of crane without approval of BoT shows poor financial management and weak internal controls.

The matter was reported to the management in May 2018. DAC meeting was held on January 17 & 18, 2019. The management accepted the contention of audit. The DAC decided to place the para before PAC.

Audit recommends investigating the matter with view to fix responsibility on the person(s) at fault and post facto approval may also be obtained from BoD.

15.1.4.31 Loss due to expiry of the Bank guarantee - Rs. 4.935 million

As per Performance Bank Guarantee No. MD-1102700007 dated of March 5, 2010 and addendum date 26th April, 2011 an amounting to Rs. 4.935million made between the EOBI and M/s Cummins Sale & Services Pakistan Ltd. (Supplier) the guarantee shall remain valid and in full force and effect until EOBI shall have notified us in writing that the supplier has performed all its obligations and discharged all its liabilities under or relating to the Agreement, following with this guarantee shall be returned to us for cancellation.

During audit of Employees Old-Age Benefits Institution (EOBI) for the year 2017-18 it was observed that management invited bids in November 2009 for the supply, installation, commissioning and testing of 350 KVA/280 KW standby diesel generators for head office. In response three firms submitted their bids. M/s Cummins Sales & Services Pakistan Ltd. (Supplier) was declared successful being the lowest. Accordingly, a work order was issued on March 05, 2010 with start of execution of the work within 3 months. The company accepted the work order dated March 09, 2010 and submitted work schedule and bank guarantee of Allied Bank Ltd worth Rs. 4.355 million which was not entertained by the management. The company also requested to EOBI for 100% advance payment against bank guarantee. EOBI agreed and released full payment in advance Rs. 4.935 million on the basis of new bank guarantee of M/s Allied bank Ltd. Which was only valid for 3 months i.e. 27-01-2011 to 26-04-201. As the Generator was not received till the expiry of Bank Guarantee, the same was further extended from 26-04-2011 to 25-07-2011. But still he failed to supply the Diesel Generator and no any action was taken against supply as well as concerned officers/officials. Resultantly, the management was not in a position to encash the Bank guarantee. It was observed that the original bank guarantee without being encashed was still lying with the management till the time of audit.

Audit is of the view that undue favour was extended to the supplier as bank guarantee was required to be encash without any question and without any reference to the firm irrespective of any dispute; however, on default of the firm,

the management could not encash the bank guarantee due to its expiry which was loss to EOBI and gross negligence on the part of the management.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that said case has been referred to FIA for investigation and recovery of amount. The DAC directed the management to pursue the case with FIA and informed progress to audit and the Ministry. However no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.1.4.32 Insufficient balance to pay-off pension benefits in future

The prime objective of Employees' Old-Age Benefits Institution (EOBI) is to provide security and financial benefit in terms of pensions to Pakistani old age persons employed in industrial, commercial and other establishments.

Audit observed in view of following results of management practices that, the Employees' Old-Age Benefits Fund (EOB Fund) will not be able to discharge its obligations in future being insufficient for future pension liabilities.

i. The average rate of interest yielded by the assets whether invested or not, constituting the fund has declined from 10.95% to 8.44% from 2012-13 to 2017-18, respectively this decline obviously affected the growth of the fund.
ii. Lack of data accuracy, resulting unaccounted Contribution Receivable and Pension Payable, to foresee its liability and assets for management purpose.
iii. Inability of EOBI to ensure completeness of Registered Employers and Insured Persons, resulting short collection of contribution than it's actual.
iv. Significant rise in the level of inflation.
v. Accelerated increase in number of pensioners in coming years.

The Actuarial Valuation of EOBI Fund as at June 30, 2017, based on the main valuation basis, i.e. the moderate inflation assumption, the valuation indicates that the Fund would start depleting from the year 2021 and will exhaust in the year 2027. Based on the main valuation basis i.e. the current scenario, the valuation indicates that the fund would start depleting from the year 2021 and will become negative in the year 2029. Under high inflation assumption, the fund would start depleting from 2021 and would become negative in the year 2029. The fund would start depleting after 04 years from the valuation date which is very alarming.

The actuarial report also pointed out the following deficiencies on the part of the management for which position may be elucidated:

i. The current rate of Employer's contribution is 5%of wages and employee contribution as at 1%. The amount of contribution in respect of an IP is Rs.650/- per month from employer side and Rs.130/- from employee side. It is based on monthly wages of Rs.13,000 per month. However, on average, it's around Rs. 8,250/- per month and that makes contribution of Rs. 412/- from employer and Rs. 83/- from employee per month. whereas on the benefit side, an employee with 30 years of insurable service will get a pension of Rs. 5,250/- p.m. where as previously he was getting Rs. 3,600 p.m. Furthermore, the increase in minimum pension as of April 01, 2015 and increase in monthly pension by 7.8% resulted in a further strain on the fund.

ii. The last three years witnessed (a) moderate increase in the inflation rate and (b) a gradual decrease in the return on the long & short term investments. The average return earned by the fund over the last 05 years is around 9.39% p.a and out of that the last year return earned was 8.47%. The average inflation over the period of last 05 years was 4.0% per annum.

iii. It should be noted that the existing fund is insufficient itself by a substantial margin and therefore, the reserve fund for contingency allowance seems to be a secondary objective.
iv. Only cash flow projections were carried out after every three (03) years or so but no calculation of Fund's liability as at any date has been made.
v. Lack of accurate, comprehensive and verifiable date was a major issue faced for valuation purpose;
vi. Under the present structure of scheme, the contributions and investment income thereon are insufficient to pay the full benefit.

In view of the above results of management practices, the Fund will not be able to discharge its obligations in future being insufficient for future pension benefits. Furthermore, the Employers continue to deposit the contribution on old rate (i.e. Rs.480) instead of new rate (i.e. Rs.600, Rs.720 and Rs. 780) during the period from July 2013 to June 2016, whereas the management has been paying the minimum pension from Rs. 3,600 to Rs. 5,250 w.e.f April 01, 2015 to the pensioners.

The matter was reported to the management in November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that Actuaries reports are not providing correct position however, latest (2017) actuarial report has been presented to CCI and Supreme Court in the Suo moto cases. The DAC directed the management that operations of the organization should be managed in such a way that organization be able to meet its objectives.

Audit recommends implementation of the DAC directives.

15.1.4.33 Double Payment of Pension to Widows

As per clause-22(B) of Employees' Old-Age Benefits Institution (EOBI) Act-1976 "Benefits" sub-clause-(3) in the case of the death of an insured persons who had become entitled to Old-age pension or invalidity pension, before his

death, the surviving spouse shall, if the spouse had married the deceased person before he had attained the minimum age prescribed for old-age pension, receive a life pension equal to the pension of such person.

During audit of EOBI Sukkur RO for the years 2016-17 & 2017-18 it was observed that management paid double pension to the widows of pensioners instead of sharing equal portions of pensions between them against the same claim numbers in violation of above rule. The details of some instances are as under:

Sr. No.	Name of Pensioner	CNIC	Claim No.	Last Claim paid during the month of February, 2018
1.	Husna Khatoon	45402-0904088-8	EAW01007	5,250
	Mst. Maqsoodan	45402-0970781-6	EAX01007	5,250
2.	Husna Khatoon	45204-1481256-0	EAW01268	5,250
	Aamanat	45204-1481261-2	EAW01268	5,250
3.	Husna Khatoon	43104-0539796-8	EAW01556	5,250
	Asia Bibi	43504-0575870-8	EAW01556	5,250

Audit is of the view that the record of pension disbursement data was not reconciled with banks which indicates poor financial controls.

The matter was reported to the management in September, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that duplicate amount is being recovered by stopping the pension. The DAC directed the management to carry out the exercise in all the Regions to deduct such cases and share the results with audit and the Ministry besides, recovery of the amount.

Audit recommends implementation of the DAC directives.

15.1.4.34 Non-compliance of Prime Minister's directives regarding verification of degrees

Cabinet Secretariat, Establishment Division (Management Services Wing) through its D.O. No. 6(28)2011-DG-II, dated March 08, 2011 informed that the Prime Minister has been pleased to direct that measures should be taken to

authenticate degrees / certificates of all Federal Government employees of the respective Ministries / Divisions, their attached departments, subordinate offices and autonomous bodies under their administrative control. The verification process may be initiated by the respective Ministries / Divisions and Heads of autonomous / semi-autonomous organizations at their own, and it will be the responsibility of concerned Secretary and Head of the Department / Organization to have the degree/ certificates verified.

During audit of Employee Old Age Benefit Institution (EOBI) for the year 2015-16, the management was requested to furnish the detail of verification of degrees of EOBI Employees carried out by management in the light of directives of Prime Minister. The management informed in compliance with the directives issued by the Federal Government, in the first instance 345 numbers of degrees/certificates were forwarded to different universities/institutions for verification and received back only six verified degrees. Due to slow response, reminders were again sent to all universities/institutions and out of them only three responded with the request that they will not be able to verify such degrees until its fee is paid. The contention of the management was not acceptable as the Cabinet Secretariat, Establishment Division issued the directives of Prime Minister on March 08, 2011 but despite lapse of more than five year the management failed to comply with the directives of the Prime Minister.

The matter was reported to the management in October, 2016 and November, 2018. DAC meeting was held on January 17 & 18, 2019. The management informed that out of 418 degrees, 301 has been got verified. Degrees of 03 persons were found bogus and remaining 114 degrees are under process for sending the same to the concerned Universities / Institutions. The DAC directed the management to get the record verified from audit and pursue the remaining cases vigorously. However, no progress was reported till finalization of this report.

Audit recommends implementation of the DAC directives.

15.2 Overseas Employment Corporation (Pvt.) Limited

15.2.1 Introduction

Overseas Employment Corporation (Private) Limited was incorporated in July 1976 with 100% shares held by the Government of Pakistan. The registered office of the Corporation is situated at Zero Point Islamabad. The main business of the Corporation is to promote employment for Pakistanis in foreign countries through recruitment of manpower and to run business of travel agency.

15.2.2 Comments on audited accounts

15.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

15.2.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

15.2.2.3 Working results of the Corporation for the year 2016-17 as compared to previous years are as under:

(Rs in million)

	2016-17	% Inc/ (Dec)	2015-16	% Inc/ (Dec)	2014-15
Revenue income					
Service charges from :					
Selectees	33.41	(42.97)	58.58	38.62	42.26
CV on line	2.09	(65.05)	5.98	(75.16)	24.07
Korean Business					
Korean Language training fee	9.52	69.70	5.61	1.81	5.51
Marketing service and education charges	6.19	30.056	8.85	5.48	8.39
Examination fee Korea	0.72	18.03	0.61	(67.03)	1.85
Pre-registration Kore	44.03		-	-	-

Travel Agency Commission	0.49	(39.51)	0.81	(69.55)	2.66
Total revenue	**96.46**	**19.92**	**80.44**	**(5.06)**	**84.73**
Operating Cost	108.72	6.82	101.78	6.13	95.90
Operational (Loss)/Profit	(12.33)	(42.38)	(21.40)	91.05	(11.17)
Financial charges	0.07	16.67	0.06	(64.71)	0.17
Other income	15.02	(46.98)	28.33	123.60	12.67
Profit (loss) before taxation	**2.70**	(61.04)	**6.93**	**417.16**	**1.34**
Taxation	2.53	(20.94)	3.20	(26.77)	4.37
Net profit / (loss) for the year.	**0.16**	(95.71)	**3.73**	**-**	**(3.03)**

(Source: Annual Audited Accounts)

The revenue of the Corporation increased by 19.91 percent to Rs. 96.46 million in 2016-17 from Rs. 80.44 million in 2015-16. The increase in revenue was mainly because of conversion of payable of Rs. 44.034 million (refundable to unsuccessful applicants of Korea) as income of the Corporation on the recommendations of the committee. The rationale behind conversion of payable amount into income of the corporation may be justified.

15.2.2.4 The service charges from selectees and CV on line abnormally decreased by 45 % i.e Rs. 35.50 million in 2016-17 from Rs. 64.56 million in 2015-16. The revenue from Korean Language Training fee Marketing Services and Examination Fee has shown a nominal increase of 9.10 %. Efforts be made to increase the revenue to make the corporation a self-sustainable concern.

15.2.2.5 The operating cost increased to Rs. 108.72 million in 2016-17 (6.82 %) as against Rs. 101.79 million of 2015-16. The salaries and wages increase by 9.48% to Rs. 92.52 million in 2016-17 as against Rs. 84.51 million of the previous year. The utilities increased to Rs. 2.21 million during 2016-17 as against Rs. 1.45 million of the previous year registering an increase of 51.93%. Efforts need to be made to minimize the operating cost of the corporation.

15.2.2.6 Cash and bank balances stood at Rs. 69.31 million as on June 30, 2017 as against Rs. 20.05 million in 2015-16 registering an increase of 245.69 %. Included therein was an amount Rs. 23.55 million retained in saving accounts at a

nominal interest rate of 4.50% while another amount of Rs 45.75 million was kept in current accounts causing loss of interest to company. The management had not determined its working capital balance and investment of surplus funds in profitable schemes to earn more profit. The retention of heavy funds in saving account at lesser rate of interest and in non-interest bearing accounts need justification. Steps for early investment of surplus funds in profitable schemes by determining the working capital also needs to be taken to make the corporation a self-sustaining entity.

15.2.2.7 An amount of Rs 15.64 million was invested in long term investment in Defense Saving Certificates having face value of Rs. 9.25 million (2016 Rs. 23.07 million). The institutional investment in National Saving Schemes was discontinued since 2011 as per decision of the Economic Coordination Committee (ECC) of the cabinet. The un-authorized investment in National Saving Center needs clarification.

15.2.2.8 Trade and other payables include payable on account of "Ticketing Charges Rs 6.83 million "Services Charges" Rs 3.69 million and "Provident Fund" Rs 5.68 million. The said liability needs to be cleared at the earliest.

15.2.2.9 Other income includes interest income on bank deposits and investments, which was decreased to Rs. 0.29 million during the year 2016-17 as against Rs. 6.64 million in 2015-16 registering a decrease of 95.60 %. The abnormal decrease in income from deposits and investment needs justification.

15.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1989-90	05	03	02	503,505	60
1990-91	05	03	02	373,376	60
1991-92	09	06	03	333,335,336,	67
1992-93	07	05	02	234,235,	71
1996-97	10	08	02	208,209	80
1997-98	07	06	01	146	86
2000-01	05	04	01	147	80
2005-06	07	06	01	169.3	86
2006-07	07	03	04	140.1,140.3,140.4 ,140.5	43
2007-08	02	01	01	113	50
2010-11	05	01	04	15.2.1&15.2.2,15. 2.4.1,15.2.4.2	20
2013-14	07	05	02	12.2.2.3, 12.2.3	71
2016-17	04	0	04	(12.2.4.1,12.3.1& 12.3.2,12.3.2.1,12 .3.3)	-
Total	**80**	**51**	**29**		**64**

Overall compliance of PAC directives was not satisfactory especially for the year 2006-07, 2010-11 and 2016-17, which needs to be improved.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

15.3 Overseas Pakistanis Foundation

15.3.1 Introduction

Under the Companies Ordinance 1984, (now Companies Act 2017). The Foundation is administratively governed by Ministry of Overseas Pakistanis and Human Resource Development and its affairs are run through Board of Governors appointed by the Government of Pakistan. The Welfare Fund established under Rule-26 of the Emigration Rules, 1979, vests in and is controlled by the Foundation and the income and receipts related to the Fund are reflected in the books of the Foundation. The registered office of the Foundation is situated at Islamabad.

The main objectives, for which the Foundation was established, are:

i. To advance social welfare of the Pakistanis working overseas and their families and dependents in Pakistan, and to contribute towards their systematic rehabilitation on return.
ii. To establish, maintain or aid vocational training institutions for providing training in such trades as are in demand overseas.
iii. To establish housing societies, colonies, townships for overseas Pakistanis and their families in Pakistan and Azad Jammu & Kashmir.

15.3.2 Comments on audited accounts

15.3.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

15.3.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

15.3.2.3 The working results of the Company for the year 2016-17 as compared to previous years are given below:

(Rs in million)

Particulars	2016-17	% Inc/ (Dec)	2015-16	% Inc/ (Dec)	2014-15
Revenue					
Interest Income	298.29	(8.61)	326.41	(19.90)	407.49
Housing Division Income	108.28	102.54	53.46	27.44	41.95
Welfare Division Income	3.44	54.95	2.22	2.30	2.17
Education Division Income	784.00	11.06	705.87	3.74	680.40
Publicity & Marketing Cell Income	0.14	(17.64)	0.17	142.86	0.07
Training Division Income	0.10	400	0.02	(60.00)	0.05
Other Income	51.77	(34.50)	79.04	(4.49)	82.76
Total	**1,246.03**	**6.75**	**1,167.19**	**(3.93)**	**1,214.89**
Expenditure					
Housing Division	160.46	1.77	104.60	(7.72)	113.35
Welfare Division	695.99	66.99	416.77	93.96	214.87
Education Division	855.36	4.86	815.66	11.79	729.62
Publicity & Marketing Cell	7.67	11.64	6.87	(14.13)	8.00
Administrative	725.35	(6.19)	773.24	26.77	609.94
Provision of compensated absences	-	-	62.71	128.04	27.50
Provision of gratuity	-	-	247.86	77.78	139.42
Total	**2,444.83**	**15.47**	**2,117.14**	**26.34**	**1,675.78**
(Deficit)/Excess from operation	-	-	(949.95)	106.11	(460.89)
Other expenses	-	-	31.88	4,208.11	0.74
Deficit before taxation	1,198.80	22.09	981.83	112.69	461.63
Deficit for the year after taxation	1,211.27	23.32	981.83	112.69	461.63
Taxation	12.460	-	-	-	-
Total No. of employees at year-end.	-		1666	(7.65)	1804

(Source Annual Audited Accounts)

The above table revealed that working results of the Company were not satisfactory. Total income for the year 2016-17 was Rs 1,246.03 million against which the total expenditure incurred was Rs 2,444.83 resulting in net deficit of Rs 1,211.27 million. The interest on investment also shown a decrease of 8.62% during 2016-17 as compared to previous year. The management was therefore, required to explore more income generating activities, besides, exercising strict control over expenditure in order to make the Company a self-sustaining concern.

15.3.2.4 Income of OPF Education Division was Rs. 784.00 million during the year 2016-17. The income was recorded in the books on receipt basis whereas in the light of approved accounting standards as applicable in Pakistan it should be recorded at the time of provision of related services i.e. on accrual basis. The matter was highlighted in the Auditor's Report to the Members according to which, had the revenue been accounted for in accordance with the provisions of approved accounting standards as applicable in Pakistan, deficit for the year would have increased by an approximate amount of Rs. 32.58 million. Proper accounting of such income is therefore, stressed upon the management.

15.3.2.5 Creditors, accrued and other liabilities stood at Rs 786.08 million as on June 30, 2017 including an amount of Rs 14.27 million on account of withholding tax payable and Rs 16.48 million on account of Federal Excise Duty Payable. Reasons for non-deposit of taxes & duties and accumulation of the same need to be elaborated, besides, ensuring its early deposit into the Government treasury.

15.3.2.6 Capital work in progress stood at Rs 402.36 million as on June 30, 2016 included therein is an amount of Rs 90.50 million on account of five projects like OPS, Hango, Mirpur (AJK), Larkana, OPF Hospital, D.G. Khan and Women Hostel & University, Quetta. No further progress was made and projects remained at stagnant position for the last many years. Resultantly, fund to that extant remained blocked. Reasons for blockade of funds need to be elucidated, besides, ensuring early completion of such projects.

15.3.2.7 Expenditure on development of housing schemes stood at Rs. 5,295.26 million as June 30, 2017 (Rs. 5184.26 million in 2016) registering an increase of 2 percent. The progress of developmental work on housing schemes is very slow which needs to be accelerated to complete the projects without delay.

15.3.2.8 Mobilization advance of Rs 46.11 million was shown against different housing schemes as on June 30, 2017. Break up of advances with aging for which such provision was created may be furnished for audit examination.

Circumstances, under which these advances were neither adjusted nor recovered so far, also need to be elucidated.

15.3.2.9 Operating fixed assets stood at Rs 869.22 million as on June 30, 2017. The management has no alternate policy in place to carry out periodic physical verification of operating fixed assets. As such 100% physical verification of such assets was never carried out. In the absence of physical verification, the existence of such assets was open to doubt. Management is therefore, stressed upon to carry out 100% physical verification of operating assets at an early date.

15.3.2.10 Advances deposits and other receivables stood at Rs. 388.35 million as on June 30, 2017 as against Rs. 357.53 million (2016) registering an increase of 8 percent included is an amount of Rs. 221.21 million deducted on profit on bank accounts of the foundation. Shown as recoverable under SRO No. 819(1)/2012 dated July 04, 2012. Refund claims in this regard were not filed. Efforts need to be made for early recovery/finalization of the case.

15.3.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1987-88	20	19	01	402	95
1989-90	12	09	03	508,509,518	75
1990-91	05	04	01	384	80
1992-93	05	03	02	241,243	60
1994-95	07	04	03	243,244,246	57
1995-96	10	06	04	214,216,217,218	60
1996-97	12	10	02	221,224	83
1997-98	07	05	02	156,157	71
1999-00	03	01	02	179,180	33
2000-01	14	11	03	148,151,160	79
2001-02	02	0	02	165,166	-
2003-04	19	03	16	136.2,136.4,137.2,137.7,137.8, 137.10,138,140.1,140.2,140.3,137.3,137.4,135.5137.6,140,140.4	16
2004-05	03	01	02	90,92	33

2006-07	09	05	04	142.3,142.4,143,144	56
2007-08	04	01	03	113,114,115	25
2008-09	10	03	07	156.1,157,158,159,161,162,164	30
2009-10	08	04	04	168,170,172,174	50
2010-11	28	08	20	15.2.1&15.2.2,15.2.4.1,15.2.4.2,17.1.1&17.1.1.1,17.1.4.2,17.1.2.5 17.1.2.8,17.1.4.1,17.1.2.2,17.1.2.3,17.1.2.4,17.1.2.9,17.1.2.10,17.1.3,17.1.4.6,17.2.1&17.2.1,17.2.3	29
2013-14	07	03	04	12.1.3,12.1.4.1,12.1.4.2, 12.1.4.5,	43
2016-17	12	02	10	12.3.4.3,12.3.4.1,12.3.4.5,12.3.4.6,12.3.4.7,12.3.4.8,12.3.4.9, (12.2.1&12.2.2,12.2.2.1,12.2.3)	17
Total	**197**	**102**	**95**		52

Overall compliance of PAC directives was not satisfactory especially for the year 1999-00, 2001-02,2003-04, 2004-05, 2007-08, 2008-09, 2010-11, 2013-14 and 2016-17, which needs to be improved.

Note: Audit paras' portion for the entity has not been compiled, as audit of the entity was not undertaken during subject period.

Chapter-16
Ministry of Planning, Development and Reform

16.1 National Logistics Cell

16.1.1 Introduction

National Logistics Cell (NLC) was established by the Government of Pakistan vide Notification No. 120/19/78-MIN dated August 12, 1978 with main objective of providing uninterrupted logistic facilities in the country. NLC is also engaged in construction activities mainly in the infrastructure rehabilitation, and development sector, toll collection and other engineering related activities. It is an attached department of Planning and Development Division of Government of Pakistan.

The main objectives are as under:-

- Transportation of commodities from one location to other by all available means.
- Hiring/ maintenance of storage facilities.
- Carrying out construction of roads and other engineering projects.
- Building of truck bodies and chassis of various makes.
- Revenue generation through toll collection.

16.1.2 Comments on Audited Accounts

16.1.2.1 The working results of the NLC for the year 2017-18 as compared to the previous years are as follows:-

(Rs in million)

Description	2017-18	% Inc/ (Dec)	2016-17	% Inc/ (Dec)	2015-16
Revenue	34,582.561	6.07	32,604.686	23.15	26,477.15
Operating Costs	31,727.873	5.75	30,004.023	24.10	24,175.40
Gross Profit	**2,854.688**	**9.77**	**2,600.663**	**12.99**	**2,301.75**
Administrative expenses	1,522.498	61.42	943.170	15.90	813.79
Other operating income	1,206.570	(8.21)	1,314.561	(21.30)	1,670.40
Operating profit	**2,538.760**	**(14.58)**	**2,972.054**	**(5.90)**	**3,158.37**
Finance costs	28.942	116.55	13.365	32.59	10.08
Net profit	**2,509.818**	**(15.17)**	**2,958.686**	**(6.02)**	**3,148.29**

(Source: - Annual Audited Accounts)

During the year 2017-18 revenue of the Cell was increased by 6.07% to Rs 34,582.56 million (2016-17 – Rs 32,604.69 million), while, the operating cost increased by 5.75% to Rs 31,727.87 million in 2017-18 (2016-17: Rs 30,004.02 million). The administrative expenses were increased by 61.42% to Rs 1,522.50 million in 2017-18 (2016-17-Rs 943.17 million). The abnormal increase in said expenses was due to charging a provision for impairment of loan to subsidiary company NLC Developer (Pvt) Ltd amounting to Rs 583.00 million during the year (2016-17 – Rs Nil). The provision of such a huge amount needs explanation.

16.1.2.2 Finance cost was increased by 116.55% to Rs 28.94 million during the year 2017-18 (2016-17 Rs 13.37 million). The increase in finance cost was mainly due to payment of mark-up Rs 10.86 million on borrowings (2016-17 – Rs Nil). The said payment was made on short term borrowings of Rs 1,954.83 million availed during 2017-18 (2016-17 – Rs Nil). The balance sheet showed that the management had sufficient amount (more than Rs 5 billion) in cash and bank balances; on the other hand, the Cell borrowed funds from the banks, which needs clarification.

16.1.2.3 Investment property stood at Rs 3,751.60 million as on June 30, 2018 (2016-17 – Rs 3,793.91 million). This included investment property – free hold land of Rs 2.56 million as on June 30, 2018 (2016-17 – Rs 2.56 million). As per note 5.1 to the accounts, this includes freehold land, leased to Qasim International Container Terminal Pak. Ltd. The fair value of said land was Rs 5.00 million determined based on valuation carried out by the Engineering Pakistan International (Pvt) Ltd as at June 2007. Reasons due to which the free hold land was valued at Rs 2.56 million in annual accounts while, the fair value of said land was Rs 5.00 million needs clarification.

16.1.2.4 Investment property also included investment property lease hold land Rs 4,189.36 million as on June 30, 2018 (2016-17 – Rs 4,189.36 million). As per note 5.2, this represent payment made to CDA against purchase of plot of land measuring 16,000 sq yards located in Blue Area, Islamabad. The note was silent

with regard to the transfer of title of land in the name of NLC. In case the title has since been transferred, it was unclear why the management not classified property under the head of operating fixed assets; position needs clarification.

16.1.2.5 Capital work in progress increased by 16.38% to Rs 1,100.63 million as on June 30, 2018 (2016-17 – Rs 945.69 million). Early completion and capitalization of projects is stressed upon the management. Further, capital work in progress included advance against purchase of land of Rs 531.97 million as on June 30, 2018 (2016-17 – Rs 403.25 million), the transfer of title of land in the name of NLC was yet to be done. The non-transfer of title of land in the name of NLC despite payment needs clarification.

16.1.2.6 Long term loan to wholly owned company was decreased by 24.5% to Rs 1,958.841 million as on June 30, 2018 (2016-17 – Rs 2,595.31 million). The decreased was not due to recovery of loan from the company but due to making provision for impairment of Rs 583.00 million. The said treatment was due to the reasons that the management believes financial worth of the company adequately covers the carrying amount of NLC loan. Position needs investigation.

16.1.2.7 Long term advances and deposits increased by Rs 22.35% to Rs 5,347.76 million as on June 30, 2018 (2016-17 – Rs 4,370.74 million). The major portion in these advances was retention money of Rs. 5,334.38 i.e. 99.75% of the total advances & deposits. These deposits were against projects, project wise aging statements for retention money may be provided to audit.

16.1.2.8 An amount of Rs 12,256.71 million as on June 30, 2018 (2016-17 – Rs 12,189.81 million) was outstanding on account of trade debts. A provision against debts considered doubtful of Rs 1,305.44 million was also made as on June 30, 2018 (2016-17 – Rs 683.54 million). Age analysis of trade debts, reasons for making a provision of doubtful debts and efforts made for the recovery of doubtful debts may be provided to audit alongwith supporting documents.

16.1.2.9 Current assets included amount due from customer for construction projects of Rs 5,376.57 million as on June 30, 2018 (2016-17 – Rs 4,014.46 million) registering an increase of 33.93%. The figure was silent by means of note, aging analysis of receivables and reasons due to which the due amount could not be recovered may be elucidated.

16.1.2.10 Advances, deposits, prepayments and other receivable decreased by 13.97% to Rs 3,678.41 million as on June 30, 2018 (2016-17 – Rs 4,275.50 million) but still on higher side, early recovery/adjustment of said receivables is stressed upon the management.

16.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1988-89	11	10	01	541	91
1989-90	23	19	04	635,640,648,650	83
1990-91	05	03	02	491,494	60
1991-92	08	07	01	458	88
1993-94	14	09	05	234,235,238,240,243	64
1994-95	11	09	02	257,264	82
1995-96	06	05	01	232	83
1999-00	11	10	01	235	91
2001-02	03	02	01	213	67
2005-06	15	13	02	212,214	87
2006-07	03	02	01	178	67
2007-08	04	01	03	154.2,154.3,155	25
2008-09	08	0	08	201,202,203,204,205 ,206,207,208	-
2013-14	08	01	07	14.1.1&14.1.2.1, 14.1.4.1, 14.1.4.2, 14.1.4.3,14.1.3, 14.1.4.4	12.5
Total	**130**	**91**	**39**		**70**

Overall compliance of PAC directives was not satisfactory especially for the year 2007-08, 2008-09 and 2013-14, which needs to be improved.

16.1.4 Audit Paras

16.1.4.1 Non-recovery of penalty / forfeiture of security and risk and cost - Rs 434.48 million

According to clause 39 read with clause 60 and 61 of the agreement, in case the contractor could not complete the work in time, he would be liable for compensation ranging from 1 to 10%. In case the contractor abandoned the work he would be liable for forfeiture of securities and his work would be got done from any other contractor at the risk and cost of original contractor.

During the audit of PD (Central) NLC for the year 2017-18 it was observed that the Project Director (North), NLC was engaged to perform the work of "Dualization and Improvement of Sohawa-Chakwal Road" by Pakistan Public Works Department in 2015 at an agreement cost of Rs. 4,223.54 million. The management sublet the work among petty contractors by splitting, who could not complete the work and agreements were terminated without forfeiture of the security deposits/retention money of the defaulting contractors. Weak internal and financial control resulted in non-recovery of Rs. 31.27 million.

Furthermore, the management entered into an agreement with DHA (Phase-VIII) for its Infrastructure Development in Sector S, T, U, V, W & X at an agreement amount of Rs.3,690.17 million with the completion period of two years (w.e.f June 15, 2012 to June 14, 2014). M/s NLC further sublet the work to two contractors M/s Conex and M/s Acers Construction with the accumulative amount of these contracts up to Rs.3,822.59 million. The sub-contractors could not complete the work as per schedule and contracts were terminated in March 2014. The management also paid an amount of Rs.306.12 million as mobilization advance out of which it could recover only Rs.21.68 million leaving a balance of Rs.284.44 million. The management awarded the balance work to another sub-contractor without forfeiture of the security deposit of the defaulter contractors.

Audit was of the view that weak internal and financial control resulted in non-recovery of risk and cost from the defaulting contractors amounting to Rs.403.20 million.

The matter was reported to the management in July 2018 and to PAO on November 28, 2018. The management in its reply stated that it believed that penalty should be imposed on balance works due to delay in project execution only. In addition, client had already granted EOT without penalty, considering the ground realities. Therefore, penalty on sub-contractor was not justifiable at this stage. Reply was not convincing, as the management was required to introduce a mechanism for forfeiting the retention money of the defaulting contractors. The management in its reply relating to award of work to M/s Conex and M/s Acers Construction stated that the work was re-sublet on the same rates. Presently an amount of Rs.110.89 million was recoverable. Reply was not acceptable as the management admitted that an amount of Rs. 10.89 million was recoverable for which efforts were being made.

The DAC in its meeting held on January 24, 2019, directed the management for recovery from sub contractor on account of risk & cost.

Audit recommends compliance of the DAC directive.

16.1.4.2 Non-recovery on account of work done - Rs. 36.62 million

According to clause 52 of general conditions of agreement, “the final bill shall be submitted by the contractor within one month of the date fixed for completion of the works, otherwise the Engineer-in-charge’s certificate of the measurement and of the total amounts payable for the works accordingly, shall be final and binding on all parties”.

During the audit of NLC Rawalpindi for the year 2016-17, it was observed that construction works “Restoration of landslide at Jhika Gali, Murree” was assigned to the management by the Government of Punjab (Highway

Division Rawalpindi) through an agreement dated April 22, 2013. The project was completed and final bill amounting to Rs. 13.629 million was approved/ vetted by the consultant i.e. M/s NESPAK on June 22, 2016. Moreover, 2% retention money amounting to Rs 16.57 million and escalation claim amounting to Rs 6.42 million was also outstanding against the client despite lapse of considerable period of 2 years but the payment was not made by the client.

Audit was of the view that due to non-recovery of Rs. 36.62 million from the client NLC may sustain loss to that extent.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management for reconciliation of the amount and ensure recovery of the remaining amount at the earliest.

Audit recommends compliance of the DAC directive.

16.1.4.3 Loss due to non-recovery of storage charges from custom authorities - Rs 132.17 million

According to Para-26 of General Financial Rules, it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of NLC Dry Port, Lahore for the year 2016-17, it was observed that certain claim @ 40% share of handling of goods in custody against Storage Charges pertaining to 2003 to 2005 valuing Rs 153.72 million under Para 2 (d) of Rule 201 of Custom Act, 1969 was lodged with Collectorate (Appraisement) Mughalpura Dry Port, Lahore through CFS NLC Niaz Beg Lahore vide letter No.28970/Custom/CFS/NLC dated January 22, 2016. The Custom Authorities, however refunded an amount of 21.554 million to NLC Dry Port upto June 30, 2017 but a handsome amount of Rs. 132.17 was stood recoverable. The main reason of non-recovery was that claims were not lodged

in time with the custom authorities. Now due to non-availability of relevant record, they were not willing to refund rest of claims.

Audit was of the view that due to slackness on the part of Dry Port management, NLC sustained loss of Rs. 132.17 million on this account.

The matter was reported to the management in July, 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that due to typing error / mistake actual outstanding amount was Rs.42.6 million and an amount of Rs. 15.6 million has since been recovered. The DAC directed the management to produce relevant record to Audit for verification within one week and recover the remaining amount at the earliest. The requisite record was not produced for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.4 Loss due to non-recovery/ non-imposition of penalty - Us $ 0.548 million equivalent to Pak Rs 57.84 million

According to clause-14 (4) of maintenance agreement of scanners, "Beyond the normal downtime of one day which does not include the routine maintenance time i.e. half working day a month, additional five working days per year, for each additional day of down time, the penalty is US $ 500 per unit per day".

During the audit of NLC Dry Port, Lahore for the year 2016-17, it was observed that six scanners were purchased from M/s Beijing Hualixing Sci-Tech Development Co. Ltd against contract No. dated May 15, 2004. According to provisions of agreement, the seller was also responsible to provide the repair & maintenance services against payment of US $ 55000 per annum per unit for a period of 10 years including 2 years free service being warranty/ guarantee period whereas remaining 8 years on payment. Out of six scanners, maintenance period of one scanner installed during March 2005 at Port Qasim, Karachi, was further extended twice i.e from March 2015 to March 2017 and March, 2017 to March,

2019 @ US $ 38000 and US $ 27000 respectively. Following faults occurred in scanner installed at Port Qasim, Karachi during dates mentioned against each fault:

Sr. #	Occurrence date of fault	Nature of Fault
1.	Before July 2015	Panasonic Digital video Multi Placer WJ-FS38 was faulty.
2.	Since July3, 2017 till to date	The new Server id faulty and wasout of order.
3.	Since March 21, 2018 till to date	The New Check-IN Station was faulty and out of order.

The faults were immediately reported to the Chinese firm by NLC; however, same were not rectified by the Chinese firm till the close of audit. As per provisions of agreement, the management was required to impose and recover penalty from the Chinese firm i.e. US$ 547,500 (1095 days x US $ 500) of the period in which fault could not be removed by the Chinese firm, however penalty was not imposed/ recovered from the firm by extending undue favour to the firm.

Audit was of the view that due to extension of undue favour to the Chinese firm by non-imposition/ non-recovery of penalty of US $ 547,500 (since July 2015 to June 2018) NLC sustained loss of Rs. 57.84 million.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to produce relevant record that fault of scanners have been rectified. The record was not provided for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.5 Irregular appointment of Financial Advisor - Rs 3.99 million

According to Establishment Division OM No. 10/8/2014-R-II dated September 12, 2014,in case the appointments of Consultants are made through open competition against the pay package of BS-20 above, the said appointments would require approval of Prime Minister and in case such Consultants are

appointed in BS-19 & below it would require approval of the designated Appointing Authority i.e. from BS-17 to BS-19 Secretary of the administrative Ministry.

During the audit of NLC Rawalpindi for the year 2016-17, the following irregularities were observed:

i. Mr. Habib-ur-Rehman was appointed as Financial Advisor (Overseas Projects) at a fixed monthly salary of Rs. 300,000 plus mobile facility of Rs. 5,000 per month and office telephone of Rs. 3,000 per month for a period of one year through an agreement commencing from June 11, 2017 to June 10, 2018.
ii. As per agreement, the officer was entitled to draw the TA/DA equivalent to BPS-20.
iii. The officer was appointed without press advertisement, and prior approval from the Prime Minister.
iv. Moreover, an amount of Rs. 300,000 was paid to him as bonus with the pay of June 2017, which was his first pay after appointment in NLC.

Hence, he was not entitled for payment of bonus but the management was also failed to provide the complete record since appointment of officer concerned to date.

Audit was of the view that appointment of Financial Advisor without fulfilling the codal formalities, payment of Rs. 3.99 million to the officer concerned was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised the committee that codal formalities were adopted before appointment of Financial Advisor. The DAC directed the management to produce relevant record to Audit for verification within one week and para would be considered

settled subject to satisfactory verification. The record was not produced for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.6 Irregular retention of employee beyond the prescribed period - Rs 4.01 million

According to the General Head Quarter (GHQ) AG's Branch (W & R Directorate) Rawalpindi letter dated June 29, 2014, initial contract of re-employment of Brigs/ Cols will be granted for a period of 3 years and performance based extension of one year with the approval of COAS on the recommendation of respective MDs/ Head of Organization for extremely essential cases. Under no circumstances, extension beyond permissible limit be granted.

During the audit of NLC Dry Port, Lahore for the year 2016-17, the following irregularities were observed:

i. The management appointed Brig (Rtd) Nadeem Iqbal Raja as Director, Dry Ports on November 22, 2013 on contract basis for a period of 2 years on fixed monthly pay of Rs. 200,000 plus telephone facility i.e. mobile, office and residential phone alongwith dedicated vehicle Pardo with POL.
ii. After expiry of 3 years, NLC management extended the contract period of the officer concerned for one-year w.e.f December 01, 2016 to November 30, 2017 and his salary was also increased to Rs 278,430 alongwith telephone facility of Rs 3,500 (mobile), Rs 4,000 (office) and Rs 3,000 (residential).
iii. On expiry of the extended contract period of one year, the management retained the officer on work charge basis (in BPS-20) at monthly salary of Rs 330,933 w.e.f December 01, 2017 to February 27, 2018.
iv. However, the said officer was still working in NLC as Director, Dry Ports to date i.e. as on August 31, 2018. The retention of officer beyond four

years was clear violation of the instructions issued by the competent authority.

The payment of Rs 3.073 million w.e.f December 2017 to August 2018 and the increase in pay i.e. Rs 941,160 was held irregular.

Audit was of the view that retention of the officer beyond the permissible limit and payment of Rs 4.02 million was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised the committee that extension in service of Director Dry Ports was granted by the GHQ AG Branch. The DAC directed the management to produce relevant record to Audit for verification within one week. The requisite record was not produced for verification to Audit till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.7 Irregular/ overpayment on account of increase in pay of retired employees - Rs. 3.49 million

According to Ministry of Finance, increase in pay allowed by the Government of Pakistan at the time of annual budget would not be admissible to those retired armed force/ civilian officers/ staff who were re-employed in any autonomous body/ semi-autonomous body/ corporations/ authority etc because they were availing increase in their pension allowed by the Government of Pakistan in the annual budget.

During the audit of PD South, NLC Karachi for the year 2016-17, it was observed that the management allowed increase in pay of retired armed force personals' re-employed in NLC besides increase in their respective pensions. The increase in pay valuing Rs. 3.49 million was not admissible to these employees being dual benefit. Thus, payment of Rs. 3.485 million on account of increase in pay during 2015-16 to 2017-18 was held irregular.

Audit was of the view that the management was required to give only one benefit but double benefit was allowed to these employees which was held irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to get the matter regularized from NLB.

Audit recommends compliance of the DAC directive.

16.1.4.8 Irregular purchase of old tyres - Rs. 50.76 million

According to Clause 2.7 of the contract agreement, "the material and workmanship of the tyres provided under the contract must be as per the manufacturer standard and specification and free from any defects, which remain the responsibilities of Supplier. Purchaser reserves the right to access and accept or reject the store (not fulfilling quality standards). The Supplier will ensure that tyres and tubes were manufactured within 5 months at the time of delivery. Tyres and tubes of older stock than 5 months will not be accepted".

During the audit of NLC for the year 2016-17, it was observed that the management awarded contract dated November 09, 2016 for supply of 5300 tyres with tubes valuing Rs. 216.24 million @ Rs. 40,800 per tyre to M/s Mantsal Dynamic (Pvt) Ltd Lahore. As per inspection reports 1244 tyres supplied by the firm were manufactured more than five (5) months before supply. As per agreement, the firm was bound to deliver the newly manufactured tyres and failure to supply the same will render either to replace or hold the payment of supplier. However, no action was taken by the management and payment of Rs. 50.755 million (1244 x 40,800) was released which was held irregular.

Audit was of the view that due to non-adherence of contract agreement clauses, payment of was irregular and showed undue favour to the supplier at the cost of public exchequer.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to reconcile the figure of defective tyres, provide the justification of procurement of old tyres beyond the prescribed time limit and inquire the matter by analyzing the benefits on extending the running warranty of the tyres.

Audit recommends compliance of the DAC directive.

16.1.4.9 Irregular purchase of steel and cement - Rs 223.79 million

According to Rule-12 (2) of PPRs-2004,all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of NLC PD South, Karachi for the year 2016-17, it was observed that the management purchased steel and cement valuing Rs 172.52 million and Rs 51.26 million respectively from different suppliers against project named Port Qasim Authority Pkg-IV. The procurement of steel and cement worth Rs 223.79 million was made by obtaining three quotations from suppliers without calling the competitive rates through press. Thus, violation of PPRs was made by the management of NLC PD, South Karachi.

Audit was of the view that the purchase of steel and cement worth Rs. 223.79 million without calling competitive rates in violation of PPRs was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, the management apprised the committee that NLC executed different contracts with Federal and Provincial Governments and sublet it to different contractors for their timely completion. Therefore, it is not possible for NLC to implement PPRA in purchase of different material for said contracts. The DAC directed the

management to submit a comprehensive case and seek exemption of PPRA rules from appropriate forum i.e. PPRA through M/O PD&R.

Audit recommends compliance of the DAC directive.

16.1.4.10 Irregular award of work to un-authorized contractor - Rs. 38.52 million

According to Pakistan Engineering Council license No. 63969 issued to M/s Mubashir Associates & Builders on October 22, 2015, which was valid up to December 31, 2015, the contractor was entitled to award the civil works up to Rs. 20.00 million.

During the audit of NLC PD South, Karachi for the year 2016-17, it was observed that the management awarded contract dated May 13, 2016 valuing Rs. 38.52 million to M/s Mubashir Associates & Builders for construction and renovation of Canteen Stores Department (CSD), Karachi who was authorized to get the contract/ work upto the value of Rs. 20.00 million as per license issued by Pakistan Engineering Council (PEC). This resulted into irregular award of contract to un-authorized contractor.

Audit was of the view that award of contract worth Rs. 38.52 million to un-authorized contractor was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, audit apprised that contract was awarded in violation of PEC rules. The DAC directed the management to obtain the exemption/ relaxation from the competent authority within one week and para would be considered settled subject to satisfactory verification. Exemption/ relaxation by competent authority was not produced till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.11 Irregular award of development contracts - Rs 952.00 million

According to Rule-12 (2) of PPRs-2004,all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of NLC PD South, Karachi for the year 2016-17, it was observed that Port Qasim Authority (PQA) awarded project of "Development of Infrastructure facilities in Eastern Industrial Zone" to NLC against contract Pkg-IV dated April 25, 2009 at a value of Rs 4,260.61 million. The management sublet the works valuing Rs 1,191.05 million on different sections of this project to three contractors enlisted with NLC during 2009 and 2010. The value of works/ contracts was later revised to Rs 952.00 million and amendment in respective contracts was issued accordingly. The management awarded these contracts to three contractors without calling competitive rates through press. Moreover, the contractors were selected from the list of contractors registered with NLC during 2009 and 2010. Thus, violation of PPRs was made by the management.

Audit was of the view that award of three development contracts worth Rs. 952.00 million without calling competitive rates in violation of PPRs was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to produce relevant record regarding pre-qualification process of the selected contractors for verification within one week to audit. The relevant record was not provided by the management till the finalization of this report.

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Audit recommends compliance of the DAC directive.

16.1.4.12 Irregular award of work beyond the financial powers - Rs. 21.48 million

According to Serial No.1 power to sanction contracts, chapter (a) Acceptance of tenders by call (i) Power to sanction contracts/MOU for hiring of (b) Labour and petty contracts, Project Director was competent to award of labour contract up to Rs.10.00 million only.

During the audit of PD (Central) NLC for the year 2017-18 it was observed that project regarding "Construction of Flyover on GT Road at Aziz Cross Gujranwala" was awarded by the Executive Engineer, Road Construction Division, Gujranwala Communication and Works Department, Government of the Punjab vide Work Order dated January 30, 2016 at an agreed amount of Rs.3,100 million. The management completed the project on self-execution basis and awarded labour contract for "Fabrication of steel Reinforcement pile cage except cost of steel" on August 15, 2016 to M/s Amanullah at an agreed amount of Rs.21.48 million which was beyond the competency of the Project Director. Weak internal and financial controls resulted in irregular award of contract valuing Rs. 21.48 million.

The matter was reported to the management in July 2018 and to PAO on November 28, 2018. The management in its reply admitted the facts and stated that ex-post facto sanction was being processed to regularize the issue which will be intimated as and when approved.

The DAC in its meeting held on January 24, 2019, directed the management to provide ex post facto approval with justification from the Competent Authority. Further NLC issue instructions to all Project Directors not to go beyond financial powers.

Audit recommends compliance of the DAC directive.

16.1.4.13 Irregular award of construction contracts - Rs 108.88 million

According to Rule-12 (2) of PPRs-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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". Moreover, according to Pakistan Engineering Council license No. 55331 Category C6 issued to M/s Bismillah Engineers & Construction on May 08, 2015, which was valid up to December 31, 2015, the contractor was entitled to award the civil works up to Rs. 20.00 million.

During the audit of NLC PD South, Karachi for the year 2016-17, it was observed that the management awarded four contracts worth Rs 108.88 million to M/s Bismillah Engineers & Construction. The value of contracts was later on, revised to Rs 80.10 million and amendment in respective contracts was issued accordingly. The management awarded these contracts without calling competitive rates through press as required under PPRA, thus violation of rules was made by the management. Furthermore, these contracts were awarded to the contractors who were authorized to get the contract/ work upto the value of Rs. 20.00 million only as per their license issued by PEC. Thus, the work was awarded to the non-entitled contractor.

Audit was of the view that award of contracts worth Rs. 108.88 million without calling competitive rates in violation of PPRs and PEC registration requirements to the un-authorized contractors were irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019 directed the management to verify the pre-qualification process of the selected contractors to audit. No record was produced till the finalization of this report.

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Audit recommends compliance of the DAC directive.

16.1.4.14 Purchase of construction material in violation of rules - Rs. 53.17 million

According to Rule-12 (2) of PPRs-2004,all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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.

During the audit of PD South NLC, Karachi for the year 2016-17, it was observed that the management purchased construction material i.e. aggregate, sub base, crush, sand, B material valuing Rs 53.17 million from M/s Al Naafe Corporation against a project Port Qasim Authority Pkg-IV by constituting a Purchase Committee. The procurement of construction material was made by obtaining three quotations from suppliers without calling competitive rates through press. Thus, violation of PPRs was made by the management of NLC PD, South Karachi.

Audit was of the view that the purchase of construction material worth Rs 53.17 million without calling competitive rates in violation of PP Rules was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that NLC executed different contracts with Federal and Provincial Governments of Pakistan and sublet it to different contractors for their timely completion. Therefore, it is not possible for NLC to implement PPRs in purchase of different materials for said contracts. The DAC directed the management to submit a comprehensive case and seek exemption of PP Rules from appropriate forum i.e. PPRA through M/O PD&R.

Audit recommends compliance of the DAC directive.

16.1.4.15 Appointment of Project Director by violating rules & procedure - Rs 39.84 million

According to the General Head Quarter (GHQ) AG's Branch (W & R Dte) Rawalpindi letter No. 7775/948/Gen/WR-5 dated June 29, 2014, the initial contract of re-employment of Brigs/ Cols would be granted for a period of 3 years and performance based extension of one year with the approval of COAS on the recommendation of respective MDs/ Head of organization for extremely essential cases. Under no circumstances, extension beyond permissible limit be granted.

During the audit of NLC Dry Port, Lahore for the year 2016-17, the following irregularities were observed:

i. The management appointed Brig.(R) Shahid Majid as Project Director, Punjab in BPS-20 on contract basis for a period of 2 years vide appointment letter dated December 02, 2008 at monthly salary of Rs 275,000 plus telephone facility of Rs. 15,000 and dedicated vehicle Prado with 300 liters POL.
ii. The contract was extended up to December 02, 2011 after which he was appointed on work charge basis w.e.f. December 03, 2011 at monthly salary of Rs 400,000 plus other facilities he was already enjoying.
iii. The salary of concerned officer was increased to Rs 440,000 w.e.f January 26, 2013. The services of the officer were extended up to May 31, 2014.
iv. Meanwhile, he was again appointed on contract basis vide letter dated May 27, 2014 for a period of two years w.e.f June 01, 2014 to May 31, 2016 on fixed salary of Rs. 450,000 plus facilities already available to the officer.
v. The salary of the officer was again enhanced to Rs. 495,225 just after expiry of one year and again increased to Rs 643,894 w.e.f July 26, 2017 to June 30, 2018.

As per rules & procedures, the officer concerned was entitled to remain in NLC service for a maximum period of 3 years and one-year extension in contract period was allowed with the approval of COAS. However, the management did not obtain approval of COAS for one-year extension in contract period of the officer after expiry of three years period. Hence, the appointment of officer after 3 years w.e.f December 03, 2011 to June 30, 2018 was made in violation of rules & procedure.

Audit was of the view that appointment of officer in violation of standing rules / procedure and payment of pay & allowances and bonus worth Rs 39.84 million during December 03, 2011 to June 30, 2018 was irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised the committee that extension in service of Project Director was granted by the GHQ AG Branch. The DAC directed the management to produce and get the extension record verified by Audit. The record was not provided for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.16 Loss due to imposition of penalty by the client - Rs 4.26 million

According to Clause -8 of the agreement, the completion period of work was five (5) months from April 1, 2016 to August 31, 2016. Failing to meet the given time line, penalty @ 1 % per day on the total cost would be levied.

During the audit of PD South, NLC Karachi for the year 2016-17, it was observed that Canteen Stores Department (CSD) awarded contract worth Rs 110.460 million to the management for re-construction/ renovation of CSD, Karachi through an agreement dated April 1, 2016. The completion period of the work was five (5) months i.e. from April 1, 2016 to August 31, 2016. The NLC management completed the work in October 2016 and defects liability period was

also expired on November 2017. Final bill amounting to Rs. 5.759 million was submitted to the client during November 2017. The client imposed penalty on the management for delayed completion of the work and deducted an amount of Rs 4.26 million from the final bill and paid remaining amount of the final bill i.e. Rs. 1.5 million on May 29, 2018.

Audit was of the view that due to non-completion of work within the prescribed time, the management sustained loss of Rs 4.26 million on account of penalty imposed by the client.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to submit the revise reply and get the recovery record verified from Audit within a week. Revised reply was not submitted by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.17 Loss due to waiving of risk & cost amount - Rs. 4.23 million

According to Clause C (f) of Agreement No. NIIA/92/2017, "Whenever the Accepting Officer exercises his authority to cancel the agreement under this condition; he may complete the works by any means at sub contractor's risk and expense".

During the audit of NLC Rawalpindi for the year 2016-17, it was observed that work for construction of Main Road from Zero Point to M 1 / M 2 to New Islamabad International Airport 5.1 KM Asphalt work from RD 11+ 700 + 206 (3.494 KM) valuing Rs. 250.944 million was awarded to M/s KK Engineering vide contract dated November 21, 2017 with completion period of four (4) months. The management cancelled the work on January 30, 2018 due to poor performance on the risk & cost of the contractor. After cancellation of contract, joint measurement was carried out and it transpired that the contractor

could manage to complete work of Rs 151.94 million out of total contracted work of Rs. 250.94 million. The leftover work was completed over & above the contracted amount by Rs 4.23 million. Audit further observed from record that risk & cost condition was waived of /relaxed by the DG, NLC without any provision in contract.

Audit was of the view that undue favour was extended to the defaulting contractor at the cost of public exchequer due to which NLC sustained loss of Rs. 4.23 million.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The management apprised the DAC in its meeting held on January 15, 2019, that under NLC rules, risk & cost was not initiated. The DAC directed the management to produce relevant record to Audit for verification within one week. The record was not produced for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.18 Wasteful expenditure of Us $ 150,000 equivalent to Pak Rs 15.85 million

According to GFR-10(i), "Every public officer was 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 expenditure of his own money".

During the audit of NLC Dry Port, Lahore for the year 2016-17, it was observed that scanner valuing US $ 900,000 installed at Chamman Border was purchased from M/s Beijing Hualixing Sci-Tech Development Co. Ltd against contract dated May 15, 2004. As per provisions of contract agreement, the Chinese firm was responsible to provide maintenance services for a period 10 years i.e. 2 years free of cost being warranty/ guarantee period while remaining 8 years i.e. up to October 26, 2023 on payment US $ 55000 per annum. Since

installation of scanner i.e. from October 26, 2013 seven complaints were reported by the concerned staff, out of which three complaints were entertained by the Chinese engineers within warranty/ guarantee (free of cost) period whereas remaining faults were removed/ rectified by the NLC staff itself. This resulted into wasteful expenditure of Rs. 15.85 million on maintenance cost of the scanner.

Audit was of the view that maintenance services cost of US $ 150,000 equivalent to Pak Rs. 15.85 million @ Rs. 105.15 since October 2015 to October, 2018 paid to the Chinese firm is tantamount to wasteful expenditure.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that the spare parts were being replaced by the firm. The DAC directed the management to produce relevant record to Audit for verification within one week. The record was not submitted for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.19 Loss due to non-replacement of defective tyres - Rs. 5.55 million

According to clause 2.8 of agreement, "the warrantee of the tyres will be 160,000 kms. Moreover the supplier shall ensure free of cost replacement of defective tyres, tubes and flap rust within 15 working days vide clause-16".

During the audit of NLC for the year 2016-17, it was observed that a quantity of 5300 tyres with tubes valuing Rs. 216.24 million @ Rs. 40,800 per tyre was purchased through M/s Mantsal Dynamic Lahore vide contract dated November 09, 2016. A quantity 143 tyres supplied by the firm was found defectives as these covered hardly 51,000 kms against the warrantee of 165,000 km. The firm replaced 7 tyres while 136 tyres were not replaced which was against the provisions of contract agreement.

Audit was of the view that due to non-replacement of defective/ rejected tyres valuing Rs. 5.55 million, NLC sustained loss to that extent.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that replacement of the defectives tyres has been done. The DAC directed the management to produce relevant record regarding replacement of tyres to audit for verification within one week and para would be considered settled subject to satisfactory verification. No record was produced for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.20 Non-deposit of Income Tax into Government Treasury - Rs 4.16 million

According to the provision of Section 43 (b) of Income Tax Ordinance 2001, withholding agents are required to deposit the withheld income tax with tax authorities within stipulated period i.e. within 7 days of tax deduction.

During the audit of NLC PD, South Karachi for the year 2016-17, it was observed that NLC (PD-South), Karachi deducted an amount of Rs 4.16 million, as withholding tax from different contractors during the year 2010 to 2013 but same was not deposited in government treasury till date. Non-deposit of tax deducted at source valuing Rs 4.16 million in violation of Income Tax Ordinance resulted in increased risk of possible mis-appropriation of government funds.

Audit was of the view that failure of the management to deposit withheld amount of Rs 4.16 million from contractors resulted in loss to the government.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to produce revised Accounts/tax liability record to Audit for verification within one week and para would be considered settled subject to

satisfactory verification. The record was not provided by the management for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.21 Loss due to procurement of batteries at higher rates - Rs 1.12 million

According to Rule-38 of PPRs-2004, the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

During the audit of NLC, Rawalpindi for the year 2016-17, it was observed that tender notice for procurement of 2765 batteries was published in the newspapers i.e. the daily Nawa-e-Waqt and the Nation Islamabad on July 26, 2015. Two firms i.e. M/s Accumulators (Pvt) Ltd (Volta/ Osaka) and M/s Exide Pakistan participated in the bid and offered the warranty/ guarantee of 12 months from the date of manufacture or from initial charging & fitness whichever comes earlier. M/s Pakistan Accumulators (Pvt) Ltd quoted the rates of Rs 23.42 million whereas M/s Exide Pakistan quoted the price of Rs 24.55 million. Despite the fact, that rates of M/s Pakistan Accumulators (Pvt) Ltd were the lowest, contract dated October 21, 2015 valuing Rs. 24.55 million was awarded to M/s Exide Pakistan for a period of one year which was further extended upto December 15, 2017 hence rates of first lowest bidders were ignored. The award of contract to 2nd lowest bidder by ignoring first lowest offer was made in violation of PPRs, hence held irregular.

Audit was of the view that due to award of contract at higher rates by ignoring first lowest offer without any cogent reason in violation of PPRs, NLC sustained loss of Rs 1.12 million.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019, directed the management to produce relevant record i.e. technical speciation in bidding

documents to Audit for verification within one week and para would be considered settled subject to satisfactory verification. The relevant record was not provided to audit for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.22 Non-deposit of EOBI contribution by the contractors - Rs 12.82 million

According to EOBI letter No. EOBI/PR/RO/2016/770 dated March 24, 2016, pursuant to the revised rates of wages, the rate of minimum wages for the purpose of contributions payable under Section 9 & 9B of EOB Act, 1976 was also updated and was payable by the contractors at the prescribed rates.

During the audit of NLC Dry Port, Lahore for the year 2016-17, it was observed that the management signed agreements dated July 16, 2015 and July 16, 2016 with M/s M. Sarwar & Co., for the provision of 100 labourers at NLC Dry Port Lahore for the years2015-16 to 2016-17. Similarly, another agreement dated November 02, 2011 was signed with M/s Arif & Co, for provision of 400 labourers at NLC Wagha Border Terminal, Lahore for the period April 1, 2011 to December31, 2011. The agreement was extended on yearly basis up to 2016-17 on the same terms and conditions. The contractors neither provided list of laborers to the Project Manager nor got them registered with the EOBI. Hence, the contractors did not deposit the employers' as well as employee's contribution with the EOBI. The management did not pursue the deposit of EOBI contribution of Rs 12.82 million with the contractor, in violation of agreements as well as EOBI's instructions.

Audit was of the view that the non-deposit of EOBI contribution by the contractors lead to loss of Rs 12.82 million.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. The DAC in its meeting held on January 15, 2019 directed the management to ensure that EOBI contribution was paid by the concerned parties

and produce record for verification. The requisite record was not submitted by the management for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.23 Un-warranted/ mis-procurement of helicopter - Euro 2.350 million equivalent to Pak Rs. 264.50 million

According to Rule-12 (2) of PPRs-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers 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". Moreover as per Rule-7 of Civil Aviation Rules 1994, "an Aircraft other than a military aircraft shall not fly in Pakistan unless it has been included in the Pakistan Aircraft Register or has been registered in a contracting State.

During the audit of NLC Rawalpindi for the year 2016-17, it was observed that the management purchased helicopter model H-125 valuing Euro 2.35 million equivalent to Pak Rs 264.50 million directly from M/s Airbus Helicopters Aero port International France through their local agent M/s Asean International Islamabad against contract dated April 30, 2016. The helicopter was received in NLC vide receipt voucher dated May 24, 2017. In this transaction, following discrepancies were observed;

i. As the helicopter was purchased directly from M/s Airbus Helicopters Aero port International France through their local agent M/s Asean International Islamabad, hence violation of rule 12 (2) of PPRs 2004 was made.
ii. The procurement of helicopter was made without consulting FWO and Army, hence NLB's instructions regarding purchase of helicopter of specification compatible with helicopter being used by FWO and Army, were ignored.

iii. Huge investment was made on helicopter without essential, regular and future requirement as its necessary usage on as and when required basis could availed by obtaining on rent from Pak Army or Civil Aviation. In this way, precious funds could have been saved by transferring amount of rent from one pocket of exchequer to the other.

iv. Certain information regarding purchase, usage and maintenance of helicopter and staff appointed for the purpose, was requested from the management vide requisition No.14 dated August 15, 2018 but the same was not provided till close of audit.

Audit was of the view that helicopter was purchased without fulfilling the codal formalities and without any essential requirement in present or near future, hence expenditure of Euro 2.35 million equivalent to Pak Rs 264.50 million was lavish expenditure.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that all the codal formalities were adopted before procurement. Audit informed the committee that procurement was made in violation of PPRs and without any exemption from the competent authority. The DAC directed the management to submit a comprehensive case and seek exemption of PPRA rules from appropriate forum i.e. PPRA through M/O PD&R.

Audit recommends compliance of the DAC directive.

16.1.4.24 Loss due to non-encashment of insurance guarantees against mobilization advances - Rs. 124.44 million

According to Para 7 of SOP 1/2010 /NLC Engineers, no mobilization advance to sub-contractors will be paid without prior approval of DG, NLC beside it will be paid against irrevocable bank guarantees, therefore no such clause in contract agreement be kept.

During the audit of NLC PD, North Rawalpindi for the year 2016-17, it was observed that DHA, Lahore awarded infrastructure development works valuing Rs 6467.39 million (Package-I, II and III) to NLC vide DHA letter dated July 30, 2012, May dated 04, 2012 and dated April 09, 2012. The completion period in Pkg-I, was March 17, 2014, Pkg-II June 18, 2014 and Pkg-III June 14, 2014. The management sublet the work to two contractors namely M/s Conex Pakistan and M/s Acers Construction through 12 different contracts valuing Rs 3,822.59 million with completion period January 2014 to April 2014. Mobilization advance of Rs. 306.117 million was also paid to the sub-contractors against the insurance guarantees on the special approval of the DG, NLC.

The performance of the sub-contractor was very poor from the very beginning, which was not improved despite repeated reminders. Lastly, in the light of Board of Officers Proceeding, 04 contracts were terminated on July 12, 2013 and remaining 08 contracts were also terminated on March 07, 2014. The management does not bothered to encash insurance guarantees lying with them at the time of termination of contracts and waited for expiry dates i.e. September 2013 and June 2014.

According to the third party validation report carried out by M/s JERS Engineering Consultants (JEC) during October, 2014, an amount of Rs 133.41 million was adjusted against work done, Rs 26.59 million was adjusted against temporary camp office constructed and an amount of Rs 124.44 million was still outstanding against the contractors. Considerable time of four years was lapsed but no action like arbitration or legal, initiated by the management due to which chances of recovery of the outstanding amount were quite remote.

Audit was of the view that due to slackness of management by non-encashment of insurance guarantee and non-initiation of arbitration / legal action against the contractor NLC sustained loss of Rs 124.44 million.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management

apprised that the matter is under arbitration. The DAC directed the management to conduct facts finding inquiry on the grounds under which insurance guarantee was not encashed and share the report with Audit and the Ministry.

Audit recommends compliance of the DAC directive.

16.1.4.25 Unverified payment - Rs. 86.50 million

According to Para-14 (a),(b),(c) and (2) of the Auditor General of Pakistan (Functions, Powers and Terms & Conditions of Services) Ordinance , 2001 promulgated by the President of Pakistan, the Auditor General has the authority to inspect any office of accounts, require the record of any office for inspection to such place as he may direct, enquire or make such observations as he consider necessary and to call for such information as he may require for the purpose of audit. The officer in charge of any office or department shall afford all facilities and provide record for audit and inspection.

During the audit of NLC Rawalpindi for the year 2016-17, it was observed that the management made payment of Rs. 47.000 million on December 14, 2016 and Rs. 39.50 million on June 08, 2017 to MO Directorate GHQ, Rawalpindi. In order to examine the record whether the payment was made in line with relevant rules and regulations, requisition # 14 dated August 15, 2018 was issued to the management for provision of complete relevant record. The NLC management however, failed to provide the record till close of audit.

Audit was of the view that due to non-provision of requisite record, audit could not ascertain the authenticity of payment of Rs. 86.50 million.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, Audit apprised that management was failed to submit the reply to date. The DAC directed the management to produce complete record to Audit alongwith comprehensive reply for verification within one week. The relevant reply along

with complete record was not produced for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.26 Loss due to ill-planned establishment of Sea Freight Services - Rs 7.69 million

According to GFR-10(i), every public 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 expenditure of his own money.

During the audit of NLC Rawalpindi for the year 2016-17, it was observed that the management appointed thirteen (13) employees to carry out the operational activities of the SBU namely NLC Sea Freight Container Terminal during March, 2017 to extend its business through sea freight. The SBU carried out its business from March 2017 to April 2018 during which only one business activity was carried out and revenue of Rs. 484,850 was earned by incurring Rs 7.69 million on pay and allowances and operational activities. The management could not run the business of SBU successfully and ultimately SBU was closed w.e.f 30 April, 2018 vide HQ NLC letter dated 17 April, 2018 and its accounts record including historical data was handed over to HQ Freight Services, Karachi.

Audit was of view that the failure of the SBU was due to improper planning and non-preparation of feasibility study due to which expenditure incurred on the SBU/project was wasteful.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that the subject project has been suspended. DAC directed the management to produce relevant details of the project as well as the hiring process of the employees and their current placement to Audit for verification

within one week. The relevant record was not provided by the management for verification till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.1.4.27 Award of additional work - Rs 70.74 million

According to Rule-42 (C) (iv) of PPRs-2004, Repeat orders exceeding fifteen percent of the original value of contract shall not be awarded.

During the audit of NLC for the year 2016-17, it was observed that the management awarded contract dated May 4, 2012 to M/s Said Ghani & Co valuing Rs. 237.106 million for "Restoration of land slide at Jhika Gali, Murree". MOU was also signed with the above contractor w.e.f May 17, 2012. After award of contract, the contract value was increased to Rs. 307.85 million vide amendment dated May 27, 2015. As per rules, additional work valuing Rs. 35.56 million @ 15% of the actual value of contract was admissible whereas for the award of 30% additional works valuing Rs. 70.74 million, the management was required to invite fresh tender, which was not done.

Audit was of the view that award of additional work valued at Rs. 70.74 million was against the provisions of PPRs, hence held irregular.

The matter was reported to the management in July 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that NLC executed different contracts with Federal and Provincial Governments and sublet it to different contractors for their timely completion. Therefore, it is not possible for NLC to implement PPRA in purchase of different material for said contracts. The DAC directed the management to submit a comprehensive case and seek exemption of PPRA rules from appropriate forum i.e. PPRA through M/O PD&R.

Audit recommends compliance of the DAC directive.

16.1.4.28 Loss due to non-obtaining of performance guarantee - Rs. 35.85 million

According to Rule-39 of PPRs-2004, where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee, which shall not exceed ten percent of the contract amount.

During the audit of NLC for the year 2016-17, it was observed that the NLC (PD-North) awarded different works valuing Rs 358.537 million through five contracts to different contractors under project titled DHA-Ph-IV Islamabad without obtaining performance guarantee. The contractors could not complete the works within the allotted time and defaulted. The management accordingly, cancelled the respective contracts. Non-obtaining of performance bond in violation of PPRs showed that the management did not secure itself or bound the contractors for satisfactory completion of the contracts.

Audit was of the view that due to non-obtaining of performance bond from five contractors, NLC sustained loss of Rs. 35.85 million on account of non-forfeiture of performance bond of defaulting contractors.

The matter was reported to the management in July, 2018 and to PAO on October 18, 2018. During DAC meeting held on January 15, 2019, management apprised that as per NLC SOPs performance guarantee was not required. The DAC directed the management to produce relevant record to Audit for verification within one week and para would be considered settled subject to satisfactory verification.

Audit recommends compliance of the DAC directive.

16.1.4.29 Loss due to escalation in price - Rs. 49.90 million

According to Clause 55(6) of agreement, price variation shall be calculated based on the quantities of item actually consumed on the work during the month.

During the audit of PD(Central) NLC, for the year 2017-18 it was observed that the project "Construction of Flyover on GT Road at Aziz Cross Gujranwala" was awarded by the Executive Engineer, Road Construction Division, Gujranwala Communication and Works Department, Government of the Punjab vide letter dated January 30, 2016 at an agreement amount of Rs.3,100 million with the 10 months completion time. The management could not complete the work and extension was requested repeatedly. The client department made deduction up to Rs. 27.41 million (Rs.19.29 million + Rs.6.98 million + Rs.1.14 million) on account of escalation in price variation due to delay in completion of work payment as the work was still in progress. Weak internal and financial controls resulted in loss to NLC for Rs. 49.90 million.

The matter was reported to the management in July 2018 and to PAO on November 27, 2018. The management replied that project was de-escalated on work executed with in original period i-e November 30, 2016. Reply was not tenable, because management not produced the detailed working/summary for escalation/de-escalation in price.

The DAC in its meeting held on January 24, 2019, directed the management for verification of escalation recovery of Rs. 38 million.

Audit recommends the compliance of the DAC directive.

16.1.4.30 Overpayment due to sanction of higher rate analysis of elastomeric bearing PAD - Rs 111.18 million

According to para No. 6 of approved PC-I, the cost estimate was based on the Government of Punjab, Finance Department, District wise website input rates

2nd Bi-annual, 2013 for District Rawalpindi for schedule items whereas non-schedule items were based on prevailing market rates for material and labour with contractor's profit. Further, according to para No.2 of covering memo regarding TS estimate, the Chief Engineer clarified that (approval of) the TS estimate does not confer any approval to the payment of rates provided in the estimate and the same were subject to observance of strict financial regulations and codal formalities by the competent authority (Director/Superintending Engineer) for making the payment for different items of works included in it.

During audit of PD (Central) NLC for the year, 2017-18 it was observed that the management entered into an agreement with Communication and Works Department in 2013 for the construction of Fly Over on GT Road, Gujranwala at an agreement amount of Rs. 3,455 million. Project Director (Central) NLC awarded the work "Construction of Fly Over on GT Road, Gujranwala to M/s Habib Construction Services (Private), Limited at an agreed amount of Rs.484.854 million.

It was observed that the Authority got approved the rate analysis of item "Elastomeric bearing pad of specified size (40x25 x 8.75 centimeters) and requisite standards European equitant etc" on higher side @ Rs 16.27 per cubic centimeter (composite rate) in estimate by obtaining quotation/ rates and accordingly payment was released to the contractors. The department got approved unrealistic/higher rates for elastomeric bearing pad in the TS estimate up to Rs.8.70 per cm (14.40 – 5.70). Weak internal and financial controls resulted in loss to government due to non-deduction of GST invoices by the sub-contractor and non-recovery of GST worth Rs.111.18 million.

The matter was reported to the management in July 2018 and to PAO on November 27, 2018. The management replied that the work was executed at site according to the design, specification and approved rate analysis and paid accordingly under the supervision of consultant staff. Therefore NLC was bound to pay to sub-contractor the rates mutually agreed upon. Reply was not acceptable, as the management did not explain the reasons for the acceptance of

unrealistic/higher rates. Furthermore, Audit requested the NLC to produce the relevant documents regarding import of item/quotations in support of its reply.

The DAC in its meeting held on January 24, 2019, directed the management for verification of import documents of machinery.

Audit recommends compliance of the DAC directive.

16.1.4.31 Loss due to higher rate analysis of concrete piles 1200 mm - Rs. 47.44 million

According to Rule-23 of General Financial Rules, every Government officer should realize fully that he would be held personally responsible for any loss sustained by the Government through fraud or negligence on his part or on the part of any other officer to the extent to which it may be proved that he contributed through his own negligence or action.

During the audit of PD (Central) NLC for the year, 2017-18 it was observed that the management entered into an agreement with Communication and Works Department in 2013 for construction of Fly Over on GT Road, Gujranwala at an agreement amount of Rs.3,455 million. The management further splitted the work and sublet among the sub-contractors. The work "Construction of Fly Over on GT Road, Gujranwala" awarded to M/s Habib Construction Services (Private), Limited at an approved amount of Rs.483.30 million. The RAR No.19 of the contractor was paid on April 19, 2013 up to Rs.604.82 million while management paid an amount of Rs.40.04 million to the contractor for the item "Cast in place concrete piles 1200 mm dia including concrete class A3 (4000 psi) excluding cost of steel reinforcement" @ Rs.22,124 per LM which was on higher side due to inclusion of excess hours of machinery. Weak internal and financial control resulted in overpayment due to application of higher rates worth Rs. 47.44 million.

The matter was reported to the management in July 2018 and to PAO on November 27, 2018. The management replied that the Engineer Estimate / Rate

Analysis of project were prepared by the consultant and approved by the XEN Provisional Highway Division, Gujranwala and TS was accorded by Chief Engineer (North). The reply was not convincing as higher rates were applied which resulted into loss.

The DAC in its meeting held on January 24, 2019, directed the management to get verified Profit & Loss statement by audit.

Audit recommends compliance of the DAC directive.

16.1.4.32 Overpayment due to payment of crane charges on higher rates - Rs. 63.76 million

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

During the audit of PD(Central) NLC for the year 2017-18 it was observed that the Project Director North splitted and awarded the work to M/s Crescent Services, Islamabad regarding "hiring charges of Crane for loading during the month of February, 2015 along with hire charges of other machinery". An agreement was also executed between the two parties on September 15, 2014 for the period of three month. The management called the quotations instead of calling tenders and violated the PPRs and while preparing the comparative statement changed the rates quoted by the bidders.

The work was awarded to the highest bidder M/s Crescent Services and made payment for the period of four months instead of agreed three months. Furthermore, an amount of Rs.50,000was also paid on account of mobilization charges of back up crane whereas the other bidders do not claimed such amount. An amount of Rs.6.54 million was paid as overtime charges whereas the agreement was executed on monthly basis. An amount of Rs. 3.62 million was

also paid for the month of February 2015 i.e. beyond the approved period. Weak internal and financial control resulted in overpayment of Rs. 59.13 million to the contractor.

The matter was reported to the management in July 2018 and to PAO on November 27, 2018. In its reply, the management stated that the contract was not awarded to highest bidder. Due to high competition and fast track project the work was executed by obtaining quotations. Furthermore, rates quoted by M/s Crescent Services were reduced as a result of negotiation, however they could not manage the negotiation with the lowest bidder (M/s Capital Developer). Reply was not convincing because management was required obtain competitive rates through tendering which was not done.

During DAC meeting held on January 24, 2019, management apprised the committee that due process before award of contact was adopted. The DAC directed the management to get verified the complete record of bidding documents from audit within a week. The record was not provided for verification by the management till the finalization of this report.

Audit recommends compliance of the DAC directive.

16.2 Pakistan Institute of Development Economics

16.2.1 Introduction

The Institute was established on May 01, 1964 as "Pakistan Institute of Development Economics" and was granted degree-awarding status on November 08, 2006. The administrative control of the Institute was transferred to Planning and Development Division for proper functioning and improving its academic performance. The affairs of the Institute are governed by the Board of Governors. The sources of finance of the Institute are Government grants, gifts, endowments and self-generation through sales of publications, receipts for professional service and tuition fee etc.

Main objectives of the Institute are:-

i. To function as an agency for conducting and promoting research, surveys, seminars, conferences, experiments and demonstrations in the field of Development Economics, Islamic Economics, Economic demography and related social disciplines. ii) To provide facilities for training in economics and economic demographic analysis and research techniques.
ii. Arrange to publish papers studies and such other works as are completed at the Institute or are prepared in collaboration with it or which are otherwise of substantial value to the work of the Institute.
iii. To disseminate information and extend advice to the government and other agencies based on original research in economics and related disciplines.

16.2.2 Comments on Audited Accounts:

16.2.2.1 The working results of the Institute for the year 2017-18 as compared to previous years are given below:

(Rs in million)

Description	2017-18	% Inc /(Dec)	2016-17	%Inc /(Dec)	2015-16
Funds received from HEC	2.039	(33.37)	3.06	237.38	0.907
Government grant for PIDE	317.565	2.20	310.725	6.42	291.967

Government grant for PhD	**8.174**	(9.71)	**9.053**	0.59	**9.00**
Total grant	**327.778**	1.53	**322.838**	6.94	**301.874**
Tuition fee	55.63	3.162	53.925	13.06	47.696
Income from research studies	1.829	(65.35)	5.279	65.69	3.186
Profit on bank account/ investment	2.884	(15.28)	3.404	41.07	2.413
Other income	2.52	(13.79)	2.923	-8.54	3.196
Total income	**628.63**	853.47	**65.931**	16.71	**56.491**
Expenditure					
Salaries & benefits	177.357	(3.78)	184.334	6.48	173.113
Ph. D expenses	6.59	(70.36)	22.233	41.36	15.728
POL expenses	6.246	(0.19)	6.258	16.3	5.381
Lecture & supervision fee	14.367	0.077	14.356	38.89	10.336
Utilities electricity	3.875	58.034	2.452	-20.44	3.082
Utilities Gas & water charges	0.491	(28.22)	0.684	124.26	0.305
Rent of hostel	9.774	55.88	6.27	44.54	4.338
Provision for Pension	89.118	(22.95)	115.666	7.53	107.568
Depreciation	2.953	(4.96)	3.107	24.48	2.496
Other Expenditure	85.836	118.46	39.291	-1.2	39.768
Total Expenditure	**396.607**	0.49	**394.651**	8.98	**362.115**
Excess of income over expenditure	**0.59**	(49.83)	**1.176**	21.11	**0.971**

(Source: Annual Audited Accounts)

As per qualification of the chartered accountants the management has provided Rs 89.12 million in respect of pension for the year (2016-17 Rs 115.67 million) and recognized a defined obligation of Rs 213.50 million (2016-17 Rs 218.43 million) as on 30 June, 2018. As per actuaries the liability of pension obligation was computed as Rs 2.38 billion. If the defined obligation be computed as per the valuation method prescribed by the IFRS for SMEs, the liability of pension obligation at 30 June 2018 would have been Rs 3.38 billion and a provision of Rs 459.49 million in respect of pension expense for the year ended on 30 June 2018. Had the institute recovered its defied obligation in accordance with the IFRS for SMEs closing defined obligation would have been increased by Rs 3.17 billion and provision for the year would have been increased by Rs 370.37

million. Consequently, an adjustment of Rs 3.17 billion was required to be recognized in the income and expenditure for the year.

16.2.2.2 Defined obligations valuing of Rs 1.39 million (Rs 13.04 million – 2016-17) relating to "transferred from other government institutions". Detail breakup along with reasons of transferring liabilities may be explained.

16.2.2.3 Accrued and other liabilities were increased to Rs 18.90 million as on June 30, 2018 from Rs 15.81 million as on June 2017 registering an increase of 19.52%. The increase was mainly due to increase in students security fee Rs 2.17 million (Rs 1.25 million- 2016-17), Scholarships payable Rs 5.80 million (Rs 6.09 million – 2016-17) and lecture fee payable Rs 6.518 million (Rs 5.86 million- 2016-17). The increases need to be justified. Furthermore, reasons for nonpayment of scholarships and lecture fee may be elaborated besides early clearing the liabilities.

16.2.2.4 Advance, deposits, pre-payments and other receivables increased to Rs 10.58 million on June 30, 2018 against Rs 4.52 million at the end of June 2017 registering an increase of 136.61% over previous year. The increase was mainly due to other receivables of Rs 2.57 million and advances of Rs 7.90 million, the figures were silent by means of notes. Position needs clarification.

16.2.2.5 As already pointed out that in previous years audit comments, Cash and bank balances amounting to Rs 88.19 million were retained in saving bank accounts during the year ending June 30, 2018 (Rs 114.80 million- 2016-17). The management of the company failed to determine the working balance limit and deposit the surplus funds in beneficial schemes to earn more profit. The reasons of retention of heavy amount in saving bank accounts may be justified. The working balance limit needs to be determined and surplus funds needs to be invested in beneficial schemes to earn more profit in the company's interest.

16.2.2.6 An amount of Rs 2.26 million was shown under the head "Disposal of assets" for the year 2017-18. The company sustained loss of Rs. 0.11 million on

sales of fixed assets. Reasons for sustaining loss on disposal of fixed assets and break-up of assets may be provided.

16.2.2.7 An amount of Rs 8.17 million received under the head "Grant for PhD" during the year 2017-18 whereas an amount of Rs 14.76 million has been incurred on PhD Expenses (Salaries of regular staff Rs 8.17 million) and PhD Expenses (General Rs 6.59 million). Expenditure over to above the grant received amount needs to be elaborated.

16.2.2.8 Other income and recoveries was decreased to Rs. 12.14 million for the year 2017-18 as against Rs. 16.83 million during the year 2016-17. Reasons of decrease in said head may be intimated to audit.

16.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	07	04	03	14.2.4.1, 14.2.4.3, 14.2.2.2	57
Total	**07**	**04**	**03**		**57**

The compliance of PAC directives was not satisfactory which needs to be improved.

Note: Audit paras' portion for the entity has not been compiled as audit of the entity was not undertaken during subject period.

Chapter-17
Ministry Science and Technology

17.1 Pakistan Science Foundation

17.1.1 Introduction

Pakistan Science Foundation was established on February 02, 1973 under PSF Act. It is working under the Ministry of Science and Technology. The organization has no share capital and it receives development and non-development grants from the Government of Pakistan. It's office is situated at G-5/1, opposite Supreme Court Building, Constitution Avenue, Islamabad.

The Foundation is functioning as a financing agency for:

i. The establishment of comprehensive scientific and technological information and dissemination Centre;
ii. The promotion of basic and fundamental research in the universities and other institutions on scientific problems relevant to the economic development of the country;
iii. The utilization of the results of scientific and technological research including pilot plant studies to prove the technical and economic feasibility of processes found to be promising on a laboratory scale;
iv. The grant of awards, prizes and fellowships to individuals engaged in developing processes, products and inventions of consequence to the economy of the country.

17.1.2 Comments on Audited Accounts

17.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 till December 31, 2018.

17.1.2.2 Audit recommends that the annual audited accounts of the past year be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts. *(refer Annex-2)*

17.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2006-07	04	04	0	-	100
2013-14	09	02	07	15.1.2.2,15.1.2.3,15.1.4.1,15.1.4.2,15.1.4.3,15.1.4.4,15.1.4.5,	22
Total	**13**	**06**	**07**		**46**

Overall compliance of PAC directives was not satisfactory which needs immediate attention of PAO.

17.1.4 Audit Paras

17.1.4.1 Irregular release of payment without obtaining sales tax invoices - Rs 13.19 million

According to Revenue Division Circular No.1(42) STM/2009/99638-R dated July 24, 2013 it was reiterated to all the Ministries/Division with request to advise all the Departments, Autonomous/Semi-Autonomous bodies and Corporations under their administrative control to ensure that:

i. Purchase of taxable goods may only be made from sales tax registered persons against sales tax invoice and payment through banking channels.

ii. In case of public works, it may be ensured that the contractors engaged make purchases only from sales tax registered persons. Since contractors carrying out government works against public tender are required to have a BOQ (Bill of Quantity), the contracting department/organization must require such contractors to present sales tax invoices of all the material mentioned in the

BOQ as evidence of its legal purchase, before payment is released to them. At the time of audit, it may be ensured that the above mentioned legal requirements have been fulfilled.

During the audit of Pakistan Science Foundation (PSF) for the years 2015-17, it was observed that the management awarded contract for construction of Boundary Wall, Main Gates (2 Nos), Sub Gate including Guard/Security Room, purchase of Fire Fighting equipment's/System valuing Rs 12.888 million to M/s Hard bone International Enterprises vide letter dated January 15, 2015. The completion period of the project was up to June 30, 2015, which was extended and completed in June 2017 at a cost of Rs 13.19 million. The contractor was neither bound by inserting clause in general/special condition of contract nor was asked to purchase material from the sales tax registered suppliers. The management released the payment without fulfilling of above legal requirement.

Audit was of the view that the payment of Rs 13.19 million was released to the contractor without obtaining sales tax invoices against the material purchased by him for this project / civil works in violation of above criteria was held irregular.

During meeting held on January 09, 2019, DAC directed the management to take up the case through concerned wing of Ministry with FBR for necessary clarification and advice.

Audit recommends compliance of DAC directive.

17.1.4.2 Loss due to sub-standard work – Rs. 32.09 million

According to Undertaking of the Work Contractor, that in case of Sub-Standard Work, the Contractor shall responsible for dismantling and re-construction at his own without demand of any additional cost.

During the audit of Pakistan Science Foundation (PSF) for the years 2015-17, it was observed that CDWP in its meeting held on June 09, 2015 approved the development project titled "Science Talent Farming Scheme (STFS) for young students Phase- I valuing Rs 1,514.50 million which was revised to Rs 1,285.36 million by CDWP on December 06, 2016. The project management carried out the work of Transformation of Science Caravan Trucks to Mobile Science Laboratory through M/s Shahan Bus Body Works Lahore valuing Rs 32. million against work order dated May 23, 2016 & January 31, 2017. The Mobile Laboratory/Buses were sent to the field in different locations for operation but users/Incharge Mobile Laboratory pointed out certain deficiencies about their working. The management did not take up the matter with contractor for removing the said deficiencies, which showed the slackness on the part of the management.

Audit was of the view that the Caravans Trucks were not technically and physically fits for transformation of Mobile Laboratory as they were facing certain difficulties /problems at the time of visiting the school for demonstration like less accommodation of students in Mobile Bus, trapping the Computer System due to voltage up & down etc. Thus, due to sub-standard work and imprudent decision expenditure of Rs 32.09 million was held irregular.

During DAC meeting held on January 09, 2019, management appraised that a fact-finding committee was already constituted. DAC directed that Inquiry Committee may also examine the scope of work with reference to defective work/ liabilities.

Audit recommends to investigate the matter in the light of DAC directive.

17.1.4.3 Wasteful expenditure due to appointment of advisor without any work - Rs 2.38 million

According to Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2013, the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other

matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During the audit of Pakistan Science Foundation (PSF) for the years 2015-17, it was observed that the management appointed Mr. Khalid Qureshi as Advisor (Civil Works) equivalent to PBS-20 on fixed salary of Rs 210,000 per month on contract basis for a period of one year against the PSDP/Government approved Development Project "Science Talent Farming Scheme (STFS) vide letter dated August 16, 2016. The officer joined the PSF w.e.f November 25, 2016. In CDWP meeting held on December 06, 2016, some amendments i.e. change of venue for establishment of National Science School under the above project from federal capital to Chak No.23/UCC in the surrounding of Sheikhupura District alongside Lahore-Multan Motorway was approved with the advice that state land for the NSS will be provided by the Provincial Government free of cost and sponsors will submit modified PC-I accordingly. The revised PC-I was submitted by the PSF in August 2016. No land was provided by the Provincial Government to date, resultantly the civil work could not be started. Whereas on the other side Advisor remained in service without doing any function /work. Later on his appointment was converted into MP-III w.e.f February 08, 2017 with revision of pay of Rs 186,610 per month vide PSF office order dated May 09, 2017 and his service was terminated w.e.f November 24, 2017. Thus, the payment of Rs 2.38 million made to the advisor was tantamount wastage of Public funds.

Audit was of the view that the Advisor was appointed despite the fact that the construction of school was postponed/deferred, which shows that undue favor was extended at the cost of Public Exchequer.

The DAC in its meeting held on January 09, 2019 directed that the matter may be probed through Fact Finding Inquiry at ministry level and share with audit.

Audit recommends compliance of the DAC directive.

17.1.4.4 Non-utilization of PSDP Funds -Rs 340.14 million

According to para-3.17 of Guidelines, for Project Management issued by the Project Wing Planning Commission Government of Pakistan an independent (Full time) Project Director should be appointed for the Project costing Rs 100 million and above.

During the audit of Pakistan Science Foundation (PSF) for the years 2015-17, it was observed that the CDWP in its meeting held on June 9, 2015 approved the project titled "Science Talent Farming Scheme" (STFS) for 1800 young students, Phase-I at a cost of Rs 1,514.499 million. As per PC-I, life of the project was five (5) years with starting date of December15, 2015. The cost was reduced to Rs 1,285.361 million by the CDWP in its meeting held on December 06, 2016. The Ministry of Science & Technology released funds amounting to Rs 315 million vide its letter dated April 19, 2016. Mr. Jamil Ahmed Qureshi was appointed as Project Director equal to MP-II scale in accordance to the PC-I of the project on monthly salary of Rs 269,930 for a period of one year onJanuary31, 2017 after lapse of two years of the commencement of the project. The officer joined the duties on February15, 2017 and resigned w.e.f August15, 2017. After his resignation, no Project Director was appointed hence funds amounting to Rs 340.14 million could not be utilized and surrendered.

Audit was of the view that the management was failed to execute the project as per project management guidelines and the goals as per PC-I could not be achieved.

During DAC held on January 09, 2019, the issue was discussed in detail and DAC observed that despite availability of sufficient funds the same could not

be utilized by PSF. DAC directed to probe the matter through Fact Finding Inquiry at ministry level and share with the audit.

Audit recommends compliance of the DAC directive.

17.1.4.5 Doubtful expenditure due to non-providing audited account of expenditure –Rs 1.46 million

According to terms of agreement for the Assistance to Scientific Conference/ Workshop granted by the PSF clause-iii & iv "The Party shall be bound to submit to the Foundation the Audited Accounts of expenditure incurred from the grant and shall produce the books of Accounts to a person (s) as and when appointed by the Foundation for the purpose". The Party would submit to the Foundation a certificate indicating the name (s) of Resident Auditor/Chartered Accountants, who would audit the accounts of the conference.

During the audit of Pakistan Science Foundation (PSF) for the years 2015-17, it was observed that the management released financial assistance of Rs 1.46 million was released to various societies for arranging scientific conference/workshops in their universities, colleges and research institutes. The institutors concerned does not submitted the audited accounts to PSF which created doubts that the funds were not utilize for the purpose they were granted. Thus in the absence of audited accounts, the utilization of Funds amounting to Rs 1.46 million was doubtful and held irregular.

Audit was of the view that the management was required to obtain audited accounts from the respective institutes but it failed to obtain the same.

During DAC held on January 09, 2019, management informed that Rs 0.30 million has been recovered and procedure/ SOP for grant of financial assistance was also revised. DAC directed the management to provide the complete record regarding adjustment and revised procedure/ SOP regarding support of financial assistance to audit for verification.

Audit recommends compliance of DAC directive.

17.2 STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited

17.2.1 Introduction

STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited was established in 1987 under the Companies Ordinance 1984. The primary objective is to facilitate commercialization of indigenously researched products, processes and technologies and to assist all Public Sector R&D Institutions in their commercialization efforts. STEDEC generates revenues through its commercial activities and no development or non-development budgetary allocation is made to STEDEC in the Federal Government budget. STEDEC is a government owned company working under the administrative control of Ministry of Science and Technology and mandated to assist public sector R&D organizations in commercialization of their indigenously researched products, processes and technologies. STEDEC House, Adjacent Aiwan-e-Science Building, Ferozepur Road, Lahore.

17.2.2 Comments on Audited Accounts:

17.2.2.1 The working results of the corporation for the year 2017-18 as compared to previous years are given below:

(Rs. in million)

Description	**2017-18**	**Inc/ (Dec)**	**2016-17**	**Inc/ (Dec)**	**2015-16**
Sales-net	198.16	(3)	205.30	24	165.75
Cost of sales	(156.61)	(4)	(162.67)	30	(125.29)
Gross Profit	**41.54**	(3)	**42.63**	5	**40.46**
Distribution Cost	(13.40)	(3)	(13.83)	36	(10.17)
Administrative cost	(24.29)	(1)	(24.49)	6	(23.12)
other expenses	(0.23)	(46)	(0.43)	(55)	(0.94)
other income	1.50	(68)	4.73	83	2.59
Profit from operations	**5.13**	(40)	**8.61**	(2)	**8.82**
Finance cost	(0.61)	20	(0.51)	(36)	(0.79)
Profit before taxation	**4.52**	(44)	**8.10**	1	**8.03**
Earnings per share	2.30	(71)	8.07	9	7.43

(Source: Annual Audited Accounts)

The above table shows that the net sales of STEDEC was decreased by 3% in current year and the costs including cost of sales, distribution and administrative also decreased with the same pace (by 3 to 4%) but the profit from operations has been declined by 40% which depicts abnormal behavior and needs justification with full facts and figures.

17.2.2.2 The collection from debtors was very slow and huge amount of Rs 29.13 million was stuck up in trade debts upto June 2018 which created shortage of funds. To fill this gap STEDEC get borrowing from banks, which needs solid justification.

17.2.2.3 The mandate of STEDEC was to facilitate all Public Sector R&D Institutions in their commercialization efforts and generate their revenue by selling their products. Many leading R&D organizations including Pakistan Council for Scientific & Industrial Research (PCSIR), Pakistan Council for Research in Water Resources (PCRWR), Pakistan Council for Renewable Energy Technologies (PCRET), Pakistan Science Foundation (PSF), National Institute of Electronics (NIE) National University of Science & Technology (NUST) and COMSATS Institute of Information Technology (CIIT) were in the commercialization venture of STEDEC. The purpose of STEDEC was to assist them in commercializing the products and generate income but the accounts showed that they were focusing on trading and manufacturing their own products instead of commercialization of R&D products. In 2017-18 the accounts shows only 0.4% sales of PCSIR's products of the total sales of STEDEC, which needs justification with full facts and figures?

17.2.2.4 The cash at bank increased from Rs 0.46 million during 2016-17 to Rs 1.21 million during 2017-18 which needs justification.

17.2.2.5 As per note 18.1 to the accounts, facilities available for opening of letter of credit / guarantee from commercial banks aggregate to Rs 36.00 million out of which Rs 28.40 million remained unutilized which needs justification.

ANNEXURE

Annex-1

MFDAC Paras

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

As a result of audit conducted during 2018-19, various types of financial irregularities and losses of public money etc. were detected and reported to the Ministries/Divisions 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 Ministries/Divisions by the Directorates General, Commercial Audit and Evaluation, Karachi & Lahore.

Sr. No.	Title of Para	Rs. in million
AVIATION DIVISION		
Pakistan International Airlines		
1.	Loss of revenue due to poor planning	4,951.86
2.	Loss due to payment of unjustified commissions to the agents	749.820
3.	Non-utilization of funds in due time	668.755
4.	Irregular expenditure without budget provision	486.273
5.	Irregular award of contract	422.980
6.	Unauthorized payment at Faisalabad Station	221.590
7.	Irregular deployment of officials over and above the approved HRB	70.20
8.	Unjustified excess expenditure on medical facilities	35.811
9.	Sale of tickets by travel agents without bank guarantee	20.092
10.	Irregular appointment of DGM works	19.500
11.	Refund of tickets at higher rates	14.981
12.	Irregular award of contract for meal services	8.040
13.	Irregular appointment of officers/officials on fake degrees	7.800
14.	Irregular procurement by splitting	6.52
15.	Mis-procurement of stationery items	5.93
16.	Loss due to cargo damage/pilferages	5.070
17.	Non-reconciliation of expenditure	3.084
18.	Irregular confirmation of Manager Revenue	2.718

19.	Irregular contract appointment of Principle Staff Officer	2.600
20.	Loss due to reissuance of one way tickets	0.712
21.	Video incident of showering money by employees at PIAC, Islamabad station	-
CABINET DIVISION		
Pakistan Bait-ul-Mal		
22.	Non-recovery of misappropriated funds from district incharge	16.296
23.	Disbursement of Individual Financial Assistance without verifying the individual data from other organizations.	2,699.49
24.	Irregular sanction of Individual Financial Assistance by Managing Director	369.60
25.	Irregular payments to 52 Pakistani workers from Saudi Arabia	2.60
26.	Non submission of cases related to Individual Financial Assistance for vetting by Audit Wing	2,742.68
27.	Non-creation of office at Multan due to ignoring the BoD decision	87.18
Skyrooms (Pvt.) Limited		
28.	Unjustified provision of Management Fees	225.589
29.	Accumulation of refundable taxes	173.526
MINISTRY OF COMMERCE & TEXTILE		
National Insurance Company Ltd		
30.	Mis-procurement of HVAC System	215.152
31.	Loss due to payment of excess taxes	48.000
32.	Loss due to dishonesty of ex-employees	44.13
33.	Wasteful expenditure on repair and maintenance of lifts	2.508
34.	Excess payment on account of insurance claim	1.770
Pakistan Re-insurance Company Ltd		
35.	Irregular payment of furnishing allowance	2.700
36.	Loss due to irregular payment of Board Meetings fee	1.20
State Life Insurance Corporation		
37.	Unjustified huge expenditure on medical examiners fees	9.693
38.	Irregular appointment of a Chartered Accountant Firm	4.864
39.	Non-recovery of Excess Cost from Area Managers	3.103
40.	Wasteful expenditure on car rental	2.389
41.	Loss due to non-adjustment of excess operating cost	2.170
42.	Irregular purchases of equipment	1.194
43.	Non-recovery of loans from ex-employees	1.166
Trading Corporation of Pakistan		
44.	Non-production of record of subsidy receivable from Government	41,126.120
45.	Loss due to disparity of charging rent to tenants.	101.622
46.	Loss on account of non-recovery of Insurance claims	30.550
47.	Loss due to non-collection of rent from residential colonies of	3.246
48.	Irregular payment of stevedoring & handling charges	2.745
49.	Loss due to payment of daily allowance	2.630

50.	Irregular raise in hotel accommodation rates and unverifiable payments to Hotels	1.77
51.	Non-appointment of CEO and CIA	-
Pakistan Expo Centers (Pvt.) Limited		
52.	Irregular appointment of Assistant Procurement Officer - Rs 2.510 million	1.64
53.	Irregular re-imbursement of event food expenses to Expo employees	40.95
54.	Loss due to payment of demurrage charges	15.38
55.	Less deduction of Advance Tax u/s 236-D on events held from clients	4.69
Pakistan Tobacco Board		
56.	Loss due to non- deduction of income tax on payment of honorarium	1.478
57.	Loss due to premature withdrawal of TDR	7.93
58.	Loss due to delay in investment	6.32
MINISTRY OF COMMUNICATIONS		
Karachi Infrastructure Development Company Limited		
59.	Payment of Mobilization Advances without verification of bank Guarantees	1,682.978
60.	Execution of Green Line Bus BRTS project without feasibility	13,861.420
61.	Non-submission/preparation of Monitoring Reports	13,861.420
62.	Irregular rejection of bid	1,071.122
63.	Irregular nomination of Chairman of Board Accused in NAB Scam	400.000
64.	Loss due to award of Contracts at highest quoted rates	174.278
65.	Loss due to award of Contracts to 2nd lowest bidders	38.997
66.	Irregular payment of fee to CEO & Board Members	12.191
67.	Irregular purchase of vehicle in violation of monetization policy	5.500
68.	Loss in foreign exchange due to payment at higher conversion rate	3.083
69.	Irregular payments to consultant	1.569
70.	Unjustified payment of repair and maintenance charges	1.436
71.	Irregular payment of remuneration Fees to CEO	1.391
72.	Irregular payment of vehicle maintenance charges	0.936
73.	Irregular payments to the consultants without schedule	0.482
74.	Loss due to award of HVAC works contract to highest quoted bidder	0.333
75.	Non-appointment of Chief Internal Auditor	-
MINISTRY OF DEFENCE PRODUCTION		
Karachi Shipyard & Engineering Works		
76.	Non-recovery against construction of Barge	33.562
77.	Irregular procurement of paint	23.790
78.	Loss due to renting out a Bungalow at very nominal rate	22.440
79.	Irregular procurement of oil water separator	9.893
80.	Loss due to late completion of construction work	7.834
81.	Loss due to purchase of engines at higher rate	4.217
82.	Loss on account of rental income	10.512
83.	Irregular split up of purchases	1.098

Pakistan Ordinance Factories		
84.	Non-production of record / documents / information	-
85.	Loss of revenue income due to non-supply of store	312.30
86.	i-Loss on account of monthly rent @ 5% of basic pay due to delayed allotment of D-type flats ii- Loss of revenue income due to retention of residential accommodations vacant for more than the specified period	4.23
87.	Wasteful expenditure on pay/allowances of consultant	9.46
88.	Purchase of store against contract specification	3.49
89.	Irregular appointment of contract employees	1.00
90.	Irregular appointment of contract employees	4.91
91.	Un-authorized expenditure from the revenue deposit receipt (RDR) accounts	356.47
92.	Un-authorized expenditure from the revenue deposit receipt (RDR) accounts	233.69
93.	Irregular payment to contractors	4.74
94.	Non deposit of GST on the procurement of potassium nitrate Gd-I	1.50
95.	Revenue loss due to non-repairing of power house's turbine and generators	2,327.00
96.	Loss on purchase of electricity from WAPDA due to less generation from own power house	119.78
97.	Irregular procurement of Laparoscopic System	12.74
98.	Irregular purchase of vehicles	5.17
99.	Irregular usage of funds	22.72
100.	Loss due to rent out of building below the government approved rates	2.08
101.	Non-imposition of LD on delay in supply of store	4.55
102.	Loss due to less supply of store by foreign firm	27.44
103.	Blockage of advance payment due to defective agreement ii- Expected loss of LD charges	33.94
104.	Non- over hauling of machinery Non-utilization of spare parts	16.09
105.	Expected loss due to delay in initiating risk purchase action against the firm	2.90
106.	Loss due to expiry of medicines	12.80
107.	Loss due to procurement of hospital beds at higher rates	2.47
108.	Un-authorized utilization of budget allocated for security requirements	4.42
109.	Non-recovery of training cost	0.52
110.	Un-justified dual benefits to POF Doctors	9.98
111.	Blockade of funds due to unnecessary purchase of store	38.21
112.	Irregular payment on account of arrears of danger money allowance	100.68
113.	Loss of revenue income due to non-delivery of defense store	1.91
114.	Non-deposit of 75% monthly rent of POF Guest House into Government Treasury	4.15
115.	Loss due to rejection of lots of mortar bomb 60 mm	14.81

116.	Irregular appointment of Manager Legal	2.39
117.	Un-justified time overrun resulting in extra expenditure	144.30
118.	Un verified cost of production due to non maintenance of cost cards	353.32
MINISTRY OF ENERGY (POWER DIVISION)		
National Engineering Services of Pakistan		
119.	Irregular appointment of officer as Junior Ecologist (Grade-08a) having irrelevant qualification	1.08
120.	Loss due to encashment of bank guarantee by client on account of non-completion of contract within scheduled time	84.01
121.	Irregular appointment of Senior Agronomist (Gr-10)	14.95
122.	Excess payment of salary due to irregular enhancement of basic pay and award of special allowance. Irregular appointment of Taxation-Cum-Financial Officer (Gr-8b)	2.76
MINISTRY OF FINANCE		
House Building Finance Corporation		
123.	Non-recovery of loans disbursed under various	55.672
Pakistan Security Printing Corporation		
124.	Irregular procurement of machine parts	3.165
125.	Mis-procurement of transport service	1.872
State Bank of Pakistan		
126.	Non-realization of foreign exchange from authorized dealers	US$152.016
127.	Irregular /unjustified payment of agency commission to Bank of Punjab	38.931
128.	Mis-procurement of service from M/s. Maxim Advertising	14.620
129.	Mis-procurement of service from M/s. Argus Advertising	9.467
130.	Irregular procurements without planning	3.048
131.	Irregular award of contract on account of Maintenance of HVAC System	1.512
132.	Undue favor extended to an ex-employee resulting in non-recovery	1.045
Zarai Taraqiati Bank Limited		
133.	Unjustified payment to the contractors due to wrong estimates	14.23
134.	Non collection of outstanding loan amount at the time of rescheduling	103.33
135.	Irregular appointment of Grade-I & II Officers	3.22
136.	Irregular hiring of services of consultant.	2.63
137.	Loss due to non-recovery of snatched cash	1.00
138.	Irregular payment of salary during EOL	1.11
MINISTRY OF INDUSTRIES & PRODUCTION		
Export Processing Zones Authority		
139.	Irregular payment of Eid-assistance	34.030
140.	Loss due to less deduction of LD	1.197
141.	Unjustified payment of Entertainment expense beyond allowed limit	1.327
Pakistan Industrial Development Corporation		
142.	Irregular payment of Leave	0.363

143.	Irregular award of Insurance Contract	44.264
144.	Irregular procurement of double Cabin vehicle for Minister	12.152
145.	Non-account for of the amount in revenue collection accounts	0.500
Pakistan Chemical & Energy Sector Skill Development Company		
146.	Unjustified expenditure for purchase of Mobile phones	0.127
147.	Irregular appointment after the age of superannuation	1.12
148.	Non-holding of Board of Directors' meetings	-
149.	Violating of Memorandum of Association due to non-conducting of regular meetings of Board of Directors	-
Pakistan Gems & Jewellery Development Company		
150.	Blockade of funds by extending undue favour to Bank	18.572
151.	Irregular procurement due to negotiation with contractor	3.575
Pakistan Institute of Management		
152.	Mis-procurement of printing & stationery items	4.180
153.	Irregular payment to the contractors on supply of water	2.244
Pakistan Steel Mills		
154.	Loss due to non-recovery of utility charge from outsiders	1.972
155.	Non-production of the record of Pakistan Steel Cadet College	-
Pakistan Steel Fabricating Company (Pvt.) Limited		
156.	Loss due to non-utilization of machinery	705.188
157.	Non-transferring of ownership of freehold land in the name of PSFCL	650.05
158.	Loss due to non-release of Bank Guarantees	1.728
159.	Loss due to Liquidated Damage imposed on PSFCL	1.621
160.	Loss due to non-completion of work within time	1.440
Pakistan Machine Tool Factory		
161.	Loss on production of finished goods	1.853
162.	Non-implementation of PAC directives for timely up-loading /publication of the minutes of the BoDs on official website	-
Technology Up-gradation and Skill Development Company		
163.	Irregular disbursement of institutes selected without advertisement	44.38
164.	Excess payment to institutes not recommended	1.26
165.	Irregular procurement of machines below specification	42.09
166.	Irregular appointment of employees having irrelevant qualification	4.08
167.	Lapses of funds under development programme and Poor performance resulted to unutilized/surrendered of development funds	71.56
Heavy Electrical Complex		
168.	Irregular procurement of overhead crane without proper installation/commissioning	2.30
169.	Non compliance of corporate Governance Rule regarding composition of Board of Directors and non- conducting of quarterly boards meeting	-
170.	Non-formation of committees by BoD	-
Leather Craft Development Company		
171.	Excess payment on purchase of land in violation of the approved	18.13

	cost as per PC-I. Irregular purchase of land in violation of advertisement	48.13
172.	Non-receipt of performance guarantee due to defective contract/ agreement	-
173.	Wasteful expenditure due to non-utilization of building for LCDC Unit 1, 2 & 3	153.49
174.	Purchase of raw material in violation of the PP Rules	17.05
175.	Non insurance of company assets	5.06
176.	Non-establishment of field units in Southern Punjab as per PC-I	-
177.	Non-compliance of government instructions regarding verification of degrees / certificates	-
178.	Loss of interest income due to placement of funds in current account	39.75
179.	Loss of interest income due to placement of funds in current account	39.75
Small and Medium Enterprises Development Authority		
180.	Blockage of funds due to purchase of furniture and office equipment	16.32
181.	Non-production of record	7.82
182.	Non submission of PC-IV to Planning and Development Division	-
183.	Lapse of funds due to preparation of unrealistic budget	9.00
184.	Irregular appointment of employees	3.20
185.	Irregular appointment of CEO after superannuation	-
Spun Yard Research & Development Company		
186.	Non-compliance of Government instructions regarding verification of degrees / certificates	-
187.	Noncompliance of IAS-8 due to non-rectification of financial statements for 2015-16	-
188.	Irregular purchase of vehicles	3.65
Utility Stores Corporation		
189.	Irregular payment of allowance in lieu of vehicle and POL	3.30
190.	Irregular issuance of NOC resulted in to non-recovery	3.25
191.	Irregular provision of armed guards to Ministry	1.24
192.	Excess procurement of Qarshi Jam-e-Shirin due to stock pushing	96.12
193.	Loss due to extra payment to sugar mills on account of handling charges	65.56
MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HISTORY & LITERARY, HERITAGE		
Pakistan Television Corporation		
194.	Loss of advertising income due to late renewal of contract	700.00
195.	Hiring of the services of foreign cricketer banned due to corruption by ICC	7.31
196.	Non-approval of MD before the initiation of procurement process of Sports Right	1,124.11
197.	Grant of discount to defaulter agencies	64.03
198.	Irregular appointment of anchors without advertisement	13.20
199.	Unjustified expenditure on arranging “Game on Hai Show”	4.89
200.	Irregular hiring of ex-cricketers	48.45

Pakistan Broadcasting Corporation		
201.	Non recovery of inadmissible payment	1.67
202.	Misuse of transport at PBC BH Lahore	1.30
203.	Wasteful expenditure incurred on PBC Foundation	34.74
204.	Non carrying out annual physical verification of stores and assets	2,348.37
205.	Inordinate delay in execution of development project "100 KW MW transmitter" Gwadar	139.84
206.	Non transparent procurement of equipment and non recovery of liquidated charges	7.60
207.	Irregular procurement of spares from M/s NEC without open advertisement	4.98
208.	Irregular payment due to acceptance of defective stores	1.12
209.	Mal-Administration in development project	155.14
210.	Irregular promotion of Producer	5.34
National Book Foundation		
211.	Non-recovery of stamp duty from lessee	0.62
212.	Non-deduction of sales tax from suppliers and its deposit in Govt. Treasury	13.16
213.	Un-authorized investment of funds	27.00
214.	Un-authorized retention of development funds and irregular conversion into non-development funds	24.00
215.	Extra expenditure due to inordinate delay in completion of construction of building	32.55
216.	Loss of interest due to late investment of funds	1.82
MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION		
Pakistan Software Export Board (Guarantee) Limited		
217.	Loss to state due to non participation in GITEX Technology Week	6.23
MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH		
Pakistan Agricultural Storage and Services Corporation		
218.	Loss due to unnecessary purchase and subsequent misuse of vehicle	1.75
219.	Irregular construction of plinths in non-transparent manner	68.48
220.	Irregular award for construction of plinths against repeat order	0.99
221.	Irregular provision of vehicle monetization allowance	1.86
222.	Loss due to non-deduction of liquidated damages from M/s BAO Rohan Associates	1.05
223.	Loss due to non-deduction of liquidated damages from M/s Yaqoob Construction	1.02
MINISTRY OF MARITIME AFFAIRS		
Gwadar Port Authority		
224.	Irregular payment to the Consultant	29.081
225.	Excess expenditure on execution of work	8.169
226.	Wasteful expenditure incurred on account of dinner and lunch	1.747
Korangi Fisheries Harbour Authority		
227.	Loss due to non-uniform annual ground rent from tenants	-

228.	Loss due to discrepancies in berthing fee	-
229.	Irregular appointment of Legal advisor	-
230.	Non-conducting investigation against corruption	-
231.	Loss due to non-compliance of Lease Agreements	-
232.	Unjustified assignment of Court cases to a lawyer	-
Pakistan National Shipping Corporation		
233.	Loss due to procurement from 2nd lowest bidder	2.388
234.	Irregular procurement of Spares for M.V Chitral in violation of PPRA Rules-2004	2.233
235.	Mis-procurement in violation of PPRA Rules - 2004	2.041
Port Qasim Authority		
236.	Irregular award of contract	806.139
237.	Non-observance of compliance of Code of Corporate Governance Rules, 2013	-
238.	Mis-procurement due to opening of tender against press tender date	-
239.	Non-advertisement of procurement plan on PPRA website	-
240.	Non-implementation of directives of Honorable Supreme Court of Pakistan	-
MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCES DEVELOPMENT		
Employees' Old-Age Benefits Institution		
241.	Irregular/unjustified payment of director fee to the EOBI officers	1.125
242.	Un-justified payment of air ticket to BoT members	0.405
243.	Irregular payment of personal pay to RO	0.081
244.	Non-compliance of Prime Minister's directives regarding verification of Degrees	-
245.	Illegal / Unlawful obtaining of contribution under Self Employed Scheme	13.591
246.	Irregular award of contract	4.784
247.	Excess investment in Government Securities against prescribed limit	67.20
248.	Non-reconciliation with TMFBL of pension disbursements	6,219.820
249.	Excess payments on account of service charges	123.156
250.	Irregular payment of Adhoc Relief Allowance 2013	52.167
251.	Irregular payment of transportation charges	13.391
252.	Irregular expenditure on medical facilities	2.252
MINISTRY OF PLANNING, DEVELOPMENT & REFORMS		
National Logistics Cell		
253.	Loss due to non-recovery of cost of old material of steel at estimated rates	20.69
254.	Procurement of tyres through un-fair competition	216.24
255.	Non-recovery from contractor due to use of sub standard bricks	2.43
256.	Loss /undue financial benefit to the contractor due to application of higher rates	1.52

257.	Undue financial benefit to the supplier due to application of higher rates	3.44
258.	Irregular payment to the Sub-Contractor	7.05
259.	Irregular expenditure due to non-conducting lab test of unsuitable	94.28
260.	Overpayment due to sanction of incorrect rates analysis for concrete	43.09
261.	Irregular award of work	7,895.78
262.	Overpayment due to allowing the excessive rates of asphalt mix material	5.61
263.	Overpayment due to wrong calculations in rate analysis of Pre Stressing Strand Wire	10.93
264.	Loss to government due to non-accountal of receipt and consumption of cement	89.14
265.	Overpayment due to non-reusing dismantled road pavement	41.49
266.	Double payment of boring of pile 1200 Mm Dia	81.75
267.	Loss due to application of higher rates	8.11
268.	Overpayment due to award of work on higher rates	6.18
269.	Overpayment due to award of work on higher rates	9.07
270.	Non-recovery of penalty / forfeiture of security and risk and cost -	31.27
271.	Overpayment/inadmissible payment due to addition of night shift	17.03
272.	Non-recovery on account of use of steel other than Pakistan Steel billet	42.51
273.	Non-insurance of work	126.20
274.	Irregular/overpayment due to application of incorrect rates	3.43
275.	Loss due to withholding of amount of work done by client	8.26
MINISTRY OF SCIENCE AND TECHNOLOGY		
Pakistan Science Foundation		
276.	Irregular recurring expenditure on pay & allowances due to up-gradation of post	0.58
277.	Irregular expenditure due to procurement of services	6.61
278.	Wasteful expenditure incurred on research projects	329.92
279.	Mis-procurement of scientific equipments	4.06
280.	Irregular appointment of Research Associates	1.79

Annex-2

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2017-18, were required to be submitted to the Directorates General of Commercial Audit and Evaluation, Karachi & Lahore by November 30, 2018. 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, efforts should be made for immediate finalization and submission thereof:

Sr. No.	Name of Ministry/Division/Organization	Year of Accounts
AVIATION DIVISION (CABINET SECRETARIAT)		
1.	Pakistan International Airlines Corporation	2017
2.	Skyrooms (Pvt.) Limited	2014 to 2017
CABINET DIVISION		
3.	Printing Corporation of Pakistan (Pvt.) Limited	2016-17 & 2017-18
4.	Pakistan Tourism Development Corporation	2016-17 & 2017-18
5.	Pakistan Bait ul Mal	2017-18
6.	Pakistan Institute of Parliamentary Services	2017-18
MINISTRY OF COMMERCE AND TEXTILE		
7.	National Insurance Company Limited	2015 to 2017
8.	Trading Corporation of Pakistan	2017-18
9.	Pakistan Expo Centers (Pvt.) Limited	2015-16 to 2017-18
10.	National Textile University	2016-17 & 2017-18
11.	Pakistan Tobacco Board	2017-18
12.	Pakistan Horticulture Development and Export Company	2017-18
MINISTRY OF DEFENCE PRODUCTION		
13.	Karachi Shipyard & Engineering Works	2016-17 & 2017-18
14.	POF Welfare Trust Fund	2016-17 & 2017-18
15.	Institute of Space Technology	2016-17 & 2017-18
MINISTRY OF ENERGY (POWER DIVISION)		
16.	National Engineering Services (Pvt.) Limited	2016-17 & 2017-18
FINANCE DIVISION		
17.	Zarai Taraqiati Bank Limited (ZTBL)	2017 & 2018
18.	Kisan Support Services Limited (KSSL)	2018
19.	Small and Medium Enterprises Bank	2018
MINISTRY OF INDUSTRIES & PRODUCTION		
20.	Export Processing Zones Authority	2007-08 to 2017-18

21.	Pakistan Industrial Development Corporation	2017-18
22.	Pakistan Industrial Development Corporation Medical Centre	2017-18
23.	Karachi Dies & Model Company Limited	2017-18
24.	National Industrial Parks Development and Management Company	2017-18
25.	Pakistan Chemical & Energy Sector Skill Development Company	2016-17 & 2017-18
26.	Pakistan Institute of Management	2012-13 to 2017-18
27.	Pakistan Steel Mills	2015-16 & 2017-18
28.	Pakistan Steel Fabricating Company (Pvt.) Limited	2015-16 to 2017-18
29.	Pakistan Machine Tool Factory	2017-18
30.	ENAR Petrotech Services (Pvt.) Limited	2017-18
31.	Small and Medium Enterprises Development Authority (SMEDA)	2017-18
32.	State Engineering Corporation (SEC)	2017-18
33.	Utility Stores Corporation of Pakistan (USC)	2017-18
34.	Aik Hunar Aik Nagar (AHAN)	2017-18
35.	Industrial Facilitator Center	2017-18
36.	National Fertilizer Marketing Limited	2017-18
37.	Pakistan Engineering Company	2017-18
38.	Pakistan Stone Development Company	2017-18
MINISTRY OF INFORMATION BROADCASTING AND NATIONAL HISTORY AND LITERACY HERITAGE		
39.	Associated Press of Pakistan Corporation	2013-14 to 2017-18
40.	Pakistan Broadcasting Corporation	2013-14 to 2017-18
41.	Pakistan Television Corporation Limited	2017-18
42.	Shalimar Recording and Broadcasting Company Ltd	2016-17 & 2017-18
43.	National Book Foundation	2017-18
MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION		
44.	Pakistan Software Export Board (Guarantee) Limited	2017-18
MINISTRY OF INTERIOR		
45.	National Database and Registration Authority	2014-15 to 2017-18
MINISTRY OF NATIONAL FOOD SECURITY & RESEARCH		
46.	Agri Business Support Fund	2017-18
MINISTRY OF MARITIME AFFAIRS		
47.	Gwadar Port Authority	1986-87 to 2017-18
48.	Korangi Fisheries Harbour Authority	2015-16 & 2017-18
49.	Port Qasim Authority	2006-07 to 2017-18
MINISTRY OF OVERSEAS PAKISTANI & HUMAN RESOURCE DEVELOPMENT		
50.	Employees' Old-Age Benefits Institution	2011-12 to 2017-18
51.	Overseas Employment Corporation (Pvt.) Ltd	2017-18
52.	Overseas Pakistanis Foundation	2017-18

STRATEGIC PLANS DIVISION		
53.	Heavy Mechanical Complex	2015-16 to 2017-18
MINISTRY SCIENCE AND TECHNOLOGY		
54.	Pakistan Science Foundation	2017-18
55.	Pakistan Scientific & Technological Information Center	2017-18
56.	Pakistan Museum of Natural History	2017-18

Annex-3

Organizations under liquidation/closed

The under-mentioned Corporations/Units have closed their operational activities. In some cases decision about their privatization/liquidation has already been taken but implementation of the same was awaited.

Sr. No	Name of Ministry/Division/Organization	Status/Remarks
AVIATION DIVISION (CABINET DIVISION)		
Pakistan International Airlines Corporation		
1.	Midway House (Pvt.) Limited	Business closed since 2000; however, liquidation is still in process.
CABINET DIVISION		
Pakistan Tourism development Corporation		
2.	PTDC Motels South (Pvt.) Limited	Operational activities closed since 1990
3.	Malam Jabba Resorts Limited	Operational activities closed since May 2008
4.	Associated Hotel of Pakistan Limited	Operation closed since long
5.	Pakistan Tours Limited	Operation closed since long
MINISTRY OF INDUSTRIES AND PRODUCTION		
Pakistan Automobile Corporation Limited		
6.	Pakistan Motorcar Company (Pvt.) Limited	Operation closed since 1992; however, liquidation is still in process.
7.	Republic Motors (Pvt.) Limited	Operation closed since 1986; however, liquidation is still in process.
State Cement Corporation of Pakistan (Pvt.) Limited		
8.	Associated Cement Limited, Rohri	Operation closed since

		1998. The Company was placed under liquidation on June 28, 2005, which is still in process.
FINANCE DIVISION		
9.	Agricultural Marketing and Storage (Pvt.) Limited	Under liquidation since 1993
10.	Federal Bank for Co-operatives	Under liquidation since 2002
MINISTRY OF OVERSEAS PAKISTANIS HUMAN RESOURCES DEVELOPMENT		
11.	Kaghan Brick Works Limited	Operation closed since 1996

Annex-4

Recoveries made at the instance of Audit

During the year 2018-19, audit inspection of Public Sector Enterprises of Federal Government was conducted and results thereof pinpointing various types of financial irregularities and losses of public money, etc. were communicated to administrative Ministries / Divisions and Organizations concerned in the shape of Audit Inspection Reports and Audit Paras.

In certain cases, the concerned formations while accepting the losses / irregularities pointed out by Audit, made recoveries to the tune of Rs. 39,971.645 million at the instance / pursuance of audit as detailed below:

(Rs. in million)

Sr. No	Name of Ministry/Division/organization	Brief particulars of recoveries	Amount recovered
MINISTRY OF COMMERCE			
1	PRCL	Non-recovery of Dues from companies Rs.4054.040 million	3,430.000
2	PRCL	Pursuance of under litigation case of Zakat refund Rs.113.722 million	113.722
3	SLIC	Fraudulent payment against fake polices Rs.106.757 million	4.660
4	TCP	Non-recovery of rent from tenants of godown Rs 79.030 million	66.207
MINISTRY OF ENERGY (POWER DIVISION)			
5	NESPAK	Non-recovery of consultancy charges from client Rs 15.053 million Loss due to non-claiming of final payment Rs 6.93 million	12.82
MINISTRY OF ENERGY (PETROLEUM DIVISION)			
6	LCDC	Irregular payment of leave encashment Rs. 4.912 million	0.371
7	PPL	Non-recovery of insurance claim 2,043.710 million	231.000
8	PSO	Expected loss of more than Rs. 2.4 Million due to unjustified payment of advance rent Rs. 2.4 million	2.400
9	PSO	Loss due to non-recovery M/s. Saba Power Rs. 1,008.253 million	1,008.253

10	PSO	Non-recovery of investment from retailers/dealers Rs.118.000 million	4.786
11	PSO	Non-recovery of late load penalty Rs. 650.16 million	235.360
12	PSO/LNG	Recovery of outstanding dues SSGC & PSO	11,749.998
13	SSGCL	Non-recovery of outstanding Balance against RLNG	18,664.148
14	SSGCL	Gas theft by commercial customers Rs.664.364 million	92.457
15	SSGCL	Non-recovery from Govt. Department Rs. 207.556 million	115.961
MINISTRY OF DEFENCE PRODUCTION			
16	KS&EW	Non-recovery of refundable sales taxes Rs.203.336 million	88.204
17	KS&EW	Non-recovery of service charges Rs.94.343 million	30.241
FINANCE DIVISION			
18	HBFC	Non-recovery of default amount against post dated cheque Rs. 86.759 million	74.070
19	HBFC	Non-recovery of loans from defaulting customers Rs.1,020.47 million	1,099.898
20	HBFC	Non-recovery of loans from defaulting customers guarantor due to removal of documents from safe custody Rs.4.743 million	2.727
21	HBFC	Non-recovery of decreed amount from defaulters Rs. 4.367 million	6.984
22	PSPC	Comments on Audit Accounts Rs.1,492.71 million	1,492.710
23	ZTBL	Irregular payment of salary during EOL Rs. 1.109 million	1.58
24	ZTBL	Loss due to non-recovery of snatched cash Rs. 1.00 million	0.07
MINISTRY OF INDUSTRIES AND PRODUCTION			
25	EPZA	Non-recovery of balance on account of electricity and water bill charges Rs. 4.906 million	3.123
26	EPZA	Loss due to non-recovery from investor Rs.3.560 million	1.690
27	EPZA	Non-recovery from various companies Rs. 29.401 million	32.496
28	NIP&MC	Non-recovery from various companies Rs.362.354 million	233.000
29	PMTF	Loss due to Non-recovery of Rs.139.292 million	96.162
30	ENAR Petro	Non-recovery of outstanding dues against	26.550

		different debtors Rs.42.894	
31	USC	Non-deduction of incidental charges Rs. 13.20 million	14.87
32	USC	i-Loss due to procurement of substandard utility brand ghee Rs. 25.50 million ii-Non –deduction of penalty for supply of substandard ghee/ oil by vendors Rs. 3.03 million	4.32
33	USC	Procurement and sales of Barkat Ghee at prices higher than the market prices Rs. 36.47 million	29.62
MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HISTORY & LITERARY, HERITAGE			
34	NBF	Non recovery of rent and stamp duty from lessee Rs. 5.377 million	10.93
MINISTRY OF MARITIME AFFAIRS			
35	PNSC	Non-recovery of freight charges from oil refineries Rs. 476.628 million	410.535
36	PNSC	Non-recovery damages charges Rs. 6,375.000 million	308.098
MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCES DEVELOPMENT			
37	EOBI	Non-adjustment of advances Rs.6086.164 million	144.000
38	EOBI	irregular opening of Bank Account in TMFBL Rs.400 million	126.514
MINISTRY OF SCIENCE & TECHNOLOGY			
39	PASTIC	Expected loss due to non-recovery of outstanding amount from debtors - Rs. 1.115 million	1.11
Total			**39,971.645**

Annex-5

(See Para No.1.1.4.7)

Statement showing the detail of loss due to low seat factor

70% seat factor with 143,808 passengers (34,925 /.17=205,441 x 70% =143,808), PIAC could have been in a position to generate revenue of Rs. 2,876.17 million (143,808 x Rs. 20,000 per pax). The detail is given as under:

Period	No. of flights	No. of passengers	Average seat factor (%)
2017	476	16,563	17.0
2016	666	18,362	16.6
Total	1142	34,925	16.8

The seat factor in business class of PIAC flights remained very low from Islamabad to International and domestic sectors during 2017 due to which PIAC was deprived of the revenue of Rs. 945.078 million (approx) (69168x70%=48417-16915=31502 x Rs.30,000 per passenger approx) on the different routes. The detail is as under:

Sr. No.	Aircraft	Business capacity	Economy plus and economy	No. of flight	Occupancy	capacity in business class	Seat factor	Vacant
1.	B-77LR	35	274	145	1807	5075	36	3268
2.	B-773	35	358	671	6706	23485	29	16779
3.	B-777	35	292	799	800	27965	03	27165
4.	A-330	28	269	18	280	504	56	224
5.	B-77D	25	280	274	1930	6850	28	4920
6.	B-77W	18	422	62	480	1116	43	636
7.	A-320	8	162	2636	4912	21088	23	16176
Total					**16915**	**-**	**-**	**69168**

(2,876.170 + 945.078 = 3,821.248)

Annex-6

(See para No.1.1.4.16)

Statement showing the detail of non-collection of cancellation charges

Date of refund	Ticket Number	Amount of refund		Code	Name agent
1-Jan-01	2144011858479	-1058941	1058941	2739146	ISBIT-PIAC
1-Jan-01	2144011858480	-162477	162477	2739146	ISBIT-PIAC
3-Oct-16	2149178505127	-105380	81050	2730301	5AJ80-BABA INT
1-Jan-01	2144011874090	-91000	91000	2739146	ISBIT-PIAC
2-Aug-16	2142102147309	-86392	84892	2739146	ISBIT-PIAC
11-Aug-16	2142102208515	-86392	84892	2739146	ISBIT-PIAC
22-Aug-16	2142102274752	-86392	84892	2739146	ISBIT-PIAC
25-Aug-16	2142102292078	-86392	84892	2739146	ISBIT-PIAC
25-Aug-16	2142102292088	-86392	84892	2739146	ISBIT-PIAC
25-Aug-16	2142102292091	-86392	84892	2739146	ISBIT-PIAC
26-Aug-16	2142102295925	-86392	84892	2739146	ISBIT-PIAC
30-Aug-16	2142102312171	-86392	84892	2739146	ISBIT-PIAC
30-Aug-16	2142102312802	-86392	84892	2739146	ISBIT-PIAC

Annex-7

(See para No.1.1.4.17)

Statement showing the detail of Non-Production of requisitioned auditable record

Sr. No	Req No.	Date	Details of information / record
1	01	28-07-2016	• Approved sanctioned strength along with actual placement against each post (with soft copy). • Detail list of employee with present position • List of employee deputed/attached outside engineering department • Detail of disciplinary cases decided /pending against employee. • Detail list of employee terminated/removed/suspended and reinstated. • Detail list of outsourced employees with date of appointment, designation and salary detail. • Detail of contract employee with detail.
2	02	25-04-2016	• Schedule of Accounts relating to engineering department (with soft copy). • Payment vouchers (D-15) foreign and local. • Detail of receivable write off.
3	03	28-07-2016	• CPC minutes for 2014 and 2015. • Register with soft copy. • Stock register with soft copy. • Dead stock register covering items never utilized ever (with soft copy) • Dead stock register covering items utilized for some period(with soft copy)

			• Detail of slow moving items(with soft copy) • List of demanded spare parts remained undelivered by P&L. • Detail of beyond economical repair items • Physical verification report. • Detail of written off items (with soft copy).
4	4	04-08-2016	• Enquiry report • Complete detail of PIAC fleet with operational and non-operational status. • Payment vouchers.
5	5	05-08-2016	• List of agreement regarding aircraft along with copies • Dry lease agreements.
6	7	08-08-2016	• Quarterly report of engine overhaul.
7	8	10-08-2016	• PW 4152 engine management program agreement • Engine induction ESN900-493 from Air France • Copy of contract with Airfrance for repair
8	9	11-08-2016	• Idle parts detail since 3 years or more
9	10	12-08-2016	• Reason of warranty denial cases with complete details.
10	15	22-09-2016	• Complete detail of payment made regarding B-777 since 2003 to 2014 to M/S Goodrich with copies of all agreements.
11	16	22-9-16	• Detail of employees visited abroad for training along with copy of approval. • Detail of engineering and non-engineering employees visited abroad for engineering function along with copy of approval. • Name of officials who obtained EASA related training with date of training.
12	17	22-09-2016	• Case file of selecting consultancy firm for the recovery of EASA part 145 certification.

			• Total payment made to consultancy firm • Detail of other expenditure incurred by PIAC for the above assignment regarding recovery of EASA part 145 certification. • Copy of documents showing subsequent implementation against finding of consultancy firm.
13	18	29-08-2016	• Complete detail of parts send abroad for repair.
14	19	07-09-2016	- <u>CAPITAL BUDGET</u> • Detail of approved capital budget with actual expenses for 2014 and 2015 • Copy of Capitalization policy • Detail of cost capitalized during 2014 and 2015 • Detail of cost pending for capitalization during 2014 and 2015 along with reason. <u>B-DUTY AND TAXES</u> • Duty and taxes policy regarding repair abroad. • Detail of Duty and taxes paid during 2014 and 2015 regarding repair abroad. • Detail of pending Duty and taxes cases during 2014 and 2015 regarding repair abroad. <u>C-PENALTIES</u> • Detail of penalty imposed /paid regarding repair abroad. • Details of penalty imposed against vendor along with status of recovery. • Correspondence file regarding disputed

			matter with Federal Board of Revenue or other Government Body. <u>C- PERSONAL DEPARTMENT</u> • Approved and sanctioned strength of engineering and finance department • List of posted employee along with duty assigned with date of posting • Personnel file of group VI and above along with job description.
15	20	27-09-2016	• Complete case files regarding following approved EMC minutes relating to Pakistan International Airline Corporation, for the year 2014-15 may please be provided for the purpose of audit and scrutiny: • EMC minutes Number 163/01 • EMC minutes Number 163/02 • EMC minutes Number 164/03 • EMC minutes Number 164/05 • EMC minutes Number 165/0OA/03 • EMC minutes Number 166/02 • EMC minutes Number 159/01 • EMC minutes Number 167/01
16	21	29-09-2016	• Complete overtime details department wise • Complete detail of shops with their working capability ,budgeted allocation with regard to resources, inventory purchase and in hand detail ,fixed asset detail, accident cases etc.
17	22	29-9-16	• Detail of all service bulletin issued along with actual work carried out against service bulletin • Rotable inventory levels of LRU and hot parts
	24	3-10-16	• Detail of Contract, board minutes copy and actual payment to Movenpick hotel under different heads.

	25	6-10-16	• Details of aircraft Routable such as Engines, APU, other aircraft components etc.
	26	14-10-16	• Detail of Penalties imposed by foreign carriers/airline • MRO objectives and achievements • Detail of all repair work carried out by MRO • Detail of repair work carried out for others with cost benefit analysis. • Detail of revenue earned through MRO.
	27	14-10-16	• Detail of trainee engineers with detail of appointment, training given, trainee suspended with dues outstanding etc
	31	11-11-2016	• Detail of scarp engine sold / exchange. • Complete movement of engines declared surplus with current status. • Detail of amount realized as a result of scrap.
	1	9-8-2017	1. Internal Audit Reports for the last three years. 2. Budget verses Actual with working file.
2	3	9-8-2017	1. Procurement Register of Uniform Section.
3	4	15-8-2017	1. Annual Procurement Plan (APP) for the year under review.
4	5	18-8-2017	i. Complete file regarding budget allocation for consultancy fee for designing, planning, supervision & quality control of PIA infrastructure at NIIAP, Islamabad (Item-3 of CPC meeting held on 29-07-2016). ii. Complete file regarding proposed amendment in Internal Audit Co-sourcing engagement (Item-5 of CPC meeting held on 29-07-2016).

			iii. Complete file regarding supply of meal to PIA employees through Canteen/Cafeteria (Item-02 O/A CPC meeting held on 29-07-2016).
5	6	18-8-2017	i. Complete file regarding supplying and applying of 5 MM heavy duty screed with Epoxy Floor Coating at B ay II Ispahani Hanger Engineering KAP. (Item-1 of 584/16 CPC meeting held on 30-11-2016). ii. Complete file regarding payment to Ipad vendors. (Item-10 of 584/16 CPC meeting held on 30-11-2016). iii. Complete file regarding M/s. Captain Poultry outstanding payment. (Item-05 of 586/16 CPC meeting held on 06-01-2017).
6	7	18-8-2017	Detail of all cases referred to NAB / FIA pertaining to P & L business as well as the officials/officers involved may be furnished.
7	8	21-8-2017	i. Complete file regarding London Security Agreement (Item-1 of 574/16 CPC meeting held on 25-01-2016). ii. Complete file regarding procurement of A-320 tools & equipment for check C1, C-12 (Item-12 of 574/16 CPC meeting held on 25-01-2016). iii. Complete file regarding purchase of spare APU for A-320 Aircraft. (Item-16 of 574/16 CPC meeting held on 25-01-2016).
8	9	21-8-2017	i. Complete file regarding CFM 56-5B Engine purchase to support A-320 Fleet (Item-1 of 575/16 CPC meeting held on 30-03-2016). ii. Complete file regarding overhaul project for A-320 Fleet (Item-2 of 575/16 CPC meeting

			held on 30-03-2016). iii. Complete file regarding procurement of A-320 tools &equipments (Check A1 to A-8) (Item-14 of 575/16 CPC meeting held on 30-03-2016). iv. Complete file regarding revision of GHA – SKT. (Item-15 of 575/16 CPC meeting held on 30-03-2016). v. Complete file regarding disposal of MT 1000 (Test Machine) (Item-16, of 575/16 CPC meeting held on 30-03-2016). vi. Complete file regarding extension of M/s filly agreement payment (Item-18, of 575/16 CPC meeting held on 30-03-2016). vii. Complete file regarding hiring of Transport Services for Speed-ex at domestic Network (Item-19, of 575/16 CPC meeting held on 30-03-2016). viii. Complete file regarding determination of BPTO 2380 (Turbo Oil) as proprietary item (Item-1 O/A , of 575/16 CPC meeting held on 30-03-2016).
09	10	21-8-2017	i. Complete file regarding Z / VSE U-Gradation & Migration of software (Item-1 of 576/16 CPC meeting held on 28-04-2016). ii. Complete file regarding pharmacopeia year 2016 (Item-9 of 576/16 CPC meeting held on 28-04-2016). iii. Complete file regarding procurement of Aircraft Weighing Machine (Item-11 of 576/16 CPC meeting held on 28-04-2016). iv. Complete file regarding payment to M/s

			Filly Transport Service (Item-12 of 576/16 CPC meeting held on 28-04-2016). v. Complete file regarding towing tractors for ATR 42/72 (Item-5 O/A of 576/16 CPC meeting held on 28-04-2016).
10	11	21-8-2017	i. Complete file regarding extension of transport contract (Item-1 of 578/16 CPC meeting held on 14-06-2016). ii. Complete file regarding hiring of transport services throughout domestic station along with copy of enquiry report (Item-15 of 578/16 CPC meeting held on 14-06-2016).
11	12	22-8-2017	i. Complete file regarding A-320 APU GTCP 131-9 A contract with Truimph Aviation Services. (O/A-Item-01 of 581/16 CPC meeting held on 22-09-2016). ii. Complete case file for hiring of hotel services at Sialkot for cabin crew. (O/A Item-01 of 582/16 CPC meeting held on 05-10-2016). iii. Complete file regarding procurement of CFM56-5B4 Engine fan blades set. (Item-7 of 586/16 CPC meeting held on 06-01-2017). iv. Complete file regarding B-777 purchase of APU Tooling Purchase (Item-8 of 586/16 CPC meeting held on 06-01-2017). v. Complete file regarding approval of B-777 landing gear shipset (AP-BHX) Advance exchange and overhaul. (O/A-Item-02 of 586/16 CPC meeting held on 06-01-2017). vi. Complete case file for approval of A-320 Fleet engines (CFM56-5B4/P) repair and

			overhaul. (O/A-Item-03 of 586/16 CPC meeting held on 06-01-2017). vii. Complete case file for approval of B-777 (AP-BMG & AP BMH) APU's repair. (O/A-Item-04 of 586/16 CPC meeting held on 06-01-2017).
12	14	23-8-2017	i. Complete case files for levy of Sindh Services Sales Tax on Caterers (Item- 4 of 218/16 of SPC meeting held on 09-06-2016).
13	15	23-8-2017	i. Complete case file of SAPS SGHA agreement 2017-18 (Item-01 of 231 /16 SPC meeting held on 28-12-2016). ii. Complete case file regarding post facto approval for water supply through private tanker in PIA KAP (Item-17 of 231 /16 SPC meeting held on 28-12-2016). iii. Complete case file regarding post facto approval for water supply tanker NLC (Item-18 of 231 /16 SPC meeting held on 28-12-2016).
14	16	25-8-2017	i. Complete case file of amendment- Call Centre facility management contract (O/A-Item-01 of 579 /16 CPC meeting held on 29-07-2016). ii. Details of advances to foreign suppliers for the procurement of items iii. Complete case file for hiring of rental generator set from M/s. Allied Rental Modarba for PTC building during period from 2014-17
15	17	28-08-2017	21 files of commercial purchase

16	18	29-08-2017	One file awaited out of 14 files
17	20	05-09-2017	Out of 98 files, 37 files awaited
18	21	06-09-2017	i. List of P&L Stock Rooms at PIA network ii. List of record maintained in all stores of PIA network iii. List of stores inventory at TGS, Engineering, Flight Kitchen, Uniform stores iv. Physical verification reports of all stores for the years 2015 and 2016 v. Details of shortage and excesses of stores items vi. List of slow moving items with cost vii. Discarded and scrapped stores items with value viii. Flight kitchen outdated /expired list with cost ix. Job description of each officer and staff posted at all stores
19	22	06-09-2017	38 files mentioned in the requisition may be provided for audit on priority basis.
20	23	06-09-2017	i. Procurement files/record along with payment files in respect of uniform cloth and other related items procured for Cockpit and Cabin Crew staff for "Premium Flights". ii. Files/record of procurement under "Risk Purchase Clause" during the period 2016.
21	24	08-09-2017	i. Manual/ SOP P&L Department ii. Objectives of P&L Department

22	25	13-09-2017	i. Complete file for sale A-310 AP-BEQ Aircraft to a German Company. ii. Intimate the name of the company to whom and when A-310 Aircraft was sold by PIA and at what price? iii. Complete case file for hiring of above A-310 Aircraft in exhibition at Germany. iv. Intimate the date on which A-310 was sent to Leipzig, Germany for an exhibition. v. Whose approval A-310 was sent to Leipzig, Germany for an exhibition when the aircraft was under disposal through tendering process which was tampered? vi. Intimate under whose approval a film company hired the plane in Malta for 10 days for a price of € 210,000 and whether the said amount has been received by PIA. vii. Intimate whether the approval of relevant official authorities of Govt of Pakistan was obtained before allowing the use of national flag carrier's aircraft for a pro-Israeli movie. viii. Intimate the procedure for booking of Charter Flight along with operating manual. ix. Who is authorized to book the charter flight? x. Intimate whether Director P&L was authorized to involve in the negotiation, finalization and signing of the Charter Agreement. xi. Intimate whether the plane was airworthy. xii. Intimate the book value of the plane? xiii. Intimate as to why the perfectly functioning A-310 aircraft's fuselage (body), the six engines and the four auxiliary power units were sold, even less than their scrap price. xiv. Movement record of the above A-310 during 2016-17.

			xv. Income / expenditure statement of the above A-310 Aircraft for 2016-17. xvi Intimate whether M/s Firefly Aircraft Salvaging offered a price of $157, 500 only for the purchase of six engines and four APUs which is significantly lower than its current written down value of around $4, 726, 792 and even lower than the scrape value of around $603, 416. xvii. Whether the sale proceed of the above Aircraft has been received by PIA, if so, documentary evidence may also be furnished. xviii. What departmental actions were taken against officials found involved in sale of the aircraft. xix. Complete file of hiring of Mr. Helmut Bachhofner as a technical consultant may be furnished. xx. Intimate whether advertisement was published for hiring the services of Technical Consultant in line with PPRA and PIA Rules. xxi. Intimate whether the appointment of consultant was made with the approval of the Board. xxii. What was the responsibility/job description of the consultant (Mr. Helmut Bachhofner) xxiii. What was tenure of his job and total amount paid to him relating to pay, perquisites and other benefits. xxiv. Intimate whether Mr. Helmut Bachhofner was

			shareholder and partner in the company who participated in the bid, and ended up being a beneficiary of this shady deal.
23	27	14-09-2017	1. List of persons deployed for Janitorial services by M/s. H. Z. Saqlain Traders at Faisalabad Station along with Registration Numbers of employees registered with EOBI and Social Security Institution 2. Details submitted by M/s. H. Z. Saqlain Traders on PR-2 form as required under Article-4B of the Agreement dated.29-06-2016 with M/s. H. Z. Saqlain Traders 3. Provide list of paid challans of EOBI monthly contribution of the persons deployed by M/s. H. Z. Saqlain Traders during 2016-17 4. Provide list of paid challans of Social Security monthly contribution of the persons deployed by M/s. H. Z. Saqlain Traders during 2016-17 5. All supporting documents of vendors which were considered in the technical Evaluation for proposals of Janitorial Services by Works and Projects Division vide Minute dated.17-12-2015 (Copy attached). 6. It has been mentioned in the Evaluation Report of provisioning of Janitorial Services at Faisalabad (copy attached) that M/s. Super Care Services were disqualified due to non-submission of number of personnel list and original/attested copies of Registration with EOBI and Social Security. Submission of number of personnel list and original/attested copies of Registration with EOBI and Social Security provided by other bidders may be provided. 7. Case file for the grievance of bidder, M/s. Super

<table>
<tr><td></td><td></td><td></td><td>Care Services for their rejection at Faisalabad Station along with all supporting documents (letter dated.28-03-2016 attached).</td></tr>
<tr><td>24</td><td>30</td><td>14-09-2017</td><td>1. List of persons deployed for Janitorial services by all contractors at Karachi, Islamabad, Lahore, Faisalabad, Multan, Quetta and Peshawar along with Registration Numbers of employees registered with EOBI and Social Security Institution
2. Details submitted by all the contractors of above locations on PR-2 form as required under Article-4B of the Janitorial Agreements of 2016-17.
3. Provide list of paid challans of EOBI/Social Security monthly contribution of the persons deployed by all the contractors at above locations during 2016-17.</td></tr>
<tr><td>25</td><td>31</td><td>18-09-2017</td><td>Details of the vendors (foreign/local) who failed to honor their commitments after taking advance payments for the last five years may please be furnished to audit on the following format:-
<table>
<tr><td>S. No.</td><td>Name of vendor</td><td>Name of item</td><td>P.O. No. & date</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
</table></td></tr>
<tr><td>26</td><td>32</td><td>19-09-2017</td><td>1. Complete contract file for up gradation of 777 Aircraft (Business class) to M/s. Stelia
2. Complete contract file for up gradation of 777 Aircraft (In-Flight Entertainment system) to M/s. Panasonic Avionics Corporation
3. Progress/completion reports of the above jobs
4. Details of payment/ advance payment to M/s. Stelia and M/s. Panasonic Avionics Corporation
5. Copies of bank guarantees obtained from the above contractors
6. Latest position of the cases</td></tr>
</table>

27	33	20-09-2017	1. Details of TA/DA expenditure of the Director/GM/DGM P&L during 2016 2. Copies of TA/DA bills/vouchers of the Director/GM/DGM P&L during 2016 (local and foreign) 3. Approval of the competent authority for foreign tours of Director/GM/DGM P&L 4. Detailed Summary/purpose of foreign tours along with files
28	34	21-09-2017	Complete files along with the copies of the agreements of Hotel accommodation for Cockpits and Cabin crew of PIAC at all foreign stations executed during the year 2015 & 2016 may please be furnished to audit on priority basis.
29	35	22-09-2017	1. List of contractors/ companies providing Human Resources to PIAC 2. Complete contract file for Dishwashing/ Pot washing for the years 2016 and 2017 3. Complete contract file for outsourcing of employees 4. Complete contract file for outsourcing of technical persons 5. Tender/contract file of M/s. United HR for the year 2016 6. Tender/ contract files of M/s. Fulcrum HR provider company
30	36	26-09-2017	1. Minutes of Hotec Committee for the years 2015 & 2016 2. Objectives and SOP/Manual of Hotec Committee 3. Minutes of EMC Committee for the years 2015 & 2016 4. Objectives and SOP/Manual of EMC Committee

31	37	26-09-2017	1. The earning through adds was required to be divided in the ratio of 70/30 of between the parties under contract. The details of amount of revenue received on this account may be provided. 2. The details of amount due on this account may be provided. 3. Correspondence file on account of receipt of revenue and allied correspondence may be provided 4. Cost-benefit analysis for outsourcing of Hamsafar Magazine may be provided 5. Details of expenditure incurred on outsourcing, production, printing etc. may be provided. 6. Details of losses sustained in the past on printing and distribution of Hamsafar Magazine in PIA Printing Press may be intimated.
32	38	02-10-2017	1. File of grievance of M/s. Atlas Equipment against rejection of bids of tender for procurement of Mayonnaise 2. File of grievance of M/s. Elmeer Corporation against rejection of bid of tender for procurement of Natural Yogurt (80 gram cup)
33	39	09-10-2017	Following information/record may be please furnished for audit on priority basis. 1. Working papers of item 11 of CPC 584-16 minutes dated.30-11-2016 regarding extension of contract period for existing private security service provider 2. Extension agreement of 55 days of M/s. Askari Guard Pvt. Ltd. as approved vide item 11 of CPC 584-16 minutes dated.30-11-2016 with

			payment details 3. New tender and contract agreement file of security companies as mentioned in the above minute with financial impact and payment details.

Annex-8

(See para No.1.1.4.20)

List of irregular appointment of officers/official

Sr. No.	Case Title	Court	Type	Lawyer Name	Judge/Court Number
1	ShaziaMaqsood Vs PIAC	Civil Court ISB	Fake Degree	SardarAtifNazir	Habib Bilal Ranjha
2	Capt. Azhar Khan Vs PIAC	Civil Court ISB	Fake Degree	Babar Ali	Nasir Ahmed Ganjana
3	ShahidKhattakvs PIAC	Civil Court ISB	Fake Degree	UmerVerdag	Habib Bilal Ranjha
4	M. Rehan Butt vs PIAC	Civil Court ISB	Fake Degree	ZahidMehboob	MubashirHasan
5	Mehboob Ahmed Vs PIAC	CIVIL COURT RWP	Fake Degree	Siddique Akbar Abbasi	YasirMehmood
6	M. Jamilvs PIAC	CIVIL COURT RWP	Fake Degree	ZahidMehboob	ShaukatMian
7	M. IlyasVs PIAC	HIGH COURT ISB	Fake Degree	UmerVerdag	
8	M. Asifvs PIAC	HIGH COURT ISB	Fake Degree	MazharAkram	MohsinAkhtar
9	TanveerRiazAbbasiVs PIAC	HIGH COURT ISB	Fake Degree	MazharAkram	MohsinAkhtar
10	Khalid ImtiazVs PIAC	HIGH COURT ISB	Fake Degree	Momin Ali	Miangul Hassan
11	Zulfiqar Ali Bijrani	HIGH COURT ISB	Fake Degree	Ms. RizwanFaiz	M Munir
12	ArshadMashi V/S PIAC	NIRC	Fake Degree	Raja Ghazanfer	FalakSherFarooqa
13	KhawajaRaufSehgalVs PIAC	NIRC	Fake Degree	Muhammad Waqas	FalakSherFarooqa
14	PIAC VsShelaNasir, Ashfaq Ahmed, Atiq Ur Rehman	NIRC	Fake Degree	MushtaqHussainBhatti	Hamid Hussain
15	Raja Saeed Ahmed Vs PIAC	NIRC	Fake Degree	ZahidMehboob	FalakSherFarooqa
16	TahirNaveed	NIRC	Fake Degree	Siddique Akbar Abbasi	FalakSherFarooqa
17	CH. Rizwan	NIRC	Fake Degree	SardarAtifNazir	FalakSherFarooqa
18	ZaheerHussain Shah vs PIAC	NIRC	Fake Degree	AttiqueTahir	FalakSherFarooqa
19	M.YounasVs PIAC	NIRC	Fake Degree	Muhammad Waqas	Baqir Ali Rana
20	Abdul RehmanVs PIAC	NIRC	Fake Degree	MazharAkram	Hamid Hussain
21	ArshadKhokharVs PIAC	NIRC	Fake Degree	SardarAtifNazir	Baqir Ali Rana
22	IjazYounasVs PIAC	NIRC	Fake Degree	HusnainMuzaffar	FalakSherFarooqa
23	Shafique Ahmed Vs PIAC	NIRC	Fake Degree	SardarAtifNazir	Full Bench
24	Tahira Sultan Vs PIAC	NIRC	Fake Degree	RizwanSatti	FalakSherFarooqa
25	Muhammad JamilVs PIAC	NIRC	Fake Degree	Momin Ali	FalakSherFarooqa
26	AsadMunib Sheikh Vs PIAC	NIRC	Fake Degree	SardarAtifNazir	FalakSherFarooqa
27	ShaistaIshaqvs PIAC	NIRC	Fake Degree	ZahidMehboob	FalakSherFarooqa
28	Raja Kamran	NIRC	Fake Degree	Siddique Akbar Abbasi	Hamid Hussain
29	MazharHussainvs PIAC	NIRC	Fake Degree	ZahidMehboob	FalakSherFarooqa
30	SohailBakshvs PIAC	NIRC	Fake Degree	ZahidMehboob	FalakSherFarooqa
31	M. Kamran Khan vs PIAC	NIRC	Fake Degree	ZahidMehboob	FalakSherFarooqa
32	Mirza Abdul Rauf Sultan Baigvs PIAC	NIRC	Fake Degree	HusnainMuzaffar	FalakSherFarooqa
33	IrumGulvs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	FalakSherFarooqa
34	NaeemAkhtarvs PIAC	NIRC	Fake Degree	Ms. RizwanFaiz	FalakSherFarooqa
35	M. NasirMasoodvs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Hamid Hussain
36	M. Jalil Khan vs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Hamid Hussain
37	Abdul Hameed Shan & others vs PIAC	NIRC	Fake Degree	Ms. RizwanFaiz	Hamid Hussain
38	Jahangir vs PIAC	NIRC	Fake Degree	Ms. RizwanFaiz	Hamid Hussain
39	Khalid Hussainvs PIAC	NIRC	Fake Degree	RizwanSatti	FalakSherFarooqa

40	M. Riazvs PIAC	NIRC	Fake Degree	SardarAtifNazir	Hamid Hussain
41	Naila Dost Muhammad vs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Full Bench
42	M. Zaheer Babar vs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Full Bench
43	Akhlaq Ahmed Chohanvs PIAC	NIRC	Fake Degree	Momin Ali	Hamid Hussain
44	Ch. Mumtaz Ali vs PIAC	NIRC	Fake Degree	Momin Ali	Hamid Hussain
45	M. Nawaz vs PIAC	NIRC	Fake Degree	SardarAtifNazir	Hamid Hussain
46	KhurramShehzad P No. 60593 Security Guard vs PIAC	NIRC	Fake Degree	Momin Ali	Hamid Hussain
47	KhurramShehzad P No. 60219 PSS vs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Full Bench
48	QismatShaheenvs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Full Bench
49	Irfan Shah Noshahivs PIAC	NIRC	Fake Degree	Siddique Akbar Abbasi	Full Bench
50	ZafarIqbalvs PIAC	NIRC	Fake Degree	SardarAtifNazir	Hamid Hussain
51	AdeemAbbasi	NIRC	Fake Degree	SardarAtifNazir	Hamid Hussain
52	SabirurRehman	Civil Court ISB	Fake Degree	SardarAtifNazir	Raja Farrukh Ali Khan
53	AzharHussain Shah	NIRC	Fake Degree	SardarAtifNazir	NIRC Full Bench
54	TanvirRiazAbbasi	NIRC	Fake Degree	SardarAtifNazir	NIRC Full Bench
55	ZafarIqbal	NIRC	Fake Degree	SardarAtifNazir	NIRC Full Bench

Annex-9

(See para No.1.1.4.36)

Statement showing negligence Engineering Department of PIAC

Inv. No.	Date	Purchase Order No.	Dated	Part No.	Qty	UOM	Amount (US$)	Remarks
129370300	17-12-10	PB1009340	17-12-10	21118890-2-Labor	1	EA	4,930.75	777-CSP Late Fee, Core Return 11 days Late
1407823600	23-09-11	PB1104137	23-09-11	4305990100-labor	1	EA	3,389.1	777-CSP Customer Damage PO PB1104137
1409479800	28-09-11	PB1104141	28-09-11	4305890071 Labor	1	EA	6,099.5	777-CSP Customer Damage PO PB1104141
1403054200	13-09-11	PB1104149	13-9-11	30-2300-6 LABOR	1	EA	8,300.65	777-CSP Customer Damage PO PB1104149
1407823700	23-09-11	PB1107316	23-09-11	4100941D LABOR	1	EA	1,530.4	777-CSP Customer Damage PO PB1107316
1373704200	30-6-11	PB1103112	30-6-11	3930007-105 LABOR	1	EA	35,076.6	CSP LATE FEE , LATE 28 DAYS
1373704000	30-6-11	PB1103120	30-6-11	2118890-2 LABOR	1	EA	10,758.00	CSP LATE FEE , LATE 24 DAYS
1373703600	30-6-11	PB1104128	30-6-11	8KE144AAB1 LABOR	1	EA	2,926.5	CSP LATE FEE , LATE 25 DAYS
						Total	**73,011.5**	

Annex-10

(See para No.1.1.4.37)

Statement showing the detail of excess payment to M/s Master Management

Sr. No.	Payment Date	Bill No & Date	Month and Year	Amount (Rs.)
1	24-08-17	1432,1433 dt 31-03-17	3-17	531,829
2	29-08-17	1498,1499 dt 30-4-17,1562,1563 dt 31-5-17	4-17 & 5-17	958,254
3	18-07-17	1336,1337 dt28-2-17	2-17	483,381
4	21-06-17	1286,1287 dt 31-1-17	1-17	845,823
5	11-04-17	1234, 1235 dt 31-12-16	12-16	1,088,069
6	22-02-17	1151,1152 dt 30-11-16	11-16	731,173
7	11-01-17	1022,1023 dt 30-9-16	9-16	746,707
8	27-01-17	1089,1090 dt 31-10-16	10-16	660,534
9	27-12-16	974,975 dt 31-8-16	8-16	702,326
10	30-11-16	906,907 dt 31-7-16	7-16	530,351
11	31-10-16	794,795 dt 30-6-16	6-16	440,691
Total Paid to M/s Master Management from 1-6-16 to 31-5-17				**7,719,138**
Total awarded contract to M/s Master Management from 1-6-16 to 31-5-17				4,020,000
Irregular Excess Payment				**3,699,138**

Annex-11

(See para No.1.1.4.39)

Statement showing the detail of short deposit of amount

Sr. No.	P.O. No.	Amount deposited by Agent (Rs.)
1	02059237	380,000
2	05671042	460,086
3	02059252	400,000
4	0006072	200,000
5	11412138	412,000
6	A-64491756	875,000
7	19388230	415,525
Total amount deposited by Agent in PIA		3,142,611
Total amount deposited by PIA in Bank slip# 401376 (Rs. 380,000 , 460,086 , 400,000 , 200,000 , 412,000= 1,852,086)		1,852,086
Short deposit by PIA in bank		(1,290,525)

Annex-12

(See para No.4.1.4.2)

Statement showing the detail of misplaced/unreturned inventory of Chairman house

Sr. No.	Date	Description	C. V. No.	Amount (Rs.)
1	20-03-2009	Laptop (Sony)	196/03	142,000
2	26-03-2009	Panasonic PABX	236/3	24,500
3	30-03-2009	Carpet(12)	JV-26/3	837,600
4	31-03-2009	Sony Bravio LCD2 Nos.	JV-19/3	227,360
5	02-04-2009	Laptop (Sony)	33/04	142,000
6	07-04-2009	Toyo Chairs	63/04	4,212
7	07-04-2009	Carpet 1 No.	63/04	11,200
8	07-04-2009	Vacuum Cleaner	63/04	21,576
9	07-04-2009	Geyser	63/04	21,576
10	07-04-2009	Split AC	63/04	27,500
11	07-04-2009	Stereo Set (Sony)	63/04	43,152
12	07-04-2009	DVD Home Theater	63/04	82,128
13	08-04-2009	Carpet	78/04	60,000
14	13-04-2009	Furniture & curtains for lounge upstairs	122/04	251,812
15	13-04-2009	Furniture & curtains for study room	122/04	272,743
16	13-04-2009	Furniture & curtains for bedroom	122/04	906,938
17	13-04-2009	Furniture & fixture (Tanveer)	71/08	103,8417
18	23-04-2009	Generator 22 KVA (International Power Service)	JV-11/04	1,022,400
19	24-04-2009	General Split 2 ton 2 Nos.	229/04	135,000
20	06-07-2009	Laptop	38/07	98,000
21	11-08-2009	ST-3100 LC 10 KVA UPS (7) (Systek Pvt. Ltd.)	80/8	1,392,510
22	01-10-2009	Air condition 4 tons Mitsubishi	10/10	185,000
23	18-11-2009	Computer UPS (Al- Maida)	10/10	185,000
24	14-01-2010	Printer	092	75,370
25	10-02-2010	Electric Items	408x435	7,250
26	03-05-2010	Laptop	1181	271,440
27	10-05-2010	Security system	1239	164,056
28	04-06-2010	Sony Laptop	1488	99,500
29	22-06-2010	Panasonic 2 ton AC1644	1644	78,000
30	02-07-2010	Scanner Machine	1769	10,950
31	07-09-2010	Sony Bravia LCD TV	2319	93,523
32	13-04-2010	Wooden Almirah	985/10	242,00
			Total	**7,790,813**

Annex-13

(See para No.4.1.4.6)

Statement showing the detail of payment

(Amount in Rs.)

Pay Prior to absorption			**Pay after absorption**	
Jan –June, 2008	53,499 x 6 =	320, 994	44, 850 x 6 =	269, 100
July-Aug, 2008	62,398 x 2 =	124, 796	40, 350 x 2 =	80, 700
Sep.-Oct, 2008	66,567 x 2 =	66, 567	40, 350 x 2 =	80, 700
Nov, 2008	68,651 x 1 =	68,651	40, 350	40, 350
Dec, 2008	70,627 x 1 =	70,627	40, 350	40, 350
Total		**718, 202**		**511, 200**
				718, 202
				1, 229, 402 x 4
				= 4,917,608
Pay as Chief Manager on May 31, 2016 (Rs.194, 148 x 4)				776,592
				5,694,200

Annex-14

(See para No.4.2.4.2)

Detail of bonus paid to Class-I to Class-IV Officer

(Rs. in million)

Sr. No.	Particular	Amount
1	Bonus Class –I (Officers)	28.980
2	Bonus Class –II (Officers)	20.302
3	Bonus Class –III (Employees)	5.443
4	Bonus Class –IV (Employees)	5.821
Total		**60.546**

Detail of operational losses

(Rs. in million)

Revenue Account	Fire	Marine cargo	Marine hull	Accidents and others	Aviation	Engineering	Treaty	2017 Aggregate
Net premium revenue	1063.24	43.20	28.45	152.89	120.39	434.37	3,255.78	5,098.322
Less: Net claims	(701.39)	(25.05)	(58.88)	(5.58)	(127.58)	(501.33)	(2,320.17)	(3,739.974)
Less: Expenses	(175.87)	(12.32)	(8.55)	(33.60)	(23.22)	(76.18)	(414.43)	(744.168)
Less: Net commission	(194.05)	(7.27)	(1.25)	(22.58)	(16.09)	(41.75)	(891.13)	(1,141.936)
Operational Profit / (Loss)	**(8.06)**	**(1.44)**	**(40.23)**	**91.13**	**(14.31)**	**(184.89)**	**(369.95)**	**(527.757)**

Annex-15

(See para No.4.2.4.5)

PRCL PDP-Suspended Companies 2017

Sr. No.	Name of Company	No. of Shares
1	Pakistan Guarantee Insurance Company Limited	22,029
2	Sterling Insurance Company Limited	23,250
3	Union Insurance Company of Pakistan Ltd.	56,227
4	Khurshid Spinning Mills Limited	7,600
5	Sahrish Textile Mills Limited	13,510
6	Taj Textile Mills Limited	5,600
7	Hashmi Can Company Limited	5,250
8	Hussain Industries Limited	15,820
9	Universal Oil Mills Limited	30,000
10	Dada Bhoy Cement Industries Limited	17,300
11	Zeal Pak Cement Factory Limited	39,130
12	Southern Electric Power Company Limited	13,963
13	Dewan Automotive Engineering Limited	52,333
14	Muhammad Farooq Textile Mills Limited	4,100
15	Crescent Jute Product	157,314
16	Pangrio Sugar Mills	100,000
Total		**563,426**

Annex-16

(See para No.4.3.4.4)

Statement showing the detail of irregular appointment of officers

Sr. No.	Name of officer	Designation	Cs. No.	Required qualification	Qualification at the time of appointment	Remarks
1	Mr. Afrasiab Khan	Asstt Mgr.	8-2124-9	Masters	Graduation	He was appointed on 6-11-2012. He was not holding requisite qualification ie. Masters. He acquired MA political science after his appointment
2	Mr.Ejaz Hanif But	Asstt Mgr	4-0212-0	Masters	Graduation	He was appointed on 6-11-2012. He was not holding requisite qualification ie. Masters. He acquired MA political science 10-12-12 after his appointment
3	Mr.Saifullah Lohar	Asstt Mgr	0-2329-0	Masters	Graduation	He was appointed on 10-05-2010. He was not holding requisite qualification ie. Masters. He was deficient in qualification
4	Mr.Tanzeel Ejaz Pirzada	Asstt Mgr	0-2422-6	Masters	Graduation	He was appointed on 6-11-2012. He was not holding requisite qualification ie. Masters at the time of appointment
5	Mr.Babu Khan	Asstt Mgr	6-0802-6	Masters	Graduation	He was appointed on 12-04-2010. He was not holding requisite qualification ie. Masters. after his appointment
6	Mr.Syd Hur Abbas	Office Asstt.		Graduation	Inter	He was not holding requisite qualification ie Graduation at the time of appointment
7	Mr. Ali Ghulam	Asstt Mgr		Graduation	Inter	He was not holding requisite qualification ie Graduation at the time of appointment
8	Mr.Samina Shahid	Asstt Mgr		Graduation	Inter	He was not holding requisite qualification ie Graduation at the time of appointment

9	Mr. Fatehullah Khan	Asstt Mgr		Graduation	Inter	He was not holding requisite qualification ie Graduation at the time of appointment

(Amount in Rupees)

Designation	Salary PM	Period	No. of employees	Total amount
Asstt Managers	70,000	69 months	05	24,150,000
Office Asstt	50,000	69 months	04	13,800,000
Total				**37,950,000**

Annex-17

(See para No.4.3.4.8)

List of Debit balances in Assets & Receivables accounts Stands Irrecoverable

S. No.	DATE OF TRANSACTION	A/C. CODE	A/C. CODE TOTAL (Rs.)	AGING	BRIEF DESCRIPTION
1	N/A	24	62,418.00	Very Old	Imprest for Franking Machine Deposit
2	Prior to 2000	050-AF	34,225.23	More than 15 years old	Cash & Cheque collection deposited in the bank but not credited by bank
3	Prior to 2000	051-AE	5,322.00	More than 15 years old	Cash & Cheque collection deposited in the bank but not credited by bank
4	Prior to 2000	070-CA	7,179.00	More than 15 years old	Cash & Cheque collection deposited in the bank but not credited by bank
5	Prior to 2000	100-ZA	17,409.10	More than 15 years old	Cash & Cheque collection deposited in the bank but not credited by bank
6	Prior to 2000	130-ZA	59,822.70	More than 15 years old	Cash & Cheque collection deposited in the bank but not credited by bank
7	Prior to 1989	130-CD	29,697.30	Very Old	Cash & Cheque collection deposited in the bank but not credited by bank
8	Prior to 1972	171	26,930.00	Very Old	Loan to Staff/Officers
9	Prior to 1976	174	29,729.00	Very Old	Advance against Two Month's Salary Advance
10	Prior to 2000	178	17,727	More than 15 years old	House Rent Adv-Mr. M. Sarwar PR 40056-6
11	N/A	188-ZA	2,662.00	Very Old	Rain Relief Advance-Mr. Mubashir Mehmood
12	N/A	189	48,473.00	Very Old	Advance against Expenses
13	Prior to 1973	190-ZA	1,295.00	Very Old	Advance to Field Executives-Rural Insurance
14	29-06-73	191	30,995	Very Old	Advance to Contractors-Mr. Manzoor Elahi
15	06-01-93	194	32,483.00	Very Old	Security Deposit against Death Claims
16	13.05.75	196	54,949.50	Very Old	Sedule of Claims others
17	01-10-82	198	12,939.00	Very Old	Amount Receivable (Defalcation by staff)
18		199-ZA	287,817.00	Very Old	Defalcation by Field Workers
19	18/07/2002	199-ZA	51,050	More than 14 years old	Defalcation by Field Workers
20	N/A	205-ZA	157,656	Very Old	Cash With Ex-Management
21	Prior to2002	206	984,222	More than 14 years old	Account Receivable (Others)
22	21-04-91	293	24,545.00	Very Old	Vehicle Loan to S.R.-Ch. M. Akram 5356586
23	20.10.1997	295	31,886.00	Very Old	Vehicle Loan to SR up to 18/08/2000
24	17.06.1997	297	179,506.00	Very Old	Vehicle Loan to SO up to 18/08/2000
25	09/07/1988	300	24,022.00	Very Old	Emergency Loan to SR up to 18/08/2000
26	25/05/1993	305	11,154.00	Very Old	Eid Advance to SR up to 18/08/2000
27	14-11-94	383 SB	37,500.00	Very Old	Loan Advance under Surgical Benefits
28	10-01-64	385 ZA	125,660.76	Very Old	Loan on Personal Security
29	30-01-91	389	51,508.00	Very Old	House Building Loan Staff
30	08-Aug-85	390	55,668.00	Very Old	Conveyance Loan to Staff
	TOTAL		**2,445,400.49**		

Annex-18

(See para No.4.4.4.1)

Receivables from Govt. Institutions and other companies

	2017-18 (Un-Audited)	2016-17	2015-16	2014-15	2013-14
	Rs. in million				
Utility Stores Corporation of Pakistan		32,426.56	35,098.46	36,876.94	36,682.02
National Fertilizer Marketing Ltd		12,623.65	15,858.37	11,390.54	16,361.91
Sindh Food Department		2,920.29	2,920.29	2,920.29	2,920.29
Punjab Food Department		1,617.36	1,617.36	1,617.36	1,617.36
Baluchistan Food Department		1,814.72	1,814.72	1,814.72	1,814.72
KPK Food Department		2,438.90	2,438.90	2,438.90	2,438.90
AJK Food Department		130.35	130.35	130.35	130.35
Government of GilgitBaltistan		1,252.03	1,252.03	1,252.03	1,252.03
Directorate General Procurement Army		185.40	185.40	185.40	185.40
Pakistan Navy		79.08	79.08	79.08	79.08
TCP Employees		0.06	0.06	0.06	0.37
Others		3.42	3.42	3.42	3.42
Total	**48,267.572**	**55,491.81**	**61,398.43**	**58,709.07**	**63,485.46**

Age Analysis of above receivables from Govt. Institutions and other companies

	2016-17	2015-16	2014-15	2013-14
	Rs. in million			
Less than 1 year	-	8,315.48	17,588.00	40,473.61
1-3 Years	44,798.83	42,390.50	30,428.68	12,490.22
More than 3 years	10,692.98	10,692.45	10,692.40	10,521.64

Annex-19

(See para No.5.1.4.1)

Statement showing the detail of mis-appropriation of funds

Sr. No.	Name	Designation	Original Charged from KIDCL. P/M	Original payment to Personnel A/C.	Total Per month Difference (Rs.)
1	Mr. Tanveer Mustafa Mirza	Chief Resident Engineer.	400,000	243,542	156,458
2	Mr. Nadeem Jamal	Resident Engineer	275,000	165,433	109,567
3	Mr. Rais Ahmed	Resident Engineer	275,000	141,091	133,909
4	Mr. M. Babar Khan	Asstt. Resident. Engineer	225,000	127,183	97,817
5	Mr. Abdul Rab Lanjar	Asstt.Resident. Engineer	225,000	73,042	151,958
6	Mr. Muhammad Amin	Asstt.Resident. Engineer	225,000	100,701	124,299
7	Mr. Akhtar Hussain	Asstt.Resident. Engineer	225,000	96,717	128,283
8	Mr. Naseem Ahmed	Asstt.Resident. Engineer	225,000	96,331	128,669
9	Syed Iajaz Hussain	Material Engineer	150,000	86,624	63,376
10	Mr. Muhammad Faisal	Asstt. Material Engg.	90,000	46,723	43,277
11	Mr. Javed Iqbal	Asstt. Material Engg	90,000	45,953	44,047
12	Mr. Qasim Abbas	Quantity Surveyor	90,000	44,817	45,183
13	Mr. Muhammad Talha	Asstt. Q. Surveyor-CQS	50,000	30,000	20,000
14	Mr. Mehmood Kareem	Site Inspector	125,000	25,000	100,000
15	Mr. Tahir Rasheed khan	Site Inspector	125,000	49,583	75,417
16	Mr. Muhammad TAftab Khan	Site Inspector	125,000	54,350	70,650
17	Mr. Riaz Ahmed Shahbaz	Site Inspector	125,000	44,817	80,183
18	Mr. Ebad Ameen Khan	Site Inspector	125,000	36,982	88,018
19	Mr.Muhammad Asghar Jawaid	Site Inspector	125,000	25,000	100,000
20	Mr. Anjum Rasheed	Surveyor	100,000	47,677	52,323
21	Mr. Muhammad Ilyas Qureshi	Surveyor	100,000	44,817	55,183
22	Mr. Muhammad Dilshad Baig	Surveyor	100,000	52,359	47,641
23	Mr. Adil Anwar	Surveyor	100,000	40,000	60,000
24	Mr. Liaquat Ali Anjum	Material Inspector	75,000	39,920	35,080
25	Mr. Zeshan Ahmed	Material Inspector	75,000	39,920	35,080
26	Mr. Salaman Yaqoob	Material Inspector	75,000	40,000	35,000
27	Mr. Muneer Ahmed	Material Inspector	75,000	38,000	37,000
28	Mr. Muhammad Rizwan	Document Controller	75,000	36,976	38,024
29	Mr. Waqas	Surveyor Helper	40,000	16,000	24,000
30	Syed Faraz Ali	Surveyor Helper	40,000	16,000	24,000
31	Mr. Sajjad Imam	Surveyor Helper	40,000	16,000	24,000

32	Mr. Asif Shahzad	Surveyor Helper	40,000	16,000	24,000
		TOTAL	**4,230,000**	**1,977,558**	**2,252,442**
Total of Differnce Rs.2,252,442*36 months = 81,087,912					
				Grand Total	**Rs.81,087,912**

Annex-20

(See para No.5.1.4.2)

Statement showing the detail of irregular award of contracts

Sr. No.	Particulars	Amount (Rs. in million)
1	Non-execution of liquidity damages(LD) condition Rs.442.884 m.	442.884
2	Non-recovery of LD Charges from the contractor of BRTS/UT-01, amounting to Rs. 21.933 million	21.933
3	Non-imposition of LD Charges for delaying work of GL-01 Rs.247.922 m.	247.859
4	Non-impose of LD Charges for delaying work of GL-02 Rs.140.975 million.	140.975
5	Non-impose of LD Charges on non-completion of work GL-03 Rs.100.374 m	100.374
6	Non-imposition of LD Charges on non-completion of work GL-05 Rs.206.168 million.	206.168
7	Non-Imposition of penalties on failure of consultant to comply with time to completion Rs. 1106.7 million	1,106.700
8	Non-Imposition of penalties on failure of consultant to comply with time to completion in design work Rs. 2192.0 million.	2,192.000
9	Non-imposition of LD Charges for delay in work of GL-02 - Rs. 140.979 million	140.979
	Total	**4,599.872**

Annex-21

(See para No.5.1.4.3)

Statement showing the detail of irregular revision of the cost of contracts

Name of Project	Name of Contractor	Award of contract	Original contract amount (Rs. in million)	Cost Increased (Rs. in million)	Total Revised Cost (Rs. in million)	% age increased
Construction of water tank	Muhammad Hussain Builders Malik & Company	Dec, 2015	145.796	73.542	219.338	50.44
Construction of RCC elevated Section	CRFG-Metricon Joint Venture	January, 2016	1,813.614	665.930	2,479.544	36.72
Construction Section from Nagan Chowrangi to Nazimabad	Ch. Abdul Latif & Sons Pvt. Ltd	Mar, 2016	1,084.717	325.040	1,409.757	29.97
Construction of Board office Interchange	Agha Construction Company	Mar, 2016	785.867	217.882	1,003.749	27.73
EA. Consulting	EA. Consulting Company (JV)	-	69.145	226.436	295.581	327.48
Total			**3,899.139**	**1,508.830**	**5,407.969**	-

Contract Detail	Contract Amount	Variation amount	% of Revision	Status
UT-01	145,796,582	73,542,005	50.44%	Complete
GL-01	1,813,614,183	665,608,310	36.70%	Incomplete
Gl-02	1,084,717,648	325,076,021	29.96%	Incomplete
GL-03	785,867,391	144,159,628	18.34%	Incomplete
EA. Consulting	69,145,000	226,436,456	150.33%	Incomplete
Total	**3,899,140,804**	**1,434,822,420**	**36.79%**	

1,508.830 + 1,434.822 = 2,843.652

Annex-22

(See para No.5.1.4.4)

Statement showing the detail of irregular award of contracts

Sr. No.	AIR Para No.	Observation	Rs. in million	Nature of irregularity
1	53	Illegal award of tender to unregistered joint venture consultancy firm Rs.295.470 million.	295.470	The hired lead consultancy firm neither in joint venture M/s BLIC Gmbh a non-resident firm was neither registered separately nor in joint venture at the Pakistan Engineering Council.
2	54	Irregular award of consultancy to M/S EA consultant Pvt Ltd by awarding unjustified marks, amounting to Rs.689.657million.	689.657	In evaluation criteria for firm's General experience both the firms were awarded 36 marks each and in specific experience M/s EA Consulting (Pvt) Ltd awarded 60 marks without having specific major BRT project experience. Only NESPAK has such experience in Pakistan. The past performance score of the consultant in last three assignments M/S NESPAK (Pvt) Ltd was calculatingly awarded less to enable M/s EA Consulting (Pvt) Ltd to win the tender.
3	56	Illegal Hiring of unregistered Consultancy firm Rs.174.604 million.	174.604	Tender was awarded to M/S EA Consultants (Pvt) a lead firm of Joint venture of M/s Geotechnical Services+ M/S Environmental Management Consultants+ National Management Consultants+ M/S Data Communication and Control (Pvt) Ltd. Among

				the Joint venture National Management Consultants firm does not possess registration with Pakistan Engineering Council.
4	58	Illegal hiring of personnel and sub consultants without approval and codel formalities Rs. 67.741 million	67.741	M/S EA Consultants (Pvt) a lead firm of Joint venture of M/s Geotechnical Services+ M/S Environmental Management Consultants+ National Management Consultants+ M/S Data Communication and Control (Pvt) Ltd hired personal and sub-consultants without intimation of KIDCL management as mentioned in agreement with Consultant.
5	60	Non-assessment of Performance of personnel and sub consultants despite failure of consultancy services Rs.187.221 million	187.221	Company sustained loss due to non-assessment of performance of the consultants
6	61	Non-payment /deduction of EOBI Contribution for personnel and sub-consultants by M/S EA consultant Rs. 4.0645 million.	4.0645	M/S EA Consultants did not paid EOBI/SESSI contribution which make doubtful all the payments of salaries to personnel of the firm
7	62	Company sustained loss due to incompetent /inefficient consultancy of M/S EA Consulting Rs.1434.822M	1434.822	There is a bottomless failure in supervision of consultant in development of infrastructure and cost, almost all contract packages were revised more than 15% without any approval and proper justification.
TOTAL			**2,853.579**	

Annex-23
(See para No.5.1.4.6)

Detail of irregular appointments

Sr. No.	No.	Name of Officer & Designation	Date of appointment	Rs. in million	Remarks
1	04	Mr. Nisar Ahmed Sario. (Chief Engineer) Establishment OM June 24, 2010	16th December 2016	5.400	Overage & without age relaxation.
2	05	Mr. Nisar Ahmed Sario. (Chief Engineer) EstablishmentOM June 24, 2010	16th December 2016	1.800	Paid pension and salary at the same time as he is retired employee of Sindh Local Government Department of
3	06	Lt. Col. (R) Zahid Shamshad (Manager Quality Assurance) Advertisement dt. 4-1-2016	16th December 2016	3.200	Appointed without required qualification and experience. He is not registered with Pakistan Engineering Council.
4	42	Mr. Umer Hafeez Shaikh (Project Engineer Civil) 23-06-2015	9th December 2016	3.360	He has not required experience. Moreover, his certificates are doubtful without reference number and proper seal of the institution.
5	43	Mr. Ahsan Ali (Assistant Engineer) 4-1-2016	9th December 2016	1.800	He has not required experience. Moreover, his certificates are doubtful without reference number and proper seal of the institution
6	44	Mr. Ashraf Lodhi & Mr. Zaheer Abbass Zaidi (Field officers) 23-08-2015	9th December 2016	6.720	Appointed without PEC registration and verified experience certificates with original seal and salary certificates of their previous employer.

7	45	Mr. Muhammad Shahid (Quality Surveyor) 01-01-2015	3rd July 2015	3.00	Without PEC registration and verified experience certificates with original seal and salary certificates of their previous employer.
8	46	Mr. Aamir Raza Shaikh (Assistant Engineer Planning) 23-08-2015	3rd July 2015	2.600	Without PEC registration and required experience with original seal and salary certificates of their previous employer
9	47	Mr. Fahad Hameed Samo (Project Engineer) 23-08-2015	23rd December 2015	3.120	Without PEC registration and required experience of the post with original seal and salary certificates of their previous employer.
10	48	Mr. Sheraz Ali Khwaja (Project Engineer)	23rd November 2015	3.120	Without required experience of the post with original seal and salary certificates of their previous employer.
11	49	Mr. Shaikh Mashkoor Ahmed (Field official) 23-08-2015	24th February 2016	1.440	Appointed without post advertisement and other formalities.
12	50	Syed Mujawar Hussa8in Shah (Assistant Engineer Document) 23-08-2015	23rd November 2015	1.820	Without mandatory experience and qualification required for the post.
13	51	Syed Farhan Hasnain Assistant Engineer 23-8-2015	23rd November 2015	1.820	Without mandatory experience and qualification required for the post.
			Total	**39.200**	

Annex-24

(See para No.8.1.4.2)

Statement showing the detail of non-recovery of decreed amount

Sr. No.	Account No	Name of customers	Decree Date	Amount Involved
1	8040010384	Pervez Ali	11/3/2015	1,011,000
2	8040010376	M/S Niaz Muhammad	11/3/2015	1,032,042
3	8040020631	Azizuddin Shaikh	9/2/2017	396,578
4	9040000581	Farah Mir	9/2/2017	800,844
5	8040006945	Irshad Baig & Others	11/11/2015	1,541,193
7	1040002014	Syed Kamil Shah	21/11/2016	608,080
8	8040006044	Rehana Perveen	-	1,072,187
10	8040021563	Mangal Mal	--	4,106,948
11	8040020607	Mukhtiar Ahmad	19/2/2016	1,477,759
12	9040002405	Fahimuddin	22/6/2016	460,120
13	9040001241	Shah Nawaz Bhatti, Shahzaib Bhatti	--	483,744
15	8040007562	Mohammad Ayoub Khan	2/2/2016	668,698
16	1040002816	Israr Ali Bloach & Aijaz Ali	27/1/2016	553,634
17	1040002501	Shahnaz Perveen	27/1/2016	756,320
18	7040305058	Syed Ali Muhammad Shah	29/11/2016	1,059,731
19	7040566097	Shoukat Ali Talpur	23/9/2016	1,380,507
20	8040022504	Syed Gazanfar Hussain	16/2/2016	2,441,052
21	8040020789	M. Sami Khan	16/2/20165	2,950,923
22	1040003434	Waseem Khan	2/2/2016	724,607
23	8040021241	Syed Altaf Hussain Shah	19/1/2016	2,186,899
25	7040462958	Haji Irshad Ahmed	30/3/2016	143,646
26	7250251380	Gagandas	9/2/2016	1,083,875
27	7250254509	Mohan Lal	9/2/2016	1,076,976
28	7250254434	Thanwardas	11/2/2016	1,076,789
29	8040005582	Abdul Basit & Others	--	1,559,012
30	7040633087	Bilqees Bano	--	1,292,608
31	7040542247	Mohammad Iqbal	11/2/2016	1,050,446
33	7040635975	Khamiso Khan	16/8/2016	1,075,100
34	7040544896	Bilqees Fatima	9/2/2016	10,465,222
35	8040017769	Syed Mureed Hussain Shah	20/7/2017	1,350,113
37	8040022900	Muhammad Yaqoob	--	1,985,422
38	1040002451	Khalid Hussain Bhurghari	--	615,695
39	1040003129	Muhammad Chuttan	28/3/2016	790,008

40	1040003350	Abdul Latif	17/2/2016	794,402
41	1040003442	Jaffar Ali	--	790,008
42	9040001894	Munawar Hussain	25/3/2016	1,055,235
43	9040001316	Nazir Hussain Khuwaja	25/3/2016	525,394
44	9040000144	Ali Roshan	25/3/2016	309,709
45	8040005624	Gulzar Bano	--	962,433
46	8040011309	Shabana Khalid	19/5/2016	842,838
47	8040014980	Azhar Ahmed Shaikh	14/5/2016	580,841
48	7040245163	Muhammad Rafique	--	850,254
49	7040257861	Muhammad Rafique Abro	11/5/2016	405,783
50	7040291357	Imtiaz Begum	11/5/2016	447,682
51	7040305702	GUL MUHAMMAD (Alias) Gullan	10/8/2016	329,108
52	7040346979	Rehana	13/5/2016	474,366
53	7040418331	Shireen Agha	13/5/2016	478,516
54	7040470878	Arbab Khatoon	13/5/2016	586,426
55	7040502555	Qamar-Un-Nisa Begum	11/5/2016	694,226
56	7040610887	Shah Bux	19/5/2016	617,122
57	7040611042	Zulfiqar Ali	13/5/2016	422,678
58	7040639936	Shahzadi Begum	24/5/2016	664,547
59	8040018759	Muhammad Shahid & Muhammad Ashr	31/8/2015	1,421,277
60	8040021753	Saira Qaimkhani	9/2/2017	469,544
61	8040017637	Noman Ali	1/16/2016	534,522
62	8040018858	Muhammad Zahid	16/1/2016	608,556
63	1040001594	Ameer Jan	16/1/2016	509,861
64	1040001701	Rasheedan	19/3/2016	359,669
65	8040022918	Muhammad Ashraf	19/1/2016	2,146,183
66	8040007349	Tayyab Ali	8/6/2016	559,923
67	8040021100	Imran Qureshi	2/3/2016	623,327
68	8040007778	Shahbuddin & Zubair Ali	27/1/2016	808,579
69	9040003908	Sher Shamsuddin Sehto	16/02/2016	590,174
70	8040016399	Ishtiaque Ahmad	8/3/2017	1,954,599
71	8040021357	Fida Hussain	9/2/2016	2,242,231
72	8040018593	Farah Deeba Khero	9/2/2016	1,340,821
73	9040001852	Safia, Jam Mubeen Ahmed	25/3/2016	629,268
74	9040000326	Tasleem Akhtar, Noor Un Nisa	25/3/2016	530,328
75	8040018379	Kamran Khan	24/5/2016	317,396
	Total			**76,755,604**

Annex-25

(See para No.8.1.4.4)

Statement showing the detail of irregular disbursement of loans beyond Area limit

Sr. No.	Account No.	Name of Customer	Sanctioned Date	Amount
1	9040006042	PHERO MAL	4/15/2016	10,000,000
2	9040006596	LAL CHAND LOHANA	2/20/2017	10,000,000
3	9040006620	KISHAN CHAND	11/10/2016	10,000,000
4	9040006950	MAHESH KUMAR	11/6/2017	10,000,000
5	9040005283	JAI PARKASH	6/26/2015	10,000,000
6	9040006356	CHANDAR LAL LOHANA	7/29/2016	10,000,000
7	9040006455	PARS RAM	11/25/2016	10,000,000
8	9040006562	PEHLAJ MAL	11/10/2016	10,000,000
9	9040006109	HARESH KUMAR	4/29/2016	10,000,000
10	9040004815	MUHAMMAD IBRAHIM	2/6/2015	7,500,000
11	9040006117	YAR MUHAMMAD	4/29/2016	7,500,000
12	9040005655	SUKHRAM DAS	11/30/2015	7,500,000
13	9040005408	DILEEP KUMAR	8/31/2015	7,500,000
14	9040006836	ASHOK KUMAR, SHANKAR DAS, LAL CHAND	8/24/2017	7,000,000
15	9040004724	NARAIN MAL	12/31/2014	5,780,000
16	9230001662	BHAGWAN DASS	9/5/2014	5,569,000
			Total	**138,349,000**

Annex-26

(See para No.8.1.4.8)

Statement showing the detail of penalties

Sr. No.	Observations & Violations of Housing Finance Prudential Regulation HF/ Circular Letters	Annexure/ Appendix	Amount (Rs.)	Total Accounts
1	Did not send notices to the borrowers classified in OAEM ,Violating HF-10.	A-01	421,000	421
2	Monthly installment exceeded debt burden of 50% violating HF-3	A-02	30,000	3
3	CIB of borrower was not obtained violating HD1 (10)	A-03	12,000	4
4	Loans were not reported in eCIB data violating CPD Circular 01 of 2011	A-06	1,080,000	594
5	Did not display documents on Notice boards as required by SBP	A-07	390,000	21
6	Did not resolve complaints within 15 working days violating Circular 1 of 2016	HO-04	42,000	16
7	Detail of mis-classified advances and provisions	Ap D-ii	1,440,000	160
8	Detail of additionally classified advances and provisions required	Ap D-iii	5,090,000	3297
9	Detail where Forced Sale Value (FSV) benefit against provisioning	Ap D-iv	1,300,000	195
10	Actual status of classification of loan was mis-reported in eCIB violating Circular 01 of 2011.	A-05	30,000	288

Annex-27

(See para No.8.1.4.17)

Statement showing the detail of non-collection of sale deeds from the Registrar Office against investment

Sr. No.	Account No	Assignment Date	Investment Amount (Rs.)
1	9040006638	2- Nov-16	2,500,000
2	9040006620	6-Dec-16	10,000,000
3	9040006661	13-|Dec-16	2,500,000
4	9040006356	1-Nov-16	10,000,000
5	9040006299	2-Nov-16	5,000,000
6	9040006448	3-Nov-16	2,000,000
7	9040006273	10-Nov-16	2,446,000
8	9040006331	23-Nov-16	1,100,000
9	9040006562	25-Nov-16	10,000,000
10	9040006505	15-Dec-16	5,000,000
11	9040006455	26-Jan-17	10,000,000
12	9040006729	5-Apr-17	800,000
13	9040006596	19-Apr-17	10,000,000
14	9040006778	4-May-17	1,000,000
15	9040006703	5-May-17	1,440,000
16	9040006711	12-May-17	2,300,000
17	9040006745	25-May-17	1,500,000
18	9040006760	30-May-17	1,500,000
19	9040006794	31-May-17	900,000
Total			**79,986,000**

Annex-28

(See para No.8.2.4.13)

Irregular appointment of Mechanical Engineer

Sr. No.	From	To	Salary per month	No. of months	Total amount paid in Rs.
1	18.12.2006	16.06.2007	40,000	06	240,000
2	17.06.2006	31.12.2007	48,000	18	864,000
3	01.01.2008	31.12.2008	50,160	12	601,920
4	01.01.2009	28.02.2009	53,170	02	106,340
5	01.03.2009	30.06.2010	69,121	15	1,036,815
6	01.07.2010 (promoted)	30.06.2011	90,266	12	1,083,192
7	01.07.2011	30.06.2012	108,771	12	1,305,252
8	01.07.2012	30.06.2013	127,806	12	1,533,672
9	01.07.2013	30.06.2014	146,338	12	1,756,056
10	01.07.2014	30.06.2015	169,752	12	2,037,024
11	01.07.2015	30.06.2017	186,727	24	4,481,448
12	01.07.2017	30.06.2018	216,604	12	2,599,248
				Total	**17,644,967**

Annex-29

(See para No.8.2.4.17)

Detail of payment made by PSPC on account of income tax on behalf of MD and ED on payment of Special Management Allowance

Sr. No.	Name of the officer	Tax year	Total amount paid to the officer	Tax amount paid by PSPC (Rs.)
1.	Mr. Muhammad Misbah Tunio, Managing Director	2014-15	1,906,667	723,215
2.	-Do-	2015-16 (up to April 30, 2016)	1,300,,000	493,103
3.	Mr. Shamsuddin Soomro, Executive Director	2014-15 (April to June 2015	300,000	26,250
4.	-Do-	2015-16 (up to April 30, 2016)	1,000,000	250,000
Total			**3,206,667**	**1,492,568**

Annex-30

(See para No.8.3.4.3)

Statement showing non-production of record

Sr. No.	Description	As per management reply dated 18.09.2018	Rs. in million (Approx.)
1	Details of Receivable Hyderabad office.	Pending with DAU.	872,344,303
	Details of Recreation Allowance.	Pending with salary and advances unit.	12,557,523
2	Details of Collection of revenue and payments on behalf of Government Departments.	Pending with PAU.	-
	Reporting of transactions to Federal Board of Revenue (FBR) through online network, on daily basis, under Collection Automation Program (CAP).	Pending with PAU.	-
	Details of settlement of Govt. Deptts.Payments and receipts through NBP as an agent of SBP.	Pending with PAU.	-
	Details of Reporting of Zakat Balances	Pending with PAU.	1,166,147
3	Progress report / work report of security department.	Pending with IBSU.	-
	Office order files.	Pending with SMU.	-
	Gate passes.	Pending with IBSU.	-
4	Detail of incidents reports, settled & pending during the year.	Pending with SPU.	-
5	Detail of incidents reports, settled & pending during the year.	Pending with SPU.	-
	Complete files of procurement of medicines.	Pending with MSU.	-
6	Detail of repair maintenance of vehicles.	Pending.	-
Total			**886,067,973**

Annex-31
(See para No.8.3.4.6)

Statement showing the detail of procurement of vehicles

Sr. No.	Vehicle Description	Total Cost
1	Honda Civic 1.8 navigation and multimedia	2,363,000
2	Honda Civic 1.8 ivetc oriel navigation and leather	2,513,000
3	Honda Civic 1.8 ivetc oriel navigation and leather	2,363,000
4	Honda City Aspire 1.3 Prosmatic	1,642,000
5	Honda Civic 1.8 CC with sunroof and navigation	1,787,500
6	Honda Civic 1.5 ivetc oriel navigation and leather	2,513,000
7	Honda Civic 1.8 ivetc oriel navigation	2,513,000
8	Toyota Corolla Altis Grande 1.8 CVIT A/T	2,363,000
9	Toyota Corolla XLI	1,642,000
10	Honda Civic 1.5 Turbo	2,513,000
11	Toyota Altis 1.6 AT	1,789,000
12	Honda Civic 1.8 Oriel with Navigation	2,353,000
13	Honda Civic 1.8Oriel	1,789,000
14	Honda Civic 1.8 Oriel	2,513,000
15	Audi A4 Stronic	5,850,000
16	Toyota Fortuner	5,407,000
17	Honda Civic Oriel 1.8	2,513,000
18	Toyota GLI MT	1,864,000
19	Toyota Corolla GLI MT	1,787,500
20	Suzuki Bolan	725,000
21	Toyota Corolla GLI MT	1,789,000
22	Toyota Corolla GLI MT	1,789,000
23	Fortuner	5,257,000
24	Toyota Coaster	8,556,500
25	Toyota Crolla CU 1300CC	1,752,000
26	Toyota Crolla XLI	1,662,000
Total Cost		**Rs. 69,095,500**

Annex-32

(See para No.8.3.4.9)

Statement showing the detail of payment of fee

S. No.	Description of the Case	Lawyers' / Advocate Names	Fee Paid (Rs.)
1	WP. No. 33872/2016	Hasan&Hasan	4,040,000
2	Suit 322,364,373,374/2001	Sayed&Sayed Advocate	1,500,000
3	CP3990/2011	Aijaz Ahmed	1,000,000
4	CP-D-3007/2015	Liaquat Merchant	2,500,000
5	CP-D-3076/2005	Liaquat Merchant	2,500,000
6	CP-D-4927/2015	Liaquat Merchant	2,500,000
7	CP-1163/2016	Mandiwala&Zafar	3,000,000
8	WP 32365/2004	Hasan&Hasan	5,000,000
9	ICA 655,656,657/2013	Hasan&Hasan	7,500,000
10	WP No. 12897/2013	AshtarAsraf& Co.	2,000,000
11	CP. No. D-440/2012	M/s. A.K Brohi& Co.	1,200,000
12	D-2740 Naseem Ahmed Shah VsSBP& Other	M/s. A.K Brohi& Co	1,000,000
13	Suto Moto action No.10/2012 out of CA 1045/2007	Qadir H. Sayeed of Sayeed&Sayeed (Advocate)	1,500,000
14	WP.No.1744/2010	Mr. Khalid Anwar, Advocate	3,000,000
		Total	**38,240,000**

(Annex-33)

(See Para No. 9.1.4.2)

Statement showing Local currency investments

Sr. No.	Name of bank	Amount of deposits (Rupees in million)
1.	Zarai Taraqiati Bank Ltd.	100.00
2.	Silk Bank Limited	125.00
3.	Summit bank Ltd.	100.00
4.	Bank Al-Habib	110.00
5.	Silk Bank Limited	100.00
6.	JS Bank Limited	100.00
7.	Dubai Islamic Bank Ltd.	75.00
8.	Summit bank Ltd.	110.00
9.	MCB Bank	75.00
10.	Habib Metropolitan Bank Ltd	76.00
11.	Silk Bank Limited	50.00
12.	Sindh Bank	125.00
Total		**1,146.00**

Foreign currency investments

Sr. No.	Name of bank	Amount of deposits (US$ in millions)
1.	UBL	1.050
2.	Allied Bank	2.100
3.	UBL	2.589
4.	Allied Bank	1.530
5.	National Bank of Pakistan	1.000
Total		**8.269**

(Annex-34)

(See Para No.9.1.4.3)

Statement showing detail of revised pay scales 2017 for EPZA employees

Revised pay scales 2017 for EPZA employees										
GOVERNMENT						EPZA				
GRADE	**MIN**	**INCR**	**MAX**	**STG**		**GRADE**	**MIN**	**INCR**	**MAX**	**STG**
BP-19	59,210	3,050	120,210	20		E-V	65,322	4,510	128,462	14
BP-19	59,210	3,050	120,210	20		E-IV	59,210	3,050	120,210	20
BP-18	38,350	2,870	95,750	20		E-III	42,950	2,870	100,352	20
BP-17	30,370	2,300	76,370	20		E-II	31,699	2,300	77,699	20
BP-16	18,910	1,520	64,510	30		E-I	24,016	1,520	69,616	30

(Annex-35)

(See Para No. 9.1.4.7)

Statement showing in detail of investment made on 28-08-2016

	Investment made on 28-08-2016 (in US$)						
S. No	**Bank**	**Status of bidder**	**Investment (US$)**	**Rate of interest in**	**Diff. from highest bidder**	**Loss in USD**	**Loss @ Rs.105/- X col.(7)**
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
1	ABL	Highest bidder	2,346,000	2.20%	-	-	-
2	Bank Al-Habib	Second highest	2,244,000	2.12%	$.0.08%	1795.2	188,496
	Total		**4,590,000**				
	Investment made on 20-09-2017 (in US$)						
1	UBL	Highest bidder	2,589,000	2.75%	-	-	-
2	ABL	Second highest	2,100,000	2.50%	$.0.25 %	5250	551,250
	total		**4,689,000**				
	Investment made on 04-12-2017 (in Rupees)						
1.	Silk bank	Highest bidder	Rs.100 (m)	7.18%	-	-	-
2.	JS Bank	Second highest	Rs.100 (m)	6.70%	0.48%	-	480,000
3.	Dubai Bank	Third Highest	Rs.75 (m)	6.10%	1.08%	-	810,000
	Total		**Rs.275 (m)**				
	Investment made on 02-02-2018						
1.	Silk Bank Ltd.		Rs.50 (m)	6.68%	-	-	
2.	MCB		Rs.75 (m)	6.15%	0.53%	-	397,500
3.	Habib metropolitan		Rs.76 (m)	6.15%	0.53%	-	402,800
	Total		**Rs.201 (m)**				
	Grand total						**Rs. 2,830,046**

(Annex-36)

(See Para No. 9.7.4.2)

Statement showing the details of material reported short / stolen

(Amount in Rs.)

Sr. No.	Location	Item name	Qty	Purchasing Price	Book Value as on June 30, 2017
1	Karachi-GJTMC	External Hard Drive 320 GB	01	6,300	584
2	-do-	Western Digital 500 GB HD	01	5,400	553
3	-do-	Hard Drive 500 GB Seagate	01	6,350	1,660
4	-do-	Seta Hard Drive 500 GB	01	5450	757
5	-do-	Office tables	10	200,100	79,701
6	-do-	Steel reek	01	5,250	2,292
7	-do-	Steel machine box with tank	01	6,500	2,888
8	-do-	Design tables	15	205,043	99,007
9	-do-	Machine tables	20	738,912	356,789
10	-do-	Circular workstations	13	31,938	15,419
11	-do-	Cafeteria table	4	94,490	45,625
12	-do-	24u rack	1	22,678	10,952
13	-do-	Air conditioner 1.5ton	2	154,200	38,652
14	-do-	Multimedia projection screen	1	6,900	1,729
15	-do-	Alfa UPS 1000VA	1	9,798	2,517
16	-do-	Acer digital DLP projector p1166	1	61,800	18,943
17	-do-	APC UPS 500VA	1	5,699	1,957
18	-do-	HD10-handeld dichroscope	1	8,103	3,718
19	Karachi–HO	Acer Aspire notebook	03	230,000	12,511
20	-do-	Printer LaserJet ml-2010	01	6,920	406
21	-do-	Hp Probook 4430s Laptop	01	80,000	13,943
22	-do-	Laptop pavilion dv4-1227tx	01	90,480	7,569
23	-do-	HP color laser jet printer	01	32,480	2,716
24	-do-	Sofa seat	05	87,665	31,316
25	-do-	Wooden Screen	01	12,000	5,744
26	-do-	Conference/ Meeting chairs	07	24,500	11,727
27	-do-	Multimedia projector	01	184,000	39,162
28	-do-	Digital camera Sony s-750	01	15,900	4,298

29	-do-	Nokia mobile 5530	01	20,200	6,271
30	-do-	Multimedia for HO	01	184,000	39,162
31	-do-	Smoke detector	01	34,400	24,187
32	-do-	Sako 650VA UPS PCM 650	01	5,800	5,514
33	-do-	Dual grinder with two diamond grinding wheel	01	87,700	35,521
34	-do-	Dual grinder with two diamond grinding wheel	01	87,701	35,521
35	Lahore	Office tables	01	200,100	79,701
36	-do-	Class room chairs	02	153,698	71,174
37	-do-	Office chairs	01	144,900	71,145
38	-do-	Student chairs	24	289,800	142,290
39	-do-	42u rack	01	26,912	12,778
40	-do-	Class room chairs	01	16,290	8,133
41	-do-	Class room chairs	01	16,290	8,133
42	Lahore	Class room chairs	01	16,290	8,133
43	-do-	Class room chairs	01	16,290	8,133
44	-do-	Class room chairs	01	16,290	8,133
45	-do-	Class room chairs	01	16,290	8,133
46	-do-	Class room chairs	01	16,290	8,133
47	-do-	Class room chairs	01	16,290	8,133
48	-do-	Class room chairs	01	16,290	8,133
49	-do-	Class room chairs	01	16,290	8,133
50	-do-	Class room chairs	01	16,290	8,133
51	-do-	Class room chairs	01	16,290	8,133
52	-do-	Dining table	01	18,100	9,036
53	-do-	Dining table	01	18,100	9,036
54	-do-	Coffee table	01	3,620	1,806
55	-do-	Cabinet	01	4,500	2,505
56	-do-	Cabinet	01	4,000	3,558
57	-do-	Air conditioner 1.5 ton	02	97,500	24,438
58	-do-	Air conditioner 1.5 ton	02	447,975	149,962
59	-do-	APC UPS 500VA	01	5,699	1,957
60	-do-	Scanner	01	31,941	4,906
61	-do-	Laptop	01	56,771	19,603
62	-do-	UPS Mac green 2KVA	01	15,707	11,466
63	-do-	Cabinetry	01	13,200	8,058
64	Peshawar	Metal scissor gate 9*11”	01	46,530	14,085
65	-do-	Executive Chair	01	25,000	13,238
66	-do-	Air compressor	01	18,112	7,797

67	Sargodha	Forgoing hammer	01	8,000	4,318
68	-do-	Forgoing hammer	01	8,000	4,318
69	-do-	Complete double spindle machine	01	120,000	64,789
70	-do-	Stone setting burr set	01	19,000	10,257
71	-do-	Wire and sheet gauge	01	5,800	3,129
72	-do-	Wire and sheet gauge	01	5,800	3,129
73	-do-	Multi form draw plates	01	8,000	4,318
74	-do-	Multi form draw plates	01	8,000	4,318
75	-do-	Multi form draw plates	01	8,000	4,318
76	-do-	Multi form draw plates	01	8,000	4,318
77	-do-	Multi form draw plates	01	8,000	4,318
78	-do-	Multi form draw plates	01	8,000	4,318
79	-do-	Hollow bracelet mandrel	01	11,000	5,940
80	-do-	Adjustable tab die set	01	8,000	4,318
				TOTAL	**1,840,649**

(Annex-37)

(See Para No. 9.7.4.3)

Statement the detail of Pay and Allowances drawing by the CEO

(Amount in Rs.)

Period	Salary Drawn	Salary as per appointment	Increment 10% as per PC-I	Increment	Total Months	Difference per month	Difference
Nov,11to Dec,12	-	300,000	-	-	02	-	-
Jan,12 to Oct,12	400,000	300,000	-	33%	10	100,000	1,000,000
Nov,12 to Jun,13	400,000	-	330,000	-	08	70,000	560,000
July,13 to Oct,13	440,000	-	330,000	-	04	110,000	440,000
Nov,13 to Oct,14	440,000	-	363,000	-	12	77,000	924,000
Nov,14 to June,15	440,000	-	400,000	-	08	40,000	320,000
July, 15 to Oct, 15	484,000	-	440,000		04	44,000	176,000
Total (A)							**3,420,000**
Nov, 15 to June 16	484, 000	(484,000@ 08 months)					3,872,000
July, 16 to Jun, 17	532,400	(532,400 @ 12 months)					6,388,800
July, 17 to Nov, 17	585,640	(585,640 @ 4.5 months)					2,635,380
Total (B)							**12,896,180**
Grand Total (A + B)							**16,316,180**

(Annex-38)
(See Para No. 9.8.4.1)

Statement the detail of irregular payment of pay & Allowances due to non-verification of Degrees

(Amount in Rs.)

Sr. No.	Name	Designation	Salary with drawn on 30-06-2018	Total Salary for 24 months 2016 to 2018
1	Mr. M. Abid Hussain	Director	175,128	4,203,072
2	Mr. M. Syed ulHaque	General Manager	171,692	4,120,608
3	Mr Aslam Soni	General Manager	157,199	3,772,776
4	Mr. Khalid Hussain	Dy.General Manager	163,642	3,927,408
5	MrLaiqurRehman	Dy.General Manager	157,972	3,791,328
6	Mr. RizwanJunaid	Dy.General Manager	145,737	3,497,688
7	MsRuqaiya Siddiqui	C.M.C	146,177	3,508,248
8	MsAsmatBatool	C.M.C	95,845	2,300,280
9	MrMJawaid Siddique	S.M.C	147,939	3,550,536
10	Mr Imran Ghani	Research Officer	94,052	2,257,248
11	Mr. Bilal AftabKhichi	B.D.M.	87,513	262,539
12	Mr. M. Asif	Librarian	105,749	2,537,976
13	Mr M Waseem	Asst Manager	35,955	862,920
14	MrAzhar Ali Rizvi	Dy Manager	84,747	2,033,928
15	Mr Arshad Ali	Asst. Manager	59,745	1,433,880
16	MrQamarFarooqi	Jr Officer	38,379	921,096
17	Mr. M. Ovais	D.G.M.	83,193	1,996,632
18	Mr. WasiurRehman	Asst Manager	60,473	1,451,352
			Total	**46,429,515**

(Annex-39)

(See Para No. 9.8.4.3)

Statement the detail of irregular appointment of employees on contact basis

(Amount in Rs.)

Sr. No	Name of Employees	Date of Joining	Date of Regularize	Status	Contract Salary per month	Total salary as on 30-06-2018
1	Mr. Hamza Hassan	14-03-2016	01-07-2016	Permanent	55,300	1,437,800
2	Mr. M. Waseem	25-04-2016	25-01-2017	Permanent	53,300	1,332,500
3	Mr. Anwar ulHaque	09-03-2017	01-06-2017	Permanent	16,900	236,600
4	Mr.Ahsan Ul Hasnanin	09-01-2017	-	Contract	90,000	1,620,000
5	Mr Imran Arshad	24-04-2018	-	Contract	65,000	130,000
6	Mr Irfan Arshad	14-04-2017	-	Contract	35,000	875,000
7	Mr Moen Irfan	16-04-2018	-	Contract	99,000	198,000
8	Mr. Sarfaraz Rabnawaz	11-07-2017	-	Contract	32,000	768,000
9	Mr Usman Bhatia	01-06-2017	-	Contract	112,000	1,344,000
10	MsSumbul Ahmed	10-09-2018	-	Contract	30,000	30,000
					Total	**7,971,900**

(Annex-40)

(See Para No. 9.9.4.8)

Detail of House Rent Allowance 2017-18

(Amount in Rs.)

Sr. No.	Code	Name of officer	Cadre / group	HRA received with pay	HRA deducted from pay	Difference
1	13	Ghulam Siddique	PSE-III	11,300	10,989	311
2	13	Manzur Hasnain	PSE-III	11,300	7,809	3,491
3	25	Mehboob Ali	PSE-II	11,100	4,012	7,088
4	17	Mujahid Hussain	PSE-II	11,200	6,222	4,978
5	17	Khalid Hussain	PSE-II	11,200	1,255	9,945
6	17	Sirajul Haq	PSE-II	11,200	981	10,219
7	13	Jawaid Iqbal	PSE-III	11,300	4,618	6,682
8	17	Ijaz H. Shah	PSE-II	11,200	5,695	5,505
9	13	Habib-Ur-Rehman	PSE-IV	11,300	4,704	6,596
10	9	S. Abdul Hafeezz	PSE-III	14,000	12,593	1,407

(Annex-41)
(See Para No. 13.3.4.4)

Detail of party wise receivable

Sr. No.	A/c Code	Name of Party / Company	Category	Recoverable Amount
1.	1106	**S.N.G.P.L**	Freight	2,475,442
2.	”	S.S.G.C.L	”	660,236
3.	”	WAPDA	”	1,138,708
4.	”	P.M.T.F	”	73,500
5.	”	National Engg. & Sci. Comm.	”	2,308,900
6.	1108	PARCO	”	140,470,260
7.	”	N.R.L	”	66,493,368
8.	”	P.R.L		36,451,473
9.	1109	Pakistan State Oil	”	247,085,550
10.	1111	Embarkation Commandant	”	156,054,274
11.	”	Naval Stores	”	12,300,677
12.	”	O/C PAF Embk. Unit	”	45,862,432
13.	”	Pakistan Ordnance Factory	”	647,266
14.	”	Store Liasion Officer (PAF)	”	1,123,462
15.	”	D.G.M.P (Navy) Rawalpindi	”	2,308,900
			Total	**715,454,448**

Ageing wise breakup of the aforementioned Trade Debts is as under:

S. No.	Ageing	Amount (Rs.)
1.	Upto 01 month	520,968,352
2.	Upto 03 months	92,679,202
3.	Upto 06 month	56,493,053
4.	Upto 01 year	41,592,157
5.	Upto 02 years	16,828
6.	Upto 03 years	3,704,856
	Total:	**715,454,448**

(Annex-42)

(See Para No.13.3.4.11)

Details of loss due to imprudent investment in Companies' Shares

Company Name	Year	Shares value	PIB interest rate	Interest Amount	Remarks
Siemens	2008	9,742,000	14.47%	12,687,007	Interest Amount calculated for 9 years 2008 to 2016
PSO	2015	44,504,000	8.06%	7,174,045	Interest Amount calculated for 2 years 2015 & 2016
Total Interest Revenue				**19,861,051**	Total Interest Revenue = (12,687,007 + 7,174,045).
PNSC gain Siemens				3,453,000	Cash Dividend Gain by PNSC for 9 years from 2008 to 2016.
PNSC gain PSO				2,993,000	Cash Dividend Gain Rs. 2,993,000 by PNSC for 2 years, Rs. 1,955,000 during 2015 &Rs. 1,038,000 during 2016.
PNSC Total gain				**6,446,000**	Total Gain = (3,453,000 + 2,993,000).
Total loss				**13,415,051**	Total Loss = (Total Interest Revenue Rs. 19,861,051 - PNSC Total Gain Rs. 6,446,000).

(Annex-43)

(See Para No.14.4.4.6)

Statement showing the detail non-recovery from debtors

Sr. No.	Debtors Name	More than 3 years	More than 2 years	More than 1 years	Total amount receivable
	Cargo operation				
1	PSO- handling charges	5,139,790		7,372,689	12,512,479
2	Khan Brothers	9,711,374	8,693,015		18,480,982
A.	**Total**				**30,993,461**
	Land rent				
1	International cargo handling	179,930			179,930
2	Pakistan Navy	242,098			242,098
3	Indus Marine	305,752			305,752
4	Pakistan Steel Mills	22,449,276			22,449,276
B.	**Total**				**23,177,056**
	Utilities Charges				
5	FOTCO	3,317,026		5,575,435	8,890,451
6	F.F.C Jordan		2,830,125		2,830,125
7	ICI Pakistan		1,691,609		1,691,609
C.	**Total**				**13,412,185**
	Grand total (A+B+C)				**67,582,702**

(Annex-44)

(See Para No. 14.4.4.28)

Detail of loss due to irregular reservation of vehicles as Pool vehicles

S.No.	Vehicle Type	No of vehicle	Lite Rs. / month	Exp on fuel for 05 years (Rs.)	Value of vehicles	Depreciation of vehicles for 05 years Rs.	Avrg Repair & Maintenance (50000/year)
1	Toyota Corolla	3	462	8,316,000	1,200,000	3,600,000	750,000
2	Suzuki Cultus	6	370	13,320,000	700,000	4,200,000	1,500,000
3	Suzuki Mehran	1	277	1,662,000	500,000	500,000	250,000
4	Suzuki Bolan	5	252	7,560,000	600,000	3,000,000	1,250,000
5	Suzuki Swift	2		0	1,100,000	2,200,000	500,000
6	Suzuki Jimny	3	370	6,660,000	1,000,000	3,000,000	750,000
		20		**37,518,000**		**16,500,000**	**5,000,000**

	37,518,000
	16,500,000
	5,000,000
Total	**59,018,000**

(Annex-45)

(See Para No. 15.1.4.4)

Statement showing the detail of double payments

Sr. No.	Name of Employer	Total number of active IPs	Total Number of Pensioners	Doubtful payment in Rs. 2016-18	Details of repeated IPs	Details of more than one Registration no issued
		A	B	C=(B×5,250× 2 Years)	D	E
1.	Pakistan National Produce Co. Ltd	398	119	14,994,000	**1.** Abdul Fateh. **2.** Abdul Karim **3.** Abdul Razaq	16000J813442 1600B813385 1600B813439 1600C813465 1600B014208 1600C014215
2.	Asaf Industries Ltd.	465	245	30,870,000	**1.** Abdul Aziz **2.** Abdul Ghafoor 3. Abdul Ghani	1600F806813 1600AB806622 1600E806733 1600C806654 1600B806582 1600A806834
3.	Yaqoob Biscuit Factory	302	80	10,080,000	**1.** Abdul Hakim **2.** Abdul Latif 3. AbulSattar	1600J802108 1600C802317 1600E802349 1600E009349 1600H802095 1600I802183

(Annex-46)

(See Para No. 15.1.4.7)

Statement showing the detail of month wise contribution

Month Wise Contribution Summary						
October 2016 to June 2017						
Month	Year	BAFL DATA*		EOBI DATA**		Short Receipt
		Transaction	Amount	Transaction	Amount	
October	2016	222	591,424	14,895	816,337,985	815,746,561
November	2016	23,441	972,746,387	21,994	1,127,416,388	154,670,001
December	2016	20,081	690,942,765	25,858	1,315,359,930	624,417,165
January	2017	19,880	56,749,735	30,344	1,529,297,749	1,472,548,014
February	2017	23,998	985,762,038	31,592	1,544,399,756	558,637,718
March	2017	25,776	1,083,809,147	33,126	1,655,614,268	571,805,121
April	2017	33,201	1,291,016,230	32,122	1,584,867,561	293,851,331
May	2017	20,443	874,703,338	32,597	1,634,023,993	759,320,655
June	2017	34,860	1,523,039,033	32,097	1,702,982,339	179,943,306
Total (a)		**201,902**	**7,479,360,097**	**254,625**	**12,910,299,969**	**5,430,939,872**

July 2017 to June 2018						
Month	Year	BAFL DATA		EOBI DATA		Short Receipt
		Transaction	Amount	Transaction	Amount	
July	2017	33,696	1,324,952,698	30,977	1,444,597,407	119,644,709
August	2017	34,977	1,350,523,686	30,435	1,418,456,489	67,932,803
September	2017	37,736	1,419,884,028	30,753	1,465,315,073	45,431,045
October	2017	40,199	1,534,408,743	31,965	1,494,346,320	-40,062,423
November	2017	37,190	1,388,071,209	32,013	1,492,677,785	104,606,576
December	2017	37,752	1,440,185,665	31,918	1,523,031,886	82,846,221
January	2018	33,844	1,274,485,766	33,515	1,615,933,729	341,447,963
February	2018	32,199	1,249,939,883	32,226	1,584,284,986	334,345,103
March	2018	33,993	1,235,655,603	33,380	1,622,636,754	386,981,151
April	2018	33,201	1,241,654,140	33,062	1,618,520,301	376,866,161
May	2018	33,423	1,271,851,308	33,426	1,689,071,699	417,220,391
June	2018	-	-	33,488	2,038,290,897	2,038,290,897
Total(b)		**321,586**	**12,218,107,281**	**387,158**	**19,007,163,326**	**6,789,056,045**
Grand Total (a+b)		**523,488**	**19,697,467,378**	**641,783**	**31,917,463,295**	**12,219,995,917**

(Annex-47)

(See Para No. 15.1.4.8)

Detail of non collection of contribution from employers

Detail Outstanding Arrears Before The Financial Year 2017-18		
Sr. No.	**Region**	**Contribution Arrears (Rs. in million)**
1	Nazimabad	171.781
2	Karimabad	189.298
3	City	842.679
4	West Wharf	222.198
5	Karachi Central	576.821
6	Korangi	454.935
7	Bin Qasim	418.761
8	Kotri	67.082
9	Hyderabad	108.968
10	Sukkur	55.148
11	Larkana	81.715
12	Rahim Yar Khan	45.004
13	Muzaffargarh	69.532
14	Multan	185.482
15	Sahiwal	353.038
16	Bahawalpur	106.856
17	Faisalabad Central	74.948
18	Faisalabad South	184.159
19	Faisalabad North	138.531
20	Sargodha	176.206
21	Lahore South	78.223
22	Mangamandi	257.017
23	Lahore Central	133.575
24	Shahdara	198.035
25	Lahore North	42.996
26	Sheikhupura	115.268
27	Gujranwala	171.560
28	Gujrat	95.385
29	Sialkot	110.428
30	Chakwal	122.326
31	Rawalpindi	121.469
32	Islamabad	72.243
33	Hasanabdal	104.302

34	Peshawar	2,311.230
35	Mardan	163.377
36	Abbottabad	128.977
37	Gilgit	98.109
38	Quetta	71.743
39	Hub	16.278
TOTAL -- A		**8,935.703**

Detail outstanding Arrears During 2017-18					
S. No.	**B & Cs**	**Employers' Arrears**	**Employees Arrears**	**Statutory Increase**	**Total Rs. in million**
1	B & C – I	127,923,222	25,549,069	51,253,940	204.726
2	B & C – II	183,910,360	36,784,185	82,554,058	303.248
3	B & C – III	263,966,571	52,674,274	115,615,396	432.256
Total---B		**575,800,153**	**115,007,528**	**249,423,394**	**940.231**
				TOTA ARREARS – A+B	**9,875.934**

(Annex-48)

(See Para No. 15.1.4.9)

Detail of loss due to short fall in contribution targets

(Rs. in million)

Sr. No.	Region	Contribution Yearly Target (2017-18).	Contribution Total Target achieved (2017-18)	% Achieved
1	Nazimabad	1,190.00	950.66	79.9
2	Karimabad	690.00	584.71	84.7
3	City	1,127.00	1,013.51	89.9
4	West Wharf	734.00	524.44	71.4
5	Karachi Central	840.00	769.93	91.7
6	Korangi	1,486.00	1,293.19	87.0
7	Bin Qasim	1,263.00	814.53	64.5
8	Kotri	449.00	281.23	62.6
9	Hyderabad	393.00	315.86	80.4
10	Sukkur	250.00	226.16	90.5
11	Larkana	80.00	63.19	79.0
12	Rahim Yar Khan	260.00	216.28	83.2
13	Muzaffargarh	288.00	192.92	67.0
14	Multan	714.00	544.60	76.3
15	Sahiwal	234.00	203.17	86.8
16	Bahawalpur	168.00	158.61	94.4
17	Faisalabad Central	438.86	344.80	78.6
18	Faisalabad South	699.96	497.18	71.0
19	Faisalabad North	879.68	600.99	68.3
20	Sargodha	280.19	223.10	79.6
21	Lahore South	1,431.00	1,446.27	101.1
22	Mangamandi	1,248.00	736.47	59.0
23	Lahore Central	866.00	750.40	86.7
24	Shahdara	402.00	350.56	87.2
25	Lahore North	1,190.00	1,063.22	89.3
26	Sheikhupura	810.00	383.16	47.3
27	Gujranwala	469.00	350.92	74.8
28	Gujrat	207.00	152.07	73.5
29	Sialkot	463.00	427.59	92.4
30	Chakwal	262.65	195.89	74.6

31	Rawalpindi	662.93	522.64	78.8
32	Islamabad	1,734.44	1,380.00	79.6
33	Hasanabdal	166.90	168.95	101.2
34	Peshawar	585.00	482.24	82.4
35	Mardan	341.92	256.42	75.0
36	Abbottabad	292.13	210.95	72.2
37	Gilgit	55.34	57.67	104.2
38	Quetta	168.00	162.17	96.5
39	Hub	230.00	146.01	63.5
TOTAL		**24,050.00**	**19,062.66**	**79.3**

(Rs. 24,050.00 –Rs.19,062.66 = Rs. 4,986.47 million)

(Annex-49)

(See Para No. 15.1.4.10)

Detail of retention of investments in the category of held for trading

Summary of Investment in Trading Portfolio (HFT)							
As on 30 June 2018 Unaudited							
	Holding			Market Capitalization			
Scrip	Quantity	Cost @ Per Share (Rs.)	Amount (Rs.)	Rate (Rs.)	App/(Dep) (Rs.)	Value (Rs.)	App/(Dep) (Rs.)
PTC	55,893,800	47.69	2,665,671,006	11.44	(36.25)	639,425,072	(2,026,245,934)
NBP	26,580,956	80.44	2,138,060,180	47.37	(33.07)	1,259,139,886	(878,920,294)
AMTEX	22,555,000	14.97	337,659,914	1.30	(13.67)	29,321,500	(308,338,414)
MCB	3,108,472	257.21	799,516,306	197.77	(59.44)	614,762,507	(184,753,799)
ACPL	795,452	305.64	243,118,915	134.48	(171.16)	106,972,385	(136,146,530)
FFBL	10,000,000	42.77	427,665,489	38.60	(4.17)	386,000,000	(41,665,489)
Sub total	**118,933,680**		**6,611,691,811**			**3,035,621,350**	**(3,576,070,460)**
NIT-EMOF (Mutual Fund)	14,631,007	260.6	3,812,840,424	220.96	(39.64)	3,232,867,307	(579,973,117)
Total	**170,864,877**		**10,424,532,235**			**6,268,488,657**	**(4,156,043,578)**
As on 30 June 2017 Unaudited							
PPL	25,429,721	162.26	4,177,085,971	155.05	9.21	3,942,878,241	234,207,730
POL	2,739,160	403.82	1,106,127,591	347.48	56.34	951,803.317	154,324,274
NIB Bank	5,596,800	2.02	11,305,536	1.91	0.11	10,689,888	615,648
Prosperity Weaving	352,000	32.85	11,563,200	30.50	2.35	10,736,000	827,200
APL	184,112	567.22	104,432,009	437.54	129.68	80,556,364	23,875,644
Nestle	10,560	9,751	102,970,560	7300	2451	77,088,000	25,882,560
Sub Total	**34,312353**		**5,513,484,867**			**4,122,900,296**	**439,733,056**
Grand Total	**205,177,230**		**15,938,017,102**			**10,391,388,953**	**(4,595,776,634)**

(Annex-50)

(See Para No. 15.1.4.12)

Detail of loss due to donations by EOBI

(Rs. in million)

Description	Date of Donation	Date of refund	Amount Rs.	1st 3year period SSC rate	Value of investment after three year Rs.	2nd period 3year's SSC rate	Total increase price Rs.	Opportunity loss Rs.
Pakistan Bait-ul-Mall	18-07-12	09-03-18	100	41.795%	141.795	22.80%	170.286	70.286

(Rs. in million)

Description	Amount	1st 3-year SSC rate	Value of Investment after 3 years	2nd period 3-year SSC rate	Total Reserve Price	3rd period 3-year SSC rate	Total Reserve Price	After the 2nd 3-year period	Opportunity Loss during the Tenure of Investment	Date of Mark-up Calculation
Payment to Malakand Relief Fund	100	42.6%	142.6	41.24%	201.4	25.68%	250.9	2.88	150.9	26-Mar-18
Payment to Malakand Relief Fund	50	47.128%	73,5.	39.75%	102.8	19.50%	106.3	0.53	56.3	26-Mar-18
Payment to Malakand Relief Fund	1,000	40.44%	1,404.4	29.82%	1,823.	18.81%	2,002.5	1.57	1,002.5	26-Mar-18
TOTAL	**1,150**				**1,620.5**		**2,359.9**		**1,209.9**	

(Annex-51)

(See Para No. 15.1.4.13)

Detail of extra ordinary delay in settlement of pension claims

Sr. No.	Name of Region	Number of Claims
1	Nazimabad	256
2	Karimabad	136
3	City	264
4	West Wharf	134
5	Karachi Central	161
6	Korangi	49
7	Bin Qasim	68
8	Kotri	112
9	Hyderabad	564
10	Sukkur	2
11	Larkana	24
12	Rahim Yar Khan	108
13	Muzaffargarh	75
14	Multan	229
15	Sahiwal	166
16	Bahawalpur	16
17	Faisalabad Central	293
18	Faisalabad South	30
19	Faisalabad North	310
20	Sargodha	219
21	Lahore South	640
22	Mangamandi	59
23	Lahore Central	235
24	Shahdara	33
25	Lahore North	466
26	Sheikhupura	442
27	Gujranwala	98
28	Gujrat	80
29	Sialkot	230
30	Chakwal	66
31	Rawalpindi	147
32	Islamabad	744
33	Hasanabdal	184

34	Peshawar	371
35	Mardan	251
36	Abbottabad	115
37	Gilgit	7
38	Quetta	120
39	Hub	55
	Total	**7,559**

(Annex-52)

(See Para No. 15.1.4.14)

Detail of loss due to reduction in monthly rent

Sr. No.	Leas period	Rate of rent per Sq.Ft. Rs.	Area Sq. Ft.	Monthly Rental Amount Rs.	Annual Rental Amount Rs.
1.	24-09-2012 to 23-09-2013	212	30,100	6,381,200	76,574,400
2.	24-09-2013 to 23-09-2014	**180**	30,100	5,418,000	65,016,000
3.	24-09-2014 to 23-09-2015	198	30,100	5,959,800	71,517,600
4.	24-09-2015 to 23-09-2016	218	30,100	6,561,800	78,741,600
5	24-09-2016 to 23-09-2017	240	30,100	7,224,000	86,688,000
6.	24-09-2017 to 23-09-2018	275	30,100	8,277,500	99,330,000
			Total	**39,822,300**	**477,867,600**

Sr. No.	Leas period	Rate of rent per Sq.Ft. Rs.	Area Sq.Ft.	Monthly Rent Rs.	Annual Rental Amount Rs.	Annual Rental Loss Rs.
1.	24-09-2012 to 23-09-2013	212	30,100	6,381,200	76,574,400	-
2.	24-09-2013 to 23-09-2014	233	30,100	7,013,300	84,159,600	19,143,600
3.	24-09-2014 to 23-09-2015	257	30,100	7,735,700	92,828,400	21,310,800
4.	24-09-2015 to 23-09-2016	282	30,100	8,488,200	101,858,400	23,116,800
5	24-09-2016 to 23-09-2017	310	30,100	9,331,000	111,972,000	25,284,000
6.	24-09-2017 to 23-09-2018	341	30,100	10,264,100	123,169,200	23,839,200
			Total	**49,213,500**	**590,562,000**	**112,694,400**

(Annex-53)

(See Para No. 15.1.4.16)

Statement showing the detail of IPS

Sr. No.	Particulars	Period of contribution	Total No. of registered Insure Persons (IPs)	Actual no. of IPs	Difference no. of IPS	Number of IPS assessed and Demanded	Rate of contribution	Total amount of contribution received in Rs.	Actual amount of Contribution in Rs.	Less Assessed amount of Rs.
			A	B	C	D	E	F	G=(C×E× Months)	F=(G-F)
1.	Khairpur Sugar Mill	2016-17	240	757	517	20	780	222,112	4,839,120	4,617,008
2.	M/s. Gulf Sugar Mill, Ghotki	2016-17	23	1,114	1,091	30	780	306,633	10,211,760	9,905,127
3.	M/s. SardarGhulam Muhammad Mahar Sugar Mill, Ghotki	2016-17	0	600	600	30	780	312,156	5,616,000	5,303,844
4.	M/s. Deharki Sugar Mill, Ubaro	2015-17	0	1,697	1697	18	780	344,534	31,767,840	31,423,306
5.	M/s. Kiran Sugar Mill, Rohri	2006-08	0	483	483	80	780	1,618,132	9,041,760	7,423,628
									Total	**58,672,913**

(Annex-54)

(See Para No. 15.1.4.17)

Detail of non-recovery of outstanding rent and electricity charges from tenants

Sr. No.	Name of Tenant	Outlet No.	Rent Receivable as on 30.6.2017 (Rs.)	Electricity Charges as on 30.6.2017 (Rs.)	Total Amount Recoverable as on 30.6.2017 (Rs.)
1	Danish Ali	B-08	23,385	1,219	24,604
2	Hussain Advisory (Pvt) Ltd	B-11	-	8,533	8,533
3	NaazishLufi (Global S Network)	B-16	46,776	27,096	73,872
4	D.S House II (High Point)	B-17	74,134	-	74,134
5	Iqbal & Khalil Consultancy Services	G-26/6A	23,426	-	23,426
6	Haider Enterprises (Pvt) Ltd	G-09/I	141,260	21,054	162,314
7	Asmara Juliet (Medifield Nurses)	G-10	205,332	49,896	255,228
8	Shani's (closed)	G-14	86,806	8,825	95,631
9	NJ Collection	G-14	139,364	15,808	155,172
10	Elite Star Fashion (D.M Khan)	G-15	558,370	-	558,370
11	Pakistan Textile Exhibition Center	G-17	881,560	14,717	896,277
12	(Cover Shop-I (Ex Channel Shop)	G-18	19,255	-	19,255
13	Adnan Moin (Photocopier)	G 21	94,316	-	94,316
14	ESCO Process Technologist	G 24	603,352	5,262	608,614
15	Hamid Ali	G-26/7-8	39,933	-	39,933
16	Adnan Manpower Services	GK-04	124,771	-	124,771
17	Zaib Garments	GK-11	215,768	-	215,768
18	Maverick (Pvt) Ltd	B-15	17,152	2,049	19,201
19	Chand International	F-04/I	246,285	6,376	252,661
20	Cyber Café	F-04/3	79,968	14,827	94,795
21	ZA Collection	FK-01	74,300	926	75,226
22	Bilal Engineering	FK-04	6,210	110	6,320
23	Eleven to Eleven (Muhammad Ali)	FK-12	46,715	-	46,715
24	Mobilink BTS System	Roof	49,420	10,442	59,862
25	Potatoes & Potatoes	Stall	20,936	17,963	38,899
26	Ali Farms & Ali Construction	F-03	17,540	-	17,540
27	Shirkat-ul-Hijaz	F-10	196,791	5,129	201,920
28	Cellular City (Ismail & Co)	GK-15	11,019	-	11,019

29	ATM Machine Webks (Pvt) Ltd	Lobby/ATM	-	2,829	2,829
30	A & Zee Enterprises	B-17	-	7,820	7,820
31	Ax-Ford	G-17/A	23,967	-	23,967
32	Hamid Ali	G-26/1&2	9,775	4,497	14,272
33	Development Services (Pvt) Ltd	G-26/5	33,000	239	33,239
34	Peer Agha Hotel	G-28	80,000	16,123	96,123
35	Professional Management Service	FK-14	11,000	874	11,874
36	Hamid Ali (Hot & Cold Bar)	G-20	56,592	-	56,592
37	PRIMACO Office	B-12	29,146	39,696	68,842
38	Passport Office	B-22&23	43,314	-	43,314
39	Sate Life Insurance	G-07	133,850	14,575	148,425
40	NADRA (Swift Centre)	G-22	547,964	65,090	613,054
41	Pakistan Railways Office(Others SP)	G-26/7-A	15,374	-	15,374
42	Nadra (Axford-II)	G-27	139,348	-	139,348
43	NADRA	M-03	-	63,296	63,296
44	Workers Welfare Fund (WWF)	F-05&F-10	153,967	5,200	159,167
45	Ombudsman (Mohtasib)	F-09	39,376	-	39,376
46	PTCL Switch Room	T-05	-	35,760	35,760
47	EOBI City Region	F-06-07	-	200,514	200,514
48	EOBI City Region	F-11	-	99,866	99,866
49	EOBI Loan & Adjudicating Authority	S-01	-	251,156	251,156
50	EOBI Investment Office	T-01	-	464,738	464,738
51	EOBI B & C Department	T-02 & 03	-	370,966	370,966
52	Danish Consultant	M-01	1,936,029	1,737,847	3,673,876
53	Danish Traders II	M-02	3,339,195	1,496,175	4,835,370
54	AAS Construction + Marketing	M-09	2,147,944	1,208,280	3,356,224
55	Danish Group of Companies	F-8	6,762,068	1,248,916	8,010,984
	Total		**19,546,053**	**7,544,689**	**27,090,742**

(Annex-55)
(See Para No. 15.1.4.18)

Detail of non -recovery of Contribution from M/s. Kiran Sugar Mills

Sr. No.	Period of Contribution	Months	Rate	Insured Persons (IPs)	Total Due Amount	Paid amount in Rs.	Short-Payment in Rs.
1.	January-93 to December-94	24	150	338	1,216,800	-	1,216,800
2.	January-95 to December-95	12	150	338	608,400	150,000	458,400
3.	January-96 to December-97	12	150	338	608,400	304,769	303,631
4.	January-98 to June-2001	42	150	338	2,129,400	-	
5.	July-2001 to June-2005	48	170	338	2,758,080	-	
6.	Jul-05 to Jun-06	12	210	338	851,760	-	
7.	Jul-06 to Jun-07	12	280	338	1,135,680	-	
8.	Jul-07 to Jun-08	12	322	338	1,306,032	1,618,132	6,560,820
9.	Jul-08 to Jun-10	24	322	338	2,612,064	-	2,612,064
10.	Jul-10 to Jun-12	24	420	338	3,407,040	-	3,407,040
11.	Jul-12 to Jun-13	12	480	338	1,946,880	-	1,946,880
12.	Jul-13 to Jun-14	12	600	483	3,477,600	-	3,477,600
13.	Jul-14 to Jun-15	12	720	461	3,983,040	-	3,983,040
14.	Jul-15 to August-18	38	780	483	14,316,120	-	14,316,120
						Total	**38,382,385**

(Annex-56)
(See Para No. 15.1.4.25)

Detail of irregular payment of legal fees at exorbitant rates

Sr. No	Name of Advocate	Station/City	Legal fee (Rs.)	No. of cases for which legal fee was paid
1.	M/s AitazazAhsan& Associate	Islamabad	7,800,000	04
2.	Mr. MohsinAkhtarKayani, Advocate	Islamabad	700,000	02
3.	MrsAsmaJehangir, Advocate	Islamabad	3,680,000	06
4.	Mr. AtharMinallah, Advocate	Islamabad	1,700,000	03
5.	Mr. ShaikhZameerHussain, Advocate	Islamabad	500,000	01
6.	Mr. Babar Sattar, Advocate	Islamabad	15,573,000	43
7.	Mr. Muhammad Aamir Khalil Advocate	Islamabad	200,000	01
8.	Mr. Ahmed ShehzadFarooqRana, Advocate	Lahore	1,700,000	07
9.	Mr. Fakhar-ul-ZamanAkhtarTarar, Advocate	Lahore	4,490,000	20
10.	Mr. MansoorUsmanAwan, Advocate	Lahore	450,000	03
11.	Mr. Muhammad AqilAwan, Advocate	Karachi	1,600,000	01
12.	Mr. RazaRabbani, Advocate	Karachi	525,000	01
13.	Mrs. MasoodaSiraj, Advocate	Karachi	965,000	03
14.	Syed Ahmed Ali Shah, Advocate	Karachi	1,260,000	06
15.	Mr. Sarfaraz Ali Metlo, Advocate	Karachi	2,375,000	08
16.	Mr. ManzoorHameed Arian, Advocate	Karachi	420,000	02
17.	Mr. AmeerBux, Advocate	Karachi	370,000	02
18.	Mr. Faraz Ahmed Chandio, Advocate	Hyderabad	275,000	01
Total			**44,583,000**	

(Annex-57)
(See Para No. 15.1.4.29)

Statement of unjustified revision rates

Original Item	Original Cost	Revised item	Revised Cost	Progress of Revised	BOT status
Aluminum curtain wall at exterior elevation	12.521	Replaced with Grey Granite	43.990	43.83%	Not approved
Spanish proclaim tiles	2.622	Lavender blue tiles	18.152	59.24%	Not approved
Total	**15.142**		**62.142**		
Revised-Existing cost. Rs. 62.142- Rs.15.143= **Rs.46.99 million Loss**					

(1) i) Aluminum curtain wall at exterior elevation replaced with Grey Granite.
ii) Lavender blue instead of Spanish proclaim tiles.
(2) i) Projection Slab with ziarat white instead RCC.
ii) Grey Granite sills under curtain wall/window